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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

December 30, 2016
(Mark one)

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

For the quarterly period ended June 30, 2016.

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to .

Commission file number:
001-32324 (CubeSmart)
000-54462 (CubeSmart, L.P.)

CUBESMART

CUBESMART, L.P.

(Exact Name of Registrant as Specified in its Charter)

Maryland (CubeSmart)	20-1024732
Delaware (CubeSmart, L.P.)	34-1837021
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
5 Old Lancaster Road	
Malvern, Pennsylvania	19355
(Address of Principal Executive Offices)	(Zip Code)

(610) 535-5000

(Registrant's Telephone Number, Including Area Code)

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

CubeSmart	Yes	No
CubeSmart, L.P.	Yes	No

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

CubeSmart	Yes	No
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 the 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

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

Class	Outstanding at July 27, 2016
Common shares, $0.01 par value per share, of CubeSmart	179,292,330

Table of Contents

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended June 30, 2016 of CubeSmart (the "Parent Company" or "CubeSmart") and CubeSmart, L.P. (the "Operating Partnership"). The Parent Company is a Maryland real estate investment trust, or REIT, that owns its assets and conducts its operations through the Operating Partnership, a Delaware limited partnership, and subsidiaries of the Operating Partnership. The Parent Company, the Operating Partnership and their consolidated subsidiaries are collectively referred to in this report as the "Company". In addition, terms such as "we", "us", or "our" used in this report may refer to the Company, the Parent Company or the Operating Partnership.

The Parent Company is the sole general partner of the Operating Partnership and, as of June 30, 2016, owned a 98.8% interest in the Operating Partnership. The remaining 1.2% interest consists of common units of limited partnership interest issued by the Operating Partnership to third parties in exchange for contributions of facilities to the Operating Partnership. As the sole general partner of the Operating Partnership, the Parent Company has full and complete authority over the Operating Partnership's day-to-day operations and management.

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

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

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

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

- facilitate a better understanding by the investors of the Parent Company and the Operating Partnership by enabling them to view the business as a whole in the same manner as management views and operates the business;
- remove duplicative disclosures and provide a more straightforward presentation in light of the fact that a substantial portion of the disclosure applies to both the Parent Company and the Operating Partnership; and
- create time and cost efficiencies through the preparation of one combined report instead of two separate reports.

Table of Contents

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

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

This report also includes separate Item 4 - Controls and Procedures sections, signature pages and Exhibit 31 and 32 certifications for each of the Parent Company and the Operating Partnership in order to establish that the Chief Executive Officer and the Chief Financial Officer of the Parent Company and the Chief Executive Officer and the Chief Financial Officer of the Operating Partnership have made the requisite certifications and that the Parent Company and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.

Table of Contents

TABLE OF CONTENTS

Filing Format

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

Table of Contents

Forward-Looking Statements

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

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in or contemplated by this Report. Any forward-looking statements should be considered in light of the risks and uncertainties referred to in Item 1A. "Risk Factors" in the Parent Company's and the Operating Partnership's combined Annual Report on Form 10-K for the year ended December 31, 2015 and in our other filings with the Securities and Exchange Commission ("SEC"). These risks include, but are not limited to, the following:

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

· the competitive environment in which we operate, including our ability to maintain or raise occupancy and rental rates;

· the execution of our business plan;

· the availability of external sources of capital;

· financing risks, including the risk of over-leverage and the corresponding risk of default on our mortgage and other debt and potential inability to refinance existing indebtedness;

· increases in interest rates and operating costs;

· 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 for federal income tax purposes;

· acquisition and development risks;

· increases in taxes, fees, and assessments from state and local jurisdictions;

· risks of investing through joint ventures;

· 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

Table of Contents

- other risks identified in the Parent Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2015 and, from time to time, in other reports that we file with the SEC or in other documents that we publicly disseminate.

Given these uncertainties and the other risks identified elsewhere in this Report, we caution readers not to place undue reliance on forward-looking statements. We undertake no obligation to publicly update or revise these forward-looking statements, whether as a result of new information, future events or otherwise except as may be required by securities laws. Because of the factors referred to above, the future events discussed in or incorporated by reference in this Report may not occur and actual results, performance or achievement could differ materially from that anticipated or implied in the forward-looking statements.

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CUBESMART AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	June 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Storage facilities	$ 3,861,096	$ 3,467,032
Less: Accumulated depreciation	(652,657)	(594,049)
Storage facilities, net (including VIE assets of $203,341 and $136,274, respectively)	3,208,439	2,872,983
Cash and cash equivalents	3,423	62,869
Restricted cash	9,017	24,600
Loan procurement costs, net of amortization	2,475	2,800
Investment in real estate ventures, at equity	99,915	97,281
Other assets, net	39,240	43,631
Total assets	$ 3,362,509	$ 3,104,164
LIABILITIES AND EQUITY		
Unsecured senior notes, net	$ 742,402	$ 741,904
Revolving credit facility	150,000	—
Unsecured term loans, net	398,466	398,183
Mortgage loans and notes payable, net	138,716	111,455
Accounts payable, accrued expenses and other liabilities	96,795	85,034
Distributions payable	39,449	38,685
Deferred revenue	19,868	17,519
Security deposits	402	403
Total liabilities	1,586,098	1,393,183
Noncontrolling interests in the Operating Partnership	68,581	66,128
Commitments and contingencies		
Equity		
7.75% Series A Preferred shares $.01 par value, 3,220,000 shares authorized, 3,100,000 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	31	31

Common shares $.01 par value, 400,000,000 shares authorized, 178,249,897 and 174,667,870 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	1,782	1,747
Additional paid-in capital	2,332,742	2,231,181
Accumulated other comprehensive loss	(4,623)	(4,978)
Accumulated deficit	(627,689)	(584,654)
Total CubeSmart shareholders' equity	1,702,243	1,643,327
Noncontrolling interests in subsidiaries	5,587	1,526
Total equity	1,707,830	1,644,853
Total liabilities and equity	$ 3,362,509	$ 3,104,164

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
REVENUES				
Rental income	$ 111,538	$ 96,803	$ 216,535	$ 188,359
Other property related income	12,643	11,385	24,406	21,928
Property management fee income	2,345	1,683	4,456	3,272
Total revenues	126,526	109,871	245,397	213,559
OPERATING EXPENSES				
Property operating expenses	41,607	38,210	81,826	75,641
Depreciation and amortization	41,448	38,086	80,804	75,981
General and administrative	7,891	7,114	16,119	14,287
Acquisition related costs	2,563	753	4,905	1,263
Total operating expenses	93,509	84,163	183,654	167,172
OPERATING INCOME	33,017	25,708	61,743	46,387
OTHER (EXPENSE) INCOME				
Interest:				
Interest expense on loans	(12,200)	(10,868)	(24,284)	(21,925)
Loan procurement amortization expense	(611)	(659)	(1,216)	(1,205)
Equity in losses of real estate ventures	(724)	(100)	(1,236)	(338)
Other	901	(208)	1,231	(524)
Total other expense	(12,634)	(11,835)	(25,505)	(23,992)
NET INCOME	20,383	13,873	36,238	22,395
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interests in the Operating Partnership	(227)	(161)	(399)	(252)
Noncontrolling interest in subsidiaries	268	12	335	15
NET INCOME ATTRIBUTABLE TO THE COMPANY	20,424	13,724	36,174	22,158
Distribution to preferred shareholders	(1,502)	(1,502)	(3,004)	(3,004)
NET INCOME ATTRIBUTABLE TO THE COMPANY'S COMMON SHAREHOLDERS	$ 18,922	$ 12,222	$ 33,170	$ 19,154
Basic earnings per share attributable to common shareholders	$ 0.11	$ 0.07	$ 0.19	$ 0.12
Diluted earnings per share attributable to common shareholders	$ 0.11	$ 0.07	$ 0.19	$ 0.11

Weighted-average basic shares outstanding	177,880	166,683	176,838	166,096
Weighted-average diluted shares outstanding	179,221	168,224	178,172	167,655

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
NET INCOME	$ 20,383	$ 13,873	$ 36,238	$ 22,395
Other comprehensive (loss) income:				
Unrealized losses on interest rate swaps	(581)	(357)	(2,235)	(2,686)
Reclassification of realized losses on interest rate swaps	1,268	1,572	2,594	3,137
Unrealized gain (loss) on foreign currency translation	—	268	—	(69)
OTHER COMPREHENSIVE INCOME	687	1,483	359	382
COMPREHENSIVE INCOME	21,070	15,356	36,597	22,777
Comprehensive income attributable to noncontrolling interests in the Operating Partnership	(235)	(180)	(403)	(256)
Comprehensive loss attributable to noncontrolling interest in subsidiaries	268	5	335	18
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE COMPANY	$ 21,103	$ 15,181	$ 36,529	$ 22,539

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

(in thousands)

(unaudited)

Common Shares Number	Common Shares Amount	Preferred Shares Number	Preferred Shares Amount	Additional Paid in Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interest in Subsidiaries	Total Equit
174,668	$ 1,747	3,100	$ 31	$ 2,231,181	$ (4,978)	$ (584,654)	$ 1,643,327	$ 1,526	$ 1,(
								4,396	4,3
2,820	28			88,574			88,602		88
121	1						1		1
641	6			12,193			12,199		12
				171			171		17
				623			623		62
						(1,469)	(1,469)		(1
						36,174	36,174	(335)	35
					355		355		35
						(3,004)	(3,004)		(3
						(74,736)	(74,736)		(7
178,250	$ 1,782	3,100	$ 31	$ 2,332,742	$ (4,623)	$ (627,689)	$ 1,702,243	$ 5,587	$ 1,7

Common Shares		Preferred Shares		Additional Paid in Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interest in Subsidiaries	Total Equity
Number	Amount	Number	Amount						
163,957	$ 1,639	3,100	$ 31	$ 1,974,308	$ (8,759)	$ (519,193)	$ 1,448,026	$ 1,592	$ 1,4
								178	17
2,339	24			56,453			56,477		56
154	1						1		1
12				296			296		29
976	10			9,349			9,359		9,
				(36)			(36)		(3
				491			491		49
						(2,913)	(2,913)		(2
						22,158	22,158	(15)	22
					381		381	(3)	37
						(3,004)	(3,004)		(3
						(53,433)	(53,433)		(5
167,438	$ 1,674	3,100	$ 31	$ 2,040,861	$ (8,378)	$ (556,385)	$ 1,477,803	$ 1,752	$ 1,4

See accompanying notes to the unaudited consolidated financial statements.

10

Table of Contents

CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Six Months Ended June 30,			
	2016		2015	
Operating Activities				
Net income	$	36,238	$	22,395
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation and amortization		82,020		77,186
Equity in losses of real estate ventures		1,236		338
Equity compensation expense		794		455
Accretion of fair market value adjustment of debt		(504)		(803)
Changes in other operating accounts:				
Restricted cash		272		190
Other assets		(3,630)		(3,896)
Accounts payable and accrued expenses		5,891		3,306
Other liabilities		1,660		1,517
Net cash provided by operating activities	$	123,977	$	100,688
Investing Activities				
Acquisitions of storage facilities		(235,577)		(85,627)
Additions and improvements to storage facilities		(13,261)		(11,874)
Development costs		(94,496)		(37,026)
Investment in real estate ventures, at equity		(7,586)		—
Cash distributed from real estate ventures		3,716		3,000
Fundings of notes receivable		—		(4,100)

Change in restricted cash		137			(63)
Net cash used in investing activities	$	(347,067)		$	(135,690)
Financing Activities					
Proceeds from:					
Revolving credit facility		655,100			378,700
Principal payments on:					
Revolving credit facility		(505,100)			(295,100)
Mortgage loans and notes payable		(13,659)			(55,451)
Loan procurement costs		—			(2,283)
Proceeds from issuance of common shares, net		88,603			56,478
Exercise of stock options		12,199			9,359
Contributions from noncontrolling interests in subsidiaries		4,396			178
Distributions paid to common shareholders		(73,984)			(52,887)
Distributions paid to preferred shareholders		(3,004)			(3,004)
Distributions paid to noncontrolling interests in Operating Partnership		(907)			(722)
Net cash provided by financing activities	$	163,644		$	35,268
Change in cash and cash equivalents		(59,446)			266
Cash and cash equivalents at beginning of period		62,869			2,901
Cash and cash equivalents at end of period	$	3,423		$	3,167
Supplemental Cash Flow and Noncash Information					
Cash paid for interest, net of interest capitalized	$	26,879		$	23,893
Supplemental disclosure of noncash activities:					
Restricted cash - acquisition of storage facilities	$	(22,019)		$	—
Accretion of liability, net	$	4,174		$	7,427
Derivative valuation adjustment	$	359		$	451

Foreign currency translation adjustment	$	—	$	(69)
Mortgage loan assumptions	$	41,513	$	2,695

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)

	June 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Storage facilities	$ 3,861,096	$ 3,467,032
Less: Accumulated depreciation	(652,657)	(594,049)
Storage facilities, net (including VIE assets of $203,341 and $136,274, respectively)	3,208,439	2,872,983
Cash and cash equivalents	3,423	62,869
Restricted cash	9,017	24,600
Loan procurement costs, net of amortization	2,475	2,800
Investment in real estate ventures, at equity	99,915	97,281
Other assets, net	39,240	43,631
Total assets	$ 3,362,509	$ 3,104,164
LIABILITIES AND CAPITAL		
Unsecured senior notes, net	$ 742,402	$ 741,904
Revolving credit facility	150,000	—
Unsecured term loans, net	398,466	398,183
Mortgage loans and notes payable, net	138,716	111,455
Accounts payable, accrued expenses and other liabilities	96,795	85,034
Distributions payable	39,449	38,685
Deferred revenue	19,868	17,519
Security deposits	402	403
Total liabilities	1,586,098	1,393,183
Limited Partnership interests of third parties	68,581	66,128
Commitments and contingencies		
Capital		
Operating Partner	1,706,866	1,648,305
Accumulated other comprehensive loss	(4,623)	(4,978)
Total CubeSmart, L.P. capital	1,702,243	1,643,327
Noncontrolling interests in subsidiaries	5,587	1,526
Total capital	1,707,830	1,644,853
Total liabilities and capital	$ 3,362,509	$ 3,104,164

See accompanying notes to the unaudited consolidated financial statements.

12

Table of Contents

CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per common unit data)

(unaudited)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
REVENUES				
Rental income	$ 111,538	$ 96,803	$ 216,535	$ 188,359
Other property related income	12,643	11,385	24,406	21,928
Property management fee income	2,345	1,683	4,456	3,272
Total revenues	126,526	109,871	245,397	213,559
OPERATING EXPENSES				
Property operating expenses	41,607	38,210	81,826	75,641
Depreciation and amortization	41,448	38,086	80,804	75,981
General and administrative	7,891	7,114	16,119	14,287
Acquisition related costs	2,563	753	4,905	1,263
Total operating expenses	93,509	84,163	183,654	167,172
OPERATING INCOME	33,017	25,708	61,743	46,387
OTHER (EXPENSE) INCOME				
Interest:				
Interest expense on loans	(12,200)	(10,868)	(24,284)	(21,925)
Loan procurement amortization expense	(611)	(659)	(1,216)	(1,205)
Equity in losses of real estate ventures	(724)	(100)	(1,236)	(338)
Other	901	(208)	1,231	(524)
Total other expense	(12,634)	(11,835)	(25,505)	(23,992)
NET INCOME	20,383	13,873	36,238	22,395
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interest in subsidiaries	268	12	335	15
NET INCOME ATTRIBUTABLE TO CUBESMART L.P.	20,651	13,885	36,573	22,410
Operating Partnership interests of third parties	(227)	(161)	(399)	(252)
NET INCOME ATTRIBUTABLE TO OPERATING PARTNER	20,424	13,724	36,174	22,158
Distribution to preferred unitholders	(1,502)	(1,502)	(3,004)	(3,004)
NET INCOME ATTRIBUTABLE TO COMMON UNITHOLDERS	$ 18,922	$ 12,222	$ 33,170	$ 19,154
Basic earnings per unit attributable to common unitholders	$ 0.11	$ 0.07	$ 0.19	$ 0.12

Diluted earnings per unit attributable to common unitholders	$ 0.11	$ 0.07	$ 0.19	$ 0.11
Weighted-average basic units outstanding	177,880	166,683	176,838	166,096
Weighted-average diluted units outstanding	179,221	168,224	178,172	167,655

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
NET INCOME	$ 20,383	$ 13,873	$ 36,238	$ 22,395
Other comprehensive (loss) income:				
Unrealized losses on interest rate swaps	(581)	(357)	(2,235)	(2,686)
Reclassification of realized losses on interest rate swaps	1,268	1,572	2,594	3,137
Unrealized gain (loss) on foreign currency translation	—	268	—	(69)
OTHER COMPREHENSIVE INCOME	687	1,483	359	382
COMPREHENSIVE INCOME	21,070	15,356	36,597	22,777
Comprehensive income attributable to Operating Partnership interests of third parties	(235)	(180)	(403)	(256)
Comprehensive loss attributable to noncontrolling interest in subsidiaries	268	5	335	18
COMPREHENSIVE INCOME ATTRIBUTABLE TO OPERATING PARTNER	$ 21,103	$ 15,181	$ 36,529	$ 22,539

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITAL

(in thousands)

(unaudited)

	Number of OP Units Outstanding Common	Preferred	Operating Partner	Accumulated Other Comprehensive (Loss) Income	Total CubeSmart L.P. Capital	Noncontrolling Interests in Subsidiaries	Total Capital	Opera Partne Intere of Thi
Balance at December 31, 2015	174,668	3,100	$ 1,648,305	$ (4,978)	$ 1,643,327	$ 1,526	$ 1,644,853	$ 66,1
Contributions from noncontrolling interests in subsidiaries						4,396	4,396	
Issuance of common OP units	2,820		88,602		88,602		88,602	
Issuance of restricted OP units	121		1		1		1	
Issuance of OP Units								1,50
Exercise of OP unit options	641		12,199		12,199		12,199	
Amortization of restricted OP units			171		171		171	
OP unit compensation expense			623		623		623	
Adjustment for Limited Partnership interest of third parties			(1,469)		(1,469)		(1,469)	1,46
Net income (loss)			36,174		36,174	(335)	35,839	399
Other comprehensive				355	355		355	4

income, net								
Preferred OP unit distributions			(3,004)		(3,004)		(3,004)	
Common OP unit distributions			(74,736)		(74,736)		(74,736)	(91
Balance at June 30, 2016	178,250	3,100	$ 1,706,866	$ (4,623)	$ 1,702,243	$ 5,587	$ 1,707,830	$ 68,5

	Number of OP Units Outstanding Common	Preferred	Operating Partner	Accumulated Other Comprehensive (Loss) Income	Total CubeSmart L.P. Capital	Noncontrolling Interests in Subsidiaries	Total Capital	Opera Partne Intere of Thi
Balance at December 31, 2014	163,957	3,100	$ 1,456,785	$ (8,759)	$ 1,448,026	$ 1,592	$ 1,449,618	$ 49,8
Contributions from noncontrolling interests in subsidiaries						178	178	
Issuance of common OP units	2,339		56,477		56,477		56,477	
Issuance of restricted OP units	154		1		1		1	
Issuance of OP units								500
Conversion from units to shares	12		296		296		296	(29
Exercise of OP unit options	976		9,359		9,359		9,359	
Amortization of restricted OP units			(36)		(36)		(36)	
OP unit compensation expense			491		491		491	
Adjustment for Operating Partnership interest of third parties			(2,913)		(2,913)		(2,913)	2,91
Net income (loss)			22,158		22,158	(15)	22,143	252
Other comprehensive				381	381	(3)	378	4

income (loss), net								
Preferred OP unit distributions			(3,004)		(3,004)		(3,004)	
Common OP unit distributions			(53,433)		(53,433)		(53,433)	(72
Balance at June 30, 2015	167,438	3,100	$ 1,486,181	$ (8,378)	$ 1,477,803	$ 1,752	$ 1,479,555	$ 52,

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Six Months Ended June 30,			
	2016		2015	
Operating Activities				
Net income	$	36,238	$	22,395
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation and amortization		82,020		77,186
Equity in losses of real estate ventures		1,236		338
Equity compensation expense		794		455
Accretion of fair market value adjustment of debt		(504)		(803)
Changes in other operating accounts:				
Restricted cash		272		190
Other assets		(3,630)		(3,896)
Accounts payable and accrued expenses		5,891		3,306
Other liabilities		1,660		1,517
Net cash provided by operating activities	$	123,977	$	100,688
Investing Activities				
Acquisitions of storage facilities		(235,577)		(85,627)
Additions and improvements to storage facilities		(13,261)		(11,874)
Development costs		(94,496)		(37,026)
Investment in real estate ventures, at equity		(7,586)		—
Cash distributed from real estate ventures		3,716		3,000
Fundings of notes receivable		—		(4,100)

Change in restricted cash		137		(63)
Net cash used in investing activities	$	(347,067)	$	(135,690)
Financing Activities				
Proceeds from:				
Revolving credit facility		655,100		378,700
Principal payments on:				
Revolving credit facility		(505,100)		(295,100)
Mortgage loans and notes payable		(13,659)		(55,451)
Loan procurement costs		—		(2,283)
Proceeds from issuance of common OP units		88,603		56,478
Exercise of OP unit options		12,199		9,359
Contributions from noncontrolling interests in subsidiaries		4,396		178
Distributions paid to common OP unitholders		(74,891)		(53,609)
Distributions paid to preferred OP unitholders		(3,004)		(3,004)
Net cash provided by financing activities	$	163,644	$	35,268
Change in cash and cash equivalents		(59,446)		266
Cash and cash equivalents at beginning of period		62,869		2,901
Cash and cash equivalents at end of period	$	3,423	$	3,167
Supplemental Cash Flow and Noncash Information				
Cash paid for interest, net of interest capitalized	$	26,879	$	23,893
Supplemental disclosure of noncash activities:				
Restricted cash - acquisition of storage facilities	$	(22,019)	$	—
Accretion of liability, net	$	4,174	$	7,427
Derivative valuation adjustment	$	359	$	451
Foreign currency translation adjustment	$	—	$	(69)
	$	41,513	$	2,695

Mortgage loan
assumptions

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

CUBESMART AND CUBESMART, L.P.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF OPERATIONS

CubeSmart (the "Parent Company") operates as a self-managed and self-administered real estate investment trust ("REIT") with its operations conducted solely through CubeSmart, L.P. and its subsidiaries. CubeSmart, L.P., a Delaware limited partnership (the "Operating Partnership"), operates through an umbrella partnership structure, with the Parent Company, a Maryland REIT, as its sole general partner. In the notes to the consolidated financial statements, we use the terms "the Company", "we" or "our" to refer to the Parent Company and the Operating Partnership together, unless the context indicates otherwise. As of June 30, 2016, the Company owned self-storage facilities located in 22 states throughout the United States and the District of Columbia that are presented under one reportable segment: the Company owns, operates, develops, manages and acquires self-storage facilities.

As of June 30, 2016, the Parent Company owned approximately 98.8% of the partnership interests ("OP Units") of the Operating Partnership. The remaining OP Units, consisting exclusively of limited partner interests, are held by persons who contributed their interests in facilities to the Operating Partnership in exchange for OP Units. Under the partnership agreement, these persons have the right to tender their OP Units for redemption to the Operating Partnership at any time for cash equal to the fair value of an equivalent number of common shares of the Parent Company. In lieu of delivering cash, however, the Parent Company, as the Operating Partnership's general partner, may, at its option, choose to acquire any OP Units so tendered by issuing common shares in exchange for the tendered OP Units. If the Parent Company so chooses, its common shares will be exchanged for OP Units on a one-for-one basis. This one-for-one exchange ratio is subject to adjustment to prevent dilution. With each such exchange or redemption, the Parent Company's percentage ownership in the Operating Partnership will increase. In addition, whenever the Parent Company issues common or other classes of its shares, it contributes the net proceeds it receives from the issuance to the Operating Partnership and the Operating Partnership issues to the Parent Company an equal number of OP Units or other partnership interests having preferences and rights that mirror the preferences and rights of the shares issued. This structure is commonly referred to as an umbrella partnership REIT or "UPREIT".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC regarding interim financial reporting and, in the opinion of each of the Parent Company's and Operating Partnership's respective management, include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of financial position, results of operations and cash flows for each respective company for the interim periods presented in accordance with generally accepted accounting principles in the United States (“GAAP”). Accordingly, readers of this Quarterly Report on Form 10-Q should refer to the Parent Company’s and the Operating Partnership’s audited financial statements prepared in accordance with GAAP, and the related notes thereto, for the year ended December 31, 2015, which are included in the Parent Company’s and the Operating Partnership’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015. The results of operations for the three and six months ended June 30, 2016 and 2015 are not necessarily indicative of the results of operations to be expected for any future period or the full year.

The Company adopted Accounting Standard Update (“ASU“) No. 2015-02, Consolidation – Amendments to the Consolidation Analysis, as of January 1, 2016. The Company evaluated the application of this guidance and concluded that there were no changes to any previous conclusions with respect to consolidation accounting for any of its interests in less than wholly owned joint ventures. However, the Operating Partnership now meets the criteria as a variable interest entity. The Parent Company’s sole significant asset is its investment in the Operating Partnership. As a result, substantially all of the Parent Company’s assets and liabilities represent those assets and liabilities of the Operating Partnership. All of the Parent Company’s debt is an obligation of the Operating Partnership.

Table of Contents

Reclassifications

During the first quarter of 2016, the Company adopted ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires the Company to reclassify debt financing costs, which were previously included in loan procurement costs, net of amortization on the Company's consolidated balance sheets, and present them as a direct deduction from the carrying amount of the related debt liability. Net costs of $10.7 million have been reclassified in the December 31, 2015 consolidated balance sheets from the loan procurement costs line and netted against the related debt liability. See Recent Accounting Pronouncements below for revisions to the accounting guidance for debt issuance costs.

Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which is intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. The new guidance allows for entities to make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. In addition, the guidance allows employers to withhold shares to satisfy minimum statutory tax withholding requirements up to the employees' maximum individual tax rate without causing the award to be classified as a liability. The guidance also stipulates that cash paid by an employer to a taxing authority when directly withholding shares for tax-withholding purposes should be classified as a financing activity on the statement of cash flows. The standard is effective on January 1, 2017, however early adoption is permitted. The Company is in the process of evaluating the impact of this new guidance.

In February 2016, the FASB issued ASU No. 2016-02 - Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either financing or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective on January 1, 2019, however early adoption is permitted. The Company is in the process of evaluating the impact of this new guidance.

In September 2015, the FASB issued ASU No. 2015-16, Simplifying the Accounting for Measurement-Period Adjustments, which amends the current business combination guidance to require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, as opposed to having to revise prior period information. The standard also requires additional disclosure about the impact on current-period income statement line items of adjustments that would have been recognized in prior periods if prior period information had been revised. The new standard became effective for the Company on January 1, 2016. The adoption of this guidance did not have a material impact on the Company's consolidated financial position or results of operations as there have been no measurement-period adjustments recorded.

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, an update to the accounting standard relating to the presentation of debt issuance costs. Under the new guidance, debt issuance costs related to a recognized debt liability will be presented on the balance sheet as a direct deduction from the debt liability. In the event that there is not an associated debt liability recorded in the consolidated financial statements, the debt issuance costs will continue to be recorded on the consolidated balance sheet as an asset until the debt liability is recorded. The new standard became effective for the Company on January 1, 2016. The adoption of this guidance did not have a material impact on the Company's consolidated financial position or results of operations as the update only related to changes in financial statement presentation as discussed in notes 6 and 7.

In February 2015, the FASB issued ASU No. 2015-02, Consolidation – Amendments to the Consolidation Analysis, which amends the current consolidation guidance affecting both the variable interest entity ("VIE") and voting interest

Table of Contents

entity ("VOE") consolidation models. The standard does not add or remove any of the characteristics in determining if an entity is a VIE or VOE, but rather enhances the way the Company assesses some of these characteristics. The new standard became effective for the Company on January 1, 2016. As discussed under Basis of Presentation above, the adoption of this guidance did not have a material impact on the Company's consolidated financial position or results of operations as none of its existing consolidation conclusions were changed.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance under GAAP when it becomes effective. The new standard will be effective for the Company beginning on January 1, 2018, however early application beginning on January 1, 2017 is permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company has not yet selected a transition method nor has it determined the effect of the standard on its financial statements and related disclosures.

3. STORAGE FACILITIES

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

	June 30, 2016	December 31, 2015
	(in thousands)	
Land	$ 649,615	$ 588,503
Buildings and improvements	2,778,802	2,534,193
Equipment	269,739	243,442
Construction in progress	162,940	100,894
Storage facilities	3,861,096	3,467,032
Less Accumulated depreciation	(652,657)	(594,049)
Storage facilities, net	$ 3,208,439	$ 2,872,983

Table of Contents

The following table summarizes the Company’s acquisition and disposition activity from the period beginning on January 1, 2015 through June 30, 2016:

Asset/Portfolio	Market	Transaction Date	Number of Facilities	Purchase / Sale Price (in thousands)
2016 Acquisitions:				
Metro DC Asset	Baltimore / DC	January 2016	1	$ 21,000
Texas Assets	Texas Markets - Major	January 2016	2	24,800
New York Asset	New York / Northern NJ	January 2016	1	48,500
Texas Asset	Texas Markets - Major	January 2016	1	11,600
Connecticut Asset	Connecticut	February 2016	1	19,000
Texas Asset	Texas Markets - Major	March 2016	1	11,600
Florida Assets	Florida Markets - Other	March 2016	3	47,925
Colorado Asset	Denver / Aurora	April 2016	1	11,350
Texas Asset	Texas Markets - Major	April 2016	1	11,600
Texas Asset	Texas Markets - Major	May 2016	1	10,100
Texas Asset	Texas Markets - Major	May 2016	1	10,800
Illinois Asset	Chicago	May 2016	1	12,350
Illinois Asset	Chicago	May 2016	1	16,000
Massachusetts Asset	Massachusetts	June 2016	1	14,300
			17	$ 270,925
2015 Acquisitions:				
Texas Asset	Texas Markets - Major	February 2015	1	$ 7,295
HSRE Assets	Chicago	March 2015	4	27,500
Arizona Asset	Arizona / Las Vegas	March 2015	1	7,900
Tennessee Asset	Tennessee	March 2015	1	6,575
Texas Asset	Texas Markets - Major	April 2015	1	15,795
Florida Asset	Florida Markets - Other	May 2015	1	7,300
Arizona Asset	Arizona / Las Vegas	June 2015	1	10,100
Florida Asset	Florida Markets - Other	June 2015	1	10,500
Texas Asset	Texas Markets - Major	July 2015	1	14,200
Maryland Asset	Baltimore / DC	July 2015	1	17,000
Maryland Asset	Baltimore / DC	July 2015	1	19,200
New York/New Jersey Assets	New York / Northern NJ	August 2015	2	24,823
New Jersey Asset	New York / Northern NJ	December 2015	1	14,350
PSI Assets	Various (see note 4)	December 2015	12	109,824
			29	$ 292,362

2015 Dispositions:

Texas Assets	Texas Markets - Major	October 2015	7	$ 28,000
Florida Asset	Florida Markets - Other	October 2015	1	9,800
			8	$ 37,800

4. INVESTMENT ACTIVITY

2016 Acquisitions

During the six months ended June 30, 2016, the Company acquired 17 self-storage facilities, including three facilities upon completion of construction and the issuance of a certificate of occupancy, located throughout the United States for an aggregate purchase price of approximately $270.9 million. In connection with these acquisitions, the Company allocated a portion of the purchase price to the intangible value of in-place leases, which aggregated $9.8 million at the time of the acquisition and prior to any amortization of such amounts. The estimated life of these in-place leases was 12 months, and the amortization expense that was recognized during the six months ended June 30, 2016 was approximately $3.0 million. In connection with one of the acquired facilities, the Company assumed mortgage debt that was recorded at a fair value of $6.5 million, which fair value includes an outstanding principal balance totaling $6.3 million and a net premium of $0.2 million to reflect the estimated fair value of the debt at the time of assumption.

As final information regarding fair value of the assets acquired and liabilities assumed is received and estimates are refined, appropriate adjustments, if necessary, will be made to the purchase price allocation, in no case later than twelve

Table of Contents

months of the acquisition date. There have been no adjustments made to the purchase price allocation of assets acquired and liabilities assumed during 2015 and 2016.

As of June 30, 2016, the Company was under contract and had made aggregate deposits of $1.5 million associated with three facilities under construction for a total purchase price of $43.3 million. In connection with one of the facilities, the Company provided a $4.1 million loan, which was repaid to the Company in full in December 2015, for the purpose of acquiring the premises on which the facility will be built. The deposits are reflected in Other assets, net on the Company's consolidated balance sheets. The purchase of these three facilities is expected to occur by the first quarter of 2017 after the completion of construction and the issuance of a certificate of occupancy. These acquisitions are subject to due diligence and other customary closing conditions and no assurance can be provided that these acquisitions will be completed on the terms described, or at all.

2015 Acquisitions

On December 15, 2015, the Company acquired all of the issued and outstanding uncertificated shares of common stock of a privately held self-storage REIT ("PSI") for $115.8 million. As of the date of the acquisition, PSI owned real property consisting of 12 fully operational self-storage facilities which were acquired for $109.8 million, and one self-storage facility that remains under construction, which was acquired for $6.0 million (the "PSI Assets"). The PSI Assets are located in Arizona, Florida, Georgia, Massachusetts, New York, North Carolina, Tennessee, and Texas. In connection with this acquisition, the Company allocated a portion of the purchase price to the intangible value of in-place leases, which aggregated to $6.7 million at the time of the acquisition and prior to any amortization of such amounts. The estimated life of these in-place leases was 12 months, and the amortization expense that was recognized during the six months ended June 30, 2016 was approximately $3.4 million.

During 2014, the Operating Partnership entered into an Agreement for Purchase and Sale with certain limited liability companies controlled by HSRE REIT I and HSRE REIT II, both Maryland real estate investment trusts, to acquire (the "HSRE Acquisition") 26 self-storage facilities for an aggregate purchase price of $223.0 million plus customary closing costs. During 2014, the Company closed on the first tranche of 22 facilities comprising the HSRE Acquisition, for an aggregate purchase price of $195.5 million. On March 18, 2015, the Company closed on the second tranche of the remaining four self-storage facilities comprising the HSRE Acquisition, for an aggregate purchase price of $27.5 million. The four facilities purchased in the second tranche are located in Illinois. In connection with this acquisition, the Company allocated a portion of the purchase price to the intangible value of in-place leases, which aggregated to $2.7 million at the time of the acquisition and prior to any amortization of such amounts. The estimated life of these in-place leases was 12 months, and the amortization expense that was recognized during the six months ended June 30, 2016 was approximately $0.7 million.

During the year ended December 31, 2015, the Company acquired 13 additional self-storage facilities, including one facility upon completion of construction and the issuance of a certificate of occupancy, located throughout the United States for an aggregate purchase price of approximately $155.0 million. In connection with these acquisitions, the

Company allocated a portion of the purchase price to the tangible and intangible assets acquired based on fair value. Intangible assets consist of in-place leases, which aggregated $10.7 million at the time of the acquisitions and prior to any amortization of such amounts. The estimated life of these in-place leases was 12 months, and the amortization expense that was recognized during the six months ended June 30, 2016 was approximately $4.8 million. In connection with one of the acquired facilities, the Company assumed mortgage debt that was recorded at a fair value of $2.7 million, which fair value includes an outstanding principal balance totaling $2.5 million and a net premium of $0.2 million to reflect the estimated fair value of the debt at the time of assumption.

2015 Dispositions

On October 8, 2015, the Company sold seven assets in Texas and one asset in Florida for an aggregate sales price of approximately $37.8 million. In connection with these sales, the Company recorded gains that totaled $14.4 million. The proceeds from these sales were held in escrow to fund future acquisitions under a tax free like kind exchange. As of June 30, 2016, the total net proceeds of $36.4 million had been applied to three separate acquisitions, of which one closed in December 2015 and two closed in January 2016.

Table of Contents

On October 2, 2015, USIFB, LLP (“USIFB”), a consolidated real estate joint venture in which the Company owned a 97% interest, sold its remaining asset in London, England, for an aggregate sales price of £6.5 million (approximately $9.9 million). In connection with the sale, the Company recorded a gain of $3.0 million net of a foreign currency translation loss of $1.2 million.

Development

As of June 30, 2016, the Company had three contracts through joint ventures for the construction of three self-storage facilities located in New York (see note 12). As part of the acquisition of the PSI Assets, the Company also acquired a self-storage facility that is under construction in North Palm Beach, FL. Additionally, during the quarter ended June 30, 2016, the Company issued 61,224 OP Units, valued at approximately $1.5 million, to pay the remaining consideration on its self-storage facility that is under construction in Washington, D.C. and was previously owned by a joint venture. Construction for all projects is expected to be completed by the second quarter of 2018. As of June 30, 2016, development costs for these projects totaled $136.8 million. Total construction costs for these projects is expected to be $218.2 million. These costs are capitalized to construction in progress while the projects are under development and are reflected in Storage facilities on the Company’s consolidated balance sheets.

During the second quarter of 2016, the Company, through a joint venture in which the Company owns a 51% interest, completed the construction, and opened for operation, a self-storage facility located in Bronx, NY. Total costs for this project were $32.2 million. These costs are capitalized to land, building, and improvements as well as equipment and are reflected in Storage facilities on the Company’s consolidated balance sheets.

During the first quarter of 2016, the Company, through a joint venture in which the Company owned a 51% interest, completed the construction, and opened for operation, a self-storage facility located in Queens, NY. Total costs for this project were $31.8 million. These costs are capitalized to land, building, and improvements as well as equipment and are reflected in Storage facilities on the Company’s consolidated balance sheets. On April 5, 2016, the noncontrolling member put its 49% ownership interest in the venture to the Company for $12.5 million.

During the fourth quarter of 2015, the Company, through two separate joint ventures in which the Company owns a 90% interest in each, completed the construction of two self-storage facilities located in the boroughs of New York, NY and the facilities opened for operation. Total costs for these projects were $32.2 million in aggregate. These costs are capitalized to land, building, and improvements as well as equipment and are reflected in Storage facilities on the Company’s consolidated balance sheets.

During the second quarter of 2015, the Company, through a joint venture in which the Company owns a 90% interest, completed the construction, and opened for operation, a self-storage facility located in Arlington, VA. Total costs for this project were $17.1 million. These costs are capitalized to land, building, and improvements as well as equipment and are reflected in Storage facilities on the Company’s consolidated balance sheets.

The following table summarizes the Company’s revenue and earnings associated with the 2016 and 2015 acquisitions from the respective acquisition dates in the period they were acquired, included in the consolidated statements of operations for the three and six months ended June 30, 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands)			
Total revenue	$ 3,250	$ 1,524	$ 4,398	$ 1,743
Net loss	(2,799)	(1,146)	(3,976)	(1,124)

Table of Contents

5. INVESTMENT IN UNCONSOLIDATED REAL ESTATE VENTURES

During the fourth quarter of 2015, the Company invested a 10% ownership interest in a newly-formed joint venture ("HVP") that agreed to acquire a property portfolio comprised of 37 self-storage facilities located in Michigan (17), Tennessee (10), Massachusetts (7), and Florida (3). HVP paid $242.5 million for these 37 facilities, of which $18.9 million was allocated to the value of the in-place lease intangible. HVP acquired 30 of the facilities on December 8, 2015 for $193.7 million, one of the facilities on January 26, 2016 for $5.7 million, five of the facilities on April 21, 2016 for $36.1 million, and one of the facilities on June 15, 2016 for $7.0 million. In connection with six of the acquired facilities, HVP assumed mortgage debt that was recorded at a fair value of $25.3 million, which includes an outstanding principal balance totaling $23.7 million and a net premium of $1.6 million to reflect the estimated fair value of the debt at the time of assumption. The remainder of the purchase price was funded through advances totaling $116.0 million on the venture's $122.0 million loan facility and amounts contributed pro-rata by the Company and its unaffiliated joint venture partner. The Company's total contribution to HVP related to this portfolio acquisition was $10.7 million. The loan facility bears interest at LIBOR plus 2.00% per annum and matures on December 7, 2018 with options to extend the maturity date through December 7, 2020, subject to satisfaction of certain conditions and payment of the extension fees as stipulated in the loan agreement.

During the first quarter of 2016, HVP agreed to acquire a property portfolio comprised of 31 self-storage facilities located in South Carolina (22), Georgia (5), and North Carolina (4) that were previously managed by the Company for $115.5 million. HVP acquired 30 of the facilities on March 30, 2016 for $112.8 million, of which $10.3 million was allocated to the value of the in-place lease intangible. The remaining property is under contract to be acquired subsequent to June 30, 2016. In conjunction with the acquisition, HVP refinanced its existing loan facility by entering into an increased amended and restated loan facility not to exceed $185.5 million. The acquisition was funded primarily through an advance totaling $61.8 million on the venture's amended and restated loan facility. The remainder of the purchase price was contributed pro-rata by the Company and its unaffiliated joint venture partner. The Company's total contribution to HVP related to this portfolio acquisition was $5.3 million, bringing its total investment in HVP to $16.0 million as of June 30, 2016. The amended and restated loan facility bears interest at LIBOR plus 2.00% per annum. The initial maturity date was extended to March 30, 2019 with options to extend through March 30, 2021, subject to satisfaction of certain conditions and payment of the extension fees as stipulated in the amended and restated loan agreement.

On December 10, 2013, the Company invested a 50% ownership interest in a newly-formed joint venture ("HHF") that acquired 35 self-storage facilities located in Texas (34) and North Carolina (1). HHF paid $315.7 million for these facilities, of which $12.1 million was allocated to the value of the in-place lease intangible. The Company and the unaffiliated joint venture partner, collectively the "HHF Partners", each contributed cash equal to 50% of the capital required to fund the acquisition. On May 1, 2014, HHF obtained a $100.0 million loan secured by the 34 self-storage facilities located in Texas that are owned by the venture. There is no recourse to the Company, subject to customary exceptions to non-recourse provisions. The loan bears interest at 3.59% per annum and matures on April 30, 2021. This financing completed the planned capital structure of HHF and proceeds (net of closing costs) of $99.2 million were distributed proportionately to the partners.

Based upon the facts and circumstances at formation of HVP and HHF, the Company determined that neither entity is a VIE in accordance with the accounting standard for the consolidation of VIEs. As a result, the Company used the voting interest model under the accounting standard for consolidation in order to determine whether to consolidate HVP and HHF. Based upon each member's substantive participating rights over the activities of each entity as stipulated in the operating agreements, HVP and HHF are not consolidated by the Company and are accounted for under the equity method of accounting. The Company’s investments in HVP and HHF are included in Investment in real estate ventures, at equity on the Company’s consolidated balance sheets and the Company’s earnings from its investments in HVP and HHF are presented in Equity in losses of real estate ventures on the Company’s consolidated statements of operations.

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

Table of Contents

The following is a summary of the financial position of the HVP and HHF ventures as of June 30, 2016 and December 31, 2015 (in thousands):

	June 30, 2016	December 31, 2015
Assets		
Storage facilities, net	$ 594,334	$ 456,452
Other assets	24,344	17,536
Total assets	$ 618,678	$ 473,988
Liabilities and equity		
Other liabilities	$ 7,608	$ 4,470
Debt	299,815	210,525
Equity		
CubeSmart	99,915	97,281
Joint venture partners	211,340	161,712
Total liabilities and equity	$ 618,678	$ 473,988

The following is a summary of results of operations of HVP and HHF for the three and six months ended June 30, 2016 and 2015 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Total revenues	$ 16,659	$ 7,465	$ 28,983	$ 14,525
Operating expenses	7,420	3,174	13,862	6,227
Interest expense, net	2,469	931	4,324	1,862
Depreciation and amortization	14,436	3,560	24,186	7,112
Net loss	$ (7,666)	$ (200)	$ (13,389)	$ (676)
Company’s share of net loss	$ (724)	$ (100)	$ (1,236)	$ (338)

6. UNSECURED SENIOR NOTES

On October 26, 2015, the Operating Partnership issued $250.0 million in aggregate principal amount of 4.00% unsecured senior notes due November 15, 2025 (the “2025 Senior Notes”). On December 17, 2013, the Operating

Partnership issued $250.0 million in aggregate principal amount of 4.375% unsecured senior notes due December 15, 2023 (the “2023 Senior Notes”). On June 26, 2012, the Operating Partnership issued $250.0 million in aggregate principal amount of 4.80% unsecured senior notes due July 15, 2022 (the “2022 Senior Notes”). The 2025 Senior Notes, the 2023 Senior Notes, and the 2022 Senior Notes are collectively referred to as the “Senior Notes.”

During the first quarter of 2016, the Company adopted ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires the Company to reclassify debt financing costs, which were previously included in loan procurement costs, net of amortization on the Company’s consolidated balance sheets, and present them as a direct deduction from the carrying amount of the related debt liability. As of June 30, 2016 and December, 31, 2015, unsecured senior notes are presented net of unamortized loan procurement costs of $7.6 million and $8.1 million, respectively, on the consolidated balance sheets.

The indenture under which the 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 more 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

Table of Contents

Operating Partnership and its consolidated subsidiaries. As of June 30, 2016, the Operating Partnership was in compliance with all of the financial covenants under the Senior Notes.

7. REVOLVING CREDIT FACILITY AND UNSECURED TERM LOANS

On June 20, 2011, the Company entered into an unsecured term loan agreement (the “Term Loan Facility”) which consisted of a $100.0 million term loan with a five-year maturity (“Term Loan A”) and a $100.0 million term loan with a seven-year maturity (“Term Loan B”). On December 9, 2011, the Company entered into a credit facility (the “Credit Facility”) comprised of a $100.0 million unsecured term loan maturing in December 2014 (“Term Loan C”); a $200.0 million unsecured term loan maturing in March 2017 (“Term Loan D”); and a $300.0 million unsecured revolving facility maturing in December 2015 (“Revolver”).

On June 18, 2013, the Company amended both the Term Loan Facility and Credit Facility. With respect to the Term Loan Facility, among other things, the amendment extended the maturity date to June 2018 and decreased the pricing of Term Loan A, while Term Loan B remained unchanged by the amendment. With respect to the Credit Facility, among other things, the amendment extended the maturity date to January 2019 and decreased the pricing of Term Loan D. On August 5, 2014, the Company further amended the Term Loan Facility to extend the maturity date to January 2020 and decrease the pricing of Term Loan B. On December 17, 2013, the Company repaid the $100.0 million balance under Term Loan C that was scheduled to mature in December 2014.

Pricing on the Term Loan Facility depends on the Company’s unsecured debt credit ratings. At the Company’s current Baa2/BBB level, amounts drawn under Term Loan A are priced at 1.30% over LIBOR, while amounts drawn under Term Loan B are priced at 1.15% over LIBOR.

On April 22, 2015, the Company further amended its Credit Facility with respect to the Revolver. Among other things, the amendment increased the aggregate amount of the Revolver from $300.0 million to $500.0 million, decreased the facility fee from 0.20% to 0.15% and extended the maturity date to April 22, 2020.

Pricing on the Credit Facility depends on the Company’s unsecured debt credit ratings. At the Company’s current Baa2/BBB level, amounts drawn under the Revolver are priced at 1.25% over LIBOR, inclusive of a facility fee of 0.15%, while amounts drawn under Term Loan D are priced at 1.30% over LIBOR.

The Company incurred costs of $2.3 million in 2015 in connection with amending the Credit Facility and capitalized such costs as a component of loan procurement costs, net of amortization on the consolidated balance sheet. Additionally, in connection with the amendment, $0.1 million of unamortized costs were written-off. All remaining unamortized costs, along with costs incurred in connection with the amendment, are amortized as an adjustment to interest expense over the remaining term of the modified facilities.

During the first quarter of 2016, the Company adopted ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires the Company to reclassify debt financing costs, which were previously included in loan procurement costs, net of amortization on the Company's consolidated balance sheets, and present them as a direct deduction from the carrying amount of the related debt liability. As of June 30, 2016 and December, 31, 2015, unsecured term loans are presented net of unamortized loan procurement costs of $1.5 million and $1.8 million, respectively, on the consolidated balance sheets. Deferred financing costs associated with the Revolver remain in loan procurement costs, net of amortization on the Company's consolidated balance sheets.

As of June 30, 2016, $200.0 million of unsecured term loan borrowings were outstanding under the Term Loan Facility, $200.0 million of unsecured term loan borrowings were outstanding under the Credit Facility, $150.0 million of unsecured revolving credit facility borrowings were outstanding under the Credit Facility, and $350.0 million was available for borrowing under the unsecured revolving portion of the Credit Facility. In connection with a portion of the unsecured borrowings, the Company had interest rate swaps as of June 30, 2016 that fix 30-day LIBOR (see note 10). As of June 30, 2016, borrowings under the Credit Facility and Term Loan Facility, as amended and after giving effect to the interest rate swaps, had an effective weighted average interest rate of 2.41%.

Table of Contents

The Term Loan Facility and the term loan under the Credit Facility were fully drawn at June 30, 2016 and no further borrowings may be made under the term loans. The Company's ability to borrow under the revolving portion of the Credit Facility is subject to ongoing compliance with certain financial covenants which include:

· Maximum total indebtedness to total asset value of 60.0% at any time;

· Minimum fixed charge coverage ratio of 1.50:1.00; and

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

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

As of June 30, 2016, the Company was in compliance with all of its financial covenants and anticipates being in compliance with all of its financial covenants through the terms of the Credit Facility and Term Loan Facility.

8. MORTGAGE LOANS AND NOTES PAYABLE

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

Mortgage Loans and Notes Payable	Carrying Value as of: June 30, 2016	December 31, 2015	Effective Interest Rate		Maturity Date
	(in thousands)				
YSI 59	$ —	$ 9,012	4.82	%	Mar-16
YSI 60	—	3,546	5.04	%	Aug-16
YSI 51	6,921	6,984	5.15	%	Sep-16
YSI 64	7,710	7,781	3.54	%	Oct-16
YSI 62	7,769	7,835	3.54	%	Dec-16
YSI 67	6,291	—	2.55	%	Mar-17
YSI 33	10,009	10,154	6.42	%	Jul-19
YSI 26	8,515	8,606	4.56	%	Nov-20
YSI 57	2,989	3,021	4.61	%	Nov-20
YSI 55	23,163	23,369	4.85	%	Jun-21

YSI 24	26,830	27,185	4.64	%	Jun-21
YSI 65	2,479	2,500	3.85	%	Jun-23
YSI 66	32,510	—	3.51	%	Jun-23
Principal balance outstanding	135,186	109,993			
Plus: Unamortized fair value adjustment	4,375	2,219			
Less: Loan procurement costs, net	(845)	(757)			
Total mortgage loans and notes payable, net	$ 138,716	$ 111,455			

Table of Contents

As of June 30, 2016 and December 31, 2015, the Company's mortgage loans payable were secured by certain of its self-storage facilities with net book values of approximately $244.8 million and $195.4 million, respectively. The following table represents the future principal payment requirements on the outstanding mortgage loans and notes payable as of June 30, 2016 (in thousands):

2016	$ 23,601
2017	8,576
2018	2,490
2019	11,485
2020	12,615
2021 and thereafter	76,419
Total mortgage payments	135,186
Plus: Unamortized fair value adjustment	4,375
Less: Loan procurement costs, net	(845)
Total mortgage indebtedness	$ 138,716

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in accumulated other comprehensive loss by component for the six months ended June 30, 2016 (in thousands):

	Unrealized losses on interest rate swaps
Balance at December 31, 2015	$ (4,978)

Other comprehensive loss before reclassifications		(2,208)
Amounts reclassified from accumulated other comprehensive loss		2,563
Net current-period other comprehensive income		355
Balance at June 30, 2016	$	(4,623)

(a) See note 10 for additional information about the effects of the amounts reclassified.

10. RISK MANAGEMENT AND USE OF FINANCIAL INSTRUMENTS

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

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

The Company formally assesses, both at inception of a hedge and on an on-going basis, whether each derivative is highly-effective in offsetting changes in cash flows of the hedged item. If management determines that a derivative is

Table of Contents

highly-effective as a hedge, then the Company accounts for the derivative using hedge accounting, pursuant to which gains or losses inherent in the derivative do not impact the Company's results of operations. If management determines that a derivative is not highly-effective as a hedge or if a derivative ceases to be a highly-effective hedge, the Company will discontinue hedge accounting prospectively and will reflect in its statement of operations realized and unrealized gains and losses in respect of the derivative.

The following table summarizes the terms and fair values of the Company's derivative financial instruments as of June 30, 2016 and December 31, 2015, respectively (dollars in thousands):

Hedge Product	Hedge Type (a)	Notional Amount June 30, 2016	Notional Amount December 31, 2015	Strike	Effective Date	Maturity	Fair Value June 30, 2016	Fair Value December 31, 2015
Swap	Cash flow	$ —	$ 40,000	1.8025%	6/20/2011	6/20/2016	$ —	$ (243)
Swap	Cash flow	—	40,000	1.8025%	6/20/2011	6/20/2016	—	(243)
Swap	Cash flow	—	20,000	1.8025%	6/20/2011	6/20/2016	—	(122)
Swap	Cash flow	75,000	75,000	1.3360%	12/30/2011	3/31/2017	(487)	(540)
Swap	Cash flow	50,000	50,000	1.3360%	12/30/2011	3/31/2017	(325)	(360)
Swap	Cash flow	50,000	50,000	1.3360%	12/30/2011	3/31/2017	(325)	(360)
Swap	Cash flow	25,000	25,000	1.3375%	12/30/2011	3/31/2017	(162)	(180)
Swap	Cash flow	40,000	40,000	2.4590%	6/20/2011	6/20/2018	(1,508)	(1,350)
Swap	Cash flow	40,000	40,000	2.4725%	6/20/2011	6/20/2018	(1,519)	(1,364)
Swap	Cash flow	20,000	20,000	2.4750%	6/20/2011	6/20/2018	(760)	(683)
		$ 300,000	$ 400,000				$ (5,086)	$ (5,445)

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

The Company measures its derivative instruments at fair value and records them in the balance sheet as either an asset or liability. As of June 30, 2016 and December 31, 2015, all derivative instruments were included in accounts payable, accrued expenses and other liabilities in the accompanying consolidated balance sheets. The effective portions of changes in the fair value of the derivatives are reported in accumulated other comprehensive income (loss). Amounts reported in accumulated other comprehensive income (loss) related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. The change in unrealized loss on interest rate swap reflects a reclassification of $2.6 million of unrealized losses from accumulated other comprehensive loss as an increase to interest expense during the six months ended June 30, 2016. The Company estimates that $3.3 million will be reclassified as an increase to interest expense within the next 12 months.

11. FAIR VALUE MEASUREMENTS

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

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

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

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

Table of Contents

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

Financial assets and liabilities carried at fair value as of June 30, 2016 are classified in the table below in one of the three categories described above (in thousands):

	Level 1	Level 2	Level 3
Interest Rate Swap Derivative Liabilities	$ —	$ 5,086	$ —
Total liabilities at fair value	$ —	$ 5,086	$ —

Financial assets and liabilities carried at fair value as of December 31, 2015 are classified in the table below in one of the three categories described above (in thousands):

	Level 1	Level 2	Level 3
Interest Rate Swap Derivative Liabilities	$ —	$ 5,445	$ —
Total liabilities at fair value	$ —	$ 5,445	$ —

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

· Interest rate swap derivative assets and liabilities – valued using LIBOR yield curves at the reporting date. Counterparties to these contracts are most often highly rated financial institutions, none of which experienced any significant downgrades in 2016 that would reduce the amount owed by the Company. Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with the Company's derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by the Company and the counterparties. However, as of June 30, 2016, the Company has assessed the significance of the effect of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The fair values of financial instruments, including cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate their respective carrying values at June 30, 2016 and December 31, 2015. The aggregate carrying value of the Company’s debt was $1.4 billion and $1.3 billion at June 30, 2016 and December 31, 2015, respectively. The estimated fair value of the Company’s debt was $1.5 billion and $1.3 billion at June 30, 2016 and December 31, 2015, respectively. These estimates were based on a discounted cash flow analysis assuming market interest rates for comparable obligations at June 30, 2016 and December 31, 2015. The Company estimates the fair value of its fixed rate debt and the credit spreads over variable market rates on its variable rate debt by discounting the future cash flows of each instrument at estimated market rates or credit spreads consistent with the maturity of the debt obligation with similar credit policies, which is classified within level 2 of the fair value hierarchy. Rates and credit spreads take into consideration general market conditions and maturity.

Table of Contents

12. NONCONTROLLING INTERESTS

Interests in Consolidated Real Estate Joint Ventures

Noncontrolling interests in subsidiaries represent the ownership interests of third parties in the Company's consolidated real estate ventures. The Company has determined that these ventures are variable interest entities, and that the Company is the primary beneficiary. Accordingly, the Company consolidates the assets, liabilities, and results of operations of the real estate ventures in the table below (dollars in thousands):

Development Ventures	Number of Facilities	Location	Date Opened / Estimated Opening	CubeSmart Ownership Interest	June 30, 2016 Total Assets	Total Liabilities
444 55th Street Holdings, LLC ("55th						