

CubeSmart
Form 10-K
February 28, 2013
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 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)
Commission file number 000-54662 (CubeSmart, L.P.)

**CUBESMART
CUBESMART, L.P.**

(Exact Name of Registrant as Specified in Its Charter)

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

20-1024732 (CubeSmart)
34-1837021 (CubeSmart, L.P.)
(IRS Employer
Identification No.)

460 East Swedesford Road
Suite 3000
Wayne, Pennsylvania
(Address of Principal Executive Offices)

19087
(Zip Code)

Registrant's telephone number, including area code **(610) 293-5700**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, \$0.01 par value per share, of CubeSmart	New York Stock Exchange
7.75% Series A Cumulative Redeemable	New York Stock Exchange
Preferred Shares of Beneficial Interest, par value \$.01 per share, of CubeSmart	

Securities registered pursuant to Section 12(g) of the Act: **Units of General Partnership Interest of CubeSmart, L.P.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

CubeSmart	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
CubeSmart, L.P.	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

CubeSmart	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
CubeSmart, L.P.	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

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, and (2) has been subject to such filing requirements for the past 90 days.

CubeSmart	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
CubeSmart, L.P.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

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).

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CubeSmart Yes No
CubeSmart, L.P. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

CubeSmart Yes No
CubeSmart, L.P. Yes No

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 definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act:

CubeSmart:

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

CubeSmart, L.P.:

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

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

CubeSmart Yes No
CubeSmart, L.P. Yes No

As of June 30, 2012, the last business day of CubeSmart's most recently completed second fiscal quarter, the aggregate market value of common shares held by non-affiliates of CubeSmart was \$1,431,731,476. As of February 26, 2013, the number of common shares of CubeSmart outstanding was 133,593,640.

As of June 30, 2012, the aggregate market value of the 4,408,730 units of limited partnership (the Units) held by non-affiliates of CubeSmart, L.P. was \$51,449,879 based upon the last reported sale price of \$11.67 per share on the New York Stock Exchange on June 30, 2012 of the common shares of CubeSmart, the sole general partner of CubeSmart, L.P. (For this computation, the market value of all Units beneficially owned by CubeSmart has been excluded.)

Documents incorporated by reference: Portions of the Proxy Statement for the 2013 Annual Meeting of Shareholders of CubeSmart to be filed subsequently with the SEC are incorporated by reference into Part III of this report.

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EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 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 December 31, 2012, owned a 97.6% general partnership interest in the Operating Partnership. The remaining 2.4% interest consists of common units of limited partnership 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 acting through its general partner are identical.

There are a 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 and subsidiaries 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 and subsidiaries 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 Company believes that combining the annual reports on Form 10-K 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.

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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. The Parent Company does not have significant assets other than its investment in 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 shares, while the Operating Partnership is a partnership with no publicly traded equity.

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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) and comprehensive income (loss). Apart from the different equity treatment, the consolidated financial statements of the Parent Company and the Operating Partnership are nearly identical. 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.

This report also includes separate Item 9A (Controls and Procedures) disclosures and separate 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 each entity have made the requisite certifications and that the Parent Company and Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. § 1350.

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PART I

Forward-Looking Statements

This Annual Report on Form 10-K and 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 (the Exchange Act). 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. Risks, uncertainties and other factors that might cause such differences, some of which could be material, include, but are not limited to:

- national and local economic, business, real estate and other market conditions;

- the competitive environment in which we operate, including our ability to maintain or raise 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 Parent Company's qualification as a real estate investment trust (REIT) for federal income tax purposes;

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- 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
- other risks identified from time to time, in other reports 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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ITEM 1. BUSINESS

Overview

We are a self-administered and self-managed real estate company focused primarily on the ownership, operation, management, acquisition and development of self-storage facilities in the United States.

As of December 31, 2012, we owned 381 self-storage facilities located in 22 states and in the District of Columbia containing an aggregate of approximately 25.5 million rentable square feet. As of December 31, 2012, approximately 84.4% of the rentable square footage at our owned facilities was leased to approximately 182,000 tenants, and no single tenant represented a significant concentration of our revenues. As of December 31, 2012 we owned facilities in the District of Columbia and the following 22 states: Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Maryland, Massachusetts, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, Utah, Virginia and Wisconsin. In addition, as of December 31, 2012, we managed 133 properties for third parties, bringing the total number of properties we owned and/or managed to 514. As of December 31, 2012 we managed facilities in the following 27 states: Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Illinois, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, and Virginia.

Our self-storage facilities are designed to offer affordable and easily-accessible storage space for our residential and commercial customers. Our customers rent storage cubes for their exclusive use, typically on a month-to-month basis. Additionally, some of our facilities offer outside storage areas for vehicles and boats. Our facilities are designed to accommodate both residential and commercial customers, with features such as wide aisles and load-bearing capabilities for large truck access. All of our facilities have an on-site manager during business hours, and 256, or approximately 67%, of our owned facilities have a manager who resides in an apartment at the facility. Our customers can access their storage cubes during business hours, and some of our facilities provide customers with 24-hour access through computer controlled access systems. Our goal is to provide customers with the highest standard of facilities and service in the industry. To that end, approximately 76% of our owned facilities include climate controlled cubes, compared with the national average of 44% reported by the 2013 Self-Storage Almanac.

The Parent Company was formed in July 2004 as a Maryland REIT. The Parent Company owns its assets and conducts its business through its operating partnership, CubeSmart, L.P. (our Operating Partnership), and its subsidiaries. The Parent Company controls the Operating Partnership as its sole general partner and, as of December 31, 2012, owned an approximately 97.6% interest in the Operating Partnership. The Operating Partnership has been engaged in virtually all aspects of the self-storage business, including the development, acquisition, management, ownership and operation of self-storage facilities.

Acquisition and Disposition Activity

As of December 31, 2012 and 2011, we owned 381 and 370 facilities, respectively, that contained an aggregate of 25.5 million and 24.4 million rentable square feet with occupancy rates of 84.4% and 78.4%, respectively.

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A complete listing of, and additional information about, our facilities is included in Item 2 of this Annual Report on Form 10-K. The following is a summary of our 2012, 2011 and 2010 acquisition and disposition activity:

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Facility/Portfolio	Location	Transaction Date	Number of Facilities	Purchase / Sales Price (in thousands)
<i>2012 Acquisitions:</i>				
Houston Asset	Houston, TX	February 2012	1	\$ 5,100
Dunwoody Asset	Dunwoody, GA	February 2012	1	6,900
Mansfield Asset	Mansfield, TX	June 2012	1	4,970
Texas Assets	Multiple locations in TX	July 2012	4	18,150
Allen Asset	Allen, TX	July 2012	1	5,130
Norwalk Asset	Norwalk, CT	July 2012	1	5,000
Storage Deluxe Assets	Multiple locations in NY and CT	February/ April/ August 2012	6	201,910
Eisenhower Asset	Alexandria, VA	August 2012	1	19,750
New Jersey Assets	Multiple locations in NJ	August 2012	2	10,750
Georgia/ Florida Assets	Multiple locations in GA and FL	August 2012	3	13,370
Peachtree Asset	Peachtree City, GA	August 2012	1	3,100
HSREV Assets	Multiple locations in PA, NY, NJ, VA and FL	September 2012	9	102,000(a)
Leetsdale Asset	Denver, CO	September 2012	1	10,600
Orlando/ West Palm Beach Assets	Multiple locations in FL	November 2012	2	13,010
Exton/ Cherry Hill Assets	Multiple locations in NJ and PA	December 2012	2	7,800
Carrollton Asset	Carrollton, TX	December 2012	1	4,800
			37	\$ 432,340
<i>2012 Dispositions:</i>				
Michigan Assets	Multiple locations in MI	June 2012	3	\$ 6,362
Gulf Coast Assets	Multiple locations in LA, AL and MS	June 2012	5	16,800
New Mexico Assets (b)	Multiple locations in NM	August 2012	6	7,500
San Bernardino Asset	San Bernardino, CA	August 2012	1	5,000
Florida/ Tennessee Assets	Multiple locations in FL and TN	November 2012	3	6,550
Ohio Assets	Multiple locations in OH	November 2012	8	17,750
			26	\$ 59,962
<i>2011 Acquisitions:</i>				
Burke Lake Asset	Fairfax Station, VA	January 2011	1	\$ 14,000
West Dixie Asset	Miami, FL	April 2011	1	13,500
White Plains Asset	White Plains, NY	May 2011	1	23,000
Phoenix Asset	Phoenix, AZ	May 2011	1	612
Houston Asset	Houston, TX	June 2011	1	7,600
Duluth Asset	Duluth, GA	July 2011	1	2,500
Atlanta Assets	Atlanta, GA	July 2011	2	6,975
District Heights Asset	District Heights, MD	August 2011	1	10,400
Storage Deluxe Assets	Multiple locations in NY, CT and PA	November 2011	16	357,310
Leesburg Asset	Leesburg, VA	November 2011	1	13,000
Washington, DC Asset	Washington, DC	December 2011	1	18,250
			27	\$ 467,147
<i>2011 Dispositions:</i>				

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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
<i>2010 Acquisitions:</i>					
Frisco Asset	Frisco, TX	July 2010	1	\$	5,800
New York City Assets	New York, NY	September 2010	2		26,700
Northeast Assets	Multiple locations in NJ, NY and MA	November 2010	5		18,560
Manassas Asset	Manassas, VA	November 2010	1		6,050
Apopka Asset	Orlando, FL	November 2010	1		4,235
Wyckoff Asset	Queens, NY	December 2010	1		13,600
McLearen Asset	McLearen, VA	December 2010	1		10,200
			12	\$	85,145
<i>2010 Dispositions:</i>					
Sun City Asset	Sun City, CA	October 2010	1	\$	3,100
Inland Empire/Fayetteville Assets	Multiple locations in CA and NC	December 2010	15		35,000
			16	\$	38,100

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- (a) Purchase price listed represents the fair value of the assets at acquisition.
- (b) The Company issued financing in the amount of \$5.3 million to the buyer in conjunction with the New Mexico Assets disposition.

The comparability of our results of operations is affected by the timing of acquisition and disposition activities during the periods reported. At December 31, 2012 and 2011, we owned 381 and 370 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 December 31, 2012:

	2012	2011
Balance - January 1	370	363
Facilities acquired	6	1
Facilities sold		
Balance - March 31	376	364
Facilities acquired	2	4
Facilities consolidated		(1)
Facilities sold	(8)	
Balance - June 30	370	367
Facilities acquired	24	4
Facilities sold	(7)	(18)
Balance - September 30	387	353
Facilities acquired	5	18
Facilities sold	(11)	(1)
Balance - December 31	381	370

Financing and Investing Activities

The following summarizes certain financing activities during the year ended December 31, 2012:

- Storage Deluxe Acquisition.* During the year ended December 31, 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 the final six properties with a purchase price of approximately \$201.9 million. The six 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 \$12.3 million.
- Facility Acquisitions.* In addition to the Storage Deluxe Acquisition, during the year ended December 31, 2012, we acquired 22 self-storage facilities located throughout the United States for an aggregate purchase price of approximately \$128.4 million. In connection with these acquisitions, we allocated a portion of the purchase price to the intangible value of in-place leases which aggregated \$13.2 million.

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- *Investments in Unconsolidated Real Estate Ventures.* On September 28, 2012, the Company purchased the remaining 50% ownership in a partnership that owned nine storage facilities, collectively the HSRE Venture (HSREV), for cash of \$21.7 million. In addition, upon taking control of these assets, the Company repaid \$59.3 million of mortgage loans related to the properties. Following the acquisition, the Company wholly owns the nine storage facilities which are unencumbered and have a fair value of \$102 million at the date of acquisition. In connection with this acquisition, the Company allocated a portion of the fair value to the intangible value of in-place leases which aggregated \$8.3 million.

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- *Facility Dispositions.* During the year ended December 31, 2012, we sold 26 self-storage facilities located throughout the United States for an aggregate sales price of approximately \$60.0 million. These sales resulted in the recognition of gains that totaled \$9.8 million.
- *Investments in Consolidated Real Estate Ventures.* On August 13, 2012, the Company purchased the remaining 50% interest in the HART joint venture from Heitman for \$61.1 million, and now owns 100% of HART. Accordingly, the Company wholly owns the 22 properties, which are unencumbered by any property-level secured debt. The Company previously consolidated HART, and therefore the acquisition of the remaining 50% interest is reflected in the equity section of the accompanying consolidated balance sheets. As a result of the transaction, the Company eliminated noncontrolling interest in subsidiaries of \$38.7 million and recorded a reduction to additional paid in capital of \$18.5 million.
- *Senior Note Issuance.* On June 26, 2012, the Operating Partnership issued \$250 million in aggregate principal amount of unsecured senior notes due July 15, 2022 (the senior notes), which bear interest at a rate of 4.80%. The indenture under which the unsecured senior notes were issued restricts the ability of the Operating Partnership and its subsidiaries to incur debt unless the Operating Partnership and its consolidated subsidiaries comply with a leverage ratio not to exceed 60% and an interest coverage ratio of less than 1.5:1 after giving effect to the incurrence of the debt. The indenture also restricts the ability of the Operating Partnership and its subsidiaries to incur secured debt unless the Operating Partnership and its consolidated subsidiaries comply with a secured debt leverage ratio not to exceed 40% after giving effect to the incurrence of the debt. The indenture also contains other financial and customary covenants, including a covenant not to own unencumbered assets with a value less than 150% of the unsecured indebtedness of the Operating Partnership and its consolidated subsidiaries. We are currently in compliance with all its financial covenants under the senior notes.
- *At The Market Program.* Pursuant to our sales agreement with Cantor Fitzgerald & Co. (the Sales Agent), dated April 3, 2009, as amended on January 26, 2011 and September 16, 2011 (as amended, the Sales Agreement), we may sell up to 20 million common shares at the market prices. During the year ended December 31, 2012, we sold 7.9 million shares with an average sales price of \$13.13 per share, resulting in gross proceeds of \$103.8 million under the program. The Company incurred \$1.7 million of offering costs in conjunction with these sales.

Business Strategy

Our business strategy consists of several elements:

- **Maximize cash flow from our facilities** Our operating strategy focuses on maximizing sustainable rents at our facilities while achieving and sustaining occupancy targets. We utilize our operating systems and experienced personnel to manage the balance between rental rates, discounts, and physical occupancy with an objective of maximizing our rental revenue.
- **Acquire facilities within targeted markets** During 2013, we intend to pursue selective acquisitions in markets that we believe have high barriers to entry, strong demographic fundamentals and demand for storage in excess of storage capacity. We believe the self-storage industry will continue to afford us opportunities for growth through acquisitions due to the highly fragmented composition of the industry.

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- **Dispose of facilities not in targeted markets** During 2013, we intend to continue to reduce exposure in slower growth, lower barrier-to-entry markets. We intend to use proceeds from these transactions to fund acquisitions within target markets.

- **Grow our third party management business** We intend to pursue additional third party management opportunities in markets where we currently maintain management that can be extended to additional facilities. We intend to leverage our current platform to take advantage of consolidation in the industry. We plan to utilize our relationships with third party owners to help source future acquisitions.

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Investment and Market Selection Process

We maintain a disciplined and focused process in the acquisition and development of self-storage facilities. Our investment committee, comprised of our named executive officers and led by Dean Jernigan, our Chief Executive Officer, oversees our investment process. Our investment process involves six stages – identification, initial due diligence, economic assessment, investment committee approval (and when required, Board approval), final due diligence, and documentation. Through our investment committee, we intend to focus on the following criteria:

- **Targeted markets** Our targeted markets include areas where we currently maintain management that can be extended to additional facilities, or where we believe that we can acquire a significant number of facilities efficiently and within a short period of time. We evaluate both the broader market and the immediate area, typically five miles around the facility, for its ability to support above-average demographic growth. We seek to increase our presence primarily in areas that we expect will experience growth, including the Northeastern and Middle Atlantic areas of the United States and areas within Georgia, Florida, Texas, Illinois and California and to enter new markets should suitable opportunities arise.
- **Quality of facility** We focus on self-storage facilities that have good visibility and are located near retail centers, which typically provide high traffic corridors and are generally located near residential communities and commercial customers.
- **Growth potential** We target acquisitions that offer growth potential through increased operating efficiencies and, in some cases, through additional leasing efforts, renovations or expansions. In addition to acquiring single facilities, we seek to invest in portfolio acquisitions, including those offering significant potential for increased operating efficiency and the ability to spread our fixed costs across a large base of facilities.

Segment

We have one reportable segment: we own, operate, develop, manage and acquire self-storage facilities.

Concentration

Our self-storage facilities are located in major metropolitan areas as well as suburban areas and have numerous tenants per facility. No single tenant represented a significant concentration of our 2012 revenues. Our facilities in New York, Florida, California, and Texas provided approximately 16%, 15%, 10% and 10%, respectively, of our total 2012 revenues. Our facilities in Florida, California, Texas and Illinois provided approximately 17%, 12%, 10% and 7%, respectively, of our total 2011 revenues.

Seasonality

We typically experience seasonal fluctuations in occupancy levels at our facilities, with the levels generally slightly higher during the summer months due to increased moving activity.

Financing Strategy

Although our organizational documents do not limit the amount of debt that we may incur, we maintain a capital structure that we believe is reasonable and prudent and that will enable us to have ample cash flow to cover debt service and make distributions to our shareholders. As of December 31, 2012, our debt to total capitalization ratio (determined by dividing the carrying value of our total indebtedness by the sum of (a) the market value of the Parent Company's outstanding common shares and units of the Operating Partnership held by third parties and (b) the carrying value of our total indebtedness) was approximately 34.2% compared to approximately 36.0% as of December 31, 2011. Our ratio of debt to the depreciated cost of our real estate assets as of December 31, 2012 was approximately 49.0% compared to approximately 42.4% as of December 31, 2011. We expect to finance additional investments in self-storage facilities through the most attractive available sources of capital at the time of the transaction, in a manner consistent with maintaining a strong financial position and future financial flexibility. These capital sources may include borrowings under the revolving portion of our 2011 Credit Facility and additional secured or unsecured financings, sales of common or preferred shares of the Parent Company in public offerings or private placements, and issuances of common or preferred units in our Operating Partnership in exchange for contributed properties or cash and formations of joint ventures. We also may sell facilities that we no longer view as core assets and reallocate the sales proceeds to fund other acquisitions.

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Competition

Over the last decade, new self-storage facility development has intensified the competition among self-storage operators in many market areas in which we operate. Self-storage facilities compete based on a number of factors, including location, rental rates, security, suitability of the facility's design to prospective customers' needs and the manner in which the facility is operated and marketed. In particular, the number of competing self-storage facilities in a particular market could have a material effect on our occupancy levels, rental rates and on the overall operating performance of our facilities. We believe that the primary competition for potential customers of any of our self-storage facilities comes from other self-storage facilities within a three-mile radius of that facility. We believe our facilities are well-positioned within their respective markets and we emphasize customer service, convenience, security and professionalism.

Our key competitors include local and regional operators as well as the other public self-storage REITS, including Public Storage, Sovran Self Storage and Extra Space Storage Inc. These companies, some of which operate significantly more facilities than we do and have greater resources than we have, and other entities may generally be able to accept more risk than we determine is prudent for us, including risks with respect to the geographic proximity of facility investments and the payment of higher facility acquisition prices. This competition may generally reduce the number of suitable acquisition opportunities available to us, increase the price required to consummate the acquisition of particular facilities and reduce the demand for self-storage space in areas where our facilities are located. Nevertheless, we believe that our experience in operating, managing, acquiring, developing and obtaining financing for self-storage facilities should enable us to compete effectively.

Government Regulation

We are subject to various laws, ordinances and regulations, including regulations relating to lien sale rights and procedures and various federal, state and local environmental regulations that apply generally to the ownership of real property and the operation of self-storage facilities.

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of hazardous substances released on or in its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. The presence of hazardous substances, or the failure to properly remediate such substances, when released, may adversely affect the property owner's ability to sell the real estate or to borrow using the real estate as collateral, and may cause the property owner to incur substantial remediation costs. In addition to claims for cleanup costs, the presence of hazardous substances on a property could result in a claim by a private party for personal injury or a claim by an adjacent property owner or user for property damage. We may also become liable for the costs of removal or remediation of hazardous substances stored at the facilities by a customer even though storage of hazardous substances would be without our knowledge or approval and in violation of the customer's storage lease agreement with us.

Our practice is to conduct or obtain environmental assessments in connection with the acquisition or development of facilities. Whenever the environmental assessment for one of our facilities indicates that a facility is impacted by soil or groundwater contamination from prior owners/operators or other sources, we work with our environmental consultants and, where appropriate, state governmental agencies, to ensure that the facility is either cleaned up, that no cleanup is necessary because the low level of contamination poses no significant risk to public health or the environment, or that the responsibility for cleanup rests with a third party. In certain cases, the Company has purchased environmental liability insurance coverage to indemnify the Company against claims for contamination or other adverse environmental conditions that may affect a property.

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We are not aware of any environmental cleanup liability that we believe will have a material adverse effect on us. We cannot assure you, however, that these environmental assessments and investigations have revealed or will reveal all potential environmental liabilities, that no prior owner created any material environmental condition not known to us or the independent consultant or that future events or changes in environmental laws will not result in the imposition of environmental liability on us.

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We have not received notice from any governmental authority of any material noncompliance, claim or liability in connection with any of our facilities, nor have we been notified of a claim for personal injury or property damage by a private party in connection with any of our facilities relating to environmental conditions.

We are not aware of any environmental condition with respect to any of our facilities that could reasonably be expected to have a material adverse effect on our financial condition or results of operations, and we do not expect that the cost of compliance with environmental regulations will have a material adverse effect on our financial condition or results of operations. We cannot assure you, however, that this will continue to be the case.

Insurance

We carry comprehensive liability, fire, extended coverage and rental loss insurance covering all of the facilities in our portfolio. We carry environmental insurance coverage on certain properties in our portfolio. We believe the policy specifications and insured limits are appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice. We do not carry insurance for losses such as loss from riots, war or acts of God, and, in some cases, environmental hazards, because such coverage is not available or is not available at commercially reasonable rates. Some of our policies, such as those covering losses due to terrorist activities, hurricanes, floods and earthquakes, are insured subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover losses. We also carry liability insurance to insure against personal injuries that might be sustained on our properties and director and officer liability insurance.

Offices

Our principal executive office is located at 460 E. Swedesford Road, Suite 3000, Wayne, PA 19087. Our telephone number is (610) 293-5700.

Employees

As of December 31, 2012, we employed 1,409 employees, of whom 188 were corporate executive and administrative personnel and 1,221 were property level personnel. We believe that our relations with our employees are good. Our employees are not unionized.

Available Information

We file registration statements, proxy statements, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, with the SEC. You may obtain copies of these documents by visiting the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, by calling the SEC at 1-800-SEC-0330 or by accessing the SEC's website at www.sec.gov. Our internet

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website address is www.cubesmart.com. You also can obtain on our website, free of charge, a copy of our annual report on Form 10-K, the Operating Partnership's registration statement on Form 10, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after we electronically file such reports or amendments with, or furnish them to, the SEC. Our internet website and the information contained therein or connected thereto are not intended to be incorporated by reference into this Annual Report on Form 10-K.

Also available on our website, free of charge, are copies of our Code of Business Conduct and Ethics, our Corporate Governance Guidelines, and the charters for each of the committees of our Board of Trustees—the Audit Committee, the Corporate Governance and Nominating Committee, and the Compensation Committee. Copies of each of these documents are also available in print free of charge, upon request by any shareholder. You can obtain copies of these documents by contacting Investor Relations by mail at 460 E. Swedesford Road, Suite 3000, Wayne, PA 19087.

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ITEM 1A. RISK FACTORS

Overview

An investment in our securities involves various risks. Investors should carefully consider the risks set forth below together with other information contained in this Annual Report. These risks are not the only ones that we may face. Additional risks not presently known to us, or that we currently consider immaterial, may also impair our business, financial condition, operating results and ability to make distributions to our shareholders.

Risks Related to our Business and Operations

Adverse macroeconomic and business conditions may significantly and negatively affect our rental rates, occupancy levels and therefore our results of operations.

We are susceptible to the effects of adverse macro-economic events that can result in higher unemployment, shrinking demand for products, large-scale business failures and tight credit markets. Our results of operations are 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, 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.

It is difficult to determine the breadth and duration of the economic and financial market problems and the many ways in which they may affect our customers and our business in general. Nonetheless, continuation or further worsening of these difficult financial and macroeconomic conditions could have a significant adverse effect on our sales, profitability and results of operations.

Many states and local jurisdictions are facing severe budgetary problems which may have an adverse impact on our business and financial results.

Many states and jurisdictions are facing severe budgetary problems. Action that may be taken in response to these problems, such as increases in property taxes on commercial properties, changes to sales taxes or other governmental efforts, including mandating medical insurance for employees, could adversely impact our business and results of operations.

Our financial performance is dependent upon the economic and other conditions of the markets in which our facilities are located.

We are susceptible to adverse developments in the markets in which we operate, such as business layoffs or downsizing, industry slowdowns, relocations of businesses, changing demographics and other factors. Our facilities in New York, Florida, California, Texas, Illinois, New Jersey, and Tennessee accounted for approximately 16%, 15%, 10%, 10%, 6%, 5% and 4%, respectively, of our total 2012 revenues. As a result of this geographic concentration of our facilities, we are particularly susceptible to adverse market conditions in these areas. Any adverse economic or real estate developments in these markets, or in any of the other markets in which we operate, or any decrease in demand for self-storage space resulting from the local business climate could adversely affect our rental revenues, which could impair our ability to satisfy our debt service obligations and pay distributions to our shareholders.

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We face risks associated with facility acquisitions.

We intend to continue to acquire individual and portfolios of self-storage facilities. These acquisitions would increase our size and may potentially alter our capital structure. Although we believe that future acquisitions that we complete will enhance our financial performance, the success of acquisitions is subject to the risks that:

- acquisitions may fail to perform as expected;
- the actual costs of repositioning or redeveloping acquired facilities may be higher than our estimates;
- we may be unable to obtain acquisition financing on favorable terms;
- acquisitions may be located in new markets where we may have limited knowledge and understanding of the local economy, an absence of business relationships in the area or an unfamiliarity with local governmental and permitting procedures;
- there is only limited recourse, or no recourse, to the former owners of newly acquired facilities for unknown or undisclosed liabilities such as the clean-up of undisclosed environmental contamination; claims by tenants, vendors or other persons arising on account of actions or omissions of the former owners of the facilities; and claims by local governments, adjoining property owners, property owner associations, and easement holders for fees, assessments, taxes on other property-related changes. As a result, if a liability were asserted against us based upon ownership of an acquired facility, we might be required to pay significant sums to settle it, which could adversely affect our financial results and cash flow.

In addition, we do not always obtain third-party appraisals of acquired facilities (and instead rely on value determinations by our senior management) and the consideration we pay in exchange for those facilities may exceed the value determined by third-party appraisals.

We will incur costs and will face integration challenges when we acquire additional facilities.

As we acquire or develop additional self-storage facilities, we will be subject to risks associated with integrating and managing new facilities, including customer retention and mortgage default risks. In the case of a large portfolio purchase, we could experience strains in our existing information management capacity. In addition, acquisitions or developments may cause disruptions in our operations and divert management's attention away from day-to-day operations. Furthermore, our income may decline because we will be required to expense acquisition-related costs and amortize in future periods costs for acquired goodwill and other intangible assets. Our failure to successfully integrate any future acquisitions into our portfolio could have an adverse effect on our operating costs and our ability to make distributions to our shareholders.

The acquisition of new facilities that lack operating history with us will make it more difficult to predict revenue potential.

We intend to continue to acquire additional facilities. These acquisitions could fail to perform in accordance with expectations. If we fail to accurately estimate occupancy levels, rental rates, operating costs or costs of improvements to bring an acquired facility up to the standards established for our intended market position, the performance of the facility may be below expectations. Acquired facilities may have characteristics or deficiencies affecting their valuation or revenue potential that we have not yet discovered. We cannot assure you that the performance of facilities acquired by us will increase or be maintained under our management.

We depend on external sources of capital that are outside of our control; the unavailability of capital from external sources could adversely affect our ability to acquire or develop facilities, satisfy our debt obligations and/or make distributions to shareholders.

We depend on external sources of capital to fund acquisitions and facility development, to satisfy our debt obligations and to make distributions to our shareholders required to maintain our status as a REIT, and these sources of capital may not be available on favorable terms, if at all. Our access to external sources of capital depends on a number of factors, including the market's perception of our growth potential and our current and potential future earnings and our ability to continue to qualify as a REIT for federal income tax purposes. If we are unable to obtain external sources of capital, we may not be able to acquire or develop facilities when strategic opportunities exist, satisfy our debt obligations or make distributions to shareholders that would permit us to qualify as a REIT or avoid paying tax on our REIT taxable income.

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Rising operating expenses could reduce our cash flow and funds available for future distributions.

Our facilities and any other facilities we acquire or develop in the future are and will be subject to operating risks common to real estate in general, any or all of which may negatively affect us. Our facilities are subject to increases in operating expenses such as real estate and other taxes, personnel costs including the cost of providing specific medical coverage to our employees, utilities, insurance, administrative expenses and costs for repairs and maintenance. If operating expenses increase without a corresponding increase in revenues, our profitability could diminish and limit our ability to make distributions to our shareholders.

We cannot assure you of our ability to pay dividends in the future.

Historically, we have paid quarterly distributions to our shareholders, and we intend to continue to pay quarterly dividends and to make distributions to our shareholders in amounts such that all or substantially all of our taxable income in each year, subject to certain adjustments, is distributed. This, along with other factors, should enable us to continue to qualify for the tax benefits accorded to a REIT under the Internal Revenue Code. We have not established a minimum dividends payment level, and all future distributions will be made at the discretion of our Board of Trustees. Our ability to pay dividends will depend upon, among other factors:

- the operational and financial performance of our facilities;
- capital expenditures with respect to existing and newly acquired facilities;
- general and administrative costs associated with our operation as a publicly-held REIT;
- maintenance of our REIT status;
- the amount of, and the interest rates on, our debt;
- the absence of significant expenditures relating to environmental and other regulatory matters; and
- other risk factors described in this Annual Report on Form 10-K.

Certain of these matters are beyond our control and any significant difference between our expectations and actual results could have a material adverse effect on our cash flow and our ability to make distributions to shareholders.

If we are unable to promptly re-let our cubes or if the rates upon such re-letting are significantly lower than expected, then our business and results of operations would be adversely affected.

We derive revenues principally from rents received from customers who rent cubes at our self-storage facilities under month-to-month leases. Any delay in re-letting cubes as vacancies arise would reduce our revenues and harm our operating results. In addition, lower than expected rental rates upon re-letting could adversely affect our revenues and impede our growth.

Property ownership through joint ventures may limit our ability to act exclusively in our interest.

We have in the past co-invested with, and we may continue to co-invest with, third parties through joint ventures. In any such joint venture, we may not be in a position to exercise sole decision-making authority regarding the facilities owned through joint ventures. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that joint venture partners might become bankrupt or fail to fund their share of required capital contributions.

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Joint venture partners may have business interests or goals that are inconsistent with our business interests or goals and may be in a position to take actions contrary to our policies or objectives. Such investments also have the potential risk of impasse on strategic decisions, such as a sale, in cases where neither we nor the joint venture partner would have full control over the joint venture. In other circumstances, joint venture partners may have the ability without our agreement to make certain major decisions, including decisions about sales, capital expenditures and/or financing. Any disputes that may arise between us and our joint venture partners could result in litigation or arbitration that could increase our expenses and distract our officers and/or Trustees from focusing their time and effort on our business. In addition, we might in certain circumstances be liable for the actions of our joint venture partners, and the activities of a joint venture could adversely affect our ability to qualify as a REIT, even though we do not control the joint venture.

We face significant competition for tenants and acquisition and development opportunities.

Actions by our competitors may decrease or prevent increases of the occupancy and rental rates of our properties. We compete with numerous developers, owners and operators of self-storage facilities, including other REITs, some of which own or may in the future own properties similar to ours in the same submarkets in which our properties are located and some of which may have greater capital resources. In addition, due to the relatively low cost of each individual self-storage facility, other developers, owners and operators have the capability to build additional facilities that may compete with our facilities.

If our competitors build new facilities that compete with our facilities or offer space at rental rates below the rental rates we currently charge our tenants, we may lose potential tenants, and we may be pressured to reduce our rental rates below those we currently charge in order to retain tenants when our tenants' leases expire. As a result, our financial condition, cash flow, cash available for distribution, market price of our shares and ability to satisfy our debt service obligations could be materially adversely affected. In addition, increased competition for customers may require us to make capital improvements to our facilities that we would not have otherwise made. Any unbudgeted capital improvements we undertake may reduce cash available for distributions to our shareholders.

We also face significant competition for acquisitions and development opportunities. Some of our competitors have greater financial resources than we do and a greater ability to borrow funds to acquire facilities. These competitors may also be willing to accept more risk than we can prudently manage, including risks with respect to the geographic proximity of investments and the payment of higher facility acquisition prices. This competition for investments may reduce the number of suitable investment opportunities available to us, may increase acquisition costs and may reduce demand for self-storage space in certain areas where our facilities are located and, as a result, adversely affect our operating results.

We may become subject to litigation or threatened litigation which may divert management's time and attention, require us to pay damages and expenses or restrict the operation of our business.

We may become subject to disputes with commercial parties with whom we maintain relationships or other parties with whom we do business. Any such dispute could result in litigation between us and the other parties. Whether or not any dispute actually proceeds to litigation, we may be required to devote significant management time and attention to its successful resolution (through litigation, settlement or otherwise), which would detract from our management's ability to focus on our business. Any such resolution could involve the payment of damages or expenses by us, which may be significant. In addition, any such resolution could involve our agreement with terms that restrict the operation of our business.

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There are other commercial parties, at both a local and national level, that may assert that our use of our brand names and other intellectual property conflict with their rights to use brand names and other intellectual property that they consider to be similar to ours. Any such commercial dispute and related resolution would involve all of the risks described above, including, in particular, our agreement to restrict the use of our brand name or other intellectual property.

We also could be sued for personal injuries and/or property damage occurring on our properties. We maintain liability insurance with limits that we believe adequate to provide for the defense and/or payment of any damages arising from such lawsuits. There can be no assurance that such coverage will cover all costs and expenses from such suits.

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Potential losses may not be covered by insurance, which could result in the loss of our investment in a facility and the future cash flows from the facility.

We carry comprehensive liability, fire, extended coverage and rental loss insurance covering all of the facilities in our portfolio. We believe the policy specifications and insured limits are appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice. We do not carry insurance for losses such as loss from riots, war or acts of God, and, in some cases, flooding and environmental hazards, because such coverage is not available or is not available at commercially reasonable rates. Some of our policies, such as those covering losses due to terrorism, hurricanes, floods and earthquakes, are insured subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover losses. If we experience a loss at a facility that is uninsured or that exceeds policy limits, we could lose the capital invested in that facility as well as the anticipated future cash flows from that facility. Inflation, changes in building codes and ordinances, environmental considerations, and other factors also might make it impractical or undesirable to use insurance proceeds to replace a facility after it has been damaged or destroyed. In addition, if the damaged facilities are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these facilities were irreparably damaged.

Our insurance coverage may not comply with certain loan requirements.

Certain of our properties serve as collateral for our mortgage-backed debt, some of which we assumed in connection with our acquisition of facilities and requires us to maintain insurance at levels and on terms that are not commercially reasonable in the current insurance environment. We may be unable to obtain required insurance coverage if the cost and/or availability make it impractical or impossible to comply with debt covenants. If we cannot comply with a lender's requirements, the lender could declare a default, which could affect our ability to obtain future financing and have a material adverse effect on our results of operations and cash flows and our ability to obtain future financing. In addition, we may be required to self-insure against certain losses or our insurance costs may increase.

Potential liability for environmental contamination could result in substantial costs.

We are subject to federal, state and local environmental regulations that apply generally to the ownership of real property and the operation of self-storage facilities. If we fail to comply with those laws, we could be subject to significant fines or other governmental sanctions.

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or petroleum product releases at a facility and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with contamination. Such liability may be imposed whether or not the owner or operator knew of, or was responsible for, the presence of these hazardous or toxic substances. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to properly remediate such substances, may adversely affect our ability to sell or rent such facility or to borrow using such facility as collateral. In addition, in connection with the ownership, operation and management of real properties, we are potentially liable for property damage or injuries to persons and property.

Our practice is to conduct or obtain environmental assessments in connection with the acquisition or development of additional facilities. We carry environmental insurance coverage on certain properties in our portfolio. We obtain or examine environmental assessments from qualified

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and reputable environmental consulting firms (and intend to conduct such assessments prior to the acquisition or development of additional facilities). The environmental assessments received to date have not revealed, nor do we have actual knowledge of, any environmental liability that we believe will have a material adverse effect on us. However, we cannot assure you that our environmental assessments have identified or will identify all material environmental conditions, that any prior owner of any facility did not create a material environmental condition not actually known to us or that a material environmental condition does not otherwise exist with respect to any of our facilities.

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Americans with Disabilities Act and applicable state accessibility act compliance may require unanticipated expenditures.

Under the Americans with Disabilities Act of 1990 and applicable state accessibility act laws (collectively, the ADA), all places of public accommodation are required to meet federal requirements related to physical access and use by disabled persons. A number of other federal, state and local laws may also impose access and other similar requirements at our facilities. A failure to comply with the ADA or similar state or local requirements could result in the governmental imposition of fines or the award of damages to private litigants affected by the noncompliance. Although we believe that our facilities comply in all material respects with these requirements (or would be eligible for applicable exemptions from material requirements because of adaptive assistance provided), a determination that one or more of our facilities is not in compliance with the ADA or similar state or local requirements would result in the incurrence of additional costs associated with bringing the facilities into compliance. If we are required to make substantial modifications to comply with the ADA or similar state or local requirements, we may be required to incur significant unanticipated expenditures, which could have an adverse effect on our operating costs and our ability to make distributions to our shareholders.

Privacy concerns could result in regulatory changes that may harm our business.

Personal privacy has become a significant issue in the jurisdictions in which we operate. Many jurisdictions in which we operate have imposed restrictions and requirements on the use of personal information by those collecting such information. Changes to law or regulations affecting privacy, if applicable to our business, could impose additional costs and liability on us and could limit our use and disclosure of such information.

We face system security risks as we depend upon automated processes and the Internet.

We are increasingly dependent upon automated information technology processes. While we attempt to mitigate this risk through offsite backup procedures and contracted data centers that include, in some cases, redundant operations, we could still be severely impacted by a catastrophic occurrence, such as a natural disaster or a terrorist event or cyber-attack. In addition, an increasing portion of our business operations are conducted over the Internet, increasing the risk of viruses that could cause system failures and disruptions of operations despite our deployment of anti-virus measures. Experienced computer programmers may be able to penetrate our network security and misappropriate our confidential information, create system disruptions or cause shutdowns.

Terrorist attacks and other acts of violence or war may adversely impact our performance and may affect the markets on which our securities are traded.

Terrorist attacks against our facilities, the United States or our interests, may negatively impact our operations and the value of our securities. Attacks or armed conflicts could negatively impact the demand for self-storage facilities and increase the cost of insurance coverage for our facilities, which could reduce our profitability and cash flow. Furthermore, any terrorist attacks or armed conflicts could result in increased volatility in or damage to the United States and worldwide financial markets and economy.

Risks Related to the Real Estate Industry

Our performance and the value of our self-storage facilities are subject to risks associated with our properties and with the real estate industry.

Our rental revenues and operating costs and the value of our real estate assets, and consequently the value of our securities, are subject to the risk that if our facilities do not generate revenues sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to pay distributions to our shareholders will be adversely affected. Events or conditions beyond our control that may adversely affect our operations or the value of our facilities include but are not limited to:

- downturns in the national, regional and local economic climate;
- local or regional oversupply, increased competition or reduction in demand for self-storage space;

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- vacancies or changes in market rents for self-storage space;
- inability to collect rent from customers;
- increased operating costs, including maintenance, insurance premiums and real estate taxes;
- changes in interest rates and availability of financing;
- hurricanes, earthquakes and other natural disasters, civil disturbances, terrorist acts or acts of war that may result in uninsured or underinsured losses;
- significant expenditures associated with acquisitions and development projects, such as debt service payments, real estate taxes, insurance and maintenance costs which are generally not reduced when circumstances cause a reduction in revenues from a property;
- costs of complying with changes in laws and governmental regulations, including those governing usage, zoning, the environment and taxes; and
- the relative illiquidity of real estate investments.

In addition, prolonged periods of economic slowdown or recession, rising interest rates or declining demand for self-storage, or the public perception that any of these events may occur, could result in a general decline in rental revenues, which could impair our ability to satisfy our debt service obligations and to make distributions to our shareholders.

Rental revenues are significantly influenced by demand for self-storage space generally, and a decrease in such demand would likely have a greater adverse effect on our rental revenues than if we owned a more diversified real estate portfolio.

Because our portfolio of facilities consists primarily of self-storage facilities, we are subject to risks inherent in investments in a single industry. A decrease in the demand for self-storage space would have a greater adverse effect on our rental revenues than if we owned a more diversified real estate portfolio. Demand for self-storage space has been and could be adversely affected by ongoing weakness in the national, regional and local economies, changes in supply of, or demand for, similar or competing self-storage facilities in an area and the excess amount of

self-storage space in a particular market. To the extent that any of these conditions occur, they are likely to affect market rents for self-storage space, which could cause a decrease in our rental revenue. Any such decrease could impair our ability to satisfy debt service obligations and make distributions to our shareholders.

Because real estate is illiquid, we may not be able to sell properties when appropriate.

Real estate property investments generally cannot be sold quickly. Also, the tax laws applicable to REITs require that we hold our facilities for investment, rather than sale in the ordinary course of business, which may cause us to forgo or defer sales of facilities that otherwise would be in our best interest. Therefore, we may not be able to dispose of facilities promptly, or on favorable terms, in response to economic or other market conditions, which may adversely affect our financial position.

Risks Related to our Qualification and Operation as a REIT

Failure to qualify as a REIT would subject us to U.S. federal income tax which would reduce the cash available for distribution to our shareholders.

We operate our business to qualify to be taxed as a REIT for federal income tax purposes. We have not requested and do not plan to request a ruling from the IRS that we qualify as a REIT, and the statements in this Annual Report on Form 10-K are not binding on the IRS or any court. As a REIT, we generally will not be subject to federal income tax on the income that we distribute currently to our shareholders. Many of the REIT requirements, however, are highly technical and complex.

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The determination that we are a REIT requires an analysis of various factual matters and circumstances that may not be totally within our control. For example, to qualify as a REIT, at least 95% of our gross income must come from specific passive sources, such as rent, that are itemized in the REIT tax laws. In addition, to qualify as a REIT, we cannot own specified amounts of debt and equity securities of some issuers. We also are required to distribute to our shareholders with respect to each year at least 90% of our REIT taxable income, excluding net capital gains. The fact that we hold substantially all of our assets through the Operating Partnership and its subsidiaries further complicates the application of the REIT requirements for us. Even a technical or inadvertent mistake could jeopardize our REIT status and, given the highly complex nature of the rules governing REITs and the ongoing importance of factual determinations, we cannot provide any assurance that we will continue to qualify as a REIT. Furthermore, Congress and the IRS might make changes to the tax laws and regulations, and the courts might issue new rulings, that make it more difficult, or impossible, for us to remain qualified as a REIT. If we fail to qualify as a REIT for federal income tax purposes and are able to avail ourselves of one or more of the statutory savings provisions in order to maintain our REIT status, we would nevertheless be required to pay penalty taxes of \$50,000 or more for each such failure.

If we fail to qualify as a REIT for federal income tax purposes, and are unable to avail ourselves of certain savings provisions set forth in the Internal Revenue Code, we would be subject to federal income tax at regular corporate rates on all of our income. As a taxable corporation, we would not be allowed to take a deduction for distributions to shareholders in computing our taxable income or pass through long term capital gains to individual shareholders at favorable rates. We also could be subject to the federal alternative minimum tax and possibly increased state and local taxes. We would not be able to elect to be taxed as a REIT for four years following the year we first failed to qualify unless the IRS were to grant us relief under certain statutory provisions. If we failed to qualify as a REIT, we would have to pay significant income taxes, which would reduce our net earnings available for investment or distribution to our shareholders. This likely would have a significant adverse effect on our earnings and likely would adversely affect the value of our securities. In addition, we would no longer be required to pay any distributions to shareholders.

Failure of the Operating Partnership (or a subsidiary partnership) to be treated as a partnership would have serious adverse consequences to our shareholders.

If the IRS were to successfully challenge the tax status of the Operating Partnership or any of its subsidiary partnerships for federal income tax purposes, the Operating Partnership or the affected subsidiary partnership would be taxable as a corporation. In such event we would cease to qualify as a REIT and the imposition of a corporate tax on the Operating Partnership or a subsidiary partnership would reduce the amount of cash available for distribution from the Operating Partnership to us and ultimately to our shareholders.

To maintain our REIT status, we may be forced to borrow funds on a short term basis during unfavorable market conditions.

As a REIT, we are subject to certain distribution requirements, including the requirement to distribute 90% of our REIT taxable income, which may result in our having to make distributions at a disadvantageous time or to borrow funds at unfavorable rates. Compliance with this requirement may hinder our ability to operate solely on the basis of maximizing profits.

We will pay some taxes even if we qualify as a REIT, which will reduce the cash available for distribution to our shareholders.

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Even if we qualify as a REIT for federal income tax purposes, we will be required to pay certain federal, state and local taxes on our income and property. For example, we will be subject to income tax to the extent we distribute less than 100% of our REIT taxable income, including capital gains. Additionally, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which dividends paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. Moreover, if we have net income from prohibited transactions, that income will be subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property held primarily for sale to customers in the ordinary course of business. The determination as to whether a particular sale is a prohibited transaction depends on the facts and circumstances related to that sale.

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We cannot guarantee that sales of our properties would not be prohibited transactions unless we comply with certain statutory safe-harbor provisions.

In addition, any net taxable income earned directly by our taxable REIT subsidiaries, or through entities that are disregarded for federal income tax purposes as entities separate from our taxable REIT subsidiaries, will be subject to federal and possibly state corporate income tax. We have elected to treat some of our subsidiaries as taxable REIT subsidiaries, and we may elect to treat other subsidiaries as taxable REIT subsidiaries in the future. In this regard, several provisions of the laws applicable to REITs and their subsidiaries ensure that a taxable REIT subsidiary will be subject to an appropriate level of federal income taxation. For example, a taxable REIT subsidiary is limited in its ability to deduct certain interest payments made to an affiliated REIT. In addition, the REIT has to pay a 100% penalty tax on some payments that it receives or on some deductions taken by a taxable REIT subsidiary if the economic arrangements between the REIT, the REIT's customers, and the taxable REIT subsidiary are not comparable to similar arrangements between unrelated parties. Finally, some state and local jurisdictions may tax some of our income even though as a REIT we are not subject to federal income tax on that income because not all states and localities follow the federal income tax treatment of REITs. To the extent that we and our affiliates are required to pay federal, state and local taxes, we will have less cash available for distributions to our shareholders.

We face possible federal, state and local tax audits.

Because we are organized and qualify as a REIT, we are generally not subject to federal income taxes, but are subject to certain state and local taxes. Certain entities through which we own real estate either have undergone, or are currently undergoing, tax audits. Although we believe that we have substantial arguments in favor of our positions in the ongoing audits, in some instances there is no controlling precedent or interpretive guidance on the specific point at issue. Collectively, tax deficiency notices received to date from the jurisdictions conducting the ongoing audits have not been material. However, there can be no assurance that future audits will not occur with increased frequency or that the ultimate result of such audits will not have a material adverse effect on our results of operations.

Risks Related to our Debt Financings

We face risks related to current debt maturities, including refinancing risk.

Certain of our mortgages, bank loans, and unsecured debt (including our senior notes) will have significant outstanding balances on their maturity dates, commonly known as balloon payments. We may not have the cash resources available to repay those amounts, and we may have to raise funds for such repayment either through the issuance of equity or debt securities, additional bank borrowings (which may include extension of maturity dates), joint ventures or asset sales. Furthermore, we are restricted from incurring certain additional indebtedness and making certain other changes to our capital and debt structure under the terms of the senior notes and the indenture governing the senior notes.

There can be no assurance that we will be able to refinance our debt on favorable terms or at all. To the extent we cannot refinance debt on favorable terms or at all, we may be forced to dispose of properties on disadvantageous terms or pay higher interest rates, either of which would have an adverse impact on our financial performance and ability to pay dividends to investors

As a result of our interest rate hedges, swap agreements and other, similar arrangements, we face counterparty risks.

We may be exposed to the potential risk of counterparty default or non-payment with respect to interest rate hedges, swap agreements, floors, caps and other interest rate hedging contracts that we may enter into from time to time, in which event we could suffer a material loss on the value of those agreements. Although these agreements may lessen the impact of rising interest rates on us, they also expose us to the risk that other parties to the agreements will not perform or that we cannot enforce the agreements. There is no assurance that our potential counterparties on these agreements will perform their obligations under such agreements.

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Financing our future growth plan or refinancing existing debt maturities could be impacted by negative capital market conditions.

Recently, domestic financial markets have experienced extreme volatility and uncertainty. At times in recent years liquidity has tightened in the domestic financial markets, including the investment grade debt and equity capital markets for which we historically sought financing. Consequently, there is greater uncertainty regarding our ability to access the credit markets in order to attract financing on reasonable terms nor can there be any assurance we can issue common or preferred equity securities at a reasonable price. Our ability to finance new acquisitions and refinance future debt maturities could be adversely impacted by our inability to secure permanent financing on reasonable terms, if at all.

The terms and covenants relating to our indebtedness could adversely impact our economic performance.

Like other real estate companies that incur debt, we are subject to risks associated with debt financing, such as the insufficiency of cash flow to meet required debt service payment obligations and the inability to refinance outstanding indebtedness at maturity. If our debt cannot be paid, refinanced or extended at maturity, we may not be able to make distributions to shareholders at expected levels or at all and may not be able to acquire new properties. Failure to make distributions to our shareholders could result in our failure to qualify as a REIT for federal income tax purposes. Furthermore, an increase in our interest expense could adversely affect our cash flow and ability to make distributions to shareholders. If we do not meet our debt service obligations, any facilities securing such indebtedness could be foreclosed on, which would have a material adverse effect on our cash flow and ability to make distributions and, depending on the number of facilities foreclosed on, could threaten our continued viability.

Our 2012 Credit Facility contains (and any new or amended facility we may enter into from time to time will likely contain) customary affirmative and negative covenants, including financial covenants that, among other things, require us to comply with certain liquidity and net worth tests. Our ability to borrow under the 2012 Credit Facility is (and any new or amended facility we may enter into from time to time will be) subject to compliance with such financial and other covenants. In the event that we fail to satisfy these covenants, we would be in default under the 2012 Credit Facility and may be required to repay such debt with capital from other sources. Under such circumstances, other sources of debt or equity capital may not be available to us, or may be available only on unattractive terms. Moreover, the presence of such covenants in our credit agreements could cause us to operate our business with a view toward compliance with such covenants, which might not produce optimal returns for shareholders.

Increases in interest rates on variable rate indebtedness would increase our interest expense, which could adversely affect our cash flow and ability to make distributions to shareholders. Rising interest rates could also restrict our ability to refinance existing debt when it matures. In addition, an increase in interest rates could decrease the amounts that third parties are willing to pay for our assets, thereby limiting our ability to alter our portfolio promptly in relation to economic or other conditions.

Our organizational documents contain no limitation on the amount of debt we may incur. As a result, we may become highly leveraged in the future.

Our organizational documents do not limit the amount of indebtedness that we or our Operating Partnership may incur. We could alter the balance between our total outstanding indebtedness and the value of our assets at any time. If we become more highly leveraged, then the resulting increase in debt service could adversely affect our ability to make payments on our outstanding indebtedness and to pay our anticipated

distributions and/or the distributions required to maintain our REIT status, and could harm our financial condition.

Risks Related to our Organization and Structure

We are dependent upon our senior management team whose continued service is not guaranteed.

Our executive team, including our named executive officers, has extensive self-storage, real estate and public company experience. Although we have employment agreements with members of our senior management team, we cannot provide any assurance that any of them will remain in our employment. The loss of services of one or more members of our senior management team could adversely affect our operations and our future growth.

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We are dependent upon our on-site personnel to maximize customer satisfaction; any difficulties we encounter in hiring, training and retaining skilled field personnel may adversely affect our rental revenues.

As of December 31, 2012, we had 1,221 field personnel involved in the management and operation of our facilities. The customer service, marketing skills and knowledge of local market demand and competitive dynamics of our facility managers are contributing factors to our ability to maximize our rental income and to achieve the highest sustainable rent levels at each of our facilities. We compete with various other companies in attracting and retaining qualified and skilled personnel. Competitive pressures may require that we enhance our pay and benefits package to compete effectively for such personnel. If there is an increase in these costs or if we fail to attract and retain qualified and skilled personnel, our business and operating results could be harmed.

Certain provisions of Maryland law could inhibit changes in control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our shares or otherwise benefit our shareholders.

Certain provisions of Maryland law may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of our common shares with the opportunity to realize a premium over the then-prevailing market price of those shares, including:

- business combination moratorium/fair price provisions that, subject to limitations, prohibit certain business combinations between us and an interested shareholder (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the shareholder becomes an interested shareholder, and thereafter imposes stringent fair price and super-majority shareholder voting requirements on these combinations; and
- control share provisions that provide that control shares of our company (defined as shares which, when aggregated with other shares controlled by the shareholder, entitle the shareholder to exercise one of three increasing ranges of voting power in electing Trustees) acquired in a control share acquisition (defined as the direct or indirect acquisition of ownership or control of control shares from a party other than the issuer) have no voting rights except to the extent approved by our shareholders by the affirmative vote of at least two thirds of all the votes entitled to be cast on the matter, excluding all interested shares, and are subject to redemption in certain circumstances.

We have opted out of these provisions of Maryland law. However, our Board of Trustees may opt to make these provisions applicable to us at any time without shareholder approval.

Our Trustees also have the discretion, granted in our bylaws and Maryland law, without shareholder approval to, among other things (1) create a staggered Board of Trustees, and (2) amend our bylaws or repeal individual bylaws in a manner that provides the Board of Trustees with greater authority. Any such action could inhibit or impede a third party from making a proposal to acquire us at a price that could be beneficial to our shareholders.

Our shareholders have limited control to prevent us from making any changes to our investment and financing policies.

Our Board of Trustees has adopted policies with respect to certain activities. These policies may be amended or revised from time to time at the discretion of our Board of Trustees without a vote of our shareholders. This means that our shareholders have limited control over changes in our policies. Such changes in our policies intended to improve, expand or diversify our business may not have the anticipated effects and consequently may adversely affect our business and prospects, results of operations and share price.

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Our rights and the rights of our shareholders to take action against our Trustees and officers are limited.

Maryland law provides that a trustee or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Our declaration of trust and bylaws require us to indemnify our Trustees and officers for actions taken on behalf of the Company by them in those capacities to the extent permitted by Maryland law. Accordingly, in the event that actions taken in good faith by any Trustee or officer impede our performance, our shareholders' ability to recover damages from that Trustee or officer will be limited.

Our declaration of trust permits our Board of Trustees to issue preferred shares with terms that may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our shares or otherwise benefit our shareholders.

Our declaration of trust permits our Board of Trustees to issue up to 40,000,000 preferred shares, of which 3,100,000 shares have already been issued, having those preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications, or terms or conditions of redemption as determined by our Board. In addition, our Board may reclassify any unissued common shares into one or more classes or series of preferred shares. Thus, our Board could authorize, without shareholder approval, the issuance of preferred shares with terms and conditions that could have the effect of discouraging a takeover or other transaction in which holders of some or a majority of our shares might receive a premium for their shares over the then-prevailing market price of our shares. We currently do not expect that the Board would require shareholder approval prior to such a preferred issuance. In addition, any preferred shares that we issue would rank senior to our common shares with respect to the payment of distributions, in which case we could not pay any distributions on our common shares until full distributions have been paid with respect to such preferred shares.

Risks Related to our Securities

Additional issuances of equity securities may be dilutive to shareholders.

The interests of our shareholders could be diluted if we issue additional equity securities to finance future acquisitions or developments or to repay indebtedness. Our Board of Trustees may authorize the issuance of additional equity securities, including preferred shares, without shareholder approval. Our ability to execute our business strategy depends upon our access to an appropriate blend of debt financing, including unsecured lines of credit and other forms of secured and unsecured debt, and equity financing, including common and preferred equity.

Many factors could have an adverse effect on the market value of our securities.

A number of factors might adversely affect the price of our securities, many of which are beyond our control. These factors include:

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- increases in market interest rates, relative to the dividend yield on our shares. If market interest rates go up, prospective purchasers of our securities may require a higher yield. Higher market interest rates would not, however, result in more funds for us to distribute and, to the contrary, would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our equity securities to go down;
- anticipated benefit of an investment in our securities as compared to investment in securities of companies in other industries (including benefits associated with tax treatment of dividends and distributions);
- perception by market professionals of REITs generally and REITs comparable to us in particular;
- level of institutional investor interest in our securities;
- relatively low trading volumes in securities of REITs;

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- our results of operations and financial condition;
- investor confidence in the stock market generally; and
- additions and departures of key personnel.

The market value of our equity securities is based primarily upon the market's perception of our growth potential and our current and potential future earnings and cash distributions. Consequently, our equity securities may trade at prices that are higher or lower than our net asset value per equity security. If our future earnings or cash distributions are less than expected, it is likely that the market price of our equity securities will diminish.

The market price of our common shares has been, and may continue to be, particularly volatile, and our shareholders may be unable to resell their shares at a profit.

The market price of our common shares has been subject to significant fluctuations and may continue to fluctuate or decline. Between 2010 and December 31, 2012, the price of our common shares has been volatile, ranging from a high of \$14.74 (on December 24, 2012) to a low of \$6.14 (on February 25, 2010). In the past several years, REIT securities have experienced high levels of volatility and significant declines in value from their historic highs.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. If our stock price is volatile, we may become the target of securities litigation. Securities litigation could result in substantial costs and divert our management's attention and resources from our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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As of December 31, 2012, we owned 381 self-storage facilities located in 22 states and the District of Columbia; and aggregating approximately 25.5 million rentable square feet. The following table sets forth certain summary information regarding our facilities by state as of December 31, 2012.

State	Number of Facilities	Number of Units	Total Rentable Square Feet	% of Total Rentable Square Feet	Occupancy
Florida	55	38,802	4,076,940	16.0%	85.0%
Texas	53	25,859	3,258,014	12.8%	83.8%
California	43	26,196	3,099,697	12.2%	82.9%
New York	30	34,219	2,127,114	8.4%	84.7%
Illinois	27	13,829	1,607,406	6.3%	88.0%
Arizona	24	11,931	1,283,093	5.0%	83.5%
Tennessee	23	12,327	1,606,973	6.3%	84.0%
New Jersey	21	13,418	1,386,285	5.4%	81.9%
Connecticut	20	9,089	1,041,681	4.1%	85.0%
Georgia	16	9,645	1,182,150	4.6%	83.9%
Ohio	15	8,453	979,849	3.8%	86.1%
Virginia	9	6,722	692,015	2.7%	83.9%
Colorado	9	4,755	567,556	2.2%	87.2%
Maryland	6	5,117	596,912	2.3%	84.4%
North Carolina	6	3,873	463,062	1.8%	82.2%
Pennsylvania	7	4,829	513,880	2.0%	84.5%
Utah	4	2,207	239,623	0.9%	87.5%
Massachusetts	4	2,379	206,419	0.8%	81.9%
New Mexico	3	1,620	182,061	0.7%	85.3%
Washington DC	2	1,799	145,615	0.6%	92.8%
Nevada	2	885	97,446	0.4%	85.6%
Indiana	1	713	73,014	0.4%	86.6%
Wisconsin	1	486	58,500	0.3%	81.2%
Total/Weighted Average	381	239,153	25,485,304	100.0%	84.4%

Our Facilities

The following table sets forth certain additional information with respect to each of our facilities as of December 31, 2012. Our ownership of each facility consists of a fee interest in the facility held by our Operating Partnership, or one of its subsidiaries, except for five of our facilities, which are subject to ground leases. In addition, small parcels of land at four of our other facilities are subject to ground leases.

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Facility Location	Year Acquired/ Developed (1)	Year Built	Rentable Square Feet	Occupancy (2)	Units	Manager Apartment (3)	% Climate Controlled (4)
Chandler, AZ	2005	1985	47,520	85.7%	431	Y	6.9%
Glendale, AZ	1998	1987	56,807	85.2%	515	Y	0.0%
Green Valley, AZ	2005	1985	25,050	77.0%	258	N	8.0%
Mesa I, AZ	2006	1985	52,375	87.9%	485	N	0.0%
Mesa II, AZ	2006	1981	45,361	82.2%	391	Y	9.8%
Mesa III, AZ	2006	1986	58,189	74.3%	492	Y	4.5%
Phoenix I, AZ	2006	1987	100,775	86.4%	750	Y	9.0%
Phoenix II, AZ	2006	1974	83,309	82.3%	793	Y	2.6%
Scottsdale, AZ	1998	1995	79,525	82.0%	657	Y	9.7%
Tempe, AZ	2005	1975	53,890	84.4%	404	Y	13.0%
Tucson I, AZ	1998	1974	59,350	79.9%	485	Y	0.0%
Tucson II, AZ	1998	1988	43,950	89.1%	532	Y	100.0%
Tucson III, AZ	2005	1979	49,832	76.9%	482	N	0.0%
Tucson IV, AZ	2005	1982	48,040	81.4%	483	Y	3.7%
Tucson V, AZ	2005	1982	45,184	83.3%	418	Y	3.0%
Tucson VI, AZ	2005	1982	40,766	86.5%	412	Y	3.4%
Tucson VII, AZ	2005	1982	52,688	85.4%	590	Y	2.0%
Tucson VIII, AZ	2005	1979	46,600	89.4%	441	Y	0.0%
Tucson IX, AZ	2005	1984	67,720	85.4%	600	Y	1.9%
Tucson X, AZ	2005	1981	46,350	81.6%	411	N	0.0%
Tucson XI, AZ	2005	1974	42,700	80.1%	413	Y	0.0%
Tucson XII, AZ	2005	1974	42,225	84.6%	428	Y	4.8%
Tucson XIII, AZ	2005	1974	45,792	80.2%	512	Y	0.0%
Tucson XIV, AZ	2005	1976	49,095	89.0%	548	Y	8.8%
Apple Valley I, CA	1997	1984	73,290	83.3%	495	Y	0.0%
Apple Valley II, CA	1997	1988	61,405	76.3%	428	Y	5.3%
Benicia, CA	2005	1988/93/05	74,770	82.5%	731	Y	0.0%
Cathedral City, CA	2006	1982/92	110,974	83.3%	624	Y	2.2%
Citrus Heights, CA	2005	1987	75,620	85.2%	671	Y	0.0%
Diamond Bar, CA	2005	1988	102,984	91.4%	900	Y	0.0%
Escondido, CA	2007	2002	142,670	90.9%	1,219	Y	6.5%
Fallbrook, CA	1997	1985/88	46,620	81.9%	447	Y	0.0%
Lancaster, CA	2001	1987	60,675	71.2%	327	N	0.0%
Long Beach, CA	2006	1974	125,091	68.9%	1,351	Y	0.0%
Murrieta, CA	2005	1996	49,835	88.8%	424	Y	2.9%
North Highlands, CA	2005	1980	57,244	85.5%	469	Y	0.0%
Orangevale, CA	2005	1980	50,317	83.5%	530	Y	0.0%
Palm Springs I, CA	2006	1989	72,675	82.9%	535	Y	0.0%
Palm Springs II, CA	2006	1982/89	122,550	77.8%	579	Y	8.5%
Pleasanton, CA	2005	2003	85,045	87.1%	693	Y	0.0%
Rancho Cordova, CA	2005	1979	53,978	87.2%	453	Y	0.0%
Rialto I, CA	2006	1987	57,391	84.7%	437	Y	0.0%
Rialto II, CA	1997	1980	99,803	75.4%	716	N	0.0%
Riverside I, CA	2006	1977	67,120	83.6%	635	Y	0.0%
Riverside II, CA	2006	1985	85,166	67.8%	815	Y	3.9%
Roseville, CA	2005	1979	59,869	85.3%	545	Y	0.0%
Sacramento I, CA	2005	1979	50,714	86.1%	538	Y	0.0%
Sacramento II, CA	2005	1986	61,888	70.9%	549	Y	0.0%
San Bernardino I, CA	1997	1987	31,070	86.5%	232	N	0.0%
San Bernardino II, CA	1997	1991	41,546	73.1%	373	Y	0.0%
San Bernardino III, CA	1997	1985/92	35,341	83.7%	373	N	0.0%
San Bernardino IV, CA	2005	2002/04	83,166	85.4%	688	Y	11.6%

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San Bernardino V, CA	2006	1974	57,001	92.9%	466	Y	4.2%
San Bernardino VII, CA	2006	1978	78,729	92.7%	604	Y	1.3%
San Bernardino VIII, CA	2006	1977	95,029	80.6%	816	Y	0.0%
San Marcos, CA	2005	1979	37,430	91.0%	242	Y	0.0%
Santa Ana, CA	2006	1984	63,896	89.8%	712	Y	2.0%
South Sacramento, CA	2005	1979	52,165	81.0%	411	Y	0.0%
Spring Valley, CA	2006	1980	55,045	80.7%	713	Y	0.0%
Temecula I, CA	1998	1985/2003	81,550	82.9%	687	Y	46.5%
Temecula II, CA	2007	2003	84,398	83.6%	630	Y	51.3%
Thousand Palms, CA	2006	1988/01	74,305	89.9%	674	Y	27.2%
Vista I, CA	2001	1988	74,405	86.7%	621	Y	0.0%
Vista II, CA	2005	2001/02/03	148,081	80.3%	1,270	Y	2.3%
Walnut, CA	2005	1987	50,708	84.6%	537	Y	9.2%
West Sacramento, CA	2005	1984	40,040	85.0%	478	Y	0.0%
Westminster, CA	2005	1983/98	68,098	86.1%	558	Y	0.0%
Aurora, CO	2005	1981	75,867	87.8%	613	Y	0.0%
Colorado Springs I, CO	2005	1986	47,925	85.5%	462	Y	0.0%
Colorado Springs II, CO	2006	2001	62,300	83.1%	433	Y	0.0%
Denver I, CO	2006	1997	59,200	90.4%	449	Y	0.0%
Denver II, CO	2012	2007	74,520	85.8%	675	N	91.0%
Federal Heights, CO	2005	1980	54,770	84.7%	544	Y	0.0%

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Facility Location	Year Acquired/ Developed (1)	Year Built	Rentable Square Feet	Occupancy (2)	Units	Manager Apartment (3)	% Climate Controlled (4)
Golden, CO	2005	1985	87,382	91.5%	640	Y	1.2%
Littleton, CO	2005	1987	53,490	87.8%	442	Y	37.4%
Northglenn, CO	2005	1980	52,102	86.0%	497	Y	0.0%
Bloomfield, CT	1997	1987/93/94	48,700	87.1%	438	Y	6.6%
Branford, CT	1995	1986	50,679	84.3%	434	Y	2.2%
Bristol, CT	2005	1989/99	47,725	88.9%	453	N	22.4%
East Windsor, CT	2005	1986/89	46,016	78.6%	301	N	0.0%
Enfield, CT	2001	1989	52,875	88.8%	366	Y	0.0%
Gales Ferry, CT	1995	1987/89	54,230	75.6%	597	N	6.5%
Manchester I, CT (6)	2002	1999/00/01	47,025	81.4%	455	N	37.5%
Manchester II, CT	2005	1984	52,725	87.9%	399	N	0.0%
Milford, CT	1996	1975	44,885	91.6%	376	Y	4.0%
Monroe, CT	2005	1996/03	58,700	85.7%	399	N	0.0%
Mystic, CT	1996	1975/86	50,725	86.2%	560	Y	2.3%
Newington I, CT	2005	1978/97	42,620	86.1%	246	N	0.0%
Newington II, CT	2005	1979/81	36,140	85.2%	195	N	0.0%
Norwalk, CT	2012	2009	31,239	97.3%	351	N	100.0%
Old Saybrook I, CT	2005	1982/88/00	86,950	86.8%	720	N	5.9%
Old Saybrook II, CT	2005	1988/02	26,425	90.9%	253	N	54.2%
Shelton, CT	2011	2007	78,465	80.6%	857	Y	85.7%
South Windsor, CT	1996	1976	72,125	77.1%	558	Y	1.1%
Stamford, CT	2005	1997	28,957	87.9%	362	N	32.8%
Wilton, CT	2012	1966	84,475	85.4%	769	Y	54.8%
Washington I, DC	2008	2002	63,085	93.7%	754	Y	96.5%
Washington II, DC	2011	1929/98	82,530	92.1%	1,045	N	99.0%
Boca Raton, FL	2001	1998	37,958	89.1%	605	N	68.2%
Boynton Beach I, FL	2001	1999	61,749	87.6%	755	Y	54.1%
Boynton Beach II, FL	2005	2001	61,703	79.8%	578	Y	82.3%
Bradenton I, FL	2004	1979	68,391	80.3%	585	N	2.7%
Bradenton II, FL	2004	1996	87,960	86.2%	849	Y	40.0%
Cape Coral, FL	2000*	2000	76,627	82.9%	855	Y	83.6%
Coconut Creek, FL	2012	2001	78,783	89.8%	756	N	48.1%
Dania, FL	1996	1988	58,270	92.8%	492	Y	26.9%
Dania Beach, FL (6)	2004	1984	168,217	70.1%	1,836	N	21.5%
Davie, FL	2001*	2001	80,985	87.2%	832	Y	55.7%
Deerfield Beach, FL	1998*	1998	57,230	92.7%	517	Y	38.9%
Delray Beach, FL	2001	1999	67,813	85.6%	819	Y	39.3%
Fernandina Beach, FL	1996	1986	110,995	84.2%	784	Y	35.3%
Ft. Lauderdale, FL	1999	1999	70,063	91.4%	695	Y	46.8%
Ft. Myers, FL	1999	1998	67,510	69.7%	589	Y	67.1%
Jacksonville I, FL	2005	2005	80,296	95.0%	705	N	100.0%
Jacksonville II, FL	2007	2004	65,270	85.0%	657	N	100.0%
Jacksonville III, FL	2007	2003	65,580	87.9%	675	N	100.0%
Jacksonville IV, FL	2007	2006	77,425	90.6%	705	N	100.0%
Jacksonville V, FL	2007	2004	81,835	82.4%	695	N	82.3%
Kendall, FL	2007	2003	75,395	91.0%	703	N	71.0%
Lake Worth, FL	1998	1998/02	161,808	92.1%	1,355	Y	37.2%
Lakeland I, FL	1994	1988	49,111	75.4%	487	Y	79.4%
Lutz I, FL	2004	2000	66,795	80.2%	594	Y	36.9%
Lutz II, FL	2004	1999	69,232	86.0%	531	Y	20.6%
Margate I, FL	1996	1979/81	54,165	83.5%	338	N	9.9%
Margate II, FL	1996	1985	65,186	78.5%	424	Y	28.8%
Merrit Island, FL	2002	2000	50,417	82.0%	465	Y	56.7%
Miami I, FL	1996	1995	46,825	93.9%	560	Y	52.1%

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Miami II, FL	1996	1989	67,010	80.2%	568	Y	7.9%
Miami III, FL	2005	1988/03	150,735	86.0%	1,518	N	86.9%
Miami IV, FL	2011	2007	76,352	90.0%	932	N	100.0%
Naples I, FL	1996	1996	48,150	93.5%	319	Y	26.6%
Naples II, FL	1997	1985	65,850	90.7%	627	Y	44.6%
Naples III, FL	1997	1981/83	80,266	89.5%	797	Y	23.7%
Naples IV, FL	1998	1990	40,600	92.2%	428	N	42.2%
Ocoee, FL	2005	1997	76,250	80.2%	620	Y	15.5%
Orange City, FL	2004	2001	59,586	84.2%	639	N	39.1%
Orlando II, FL	2005	2002/04	63,084	85.9%	577	N	74.2%
Orlando III, FL	2006	1988/90/96	102,705	77.2%	784	Y	12.4%
Orlando IV, FL	2010	2009	76,565	89.0%	637	N	64.4%
Orlando V, FL	2012	2008	75,359	86.3%	638	N	85.3%
Oviedo, FL	2006	1988/1991	49,251	80.5%	427	Y	3.2%
Pembroke Pines, FL	1997	1997	67,321	88.5%	696	Y	63.2%
Royal Palm Beach II, FL	2007	2004	81,405	90.5%	759	N	82.3%
Sanford, FL	2006	1988/2006	61,810	86.9%	437	Y	28.6%
Sarasota, FL	1999	1998	71,402	79.9%	524	Y	42.3%
St. Augustine, FL	1996	1985	59,725	76.6%	699	Y	29.9%

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Facility Location	Year Acquired/ Developed (1)	Year Built	Rentable Square Feet	Occupancy (2)	Units	Manager Apartment (3)	% Climate Controlled (4)
Stuart, FL	1997	1995	87,037	82.5%	955	Y	51.3%
SW Ranches, FL	2007	2004	64,955	90.7%	647	N	85.3%
Tampa, FL	2007	2001/2002	83,738	86.9%	790	N	28.5%
West Palm Beach I, FL	2001	1997	68,051	88.0%	975	Y	47.2%
West Palm Beach II, FL	2004	1996	94,503	90.5%	834	Y	73.9%
West Palm Beach III, FL	2012	2008	85,460	69.4%	919	Y	51.2%
Alpharetta, GA	2001	1996	90,485	87.2%	670	Y	75.1%
Atlanta, GA	2012	2008	66,675	71.0%	626	N	100.0%
Austell, GA	2006	2000	83,875	81.8%	646	Y	66.4%
Decatur, GA	1998	1986	145,280	75.8%	1,244	Y	2.7%
Duluth II, GA	2012	2004	47,242	89.7%	538	N	100.0%
Duluth, GA	2011	2009	70,985	75.2%	589	N	100.0%
Lawrenceville, GA	2011	1999	73,765	82.0%	597	N	24.4%
Leisure City, GA	2012	2005	56,177	82.2%	615	N	55.0%
Norcross I, GA	2001	1997	85,420	89.2%	582	Y	55.8%
Norcross II, GA	2012	2007	47,270	90.6%	499	Y	100.0%
Norcross II, GA	2011	1996	52,020	95.2%	396	N	57.0%
Norcross III, GA	2012	2005	57,555	74.4%	505	Y	81.6%
Peachtree City I, GA	2001	1997	49,875	87.8%	433	N	75.6%
Peachtree City II, GA	2012	2005	57,100	93.9%	430	N	47.7%
Smyrna, GA	2001	2000	57,015	91.8%	489	Y	100.0%
Snellville, GA	2007	1996/1997	80,000	87.4%	748	Y	27.1%
Suwanee I, GA	2007	2000/2003	85,240	86.9%	616	Y	28.9%
Suwanee II, GA	2007	2005	79,590	85.2%	575	N	61.8%
Addison, IL	2004	1979	31,325	86.2%	367	Y	0.0%
Aurora, IL	2004	1996	74,435	86.0%	555	Y	6.9%
Bartlett, IL	2004	1987	51,425	89.8%	408	Y	33.5%
Bellwood, IL	2001	1999	86,650	86.2%	739	Y	52.1%
Des Plaines, IL (6)	2004	1978	74,400	81.9%	635	N	0.0%
Elk Grove Village, IL	2004	1987	64,129	88.1%	623	Y	5.5%
Glenview, IL	2004	1998	100,115	91.8%	738	Y	100.0%
Gurnee, IL	2004	1987	80,300	92.6%	720	N	34.1%
Hanover, IL	2004	1987	41,190	88.5%	411	Y	0.4%
Harvey, IL	2004	1987	60,090	86.9%	575	Y	3.0%
Joliet, IL	2004	1993	72,765	84.9%	530	Y	100.0%
Kildeer, IL	2004	1988	46,285	89.4%	422	Y	0.0%
Lombard, IL	2004	1981	57,764	88.1%	544	Y	9.8%
Mount Prospect, IL	2004	1979	65,000	91.5%	587	Y	12.7%
Mundelein, IL	2004	1990	44,700	89.6%	491	Y	8.9%
North Chicago, IL	2004	1985	53,350	90.1%	427	N	0.0%
Plainfield I, IL	2004	1998	53,900	90.0%	404	N	3.3%
Plainfield II, IL	2005	2000	51,900	93.7%	355	N	22.8%
Schaumburg, IL	2004	1988	31,160	83.5%	321	N	5.6%
Streamwood, IL	2004	1982	64,305	85.8%	557	N	4.4%
Warrens ville, IL	2005	1977/89	48,796	86.6%	377	N	0.0%
Waukegan, IL	2004	1977	79,500	81.1%	682	Y	8.4%
West Chicago, IL	2004	1979	48,175	91.3%	430	Y	0.0%
Westmont, IL	2004	1979	53,450	86.3%	377	Y	0.0%
Wheeling I, IL	2004	1974	54,210	87.9%	491	N	0.0%
Wheeling II, IL	2004	1979	67,825	92.1%	601	Y	7.3%
Woodridge, IL	2004	1987	50,262	85.4%	462	Y	6.7%

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Indianapolis, IN	2004	1976	73,014	86.6%	713	Y	0.0%
Boston I, MA	2010	1950	33,286	75.4%	592	N	100.0%
Boston II, MA	2002	2001	60,545	83.5%	628	Y	100.0%
Leominster, MA	1998	1987/88/00	53,823	81.3%	500	Y	38.5%
Medford, MA	2007	2001	58,765	84.5%	659	Y	96.0%
Baltimore, MD	2001	1999/00	93,350	83.4%	809	Y	45.3%
California, MD	2004	1998	77,865	79.7%	720	Y	39.0%
District Heights, MD	2011	2007	78,660	80.2%	954	Y	90.3%
Gaithersburg, MD	2005	1998	87,045	83.4%	785	Y	42.0%
Laurel, MD	2001	1978/99/00	162,792	87.7%	1,022	N	41.1%
Temple Hills, MD	2001	2000	97,200	88.1%	827	Y	68.5%
Belmont, NC	2001	1996/97/98	81,600	86.1%	586	N	23.1%
Burlington I, NC	2001	1990/91/93/94/98	109,396	68.7%	950	N	4.7%
Burlington II, NC	2001	1991	42,305	77.2%	394	Y	12.0%
Cary, NC	2001	1993/94/97	112,086	87.9%	794	N	7.5%
Charlotte, NC	2002	1999	69,000	88.3%	737	Y	52.8%
Raleigh, NC	1998	1994/95	48,675	88.8%	412	Y	8.2%
Bordentown, NJ	2012	2006	50,600	81.5%	385	N	18.8%
Brick, NJ	1996	1981	51,725	82.5%	432	N	0.0%
Cherry Hill I, NJ	2010	2004	52,600	73.4%	378	Y	0.0%
Cherry Hill II, NJ	2012	2004	65,050	72.1%	610	N	87.5%
Clifton, NJ	2005	2001	105,550	89.0%	1,018	Y	85.5%

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Cranford, NJ	1996	1987	91,250	89.4%	851	Y	7.9%
East Hanover, NJ	1996	1983	107,679	73.8%	966	N	1.6%
Egg Harbor I, NJ	2010	2005	36,025	85.4%	293	N	12.6%
Egg Harbor II, NJ	2010	2002	70,425	62.6%	704	N	16.6%
Elizabeth, NJ	2005	1925/97	38,830	82.7%	674	N	0.0%
Fairview, NJ	1997	1989	27,875	84.9%	448	N	100.0%
Freehold, NJ	2012	2002	81,495	87.3%	760	N	56.4%
Hamilton, NJ	2006	1990	70,550	82.2%	614	Y	0.0%
Hoboken, NJ	2005	1945/97	34,200	81.5%	742	N	100.0%
Linden, NJ	1996	1983	100,425	84.4%	1,118	N	2.1%
Lumberton, NJ	2012	2004	96,025	81.2%	786	Y	27.8%
Morris Township, NJ (6)	1997	1972	71,776	83.0%	565	Y	1.3%
Parsippany, NJ	1997	1981	66,325	83.6%	566	Y	6.9%
Randolph, NJ	2002	1998/99	52,465	82.1%	541	Y	82.5%
Sewell, NJ	2001	1984/98	57,830	87.7%	454	N	5.3%
Somerset, NJ	2012	2000	57,585	90.1%	513	N	69.3%
Albuquerque I, NM	2005	1985	65,927	79.7%	609	Y	3.2%
Albuquerque II, NM	2005	1985	58,598	89.4%	527	Y	4.1%
Albuquerque III, NM	2005	1986	57,536	87.7%	484	Y	4.7%
Las Vegas I, NV	2006	1986	48,596	84.7%	369	Y	5.4%
Las Vegas II, NV	2006	1997	48,850	86.5%	516	Y	75.2%
Bronx I, NY	2010	1931/2004	68,813	84.1%	1,322	N	96.5%
Bronx II, NY (5)	2011	2006	90,270	92.5%	831	N	58.3%
Bronx III, NY	2011	2007	106,065	83.3%	2,040	N	97.3%
Bronx IV, NY (5)	2011	2007	75,580	76.5%	1,314	N	96.7%
Bronx V, NY (5)	2011	2007	54,683	85.6%	1,095	N	100.0%
Bronx VI, NY (5)	2011	2011	39,495	81.1%	1,092	N	93.9%
Bronx VII, NY (5)	2012	2005	78,575	80.1%	1,524	N	100.0%
Bronx VIII, NY	2012	1928	30,550	78.6%	545	N	100.0%
Bronx IX, NY	2012	1973	148,470	84.8%	3,021	Y	99.0%
Bronx X, NY	2012	2001	159,830	79.5%	2,661	Y	65.8%
Brooklyn I, NY	2010	1917/2004	57,020	81.5%	861	N	83.0%
Brooklyn II, NY	2011	2006	41,625	92.7%	851	N	100.0%
Brooklyn III, NY	2011	2006	37,467	90.3%	793	N	100.0%
Brooklyn IV, NY	2011	2007	46,945	86.9%	887	N	100.0%
Brooklyn V, NY	2011	2007	74,415	83.2%	1,416	N	94.5%
Brooklyn VI, NY	2011	2006	72,710	91.6%	1,396	N	100.0%
Jamaica I, NY	2001	2000	88,415	91.3%	918	Y	30.7%
Jamaica II, NY	2011	2010	91,325	84.8%	1,473	N	84.5%
New Rochelle I, NY	2005	1998	48,434	55.1%	401	N	15.0%
New Rochelle II, NY	2012	1917	63,295	85.1%	1,029	Y	93.4%
North Babylon, NY	1998	1988/99	78,188	91.8%	651	N	9.0%
Queens, NY	2010	1962/2003	60,945	93.2%	1,148	N	25.3%
Riverhead, NY	2005	1985/86/99	38,340	97.1%	328	N	0.0%
Southold, NY	2005	1989	59,745	81.6%	599	N	3.0%
Tuckahoe, NY	2011	2007	51,688	87.5%	758	N	99.2%
West Hempstead, NY	2012	2002	85,281	91.1%	903	Y	30.8%
White Plains, NY	2011	1938	87,705	84.7%	1,508	N	77.2%
Woodhaven, NY	2011	2008	50,665	80.5%	1,029	N	90.5%
Wyckoff, NY	2010	1910/2007	61,960	82.2%	1,042	N	90.2%
Yorktown, NY	2011	2006	78,615	83.3%	783	Y	63.3%
Cleveland I, OH	2005	1997/99	46,050	89.6%	340	Y	5.0%
Cleveland II, OH	2005	2000	58,425	82.5%	565	Y	0.0%

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Columbus , OH	2006	1999	71,905	81.4%	602	Y	25.6%
Grove City, OH	2006	1997	89,290	83.1%	773	Y	16.9%
Hilliard, OH	2006	1995	89,690	85.2%	777	Y	24.5%
Lakewood, OH	1989*	1989	39,287	88.5%	455	Y	24.6%
Marblehead, OH	2005	1988/98	52,300	83.2%	382	Y	0.0%
Middleburg Heights, OH	1980*	1980	92,725	90.6%	682	Y	3.8%
North Olmsted I, OH	1979*	1979	48,665	85.5%	442	Y	7.0%
North Olmsted II, OH	1988*	1988	47,850	82.2%	396	Y	14.2%
North Randall, OH	1998*	1998/02	80,229	89.8%	799	N	90.8%
Reynoldsburg, OH	2006	1979	66,895	85.0%	664	Y	0.0%
Strongsville, OH	2007	1978	43,507	92.3%	400	Y	100.0%
Warrensville Heights, OH	1980*	1980/82/98	90,281	84.4%	723	Y	0.0%
Westlake, OH	2005	2001	62,750	90.0%	453	Y	6.1%
Conshohocken, PA	2012	2003	81,435	87.8%	728	Y	35.0%
Exton, PA	2012	2006	57,650	88.9%	548	N	90.3%
Langhorne, PA	2012	2001	65,150	85.3%	670	Y	59.3%
Levittown, PA	2001	2000	76,180	85.9%	655	Y	36.3%
Montgomeryville, PA	2012	2003	84,145	77.0%	773	Y	47.9%
Norristown, PA	2011	2005	52,031	81.8%	501	N	86.8%
Philadelphia, PA	2001	1999	97,289	85.6%	954	N	47.1%

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Alcoa, TN	2005	1986	42,350	86.2%	354	Y	0.0%
Antioch, TN	2005	1985/98	76,160	88.5%	618	Y	8.5%
Cordova I, TN	2005	1987	54,125	88.6%	387	Y	0.0%
Cordova II, TN	2006	1995	67,700	76.5%	711	Y	7.2%
Knoxville I, TN	1997	1984	29,337	75.0%	281	Y	6.8%
Knoxville II, TN	1997	1985	37,900	77.5%	326	Y	7.0%
Knoxville III, TN	1998	1991	45,736	82.8%	445	Y	6.9%
Knoxville V, TN	1998	1977	42,790	80.0%	373	N	0.0%
Knoxville VI, TN	2005	1975	63,440	85.8%	583	Y	0.0%
Knoxville VII, TN	2005	1983	55,594	77.7%	454	Y	0.0%
Knoxville VIII, TN	2005	1978	95,868	70.8%	763	Y	0.0%
Memphis I, TN	2001	1999	92,320	89.7%	699	N	57.1%
Memphis II, TN	2001	2000	71,710	91.4%	556	N	46.3%
Memphis III, TN	2005	1983	40,507	80.4%	347	Y	6.2%
Memphis IV, TN	2005	1986	38,678	80.2%	319	Y	4.1%
Memphis V, TN	2005	1981	60,120	86.0%	498	Y	0.0%
Memphis VI, TN	2006	1985/93	108,996	82.3%	875	Y	4.1%
Memphis VII, TN	2006	1980/85	96,163	85.1%	533	Y	0.0%
Memphis VIII, TN	2006	1990	96,060	75.8%	548	Y	0.0%
Nashville I, TN	2005	1984	103,910	86.2%	695	Y	0.0%
Nashville II, TN	2005	1986/00	83,484	87.7%	632	Y	6.5%
Nashville III, TN	2006	1985	101,575	91.4%	598	Y	5.2%
Nashville IV, TN	2006	1986/00	102,450	91.0%	732	Y	7.0%
Allen, TX	2012	2003	62,490	88.1%	524	Y	40.2%
Austin I, TX	2005	2001	59,520	84.0%	538	Y	58.8%
Austin II, TX	2006	2000/03	65,241	79.8%	594	Y	38.9%
Austin III, TX	2006	2004	70,560	81.9%	580	Y	85.4%
Baytown, TX	2005	1981	38,950	82.7%	350	Y	0.0%
Bryan, TX	2005	1994	60,450	63.2%	495	Y	0.0%
Carrollton, TX	2012	2002	77,420	71.2%	549	Y	0.0%
College Station, TX	2005	1993	26,559	74.8%	346	N	0.0%
Cypress, TX	2012	1998	58,141	75.1%	442	N	42.3%
Dallas, TX	2005	2000	59,324	88.7%	534	Y	28.0%
Denton, TX	2006	1996	60,836	87.5%	462	Y	3.9%
El Paso I, TX	2005	1980	59,952	91.5%	513	Y	0.9%
El Paso II, TX	2005	1980	48,704	94.8%	412	Y	0.0%
El Paso III, TX	2005	1980	71,252	80.6%	585	Y	2.0%
El Paso IV, TX	2005	1983	67,058	85.1%	527	Y	3.2%
El Paso V, TX	2005	1982	62,290	76.0%	402	Y	0.0%
El Paso VI, TX	2005	1985	36,620	92.1%	257	Y	0.0%
El Paso VII, TX	2005	1982	34,545	35.4%	5	N	0.0%
Fort Worth I, TX	2005	2000	50,621	85.8%	406	Y	26.6%
Fort Worth II, TX	2006	2003	72,900	89.3%	653	Y	49.0%
Frisco I, TX	2005	1996	50,854	81.8%	431	Y	17.5%
Frisco II, TX	2005	1998/02	70,999	83.2%	511	Y	25.2%
Frisco III, TX	2006	2004	74,815	87.7%	611	Y	86.0%
Frisco IV, TX	2010	2007	74,835	89.3%	512	N	16.4%
Garland I, TX	2006	1991	70,100	93.1%	679	Y	4.4%
Garland II, TX	2006	2004	68,425	92.0%	469	Y	39.6%
Greenville I, TX	2005	2001/04	59,385	78.9%	448	Y	28.8%
Greenville II, TX	2005	2001	44,900	82.6%	313	N	36.3%
Houston I, TX	2005	1981	100,730	82.9%	616	Y	0.0%
Houston II, TX	2005	1977	71,300	87.9%	391	Y	0.0%
Houston III, TX	2005	1984	60,820	82.5%	461	Y	4.4%

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Houston IV, TX	2005	1987	43,975	87.7%	383	Y	6.1%
Houston V, TX	2006	1980/1997	126,180	81.8%	1,013	Y	55.0%
Houston VI, TX	2011	2002	54,680	89.4%	588	N	100.0%
Houston VII, TX	2012	1989	54,882	86.9%	499	N	71.2%
Houston VIII, TX	2012	1992	53,630	72.5%	429	Y	39.1%
Keller, TX	2006	2000	61,885	85.7%	486	Y	21.1%
La Porte, TX	2005	1984	44,850	89.4%	426	Y	15.4%
Lewisville, TX	2006	1996	58,140	84.6%	429	Y	19.7%
Mansfield I, TX	2006	2003	63,075	93.8%	486	Y	38.4%
Mansfield II, TX	2012	2002	58,400	95.2%	484	Y	55.1%
McKinney I, TX	2005	1996	47,020	84.9%	362	Y	9.2%
McKinney II, TX	2006	1996	70,050	81.5%	537	Y	46.3%
North Richland Hills, TX	2005	2002	57,200	83.5%	433	Y	47.6%
Pearland, TX	2012	1985	72,249	75.0%	457	N	32.6%
Roanoke, TX	2005	1996/01	59,500	91.5%	450	Y	29.9%
San Antonio I, TX	2005	2005	73,305	85.8%	573	Y	79.0%
San Antonio II, TX	2006	2005	73,230	88.8%	670	N	82.3%
San Antonio III, TX	2007	2006	71,775	84.6%	569	N	87.4%

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Sherman I, TX	2005	1998	54,975	82.0%	505	Y	21.1%
Sherman II, TX	2005	1996	48,425	79.8%	391	Y	30.9%
Spring, TX	2006	1980/86	72,751	79.5%	535	N	14.1%
Murray I, UT	2005	1976	60,280	87.4%	632	Y	0.0%
Murray II, UT	2005	1978	71,221	90.3%	371	Y	2.6%
Salt Lake City I, UT	2005	1976	56,446	83.9%	724	Y	0.0%
Salt Lake City II, UT	2005	1978	51,676	87.5%	480	Y	0.0%
Alexandria, VA	2012	2000	114,650	74.4%	1,156	N	100.0%
Burke Lake, VA	2011	2003	90,927	85.2%	910	Y	72.5%
Fairfax, VA	2012	1999	73,650	88.6%	683	N	77.4%
Fredericksburg I, VA	2005	2001/04	69,475	80.0%	605	N	21.4%
Fredericksburg II, VA	2005	1998/01	61,207	76.2%	562	N	100.0%
Leesburg, VA	2011	2001/04	85,503	89.9%	890	Y	75.7%
Mannasas, VA	2010	1998	73,045	83.4%	638	Y	50.9%
McLearen, VA	2010	2002	69,240	88.8%	719	Y	90.0%
Vienna, VA	2012	2000	54,318	94.6%	559	Y	92.5%
Milwaukee, WI	2004	1988	58,500	81.2%	486	Y	0.0%
Total/Weighted Average (381 facilities)			25,485,304	84.4%	239,153		

* Denotes facilities developed by us.

Denotes facilities that contain commercial rentable square footage. All of this commercial space, which was developed in conjunction with the self-storage cubes, is located within or adjacent to our self-storage facilities and is managed by our self-storage facility managers. As of December 31, 2012, there was an aggregate of approximately 373,000 rentable square feet of commercial space at these facilities.

(1) Represents the year acquired for those facilities acquired from a third party or the year developed for those facilities developed by us.

(2) Represents occupied square feet divided by total rentable square feet at December 31, 2012.

(3) Indicates whether a facility has an on-site apartment where a manager resides.

(4) Represents the percentage of rentable square feet in climate-controlled cubes.

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(5) We do not own the land at these facilities. We lease the land pursuant to ground leases that expire between 2052 and 2059, but have renewal options.

(6) We have ground leases for certain small parcels of land adjacent to these facilities that expire between 2013 and 2019.

We have grown by adding facilities to our portfolio through acquisitions and development. The tables set forth below show the average occupancy, annual rent per occupied square foot, average occupied square feet and total revenues for our facilities owned as of December 31, 2012, and for each of the previous three years, grouped by the year during which we first owned or operated the facility.

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Facilities by Year Acquired - Average Occupancy

Year Acquired (1)	# of Facilities	Rentable Square Feet	2012	Average Occupancy 2011	2010
2009 and earlier	306	20,308,555	82.6%	79.3%	77.2%
2010	12	734,759	78.3%	69.1%	67.7%
2011 (5)	26	1,795,171	82.3%	78.7%	
2012	37	2,646,819	83.8%		
All Facilities Owned as of December 31, 2012	381	25,485,304	82.5%	78.9%	77.1%

Facilities by Year Acquired - Annual Rent Per Occupied Square Foot (2)

Year Acquired (1)	# of Facilities	2012	Rent per Square Foot 2011	2010
2009 and earlier	306	\$ 11.80	\$ 11.98	\$ 11.96
2010	12	18.44	19.12	13.50
2011 (5)	26	24.01	22.80	
2012	37	15.55		
All Facilities Owned as of December 31, 2012	381	\$ 13.24	\$ 13.02	\$ 12.01

Facilities by Year Acquired - Average Occupied Square Feet (3)

Year Acquired (1)	# of Facilities	2012	Average Occupied Square Feet 2011	2010
2009 and earlier	306	\$ 16,769,285	\$ 16,117,150	\$ 15,680,890
2010	12	578,149	510,496	480,918
2011 (5)	26	1,476,913	1,409,521	
2012	37	2,199,295		
All Facilities Owned as of December 31, 2012	381	21,023,642	18,037,167	16,161,808

Facilities by Year Acquired - Total Revenues (dollars in thousands) (4)

Year Acquired (1)	# of Facilities	2012	Total Revenues 2011	2010
2009 and earlier	306	\$ 207,875	\$ 200,741	\$ 193,614

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2010	12	11,181	10,108	1,663
2011 (5)	26	36,945	9,548	
2012	37	19,028		
All Facilities Owned as of December 31,				
2012	381	\$ 275,029	\$ 220,397	\$ 195,277

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(1) For facilities developed by us, Year Acquired represents the year in which such facilities were acquired by our operating partnership from an affiliated entity, which in some cases is later than the year developed.

(2) Determined by dividing the aggregate rental revenue for each twelve-month period by the average of the month-end occupied square feet for the period. Rental revenue includes the impact of promotional discounts, which reduce rental income over the promotional period, of \$16.1 million, \$13.3 million and \$11.7 million, for the periods ended December 31, 2012, 2011 and 2010.

(3) Represents the average of the aggregate month-end occupied square feet for the twelve-month period for each group of facilities.

(4) Represents the result obtained by multiplying total income per occupied square foot by the average occupied square feet for the twelve-month period for each group of facilities. This result will vary from amounts reported on the financial statements.

(5) Facility count does not include the Phoenix parcel acquisition in 2011. The parcel is adjacent to a property that was purchased in 2006 and is therefore consolidated with that property.

Planned Renovations and Improvements

We have a capital improvement and property renovation program that includes office upgrades, adding climate control at selected cubes, construction of parking areas, safety and security enhancements, and general facility upgrades. For 2013, we anticipate spending approximately \$7 million to \$10 million associated with these capital expenditures and expect to enhance the safety and improve the aesthetic appeal of our facilities.

ITEM 3. LEGAL PROCEEDINGS

We are involved in claims from time to time, which arise in the ordinary course of business. In the opinion of management, we have made adequate provisions for potential liabilities, if any, arising from any such matters. However, litigation is inherently unpredictable, and the costs and other effects of pending or future litigation, governmental investigations, legal and administrative cases and proceedings (whether civil or criminal), settlements, judgments and investigations, claims and changes in any such matters, could have a material adverse effect on our business, financial condition and operating results.

ITEM 4. MINING SAFETY DISCLOSURES

Not applicable.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

As of December 31, 2012, there were approximately 61 registered record holders of the Parent Company's common shares and 12 holders of the Operating Partnership's Units (other than the Parent Company). These figures do not include beneficial owners who hold shares in nominee name. There is no established trading market for the Units of the Operating Partnership. The following table shows the high and low closing prices per share for our common shares, as reported by the New York Stock Exchange, and the cash dividends declared with respect to such shares:

	High	Low	Cash Dividends Declared
2011			
First quarter	\$ 10.57	\$ 9.20	\$ 0.070
Second quarter	\$ 11.39	\$ 9.93	\$ 0.070
Third quarter	\$ 11.15	\$ 8.53	\$ 0.070
Fourth quarter	\$ 10.66	\$ 8.04	\$ 0.080
2012			
First quarter	\$ 12.14	\$ 10.30	\$ 0.080
Second quarter	\$ 12.81	\$ 10.90	\$ 0.080
Third quarter	\$ 13.48	\$ 11.69	\$ 0.080
Fourth quarter	\$ 14.67	\$ 12.59	\$ 0.110

For each quarter in 2011 and 2012, the Operating Partnership paid a cash distribution per Unit in an amount equal to the dividend paid on a common share for each such quarter.

Since our initial quarter as a publicly-traded REIT, we have made regular quarterly distributions to our shareholders. Distributions to shareholders are usually taxable as ordinary income, although a portion of the distribution may be designated as capital gain or may constitute a tax-free return of capital. Annually, we provide each of our shareholders a statement detailing distributions paid during the preceding year and their characterization as ordinary income, capital gain or return of capital. The characterization of our dividends for 2012 was as follows: 81.7538% ordinary income distribution, 14.9075% capital gain distribution, and 3.3387% return of capital distribution from earnings and profits.

Distributions to 7.75% Series A Cumulative Redeemable Preferred Shareholders are usually taxable as ordinary income, although a portion of the distribution may be designated as capital gain or may constitute a tax-free return of capital. Annually, we provide each of our shareholders a statement detailing preferred distributions paid during the preceding year and their characterization as ordinary income, capital gain or return of capital. The characterization of our preferred dividends for 2012 was as follows: 84.5778% ordinary income distribution and 15.4222% capital gain distribution from earnings and profits.

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We intend to continue to declare quarterly distributions. However, we cannot provide any assurance as to the amount or timing of future distributions. Under the revolving portion of our 2011 Credit 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 our REIT status.

To the extent that we make distributions in excess of our earnings and profits, as computed for federal income tax purposes, these distributions will represent a return of capital, rather than a dividend, for federal income tax purposes. Distributions that are treated as a return of capital for federal income tax purposes generally will not be taxable as a dividend to a U.S. shareholder, but will reduce the shareholder's basis in its shares (but not below zero) and therefore can result in the shareholder having a higher gain upon a subsequent sale of such shares. Return of capital distributions in excess of a shareholder's basis generally will be treated as gain from the sale of such shares for federal income tax purposes.

Table of Contents**Share Performance Graph**

The SEC requires us to present a chart comparing the cumulative total shareholder return on our common shares with the cumulative total shareholder return of (i) a broad equity index and (ii) a published industry or peer group index. The following chart compares the yearly cumulative total shareholder return for our common shares with the cumulative shareholder return of companies on (i) the S&P 500 Index, (ii) the Russell 2000 and (iii) the NAREIT All Equity REIT Index as provided by NAREIT for the period beginning December 31, 2007 and ending December 31, 2012.

Index	Period Ending					
	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12
CubeSmart	100.00	52.03	87.82	115.84	133.17	188.85
S&P 500	100.00	63.00	79.68	91.68	93.61	108.59
Russell 2000	100.00	66.21	84.20	106.82	102.36	119.09
NAREIT All Equity REIT Index	100.00	62.27	79.70	101.98	110.42	132.18

There were no repurchases of the Parent Company's common shares during the three-month period ended December 31, 2012.

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ITEM 6. *SELECTED FINANCIAL DATA*

CUBESMART

The following table sets forth selected financial and operating data on a historical consolidated basis for the Parent Company. The selected historical financial information for the five-year period ended December 31, 2012 was derived from the Parent Company's financial statements, which have been audited by KPMG LLP.

The following data should be read in conjunction with the audited financial statements and notes thereto of the Parent Company and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this report.

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	For the year ended December 31,				
	2012	2011	2010	2009	2008
	(Dollars and shares in thousands, except per share data)				
REVENUES					
Rental income	\$ 250,959	\$ 202,762	\$ 179,748	\$ 178,669	\$ 185,426
Other property related income	27,776	20,715	17,114	14,659	13,708
Property management fee income	4,341	3,768	2,829	56	
Total revenues	283,076	227,245	199,691	193,384	199,134
OPERATING EXPENSES					
Property operating expenses	110,821	94,630	85,779	83,968	84,716
Depreciation and amortization	113,874	65,955	58,876	63,825	66,924
General and administrative	26,131	24,693	25,406	22,569	24,964
Total operating expenses	250,826	185,278	170,061	170,362	176,604
OPERATING INCOME	32,250	41,967	29,630	23,022	22,530
OTHER INCOME (EXPENSE)					
Interest:					
Interest expense on loans	(40,715)	(33,199)	(37,794)	(45,269)	(52,014)
Loan procurement amortization expense	(3,279)	(5,028)	(6,463)	(2,339)	(1,929)
Loan procurement amortization expense - early repayment of debt		(8,167)			
Acquisition related costs	(3,086)	(3,823)	(759)		
Equity in losses of real estate ventures	(745)	(281)			
Gain from remeasurement of investment in real estate venture	7,023				
Other	256	(83)	386	648	247
Total other expense	(40,546)	(50,581)	(44,630)	(46,960)	(53,696)
LOSS FROM CONTINUING OPERATIONS	(8,296)	(8,614)	(15,000)	(23,938)	(31,166)
DISCONTINUED OPERATIONS					
Income from discontinued operations	2,113	7,158	7,155	9,467	14,548
Net gain on disposition of discontinued operations	9,811	3,903	1,826	14,139	19,720
Total discontinued operations	11,924	11,061	8,981	23,606	34,268
NET INCOME (LOSS)	3,628	2,447	(6,019)	(332)	3,102
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS					
Noncontrolling interests in the Operating Partnership					
	107	(35)	381	60	(310)
Noncontrolling interest in subsidiaries	(1,918)	(2,810)	(1,755)	(665)	
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	1,817	(398)	(7,393)	(937)	2,792
Distribution to Preferred Shares	(6,008)	(1,218)			
NET (LOSS) INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS OF THE COMPANY					
	\$ (4,191)	\$ (1,616)	\$ (7,393)	\$ (937)	\$ 2,792
Basic and diluted loss per share from continuing operations attributable to common shareholders	\$ (0.13)	\$ (0.12)	\$ (0.17)	\$ (0.32)	\$ (0.50)
Basic and diluted earnings per share from discontinued operations attributable to common shareholders	\$ 0.10	\$ 0.10	\$ 0.09	\$ 0.31	\$ 0.55
Basic and diluted (loss) earnings per share attributable to common shareholders	\$ (0.03)	\$ (0.02)	\$ (0.08)	\$ (0.01)	\$ 0.05
Weighted-average basic and diluted shares outstanding (1)					
	124,548	102,976	93,998	70,988	57,621

AMOUNTS ATTRIBUTABLE TO THE COMPANY'S COMMON SHAREHOLDERS:

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Loss from continuing operations	\$	(15,829)	\$	(12,168)	\$	(15,907)	\$	(22,631)	\$	(28,663)
Total discontinued operations		11,638		10,552		8,514		21,694		31,455
Net (loss) income	\$	(4,191)	\$	(1,616)	\$	(7,393)	\$	(937)	\$	2,792

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	At December 31,				
	2012	2011	2010	2009	2008
Balance Sheet Data (in thousands):					
Storage facilities, net	\$ 2,089,707	\$ 1,788,720	\$ 1,428,491	\$ 1,430,533	\$ 1,559,958
Total assets	2,150,319	1,875,979	1,478,819	1,598,870	1,597,659
Unsecured senior notes	250,000				
Revolving credit facility	45,000		43,000		172,000
Unsecured term loan	500,000	400,000	200,000		200,000
Secured term loan				200,000	57,419
Mortgage loans and notes payable	228,759	358,441	372,457	569,026	548,085
Total liabilities	1,112,420	830,925	668,266	814,146	1,028,705
Noncontrolling interest in the					
Operating Partnership	47,990	49,732	45,145	45,394	46,026
CubeSmart shareholders' equity	989,791	955,913	724,216	695,309	522,928
Noncontrolling interests in subsidiaries	118	39,409	41,192	44,021	
Total liabilities and equity	2,150,319	1,875,979	1,478,819	1,598,870	1,597,659
Other Data:					
Number of facilities	381	370	363	367	387
Total rentable square feet (in thousands)	25,485	24,420	23,635	23,749	24,973
Occupancy percentage	84.4%	78.4%	76.3%	75.2%	78.9%
Cash dividends declared per share (2)	\$ 0.350	\$ 0.290	\$ 0.145	\$ 0.100	\$ 0.565

(1) Excludes operating partnership units issued at our IPO and in connection with the acquisition of facilities subsequent to our IPO. Operating partnership units have been excluded from the earnings per share calculations as the related income or loss is presented in Noncontrolling interests in the Operating Partnership.

(2) The Company announced full quarterly dividends of \$0.180 per common share on December 13, 2007, February 27, 2008, May 7, 2008, and August 6, 2008; dividends of \$0.025 per common share on December 11, 2008, January 22, 2009, April 22, 2009, July 22, 2009, October 22, 2009, December 5, 2009, February 24, 2010, June 2, 2010, and August 4, 2010; dividends of \$0.070 per common share on December 14, 2010, February 29, 2011, June 1, 2011, and August 3, 2011; dividends of \$0.080 and \$0.393 per common and preferred shares, respectively, on December 8, 2011; dividends of \$0.080 and \$0.484 per common and preferred shares, respectively, on February 21, 2012, May 30, 2012 and August 1, 2012, and dividends of \$0.110 and \$0.484 per common and preferred shares, respectively, on December 10, 2012.

CUBESMART, L.P.

The following table sets forth selected financial and operating data on a historical consolidated basis for the Operating Partnership. The selected financial data for the periods ended December 31, 2012, 2011, 2010, 2009 and 2008 have been derived from the historical consolidated financial statements of CubeSmart, L.P. and subsidiaries, which have been audited by KPMG LLP.

The following data should be read in conjunction with the audited financial statements and notes thereto of the operating Partnership and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this report.

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	For the year ended December 31,				
	2012	2011	2010	2009	2008
	(Dollars and shares in thousands, except per unit data)				
REVENUES					
Rental income	\$ 250,959	\$ 202,762	\$ 179,748	\$ 178,669	\$ 185,426
Other property related income	27,776	20,715	17,114	14,659	13,708
Property management fee income	4,341	3,768	2,829	56	
Total revenues	283,076	227,245	199,691	193,384	199,134
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Depreciation and amortization	113,874	65,955	58,876	63,825	66,924
General and administrative	26,131	24,693	25,406	22,569	24,964
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OPERATING INCOME	32,250	41,967	29,630	23,022	22,530
OTHER INCOME (EXPENSE)					
Interest:					
Interest expense on loans	(40,715)	(33,199)	(37,794)	(45,269)	(52,014)
Loan procurement amortization expense	(3,279)	(5,028)	(6,463)	(2,339)	(1,929)
Loan procurement amortization expense - early repayment of debt		(8,167)			
Acquisition related costs	(3,086)	(3,823)	(759)		
Equity in losses of real estate ventures	(745)	(281)			
Gain from remeasurement of investment in real estate venture	7,023				
Other	256	(83)	386	648	247
Total other expense	(40,546)	(50,581)	(44,630)	(46,960)	(53,696)
LOSS FROM CONTINUING OPERATIONS	(8,296)	(8,614)	(15,000)	(23,938)	(31,166)
DISCONTINUED OPERATIONS					
Income from discontinued operations	2,113	7,158	7,155	9,467	14,548
Net gain on disposition of discontinued operations	9,811	3,903	1,826	14,139	19,720
Total discontinued operations	11,924	11,061	8,981	23,606	34,268
NET INCOME (LOSS)	3,628	2,447	(6,019)	(332)	3,102
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS					
Noncontrolling interest in subsidiaries	(1,918)	(2,810)	(1,755)	(665)	
NET (LOSS) INCOME ATTRIBUTABLE TO CUBESMART L.P.	1,710	(363)	(7,774)	(997)	3,102
Limited Partnership interest of third parties	107	(35)	381	60	(310)
NET (LOSS) INCOME ATTRIBUTABLE TO OPERATING PARTNER	1,817	(398)	(7,393)	(937)	2,792
Distribution to Preferred Shares	(6,008)	(1,218)			
NET (LOSS) INCOME ATTRIBUTABLE TO COMMON UNITHOLDERS	\$ (4,191)	\$ (1,616)	\$ (7,393)	\$ (937)	\$ 2,792
Basic and diluted loss per unit from continuing operations attributable to common unitholders	\$ (0.13)	\$ (0.12)	\$ (0.17)	\$ (0.32)	\$ (0.50)
Basic and diluted earnings per unit from discontinued operations attributable to common unitholders	\$ 0.10	\$ 0.10	\$ 0.09	\$ 0.31	\$ 0.55
Basic and diluted (loss) earnings per unit attributable to common unitholders	\$ (0.03)	\$ (0.02)	\$ (0.08)	\$ (0.01)	\$ 0.05
Weighted-average basic and diluted units outstanding (1)	124,548	102,976	93,998	70,988	57,621

**AMOUNTS ATTRIBUTABLE TO
COMMON UNITHOLDERS:**

Loss from continuing operations	\$	(15,829)	\$	(12,168)	\$	(15,907)	\$	(22,631)	\$	(28,663)
Total discontinued operations		11,638		10,552		8,514		21,694		31,455
Net (loss) income	\$	(4,191)	\$	(1,616)	\$	(7,393)	\$	(937)	\$	2,792

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	2012	2011	At December 31, 2010	2009	2008
Balance Sheet Data (in thousands):					
Storage facilities, net	\$ 2,089,707	\$ 1,788,720	\$ 1,428,491	\$ 1,430,533	\$ 1,559,958
Total assets	2,150,319	1,875,979	1,478,819	1,598,870	1,597,659
Unsecured senior notes	250,000				
Revolving credit facility	45,000		43,000		172,000
Unsecured term loan	500,000	400,000	200,000		200,000
Secured term loan				200,000	57,419
Mortgage loans and notes payable	228,759	358,441	372,457	569,026	548,085
Total liabilities	1,112,420	830,925	668,266	814,146	1,028,705
Limited Partnership interest of third parties	47,990	49,732	45,145	45,394	46,026
CubeSmart L.P. Capital	989,791	955,913	724,216	695,309	522,928
Noncontrolling interests in subsidiaries	118	39,409	41,192	44,021	
Total liabilities and capital	2,150,319	1,875,979	1,478,819	1,598,870	1,597,659
Other Data:					
Number of facilities	381	370	363	367	387
Total rentable square feet (in thousands)	25,485	24,420	23,635	23,749	24,973
Occupancy percentage	84.4%	78.4%	76.3%	75.2%	78.9%
Cash dividends declared per unit (2)	\$ 0.350	\$ 0.290	\$ 0.145	\$ 0.100	\$ 0.565

(1) Excludes operating partnership units issued at our IPO and in connection with the acquisition of facilities subsequent to our IPO. Operating partnership units have been excluded from the earnings per share calculations as the related income or loss is presented in Limited Partnership interest of third parties.

(2) The Company announced full quarterly dividends of \$0.180 per common unit on December 13, 2007, February 27, 2008, May 7, 2008, and August 6, 2008; dividends of \$0.025 per common unit on December 11, 2008, January 22, 2009, April 22, 2009, July 22, 2009, October 22, 2009, December 5, 2009, February 24, 2010, June 2, 2010, and August 4, 2010; dividends of \$0.070 per common unit on December 14, 2010, February 29, 2011, June 1, 2011, and August 3, 2011; dividends of \$0.080 and \$0.393 per common and preferred units, respectively, on December 8, 2011; dividends of \$0.080 and \$0.484 per common and preferred units, respectively, on February 21, 2012, May 30, 2012 and August 1, 2012, and dividends of \$0.110 and \$0.484 per common and preferred units, respectively, on December 10, 2012.

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ITEM 7. 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 complete 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 in this report entitled "Risk Factors."

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. Effective September 14, 2011, the Parent Company changed its name from U-Store-It Trust to CubeSmart and the Operating Partnership changed its name from U-Store-It, L.P. to CubeSmart, L.P. The Parent Company has elected to be taxed as a REIT for U.S. federal income tax purposes. As of December 31, 2012 and December 31, 2011, the Company owned 381 and 370 self-storage facilities, respectively, totaling approximately 25.5 million rentable square feet and 24.4 million rentable square feet, respectively. As of December 31, 2012 the Company owned facilities in the District of Columbia and the following 22 states: Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Maryland, Massachusetts, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, Utah, Virginia and Wisconsin. In addition, as of December 31, 2012, the Company managed 133 properties for third parties bringing the total number of properties we owned and/or managed to 514. As of December 31, 2012 we managed facilities in the following 27 states: Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Illinois, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, and Virginia.

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

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

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

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

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

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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 New York, Florida, California, and Texas provided approximately 16%, 15%, 10% and 10%, respectively, of total revenues for the year ended December 31, 2012.

Summary of Critical Accounting Policies and Estimates

Set forth below is a summary of the accounting policies that management believes are critical to the preparation of the consolidated financial statements included in this Annual Report on Form 10-K. Certain of the accounting policies used in the preparation of these consolidated financial statements are particularly important for an understanding of the financial position and results of operations presented in the historical consolidated financial statements included in this report. A summary of significant accounting policies is also provided in the notes to our consolidated financial statements (See Note 2 to the consolidated financial statements). 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 materially from estimates calculated and utilized by management.

Basis of Presentation

The accompanying consolidated financial statements include all of the accounts of the Company, and its majority-owned and/or controlled subsidiaries. The portion of these entities not owned by the Company is presented as noncontrolling interests as of and during the periods presented. All significant intercompany accounts and transactions have been eliminated in consolidation.

When the Company obtains an economic interest in an entity, the Company evaluates the entity to determine if the entity is deemed a variable interest entity (VIE), and if the Company is deemed to be the primary beneficiary, in accordance with authoritative guidance issued by the Financial Accounting Standards Board (FASB) on the consolidation of VIEs. When an entity is not deemed to be a VIE, the Company considers the provisions of additional FASB guidance to determine whether a general partner, or the general partners as a group, controls a limited partnership or similar entity when the limited partners have certain rights. The Company consolidates (i) entities that are VIEs and of which the Company is deemed to be the primary beneficiary and (ii) entities that are non-VIEs which the Company controls and in which the limited partners do not have substantive participating rights, or the ability to dissolve the entity or remove the Company without cause.

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

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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 allocated a portion of the purchase price to an intangible asset attributed to the value of in-place leases. This intangible is generally amortized to expense over the expected remaining term of the respective 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 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.

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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.

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. 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.

Revenue Recognition

Management has determined that all 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 was 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

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

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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 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.

Income Taxes

The Company elected to be taxed as a real estate investment trust under Sections 856-860 of the Internal Revenue Code beginning with the period from October 21, 2004 (commencement of operations) through December 31, 2004. In management's opinion, the requirements to maintain these elections are being met. Accordingly, no provision for federal income taxes has been reflected in the consolidated financial statements other than for operations conducted through our taxable REIT subsidiaries.

Earnings and profits, which determine the taxability of distributions to shareholders, differ from net income reported for financial reporting purposes due to differences in cost basis, the estimated useful lives used to compute depreciation, and the allocation of net income and loss for financial versus tax reporting purposes.

The Company is subject to a 4% federal excise tax if sufficient taxable income is not distributed within prescribed time limits. The excise tax equals 4% of the annual amount, if any, by which the sum of (a) 85% of the Company's ordinary income, (b) 95% of the Company's net capital gains and c) 100% of prior year taxable income exceeds cash distributions and certain taxes paid by the Company.

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 related 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 our consolidated financial position or results of operations as its impact was limited to disclosure requirements.

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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 they provide information relating to changes in facility-level operating performance without taking into account the effects of acquisitions, developments or dispositions. At December 31, 2012, there were 313 same-store properties and 68 non same-store properties, of which 27 were 2011 acquisitions, 37 were 2012 acquisitions and four were properties that were not stabilized, damaged by natural disaster or had undergone significant renovation. For analytical presentation, all percentages are calculated using the numbers presented in the financial statements contained in this Annual Report on Form 10-K.

The Company's results of operations are affected by the acquisition and disposition activity during the 2012, 2011, and 2010 periods as described below. At December 31, 2012, 2011, and 2010, the Company owned 381, 370, and 363 self-storage facilities and related assets, respectively.

- In 2012, 37 self-storage facilities were acquired for approximately \$432.3 million (the 2012 Acquisitions) and 26 self-storage facilities were sold for approximately \$60.0 million (the 2012 Dispositions).
- In 2011, 27 self-storage facilities were acquired for approximately \$467.1 million (the 2011 Acquisitions) and 19 self-storage facilities were sold for approximately \$45.2 million (the 2011 Dispositions).
- In 2010, 12 self-storage facilities were acquired for approximately \$85.1 million (the 2010 Acquisitions) and 16 self-storage facilities were sold for approximately \$38.1 million (the 2010 Dispositions).

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Comparison of the Year Ended December 31, 2012 to the Year Ended December 31, 2011 (dollars 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	\$ 196,556	\$ 191,222	\$ 5,334	3%	\$ 54,403	\$ 11,540	\$ -	\$ -	\$ 250,959	\$ 202,762	\$ 48,197	24%
Other property related income	20,331	17,811	2,520	14%	5,473	1,314	1,972	1,590	27,776	20,715	7,061	34%
Property management fee income							4,341	3,768	4,341	3,768	573	15%
Total revenues	216,887	209,033	7,854	4%	59,876	12,854	6,313	5,358	283,076	227,245	55,831	25%
OPERATING EXPENSES:												
Property operating expenses	77,466	77,518	(52)	0%	19,511	5,090	13,844	2,022	110,821	94,630	16,191	17%
NET OPERATING INCOME:	139,421	131,515	7,906	6%	40,365	7,764	(7,531)	(6,664)	172,255	132,615	39,640	30%
Property count	313	313			68	57			381	370		
Total square footage	20,681	20,681			4,804	3,739			25,485	24,420		
Period End												
Occupancy (1)	84.6%	79.1%			84.2%	75.8%			84.4%	78.6%		
Period Average												
Occupancy (2)	82.6%	79.2%										
Realized annual rent per occupied sq ft (3)	\$ 11.51	\$ 11.67										
Depreciation and amortization									113,874	65,955	47,919	73%
General and administrative									26,131	24,693	1,438	6%
Subtotal									140,005	90,648	49,357	54%
Operating income									32,250	41,967	(9,717)	-23%
Other Income (Expense):												
Interest:												
Interest expense on loans									(40,715)	(33,199)	(7,516)	-23%
Loan procurement amortization expense									(3,279)	(5,028)	1,749	35%
Loan procurement amortization expense - early repayment of debt										(8,167)	8,167	100%
Acquisition related costs									(3,086)	(3,823)	737	19%
Equity in losses of real estate ventures									(745)	(281)	(464)	-165%
Gain from remeasurement of investments in real estate ventures												