UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended March 31, 2012.

or

o **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)	**20-1024732** **34-1837021** (I.R.S. Employer Identification No.)
460 East Swedesford Road **Wayne, Pennsylvania** (Address of Principal Executive Offices)	**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 x No o
CubeSmart, L.P.	Yes x 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 x No o
CubeSmart, L.P.	Yes x 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:

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

CubeSmart, L.P.:

Large accelerated filer o	Accelerated filer o
Non-accelerated filer x	Smaller reporting company o

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

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

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 April 30, 2012**
common shares of CubeSmart, $.01 par value	123,176,560

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EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended March 31, 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 March 31, 2012, owned a 96.3% interest in the Operating Partnership. The remaining 3.7% 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;

- 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 ir 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 raise 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;

- counterparty non-performance related to the use of derivative financial instruments;
- our ability to maintain our status 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;
- other factors affecting the real estate industry generally or the self-storage industry in particular; and

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- other risks identified in the Parent Company s and the Operating Partnership s Annual Report on Form 10-K, 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.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CUBESMART AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

(unaudited)

	March 31, 2012	December 31, 2011
ASSETS		
Storage facilities	$ 2,190,998	$ 2,107,469
Less: Accumulated depreciation	(334,927)	(318,749)
Storage facilities, net	1,856,071	1,788,720
Cash and cash equivalents	7,465	9,069
Restricted cash	11,486	11,291
Loan procurement costs, net of amortization	7,643	8,073
Investment in real estate ventures, at equity	14,564	15,181
Other assets, net	40,684	43,645
Total assets	$ 1,937,913	$ 1,875,979
LIABILITIES AND EQUITY		
Revolving credit facility	$ 50,000	$
Unsecured term loans	400,000	400,000
Mortgage loans and notes payable	387,802	358,441
Accounts payable, accrued expenses and other liabilities	46,263	51,025
Distributions payable	11,710	11,401
Deferred revenue	10,630	9,568
Security deposits	506	490
Total liabilities	906,911	830,925
Noncontrolling interests in the Operating Partnership	55,622	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 March 31, 2012 and December 31, 2011, respectively	31	31
Common shares $.01 par value, 200,000,000 shares authorized, 122,390,764 and 122,058,919 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively	1,224	1,221
Additional paid in capital	1,310,755	1,309,505
Accumulated other comprehensive loss	(12,052)	(12,831)
Accumulated deficit	(363,576)	(342,013)
Total CubeSmart shareholders equity	936,382	955,913
Noncontrolling interest in subsidiaries	38,998	39,409

Total equity		975,380		995,322
Total liabilities and equity	$	1,937,913	$	1,875,979

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
REVENUES		
Rental income	$ 60,107	$ 50,243
Other property related income	6,072	4,600
Property management fee income	1,020	909
Total revenues	67,199	55,752
OPERATING EXPENSES		
Property operating expenses	27,285	24,745
Depreciation and amortization	25,763	15,211
General and administrative	6,444	6,033
Total operating expenses	59,492	45,989
OPERATING INCOME	7,707	9,763
OTHER INCOME (EXPENSE)		
Interest:		
Interest expense on loans	(9,321)	(8,113)
Loan procurement amortization expense	(771)	(1,636)
Acquisition related costs	(551)	(109)
Equity in losses of real estate ventures	(251)	
Other	(71)	6
Total other expense	(10,965)	(9,852)
LOSS FROM CONTINUING OPERATIONS	(3,258)	(89)
DISCONTINUED OPERATIONS		
Income from discontinued operations		565
Total discontinued operations		565
NET (LOSS) INCOME	(3,258)	476
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS		
Noncontrolling interests in the Operating Partnership	149	5
Noncontrolling interest in subsidiaries	(734)	(598)
NET LOSS ATTRIBUTABLE TO THE COMPANY	(3,843)	(117)
Distribution to Preferred Shares	(1,502)	
NET LOSS ATTRIBUTABLE TO THE COMPANY s COMMON SHAREHOLDERS	$ (5,345)	$ (117)
Basic and diluted loss per share from continuing operations attributable to common shareholders	$ (0.04)	$ (0.01)
Basic and diluted earnings per share from discontinued operations attributable to common shareholders	$	$ 0.01
Basic and diluted loss per share attributable to common shareholders	$ (0.04)	$
Weighted-average basic and diluted shares outstanding	122,266	98,769

AMOUNTS ATTRIBUTABLE TO THE COMPANY S COMMON SHAREHOLDERS:

Loss from continuing operations	$	(5,345)	$	(656)
Total discontinued operations				539
Net loss	$	(5,345)	$	(117)

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

For the Three-Month Periods Ended March 31, 2012 and 2011

(in thousands)

(unaudited)

	Three Months Ended March 31, 2012	2011
NET (LOSS) INCOME	$ (3,258)	$ 476
Other comprehensive income:		
Unrealized gain on interest rate swap	688	
Unrealized gain on foreign currency translation	124	252
OTHER COMPREHENSIVE INCOME	812	252
COMPREHENSIVE (LOSS) INCOME	(2,446)	728
Comprehensive loss (income) attributable to noncontrolling interests in the Operating Partnership	120	(6)
Comprehensive income attributable to noncontrolling interests in subsidiaries	(738)	(606)
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO THE COMPANY	$ (3,064)	$ 116

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

For the Three-Month Periods Ended March 31, 2012 and 2011

(in thousands)

(unaudited)

	Common Shares		Preferred Shares		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
	Number	Amount	Number	Amount							
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	234	2						2		2	
Exercise of stock options	98	1			767			768		768	
Amortization of restricted shares					170			170		170	
Share compensation expense					313			313		313	
Net (loss) income							(3,843)	(3,843)	734	(3,109)	(149)
Adjustment for noncontrolling interest in the Operating Partnership							(6,384)	(6,384)		(6,384)	6,384
Unrealized gain on interest rate swap						663		663		663	25
Unrealized gain on foreign currency translation						116		116	4	120	4
Preferred share distributions							(1,502)	(1,502)		(1,502)	
Common share distributions							(9,834)	(9,834)	(1,149)	(10,983)	(374)
Balance at March 31, 2012	122,391	$ 1,224	3,100	$ 31	$ 1,310,755	$ (12,052)	$ (363,576)	$ 936,382	$ 38,998	$ 975,380	$ 55,622

	Common Shares		Preferred Shares		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
	Number	Amount	Number	Amount							
Balance at December 31, 2010	98,597	$ 986		$	$ 1,026,952	$ (1,121)	$ (302,601)	$ 724,216	$ 41,192	$ 765,408	$ 45,145
Contributions from									12	12	

noncontrolling interests in subsidiaries										
Issuance of restricted shares	218	2					2		2	
Exercise of stock options	16			60			60		60	
Amortization of restricted shares				149			149		149	
Share compensation expense				433			433		433	
Net (loss) income						(117)	(117)	598	481	(5)
Adjustment for noncontrolling interest in the Operating Partnership						(5,015)	(5,015)		(5,015)	5,015
Unrealized gain on foreign currency translation					233		233	8	241	11
Common share distributions						(6,960)	(6,960)	(1,145)	(8,105)	(331)
Balance at March 31, 2011	98,831	$ 988	$	$ 1,027,594	$ (888)	$ (314,693)	$ 713,001	$ 40,665	$ 753,666	$ 49,835

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Operating Activities		
Net (loss) income	$ (3,258)	$ 476
Adjustments to reconcile net (loss) income to cash provided by operating activities:		
Depreciation and amortization	27,486	17,208
Equity compensation expense	483	582
Accretion of fair market value adjustment of debt	(61)	(19)
Real estate venture income in excess of distributions	251	
Changes in other operating accounts:		
Other assets	(1,235)	(91)
Restricted cash	102	765
Accounts payable and accrued expenses	(3,789)	(3,984)
Other liabilities	774	310
Net cash provided by operating activities	$ 20,753	$ 15,247
Investing Activities		
Acquisitions, additions and improvements to storage facilities	$ (53,307)	$ (8,043)
Cash distributions from real estate venture	366	
Proceeds from sales of properties	144	
Decrease (increase) in restricted cash	2	(127)
Net cash used in investing activities	$ (52,795)	$ (8,170)
Financing Activities		
Proceeds from:		
Revolving credit facility	$ 85,100	$ 14,000
Mortgage loans and notes payable		3,537
Principal payments on:		
Revolving credit facility	(35,100)	(16,500)
Mortgage loans and notes payable	(7,781)	(1,588)
Exercise of stock options	768	60
Contributions from noncontrolling interests in subsidiaries		12
Distributions paid to shareholders	(11,026)	(6,940)
Distributions paid to noncontrolling interests in Operating Partnership	(374)	(332)
Distributions paid to noncontrolling interests in subsidiaries	(1,149)	(1,145)
Loan procurement costs		17
Net cash provided by (used in) financing activities	$ 30,438	$ (8,879)
Decrease in cash and cash equivalents	(1,604)	(1,802)
Cash and cash equivalents at beginning of period	9,069	5,891
Cash and cash equivalents at end of period	$ 7,465	$ 4,089
Supplemental Cash Flow and Noncash Information		

Cash paid for interest, net of interest capitalized	$	8,587	$	8,158
Supplemental disclosure of noncash activities:				
Derivative valuation adjustment	$	688	$	
Foreign currency translation adjustment	$	124	$	252
Mortgage loan assumption at fair value	$	36,961	$	8,021

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

	March 31, 2012	December 31, 2011
ASSETS		
Storage facilities	$ 2,190,998	$ 2,107,469
Less: Accumulated depreciation	(334,927)	(318,749)
Storage facilities, net	1,856,071	1,788,720
Cash and cash equivalents	7,465	9,069
Restricted cash	11,486	11,291
Loan procurement costs, net of amortization	7,643	8,073
Investment in real estate ventures, at equity	14,564	15,181
Other assets, net	40,684	43,645
Total assets	$ 1,937,913	$ 1,875,979
LIABILITIES AND CAPITAL		
Revolving credit facility	$ 50,000	$
Unsecured term loan	400,000	400,000
Mortgage loans and notes payable	387,802	358,441
Accounts payable, accrued expenses and other liabilities	46,263	51,025
Distributions payable	11,710	11,401
Deferred revenue	10,630	9,568
Security deposits	506	490
Total liabilities	906,911	830,925
Limited Partnership interest of third parties	55,622	49,732
Commitments and contingencies		
Capital		
Operating Partner	948,434	968,744
Accumulated other comprehensive loss	(12,052)	(12,831)
Total CubeSmart L.P. capital	936,382	955,913
Noncontrolling interests in subsidiaries	38,998	39,409
Total capital	975,380	995,322
Total liabilities and capital	$ 1,937,913	$ 1,875,979

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per common unit data)

(unaudited)

	Three Months Ended March 31,			
		2012		2011
REVENUES				
Rental income	$	60,107	$	50,243
Other property related income		6,072		4,600
Property management fee income		1,020		909
Total revenues		67,199		55,752
OPERATING EXPENSES				
Property operating expenses		27,285		24,745
Depreciation and amortization		25,763		15,211
General and administrative		6,444		6,033
Total operating expenses		59,492		45,989
OPERATING INCOME		7,707		9,763
OTHER INCOME (EXPENSE)				
Interest:				
Interest expense on loans		(9,321)		(8,113)
Loan procurement amortization expense		(771)		(1,636)
Acquisition related costs		(551)		(109)
Equity in losses of real estate ventures		(251)		
Other		(71)		6
Total other expense		(10,965)		(9,852)
LOSS FROM CONTINUING OPERATIONS		(3,258)		(89)
DISCONTINUED OPERATIONS				
Income from discontinued operations				565
Total discontinued operations				565
NET (LOSS) INCOME		(3,258)		476
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interest in subsidiaries		(734)		(598)
NET LOSS ATTRIBUTABLE TO CUBESMART L.P.		(3,992)		(122)
Limited Partnership interest of third parties		149		5
NET LOSS ATTRIBUTABLE TO OPERATING PARTNER		(3,843)		(117)
Distribution to Preferred Units		(1,502)		
NET LOSS ATTRIBUTABLE TO COMMON UNITHOLDERS	$	(5,345)	$	(117)
Basic and diluted loss per unit from continuing operations attributable to common unitholders	$	(0.04)	$	(0.01)
Basic and diluted earnings per unit from discontinued operations attributable to common unitholders	$		$	0.01
Basic and diluted loss per unit attributable to common unitholders	$	(0.04)	$	
Weighted-average basic and diluted shares outstanding		122,266		98,769

AMOUNTS ATTRIBUTABLE TO THE OPERATING PARTNER				
Loss from continuing operations	$	(5,345)	$	(656)
Total discontinued operations				539
Net loss	$	(5,345)	$	(117)

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

For the Three-Month Periods Ended March 31, 2012 and 2011

(in thousands)

(unaudited)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
NET (LOSS) INCOME	$ (3,258)	$ 476
Other comprehensive income:		
Unrealized gain on interest rate swap	688	
Unrealized gain on foreign currency translation	124	252
OTHER COMPREHENSIVE INCOME	812	252
COMPREHENSIVE (LOSS) INCOME	(2,446)	728
Comprehensive loss (income) attributable to Limited Partnership interest of third parties	120	(6)
Comprehensive income attributable to noncontrolling interests in subsidiaries	(738)	(606)
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO OPERATING PARTNER	$ (3,064)	$ 116

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITAL

For the Three-Month Periods Ended March 31, 2012 and 2011

(in thousands)

(unaudited)

	Number of OP Units Outstanding		Operating	Accumulated Other Comprehensive	CubeSmart L.P.	Noncontrolling Interest in	Total	Limited Partnership Interest
	Common	Preferred	Partner	(Loss) Income	Capital	Subsidiaries	Capital	of Third Parties
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	234		2		2		2	
Exercise of unit options	98		768		768		768	
Amortization of restricted units			170		170		170	
Unit compensation expense			313		313		313	
Net (loss) income			(3,843)		(3,843)	734	(3,109)	(149)
Adjustment for Limited Partnership interest of third parties			(6,384)		(6,384)		(6,384)	6,384
Unrealized gain on interest rate swap				663	663		663	25
Unrealized gain on foreign currency translation				116	116	4	120	4
Preferred unit distributions			(1,502)		(1,502)		(1,502)	
Common unit distributions			(9,834)		(9,834)	(1,149)	(10,983)	(374)
Balance at March 31, 2012	122,391	3,100	$ 948,434	$ (12,052)	$ 936,382	$ 38,998	$ 975,380	$ 55,622

	Number of OP Units Outstanding		Operating	Accumulated Other Comprehensive	CubeSmart L.P.	Noncontrolling Interest in	Total	Limited Partnership Interest
	Common	Preferred	Partner	(Loss) Income	Capital	Subsidiaries	Capital	of Third Parties
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						12	12	
Issuance of restricted units	218		2		2		2	
Exercise of unit options	16		60		60		60	
Amortization of restricted units			149		149		149	
Unit compensation expense			433		433		433	
Net (loss) income			(117)		(117)	598	481	(5)

Adjustment for Limited Partnership interest of third parties		(5,015)		(5,015)		(5,015)	5,015
Unrealized gain on foreign currency translation			233	233	8	241	11
Common unit distributions		(6,960)		(6,960)	(1,145)	(8,105)	(331)
Balance at March 31, 2011	98,831	$ 713,889	$ (888)	$ 713,001	$ 40,665	$ 753,666	$ 49,835

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)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Operating Activities		
Net (loss) income	$ (3,258)	$ 476
Adjustments to reconcile net (loss) income to cash provided by operating activities:		
Depreciation and amortization	27,486	17,208
Equity compensation expense	483	582
Accretion of fair market value adjustment of debt	(61)	(19)
Real estate venture income in excess of distributions	251	
Changes in other operating accounts:		
Other assets	(1,235)	(91)
Restricted cash	102	765
Accounts payable and accrued expenses	(3,789)	(3,984)
Other liabilities	774	310
Net cash provided by operating activities	$ 20,753	$ 15,247
Investing Activities		
Acquisitions, additions and improvements to storage facilities	$ (53,307)	$ (8,043)
Cash distributions from real estate venture	366	
Proceeds from sales of properties	144	
Decrease (increase) in restricted cash	2	(127)
Net cash used in investing activities	$ (52,795)	$ (8,170)
Financing Activities		
Proceeds from:		
Revolving credit facility	$ 85,100	$ 14,000
Mortgage loans and notes payable		3,537
Principal payments on:		
Revolving credit facility	(35,100)	(16,500)
Mortgage loans and notes payable	(7,781)	(1,588)
Exercise of unit options	768	60
Contributions from noncontrolling interests in subsidiaries		12
Distributions paid to unitholders	(11,400)	(7,272)
Distributions paid to noncontrolling interests in subsidiaries	(1,149)	(1,145)
Loan procurement costs		17
Net cash provided by (used in) financing activities	$ 30,438	$ (8,879)
Decrease in cash and cash equivalents	(1,604)	(1,802)
Cash and cash equivalents at beginning of period	9,069	5,891
Cash and cash equivalents at end of period	$ 7,465	$ 4,089
Supplemental Cash Flow and Noncash Information		
Cash paid for interest, net of interest capitalized	$ 8,587	$ 8,158
Supplemental disclosure of noncash activities:		

Derivative valuation adjustment	$	688	$	
Foreign currency translation adjustment	$	124	$	252
Mortgage loan assumption at fair value	$	36,961	$	8,021

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 26 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 March 31, 2012, the Parent Company owned approximately 96.3% 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 Company 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 three months ended March 31, 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:

	March 31, 2012	December 31, 2011
	(in thousands)	
Land	$ 424,962	$ 417,067
Buildings and improvements	1,640,431	1,574,769
Equipment	121,480	110,371
Construction in progress (a)	4,125	5,262
Total	2,190,998	2,107,469
Less accumulated depreciation	(334,927)	(318,749)
Storage facilities net	$ 1,856,071	$ 1,788,720

(a) The March 31, 2012 construction in progress balance includes project costs of $0.3 million related to the rebranding initiative and $0.6 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 category and accumulated depreciation. During the three months ended March 31, 2012 and 2011, $2.6 million and $21.2 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 March 31, 2012:

Facility/Portfolio	Location	Transaction Date	Number of Facilities		Purchase / Sales Price (in thousands)
2012 Acquisitions:					
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 2012	4		74,406
			6	$	86,406
2011 Acquisitions:					
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
2011 Dispositions:					
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 February 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 four properties with a purchase price of approximately $74.4 million. The four properties purchased are located in New York and Connecticut. In connection with the acquisitions, the Company allocated a portion of the purchase price to the intangible value of in-place leases which aggregated $4.7 million. The estimated life of these in-place leases is 12 months and the amortization expense that was recognized during the three months ended March 31, 2012 was approximately $0.4 million. In connection with the four acquired facilities, the Company assumed mortgage debt, at fair value, with a net book value of $37.0 million, which includes an outstanding principal balance totaling $34.9 million and a net premium of $2.1 million in addition to the face value of the assumed debt to reflect the fair values of the debt at the time of assumption.

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 months ended March 31, 2012 was approximately $4.5 million.

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Other 2012 Acquisitions

During the three months ended March 31, 2012, the Company acquired two self-storage facilities located in Texas and Georgia for an aggregate purchase price of approximately $12.0 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 $1.2 million. The estimated life of these in-place leases is 12 months and the amortization expense that was recognized during the three months ended March 31, 2012 was approximately $0.2 million.

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 months ended March 31, 2012 was approximately $1.7 million. 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 includes 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 to a limited partnership that owns nine storage facilities in Pennsylvania, Virginia, New York, New Jersey and Florida (the   HSRE Venture   or   HSREV). In exchange for it contribution, the Company received a 50% interest in HSRE. An unaffiliated entity holds the remaining 50% interest in HSREV. Each of the Company and the other partner holds general partner interests and all significant decisions for HSREV require approval by both partners.   Each of the partners has the right to initiate a   buy-sell   that would, if initiated, result in either the sale of all of the assets of HSREV to an unaffiliated third party or the acquisition by one partner of the entire interest of the other partner. Based on the Company s analysis, HSREV is not consolidated and the Company accounts for its unconsolidated interest in HSREV 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 of real estate ventures   on the Company s consolidated statements of operations.

The Company s investment in real estate ventures at March 31, 2012 was $14.6 million, and the Company s equity in losses of real estate ventures for the three months ended March 31, 2012 was approximately $0.3 million.

The amounts reflected in the following tables are based on the historical financial information of the HSRE Venture.

The following is a summary of the financial position of the HSRE Venture as of March 31, 2012 and December 31, 2011 (in thousands):

	March 31, 2012	December 31, 2011
Assets		
Net property	$ 76,895	$ 78,677
Other assets	2,256	2,242
Total Assets	$ 79,151	$ 80,919
Liabilities and equity		
Other liabilities	$ 1,015	$ 867
Debt	59,873	60,083
Equity:		
CubeSmart (a)	9,048	9,984
Joint venture partner	9,215	9,985
Total Liabilities and equity	$ 79,151	$ 80,919

(a) 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 inside/outside basis.

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The following is a summary of results of operations of the real estate venture for the three months ended March 31, 2012 (in thousands):

	March 31, 2012
Revenue	$ 2,383
Operating expenses	958
Interest expense, net	906
Depreciation and amortization	897
Net loss	(378)
Company s share of loss	(251)

6. 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. 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, 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. In connection with obtaining the Credit Facility, the Company paid additional deferred financing costs of $3.4 million and wrote off deferred financing fees related to the previous facility of $6.1 million.

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 March 31, 2012, $200 million of unsecured term loan borrowings were outstanding under the Term Loan Facility, $200 million of unsecured term loan borrowings were outstanding under the Credit Facility, $50 million of unsecured revolving credit facility borrowings were outstanding and $350 million was available for borrowing under the Credit Facility. The Company had interest rate swaps as of March 31, 2012, that fix LIBOR on $200 million of borrowings under the Credit Facility maturing in March 2017 at 1.34%. In addition, at March 31, 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 March 31, 2012, borrowings under the Credit Facility and Term Loan Facility had a weighted average interest rate of 3.37% and the effective interest rates on the five and seven-year term loans were 3.65% and 4.47%, respectively, after giving consideration to the interest rate swaps described in Note 8.

The Term Loan Facility was fully drawn at March 31, 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;

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- 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, 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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7. MORTGAGE LOANS AND NOTES PAYABLE

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

Mortgage Loan	Carrying Value as of: March 31, 2012	December 31, 2011	Effective Interest Rate	Maturity Date
	(dollars in thousands)			
YSI 53	$ 9,100	$ 9,100	5.93%	Jul-12
YSI 6	74,496	74,834	5.13%	Aug-12
YASKY	80,000	80,000	4.96%	Sep-12
YSI 14	1,688	1,703	5.97%	Jan-13
YSI 7	3,015	3,032	6.50%	Jun-13
YSI 8	1,723	1,733	6.50%	Jun-13
YSI 9	1,895	1,906	6.50%	Jun-13
YSI 17	3,952	3,987	6.32%	Jul-13
YSI 27	476	481	5.59%	Nov-13
YSI 30	6,979	7,049	5.59%	Nov-13
USIFB	7,367	7,125	4.80%	Dec-13
YSI 11	2,332	2,350	5.87%	Jan-14
YSI 5	3,076	3,100	5.25%	Jan-14
YSI 28	1,497	1,509	5.59%	Mar-14
YSI 37	2,164	2,174	7.25%	Aug-14
YSI 44	1,060	1,070	7.00%	Sep-14
YSI 41	3,747	3,775	6.60%	Sep-14
YSI 45	5,330	5,353	6.75%	Oct-14
YSI 48	18,572	24,870	7.25%	Nov-14
YSI 50	2,244	2,260	6.75%	Dec-14
YSI 10	3,991	4,011	5.87%	Jan-15
YSI 15	1,820	1,832	6.41%	Jan-15
YSI 52	4,844	4,884	5.44%	Jan-15
YSI 58	9,185		5.90%	Jan-15
YSI 29	13,206		5.17%	Aug-15
YSI 20	60,051	60,551	5.97%	Nov-15
YSI 51	7,399	7,423	6.36%	Oct-16(a)
YSI 31	13,350	13,414	6.75%	Jun-19(a)
YSI 35	4,442	4,464	6.90%	Jul-19(a)
YSI 32	5,922	5,950	6.75%	Jul-19(a)
YSI 33	11,102	11,157	6.42%	Jul-19
YSI 39	3,850	3,867	6.50%	Sep-19(a)
YSI 47	3,069	3,091	6.63%	Jan-20(a)
YSI 26	9,212		5.45%	Nov-20
YSI 57	3,234		5.45%	Nov-20
Unamortized fair value adjustment	2,412	386		
Total mortgage loans and notes payable	$ 387,802	$ 358,441		

(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 March 31, 2012 (in thousands):

2012	$	167,740
2013		31,774
2014		58,975
2015		85,824
2016		7,848
2017 and thereafter		33,229
Total mortgage payments		385,390
Plus: Unamortized fair value adjustment		2,412
Total mortgage indebtedness	$	387,802

The Company currently intends to fund its remaining 2012 principal payment requirements from cash provided by operating activities, new debt originations, and/or additional borrowings under its unsecured Credit Facility ($350 million available as of March 31, 2012).

8. 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. Ineffectiveness was immaterial for all periods presented.

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 March 31, 2012 and December 31, 2011, respectively (dollars in thousands):

							Fair Value	
Hedge Product	Hedge Type		Notional Amount	Strike	Effective Date	Maturity	March 31, 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	(1,470)	(1,494)
Swap	Cash flow(a)	$	40,000	1.8025%	6/20/2011	6/20/2016	(1,480)	(1,502)
Swap	Cash flow(a)	$	20,000	1.8025%	6/20/2011	6/20/2016	(729)	(727)
Swap	Cash flow(a)	$	75,000	1.3360%	12/30/2011	3/31/2017	(793)	(907)
Swap	Cash flow(a)	$	50,000	1.3360%	12/30/2011	3/31/2017	(480)	(484)
Swap	Cash flow(a)	$	50,000	1.3360%	12/30/2011	3/31/2017	(485)	(485)
Swap	Cash flow(a)	$	25,000	1.3375%	12/30/2011	3/31/2017	(284)	(319)
Swap	Cash flow(a)	$	40,000	2.4590%	6/20/2011	6/20/2018	(2,356)	(2,553)
Swap	Cash flow(a)	$	40,000	2.4725%	6/20/2011	6/20/2018	(2,434)	(2,628)
Swap	Cash flow(a)	$	20,000	2.4750%	6/20/2011	6/20/2018	(1,195)	(1,295)
							$ (11,706)	$ (12,394)

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

9. 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.

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 March 31, 2012 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	$	$ 11,706	$
Total liabilities at fair value	$	$ 11,706	$

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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 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 March 31, 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 March 31, 2012 and December 31, 2011. The Company had fixed interest rate loans with a carrying value of $787.8 million and $758.4 million at March 31, 2012 and December 31, 2011, respectively. The estimated fair values of these fixed rate loans were $769.2 million and $736.3 million at March 31, 2012 and December 31, 2011, respectively. The Company had a variable interest rate loan with a carrying value of $50.0 million at March 31, 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 March 31, 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.

10. 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 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 March 31, 2012, HART had total assets of $85.8 million, including $83.7 million of storage facilities, net and total liabilities of $2.1 million.

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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 March 31, 2012, the Venture had total assets of $11.7 million and total liabilities of $7.9 million, including two mortgage loans totaling $7.4 million secured by storage facilities with a net book value of $11.4 million. At March 31, 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 3.7% of the outstanding OP Units as of March 31, 2012 and December 31, 2011 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.

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 March 31, 2012 and December 31, 2011, 4,674,136 OP units were outstanding, 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 March 31, 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 $6.4 million and $7.1 million at March 31, 2012 and December 31, 2011, respectively.

11. 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 March 31, 2012 and March 31, 2011 was approximately $0.1 million. The Company vacated the office space owned by Amsdell and

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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 March 31, 2012 are as follows:

	Due to Related Party Amount	Due from Subtenant Amount
	(in thousands)	
2012	356	209
2013	499	278
2014	499	278
	$ 1,354	$ 765

12. PRO FORMA FINANCIAL INFORMATION

During the three months ended March 31, 2012, the Company acquired six self-storage facilities for an aggregate purchase price of approximately $86.4 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 as if each had occurred as of January 1, 2011. The unaudited 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 three months ended March 31, 2012 and 2011 based on the assumptions described above:

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
	(in thousands, except per share data)	
Pro forma revenue	$ 67,655	$ 63,723
Pro forma net loss from continuing operations	$ (3,569)	$ (6,491)

Net loss per common share from continuing operations				
Basic and diluted - as reported	$	(0.04)	$	(0.01)
Basic and diluted - as pro forma	$	(0.03)	$	(0.07)

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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 months ended March 31, 2012 and 2011:

	Three months ended March 31,	
	2012	**2011**
	(in thousands)	
Total revenue	$ 9,835	$ 413
Net income	682	40

13. SUBSEQUENT EVENTS

On April 2, 2012, the Company repaid the YSI 53 mortgage loan of approximately $9.1 million with available cash.

On April 25, 2012, the Company closed on the purchase of one Storage Deluxe facility for $59.3 million. The remaining Storage Deluxe property is expected to close during the second quarter of 2012, and will complete the acquisition of the entire Storage Deluxe portfolio.

Additionally on April 25, 2012 the Company borrowed the remaining $100 million available unsecured term loan. The Company used the proceeds to fund the Storage Deluxe acquisition and repay amounts outstanding on the revolving Credit Facility.

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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 March 31, 2012 and December 31, 2011, the Company owned 376 and 370 self-storage facilities, respectively, totaling approximately 24.8 million rentable square feet and 24.4 million rentable square feet, respectively. As of March 31, 2012, the Company owned facilities in the District of Columbia and the following 26 states: Alabama, Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, Utah, Virginia and Wisconsin. In addition, as of March 31, 2012, the Company managed 102 properties for third parties bringing the total number of properties which it owned and/or managed to 478. As of March 31, 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.

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%, 14%, 11% and 9%, respectively, of total revenues for the three months ended March 31, 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

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 February 2012, as part of the $560 million Storage Deluxe transaction involving 22 Class A self-storage facilities primarily located in the greater New York City area, the Company acquired four properties with a purchase price of approximately $74.4

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million. The four properties purchased are located in New York and Connecticut. In connection with the acquisitions, the Company allocated a portion of the purchase price to the intangible value of in-place leases which aggregated $4.7 million. The estimated life of these in-place leases is 12 months and the amortization expense that was recognized during the three months ended March 31, 2012 was approximately $0.4 million. In connection with the four acquired facilities, the Company assumed mortgage debt, at fair value, with a net book value of $37.0 million, which includes an outstanding principal balance totaling $34.9 million and a net premium of $2.1 million in addition to the face value of the assumed debt to reflect the fair values of the debt at the time of assumption.

On November 3, 2011, the Company acquired 16 properties from Storage Deluxe with 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 months ended March 31, 2012 was approximately $4.5 million.

Other 2012 Acquisitions

During the three months ended March 31, 2012, the Company acquired two self-storage facilities located in Texas and Georgia for an aggregate purchase price of approximately $12.0 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 $1.2 million. The estimated life of these in-place leases is 12 months and the amortization expense that was recognized during the three months ended March 31, 2012 was approximately $0.2 million.

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 months ended March 31, 2012 was approximately $1.7 million. 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 includes 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.

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 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.

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

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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 without taking into account the effects of acquisitions, developments or dispositions. At March 31, 2012, there were 339 same-store properties and 37 non same-store properties, of which 27 were 2011 acquisitions, six were 2012 acquisitions, and four were properties that were not stabilized, damaged by natural disaster or undergone significant renovation.

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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 March 31, 2012 and 2011, the Company owned 376 and 364 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 March 31, 2012:

	2012	**2011**
Balance - January 1	370	363
Facilities acquired	6	1
Facilities sold		
Balance - March 31	376	364
Facilities acquired		4
Facilities consolidated		(1)
Facilities sold		
Balance - June 30		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 March 31, 2012 to the three months ended March 31, 2011 (in thousands)

	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	$ 50,294	$ 49,323	$ 971	2.0%	$ 9,813	$ 920	$	$	$ 60,107	$ 50,243	$ 9,864	19.6%
Other property related income	4,634	4,155	479	11.5%	929	158	509	287	6,072	4,600	1,472	32.0%
Property management fee income				0.0%			1,020	909	1,020	909	111	12.2%
Total revenues	54,928	53,478	1,450	2.7%	10,742	1,078	1,529	1,196	67,199	55,752	11,447	20.5%
OPERATING EXPENSES:												
Property operating expenses	20,477	21,396	(919)	-4.3%	3,484	583	3,324	2,766	27,285	24,745	2,540	10.3%
NET OPERATING INCOME	34,451	32,082	2,369	7.4%	7,258	495	(1,795)	(1,570)	39,914	31,007	8,907	28.7%
Property count	339	339			37				376			
Total square footage	22,247	22,247			2,513				24,760			
Period Average Occupancy (1)	78.4%	76.6%			76.9%				78.3%			
Period End Occupancy (2)	78.7%	76.8%			77.2%				78.6%			
Realized annual rent per occupied square foot (3)	$ 11.53	$ 11.57			$ 21.80				$ 12.61			
Scheduled annual rent per square foot (4)	$ 12.37	$ 12.35			$ 25.54				$ 13.32			
Depreciation and amortization									25,763	15,211	10,552	69.4%
General and administrative									6,444	6,033	411	6.8%
Subtotal									32,207	21,244	10,963	51.6%
Operating income									7,707	9,763	(2,056)	-21.1%
Other Income (Expense):												
Interest:												
Interest expense on loans									(9,321)	(8,113)	1,208	14.9%
Loan procurement amortization expense									(771)	(1,636)	(865)	-52.9%
Acquisition related costs									(551)	(109)	442	405.5%
Equity in losses of real estate entities									(251)		251	100.0%
Other									(71)	6	77	-1283.3%
Total other expense									(10,965)	(9,852)	(1,113)	11.3%
LOSS FROM CONTINUING OPERATIONS									(3,258)	(89)	(3,169)	-3560.7%
DISCONTINUED OPERATIONS												
Income from discontinued operations										565	(565)	-100.0%
Total discontinued operations										565	(565)	-100.0%
NET (LOSS) INCOME									(3,258)	476	(3,734)	784.5%
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS												
Noncontrolling interests in the Operating Partnership									149	5	(144)	2880.0%
Noncontrolling interests in subsidiaries									(734)	(598)	(136)	22.7%
									(3,843)	(117)	(3,726)	-3184.6%

NET LOSS ATTRIBUTABLE
TO THE COMPANY

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(1) Represents the weighted average occupancy for the period.

(2) Represents occupancy at March 31 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 $50.2 million during the three months ended March 31, 2011 to $60.1 million during the three months ended March 31, 2012, an increase of $9.9 million, or 20%. This increase is primarily attributable to $8.9 million of additional income from the properties acquired in 2011 and 2012 and increases in average occupancy and scheduled annual rent per square foot on the same-store portfolio which contributed $1.0 million to the increase in rental income during the three months ended March 31, 2012 as compared to the three months ended March 31, 2011.

Other property related income increased from $4.6 million during the three months ended March 31, 2011 to $6.1 million during the three months ended March 31, 2012, an increase of $1.5 million, or 32%. This increase is primarily attributable to $0.8 million of additional income from the 2011 and 2012 acquisitions and increased insurance commissions of $0.7 million during the three months ended March 31, 2012 as compared to the three months ended March 31, 2011.

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Operating Expenses

Property operating expenses increased from $24.7 million during the three months ended March 31, 2011 to $27.3 million during the three months ended March 31, 2012, an increase of $2.5 million, or 10%. This increase is primarily attributable to $2.9 million of increased expenses associated with newly acquired properties, offset by reductions on the same-store portfolio related to decreased snow removal and utility costs.

Depreciation and amortization increased from $15.2 million in three months ended March 31, 2011 to $25.8 million in three months ended March 31, 2012, an increase of $10.6 million, or 69%. This increase is primarily attributable to depreciation and amortization expense related to the 2011 and 2012 acquisitions including the amortization of lease intangibles of $6.8 million recognized in the 2012 period, with no corresponding expense recognized in the 2011 period.

Other Income (Expenses)

Interest expense increased from $8.1 million during the three months ended March 31, 2011 to $9.3 million during the three months ended March 31, 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 2012 and 2011 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 decreased from $1.6 million during 2011 to $0.8 million during 2012. This decrease primarily relates to loan procurement fees incurred in the three months ended March 31, 2011 associated with the previous facility. Due to the early repayment of debt during the year ended December 31, 2011, these fees were non-recurring in the three months ended March 31, 2012.

Acquisition related costs increased from $0.1 million during the three months ended March 31, 2011 to $0.6 million during the three months ended March 31, 2012 as a result of the acquisition of six self-storage facilities in the 2012 period, including four facilities in the Storage Deluxe Acquisition, compared to one acquisition during the 2011 period.

Equity in losses of real estate ventures was $0.3 million for the three months ended March 31, 2012, with no comparable amount during the 2011 period. This expense is related to earnings attributable to HSREV, which was formed in September 2011.

Cash Flows

Comparison of the three months ended March 31, 2012 to the three months ended March 31, 2011

A comparison of cash flow from operating, investing and financing activities for the three months ended March 31, 2012 and 2011 is as follows (in thousands):

	Three Months Ended March 31, 2012	2011	Change
Net cash flow provided by (used in):			
Operating activities	$ 20,753	$ 15,247	$ 5,506
Investing activities	$ (52,795)	$ (8,170)	$ (44,625)
Financing activities	$ 30,438	$ (8,879)	$ 39,317

Cash flows provided by operating activities for the quarters ended March 31, 2012 and 2011 were $20.8 million and $15.2 million, respectively, an increase of $5.6 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.

Cash used in investing activities increased from $8.2 million in the 2011 period to $52.8 million in the 2012 period, an increase of $44.6 million. The increase primarily relates to increased property acquisitions in 2012 (Storage Deluxe Acquisition with a purchase price totaling $74.4 million and two other property acquisitions with purchase prices totaling $12.0 million), which was offset by

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mortgage loan assumptions that aggregated $34.9 million, compared to 2011 (one property acquisition with purchase price of $14.0 million).

Cash (used in) provided by financing activities increased from ($8.9) million in 2011 to $30.4 million in 2012, an increase of $39.3 million. The increase relates to a net increase in revolving credit facility borrowings of $52.5 million that were used to finance the 2012 Storage Deluxe Acquisitions; offset by increased distributions of $4.1 million (additional shares and increased distributions paid per share in the 2012 period) and increased net debt repayments of $9.7 million in 2012 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 $5 million to $7 million. In addition, we expect capital improvements totaling approximately $5 million related to our store upgrade and rebranding initiatives, through December 31, 2012. Our currently scheduled principal payments on debt are approximately $167.7 million in 2012.

Our most restrictive debt covenants limit the amount of additional leverage we can add; 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, 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, 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 March 31, 2012, we had approximately $7.5 million in available cash and cash equivalents. In addition, we had approximately $350 million of availability for borrowings under our Credit Facility.

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Bank Credit Facilities

On June 20, 2011, we entered into an unsecured 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. During 2011, we received two investment grade ratings, and therefore pricing on the Term Loan Facility now 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 our 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 replaces in its entirety our previous facility. In connection with obtaining the Credit Facility, we paid additional deferred financing costs of $3.4 million and wrote off deferred financing fees related to our previous facility of $6.1 million.

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 March 31, 2012, $200 million of unsecured term loan borrowings were outstanding under the Term Loan Facility, $200 million of unsecured term loan borrowings were outstanding under the Credit Facility, $50 million of unsecured revolving credit facility borrowings were outstanding and $350 million was available for borrowing under the Credit Facility. We had interest rate swaps as of March 31, 2012, that fix LIBOR on $200 million of borrowings under the Credit Facility maturing in March 2017 at 1.34%. In addition, at March 31, 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 March 31, 2012, borrowings under the Credit Facility and Term Loan Facility had a weighted average interest rate of 3.37% and the effective interest rates on the five and seven-year term loans were 3.65% and 4.47%, respectively, after giving consideration to the interest rate swaps described elsewhere in this report.

The Term Loan Facility was fully drawn at March 31, 2012 and no further borrowings may be made under that facility. Our 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 Company s REIT status.

We are currently in compliance with all of its financial covenants and anticipate being in compliance with all of its 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 at the market prices. During the quarter ended March 31, 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 March 31, 2012, we had 11.8 million shares available for sale under the program.

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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, 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.

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.

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

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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 months ended March 31, 2012 and 2011 (in thousands):

	Three months ended March 31,	
	2012	2011
Net loss attributable to common shareholders	$ (5,345)	$ (117)
Add (deduct):		
Real estate depreciation and amortization		
Real property - continuing operations	25,403	14,895
Real property - discontinued operations		354
Company s share of unconsolidated real estate ventures	514	
Noncontrolling interest s share of consolidated real estate ventures	(434)	(458)
Noncontrolling interests in the Operating Partnership	(149)	(5)
FFO	$ 19,989	$ 14,669
Weighted-average diluted shares and units outstanding	128,470	105,008

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 March 31, 2012 our consolidated debt consisted of $787.8 million of outstanding mortgages 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 $50 million of outstanding revolving credit facility borrowings subject to floating rates. Changes in interest rates have different impacts on

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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 1%, the increase in annual interest expense on our variable rate debt would decrease future earnings and cash flows by approximately $0.5 million a year. If market rates of interest on our variable rate debt decrease by 1%, the decrease in interest expense on our variable rate debt would increase future earnings and cash flows by approximately $0.5 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 $14.1 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 $13.6 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 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.

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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 March 31, 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)
January 1- January 31	45,659	$ 11.01	N/A	3,000,000
February 1- February 29	2,269	11.75	N/A	3,000,000
March 1- March 31			N/A	3,000,000
Total	47,928	$ 11.05	N/A	3,000,000

(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
10.1*	Form of Performance Vested restricted Share Unit Agreement, incorporated by reference to Exhibit 10.1 to CubeSmart s Current Report on Form 8-K filed with the SEC on January 31, 2012.
10.2	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.
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 here with)
101	The following CubeSmart and CubeSmart, L.P. financial information for the quarter ended March 31, 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)

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* Denotes a management contract or compensatory plan, contract or arrangement.

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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: May 7, 2012	By: /s/ Dean Jernigan Dean Jernigan, Chief Executive Officer (Principal Executive Officer)
Date: May 7, 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: May 7, 2012	By: /s/ Dean Jernigan Dean Jernigan, Chief Executive Officer (Principal Executive Officer)
Date: May 7, 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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