

CubeSmart
Form 10-Q
August 06, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2012.

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____.

Commission file number:
001-32324 (CubeSmart)
000-54662 (CubeSmart, L.P.)

CUBESMART
CUBESMART, L.P.

(Exact Name of Registrant as Specified in its Charter)

Maryland (CubeSmart)
Delaware (CubeSmart, L.P.)
(State or Other Jurisdiction of
Incorporation or Organization)

460 East Swedesford Road
Wayne, Pennsylvania
(Address of Principal Executive Offices)

20-1024732
34-1837021
(I.R.S. Employer
Identification No.)

19087
(Zip Code)

(610) 293-5700

(Registrant's Telephone Number, Including Area Code)

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.

CubeSmart Yes No o
CubeSmart, L.P. Yes No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

CubeSmart Yes No o
CubeSmart, L.P. Yes No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

CubeSmart:

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

CubeSmart, L.P.:

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

CubeSmart

Yes No

CubeSmart, L.P.

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at August 1, 2012
common shares of CubeSmart, \$.01 par value	123,233,366

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EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended June 30, 2012 of CubeSmart (the Parent Company or CubeSmart) and CubeSmart, L.P. (the Operating Partnership). The Parent Company is a Maryland real estate investment trust, or REIT, that owns its assets and conducts its operations through the Operating Partnership, a Delaware limited partnership, and subsidiaries of the Operating Partnership. The Parent Company, the Operating Partnership and their consolidated subsidiaries are collectively referred to in this report as the Company. In addition, terms such as we , us , or our used in this report may refer to the Company, the Parent Company, or the Operating Partnership.

The Parent Company is the sole general partner of the Operating Partnership and, as of June 30, 2012, owned a 96.5% interest in the Operating Partnership. The remaining 3.5% interest consists of common units of limited partnership interest issued by the Operating Partnership to third parties in exchange for contributions of properties to the Operating Partnership. As the sole general partner of the Operating Partnership, the Parent Company has full and complete authority over the Operating Partnership's day-to-day operations and management.

Management operates the Parent Company and the Operating Partnership as one enterprise. The management teams of the Parent Company and the Operating Partnership are identical, and their constituents are officers of both the Parent Company and of the Operating Partnership.

There are few differences between the Parent Company and the Operating Partnership, which are reflected in the note disclosures in this report. The Company believes it is important to understand the differences between the Parent Company and the Operating Partnership in the context of how these entities operate as a consolidated enterprise. The Parent Company is a REIT, whose only material asset is its ownership of the partnership interests of the Operating Partnership. As a result, the Parent Company does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing public equity from time to time and guaranteeing the debt obligations of the Operating Partnership. The Operating Partnership holds substantially all the assets of the Company and, directly or indirectly, holds the ownership interests in the Company's real estate ventures. The Operating Partnership conducts the operations of the Company's business and is structured as a partnership with no publicly traded equity. Except for net proceeds from equity issuances by the Parent Company, which are contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates the capital required by the Company's business through the Operating Partnership's operations, by the Operating Partnership's direct or indirect incurrence of indebtedness or through the issuance of partnership units of the Operating Partnership or equity interests in subsidiaries of the Operating Partnership.

The substantive difference between the Parent Company's and the Operating Partnership's filings is the fact that the Parent Company is a REIT with public equity, while the Operating Partnership is a partnership with no publicly traded equity. In the financial statements, this difference is primarily reflected in the equity (or capital for Operating Partnership) section of the consolidated balance sheets and in the consolidated statements of equity (or capital). Apart from the different equity treatment, the consolidated financial statements of the Parent Company and the Operating Partnership are nearly identical.

The Company believes that combining the quarterly reports on Form 10-Q of the Parent Company and the Operating Partnership into a single report will:

- facilitate a better understanding by the investors of the Parent Company and the Operating Partnership by enabling them to view the business as a whole in the same manner as management views and operates the business;

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- remove duplicative disclosures and provide a more straightforward presentation in light of the fact that a substantial portion of the disclosure applies to both the Parent Company and the Operating Partnership; and
- create time and cost efficiencies through the preparation of one combined report instead of two separate reports.

To help investors understand the significant differences between the Parent Company and the Operating Partnership, this report presents Item 1 Financial Statements as separate sections for each of the Parent Company and the Operating Partnership.

This report also includes separate Item 4 Controls and Procedures sections, signature pages and Exhibit 31 and 32 certifications for each of the Parent Company and the Operating Partnership in order to establish that the Chief Executive Officer and the Chief Financial Officer of the Parent Company and the Chief Executive Officer and the Chief Financial Officer of the Operating Partnership

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have made the requisite certifications and that the Parent Company and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

In order to highlight the differences between the Parent Company and the Operating Partnership, the separate sections in this report for the Parent Company and the Operating Partnership specifically refer to the Parent Company and the Operating Partnership. In the sections that combine disclosures of the Parent Company and the Operating Partnership, this report refers to such disclosures as those of the Company. Although the Operating Partnership is generally the entity that directly or indirectly enters into contracts and real estate ventures and holds assets and debt, reference to the Company is appropriate because the business is one enterprise and the Parent Company operates the business through the Operating Partnership.

As general partner with control of the Operating Partnership, the Parent Company consolidates the Operating Partnership for financial reporting purposes, and the Parent Company does not have significant assets other than its investment in the Operating Partnership. Therefore, the assets and liabilities of the Parent Company and the Operating Partnership are the same on their respective financial statements. The separate discussions of the Parent Company and the Operating Partnership in this report should be read in conjunction with each other to understand the results of the Company's operations on a consolidated basis and how management operates the Company.

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Filing Format

This combined Form 10-Q is being filed separately by CubeSmart and CubeSmart, L.P.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q, or this Report, together with other statements and information publicly disseminated by the Parent Company and the Operating Partnership, contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements include statements concerning the Company's plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions and other information that is not historical information. In some cases, forward-looking statements can be identified by terminology such as believes, expects, estimates, may, will, should, anticipates, or in negative of such terms or other comparable terminology, or by discussions of strategy. Such statements are based on assumptions and expectations that may not be realized and are inherently subject to risks, uncertainties and other factors, many of which cannot be predicted with accuracy and some of which might not even be anticipated. Although we believe the expectations reflected in these forward-looking statements are based on reasonable assumptions, future events and actual results, performance, transactions or achievements, financial and otherwise, may differ materially from the results, performance, transactions or achievements expressed or implied by the forward-looking statements. As a result, you should not rely on or construe any forward-looking statements in this Report, or which management may make orally or in writing from time to time, as predictions of future events or as guarantees of future performance. We caution you not to place undue reliance on forward-looking statements, which speak only as of the date of this Report or as of the dates otherwise indicated in the statements. All of our forward-looking statements, including those in this Report, are qualified in their entirety by this statement.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in or contemplated by this Report. Any forward-looking statements should be considered in light of the risks and uncertainties referred to in Item 1A. Risk Factors in the Parent Company's and the Operating Partnership's combined Annual Report on Form 10-K for the year ended December 31, 2011 and in our other filings with the Securities and Exchange Commission (SEC). These risks include, but are not limited to, the following:

- national and local economic, business, real estate and other market conditions;
- the competitive environment in which we operate, including our ability to maintain or raise occupancies and rental rates;
- the execution of our business plan;
- the availability of external sources of capital;
- financing risks, including the risk of over-leverage and the corresponding risk of default on our mortgage and other debt and potential inability to refinance existing indebtedness;
- increases in interest rates and operating costs;

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- counterparty non-performance related to the use of derivative financial instruments;
- our ability to maintain our Parent Company's qualification as a real estate investment trust (REIT) for federal income tax purposes;
- acquisition and development risks;
- increases in taxes, fees, and assessments from state and local jurisdictions;
- changes in real estate and zoning laws or regulations;
- risks related to natural disasters;
- potential environmental and other liabilities;

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- other factors affecting the real estate industry generally or the self-storage industry in particular; and
- other risks identified in the Parent Company's and the Operating Partnership's Annual Report on Form 10-K, as amended, and, from time to time, in other reports that we file with the SEC or in other documents that we publicly disseminate.

Given these uncertainties and the other risks identified elsewhere in this Report, we caution readers not to place undue reliance on forward-looking statements. We undertake no obligation to publicly update or revise these forward-looking statements, whether as a result of new information, future events or otherwise except as may be required by securities laws.

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****CUBESMART AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

(unaudited)

	June 30, 2012	December 31, 2011
ASSETS		
Storage facilities	\$ 2,226,295	\$ 2,107,469
Less: Accumulated depreciation	(342,874)	(318,749)
Storage facilities, net	1,883,421	1,788,720
Cash and cash equivalents	137,796	9,069
Restricted cash	6,618	11,291
Loan procurement costs, net of amortization	9,190	8,073
Investment in real estate ventures, at equity	14,087	15,181
Assets held for sale	4,738	
Other assets, net	33,128	43,645
Total assets	\$ 2,088,978	\$ 1,875,979
LIABILITIES AND EQUITY		
Unsecured senior notes, net of discounts	\$ 250,000	\$
Unsecured term loans	500,000	400,000
Mortgage loans and notes payable	244,756	358,441
Accounts payable, accrued expenses and other liabilities	55,453	51,025
Distributions payable	11,712	11,401
Deferred revenue	10,607	9,568
Security deposits	501	490
Total liabilities	1,073,029	830,925
Noncontrolling interests in the Operating Partnership	51,450	49,732
Commitments and contingencies		
Equity		
7.75% Series A Preferred shares \$.01 par value, 3,220,000 shares authorized, 3,100,000 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	31	31
Common shares \$.01 par value, 200,000,000 shares authorized, 122,684,788 and 122,058,919 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	1,227	1,221
Additional paid in capital	1,315,424	1,309,505
Accumulated other comprehensive loss	(18,710)	(12,831)
Accumulated deficit	(372,082)	(342,013)
Total CubeSmart shareholders' equity	925,890	955,913

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Noncontrolling interest in subsidiaries	38,609	39,409
Total equity	964,499	995,322
Total liabilities and equity	\$ 2,088,978	\$ 1,875,979

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUBESMART AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
REVENUES				
Rental income	\$ 61,233	\$ 50,299	\$ 120,338	\$ 99,558
Other property related income	6,988	5,336	12,965	9,849
Property management fee income	1,103	848	2,123	1,757
Total revenues	69,324	56,483	135,426	111,164
OPERATING EXPENSES				
Property operating expenses	27,645	23,856	54,494	48,115
Depreciation and amortization	27,474	15,336	52,992	30,288
General and administrative	6,278	6,841	12,722	12,874
Total operating expenses	61,397	46,033	120,208	91,277
OPERATING INCOME	7,927	10,450	15,218	19,887
OTHER EXPENSE				
Interest:				
Interest expense on loans	(9,249)	(8,020)	(18,570)	(16,133)
Loan procurement amortization expense	(1,114)	(1,396)	(1,886)	(3,031)
Loan procurement amortization expense - early repayment of debt		(2,085)		(2,085)
Loss from early repayment of debt	(31)		(31)	
Acquisition related costs	(313)	(146)	(863)	(255)
Equity in losses of real estate ventures	(210)		(461)	
Other	(107)	(193)	(178)	(187)
Total other expense	(11,024)	(11,840)	(21,989)	(21,691)
LOSS FROM CONTINUING OPERATIONS	(3,097)	(1,390)	(6,771)	(1,804)
DISCONTINUED OPERATIONS				
Income from discontinued operations	246	2,978	662	3,868
Gains on dispositions of discontinued operations	6,206		6,206	
Total discontinued operations	6,452	2,978	6,868	3,868
NET INCOME	3,355	1,588	97	2,064
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interests in the Operating Partnership				
Partnership	(38)	(44)	111	(39)
Noncontrolling interest in subsidiaries	(774)	(642)	(1,508)	(1,240)
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	2,543	902	(1,300)	785
Distribution to Preferred Shares	(1,502)		(3,004)	
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY'S COMMON SHAREHOLDERS	\$ 1,041	\$ 902	\$ (4,304)	\$ 785

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Basic and diluted loss per share from continuing operations attributable to common shareholders	\$	(0.04)	\$	(0.02)	\$	(0.09)	\$	(0.03)
Basic and diluted earnings per share from discontinued operations attributable to common shareholders	\$	0.05	\$	0.03	\$	0.05	\$	0.04
Basic and diluted earnings (loss) per share attributable to common shareholders	\$	0.01	\$	0.01	\$	(0.04)	\$	0.01
Weighted-average basic and diluted shares outstanding		122,599		98,844		122,433		98,807

AMOUNTS ATTRIBUTABLE TO THE COMPANY'S COMMON SHAREHOLDERS:

Loss from continuing operations	\$	(5,185)	\$	(1,939)	\$	(10,925)	\$	(2,905)
Total discontinued operations		6,226		2,841		6,621		3,690
Net income (loss)	\$	1,041	\$	902	\$	(4,304)	\$	785

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUBESMART AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME****(in thousands)****(unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
NET INCOME	\$ 3,355	\$ 1,588	\$ 97	\$ 2,064
Other comprehensive (loss) income:				
Unrealized (loss) gain on interest rate swap	(6,791)	861	(6,103)	861
Unrealized (loss) gain on foreign currency translation	(105)	(24)	19	228
OTHER COMPREHENSIVE (LOSS) INCOME	(6,896)	837	(6,084)	1,089
COMPREHENSIVE (LOSS) INCOME	(3,541)	2,425	(5,987)	3,153
Comprehensive loss (income) attributable to noncontrolling interests in the Operating Partnership	197	(82)	317	(88)
Comprehensive income attributable to noncontrolling interests in subsidiaries	(771)	(666)	(1,509)	(1,272)
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO THE COMPANY	\$ (4,115)	\$ 1,677	\$ (7,179)	\$ 1,793

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

(in thousands)

(unaudited)

	Common Shares Number	Preferred Shares Number	Additional Paid in Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Shareholders Equity	Noncontrolling Interest in Subsidiaries	Total Equity	Noncontrolling Interests in the Operating Partnership		
Balance at December 31, 2011	122,059	\$ 1,221	3,100	\$ 31	\$ 1,309,505	\$ (12,831)	\$ (342,013)	\$ 955,913	\$ 39,409	\$ 995,322	\$ 49,732
Issuance of restricted shares	238	2					2		2		
Exercise of stock options	123	1		971		972		972			
Conversion from shares to units	265	3		3,310		3,313		3,313	(3,313)		
Amortization of restricted shares				1,032		1,032		1,032			
Share compensation expense				606		606		606		606	
Net (loss) income						(1,300)	(1,300)	1,508	208	(111)	
Adjustment for noncontrolling interest in the Operating Partnership						(6,072)	(6,072)		(6,072)	6,072	
Unrealized loss on interest rate swap					(5,897)	(5,897)		(5,897)		(5,897)	(206)
Unrealized gain on foreign currency translation					18	18	1	19			
Preferred distributions						(3,004)	(3,004)			(3,004)	
Common distributions						(19,693)	(19,693)	(2,309)	(22,002)	(724)	
Balance at June 30, 2012	122,685	\$ 1,227	3,100	\$ 31	\$ 1,315,424	\$ (18,710)	\$ (372,082)	\$ 925,890	\$ 38,609	\$ 964,499	\$ 51,450

	Common Shares Number	Preferred Shares Number	Additional Paid in Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Shareholders Equity	Noncontrolling Interest in Subsidiaries	Total Equity	Noncontrolling Interests in the Operating Partnership	
Balance at December 31, 2010	98,597	\$ 986		\$ 1,026,952	\$ (1,121)	\$ (302,601)	\$ 724,216	\$ 41,192	\$ 765,408	\$ 45,145

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Contributions from noncontrolling interests in subsidiaries					7	7			
Issuance of restricted shares	225	2			2		2		
Exercise of stock options	24	1	121		122		122		
Conversion from shares to units	8		85		85		85	(85)	
Amortization of restricted shares			664		664		664		
Share compensation expense			818		818		818		
Net income				785	785	1,240	2,025	39	
Adjustment for noncontrolling interest in the Operating Partnership				(5,305)	(5,305)		(5,305)	5,305	
Unrealized gain on interest rate swap			797		797	25	822	39	
Unrealized gain on foreign currency translation			211		211	7	218	10	
Common distributions				(13,932)	(13,932)	(2,293)	(16,225)	(664)	
Balance at June 30, 2011	98,854	\$ 989	\$ 1,028,640	\$ (113)	\$ (321,053)	\$ 708,463	\$ 40,178	\$ 748,641	\$ 49,789

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUBESMART AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	Six Months Ended June 30,	
	2012	2011
Operating Activities		
Net income	\$ 97	\$ 2,064
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	55,297	34,431
Gains on dispositions of discontinued operations	(6,206)	
Equity compensation expense	1,638	1,482
Accretion of fair market value adjustment of debt	(242)	(57)
Loan procurement amortization expense- early repayment of debt		2,085
Equity in loss of real estate venture	461	
Changes in other operating accounts:		
Other assets	5,873	(3,261)
Restricted cash	3,294	582
Accounts payable and accrued expenses	(2,418)	612
Other liabilities	801	229
Net cash provided by operating activities	\$ 58,595	\$ 38,167
Investing Activities		
Acquisitions, additions and improvements to storage facilities	\$ (101,965)	\$ (56,379)
Cash distributions from real estate venture	633	
Proceeds from sales of properties	22,662	
Decrease (increase) in restricted cash	1,789	(79)
Net cash used in investing activities	\$ (76,881)	\$ (56,458)
Financing Activities		
Proceeds from:		
Revolving credit facility	\$ 246,300	\$ 87,200
Unsecured senior notes, net of discounts	249,638	
Unsecured term loans	100,000	200,000
Mortgage loans and notes payable		3,537
Principal payments on:		
Revolving credit facility	(246,300)	(121,200)
Unsecured term loans		(100,000)
Mortgage loans and notes payable	(175,963)	(36,417)
Settlement of hedge transaction	(195)	
Exercise of stock options	972	121
Contributions from noncontrolling interests in subsidiaries		7
Distributions paid to common shareholders	(19,643)	(13,911)
Distributions paid to preferred shareholders	(2,720)	
Distributions paid to noncontrolling interests in the Operating Partnership	(749)	(697)
Distributions paid to noncontrolling interests in subsidiaries	(2,308)	(2,293)
Loan procurement costs	(2,019)	(2,102)
Net cash provided by financing activities	\$ 147,013	\$ 14,245

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Increase (decrease) in cash and cash equivalents	128,727	(4,046)
Cash and cash equivalents at beginning of period	9,069	5,891
Cash and cash equivalents at end of period	\$ 137,796	\$ 1,845
Supplemental Cash Flow and Noncash Information		
Cash paid for interest, net of interest capitalized	\$ 18,030	\$ 16,370
Supplemental disclosure of noncash activities:		
Acquisition related contingent consideration	\$	\$ 1,791
Derivative valuation adjustment	\$ (5,908)	\$ 861
Foreign currency translation adjustment	\$ 19	\$ 228
Mortgage loan assumption at fair value	\$ 62,467	\$ 7,943

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUBESMART, L.P. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(in thousands)****(unaudited)**

	June 30, 2012	December 31, 2011
ASSETS		
Storage facilities	\$ 2,226,295	\$ 2,107,469
Less: Accumulated depreciation	(342,874)	(318,749)
Storage facilities, net	1,883,421	1,788,720
Cash and cash equivalents	137,796	9,069
Restricted cash	6,618	11,291
Loan procurement costs, net of amortization	9,190	8,073
Investment in real estate ventures, at equity	14,087	15,181
Assets held for sale	4,738	
Other assets, net	33,128	43,645
Total assets	\$ 2,088,978	\$ 1,875,979
LIABILITIES AND CAPITAL		
Unsecured senior notes, net of discounts	\$ 250,000	\$
Unsecured term loan	500,000	400,000
Mortgage loans and notes payable	244,756	358,441
Accounts payable, accrued expenses and other liabilities	55,453	51,025
Distributions payable	11,712	11,401
Deferred revenue	10,607	9,568
Security deposits	501	490
Total liabilities	1,073,029	830,925
Limited Partnership interest of third parties	51,450	49,732
Commitments and contingencies		
Capital		
Operating Partner	944,600	968,744
Accumulated other comprehensive loss	(18,710)	(12,831)
Total CubeSmart L.P. capital	925,890	955,913
Noncontrolling interests in subsidiaries	38,609	39,409
Total capital	964,499	995,322
Total liabilities and capital	\$ 2,088,978	\$ 1,875,979

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUBESMART, L.P. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per common unit data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
REVENUES				
Rental income	\$ 61,233	\$ 50,299	\$ 120,338	\$ 99,558
Other property related income	6,988	5,336	12,965	9,849
Property management fee income	1,103	848	2,123	1,757
Total revenues	69,324	56,483	135,426	111,164
OPERATING EXPENSES				
Property operating expenses	27,645	23,856	54,494	48,115
Depreciation and amortization	27,474	15,336	52,992	30,288
General and administrative	6,278	6,841	12,722	12,874
Total operating expenses	61,397	46,033	120,208	91,277
OPERATING INCOME	7,927	10,450	15,218	19,887
OTHER EXPENSE				
Interest:				
Interest expense on loans	(9,249)	(8,020)	(18,570)	(16,133)
Loan procurement amortization expense	(1,114)	(1,396)	(1,886)	(3,031)
Loan procurement amortization expense - early repayment of debt		(2,085)		(2,085)
Loss from early extinguishment of debt	(31)		(31)	
Acquisition related costs	(313)	(146)	(863)	(255)
Equity in losses of real estate ventures	(210)		(461)	
Other	(107)	(193)	(178)	(187)
Total other expense	(11,024)	(11,840)	(21,989)	(21,691)
LOSS FROM CONTINUING OPERATIONS	(3,097)	(1,390)	(6,771)	(1,804)
DISCONTINUED OPERATIONS				
Income from discontinued operations	246	2,978	662	3,868
Gains on dispositions of discontinued operations	6,206		6,206	
Total discontinued operations	6,452	2,978	6,868	3,868
NET INCOME	3,355	1,588	97	2,064
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interest in subsidiaries	(774)	(642)	(1,508)	(1,240)
NET INCOME (LOSS) ATTRIBUTABLE TO CUBESMART L.P.				
Limited Partnership interest of third parties	(38)	(44)	111	(39)
NET INCOME (LOSS) ATTRIBUTABLE TO OPERATING PARTNER				
Distribution to Preferred Units	(1,502)		(3,004)	
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON UNITHOLDERS				
	\$ 1,041	\$ 902	\$ (4,304)	\$ 785

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Basic and diluted loss per unit from continuing operations attributable to common unitholders	\$	(0.04)	\$	(0.02)	\$	(0.09)	\$	(0.03)
Basic and diluted earnings per unit from discontinued operations attributable to common unitholders	\$	0.05	\$	0.03	\$	0.05	\$	0.04
Basic and diluted earnings (loss) per unit attributable to common unitholders	\$	0.01	\$	0.01	\$	(0.04)	\$	0.01
Weighted-average basic and diluted shares outstanding		122,599		98,844		122,433		98,807

AMOUNTS ATTRIBUTABLE TO COMMON UNITHOLDERS

Loss from continuing operations	\$	(5,185)	\$	(1,939)	\$	(10,925)	\$	(2,905)
Total discontinued operations		6,226		2,841		6,621		3,690
Net income (loss)	\$	1,041	\$	902	\$	(4,304)	\$	785

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUBESMART, L.P. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME****(in thousands)****(unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
NET INCOME	\$ 3,355	\$ 1,588	\$ 97	\$ 2,064
Other comprehensive income:				
Unrealized (loss) gain on interest rate swap	(6,791)	861	(6,103)	861
Unrealized (loss) gain on foreign currency translation	(105)	(24)	19	228
OTHER COMPREHENSIVE (LOSS) INCOME	(6,896)	837	(6,084)	1,089
COMPREHENSIVE (LOSS) INCOME	(3,541)	2,425	(5,987)	3,153
Comprehensive loss (income) attributable to Limited Partnership interest of third parties	197	(82)	317	(88)
Comprehensive income attributable to noncontrolling interests in subsidiaries	(771)	(666)	(1,509)	(1,272)
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO OPERATING PARTNER	\$ (4,115)	\$ 1,677	\$ (7,179)	\$ 1,793

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITAL

(in thousands)

(unaudited)

	Number of OP Units Outstanding		Operating Partner	Accumulated Other Comprehensive (Loss) Income	CubeSmart L.P. Capital	Noncontrolling Interest in Subsidiaries	Total Capital	Limited Partnership Interest of Third Parties
	Common	Preferred						
Balance at December 31, 2011	122,059	3,100	\$ 968,744	\$ (12,831)	\$ 955,913	\$ 39,409	\$ 995,322	\$ 49,732
Issuance of restricted units	238		2		2		2	
Exercise of unit options	123		972		972		972	
Conversion from units to shares	265		3,313		3,313		3,313	(3,313)
Amortization of restricted units			1,032		1,032		1,032	
Unit compensation expense			606		606		606	
Net (loss) income			(1,300)		(1,300)	1,508	208	(111)
Adjustment for Limited Partnership interest of third parties			(6,072)		(6,072)		(6,072)	6,072
Unrealized loss on interest rate swap				(5,897)	(5,897)		(5,897)	(206)
Unrealized gain on foreign currency translation				18	18	1	19	
Preferred distributions			(3,004)		(3,004)		(3,004)	
Common distributions			(19,693)		(19,693)	(2,309)	(22,002)	(724)
Balance at June 30, 2012	122,685	3,100	\$ 944,600	\$ (18,710)	\$ 925,890	\$ 38,609	\$ 964,499	\$ 51,450

	Number of OP Units Outstanding		Operating Partner	Accumulated Other Comprehensive (Loss) Income	CubeSmart L.P. Capital	Noncontrolling Interest in Subsidiaries	Total Capital	Limited Partnership Interest of Third Parties
	Common	Preferred						
Balance at December 31, 2010	98,597		\$ 725,337	\$ (1,121)	\$ 724,216	\$ 41,192	\$ 765,408	\$ 45,145
Contributions from noncontrolling interests in subsidiaries						7	7	
Issuance of restricted units	225		2		2		2	
Exercise of unit options	24		122		122		122	
Conversion from units to shares	8		85		85		85	(85)
Amortization of restricted units			664		664		664	
Unit compensation expense			818		818		818	
Net income			785		785	1,240	2,025	39
Adjustment for Limited Partnership interest of third parties			(5,305)		(5,305)		(5,305)	5,305
Unrealized gain on interest rate swap				797	797	25	822	39
Unrealized gain on foreign currency translation				211	211	7	218	10
Common distributions			(13,932)		(13,932)	(2,293)	(16,225)	(664)
Balance at June 30, 2011	98,854		\$ 708,576	\$ (113)	\$ 708,463	\$ 40,178	\$ 748,641	\$ 49,789

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See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Six Months Ended June 30,	
	2012	2011
Operating Activities		
Net income	\$ 97	\$ 2,064
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	55,297	34,431
Gains on dispositions of discontinued operations	(6,206)	
Equity compensation expense	1,638	1,482
Accretion of fair market value adjustment of debt	(242)	(57)
Loan procurement amortization expense- early repayment of debt		2,085
Equity in loss of real estate venture	461	
Changes in other operating accounts:		
Other assets	5,873	(3,261)
Restricted cash	3,294	582
Accounts payable and accrued expenses	(2,418)	612
Other liabilities	801	229
Net cash provided by operating activities	\$ 58,595	\$ 38,167
Investing Activities		
Acquisitions, additions and improvements to storage facilities	\$ (101,965)	\$ (56,379)
Cash distributions from real estate venture	633	
Proceeds from sales of properties	22,662	
Decrease (increase) in restricted cash	1,789	(79)
Net cash used in investing activities	\$ (76,881)	\$ (56,458)
Financing Activities		
Proceeds from:		
Revolving credit facility	\$ 246,300	\$ 87,200
Unsecured senior notes, net of discounts	249,638	
Unsecured term loans	100,000	200,000
Mortgage loans and notes payable		3,537
Principal payments on:		
Revolving credit facility	(246,300)	(121,200)
Unsecured term loans		(100,000)
Mortgage loans and notes payable	(175,963)	(36,417)
Settlement of hedge transaction	(195)	
Exercise of unit options	972	121
Contributions from noncontrolling interests in subsidiaries		7
Distributions paid to common unitholders	(20,392)	(14,608)
Distributions paid to preferred unitholders	(2,720)	
Distributions paid to noncontrolling interests in subsidiaries	(2,308)	(2,293)
Loan procurement costs	(2,019)	(2,102)
Net cash provided by financing activities	\$ 147,013	\$ 14,245

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Increase (decrease) in cash and cash equivalents		128,727		(4,046)
Cash and cash equivalents at beginning of period		9,069		5,891
Cash and cash equivalents at end of period	\$	137,796	\$	1,845
Supplemental Cash Flow and Noncash Information				
Cash paid for interest, net of interest capitalized	\$	18,030	\$	16,370
Supplemental disclosure of noncash activities:				
Acquisition related contingent consideration	\$		\$	1,791
Derivative valuation adjustment	\$	(5,908)	\$	861
Foreign currency translation adjustment	\$	19	\$	228
Mortgage loan assumption at fair value	\$	62,467	\$	7,943

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART AND CUBESMART, L.P.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF OPERATIONS

CubeSmart (the Parent Company) operates as a self-managed and self-administered real estate investment trust (REIT) with its operations conducted solely through CubeSmart, L.P. and its subsidiaries. CubeSmart, L.P., a Delaware limited partnership (the Operating Partnership), operates through an umbrella partnership structure, with the Parent Company, a Maryland real estate investment trust, as its sole general partner. In the notes to the consolidated financial statements, we use the terms the Company, we or our to refer to the Parent Company and the Operating Partnership together, unless the context indicates otherwise. The Company's self-storage facilities (collectively, the Properties) are located in 25 states throughout the United States and the District of Columbia and are presented under one reportable segment: the Company owns, operates, develops, manages and acquires self-storage facilities.

As of June 30, 2012, the Parent Company owned approximately 96.5% of the partnership interests (OP Units) of the Operating Partnership. The remaining OP Units, consisting exclusively of limited partner interests, are held by persons who contributed their interests in properties to us in exchange for OP Units. Under the partnership agreement, these persons have the right to tender their OP Units for redemption to the Operating Partnership at any time for cash equal to the fair value of an equivalent number of common shares of the Parent Company. In lieu of delivering cash, however, the Parent Company, as the Operating Partnership's general partner, may, at its option, choose to acquire any OP Units so tendered by issuing common shares in exchange for the tendered OP Units. If the Parent Company so chooses, its common shares will be exchanged for OP Units on a one-for-one basis. This one-for-one exchange ratio is subject to adjustment to prevent dilution. With each such exchange or redemption, the Parent Company's percentage ownership in the Operating Partnership will increase. In addition, whenever the Parent Company issues common or other classes of its shares, it contributes the net proceeds it receives from the issuance to the Operating Partnership and the Operating Partnership issues to the Parent Company an equal number of OP Units or other partnership interests having preferences and rights that mirror the preferences and rights of the shares issued. This structure is commonly referred to as an umbrella partnership REIT or UPREIT.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC regarding interim financial reporting and, in the opinion of each of the Parent Company's and Operating Partnership's respective management, include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of financial position, results of operations and cash flows for each respective company for the interim periods presented in accordance with generally accepted accounting principles in the United States (GAAP). Accordingly, readers of this Quarterly Report on Form 10-Q should refer to the Parent Company's and the Operating Partnership's audited financial statements prepared in accordance with GAAP, and the related notes thereto, for the year ended December 31, 2011, which are included in the Parent Company's and the Operating Partnership's Annual Report on Form 10-K for the fiscal year ended December 31, 2011. The results of operations for the three and six months ended June 30, 2012 and 2011 are not necessarily indicative of the results of operations to be expected for any future period or the full year.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued an amendment to the accounting standard for the presentation of comprehensive income. The amendment requires entities to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In addition, the amendment requires entities to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. This amendment became effective for fiscal years and interim periods beginning after December 15, 2011. The Company's adoption of the new standard as of January 1, 2012 did not have a material impact on its consolidated financial position or results of operations as the amendment relates only to changes in financial statement presentation.

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In May 2011, the FASB issued an update to the accounting standard for measuring and disclosing fair value. The update modifies the wording used to describe the requirements for fair value measuring and for disclosing information about fair value measurements to improve consistency between U.S. GAAP and International Financial Reporting Standards (IFRS). This update is effective for the annual and interim periods beginning after December 15, 2011. The adoption of this guidance in 2012 did not have a material impact on the Company's consolidated financial position or results of operations as its impact was limited to disclosure requirements.

3. STORAGE FACILITIES

The book value of the Company's real estate assets is summarized as follows:

	June 30, 2012	December 31, 2011
	(in thousands)	
Land	\$ 429,952	\$ 417,067
Buildings and improvements	1,661,539	1,574,769
Equipment	127,551	110,371
Construction in progress (a)	7,253	5,262
Total	2,226,295	2,107,469
Less accumulated depreciation	(342,874)	(318,749)
Storage facilities net	\$ 1,883,421	\$ 1,788,720

(a) The June 30, 2012 construction in progress balance includes project costs of \$0.4 million related to the rebranding initiative and \$1.0 million related to the store upgrade initiative. The December 31, 2011 construction in progress balance includes project costs of \$1.6 million related to the rebranding initiative and \$0.7 million related to the store upgrade initiative.

As assets become fully depreciated, the carrying values are removed from their respective asset categories and accumulated depreciation. During the six months ended June 30, 2012 and 2011, \$7.3 million and \$23.9 million of assets, respectively, became fully depreciated and were removed from storage facilities and accumulated depreciation.

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The following table summarizes the Company's acquisition and disposition activity during the period beginning on January 1, 2011 and ended June 30, 2012:

Facility/Portfolio	Location	Transaction Date	Number of Facilities	Purchase / Sales Price (in thousands)
<i>2012 Acquisitions:</i>				
Houston Asset	Houston, TX	February 2012	1	\$ 5,100
Dunwoody Asset	Dunwoody, GA	February 2012	1	6,900
Storage Deluxe Assets	Multiple locations in NY and CT	February/ April 2012	5	133,676
Mansfield Asset	Mansfield, TX	June 2012	1	4,970
			8	\$ 150,646
<i>2012 Dispositions:</i>				
Michigan Assets	Multiple locations in MI	June 2012	3	\$ 6,362
Gulf Coast Assets	Multiple locations in LA, AL and MS	June 2012	5	16,800
			8	\$ 23,162
<i>2011 Acquisitions:</i>				
Burke Lake Asset	Fairfax Station, VA	January 2011	1	\$ 14,000
West Dixie Asset	Miami, FL	April 2011	1	13,500
White Plains Asset	White Plains, NY	May 2011	1	23,000
Phoenix Asset	Phoenix, AZ	May 2011	1	612
Houston Asset	Houston, TX	June 2011	1	7,600
Duluth Asset	Duluth, GA	July 2011	1	2,500
Atlanta Assets	Atlanta, GA	July 2011	2	6,975
District Heights Asset	District Heights, MD	August 2011	1	10,400
Storage Deluxe Assets	Multiple locations in NY, CT, and PA	November 2011	16	357,310
Leesburg Asset	Leesburg, VA	November 2011	1	13,000
Washington, DC Asset	Washington, DC	December 2011	1	18,250
			27	\$ 467,147
<i>2011 Dispositions:</i>				
Flagship Assets	Multiple locations in IN and OH	August 2011	18	\$ 43,500
Portage Asset	Portage, MI	November 2011	1	1,700
			19	\$ 45,200

4. ACQUISITIONS

Storage Deluxe Acquisition

During the six months ended June 30, 2012, as part of the \$560 million Storage Deluxe transaction involving 22 Class A self-storage facilities located primarily in the greater New York City area, the Company acquired five properties with a purchase price of approximately \$133.7 million. The five properties purchased are located in New York and Connecticut. In connection with the acquisitions, the Company allocated a

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portion of the purchase price to the intangible value of in-place leases which aggregated \$7.9 million. The estimated life of these in-place leases is 12 months and the amortization expense that was recognized during the three and six months ended June 30, 2012 was approximately \$1.7 million and \$2.1 million, respectively. In connection with the five acquired facilities, the Company assumed mortgage debt, at fair value, with a net book value of \$62.5 million, which includes an outstanding principal balance totaling \$59.6 million and a net premium of \$2.9 million in addition to the face value of the assumed

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debt to reflect the fair values of the debt at the time of assumption. The Company expects to close the acquisition of the last property in the Storage Deluxe portfolio during the third quarter of 2012, subject to due diligence/regulatory conditions.

On November 3, 2011, the Company acquired 16 properties from Storage Deluxe for a purchase price of approximately \$357.3 million. The 16 properties purchased are located in New York, Connecticut and Pennsylvania. In connection with this acquisition, the Company allocated a portion of the purchase price to the intangible value of in-place leases which aggregated \$18.1 million. The estimated life of these in-place leases is 12 months and the amortization expense that was recognized during the three and six months ended June 30, 2012 was approximately \$4.5 million and \$9.0 million, respectively.

Other 2012 Acquisitions

During the six months ended June 30, 2012, the Company acquired three self-storage facilities located in Texas and Georgia for an aggregate purchase price of approximately \$17.0 million. In connection with these acquisitions, the Company allocated a portion of the purchase price to the intangible value of in-place leases which aggregated \$1.8 million. The estimated life of these in-place leases is 12 months and the amortization expense that was recognized during the three and six months ended June 30, 2012 was approximately \$0.3 million and \$0.5 million, respectively.

Other 2011 Acquisitions

During 2011, the Company acquired 11 self-storage facilities located throughout the United States for an aggregate purchase price of approximately \$109.8 million. In connection with these acquisitions, the Company allocated a portion of the purchase price to the intangible value of in-place leases which aggregated \$7.0 million. The estimated life of these in-place leases is 12 months and the amortization expense that was recognized during the three and six months ended June 30, 2012 was approximately \$1.3 million, and \$3.0 million, respectively. In connection with three of the acquisitions, the Company assumed mortgage debt, at fair value, with a net book value of \$21.8 million, which included an outstanding principal balance totaling \$21.4 million and a net premium of \$0.4 million in addition to the face value of the assumed debt to reflect the fair values of the debt at the time of assumption.

5. INVESTMENT IN UNCONSOLIDATED REAL ESTATE VENTURES

On September 26, 2011, the Company contributed \$15.4 million in cash for a 50% interest in a partnership, that owns nine storage facilities in Pennsylvania, Virginia, New York, New Jersey and Florida (collectively the HSRE Venture - HSREV). The other partner holds the remaining 50% interest in HSREV.

HSREV is not consolidated because the Company is not the primary beneficiary, the limited partners have the ability to dissolve or remove the Company from the partnership without cause and the Company does not possess substantive participating rights. The Company accounts for its unconsolidated interests in its real estate ventures using the equity method. The Company's investment in HSREV is included in Investment in real estate ventures, at equity on the Company's consolidated balance sheet and earnings attributable to HSREV are presented in Equity in losses

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of real estate ventures on the Company's consolidated statements of operations.

The Company's investment in real estate ventures, at equity was \$14.1 million at June 30, 2012, and the Company's equity in losses of real estate ventures for the six months ended June 30, 2012 was approximately \$0.5 million.

The amounts reflected in the following tables are based on the historical financial information of the real estate venture.

The following is a summary of the financial position of the real estate venture as of June 30, 2012 and December 31, 2011 (in thousands):

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	June 30, 2012	December 31, 2011
Assets		
Net property	\$ 76,039	\$ 78,677
Other assets	2,234	2,242
Total Assets	\$ 78,273	\$ 80,919
Liabilities and equity		
Other liabilities	\$ 1,015	\$ 867
Debt (a)	59,663	60,083
Equity:		
CubeSmart (b)	8,714	9,984
Joint venture partner	8,881	9,985
Total Liabilities and equity	\$ 78,273	\$ 80,919

(a) The real estate venture's debt matures on July 31, 2014, and bears interest at 6%. HSREV's creditors have no recourse to the general credit of the Company.

(b) The difference between the Company's share of the net assets of the unconsolidated real estate ventures and the Company's investment in real estate ventures per the accompanying consolidated balance sheets relates primarily to purchase price adjustments that are recorded by the Company on its financial statements in accordance with GAAP, but are not reflected in the above summary of the financial position of the real estate venture.

The following is a summary of results of operations of the real estate venture for the three and six months ended June 30, 2012 (in thousands):

	Three months ended		Six months ended
	June 30, 2012		
Revenue	\$ 2,421	\$	4,803
Operating expenses	996		1,953
Interest expense, net	903		1,810
Depreciation and amortization	897		1,794
Net loss	(375)		(754)
Company's share of loss	(210)		(461)

6. UNSECURED SENIOR NOTES

On June 26, 2012, the Operating Partnership issued \$250 million in aggregate principal amount of unsecured senior notes due July 15, 2022 (the senior notes) which bear interest at a rate of 4.80%. Net proceeds from the offering were used to repay \$129 million in outstanding debt under the Company's \$300 million unsecured revolving credit facility. The Company intends to use the remaining net proceeds from this offering for general corporate purposes, which may include acquisitions, investments in joint ventures and repayment or repurchase of other indebtedness. The senior notes had an effective interest rate of 4.82% at June 30, 2012. The indenture under which the unsecured senior notes were issued

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restricts the ability of the Operating Partnership and its subsidiaries to incur debt unless the Operating Partnership and its consolidated subsidiaries comply with a leverage ratio not to exceed 60% and an interest coverage ratio of no less than 1.5:1 after giving effect to the incurrence of the debt. The indenture also restricts the ability of the Operating Partnership and its subsidiaries to incur secured debt unless the Operating Partnership and its consolidated subsidiaries comply with a secured debt leverage ratio not to exceed 40% after giving effect to the incurrence of the debt. The indenture also contains other financial and customary covenants, including a covenant not to own unencumbered assets with a value less than 150% of the unsecured indebtedness of the Operating

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Partnership and its consolidated subsidiaries. The Operating Partnership is currently in compliance with all its financial covenants under the senior notes.

7. UNSECURED CREDIT FACILITY AND UNSECURED TERM LOANS

On June 20, 2011, the Company entered into an unsecured Term Loan Agreement (the Term Loan Facility) which consisted of a \$100 million term loan with a five-year maturity and a \$100 million term loan with a seven-year maturity. The Term Loan Facility permits the Company to request additional advances of five-year or seven-year loans in minimum increments of \$5 million provided that the aggregate of such additional advances does not exceed \$50 million. The Company incurred costs of \$2.1 million in connection with executing the agreement and capitalized such costs as a component of loan procurement costs, net of amortization on the consolidated balance sheet. Pricing on the Term Loan Facility ranges, depending on the Company's leverage levels, from 1.90% to 2.75% over LIBOR for the five-year loan, and from 2.05% to 2.85% over LIBOR for the seven-year loan, and each loan has no LIBOR floor. As of December 31, 2011, the Company had received two investment grade ratings, and therefore pricing on the Term Loan Facility ranges from 1.45% to 2.10% over LIBOR for the five-year loan, and from 1.60% to 2.25% over LIBOR for the seven-year loan.

On December 9, 2011, the Company entered into a new credit facility comprised of a \$100 million unsecured term loan maturing in December 2014; a \$200 million unsecured term loan maturing in March 2017; and a \$300 million unsecured revolving facility maturing in December 2015 (the Credit Facility). The Credit Facility replaces in its entirety our previous facility.

Pricing on the Credit Facility depends on the Company's unsecured debt credit rating. At our current Baa3/BBB- level, amounts drawn under the revolving facility are priced at 1.80% over LIBOR, with no LIBOR floor. Amounts drawn under the term loan portion of the Credit Facility are priced at 1.75% over LIBOR, with no LIBOR floor.

As of June 30, 2012, \$200 million of unsecured term loan borrowings were outstanding under the Term Loan Facility, \$300 million of unsecured term loan borrowings were outstanding under the Credit Facility, and \$300 million was available for borrowing on the unsecured revolving portion of the Credit Facility. The Company had interest rate swaps as of June 30, 2012, that fix LIBOR on \$200 million of borrowings under the Credit Facility maturing in March 2017 at 1.34%. In addition, at June 30, 2012, the Company had interest rate swaps that fix LIBOR on both the five and seven-year term loans under the Term Loan Facility through their respective maturity dates. The interest rate swap agreements fix thirty day LIBOR over the terms of the five and seven-year term loans at 1.80% and 2.47%, respectively. As of June 30, 2012, borrowings under the Credit Facility and Term Loan Facility had a weighted average interest rate of 3.26%.

The Term Loan Facility was fully drawn at June 30, 2012 and no further borrowings may be made under that facility. The Company's ability to borrow under the Credit Facility is subject to ongoing compliance with certain financial covenants which include:

- Maximum total indebtedness to total asset value of 60.0% at any time;
- Minimum fixed charge coverage ratio of 1.50:1.00; and

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- Minimum tangible net worth of \$821,211,200 plus 75% of net proceeds from equity issuances after June 30, 2010.

Further, under the Credit Facility and Term Loan Facility, the Company is restricted from paying distributions on our common shares that would exceed an amount equal to the greater of (i) 95% of our funds from operations, and (ii) such amount as may be necessary to maintain the Parent Company's REIT status.

The Company is currently in compliance with all of its financial covenants and anticipates being in compliance with all of its financial covenants through the terms of the Credit Facility and Term Loan Facility.

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The Company's mortgage loans and notes payable are summarized as follows:

Mortgage Loan	Carrying Value as of:		Effective Interest Rate	Maturity Date	
	June 30, 2012	December 31, 2011			
	(dollars in thousands)				
YSI 53	\$	\$	9,100	5.93%	Jul-12
YSI 6			74,834	5.13%	Aug-12
YASKY			80,000	4.96%	Sep-12
YSI 14		1,674	1,703	5.97%	Jan-13
YSI 7		2,997	3,032	6.50%	Jun-13
YSI 8		1,713	1,733	6.50%	Jun-13
YSI 9		1,884	1,906	6.50%	Jun-13
YSI 17		3,918	3,987	6.32%	Jul-13
YSI 27		471	481	5.59%	Nov-13
YSI 30		6,909	7,049	5.59%	Nov-13
USIFB		7,178	7,125	4.80%	Dec-13
YSI 11		2,314	2,350	5.87%	Jan-14
YSI 5		3,051	3,100	5.25%	Jan-14
YSI 28		1,485	1,509	5.59%	Mar-14
YSI 37		2,154	2,174	7.25%	Aug-14
YSI 44		1,055	1,070	7.00%	Sep-14
YSI 41		3,720	3,775	6.60%	Sep-14
YSI 45		5,307	5,353	6.75%	Oct-14
YSI 48		18,360	24,870	7.25%	Nov-14
YSI 50		2,229	2,260	6.75%	Dec-14
YSI 10		3,970	4,011	5.87%	Jan-15
YSI 15		1,808	1,832	6.41%	Jan-15
YSI 52		4,803	4,884	5.44%	Jan-15
YSI 58		9,116		5.90%	Jan-15
YSI 29		13,158		5.17%	Aug-15
YSI 20		59,552	60,551	5.97%	Nov-15
YSI 51		7,375	7,423	6.36%	Oct-16
YSI 31		13,285	13,414	6.75%	Jun-19(a)
YSI 35		4,419	4,464	6.90%	Jul-19(a)
YSI 32		5,893	5,950	6.75%	Jul-19(a)
YSI 33		11,045	11,157	6.42%	Jul-19
YSI 39		3,834	3,867	6.50%	Sep-19(a)
YSI 47			3,091	6.63%	Jan-20(a)
YSI 26		9,176		5.45%	Nov-20
YSI 57		3,221		5.45%	Nov-20
YSI 55		24,674		5.30%	Jun-21
Unamortized fair value adjustment		3,008	386		
Total mortgage loans and notes payable	\$	244,756	\$	358,441	

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(a) These borrowings have a fixed interest rate for the first five-years of their term, and the rate then resets and remains constant over the final five-years of the loan term.

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The following table represents the future principal payment requirements on the outstanding mortgage loans and notes payable at June 30, 2012 (in thousands):

2012	\$	2,917
2013		31,846
2014		56,323
2015		86,219
2016		8,265
2017 and thereafter		56,178
Total mortgage payments		241,748
Plus: Unamortized fair value adjustment		3,008
Total mortgage indebtedness	\$	244,756

The Company currently intends to fund its remaining 2012 and 2013 principal payment requirements from cash provided by operating activities, new debt originations, and/or additional borrowings under its unsecured Credit Facility (\$300 million available as of June 30, 2012).

9. DERIVATIVE FINANCIAL INSTRUMENTS

The Company's use of derivative instruments is limited to the utilization of interest rate agreements or other instruments to manage interest rate risk exposures and not for speculative purposes. The principal objective of such arrangements is to minimize the risks and/or costs associated with the Company's operating and financial structure, as well as to hedge specific transactions. The counterparties to these arrangements are major financial institutions with which the Company and its subsidiaries may also have other financial relationships. The Company is potentially exposed to credit loss in the event of non-performance by these counterparties. However, because of the high credit ratings of the counterparties, the Company does not anticipate that any of the counterparties will fail to meet these obligations as they come due. The Company does not hedge credit or property value market risks.

The Company has entered into interest rate swap agreements that qualify and are designated as cash flow hedges designed to reduce the impact of interest rate changes on its variable rate debt. Therefore, the interest rate swaps are recorded in the consolidated balance sheet at fair value and the related gains or losses are deferred in shareholders' equity as Accumulated Other Comprehensive Loss. These deferred gains and losses are amortized into interest expense during the period or periods in which the related interest payments affect earnings. However, to the extent that the interest rate swaps are not perfectly effective in offsetting the change in value of the interest payments being hedged, the ineffective portion of these contracts is recognized in earnings immediately.

The Company formally assesses, both at inception of a hedge and on an on-going basis, whether each derivative is highly-effective in offsetting changes in cash flows of the hedged item. If management determines that a derivative is highly-effective as a hedge, then the Company accounts for the derivative using hedge accounting, pursuant to which gains or losses inherent in the derivative do not impact the Company's results of operations. If management determines that a derivative is not highly-effective as a hedge or if a derivative ceases to be a highly-effective hedge, the Company will discontinue hedge accounting prospectively and will reflect in its statement of operations realized and unrealized gains and losses in respect of the derivative.

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The following table summarizes the terms and fair values of the Company's derivative financial instruments at June 30, 2012 and December 31, 2011, respectively (dollars in thousands):

Hedge Product	Hedge Type	Notional Amount	Strike	Effective Date	Maturity	Fair Value	
						June 30, 2012	December 31, 2011
Cap	Cash flow	\$ 100,000	2.0000%	2/1/2011	1/31/2012	\$	\$
Swap	Cash flow (a)	\$ 40,000	1.8025%	6/20/2011	6/20/2016	(1,862)	(1,494)
Swap	Cash flow (a)	\$ 40,000	1.8025%	6/20/2011	6/20/2016	(1,861)	(1,502)
Swap	Cash flow (a)	\$ 20,000	1.8025%	6/20/2011	6/20/2016	(928)	(727)
Swap	Cash flow (a)	\$ 75,000	1.3360%	12/30/2011	3/31/2017	(2,024)	(907)
Swap	Cash flow (a)	\$ 50,000	1.3360%	12/30/2011	3/31/2017	(1,319)	(484)
Swap	Cash flow (a)	\$ 50,000	1.3360%	12/30/2011	3/31/2017	(1,323)	(485)
Swap	Cash flow (a)	\$ 25,000	1.3375%	12/30/2011	3/31/2017	(673)	(319)
Swap	Cash flow (a)	\$ 40,000	2.4590%	6/20/2011	6/20/2018	(3,299)	(2,553)
Swap	Cash flow (a)	\$ 40,000	2.4725%	6/20/2011	6/20/2018	(3,348)	(2,628)
Swap	Cash flow (a)	\$ 20,000	2.4750%	6/20/2011	6/20/2018	(1,665)	(1,295)
						\$ (18,302)	\$ (12,394)

(a) Hedging unsecured variable rate debt by fixing 30-day LIBOR.

The Company measures its derivative instruments at fair value and records them in the balance sheet as either an asset or liability. The effective portions of changes in the fair value of the derivatives are reported in accumulated other comprehensive income (loss).

During the three months ended June 30, 2012, the Company paid \$0.2 million to settle a swap associated with the unsecured senior note offering. The Company recorded this amount to accumulated other comprehensive loss and will amortize the amount over the life of the notes.

10. FAIR VALUE MEASUREMENTS

The Company applies the methods of determining fair value as described in authoritative guidance, to value its financial assets and liabilities. As defined in the guidance, fair value is based on the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, the guidance establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

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Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considering counterparty credit risk in its assessment of fair value.

Financial assets and liabilities carried at fair value as of June 30, 2012 are classified in the table below in one of the three categories described above (dollars in thousands):

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	Level 1	Level 2	Level 3
Interest Rate Swap Derivative Liabilities	\$	\$ 18,302	\$
Total liabilities at fair value	\$	\$ 18,302	\$

Financial assets and liabilities carried at fair value as of December 31, 2011 are classified in the table below in one of the three categories described above (dollars in thousands):

	Level 1	Level 2	Level 3
Interest Rate Swap Derivative Liabilities	\$	\$ 12,394	\$
Total liabilities at fair value	\$	\$ 12,394	\$

Financial assets and liabilities carried at fair value were classified as Level 2 inputs. For financial liabilities that utilize Level 2 inputs, the Company utilizes both direct and indirect observable price quotes, including LIBOR yield curves, bank price quotes for forward starting swaps, NYMEX futures pricing and common stock price quotes. Below is a summary of valuation techniques for Level 2 financial liabilities:

- Interest rate swap derivative assets and liabilities valued using LIBOR yield curves at the reporting date. Counterparties to these contracts are most often highly rated financial institutions, none of which experienced any significant downgrades in 2011 or during the six months ended June 30, 2012 that would reduce the amount owed by the Company. Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with the Company's derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by the Company and the counterparties. However, as of June 30, 2012 the Company has assessed the significance of the effect of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The fair values of financial instruments, including cash and cash equivalents, accounts receivable and accounts payable approximates their respective carrying values at June 30, 2012 and December 31, 2011. The Company had fixed interest rate loans with a carrying value of \$894.8 million and \$758.4 million at June 30, 2012 and December 31, 2011, respectively. The estimated fair values of these fixed rate loans were \$886.2 million and \$736.3 million at June 30, 2012 and December 31, 2011, respectively. The Company had a variable interest rate loan with a carrying value of \$100.0 million at June 30, 2012. The estimated fair value of the variable interest rate loan approximates its carrying value due to its floating rate nature and market spreads. This estimate is based on a discounted cash flow analysis assuming market interest rates for comparable obligations at June 30, 2012. The Company estimates the fair value of its fixed rate debt and the credit spreads over variable market rates on its variable rate debt by discounting the future cash flows of each instrument at estimated market rates or credit spreads consistent with the maturity of the debt obligation with similar credit policies, which is classified within level 2 of the fair value hierarchy. Rates and credit spreads take into consideration general market conditions and maturity.

11. NONCONTROLLING INTERESTS

Variable Interests in Consolidated Real Estate Joint Ventures

On August 13, 2009, the Company, through a wholly-owned affiliate, formed a joint venture (HART) with an affiliate of Heitman, LLC (Heitman) to own and operate 22 self-storage facilities, which are located throughout the United States. Upon

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formation, Heitman contributed approximately \$51 million of cash to a newly-formed limited partnership and the Company contributed certain unencumbered wholly-owned properties with an agreed upon value of approximately \$102 million to such limited partnership. In exchange for its contribution of those properties, the Company received a cash distribution from HART of approximately \$51 million and retained a 50% interest in HART. The Company is the managing partner of HART and the manager of the properties owned by HART in exchange for a market rate management fee.

The Company determined that HART is a variable interest entity, and that the Company is the primary beneficiary. Accordingly, the Company consolidates the assets, liabilities and results of operations of HART. The 50% interest that is owned by Heitman is reflected as noncontrolling interest in subsidiaries within permanent equity, separate from the Company's equity on the consolidated balance sheets. At June 30, 2012, HART had total assets of \$86.1 million, including \$83.8 million of storage facilities, net and total liabilities of \$2.2 million.

USIFB, LLP (the Venture) was formed to own, operate, acquire and develop self-storage facilities in England. The Company owns a 97% interest in the Venture through a wholly-owned subsidiary and the Venture commenced operations at two facilities in London, England during 2008. The Company determined that the Venture is a variable interest entity, and that the Company is the primary beneficiary. Accordingly, the Company consolidates the assets, liabilities and results of operations of the Venture. At June 30, 2012, the Venture had total assets of \$11.4 million and total liabilities of \$7.7 million, including two mortgage loans totaling \$7.2 million secured by storage facilities with a net book value of \$11.1 million. At June 30, 2012, the Venture's creditors had no recourse to the general credit of the Company.

Operating Partnership Ownership

The Company follows guidance regarding the classification and measurement of redeemable securities. Under this guidance, securities that are redeemable for cash or other assets, at the option of the holder and not solely within the control of the issuer, must be classified outside of permanent equity/capital. This classification results in certain outside ownership interests being included as redeemable noncontrolling interests outside of permanent equity/capital in the consolidated balance sheets. The Company makes this determination based on terms in applicable agreements, specifically in relation to redemption provisions.

Additionally, with respect to redeemable ownership interests in the Limited Partnership held by third parties for which CubeSmart has a choice to settle the redemption by delivery of its own shares, the Operating Partnership considered the guidance regarding accounting for derivative financial instruments indexed to, and potentially settled in, a company's own shares, to evaluate whether CubeSmart controls the actions or events necessary to presume share settlement. The guidance also requires that noncontrolling interests classified outside of permanent capital be adjusted each period to the greater of the carrying value based on the accumulation of historical cost or the redemption value.

Approximately 3.5% and 3.7% of the outstanding OP Units as of June 30, 2012 and December 31, 2011, respectively, were not owned by CubeSmart, the sole general partner. The interests in the Operating Partnership represented by these OP Units were a component of the consideration that the Operating Partnership paid to acquire certain self-storage facilities. The holders of the OP Units are limited partners in the Operating Partnership and have the right to require CubeSmart to redeem all or part of their OP Units for, at the general partner's option, an equivalent number of common shares of CubeSmart or cash based upon the fair value of an equivalent number of common shares of CubeSmart. However, the partnership agreement contains certain provisions that could result in a settlement outside the control of CubeSmart and the Operating Partnership, as CubeSmart does not have the ability to settle in unregistered shares. Accordingly, consistent with the guidance, the Operating Partnership will record the OP Units owned by third parties outside of permanent capital in the consolidated balance sheets. Net income or loss related to the OP Units owned by third parties is excluded from net income or loss attributable to Operating Partner in the consolidated statements of operations.

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The per Unit cash redemption amount would equal the average of the closing prices of the common shares of CubeSmart on the New York Stock Exchange for the 10 trading days ending prior to CubeSmart's receipt of the redemption notice for the applicable Unit. At June 30, 2012 and December 31, 2011, 4,408,730 and 4,674,136 OP units were outstanding, respectively, and the calculated aggregate redemption value of outstanding OP units was based upon CubeSmart's average closing share prices. Based on the Company's evaluation of the redemption value of the redeemable noncontrolling interest, the Company has reflected these interests at their redemption value at June 30, 2012 and December 31, 2011, as the estimated redemption value exceeded their carrying value. The Operating Partnership recorded an increase to OP Units owned by third parties and a corresponding decrease to capital of \$6.1 million and \$7.1 million at June 30, 2012 and December 31, 2011, respectively.

Table of Contents**12. RELATED PARTY TRANSACTIONS**

During 2005 and 2006, the Operating Partnership entered into various office lease agreements with Amsdell and Amsdell, an entity owned by Robert Amsdell and Barry Amsdell (each a former Trustee of the Company). Pursuant to these lease agreements, the Operating Partnership rented office space in the Airport Executive Park, an office and flex development located in Cleveland, Ohio, which is owned by Amsdell and Amsdell. The Company's independent Trustees approved the terms of, and entry into, each of the office lease agreements by the Operating Partnership. In addition to monthly rent, the office lease agreements require the Operating Partnership to reimburse Amsdell and Amsdell for certain maintenance and improvements to the leased office space. The aggregate amount of payments by the Company to Amsdell and Amsdell under these lease agreements for each of the three months ended June 30, 2012 and June 30, 2011 was approximately \$0.1 million. Additionally, the aggregate amount of payments for each of the six months ended June 30, 2012 and June 30, 2011 was approximately \$0.2 million. The Company vacated the office space owned by Amsdell and Amsdell in 2007, but remains obligated under certain terms of the lease agreements through 2014. Subsequently, the Company entered into a sublease agreement for a portion of the space with a third party for the remainder of the lease term.

Total future minimum rental payments under the related party lease agreements as of June 30, 2012 are as follows:

	Due to Related Party Amount		Due from Subtenant Amount
	(in thousands)		
2012	\$ 238	\$	157
2013	499		314
2014	499		315
	\$ 1,236	\$	786

13. DISCONTINUED OPERATIONS

For the three and six months ended June 30, 2012, discontinued operations relates to eight properties that the Company sold during 2012 and one property that was held for sale as of June 30, 2012. For the three and six months ended June 30, 2011, discontinued operations relates to eight properties that the Company sold during 2012, one property that was held for sale as of June 30, 2012, 19 properties sold during 2011 and proceeds received in 2011 in conjunction with eminent domain proceedings on our North H Street asset during 2009. Each of the sales during 2012 resulted in the recognition of a gain, which in the aggregate totaled \$6.2 million.

The following table summarizes the revenue and expense information for the period the Company owned the properties classified as discontinued operations during the three and six months ended June 30, 2012 and 2011 (in thousands):

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	For the three months ended June 30,		For the six months ended June 30,	
	2012	2011	2012	2011
REVENUES				
Rental income	\$ 897	\$ 4,511	\$ 1,900	\$ 7,114
Other property related income	100	306	195	557
Total revenues	997	4,817	2,095	7,671
OPERATING EXPENSES				
Property operating expenses	531	1,231	968	2,573
Depreciation and amortization	220	608	465	1,230
Total operating expenses	751	1,839	1,433	3,803
OPERATING INCOME	246	2,978	662	3,868
Income from discontinued operations	246	2,978	662	3,868
Gain on disposition of discontinued operations	6,206		6,206	
Income from discontinued operations	\$ 6,452	\$ 2,978	\$ 6,868	\$ 3,868

14. PRO FORMA FINANCIAL INFORMATION

During the six months ended June 30, 2012, the Company acquired eight self-storage facilities for an aggregate purchase price of approximately \$150.6 million (see note 4).

The condensed consolidated pro forma financial information set forth below reflects adjustments to the Company's historical financial data to give effect to each of the acquisitions and related financing activity (including the issuance of common shares) that occurred during 2012 and 2011 as if each had occurred as of January 1, 2011 and 2010. The pro forma information presented below does not purport to represent what the Company's actual results of operations would have been for the periods indicated, nor does it purport to represent the Company's future results of operations.

The following table summarizes, on a pro forma basis, the Company's consolidated results of operations for the six months ended June 30, 2012 and 2011 based on the assumptions described above:

	Six Months Ended June 30,	
	2012	2011
(in thousands, except per share data)		
Pro forma revenue	\$ 136,430	\$ 127,814
Pro forma net loss from continuing operations	\$ 5,620	\$ (9,897)
Net loss per common share from continuing operations		
Basic and diluted - as reported	\$ (0.09)	\$ (0.03)
Basic and diluted - as pro forma	\$ 0.03	\$ (0.11)

The following table summarizes the Company's revenue and earnings related to the 2012 and 2011 acquisitions since the acquisition dates, included in the consolidated income statement for the three and six months ended June 30, 2012 and 2011:

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	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
	(in thousands)			
Total revenue	\$ 11,924	\$ 1,251	\$ 21,753	\$ 1,664
Net income	(6,519)	(170)	(12,337)	(129)

15. SUBSEQUENT EVENTS

On July 5, 2012, the Company repaid the YSI 31 and YSI 32 mortgage loans, scheduled to mature on June 1, 2019 and July 1, 2019, respectively, totaling approximately \$19.1 million with available cash from the issuance of the senior notes in June 2012.

Subsequent to June 30, 2012, the Company acquired eight facilities located in Texas, Virginia, Connecticut and New York for \$116.4 million (including the assumption of \$42.8 million of debt).

On August 1, 2012, the Company repaid the YSI 37 mortgage loan of approximately \$2.2 million that was scheduled to mature on August 5, 2014, with available cash from the issuance of the senior notes in June 2012.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report. The Company makes certain statements in this section that are forward-looking statements within the meaning of the federal securities laws. For a discussion of forward-looking statements, see the section in this report entitled "Forward-Looking Statements." Certain risk factors may cause actual results, performance or achievements to differ materially from those expressed or implied by the following discussion. For a discussion of such risk factors, see the section entitled "Risk Factors" in the Parent Company's and Operating Partnership's combined Annual Report on Form 10-K for the year ended December 31, 2011.

Overview

The Company is an integrated self-storage real estate company, and as such we have in-house capabilities in the operation, design, development, leasing, management and acquisition of self-storage facilities. The Parent Company's operations are conducted solely through the Operating Partnership and its subsidiaries. The Parent Company has elected to be taxed as a REIT for U.S. federal income tax purposes. As of June 30, 2012 and December 31, 2011, the Company owned 370 self-storage facilities, respectively, totaling approximately 24.4 million rentable square feet, respectively. As of June 30, 2012, the Company owned facilities in the District of Columbia and the following 22 states: Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Maryland, Massachusetts, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, Utah, Virginia and Wisconsin. In addition, as of June 30, 2012, the Company managed 106 properties for third parties bringing the total number of properties which it owned and/or managed to 476. As of June 30, 2012, the Company managed facilities in the District of Columbia and the following 20 states: Arkansas, California, Colorado, Connecticut, Florida, Georgia, Illinois, Massachusetts, Maryland, Michigan, New Hampshire, Minnesota, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Tennessee, Texas and Virginia.

The Company derives revenues principally from rents received from its customers who rent cubes at its self-storage facilities under month-to-month leases. Therefore, our operating results depend materially on our ability to retain our existing customers and lease our available self-storage cubes to new customers while maintaining and, where possible, increasing our pricing levels. In addition, our operating results depend on the ability of our customers to make required rental payments to us. We have a decentralized approach to the management and operation of our facilities, which places an emphasis on local, market level oversight and control. We believe this approach allows us to respond quickly and effectively to changes in local market conditions, and to maximize revenues by managing rental rates and occupancy levels.

The Company typically experiences seasonal fluctuations in the occupancy levels of our facilities, which are generally slightly higher during the summer months due to increased moving activity.

The United States continues to recover from an economic downturn that resulted in higher unemployment, stagnant employment growth, shrinking demand for products, large-scale business failures and tight credit markets. Our results of operations may be sensitive to changes in overall economic conditions that impact consumer spending, including discretionary spending, as well as to increased bad debts due to recessionary pressures. A continuation of or slow recovery from ongoing adverse economic conditions affecting disposable consumer income, such as employment levels, business conditions, interest rates, tax rates, fuel and energy costs, and other matters could reduce consumer spending or cause consumers to shift their spending to other products and services. A general reduction in the level of discretionary spending or shifts in consumer discretionary spending could adversely affect our growth and profitability.

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In the future, the Company intends to focus on maximizing internal growth opportunities and selectively pursuing targeted acquisitions and developments of self-storage facilities.

The Company has one reportable segment: we own, operate, develop, manage and acquire self-storage facilities.

The Company's self-storage facilities are located in major metropolitan and rural areas and have numerous tenants per facility. No single tenant represents a significant concentration of our revenues. The facilities in Florida, New York, California and Texas provided approximately 16%, 15%, 11% and 10%, respectively, of total revenues for the six months ended June 30, 2012.

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Summary of Critical Accounting Policies and Estimates

Set forth below is a summary of the accounting policies and estimates that management believes are critical to an understanding of the unaudited consolidated financial statements included in this report. These policies require the application of judgment and assumptions by management and, as a result, are subject to a degree of uncertainty. Due to this uncertainty, actual results could differ from estimates calculated and utilized by management.

Self-Storage Facilities

The Company records self-storage facilities at cost less accumulated depreciation. Depreciation on the buildings and equipment is recorded on a straight-line basis over their estimated useful lives, which range from five to 40 years. Expenditures for significant renovations or improvements that extend the useful life of assets are capitalized. Repairs and maintenance costs are expensed as incurred.

When facilities are acquired, the purchase price is allocated to the tangible and intangible assets acquired and liabilities assumed based on estimated fair values. When a portfolio of facilities is acquired, the purchase price is allocated to the individual facilities based upon an income approach or a cash flow analysis using appropriate risk adjusted capitalization rates, which take into account the relative size, age and location of the individual facility along with current and projected occupancy and rental rate levels or appraised values, if available. Allocations to the individual assets and liabilities are based upon comparable market sales information for land, buildings and improvements and estimates of depreciated replacement cost of equipment.

In allocating the purchase price for an acquisition, the Company determines whether the acquisition includes intangible assets or liabilities. The Company allocates a portion of the purchase price to an intangible asset attributable to the value of in-place leases. This intangible asset is generally amortized to expense over the expected remaining term of the in-place leases. Substantially all of the leases in place at acquired facilities are at market rates, as the majority of the leases are month-to-month contracts. Accordingly, to date no portion of the purchase price for an acquired property has been allocated to above- or below-market lease intangibles. To date, no intangible asset has been recorded for the value of tenant relationships, because the Company does not have any concentrations of significant tenants and the average tenant turnover is fairly frequent.

Long-lived assets classified as held for use are reviewed for impairment when events and circumstances such as declines in occupancy and operating results indicate that there may be impairment. The carrying value of these long-lived assets is compared to the undiscounted future net operating cash flows, plus a terminal value, attributable to the assets to determine if the property's basis is recoverable. If a property's basis is not considered recoverable, an impairment loss is recorded to the extent the net carrying value of the asset exceeds the fair value. The impairment loss recognized equals the excess of net carrying value over the related fair value of the asset. There were no impairment losses recognized in accordance with these procedures during 2012, 2011 and 2010.

The Company considers long-lived assets to be held for sale upon satisfaction of the following criteria: (a) management commits to a plan to sell a facility (or group of facilities), (b) the facility is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such facilities, (c) an active program to locate a buyer and other actions required to complete the plan to sell the facility have been initiated, (d) the sale of the facility is probable and transfer of the asset is expected to be completed within one year, (e) the facility is

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being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (f) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Typically these criteria are all met when the relevant asset is under contract, significant non-refundable deposits have been made by the potential buyer, the assets are immediately available for transfer and there are no contingencies related to the sale that may prevent the transaction from closing. In most transactions, these contingencies are not satisfied until the actual closing of the transaction; accordingly, the facility is not identified as held for sale until the closing actually occurs. However, each potential transaction is evaluated based on its separate facts and circumstances. Properties classified as held for sale are reported at the lesser of carrying value or fair value less estimated costs to sell.

Storage Deluxe Acquisition

During the six months ended June 30, 2012, as part of the \$560 million Storage Deluxe transaction involving 22 Class A self-storage facilities located primarily in the greater New York City area, the Company acquired five properties with a purchase price of approximately \$133.7 million. The five properties purchased are located in New York and Connecticut. In connection with the

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acquisitions, the Company allocated a portion of the purchase price to the intangible value of in-place leases which aggregated \$7.9 million. The estimated life of these in-place leases is 12 months and the amortization expense that was recognized during the three and six months ended June 30, 2012 was approximately \$1.7 million and \$2.1 million, respectively. In connection with the five acquired facilities, the Company assumed mortgage debt, at fair value, with a net book value of \$62.5 million, which includes an outstanding principal balance totaling \$59.6 million and a net premium of \$2.9 million in addition to the face value of the assumed debt to reflect the fair values of the debt at the time of assumption. The one remaining Storage Deluxe property is expected to close during the third quarter of 2012.

On November 3, 2011, the Company acquired 16 properties from Storage Deluxe for a purchase price of approximately \$357.3 million. The 16 properties purchased are located in New York, Connecticut and Pennsylvania. In connection with this acquisition, the Company allocated a portion of the purchase price to the intangible value of in-place leases which aggregated \$18.1 million. The estimated life of these in-place leases is 12 months and the amortization expense that was recognized during the three and six months ended June 30, 2012 was approximately \$4.5 million and \$9.0 million, respectively.

Other 2012 Acquisitions

During the six months ended June 30, 2012, the Company acquired three self-storage facilities located in Texas and Georgia for an aggregate purchase price of approximately \$17.0 million. In connection with these acquisitions, the Company allocated a portion of the purchase price to the intangible value of in-place leases which aggregated \$1.8 million. The estimated life of these in-place leases is 12 months and the amortization expense that was recognized during the three and six months ended June 30, 2012 was approximately \$0.3 million and \$0.5 million, respectively.

Other 2011 Acquisitions

During 2011, the Company acquired 11 self-storage facilities located throughout the United States for an aggregate purchase price of approximately \$109.8 million. In connection with these acquisitions, the Company allocated a portion of the purchase price to the intangible value of in-place leases which aggregated \$7.0 million. The estimated life of these in-place leases is 12 months and the amortization expense that was recognized during the three and six months ended June 30, 2012 was approximately \$1.3 million, and \$3.0 million, respectively. In connection with three of the acquisitions, the Company assumed mortgage debt, at fair value, with a net book value of \$21.8 million, which included an outstanding principal balance totaling \$21.4 million and a net premium of \$0.4 million in addition to the face value of the assumed debt to reflect the fair values of the debt at the time of assumption.

Revenue Recognition

Management has determined that all of our leases with tenants are operating leases. Rental income is recognized in accordance with the terms of the lease agreements or contracts, which generally are month-to-month.

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The Company recognizes gains on disposition of properties only upon closing in accordance with the guidance on sales of real estate. Payments received from purchasers prior to closing are recorded as deposits. Profit on real estate sold is recognized using the full accrual method upon closing when the collectability of the sales price is reasonably assured and the Company is not obligated to perform significant activities after the sale. Profit may be deferred in whole or in part until the sale meets the requirements of profit recognition on sales under this guidance.

Share-Based Payments

We apply the fair value method of accounting for contingently issued shares and share options issued under our equity incentive plans. Accordingly, share compensation expense is recorded ratably over the vesting period relating to such contingently issued shares and options. The Company has elected to recognize compensation expense on a straight-line method over the requisite service period.

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Noncontrolling Interests

Noncontrolling interests are the portion of equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent. The ownership interests in the subsidiary that are held by owners other than the parent are noncontrolling interests. In accordance with authoritative guidance issued on noncontrolling interests in consolidated financial statements, such noncontrolling interests are reported on the consolidated balance sheets within equity/capital, separately from the Parent Company's equity/capital. The guidance also requires that noncontrolling interests are adjusted each period so that the carrying value equals the greater of its carrying value based on the accumulation of historical cost or its redemption value. On the consolidated statements of operations, revenues, expenses and net income or loss from less-than-wholly-owned subsidiaries are reported at the consolidated amounts, including both the amounts attributable to the Parent Company and noncontrolling interests. Presentation of consolidated equity/capital activity is included for both quarterly and annual financial statements, including beginning balances, activity for the period and ending balances for shareholders' equity/capital, noncontrolling interests and total equity/capital.

Investments in Unconsolidated Real Estate Ventures

The Company accounts for its investments in unconsolidated real estate ventures under the equity method of accounting. Under the equity method, investments in unconsolidated joint ventures are recorded initially at cost, as investments in real estate entities, and subsequently adjusted for equity in earnings (losses), cash contributions, less distributions and impairments. On a periodic basis, management also assesses whether there are any indicators that the fair value of the Company's investments in unconsolidated real estate entities may be other than temporarily impaired. An investment is impaired only if the fair value of the investment, as estimated by management, is less than the carrying value of the investment and the decline is other than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the fair value of the investment, as estimated by management. The determination as to whether an impairment exists requires significant management judgment about the fair value of its ownership interest. Fair value is determined through various valuation techniques, including but not limited to, discounted cash flow models, quoted market values and third party appraisals.

Recent Accounting Pronouncements

In June 2011, the FASB issued an amendment to the accounting standard for the presentation of comprehensive income. The amendment requires entities to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In addition, the amendment requires entities to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. This amendment became effective for fiscal years and interim periods beginning after December 15, 2011. The Company's adoption of the new standard as of January 1, 2012 did not have a material impact on its consolidated financial position or results of operations as the amendment relates only to changes in financial statement presentation.

In May 2011, the FASB issued an update to the accounting standard for measuring and disclosing fair value. The update modifies the wording used to describe the requirements for fair value measuring and for disclosing information about fair value measurements to improve consistency between U.S. GAAP and International Financial Reporting Standards (IFRS). This update is effective for the annual and interim periods beginning after December 15, 2011. The adoption of this guidance in 2012 did not have a material impact on our consolidated financial position or results of operations as its impact was limited to disclosure requirements.

Results of Operations

The following discussion of our results of operations should be read in conjunction with the consolidated financial statements and the accompanying notes thereto. Historical results set forth in the consolidated statements of operations reflect only the existing facilities and should not be taken as indicative of future operations. The Company considers its same-store portfolio to consist of only those facilities owned and operated on a stabilized basis at the beginning and at the end of the applicable years presented. We consider a property to be stabilized once it has achieved an occupancy rate representative of similar self-storage assets in the respective markets for a full year measured as of the most recent January 1 or has otherwise been placed in-service and has not been significantly damaged by natural disaster or undergone significant renovation. Same-store results are considered to be useful to investors in evaluating our performance because it provides information relating to changes in facility-level operating performance

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without taking into account the effects of acquisitions, developments or dispositions. At June 30, 2012, there were 330 same-store properties and 40 non same-store properties, of which 27 were 2011 acquisitions, eight were 2012 acquisitions, and five were properties that were not stabilized, damaged by natural disaster or had undergone significant renovation.

Acquisition and Development Activities

The comparability of the Company's results of operations is affected by the timing of acquisition and disposition activities during the periods reported. At June 30, 2012 and 2011, the Company owned 370 and 367 self-storage facilities and related assets, respectively. The following table summarizes the change in number of owned self-storage facilities from January 1, 2011 through June 30, 2012:

	2012	2011
Balance - January 1	370	363
Facilities acquired	6	1
Facilities sold		
Balance - March 31	376	364
Facilities acquired	2	4
Facilities consolidated		(1)
Facilities sold	(8)	
Balance - June 30	370	367
Facilities acquired		4
Facilities sold		(18)
Balance - September 30		353
Facilities acquired		18
Facilities sold		(1)
Balance - December 31		370

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Comparison of the three months ended June 30, 2012 to the three months ended June 30, 2011 (in thousands, except store count, occupancies and rates)

	Same-Store Property Portfolio				Non Same-Store Properties		Other/ Eliminations		Total Portfolio			
	2012	2011	Increase/ (Decrease)	% Change	2012	2011	2012	2011	2012	2011	Increase/ (Decrease)	% Change
REVENUES:												
Rental income	\$ 49,719	\$ 48,615	\$ 1,104	2.3%	\$ 11,514	\$ 1,684	\$	\$	\$ 61,233	\$ 50,299	\$ 10,934	22%
Other property related income	5,214	4,735	479	10.1%	1,213	237	561	364	6,988	5,336	1,652	31%
Property management fee income				0.0%			1,103	848	1,103	848	255	30%
Total revenues	54,933	53,350	1,583	3.0%	12,727	1,921	1,664	1,212	69,324	56,483	12,841	23%
OPERATING EXPENSES:												
Property operating expenses	20,083	20,217	(134)	-0.7%	4,450	832	3,112	2,807	27,645	23,856	3,789	16%
NET OPERATING INCOME	34,850	33,133	1,717	5.2%	8,277	1,089	1,448	(1,595)	41,679	32,627	9,052	28%
Property count	330	330			40				370			
Total square footage	21,538	21,538			2,826				24,364			
Period Average Occupancy (1)	81.5%	78.7%			79.5%				81.2%			
Period End Occupancy (2)	83.6%	80.0%			80.6%				83.3%			
Realized annual rent per occupied square foot (3)	\$ 11.33	\$ 11.47			\$ 20.61				\$ 12.38			
Scheduled annual rent per square foot (4)	\$ 11.98	\$ 12.52			\$ 28.08				\$ 13.39			
Depreciation and amortization									27,474	15,336	12,138	79.1%
General and administrative									6,278	6,841	(563)	-8.2%
Subtotal									33,752	22,177	11,575	52.2%
Operating income									7,927	10,450	(2,523)	-24.1%
Other Expense:												
Interest:												
Interest expense on loans									(9,249)	(8,020)	1,229	15.3%
Loan procurement amortization expense									(1,114)	(1,396)	(282)	-20.2%
Loan procurement amortization expense- early repayment of debt										(2,085)	(2,085)	-100.0%
Loss from early extinguishment of debt									(31)		31	100.0%
Acquisition related costs									(313)	(146)	167	114.4%
Equity in losses of real estate ventures									(210)		210	100.0%
Other									(107)	(193)	(86)	-44.6%
Total other expense									(11,024)	(11,840)	816	-6.9%
LOSS FROM CONTINUING OPERATIONS									(3,097)	(1,390)	(1,707)	-122.8%
DISCONTINUED OPERATIONS												
Income from discontinued operations									246	2,978	(2,732)	-91.7%

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Gains on dispositions of discontinued operations	6,206		6,206	100.0%
Total discontinued operations	6,452	2,978	3,474	116.7%
NET INCOME	3,355	1,588	1,767	-111.3%
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interests in the Operating Partnership	(38)	(44)	(6)	-13.6%
Noncontrolling interests in subsidiaries	(774)	(642)	(132)	20.6%
NET INCOME ATTRIBUTABLE TO THE COMPANY	\$ 2,543	\$ 902	\$ 1,641	-181.9%

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- (1) Represents the weighted average occupancy for the period.
- (2) Represents occupancy at June 30 of the respective year.
- (3) Realized annual rent per occupied square foot is computed by dividing rental income by the weighted average occupied square feet for the period. Square footage for non same-store assets acquired during 2012 are prorated based on the portion of the period the properties were owned.
- (4) Scheduled annual rent per square foot represents annualized asking rents per available square foot for the period. Square footage for non same-store assets acquired during 2012 are prorated based on the portion of the period the properties were owned.

Revenues

Rental income increased from \$50.3 million during the three months ended June 30, 2011 to \$61.2 million during the three months ended June 30, 2012, an increase of \$10.9 million, or 22%. This increase is primarily attributable to \$9.8 million of additional income from the properties acquired in 2011 and 2012 and an increase in average occupancy in the same-store portfolio which contributed \$1.1 million to the increase in rental income during the three months ended June 30, 2012 as compared to the three months ended June 30, 2011.

Other property related income increased from \$5.3 million during the three months ended June 30, 2011 to \$7.0 million during the three months ended June 30, 2012, an increase of \$1.7 million, or 32%. This increase is primarily attributable to \$1.0 million of additional income from the 2011 and 2012 acquisitions, an increase of \$0.5 million in same-store late fee revenue and tenant insurance commissions, and increased third party insurance commissions of \$0.2 million during the three months ended June 30, 2012 as compared to the three months ended June 30, 2011.

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Operating Expenses

Property operating expenses increased from \$23.9 million during the three months ended June 30, 2011 to \$27.6 million during the three months ended June 30, 2012, an increase of \$3.8 million, or 16%. This increase is primarily attributable to \$3.9 million of increased expenses associated with newly acquired properties and property administration expenses, offset by reductions on the same-store portfolio related to decreased real estate taxes and utility costs.

Depreciation and amortization increased from \$15.3 million during the three months ended June 30, 2011 to \$27.5 million during the three months ended June 30, 2012, an increase of \$12.2 million, or 79%. This increase is primarily attributable to depreciation and amortization expense related to the 2011 and 2012 acquisitions including an increase in amortization of lease intangibles of \$6.3 million recognized during the 2012 period.

Other Income (Expenses)

Interest expense increased from \$8.0 million during the three months ended June 30, 2011 to \$9.2 million during the three months ended June 30, 2012, an increase of \$1.2 million, or 15%. The increase is attributable to a higher amount of outstanding debt in the 2012 period primarily resulting from the debt assumed in conjunction with the 2011 and 2012 Storage Deluxe Acquisitions and other acquisitions, offset by lower interest rates on the Credit Facility in the 2012 period as compared to the 2011 period.

Loan procurement amortization expense early repayment of debt decreased from \$2.1 million during 2011 with no comparable expense during the 2012 period. This decrease relates to the write-off of unamortized loan procurement costs associated with \$100 million of unsecured term loans that were repaid during the quarter ended June 30, 2011.

Equity in losses of real estate ventures was \$0.2 million for the three months ended June 30, 2012, with no comparable amount during the 2011 period. This expense is related to earnings attributable to HSREV, which was formed in September 2011.

Discontinued Operations

Income from discontinued operations decreased from \$3.0 million for the three months ended June 30, 2011 to \$0.2 million for the three months ended June 30, 2012. Income during the 2012 period relates to the sale of eight assets during 2012 and one property that was considered held for sale as of June 30, 2012. Income during the 2011 period is related to the sale of eight assets during 2012, one property that was considered held for sale as of June 30, 2012 and 19 assets sold during 2011 and proceeds received in 2011 in conjunction with eminent domain proceedings on our North H Street asset during 2009. Gains on dispositions of discontinued operations increased to \$6.2 million during the three months ended June 30, 2012, with no comparable gains recognized in the 2011 period. The gain relates to the disposition of eight facilities during the 2012 period.

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Comparison of the six months ended June 30, 2012 to the six months ended June 30, 2011 (in thousands, except store count, occupancies and rates)

	Same-Store Property Portfolio				Non Same-Store Properties		Other/ Eliminations		Total Portfolio			
	2012	2011	Increase/ (Decrease)	% Change	2012	2011	2012	2011	2012	2011	Increase/ (Decrease)	% Change
REVENUES:												
Rental income	\$ 99,011	\$ 96,951	\$ 2,060	2.1%	\$ 21,327	\$ 2,607	\$	\$	\$ 120,338	\$ 99,558	\$ 20,780	21%
Other property related income	9,753	8,804	949	10.8%	2,141	3,941,071	651		12,965	9,849	3,116	32%
Property management fee income				0.0%			2,123	1,757	2,123	1,757	366	21%
Total revenues	108,764	105,755	3,009	2.8%	23,468	3,0013,194	2,408		135,426	111,164	24,262	22%
OPERATING EXPENSES:												
Property operating expenses	40,124	41,138	(1,014)	-2.5%	7,934	1,3696,436	5,608		54,494	48,115	6,379	13%
NET OPERATING INCOME	68,640	64,617	4,023	6.2%	15,534	1,6323,242	(3,200)		80,932	63,049	17,883	28%
Property count	330	330			40				370			
Total square footage	21,538	21,538			2,826				24,364			
Period Average Occupancy (1)	80.0%	77.8%			77.9%				79.7%			
Period End Occupancy (2)	83.6%	80.0%			80.0%				83.3%			
Realized annual rent per occupied square foot (3)	\$ 11.49	\$ 11.57			\$ 19.32				\$ 12.39			
Scheduled annual rent per square foot (4)	\$ 12.24	\$ 12.50			\$ 22.79				\$ 13.46			
Depreciation and amortization									52,992	30,288	22,704	75.0%
General and administrative									12,722	12,874	(152)	-1.2%
Subtotal									65,714	43,162	22,552	52.2%
Operating income									15,218	19,887	(4,669)	-23.5%
Other Expense:												
Interest:												
Interest expense on loans									(18,570)	(16,133)	2,437	15.1%
Loan procurement amortization expense									(1,886)	(3,031)	(1,145)	-37.8%
Loan procurement amortization expense-early repayment of debt										(2,085)	(2,085)	-100.0%
Loss from early extinguishment of debt									(31)		31	100.0%
Acquisition related costs									(863)	(255)	608	238.4%
Equity in losses of real estate ventures									(461)		461	100.0%
Other									(178)	(187)	(9)	-4.8%
Total other expense									(21,989)	(21,691)	(298)	1.4%
LOSS FROM CONTINUING OPERATIONS									(6,771)	(1,804)	(4,967)	-275.3%
DISCONTINUED OPERATIONS												

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Income from discontinued operations	662	3,868	(3,206)	-82.9%
Gains on dispositions of discontinued operations	6,206		6,206	100.0%
Total discontinued operations	6,868	3,868	3,000	77.6%
NET INCOME	97	2,064	(1,967)	95.3%
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interests in the Operating Partnership	111	(39)	(150)	-384.6%
Noncontrolling interests in subsidiaries	(1,508)	(1,240)	(268)	21.6%
NET LOSS ATTRIBUTABLE TO THE COMPANY	(1,300)	785	(2,085)	265.6%

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- (1) Represents the weighted average occupancy for the period.
- (2) Represents occupancy at June 30 of the respective year.
- (3) Realized annual rent per occupied square foot is computed by dividing rental income by the weighted average occupied square feet for the period. Square footage for non same-store assets acquired during 2012 are prorated based on the portion of the period the properties were owned.
- (4) Scheduled annual rent per square foot represents annualized asking rents per available square foot for the period. Square footage for non same-store assets acquired during 2012 are prorated based on the portion of the period the properties were owned.

Revenues

Rental income increased from \$99.6 million during the six months ended June 30, 2011 to \$120.3 million during the six months ended June 30, 2012, an increase of \$20.7 million, or 21%. This increase is primarily attributable to \$18.7 million of additional income from the properties acquired in 2011 and 2012 and an increase in average occupancy in the same-store portfolio which contributed \$2.1 million to the increase in rental income during the six months ended June 30, 2012 as compared to the six months ended June 30, 2011.

Other property related income increased from \$9.9 million during the six months ended June 30, 2011 to \$13.0 million during the six months ended June 30, 2012, an increase of \$3.1 million, or 32%. This increase is primarily attributable to \$1.7 million of additional income from the 2011 and 2012 acquisitions, an increase of \$1.1 million in same-store late fee revenue and tenant insurance commissions, and increased third party insurance commissions of \$0.4 million during the six months ended June 30, 2012 as compared to the six months ended June 30, 2011.

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Operating Expenses

Property operating expenses increased from \$48.1 million during the six months ended June 30, 2011 to \$54.5 million during the six months ended June 30, 2012, an increase of \$6.4 million, or 13%. This increase is primarily attributable to \$6.6 million of increased expenses associated with newly acquired properties, offset by reductions in the same-store portfolio primarily related to decreased snow removal and utility costs.

Depreciation and amortization increased from \$30.3 million during the six months ended June 30, 2011 to \$53.0 million during the six months ended June 30, 2012, an increase of \$22.7 million, or 75%. This increase is primarily attributable to depreciation and amortization expense related to the 2011 and 2012 acquisitions including an increase in amortization of lease intangibles of \$12.0 million recognized during the 2012 period.

Other Income (Expenses)

Interest expense increased from \$16.1 million during the six months ended June 30, 2011 to \$18.6 million during the six months ended June 30, 2012, an increase of \$2.5 million, or 16%. The increase is attributable to a higher amount of outstanding debt in the 2012 period primarily resulting from the debt assumed in conjunction with the 2011 and 2012 Storage Deluxe Acquisitions and other acquisitions, offset by lower interest rates on the Credit Facility in the 2012 period as compared to the 2011 period.

Loan procurement amortization expense early repayment of debt decreased from \$2.1 million during 2011 with no comparable expense during the 2012 period. This decrease relates to the write-off of unamortized loan procurement costs associated with \$100 million of unsecured term loans that were repaid during the quarter ended June 30, 2011.

Acquisition related costs increased from \$0.3 million during the six months ended June 30, 2011 to \$0.9 million during the six months ended June 30, 2012 as a result of the acquisition of eight self-storage facilities in the 2012 period, including five facilities in the Storage Deluxe portfolio, compared to five acquisitions during the 2011 period.

Equity in losses of real estate ventures was \$0.5 million for the six months ended June 30, 2012, with no comparable amount during the 2011 period. This expense is related to earnings attributable to HSREV, which was formed in September 2011.

Discontinued Operations

Income from discontinued operations decreased from \$3.9 million for the six months ended June 30, 2011 to \$0.7 million for the six months ended June 30, 2012. Income during the 2012 period relates to the sale of eight assets during 2012 and one property that was considered held for sale as of June 30, 2012. Income during the 2011 period is related to the sale of eight assets during 2012, one property that was considered held

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for sale as of June 30, 2012 and 19 assets sold during 2011 and proceeds received in 2011 in conjunction with eminent domain proceedings on our North H Street asset during 2009. Gains on dispositions of discontinued operations increased to \$6.2 million during the three months ended June 30, 2012, with no comparable gains recognized in the 2011 period. The gain relates to the disposition of eight facilities during the 2012 period.

Cash Flows

Comparison of the six months ended June 30, 2012 to the six months ended June 30, 2011

A comparison of cash flow from operating, investing and financing activities for the six months ended June 30, 2012 and 2011 is as follows (in thousands):

	Six Months Ended June 30,		Change
	2012	2011	
<u>Net cash flow provided by (used in):</u>			
Operating activities	\$ 58,595	\$ 38,167	\$ 20,428
Investing activities	\$ (76,881)	\$ (56,458)	\$ (20,423)
Financing activities	\$ 147,013	\$ 14,245	\$ 132,768

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Cash flows provided by operating activities for the six months ended June 30, 2012 and 2011 were \$58.6 million and \$38.2 million, respectively, an increase of \$20.4 million. Our principal source of cash flows is from the operation of our properties. Our increased cash flow from operating activities is primarily attributable to our 2011 and 2012 acquisitions and increased net operating income levels on the same-store portfolio in the 2012 period as compared to the 2011 period.

Cash used in investing activities increased from \$56.5 million in the 2011 period to \$76.9 million in the 2012 period, an increase of \$20.4 million. The increase primarily relates to increased property acquisitions in 2012 (Storage Deluxe Acquisition with a net purchase price totaling \$76.1 million and three other property acquisitions with purchase prices totaling \$16.7 million), compared to 2011 (five property acquisitions with a total purchase price of \$58.7 million). The increase is offset by increased disposition activity in the 2012 period (eight dispositions compared to none in the 2011 period).

Cash provided by financing activities increased from \$14.2 million in 2011 to \$147.0 million in 2012, an increase of \$132.8 million. The increase relates primarily to a net increase in unsecured senior note borrowings of \$249.6 million during the quarter. A portion of these proceeds were used to repay the outstanding balance on the revolving credit facility and the remaining was cash on hand at June 30, 2012. The increase was offset by increased net debt repayments of \$109.1 million and increased distributions of \$8.5 million in the 2012 period as compared to 2011.

Liquidity and Capital Resources

Liquidity Overview

Our cash flow from operations has historically been one of our primary sources of liquidity used to fund debt service, distributions and capital expenditures. We derive substantially all of our revenue from customers who lease space from us at our facilities. Therefore, our ability to generate cash from operations is dependent on the rents that we are able to charge and collect from our customers. We believe that the facilities in which we invest self-storage facilities are less sensitive than other real estate product types to current near-term economic downturns. However, prolonged economic downturns will adversely affect our cash flows from operations.

In order to qualify as a REIT for federal income tax purposes, the Parent Company is required to distribute at least 90% of its REIT taxable income, excluding capital gains, to its shareholders on an annual basis or pay federal income tax. The nature of our business, coupled with the requirement that we distribute a substantial portion of our income on an annual basis, will cause us to have substantial liquidity needs over both the short term and the long term.

Our short-term liquidity needs consist primarily of funds necessary to pay operating expenses associated with our facilities, refinancing of certain mortgage indebtedness, interest expense and scheduled principal payments on debt, expected distributions to limited partners and shareholders and recurring capital expenditures. These funding requirements will vary from year to year, in some cases significantly. We expect remaining recurring capital expenditures in the 2012 fiscal year to be approximately \$3 million to \$5 million. In addition, we expect capital improvements totaling approximately \$3 million related to our store upgrade and rebranding initiatives, through December 31, 2012. Our currently scheduled principal payments on debt are approximately \$2.9 million for the remainder of 2012.

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Our most restrictive debt covenants limit the amount of additional leverage we can take on; however, we believe cash flow from operations, access to our at the market equity program and access to our Credit Facility are adequate to execute our current business plan and remain in compliance with our debt covenants.

Our liquidity needs beyond 2012 consist primarily of contractual obligations which include repayments of indebtedness at maturity, as well as potential discretionary expenditures such as (i) non-recurring capital expenditures; (ii) redevelopment of operating facilities; (iii) acquisitions of additional facilities; and (iv) development of new facilities. We will have to satisfy our needs through either additional borrowings, including borrowings under the revolving portion of our Credit Facility (\$300 million of which was available for borrowing at June 30, 2012), sales of common or preferred shares and/or cash generated through facility dispositions and joint venture transactions.

Notwithstanding the discussion above, we believe that, as a publicly traded REIT, we will have access to multiple sources of capital to fund long-term liquidity requirements, including the incurrence of additional debt and the issuance of additional equity. However,

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we cannot provide any assurance that this will be the case. Our ability to incur additional debt will be dependent on a number of factors, including our degree of leverage, the value of our unencumbered assets and borrowing restrictions that may be imposed by lenders. In addition, dislocation in the United States debt markets may significantly reduce the availability and increase the cost of long-term debt capital, including conventional mortgage financing and commercial mortgage-backed securities financing. There can be no assurance that such capital will be readily available in the future. Our ability to access the equity capital markets will be dependent on a number of factors as well, including general market conditions for REITs and market perceptions about us.

As of June 30, 2012, we had approximately \$137.8 million in available cash and cash equivalents. In addition, we had approximately \$300 million of availability for borrowings under our Credit Facility.

Bank Credit Facilities

On June 20, 2011, we entered into an unsecured Term Loan Agreement (the *Term Loan Facility*) which consisted of a \$100 million term loan with a five-year maturity and a \$100 million term loan with a seven-year maturity. The Term Loan Facility permits the Company to request additional advances of five-year or seven-year loans in minimum increments of \$5 million provided that the aggregate of such additional advances does not exceed \$50 million. We incurred costs of \$2.1 million in connection with executing the agreement and capitalized such costs as a component of loan procurement costs, net of amortization on the consolidated balance sheet. Pricing on the Term Loan Facility ranges, depending on the Company's leverage levels, from 1.90% to 2.75% over LIBOR for the five-year loan, and from 2.05% to 2.85% over LIBOR for the seven-year loan, and each loan has no LIBOR floor. As of December 31, 2011, the Company had received two investment grade ratings, and therefore pricing on the Term Loan Facility ranges from 1.45% to 2.10% over LIBOR for the five-year loan, and from 1.60% to 2.25% over LIBOR for the seven-year loan.

On December 9, 2011, we entered into a new credit facility comprised of a \$100 million unsecured term loan maturing in December 2014; a \$200 million unsecured term loan maturing in March 2017; and a \$300 million unsecured revolving facility maturing in December 2015 (the *Credit Facility*). The Credit Facility replaces in its entirety our previous facility.

Pricing on the Credit Facility depends on our unsecured debt credit rating. At our current Baa3/BBB- level, amounts drawn under the revolving facility are priced at 1.80% over LIBOR, with no LIBOR floor. Amounts drawn under the term loan portion of the Credit Facility are priced at 1.75% over LIBOR, with no LIBOR floor.

On June 26, 2012, the Operating Partnership issued \$250 million in aggregate principal amount of unsecured senior notes due July 15, 2022 (the *senior notes*) which bear interest at a rate of 4.80%. Net proceeds from the offering were used to repay \$129 million in outstanding debt under the Company's \$300 million unsecured revolving credit facility. We intend to use the remaining net proceeds from this offering for general corporate purposes, which may include acquisitions, investments in joint ventures and repayment or repurchase of other indebtedness. The senior notes had an effective interest rate of 4.82% at June 30, 2012. The indenture under which the unsecured senior notes were issued restricts the ability of the Operating Partnership and its subsidiaries to incur debt unless the Operating Partnership and its consolidated subsidiaries comply with a leverage ratio not to exceed 60% and an interest coverage ratio of no less than 1.5:1 after giving effect to the incurrence of the debt. The indenture also restricts the ability of the Operating Partnership and its subsidiaries to incur secured debt unless the Operating Partnership and its consolidated subsidiaries comply with a secured debt leverage ratio not to exceed 40% after giving effect to the incurrence of the debt. The indenture also contains other financial and customary covenants, including a covenant not to own unencumbered assets with a value less than 150% of the unsecured indebtedness of the Operating Partnership and its consolidated subsidiaries. We are currently in compliance with all its financial covenants under the senior notes.

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As of June 30, 2012, \$200 million of unsecured term loan borrowings were outstanding under the Term Loan Facility, \$300 million of unsecured term loan borrowings were outstanding under the Credit Facility, and \$300 million was available for borrowing under the unsecured revolving portion of the Credit Facility. We had interest rate swaps as of June 30, 2012, that fix LIBOR on \$200 million of borrowings under the Credit Facility maturing in March 2017 at 1.34%. In addition, at June 30, 2012, we had interest rate swaps that fix LIBOR on both the five and seven-year term loans under the Term Loan Facility through their respective maturity dates. The interest rate swap agreements fix thirty day LIBOR over the terms of the five and seven-year term loans at 1.80% and 2.47%, respectively. As of June 30, 2012, borrowings under the Credit Facility and Term Loan Facility had a weighted average interest rate of 3.26%.

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The Term Loan Facility was fully drawn at June 30, 2012 and no further borrowings may be made under that facility. The Company's ability to borrow under the Credit Facility is subject to ongoing compliance with certain financial covenants which include:

- Maximum total indebtedness to total asset value of 60.0% at any time;
- Minimum fixed charge coverage ratio of 1.50:1.00; and
- Minimum tangible net worth of \$821,211,200 plus 75% of net proceeds from equity issuances after June 30, 2010.

Further, under the Credit Facility and Term Loan Facility, we are restricted from paying distributions on our common shares that would exceed an amount equal to the greater of (i) 95% of our funds from operations, and (ii) such amount as may be necessary to maintain the Parent Company's REIT status.

We are currently in compliance with all of our financial covenants and anticipate being in compliance with all of our financial covenants through the terms of the Credit Facility and Term Loan Facility.

Pursuant to our sales agreement with Cantor Fitzgerald & Co. (the "Sales Agent"), dated April 3, 2009, as amended on January 26, 2011 and September 16, 2011 (as amended, the "Sales Agreement"), we may sell up to 20 million common shares at the market prices. During the quarter ended June 30, 2012, we did not sell any shares under the program. Since the inception of the program in 2009, we have sold 8.2 million shares with an average sales price of \$7.30 per share, resulting in net proceeds of \$60.1 million used to fund the acquisition of storage facilities and for general corporate purposes. At June 30, 2012, we had 11.8 million shares available for sale under the program.

Non-GAAP Financial Measures

NOI

We define net operating income, which we refer to as "NOI," as total continuing revenues less continuing property operating expenses. NOI also can be calculated by adding back to net income (loss): interest expense on loans, loan procurement amortization expense, loan procurement amortization expense, early repayment of debt, loss from early extinguishment of debt, acquisition related costs, equity in losses of real estate ventures, amounts attributable to noncontrolling interests, other expense, depreciation and amortization expense, general and administrative expense, and deducting from net income: income from discontinued operations, gains on disposition of discontinued operations, other income, and interest income. NOI is not a measure of performance calculated in accordance with GAAP.

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We use NOI as a measure of operating performance at each of our facilities, and for all of our facilities in the aggregate. NOI should not be considered as a substitute for operating income, net income, cash flows provided by operating, investing and financing activities, or other income statement or cash flow statement data prepared in accordance with GAAP.

We believe NOI is useful to investors in evaluating our operating performance because:

- It is one of the primary measures used by our management and our facility managers to evaluate the economic productivity of our facilities, including our ability to lease our facilities, increase pricing and occupancy, and control our property operating expenses;
- It is widely used in the real estate industry and the self-storage industry to measure the performance and value of real estate assets without regard to various items included in net income that do not relate to or are not indicative of operating performance, such as depreciation and amortization expense, which can vary depending upon accounting methods and the book value of assets; and
- It helps our investors to meaningfully compare the results of our operating performance from period to period by removing the impact of our capital structure (primarily interest expense on our outstanding indebtedness) and depreciation of our basis in our assets from our operating results.

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There are material limitations to using a measure such as NOI, including the difficulty associated with comparing results among more than one company and the inability to analyze certain significant items, including depreciation and interest expense, that directly affect our net income. We compensate for these limitations by considering the economic effect of the excluded expense items independently as well as in connection with our analysis of net income. NOI should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP, such as total revenues, operating income and net income.

FFO

Pursuant to the revised definition of Funds from Operations adopted by the Board of Governors of the National Association of Real Estate Investment Trusts (NAREIT), we calculate Funds from Operations, or FFO, by adjusting net income (computed in accordance with GAAP, including non-recurring items) for gains (or losses) from sales of properties, impairments of depreciable properties, real estate related depreciation and amortization, and after adjustment for unconsolidated partnerships and joint ventures. FFO is a non-GAAP financial measure. The use of FFO, combined with the required primary GAAP presentations, has been fundamentally beneficial in improving the understanding of operating results of REITs among the investing public and making comparisons of REIT operating results more meaningful. Management generally considers FFO to be a useful measure for reviewing our comparative operating and financial performance because, by excluding gains and losses related to sales of previously depreciated operating real estate assets, impairments of depreciable assets, and excluding real estate asset depreciation and amortization (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), FFO can help one compare the operating performance of a company's real estate between periods or as compared to different companies. Our computation of FFO may not be comparable to FFO reported by other REITs or real estate companies that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently.

FFO should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of our performance. FFO does not represent cash generated from operating activities determined in accordance with GAAP and is not a measure of liquidity or an indicator of our ability to make cash distributions. We believe that to further understand our performance, FFO should be compared with our reported net income and considered in addition to cash flows in accordance with GAAP, as presented in our Consolidated Financial Statements.

The following table presents a reconciliation of net income to FFO for the three and six months ended June 30, 2012 and 2011 (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
<i>Net income (loss) attributable to common shareholders</i>	\$ 1,041	\$ 902	\$ (4,304)	\$ 785
Add (deduct):				
Real estate depreciation and amortization				
Real property - continuing operations	27,108	14,917	52,266	29,557
Real property - discontinued operations	220	608	465	1,230
Company's share of unconsolidated real estate ventures	513		1,027	
	(424)	(444)	(858)	(1,717)

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Noncontrolling interest's share of consolidated real estate ventures				
Gains on sale of real estate	(6,206)		(6,206)	
Noncontrolling interests in the Operating Partnership	38	44	(111)	39
FFO	\$ 22,290	\$ 16,027	\$ 42,279	\$ 29,894
Weighted-average diluted shares and units outstanding	128,760	105,071	128,156	104,959

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Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's future income, cash flows and fair values relevant to financial instruments depend upon prevailing interest rates.

Market Risk

Our investment policy relating to cash and cash equivalents is to preserve principal and liquidity while maximizing the return through investment of available funds.

Effect of Changes in Interest Rates on our Outstanding Debt

Our interest rate risk objectives are to limit the impact of interest rate fluctuations on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, we manage our exposure to fluctuations in market interest rates for a portion of our borrowings through the use derivative financial instruments such as interest rate swaps or caps to mitigate our interest rate risk on a related financial instrument or to effectively lock the interest rate on a portion of our variable rate debt. The analysis below presents the sensitivity of the market value of our financial instruments to selected changes in market rates. The range of changes chosen reflects our view of changes which are reasonably possible over a one-year period. Market values are the present value of projected future cash flows based on the market rates chosen.

As of June 30, 2012 our consolidated debt consisted of \$894.8 million of outstanding mortgages, unsecured senior notes and unsecured term loans that are subject to fixed rates, including variable rate debt that is effectively fixed through our use of interest rate swaps. There was \$100 million of outstanding revolving credit facility borrowings subject to floating rates. Changes in interest rates have different impacts on the fixed and variable rate portions of our debt portfolio. A change in interest rates on the fixed portion of the debt portfolio impacts the net financial instrument position, but has no impact on interest incurred or cash flows. A change in interest rates on the variable portion of the debt portfolio impacts the interest incurred and cash flows, but does not impact the net financial instrument position.

If market rates of interest on our variable rate debt increase by 100 basis points, the increase in annual interest expense on our variable rate debt would decrease future earnings and cash flows by approximately \$1.0 million a year. If market rates of interest on our variable rate debt decrease by 100 basis points, the decrease in interest expense on our variable rate debt would increase future earnings and cash flows by approximately \$1.0 million a year.

If market rates of interest increase by 1%, the fair value of our outstanding fixed-rate mortgage debt and unsecured term loans would decrease by approximately \$33.4 million. If market rates of interest decrease by 1%, the fair value of our outstanding fixed-rate mortgage debt and unsecured term loans would increase by approximately \$34.8 million.

ITEM 4. CONTROLS AND PROCEDURES

Controls and Procedures (Parent Company)

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Parent Company carried out an evaluation, under the supervision and with the participation of its management, including its chief executive officer and chief financial officer, of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)).

Based on that evaluation, the Parent Company's chief executive officer and chief financial officer have concluded that the Parent Company's disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information required to be disclosed by the Parent Company in reports that it files or submits under the Exchange Act is

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recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to the Parent Company's management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Controls Over Financial Reporting

There has been no change in the Parent Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during its most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Controls and Procedures (Operating Partnership)

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Operating Partnership carried out an evaluation, under the supervision and with the participation of its management, including the Operating Partnership's chief executive officer and chief financial officer, of the effectiveness of the design and operation of the Operating Partnership's disclosure controls and procedures (as defined in Rules 13a-15(e) under the Exchange Act).

Based on that evaluation, the Operating Partnership's chief executive officer and chief financial officer have concluded that the Operating Partnership's disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information required to be disclosed by the Operating Partnership in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to the Operating Partnership's management, including the Operating Partnership's chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Controls Over Financial Reporting

There has been no change in the Operating Partnership's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during its most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information about repurchases of the Parent Company's common shares during the three-month period ended June 30, 2012:

		Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
April 1	April 30	5,591	\$ 12.48	N/A	3,000,000
May 1	May 31	290	12.25	N/A	3,000,000
June 1	June 30			N/A	3,000,000
Total		5,881	\$ 12.47	N/A	3,000,000

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(1) Represents common shares withheld by the Parent Company upon the vesting of restricted shares to cover employee tax obligations.

(2) On September 27, 2007, the Parent Company announced that the Board of Trustees approved a share repurchase program for up to 3.0 million of the Parent Company's outstanding common shares. Unless terminated earlier by resolution of the Board of Trustees, the program will expire when the number of authorized shares has been repurchased. The Parent Company has made no repurchases under this program to date.

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ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description
4.1	First Supplemental Indenture, dated as of June 26, 2012, among the Company, the Operating Partnership and U.S. Bank National Association, incorporated by reference to Exhibit 4.1 to CubeSmart's Current Report on Form 8-K filed with the SEC on June 26, 2012.
4.2	Form of \$250 million aggregate principal amount of 4.80% senior note due July 15, 2022, incorporated by reference to Exhibit 4.2 to CubeSmart's Current Report on Form 8-K filed with the SEC on June 26, 2012.
4.3	Form of CubeSmart Notation of Guarantee, incorporated by reference to Exhibit 4.3 to CubeSmart's Current Report on Form 8-K filed with the SEC on June 26, 2012.
10.1	First Amendment to Credit Agreement, dated as of April 5, 2012, by and among CubeSmart, L.P., CubeSmart, Wells Fargo Bank, National Association and each of the lenders party to the credit agreement dated December 9, 2011, incorporated by reference to Exhibit 10.2 to CubeSmart's Quarterly Report on Form 10-Q filed with the SEC on May 7, 2012.
10.2*	Performance Share Unit Award Agreement, dated as of May 30, 2012, between CubeSmart and Dean Jernigan, incorporated by reference to Exhibit 10.1 to CubeSmart's Current Report on Form 8-K filed with the SEC on June 1, 2012.
12.1	Statement regarding Computation of Ratios of CubeSmart. (filed herewith)
12.2	Statement regarding Computation of Ratios of CubeSmart L.P. (filed herewith)
31.1	Certification of Chief Executive Officer of CubeSmart as required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith)
31.2	Certification of Chief Financial Officer of CubeSmart as required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith)
31.3	Certification of Chief Executive Officer of CubeSmart, L.P., as required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith)
31.4	Certification of Chief Financial Officer of CubeSmart, L.P., as required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith)
32.1	Certification of Chief Executive Officer and Chief Financial Officer of CubeSmart pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (furnished herewith)
32.2	Certification of Chief Executive Officer and Chief Financial Officer of CubeSmart, L.P., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101	The following CubeSmart and CubeSmart, L.P. financial information for the quarter ended June 30, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text. (filed herewith)

* Incorporated herein by reference as above indicated

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SIGNATURES OF REGISTRANT

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.

CUBESMART
(Registrant)

Date: August 6, 2012

By: */s/ Dean Jernigan*
Dean Jernigan, Chief Executive Officer
(Principal Executive Officer)

Date: August 6, 2012

By: */s/ Timothy M. Martin*
Timothy M. Martin, Chief Financial Officer
(Principal Financial Officer)

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SIGNATURES OF REGISTRANT

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.

CUBESMART, L.P.
(Registrant)

Date: August 6, 2012

By: */s/ Dean Jernigan*
Dean Jernigan, Chief Executive Officer
(Principal Executive Officer)

Date: August 6, 2012

By: */s/ Timothy M. Martin*
Timothy M. Martin, Chief Financial Officer
(Principal Financial Officer)

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EXHIBIT LIST

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