CubeSmart
Form 10-Q
October 27, 2017
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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 September 30, 2017.

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) Delaware (CubeSmart, L.P.) (State or Other Jurisdiction of Incorporation or Organization)	20-1024732 34-1837021 (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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

CubeSmart:
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting companyEmerging growth company

CubeSmart, L.P.:
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting companyEmerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

CubeSmart
CubeSmart, L.P.

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 October 25, 2017
Common shares, $0.01 par value per share, of CubeSmart	180,881,391

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EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended September 30, 2017 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 September 30, 2017, owned a 99.0% interest in the Operating Partnership. The remaining 1.0% interest consists of common units of limited partnership interest issued by the Operating Partnership to third parties in exchange for contributions of properties to the Operating Partnership. As the sole general partner of the Operating Partnership, the Parent Company has full and complete authority over the Operating Partnership’s day-to-day operations and management.

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

There are 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. 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.

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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, 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.

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Filing Format

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

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Forward-Looking Statements

This Quarterly Report on Form 10-Q, or "this Report", together with other statements and information publicly disseminated by the Parent Company and the Operating Partnership, contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the "Exchange Act." Forward-looking statements include statements concerning the Company's plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions and other information that is not historical information. In some cases, forward-looking statements can be identified by terminology such as "believes", "expects", "estimates", "may", "will", "should", "anticipates", or "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, 2016 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 REIT 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
- 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, 2016 and, from time to time, in other reports that we file with the SEC or in other documents that we publicly disseminate.

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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.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CUBESMART AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	September 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Storage properties	$ 4,086,960	$ 3,998,180
Less: Accumulated depreciation	(723,702)	(671,364)
Storage properties, net (including VIE assets of $267,933 and $208,048, respectively)	3,363,258	3,326,816
Cash and cash equivalents	6,230	2,973
Restricted cash	4,189	7,893
Loan procurement costs, net of amortization	1,709	2,150
Investment in real estate ventures, at equity	91,455	98,682
Other assets, net	36,178	36,514
Total assets	$ 3,503,019	$ 3,475,028
LIABILITIES AND EQUITY		
Unsecured senior notes, net	$ 1,142,194	$ 1,039,076
Revolving credit facility	66,700	43,300
Unsecured term loans, net	299,295	398,749
Mortgage loans and notes payable, net	112,214	114,618
Accounts payable, accrued expenses and other liabilities	139,368	93,764
Distributions payable	49,407	49,239
Deferred revenue	21,765	20,226
Security deposits	414	412
Total liabilities	1,831,357	1,759,384
Noncontrolling interests in the Operating Partnership	48,759	54,407
Commitments and contingencies		
Equity		
Common shares $.01 par value, 400,000,000 shares authorized, 180,880,816 and 180,083,111 shares issued and outstanding at September 30, 2017 and	1,809	1,801

December 31, 2016, respectively		
Additional paid-in capital	2,323,878	2,314,014
Accumulated other comprehensive loss	(363)	(1,850)
Accumulated deficit	(708,404)	(658,583)
Total CubeSmart shareholders’ equity	1,616,920	1,655,382
Noncontrolling interests in subsidiaries	5,983	5,855
Total equity	1,622,903	1,661,237
Total liabilities and equity	$ 3,503,019	$ 3,475,028

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
REVENUES				
Rental income	$ 125,699	$ 116,416	$ 363,980	$ 332,951
Other property related income	14,241	13,007	41,104	37,413
Property management fee income	3,925	2,673	10,377	7,129
Total revenues	143,865	132,096	415,461	377,493
OPERATING EXPENSES				
Property operating expenses	47,152	41,805	136,847	123,631
Depreciation and amortization	35,971	41,827	110,826	122,631
General and administrative	8,228	8,065	26,522	24,184
Acquisition related costs	235	888	1,062	5,793
Total operating expenses	91,586	92,585	275,257	276,239
OPERATING INCOME	52,279	39,511	140,204	101,254
OTHER (EXPENSE) INCOME				
Interest:				
Interest expense on loans	(14,454)	(12,787)	(42,028)	(37,071)
Loan procurement amortization expense	(577)	(655)	(2,059)	(1,871)
Equity in losses of real estate ventures	(280)	(581)	(1,305)	(1,817)
Other	741	(397)	941	834
Total other expense	(14,570)	(14,420)	(44,451)	(39,925)
NET INCOME	37,709	25,091	95,753	61,329
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interests in the Operating Partnership	(490)	(283)	(1,194)	(682)
Noncontrolling interest in subsidiaries	78	76	182	411
NET INCOME ATTRIBUTABLE TO THE COMPANY	37,297	24,884	94,741	61,058
Distribution to preferred shareholders	—	(1,502)	—	(4,506)
NET INCOME ATTRIBUTABLE TO THE COMPANY’S COMMON SHAREHOLDERS	$ 37,297	$ 23,382	$ 94,741	$ 56,552
Basic earnings per share attributable to common shareholders	$ 0.21	$ 0.13	$ 0.53	$ 0.32
Diluted earnings per share attributable to common shareholders	$ 0.21	$ 0.13	$ 0.52	$ 0.32

Weighted-average basic shares outstanding	180,304	179,223	180,218	177,639
Weighted-average diluted shares outstanding	181,286	180,478	181,225	178,937

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
NET INCOME	$ 37,709	$ 25,091	$ 95,753	$ 61,329
Other comprehensive income (loss):				
Unrealized (losses) gains on interest rate swaps	(10)	458	127	(1,777)
Reclassification of realized losses on interest rate swaps	317	935	1,378	3,529
OTHER COMPREHENSIVE INCOME	307	1,393	1,505	1,752
COMPREHENSIVE INCOME	38,016	26,484	97,258	63,081
Comprehensive income attributable to noncontrolling interests in the Operating Partnership	(494)	(300)	(1,212)	(703)
Comprehensive loss attributable to noncontrolling interest in subsidiaries	78	76	182	411
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE COMPANY	$ 37,600	$ 26,260	$ 96,228	$ 62,789

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

(in thousands)

(unaudited)

	Common Shares Number	Common Shares Amount	Preferred Shares Number	Preferred Shares Amount	Additional Paid in Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	T S E
Balance at December 31, 2016	180,083	$ 1,801	—	$ —	$ 2,314,014	$ (1,850)	$ (658,583)	$
Contributions from noncontrolling interests in subsidiaries								
Acquisition of noncontrolling interest in subsidiary					(8,626)			
Issuance of common shares					(219)			
Issuance of restricted shares	106	1						
Issuance of OP units								
Conversion from units to shares	594	6			15,700			
Exercise of stock options	98	1			864			
Amortization of restricted shares					997			
Share compensation expense					1,148			
Adjustment for noncontrolling interests in the Operating Partnership							1,756	
Net income (loss)							94,741	
Other comprehensive income, net						1,487		

Common share distributions							(146,318)	
Balance at September 30, 2017	180,881	$ 1,809	—	$ —	$ 2,323,878	$ (363)	$ (708,404)	$

	Common Shares		Preferred Shares		Additional Paid in	Accumulated Other Comprehensive	Accumulated	T S
	Number	Amount	Number	Amount	Capital	(Loss) Income	Deficit	E
Balance at December 31, 2015	174,668	$ 1,747	3,100	$ 31	$ 2,231,181	$ (4,978)	$ (584,654)	$
Contributions from noncontrolling interests in subsidiaries								
Issuance of common shares	4,408	44			136,106			
Issuance of restricted shares	123	1						
Issuance of OP units								
Exercise of stock options	660	7			12,566			
Amortization of restricted shares					1,041			
Share compensation expense					942			
Adjustment for noncontrolling interest in the Operating Partnership							6,404	
Net income (loss)							61,058	
Other comprehensive income, net						1,731		
Preferred share distributions							(4,506)	
Common share distributions							(112,550)	
Balance at September 30, 2016	179,859	$ 1,799	3,100	$ 31	$ 2,381,836	$ (3,247)	$ (634,248)	$

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Nine Months Ended September 30, 2017	2016
Operating Activities		
Net income	$ 95,753	$ 61,329
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	112,885	124,502
Equity in losses of real estate ventures	1,305	1,817
Equity compensation expense	4,179	3,614
Accretion of fair market value adjustment of debt	(373)	(913)
Changes in other operating accounts:		
Restricted cash	(242)	404
Other assets	(9,218)	(6,833)
Accounts payable and accrued expenses	18,588	17,561
Other liabilities	1,403	1,571
Net cash provided by operating activities	$ 224,280	$ 203,052
Investing Activities		
Acquisitions of storage properties	(13,875)	(313,954)
Additions and improvements to storage properties	(23,345)	(23,072)
Development costs	(49,731)	(134,136)
Investment in real estate ventures, at equity	(191)	(7,911)
Cash distributed from real estate ventures	6,113	5,970
Change in restricted cash	(36)	970
Net cash used in investing activities	$ (81,065)	$ (472,133)
Financing Activities		
Proceeds from:		
Unsecured senior notes	103,192	298,512
Revolving credit facility	449,900	830,000
Principal payments on:		
Revolving credit facility	(426,500)	(830,000)
Unsecured term loans	(100,000)	—
Mortgage loans and notes payable	(8,022)	(36,648)
Loan procurement costs	(953)	(2,467)
Acquisition of noncontrolling interest in subsidiary	(9,033)	—
Proceeds from issuance of common shares, net	(218)	136,151
Cash paid upon vesting of restricted shares	(2,034)	(1,631)
Exercise of stock options	865	12,573
Contributions from noncontrolling interests in subsidiaries	717	4,447

Distributions paid to common shareholders	(146,107)	(111,466)
Distributions paid to preferred shareholders	—	(4,506)
Distributions paid to noncontrolling interests in Operating Partnership	(1,765)	(1,374)
Net cash (used in) provided by financing activities	$ (139,958)	$ 293,591
Change in cash and cash equivalents	3,257	24,510
Cash and cash equivalents at beginning of period	2,973	62,869
Cash and cash equivalents at end of period	$ 6,230	$ 87,379
Supplemental Cash Flow and Noncash Information		
Cash paid for interest, net of interest capitalized	$ 46,474	$ 38,110
Supplemental disclosure of noncash activities:		
Restricted cash - acquisition of storage properties	$ —	$ (22,019)
Accretion of liability	$ 25,595	$ 23,393
Derivative valuation adjustment	$ 1,505	$ 1,752
Discount on issuance of unsecured senior notes	$ —	$ 1,488
Mortgage loan assumptions	$ 6,201	$ 41,513
Issuance of OP units	$ 12,324	$ —
Liability for acquisition of storage property	$ 1,470	$ —

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)

	September 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Storage properties	$ 4,086,960	$ 3,998,180
Less: Accumulated depreciation	(723,702)	(671,364)
Storage properties, net (including VIE assets of $267,933 and $208,048, respectively)	3,363,258	3,326,816
Cash and cash equivalents	6,230	2,973
Restricted cash	4,189	7,893
Loan procurement costs, net of amortization	1,709	2,150
Investment in real estate ventures, at equity	91,455	98,682
Other assets, net	36,178	36,514
Total assets	$ 3,503,019	$ 3,475,028
LIABILITIES AND CAPITAL		
Unsecured senior notes, net	$ 1,142,194	$ 1,039,076
Revolving credit facility	66,700	43,300
Unsecured term loans, net	299,295	398,749
Mortgage loans and notes payable, net	112,214	114,618
Accounts payable, accrued expenses and other liabilities	139,368	93,764
Distributions payable	49,407	49,239
Deferred revenue	21,765	20,226
Security deposits	414	412
Total liabilities	1,831,357	1,759,384
Limited Partnership interests of third parties	48,759	54,407
Commitments and contingencies		
Capital		
Operating Partner	1,617,283	1,657,232
Accumulated other comprehensive loss	(363)	(1,850)
Total CubeSmart, L.P. capital	1,616,920	1,655,382
Noncontrolling interests in subsidiaries	5,983	5,855
Total capital	1,622,903	1,661,237
Total liabilities and capital	$ 3,503,019	$ 3,475,028

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per common unit data)

(unaudited)

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
REVENUES				
Rental income	$ 125,699	$ 116,416	$ 363,980	$ 332,951
Other property related income	14,241	13,007	41,104	37,413
Property management fee income	3,925	2,673	10,377	7,129
Total revenues	143,865	132,096	415,461	377,493
OPERATING EXPENSES				
Property operating expenses	47,152	41,805	136,847	123,631
Depreciation and amortization	35,971	41,827	110,826	122,631
General and administrative	8,228	8,065	26,522	24,184
Acquisition related costs	235	888	1,062	5,793
Total operating expenses	91,586	92,585	275,257	276,239
OPERATING INCOME	52,279	39,511	140,204	101,254
OTHER (EXPENSE) INCOME				
Interest:				
Interest expense on loans	(14,454)	(12,787)	(42,028)	(37,071)
Loan procurement amortization expense	(577)	(655)	(2,059)	(1,871)
Equity in losses of real estate ventures	(280)	(581)	(1,305)	(1,817)
Other	741	(397)	941	834
Total other expense	(14,570)	(14,420)	(44,451)	(39,925)
NET INCOME	37,709	25,091	95,753	61,329
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interest in subsidiaries	78	76	182	411
NET INCOME ATTRIBUTABLE TO CUBESMART L.P.	37,787	25,167	95,935	61,740
Operating Partnership interests of third parties	(490)	(283)	(1,194)	(682)
NET INCOME ATTRIBUTABLE TO OPERATING PARTNER	37,297	24,884	94,741	61,058
Distribution to preferred unitholders	—	(1,502)	—	(4,506)
NET INCOME ATTRIBUTABLE TO COMMON UNITHOLDERS	$ 37,297	$ 23,382	$ 94,741	$ 56,552
Basic earnings per unit attributable to common unitholders	$ 0.21	$ 0.13	$ 0.53	$ 0.32

Diluted earnings per unit attributable to common unitholders	$ 0.21	$ 0.13	$ 0.52	$ 0.32
Weighted-average basic units outstanding	180,304	179,223	180,218	177,639
Weighted-average diluted units outstanding	181,286	180,478	181,225	178,937

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
NET INCOME	$ 37,709	$ 25,091	$ 95,753	$ 61,329
Other comprehensive income (loss):				
Unrealized (losses) gains on interest rate swaps	(10)	458	127	(1,777)
Reclassification of realized losses on interest rate swaps	317	935	1,378	3,529
OTHER COMPREHENSIVE INCOME	307	1,393	1,505	1,752
COMPREHENSIVE INCOME	38,016	26,484	97,258	63,081
Comprehensive income attributable to Operating Partnership interests of third parties	(494)	(300)	(1,212)	(703)
Comprehensive loss attributable to noncontrolling interest in subsidiaries	78	76	182	411
COMPREHENSIVE INCOME ATTRIBUTABLE TO OPERATING PARTNER	$ 37,600	$ 26,260	$ 96,228	$ 62,789

See accompanying notes to the unaudited consolidated financial statements.

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	Op Par Int of
Balance at December 31, 2016	180,083	—	$ 1,657,232	$ (1,850)	$ 1,655,382	$ 5,855	$ 1,661,237	$ 5
Contributions from noncontrolling interests in subsidiaries						717	717	
Acquisition of noncontrolling interest in subsidiary			(8,626)		(8,626)	(407)	(9,033)	
Issuance of common OP units			(219)		(219)		(219)	
Issuance of restricted OP units	106		1		1		1	
Issuance of OP units								1
Conversion from OP units to shares	594		15,706		15,706		15,706	(
Exercise of OP unit options	98		865		865		865	
Amortization of restricted OP units			997		997		997	
OP unit compensation expense			1,148		1,148		1,148	
Adjustment for Limited Partnership interests of third parties			1,756		1,756		1,756	(
Net income (loss)			94,741		94,741	(182)	94,559	1
Other comprehensive income, net				1,487	1,487		1,487	1

Common OP unit distributions			(146,318)		(146,318)		(146,318)	(
Balance at September 30, 2017	180,881	—	$ 1,617,283	$ (363)	$ 1,616,920	$ 5,983	$ 1,622,903	$ 4

	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	Op Par Int of
Balance at December 31, 2015	174,668	3,100	$ 1,648,305	$ (4,978)	$ 1,643,327	$ 1,526	$ 1,644,853	$ 6
Contributions from noncontrolling interests in subsidiaries						4,447	4,447	
Issuance of common OP units	4,408		136,150		136,150		136,150	
Issuance of restricted OP units	123		1		1		1	
Issuance of OP units								1
Exercise of OP unit options	660		12,573		12,573		12,573	
Amortization of restricted OP units			1,041		1,041		1,041	
OP unit compensation expense			942		942		942	
Adjustment for Operating Partnership interests of third parties			6,404		6,404		6,404	(
Net income (loss)			61,058		61,058	(411)	60,647	6
Other comprehensive income, net				1,731	1,731		1,731	2
Preferred OP unit distributions			(4,506)		(4,506)		(4,506)	
Common OP unit distributions			(112,550)		(112,550)		(112,550)	(
Balance at September 30, 2016	179,859	3,100	$ 1,749,418	$ (3,247)	$ 1,746,171	$ 5,562	$ 1,751,733	$ 6

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Nine Months Ended September 30, 2017	2016
Operating Activities		
Net income	$ 95,753	$ 61,329
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	112,885	124,502
Equity in losses of real estate ventures	1,305	1,817
Equity compensation expense	4,179	3,614
Accretion of fair market value adjustment of debt	(373)	(913)
Changes in other operating accounts:		
Restricted cash	(242)	404
Other assets	(9,218)	(6,833)
Accounts payable and accrued expenses	18,588	17,561
Other liabilities	1,403	1,571
Net cash provided by operating activities	$ 224,280	$ 203,052
Investing Activities		
Acquisitions of storage properties	(13,875)	(313,954)
Additions and improvements to storage properties	(23,345)	(23,072)
Development costs	(49,731)	(134,136)
Investment in real estate ventures, at equity	(191)	(7,911)
Cash distributed from real estate ventures	6,113	5,970
Change in restricted cash	(36)	970
Net cash used in investing activities	$ (81,065)	$ (472,133)
Financing Activities		
Proceeds from:		
Unsecured senior notes	103,192	298,512
Revolving credit facility	449,900	830,000
Principal payments on:		
Revolving credit facility	(426,500)	(830,000)
Unsecured term loans	(100,000)	—
Mortgage loans and notes payable	(8,022)	(36,648)
Loan procurement costs	(953)	(2,467)
Acquisition of noncontrolling interest in subsidiary	(9,033)	—
Proceeds from issuance of common OP units	(218)	136,151
Redemption of preferred units		
Cash paid upon vesting of restricted OP units	(2,034)	(1,631)
Exercise of OP unit options	865	12,573

Contributions from noncontrolling interests in subsidiaries	717	4,447
Distributions paid to common OP unitholders	(147,872)	(112,840)
Distributions paid to preferred OP unitholders	—	(4,506)
Net cash (used in) provided by financing activities	$ (139,958)	$ 293,591
Change in cash and cash equivalents	3,257	24,510
Cash and cash equivalents at beginning of period	2,973	62,869
Cash and cash equivalents at end of period	$ 6,230	$ 87,379
Supplemental Cash Flow and Noncash Information		
Cash paid for interest, net of interest capitalized	$ 46,474	$ 38,110
Supplemental disclosure of noncash activities:		
Restricted cash - acquisition of storage properties	$ —	$ (22,019)
Accretion of liability	$ 25,595	$ 23,393
Derivative valuation adjustment	$ 1,505	$ 1,752
Discount on issuance of unsecured senior notes	$ —	$ 1,488
Mortgage loan assumptions	$ 6,201	$ 41,513
Issuance of OP units	$ 12,324	$ —
Liability for acquisition of storage property	$ 1,470	$ —

See accompanying notes to the unaudited consolidated financial statements.

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CUBESMART AND CUBESMART, L.P.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF OPERATIONS

CubeSmart (the “Parent Company”) operates as a self-managed and self-administered real estate investment trust (“REIT”) with its operations conducted solely through CubeSmart, L.P. and its subsidiaries. CubeSmart, L.P., a Delaware limited partnership (the “Operating Partnership”), operates through an umbrella partnership structure, with the Parent Company, a Maryland 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 September 30, 2017, the Company owned self-storage properties located in 23 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 properties.

As of September 30, 2017, the Parent Company owned approximately 99.0% of the partnership interests (“OP Units”) of the Operating Partnership. The remaining OP Units, consisting exclusively of limited partner interests, are held by persons who contributed their interests in properties to 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 (except, as disclosed in note 4, in the case of the Class C OP Units issued on April 12, 2017, such right became exercisable on October 12, 2017 and, in the case of the 440,160 OP Units issued on May 9, 2017, such right may be exercised at any time on or after May 9, 2018) for cash equal to the fair value of an equivalent number of common shares of the Parent Company or, in the case of Class C OP Units, the stated value of such Class C OP Units. 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 or, in the case of Class C OP Units, for common shares with a fair value equal to the stated value of such Class C OP Units. 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, 2016, 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, 2016. The results of operations for the three and nine months ended September 30, 2017 and 2016 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,

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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.

Reclassifications

Certain amounts from the prior year have been reclassified to conform to current year presentation as described below.

During the first quarter of 2017, the Company adopted ASU No. 2016-09 - Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which requires retrospective application for the cash flow presentation of cash withheld upon restricted stock vesting and paid by the Company to a taxing authority to satisfy the employee's related tax obligation. See "Recent Accounting Pronouncements" below. As a result of adopting the new guidance, $1.6 million of vested restricted shares that were withheld to satisfy employee tax obligations and paid to the taxing authorities, were reclassified from operating activities to financing activities within Company's consolidated statements of cash flows for the nine months ended September 30, 2016.

Recent Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board ("FASB") issued ASU No. 2017-12 – Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The purpose of this updated guidance is to better align a company's financial reporting for hedging activities with the economic objectives of those activities. The transition guidance provides companies with the option of early adopting the new standard using a modified retrospective transition method in any interim period after issuance of the update, or alternatively requires adoption for fiscal years beginning after December 15, 2018. This adoption method will require the Company to recognize the cumulative effect of initially applying the new guidance as an adjustment to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year that the Company adopts the update. The Company is in the process of evaluating the impact of this new guidance.

In February 2017, as part of the new revenue standard, the FASB issued ASU No. 2017-05 – Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance, which focuses on recognizing gains and losses from the transfer of nonfinancial assets in contracts with non-customers. Specifically, the new guidance defines "in substance nonfinancial asset", unifies guidance related to partial sales of nonfinancial assets, eliminates rules specifically addressing sales of real estate, removes exceptions to the financial asset derecognition model, and clarifies the accounting for contributions of nonfinancial assets to joint ventures. The new guidance is effective at the same time an entity adopts the new revenue standard. Upon adoption, the Company expects that the majority of its sale transactions will be treated as dispositions of nonfinancial assets rather than dispositions of a business given the FASB's recently revised definition of a business (see ASU No. 2017-01 below). Additionally, in partial sale transactions where the Company sells a controlling interest in real estate but retains a noncontrolling interest, the Company will now fully recognize a gain or loss on the fair value measurement of the retained interest as the new guidance eliminates the partial profit recognition model.

In January 2017, the FASB issued ASU 2017-01 - Business Combinations (Topic 805): Clarifying the Definition of a Business, which changes the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create outputs. A framework is provided to evaluate when an input and a substantive process are present. The new guidance also narrows the definition of outputs, which are defined as the results of inputs and substantive processes that provide goods or services to customers, other revenue, or investment income. The standard is effective on January 1, 2018, however early adoption is permitted. Upon adoption of the new guidance, the Company expects that the majority of future property acquisitions will now be considered asset acquisitions, resulting in the capitalization of acquisition related costs incurred in connection with these transactions and the allocation of purchase price and acquisition related costs to the assets acquired based on their relative fair values.

In November 2016, the FASB issued ASU No. 2016-18 - Statement of Cash Flows (Topic 230): Restricted Cash, which requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The new guidance also requires entities

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to reconcile such total to amounts on the balance sheet and disclose the nature of the restrictions. The standard is effective on January 1, 2018, however early adoption is permitted. The standard requires the use of the retrospective transition method. The Company is in the process of evaluating the impact of this new guidance.

In August 2016, the FASB issued ASU No. 2016-15 – Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The eight items that the ASU provides classification guidance on include (1) debt prepayment and extinguishment costs, (2) settlement of zero-coupon debt instruments, (3) contingent consideration payments made after a business combination, (4) proceeds from the settlement of insurance claims, (5) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, (6) distributions received from equity method investments, (7) beneficial interests in securitization transactions, and (8) separately identifiable cash flows and application of the predominance principle. The standard is effective on January 1, 2018, however early adoption is permitted. The standard requires the use of the retrospective transition method. The Company is in the process of evaluating the impact of this new guidance.

In March 2016, the 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 requires 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. The Company has elected to 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 new standard became effective for the Company on January 1, 2017. The adoption of this guidance did not have a material impact on the Company's consolidated financial position or results of operations.

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 currently assessing the impact of the adoption of the new standard on the Company's consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU No. 2014-09 - Revenue from Contracts with Customers (Topic 606), 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 new guidance outlines a five-step process for customer contract revenue recognition that focuses on transfer of control as opposed to transfer of risk and rewards. The new guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenues and cash flows from contracts with customers. In May 2016, the FASB issued ASU 2016-12 - Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, which amends ASU 2014-09 and is intended to address implementation issues that were raised by stakeholders. ASU 2016-12 provides practical expedients on collectability, noncash consideration, presentation of sales tax and contract modifications and completed contracts in transition. Both standards are effective on Janaury 1, 2018. The Company is currently assessing the impact of the adoption of ASU No. 2014-09 and ASU No. 2016-12 on the Company's consolidated financial statements and related disclosures. At this point in time, the Company does not believe the standards will have a material impact on its consolidated financial position or results of operations primarily because most of its revenue is derived from lease contracts, which are excluded from the scope of the new guidance. The Company's property management fee revenue will be included in the

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scope of the new guidance, however, based on the Company's ongoing assessment, it appears that revenue recognized under the new guidance will not differ materially from revenue recognized under existing guidance.

3. STORAGE PROPERTIES

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

	September 30, 2017	December 31, 2016
	(in thousands)	
Land	$ 704,119	$ 649,744
Buildings and improvements	3,036,676	2,928,275
Equipment	182,414	217,867
Construction in progress	163,751	202,294
Storage properties	4,086,960	3,998,180
Less: Accumulated depreciation	(723,702)	(671,364)
Storage properties, net	$ 3,363,258	$ 3,326,816

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The following table summarizes the Company's acquisition and disposition activity during the period beginning on January 1, 2016 through September 30, 2017:

Asset/Portfolio	Market	Transaction Date	Number of Stores	Purchase / Sale Price (in thousands)
2017 Acquisitions:				
Illinois Asset	Chicago	April 2017	1	$ 11,200
Maryland Asset	Baltimore / DC	May 2017	1	18,200
California Asset	Sacramento	May 2017	1	3,650
			3	$ 33,050
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	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
Nevada Assets	Las Vegas	July 2016	2	23,200
Arizona Asset	Phoenix	August 2016	1	14,525
Minnesota Asset	Minneapolis	August 2016	1	15,150
Colorado Asset	Denver	August 2016	1	15,600
Texas Asset	Texas Markets - Major	September 2016	1	6,100
Texas Asset	Texas Markets - Major	September 2016	1	5,300
Nevada Asset	Las Vegas	October 2016	1	13,250
North Carolina Asset	Charlotte	November 2016	1	10,600
Arizona Asset	Phoenix	November 2016	1	14,000
Nevada Asset	Las Vegas	December 2016	1	14,900
			28	$ 403,550

4. INVESTMENT ACTIVITY

2017 Acquisitions

During the nine months ended September 30, 2017, the Company acquired two stores for an aggregate purchase price of approximately $21.9 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 $2.0 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 2017 was approximately $0.8 million. In connection with one of the acquired stores, the Company assumed mortgage debt that was recorded at a fair value of $6.2 million, which fair value includes an outstanding principal balance totaling $5.9 million and a net premium of $0.3 million to reflect the estimated fair value of the debt at the time of assumption. As part of the acquisition of that same store, the Company issued OP units that were valued at approximately $12.3 million to pay the remainder of the purchase price (see note 12).

During the nine months ended September 30, 2017, the Company also acquired a store in Illinois upon completion of construction and the issuance of a certificate of occupancy for $11.2 million. The purchase price was paid with $9.7 million of cash and 58,400 newly created Class C OP units. Each Class C OP Unit has a stated value of $25 and bears an annual distribution rate of 3% of the stated value. The holder has the option to tender the Class C OP Units to the Operating Partnership at any time after six months from the date of issuance, and the Operating Partnership has the option to redeem the Class C OP Units at any time after 12 months from the date of issuance, in each case at a redemption price of $25 per Class C OP Unit. The Company has the right to settle the redemption in cash or, at the Company's option, common shares of CubeSmart, or a combination of cash and common shares, with the common shares valued at their closing price on the redemption date. Because the Class C OP Units represent an unconditional obligation that the Company may settle by issuing a variable number of its common shares with a monetary value that is known at inception, they have been classified as a liability in Accounts payable, accrued expenses and other liabilities on the Company's consolidated balance sheets.

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 months after the acquisition date. During the nine months ended September 30, 2017, there have been no adjustments made to the purchase price allocation of assets acquired and liabilities assumed.

As of September 30, 2017, the Company was under contract and had made aggregate deposits of $1.8 million associated with three stores under construction for a total purchase price of $49.9 million. The deposits are reflected in Other assets, net on the Company's consolidated balance sheets. The purchase of these three stores is expected to occur by the first quarter of 2018 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.

2016 Acquisitions

During the year ended December 31, 2016, the Company acquired 28 stores, including three stores upon completion of construction and the issuance of a certificate of occupancy, located throughout the United States for an aggregate purchase price of approximately $403.6 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 $18.8 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 nine months ended September 30, 2017 was approximately $7.9 million. In connection with one of the acquired stores, 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.

Development

As of September 30, 2017, the Company had invested in joint ventures to develop seven self-storage properties located in Massachusetts (1) New Jersey (1), and New York (5). Construction for all projects is expected to be completed by the third quarter of 2019 (see note 12). As of September 30, 2017, development costs incurred to date for these projects totaled $145.6 million. Total construction costs for these projects are expected to be $282.4 million. These costs are capitalized to construction in progress while the projects are under development and are reflected in Storage properties on the Company's consolidated balance sheets.

The Company has completed the construction and opened for operation the following stores during the period beginning on January 1, 2016 through September 30, 2017. The costs associated with the construction of these stores are capitalized to land, building, and improvements as well as equipment and are reflected in Storage properties on the Company's consolidated balance sheets.

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Store Location	Number of Stores	Date Opened	CubeSmart Ownership Interest	Total Construction Costs (in thousands)
Washington, D.C.	1	Q3 2017	100%	$ 27,800
New York, NY	1	Q3 2017	90%	81,200
North Palm Beach, FL	1	Q1 2017	100%	9,700
Bronx, NY (1) (2)	1	Q2 2016	100%	32,200
Queens, NY (1)	1	Q1 2016	100%	31,800
	5			$ 182,700

(1) These properties were previously owned through two separate consolidated joint ventures, of which the Company owned a 51% interest in each. On April 5, 2016, the noncontrolling member in the venture that owned the Queens, NY store put its 49% interest in the venture to the Company for $12.5 million. On August 12, 2016, the noncontrolling member in the venture that owned the Bronx, NY store put its 49% interest in the venture to the Company for $17.0 million.

(2) This store is subject to a ground lease.

During the fourth quarter of 2015, the Company, through a joint venture in which the Company owned a 90% interest and that it previously consolidated, completed the construction and opened for operation a store located in Brooklyn, NY. On June 2, 2017, the Company acquired the noncontrolling member's 10% interest in the venture for $9.0 million. Prior to this transaction, the noncontrolling member's interest was reported in Noncontrolling interests in subsidiaries on the consolidated balance sheets. Since the Company retained its controlling interest in the joint venture and the store is now wholly owned, this transaction was accounted for as an equity transaction. The carrying amount of the noncontrolling interest was reduced to zero to reflect the purchase, and the $8.6 million difference between the purchase price paid by the Company and the carrying amount of the noncontrolling interest was recorded as an adjustment to equity attributable to the Company. In conjunction with the Company's acquisition of the noncontrolling interest, the $9.8 million related party loan extended by the Company to the venture during the construction period was repaid in full.

The following table summarizes the Company's revenue and earnings associated with the 2017 acquisitions from the respective acquisition dates, that are included in the consolidated statements of operations for the three and nine months ended September 30, 2017:

	Three Months	Nine Months

	Ended September 30, 2017	Ended September 30, 2017
	(in thousands)	
Total revenue	$ 510	$ 785
Net loss	(362)	(701)

5. INVESTMENT IN UNCONSOLIDATED REAL ESTATE VENTURES

CUBE HHF Northeast Venture LLC (“HHFNE”)

On December 15, 2016, the Company invested a 10% ownership interest in a newly-formed joint venture that acquired 13 self-storage properties located in Connecticut (3), Massachusetts (6), Rhode Island (2), and Vermont (2). HHFNE paid $87.5 million for these stores, of which $6.0 million was allocated to the value of the in-place lease intangible. The acquisition was funded primarily through an advance totaling $44.5 million on the venture’s 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 HHFNE related to this portfolio acquisition was $3.8 million. The loan bears interest at LIBOR plus 1.90% and matures on December 15, 2019 with options to extend the maturity date through December 15, 2021, subject to satisfaction of certain conditions and payment of the extension fees as stipulated in the loan agreement.

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191 III CUBE LLC (“HVP”)

During the fourth quarter of 2015, the Company invested a 10% ownership interest in a newly-formed joint venture that agreed to acquire a property portfolio comprised of 37 self-storage properties located in Michigan (17), Tennessee (10), Massachusetts (7), and Florida (3). HVP paid $242.5 million for these 37 stores, of which $18.9 million was allocated to the value of the in-place lease intangible. HVP acquired 30 of the stores on December 8, 2015 for $193.7 million, one of the stores on January 26, 2016 for $5.7 million, five of the stores on April 21, 2016 for $36.1 million, and one store on June 15, 2016 for $7.0 million. In connection with six of the acquired stores, 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 properties located in South Carolina (22), Georgia (5), and North Carolina (4) that were previously managed by the Company. HVP paid $115.5 million for these 31 stores, of which $10.6 million was allocated to the value of the in-place lease intangible. HVP acquired 30 of the stores on March 30, 2016 for $112.8 million and one of the stores on November 2, 2016 for $2.7 million. In conjunction with the acquisitions, HVP refinanced its existing loan facility by entering into an increased amended and restated loan facility not to exceed $185.5 million. The acquisitions were funded primarily through advances totaling $63.5 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 $5.4 million, bringing its total investment in HVP to $16.1 million as of September 30, 2017. 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.

CUBE HHF Limited Partnership (“HHF”)

On December 10, 2013, the Company invested a 50% ownership interest in a newly-formed joint venture that acquired 35 self-storage properties located in Texas (34) and North Carolina (1). HHF paid $315.7 million for these stores, 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 properties 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 HHFNE, HVP, and HHF (the “Ventures”), the Company determined that the Ventures are not VIEs 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 the Ventures. Based upon each member's substantive participating rights over the activities of each entity as stipulated in the operating agreements, the Ventures are not consolidated by the Company and are accounted for under the equity method of accounting. The Company’s investments in the Ventures 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 the Ventures 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.

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The following is a summary of the financial position of the Ventures as of September 30, 2017 and December 31, 2016 (in thousands):

	September 30, 2017	December 31, 2016
Assets		
Storage properties, net	$ 646,131	$ 667,975
Other assets	12,820	17,003
Total assets	$ 658,951	$ 684,978
Liabilities and equity		
Other liabilities	$ 10,812	$ 6,516
Debt	346,272	345,631
Equity		
CubeSmart	91,455	98,682
Joint venture partners	210,412	234,149
Total liabilities and equity	$ 658,951	$ 684,978

The following is a summary of results of operations of the Ventures for the three and nine months ended September 30, 2017 and 2016 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Total revenues	$ 20,796	$ 17,919	$ 60,415	$ 46,902
Operating expenses	8,646	7,098	26,167	20,958
Interest expense, net	2,942	2,506	8,760	6,831
Depreciation and amortization	10,426	14,960	34,826	39,147
Net loss	$ (1,218)	$ (6,645)	$ (9,338)	$ (20,034)
Company’s share of net loss	$ (280)	$ (581)	$ (1,305)	$ (1,817)

6. UNSECURED SENIOR NOTES

The Company's unsecured senior notes are summarized as follows (collectively referred to as the "Senior Notes"):

Unsecured Senior Notes	September 30, 2017 (in thousands)	December 31, 2016	Effective Interest Rate		Issuance Date	Maturity Date
$250M 4.800% Guaranteed Notes due 2022	$ 250,000	$ 250,000	4.82	%	Jun-12	Jul-22
$300M 4.375% Guaranteed Notes due 2023 (1)	300,000	250,000	4.33	%	Various(1)	Dec-23
$300M 4.000% Guaranteed Notes due 2025 (2)	300,000	250,000	3.99	%	Various(2)	Nov-25
$300M 3.125% Guaranteed Notes due 2026	300,000	300,000	3.18	%	Aug-16	Sep-26
Principal balance outstanding	1,150,000	1,050,000				
Less: Discount on issuance of unsecured senior notes, net	(630)	(3,971)				
Less: Loan procurement costs, net	(7,176)	(6,953)				
Total unsecured senior notes, net	$ 1,142,194	$ 1,039,076				

(1) On April 4, 2017, the Operating Partnership issued $50.0 million of its 4.375% senior notes due 2023, which are part of the same series as the $250.0 million principal amount of the Operating Partnership's 4.375% senior notes due December 15, 2023 issued on December 17, 2013. The $50.0 million and $250.0 million traunches were priced at 105.040% and 98.995%, respectively, of the principal amount to yield 3.495% and 4.501%, respectively, to maturity. The combined weighted-average effective interest rate of the 2023 notes is 4.330%.

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(2) On April 4, 2017, the Operating Partnership issued $50.0 million of its 4.000% senior notes due 2025, which are part of the same series as the $250.0 million principal amount of the Operating Partnership’s 4.000% senior notes due November 15, 2025 issued on October 26, 2015. The $50.0 million and $250.0 million traunches were priced at 101.343% and 99.735%, respectively, of the principal amount to yield 3.811% and 4.032%, respectively, to maturity. The combined weighted-average effective interest rate of the 2025 notes is 3.994%.

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 Operating Partnership and its consolidated subsidiaries. As of September 30, 2017, 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 December 9, 2011, the Company entered into a credit agreement (the “Credit Facility”), which was subsequently amended on April 5, 2012, June 18, 2013, and April 22, 2015 to provide for, amongst other things, a $500.0 million unsecured revolving facility (the “Revolver”) with a maturity date of April 22, 2020. Pricing on the Revolver is dependent 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%. As of September 30, 2017, $432.6 million was available for borrowing under the Revolver. The available balance under the Revolver is reduced by an outstanding letter of credit of $0.7 million. As of September 30, 2017, the Company also had a $200.0 million unsecured term loan outstanding under the Credit Facility, which is included in the table below.

On June 20, 2011, the Company entered into an unsecured term loan agreement (the “Term Loan Facility”), which was subsequently amended on June 18, 2013 and August 5, 2014, consisting of a $100.0 million unsecured term loan with a five-year maturity and a $100.0 million unsecured term loan with a seven-year maturity.

The Company’s unsecured term loans under the Credit Facility and Term Loan Facility are summarized below:

Carrying Value as of:			
September 30,	December 31,	Effective	Maturity

Unsecured Term Loans	2017	2016	Interest Rate (1)		Date
	(in thousands)				
Credit Facility					
Unsecured term loan	$ 200,000	$ 200,000	2.53	%	Jan-19
Term Loan Facility					
Unsecured term loan (2)	—	100,000	—	%	Jun-18
Unsecured term loan (3)	100,000	100,000	3.62	%	Jan-20
Principal balance outstanding	300,000	400,000			
Less: Loan procurement costs, net	(705)	(1,251)			
Total unsecured term loans, net	$ 299,295	$ 398,749			

(1) Pricing on the Term Loan Facility and the unsecured term loan under the Credit Facility is dependent on the Company’s unsecured debt credit ratings. At the Company’s current Baa2/BBB level, amounts drawn under the term loans scheduled to mature in June 2018 and January 2019 are priced at 1.30% over LIBOR, while amounts drawn under the term loan scheduled to mature in January 2020 are priced at 1.15% over LIBOR, excluding the impact of interest rate swaps. As of September 30, 2017, borrowings under the Credit Facility, inclusive of the Revolver, and Term Loan Facility, as amended and after giving effect to the interest rate swaps, had an effective weighted average interest rate of 2.82%.

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(2) On April 6, 2017, the Company used the net proceeds from the issuance of $50.0 million of its 4.375% Senior Notes due 2023 and $50.0 million of its 4.000% Senior Notes due 2025 to repay all of the outstanding indebtedness under its unsecured term loan that was scheduled to mature in June 2018. Unamortized loan procurement costs of $0.2 million were written off in conjunction with the repayment.

(3) As of September 30, 2017, the Company had interest rate swaps in place on these borrowings that fix 30-day LIBOR (see note 10).

The Term Loan Facility and the unsecured term loan under the Credit Facility were fully drawn at September 30, 2017 and no further borrowings may be made under the term loans. The Company's ability to borrow under the Revolver 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 September 30, 2017, 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: September 30, 2017	December 31, 2016	Effective Interest Rate	Maturity Date
	(in thousands)			

YSI 67	$ —	$ 6,216	2.55 %	Mar-17
YSI 33	9,627	9,860	6.42 %	Jul-19
YSI 26	8,278	8,423	4.56 %	Nov-20
YSI 57	2,906	2,957	4.61 %	Nov-20
YSI 55	22,622	22,952	4.85 %	Jun-21
YSI 24	25,896	26,464	4.64 %	Jun-21
YSI 65	2,423	2,457	3.85 %	Jun-23
YSI 66	31,862	32,257	3.51 %	Jun-23
YSI 68	5,825	—	3.78 %	May-24
Principal balance outstanding	109,439	111,586		
Plus: Unamortized fair value adjustment	3,472	3,742		
Less: Loan procurement costs, net	(697)	(710)		
Total mortgage loans and notes payable, net	$ 112,214	$ 114,618		

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As of September 30, 2017 and December 31, 2016, the Company's mortgage loans payable were secured by certain of its self-storage properties with net book values of approximately $237.8 million and $233.1 million, respectively. The following table represents the future principal payment requirements on the outstanding mortgage loans and notes payable as of September 30, 2017 (in thousands):

2017	$ 644
2018	2,650
2019	11,652
2020	12,791
2021	45,057
2022 and thereafter	36,645
Total mortgage payments	109,439
Plus: Unamortized fair value adjustment	3,472
Less: Loan procurement costs, net	(697)
Total mortgage loans and notes payable, net	$ 112,214

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in accumulated other comprehensive loss by component for the nine months ended September 30, 2017 (in thousands):

	Unrealized losses on interest rate swaps	
Other comprehensive gain before reclassifications	$ 125	
Amounts reclassified from accumulated other comprehensive loss	1,362	(1)
Net current-period other comprehensive gain	1,487	
Balance at December 31, 2016	(1,850)	
Balance at September 30, 2017	$ (363)	

(1) 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 highly-effective as a hedge, then the Company accounts for the derivative using hedge accounting, pursuant to which

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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 September 30, 2017 and December 31, 2016, respectively (dollars in thousands):

Hedge Product	Hedge Type (a)	Notional Amount September 30, 2017	Notional Amount December 31, 2016	Strike	Effective Date	Maturity	Fair Value September 30, 2017	Fair Value December 31, 2016
Swap	Cash flow	$ —	$ 75,000	1.3360%	12/30/2011	3/31/2017	$ —	$ (103)
Swap	Cash flow	—	50,000	1.3360%	12/30/2011	3/31/2017	—	(69)
Swap	Cash flow	—	50,000	1.3360%	12/30/2011	3/31/2017	—	(69)
Swap	Cash flow	—	25,000	1.3375%	12/30/2011	3/31/2017	—	(34)
Swap	Cash flow	40,000	40,000	2.4590%	6/20/2011	6/20/2018	(308)	(797)
Swap	Cash flow	40,000	40,000	2.4725%	6/20/2011	6/20/2018	(311)	(804)
Swap	Cash flow	20,000	20,000	2.4750%	6/20/2011	6/20/2018	(156)	(404)
		$ 100,000	$ 300,000				$ (775)	$ (2,280)

(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 September 30, 2017 and December 31, 2016, 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 $1.4 million of unrealized losses from accumulated other comprehensive loss as an increase to interest expense during the nine months ended September 30, 2017. The Company estimates that $0.8 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.

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.

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Financial assets and liabilities carried at fair value as of September 30, 2017 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	$ —	$ 775	$ —
Total liabilities at fair value	$ —	$ 775	$ —

Financial assets and liabilities carried at fair value as of December 31, 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	$ —	$ 2,280	$ —
Total liabilities at fair value	$ —	$ 2,280	$ —

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 2017 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 September 30, 2017, 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 September 30, 2017 and December 31, 2016. The aggregate carrying value of the Company's debt was $1.6 billion at September 30, 2017 and December 31, 2016. The estimated fair value of the Company's debt was $1.7 billion and $1.6 billion at September 30, 2017 and December 31, 2016, respectively. These estimates were based on a discounted cash flow analysis assuming market interest rates for comparable obligations at September 30, 2017 and December 31, 2016. 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.

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 Stores	Location	Date Opened / Estimated Opening	CubeSmart Ownership Interest	September 30, 2017 Total Assets	Total Liabilities
CS 1158 McDonald Ave, LLC ("McDonald Ave") (1)	1	Brooklyn, NY	Q3 2019 (est.)	51%	$ 16,736	$ 1,405
CS SJM E 92nd Street, LLC ("92nd St") (3)	1	New York, NY	Q2 2019 (est.)	90%	853	783
CS 160 East 22nd St, LLC ("22nd St") (1)	1	Bayonne, NJ	Q1 2019 (est.)	51%	3,320	1,755
2225 46th St, LLC ("46th St") (1)	1	Queens, NY	Q4 2018 (est.)	51%	22,559	7,073
CS SDP Waltham, LLC ("Waltham") (3)	1	Waltham, MA	Q4 2018 (est.)	90%	4,647	431
2880 Exterior St, LLC ("Exterior St") (1)	1	Bronx, NY	Q3 2018 (est.)	51%	54,423	27,519
3068 Cropsey Avenue, LLC ("Cropsey Ave") (1)	1	Brooklyn, NY	Q4 2017 (est.)	51%	43,303	21,120
444 55th Street Holdings, LLC ("55th St") (2)	1	New York, NY	Q3 2017	90%	81,669	34,537
186 Jamaica Avenue, LLC ("Jamaica Ave") (3)	1	Brooklyn, NY	Q4 2015	90%	18,281	13,012
Shirlington Rd, LLC ("SRLLC") (3)	1	Arlington, VA	Q2 2015	90%	16,301	12,881
	10				$ 262,092	$ 120,516

(1) The noncontrolling members of McDonald Ave, 22nd St, 46th St, Exterior St, and Cropsey Ave have the option to put their ownership interest in the ventures to the Company for $10.0 million, $11.5 million, $14.2 million, $37.8 million and $20.4 million, respectively, within the one-year period after construction of each store is substantially complete. Additionally, the Company has a one-year option to call the ownership interest of the noncontrolling members of McDonald Ave, 22nd St, 46th St, Exterior St, and Cropsey Ave for $10.0 million, $11.5 million, $14.2 million, $37.8 million and $20.4 million, respectively, beginning on the second anniversary of the respective store’s construction being substantially complete. The Company is accreting the respective liabilities during the development periods and, as of September 30, 2017, has accrued $1.1 million, $1.6 million, $6.6 million, $26.0 million and $18.1 million related to McDonald Ave, 22nd St, 46th St, Exterior St, and Cropsey Ave, respectively.

(2) In connection with the acquired property, 55th St assumed mortgage debt that was recorded at a fair value of $35.0 million, which fair value includes an outstanding principal balance totaling $32.5 million and a net premium of $2.5 million to reflect the estimated fair value of the debt at the time of assumption. The loan accrues interest at a fixed rate of 4.68%, matures on June 7, 2023, and is fully guaranteed by the Company.

(3)

The Company has a related party loan commitment to these ventures to fund all or a portion of the construction costs. As of September 30, 2017, the Company has fully funded its $12.8 million loan commitment to Jamaica Ave and $12.8 million of a total $14.6 million loan commitment to SRLLC, which are included in the total liability amounts within the table above. These loans and related interest were eliminated during consolidation. As of September 30, 2017, the Company has not funded any of its $10.8 million or $6.2 million loan commitments to Waltham and 92nd St, respectively.

See note 4 for details regarding the Company's June 2, 2017 acquisition of the noncontrolling interest in a previously consolidated joint venture that developed and owned a store in Brooklyn, NY.

Operating Partnership Ownership

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

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

Approximately 1.0% and 1.1% of the outstanding OP Units as of September 30, 2017 and December 31, 2016, respectively, were not owned by CubeSmart, the sole general partner. The interests in the Operating Partnership represented by these OP Units were a component of the consideration that the Operating Partnership paid to acquire certain self-storage properties. The holders of the OP Units are limited partners in the Operating Partnership and have the right to require CubeSmart to redeem all or part of their OP Units for, at the general partner's option, an equivalent number of common shares of CubeSmart or cash based upon the fair value of an equivalent number of common shares of CubeSmart. However, the partnership agreement contains certain provisions that could result in a settlement outside the control of CubeSmart and the Operating Partnership, as CubeSmart does not have the ability to settle in unregistered shares. Accordingly, consistent with the guidance, the Operating Partnership will record the OP Units owned by third parties outside of permanent capital in the consolidated balance sheets. Net income or loss related to the OP Units owned by third parties is excluded from net income or loss attributable to Operating Partner in the consolidated statements of operations.

On April 12, 2017, the Company acquired a store in Illinois for $11.2 million. In conjunction with the closing, the Company paid $9.7 million and issued 58,000 Class C OP units to pay the remaining consideration.

On May 9, 2017, the Company acquired a store in Maryland for $18.2 million and assumed an existing mortgage loan with an outstanding balance of approximately $5.9 million. In conjunction with the closing, the Company issued 440,160 OP Units, valued at approximately $12.3 million, to pay the remaining consideration.

On May 14, 2015, the Company closed on the acquisition of real property that has been developed into a self-storage property in Washington, D.C. In conjunction with the closing, the Company issued 20,408 OP Units, valued at approximately $0.5 million to pay a portion of the consideration. On April 18, 2016, upon the completion of certain milestones, the Company issued 61,224 additional OP Units, valued at approximately $1.5 million, to pay the remaining consideration. The store commenced operations during the third quarter of 2017.

As of September 30, 2017 and December 31, 2016, 1,878,253 and 2,032,394 OP units, respectively, were held by third parties. The per unit cash redemption amount of the outstanding OP units was calculated based upon the average of the closing prices of the common shares of CubeSmart on the New York Stock Exchange for the final 10 trading days of the quarter. Based on the Company's evaluation of the redemption value of the redeemable noncontrolling interest, the Company has reflected these interests at their redemption value at September 30, 2017 and December 31, 2016. The Operating Partnership recorded a decrease to OP Units owned by third parties and a corresponding increase to capital of $1.8 million and $7.4 million at September 30, 2017 and December 31, 2016, respectively.

13. COMMITMENTS AND CONTINGENCIES

Litigation

The Company is involved in claims from time to time, which arise in the ordinary course of business. In accordance with applicable accounting guidance, management establishes an accrued liability for litigation when those matters present loss contingencies that are both probable and reasonably estimable. In such cases, there may be exposure to loss in excess of those amounts accrued. The estimated loss, if any, is based upon currently available information and is subject to significant judgment, a variety of assumptions, and known and unknown uncertainties. In the opinion of management, the Company has made adequate provisions for potential liabilities, arising from any such matters, which are included in Accounts payable, accrued expenses and other liabilities on the Company's consolidated balance sheets. 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,

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judgments and investigations, claims, and changes in any such matters, could have a material adverse effect the Company's business, financial condition, and operating results.

On July 13, 2015, a putative class action was filed against the Company in the Federal District Court of New Jersey seeking to obtain declaratory, injunctive and monetary relief for a class of New Jersey consumers based upon alleged violations by the Company of the New Jersey Truth in Customer Contract, Warranty and Notice Act and the New Jersey Consumer Fraud Act. The Company continues to vigorously defend the action.

Insurance Recovery

As a result of hurricanes that occurred during the three months ended September 30, 2017, the Company incurred damage at certain stores located in Florida and Texas. The Company has comprehensive insurance coverage and while it expects that it is probable the insurance proceeds will cover the entire replacement cost of the damaged stores, certain deductibles and limitations will apply and no assurances can be made that proceeds will be sufficient to cover the costs of the entire restoration. During the three months ended September 30, 2017, the Company recorded $1.4 million in charges based on the initial damage assessment and terms of the deductibles under the insurance policies, of which $1.3 million relates to the Company's wholly-owned properties and $0.1 million relates to the Company's portion of the charge taken by an unconsolidated real estate venture. To the extent that insurance proceeds, which are on a replacement cost basis, ultimately exceed the net book value of the damaged stores, a gain will be recognized in the period in which all contingencies related to the insurance claim have been resolved. The estimated charges for the insurance deductibles are included in Property operating expenses and Equity in losses of real estate ventures in the consolidated statement of operations.

14. RELATED PARTY TRANSACTIONS

Affiliated Real Estate Investments

The Company provides management services to certain joint ventures and other related parties. Management agreements provide for fee income to the Company based on a percentage of revenues at the managed stores. Total management fees for unconsolidated joint ventures or other entities in which the Company held an ownership interest for the three and nine months ended September 30, 2017 totaled $0.9 million and $2.7 million, respectively. Total management fees for unconsolidated joint ventures or other entities in which the Company held an ownership interest for the three and nine months ended September 30, 2016 totaled $0.8 million and $2.0 million, respectively.

The management agreements for certain joint ventures, other related parties and third-party stores provide for the reimbursement to the Company for certain expenses incurred to manage the stores. These amounts consist of amounts due for management fees, payroll, and other store expenses. The amounts due to the Company were $7.8 million and $3.3 million as of September 30, 2017 and December 31, 2016, respectively, and are reflected in Other assets, net on the Company’s consolidated balance sheets. Additionally, as discussed in note 12, the Company had outstanding mortgage loans receivable from consolidated joint ventures of $25.6 million and $34.7 million as of September 30, 2017 and December 31, 2016, respectively, which are eliminated for consolidation purposes. The Company believes that all of these related-party receivables are fully collectible.

The HHFNE and HVP operating agreements provide for acquisition fees payable from HHFNE and HVP to the Company in an amount equal to 0.5% of the purchase price upon the closing of an acquisition by HHFNE, HVP, or any of their subsidiaries and completion of certain measures as defined in the operating agreements. During the nine months ended September 30, 2017 and 2016, the Company recognized $0.4 million and $1.8 million in acquisition fees, respectively. The Company did not recognize any acquisition fees during the three months ended September 30, 2017 and 2016. Acquisition fees are included in Other income on the consolidated statements of operations.

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15. PRO FORMA FINANCIAL INFORMATION

During the nine months ended September 30, 2017 and the year ended December 31, 2016, the Company acquired three stores for an aggregate purchase price of approximately $33.1 million (see note 4) and 28 stores for an aggregate purchase price of approximately $403.6 million, respectively.

The condensed consolidated pro forma financial information set forth below reflects adjustments to the Company's historical financial data to give effect to each of the acquisitions and related financing activity (including the issuance of common shares) that occurred during 2017 and 2016 as if each had occurred as of January 1, 2016 and 2015, respectively. The unaudited pro forma information presented below does not purport to represent what the Company's actual results of operations would have been for the periods indicated, nor does it purport to represent the Company's future results of operations.

The following table summarizes, on a pro forma basis, the Company's consolidated results of operations for the nine months ended September 30, 2017 and 2016 based on the assumptions described above:

	Nine Months Ended September 30,	
	2017	2016
	(in thousands, except per share data)	
Pro forma revenue	$ 416,145	$ 389,108
Pro forma net income from continuing operations	$ 105,736	$ 84,530
Earnings per common share from continuing operations:		
Basic - as reported	$ 0.53	$ 0.32
Diluted - as reported	$ 0.52	$ 0.32
Basic - as pro forma	$ 0.58	$ 0.45
Diluted - as pro forma	$ 0.58	$ 0.45

16. SUBSEQUENT EVENTS

Subsequent to September 30, 2017, the Company acquired three self-storage properties in Texas (2) and Florida (1) for an aggregate purchase price of approximately $28.0 million.

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

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Report. Some of the statements we make in this section are forward-looking statements within the meaning of the federal securities laws. For a discussion of forward-looking statements, see the section in this Report entitled "Forward-Looking Statements". Certain risk factors may cause actual results, performance or achievements to differ materially from those expressed or implied by the following discussion. For a complete discussion of such risk factors, see the section entitled "Risk Factors" in the Parent Company's and Operating Partnership's combined Annual Report on Form 10-K for the year ended December 31, 2016.

Overview

We are 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 properties. The Parent Company's operations are conducted solely through the Operating Partnership and its subsidiaries. The Parent Company has elected to be taxed as a REIT for U.S. federal income tax purposes. As of September 30, 2017 and December 31, 2016, we owned 480 and 475 self-storage properties, respectively, totaling approximately 33.4 million and 30.4 million rentable square feet, respectively. As of September 30, 2017, we owned stores in the District of Columbia and the following 23 states: Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Maryland, Massachusetts, Minnesota, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, Tennessee, Texas, Utah and Virginia. In addition, as of September 30, 2017, we managed 428 stores for third parties (including 116 stores containing an aggregate of approximately 6.8 million rentable square feet as part of three separate unconsolidated real estate ventures) bringing the total number of stores which we owned and/or managed to 908. As of September 30, 2017, we managed stores for third parties in the District of Columbia and the following 30 states: Alabama, Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Kansas, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Vermont, Virginia, Washington, and West Virginia.

We derive revenues principally from rents received from customers who rent cubes at our self-storage properties 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. Our approach to the management and operation of our stores combines centralized marketing, revenue management and other operational support with local operations teams that provide 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.

We typically experience seasonal fluctuations in the occupancy levels of our stores, which are generally slightly higher during the summer months due to increased moving activity.

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. 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.

We continue our focus on maximizing internal growth opportunities and selectively pursuing targeted acquisitions and developments of self-storage properties.

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

Our self-storage properties are located in major metropolitan and suburban areas and have numerous customers per store. No single customer represents a significant concentration of our revenues. Our stores in Florida, New York,

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Texas and California provided approximately 17%, 16%, 10% and 8%, respectively, of total revenues for the nine months ended September 30, 2017.

Summary of Critical Accounting Policies and Estimates

Set forth below is a summary of the accounting policies and estimates that management believes are critical to the preparation of the unaudited consolidated financial statements included in this Report. 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 aforementioned notes to our consolidated financial statements (see note 2 to the unaudited 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 Properties

The Company records self-storage properties 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 39 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 stores 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 stores is acquired, the purchase price is allocated to the individual stores based upon an income approach or a cash flow analysis using appropriate risk adjusted capitalization rates, which take into account the relative size, age and location of the individual store 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 their respective fair values as estimated by management.

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

Long-lived assets classified as “held for use” are reviewed for impairment when events and circumstances such as declines in occupancy and operating results indicate that there may be an 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

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assets to determine if the store's basis is recoverable. If a store's basis is not considered recoverable, an impairment loss is recorded to the extent the net carrying value of the asset exceeds the fair value. The impairment loss recognized equals the excess of net carrying value over the related fair value of the asset. There were no impairment losses recognized in accordance with these procedures during the nine months ended September 30, 2017 and 2016.

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 store (or group of stores), (b) the store is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such stores, (c) an active program to locate a buyer and other actions required to complete the plan to sell the store have been initiated, (d) the sale of the store is probable and transfer of the asset is expected to be completed within one year, (e) the store 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. Stores 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 of our leases with customers 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 from disposition of stores 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. The share compensation expense is recorded ratably over the vesting period relating to such contingently issued shares and options. The Company has elected to recognize compensation expense on a straight-line basis over the requisite service period.

Noncontrolling Interests

Noncontrolling interests are the portion of equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent. The ownership interests in the subsidiary that are held by owners other than the parent are noncontrolling interests. In accordance with authoritative guidance issued on noncontrolling interests in consolidated financial statements, such noncontrolling interests are 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 carrying 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. There were no impairment losses related to the Company's investments in unconsolidated real estate ventures recognized during the nine months ended September 30, 2017 and 2016.

Recent Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board ("FASB") issued ASU No. 2017-12 – Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The purpose of this updated guidance is to better align a company's financial reporting for hedging activities with the economic objectives of those activities. The transition guidance provides companies with the option of early adopting the new standard using a modified retrospective transition method in any interim period after issuance of the update, or alternatively requires adoption for fiscal years beginning after December 15, 2018. This adoption method will require the Company to recognize the cumulative effect of initially applying the new guidance as an adjustment to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year that the Company adopts the update. The Company is in the process of evaluating the impact of this new guidance.

In February 2017, as part of the new revenue standard, the FASB issued ASU No. 2017-05 – Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance, which focuses on recognizing gains and losses from the transfer of nonfinancial assets in contracts with non-customers. Specifically, the new guidance defines "in substance nonfinancial asset", unifies guidance related to partial sales of nonfinancial assets, eliminates rules specifically addressing sales of real estate, removes exceptions to the financial asset derecognition model, and clarifies the accounting for contributions of nonfinancial assets to joint ventures. The new guidance is effective at the same time an entity adopts the new revenue standard. Upon adoption, the Company expects that the majority of its sale transactions will treated as dispositions of nonfinancial assets rather than dispositions of a business, given the FASB's recently revised definition of a business (see ASU No. 2017-01 below). Additionally, in partial sale transactions where the Company sells a controlling interest in real estate but retains a noncontrolling interest, the Company will now fully recognize a gain or loss on the fair value measurement of the retained interest as the new guidance eliminates the partial profit recognition model.

In January 2017, the FASB issued ASU 2017-01 - Business Combinations (Topic 805): Clarifying the Definition of a Business, which changes the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create outputs. A framework is provided to evaluate when an input and a substantive process are present. The new guidance also narrows the definition of outputs, which are defined as the results of inputs and substantive processes that provide goods or services to customers, other revenue, or investment income. The standard is effective on January 1, 2018, however early adoption is permitted. Upon adoption of the new guidance, the Company expects that the majority of future property acquisitions will now be considered asset acquisitions, resulting in the capitalization of acquisition related costs incurred in connection with these transactions and the allocation of purchase price and acquisition related costs to the assets acquired based on their relative fair values.

In November 2016, the FASB issued ASU No. 2016-18 - Statement of Cash Flows (Topic 230): Restricted Cash, which requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents,

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and amounts generally described as restricted cash or restricted cash equivalents. The new guidance also requires entities to reconcile such total to amounts on the balance sheet and disclose the nature of the restrictions. The standard is effective on January 1, 2018, however early adoption is permitted. The standard requires the use of the retrospective transition method. The Company is in the process of evaluating the impact of this new guidance.

In August 2016, the FASB issued ASU No. 2016-15 – Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The eight items that the ASU provides classification guidance on include (1) debt prepayment and extinguishment costs, (2) settlement of zero-coupon debt instruments, (3) contingent consideration payments made after a business combination, (4) proceeds from the settlement of insurance claims, (5) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, (6) distributions received from equity method investments, (7) beneficial interests in securitization transactions, and (8) separately identifiable cash flows and application of the predominance principle. The standard is effective on January 1, 2018, however early adoption is permitted. The standard requires the use of the retrospective transition method. The Company is in the process of evaluating the impact of this new guidance.

In March 2016, the 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 requires 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. The Company has elected to 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 new standard became effective for the Company on January 1, 2017. The adoption of this guidance did not have a material impact on the Company's consolidated financial position or results of operations.

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 currently assessing the impact of the adoption of the new standard on the Company's consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU No. 2014-09 - Revenue from Contracts with Customers (Topic 606), 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 new guidance outlines a five-step process for customer contract revenue recognition that focuses on transfer of control as opposed to transfer of risk and rewards. The new guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenues and cash flows from contracts with customers. In May 2016, the FASB issued ASU 2016-12 - Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, which amends ASU 2014-09 and is intended to address implementation issues that were raised by stakeholders. ASU 2016-12 provides practical expedients on collectability, noncash consideration, presentation of sales tax and contract modifications and completed contracts in transition. Both standards are effective on Janaury 1, 2018. The Company is currently assessing the impact of the adoption of ASU No. 2014-09 and ASU No. 2016-12 on the Company’s consolidated financial statements and related disclosures. At this point in time, the Company does not believe the standards will have a material impact on its consolidated financial position or results of operations primarily because most of its revenue is derived from lease contracts, which are

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excluded from the scope of the new guidance. The Company's property management fee revenue will be included in the scope of the new guidance, however, based on the Company's ongoing assessment, it appears that revenue recognized under the new guidance will not differ materially from revenue recognized under existing guidance.

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 stores and should not be taken as indicative of future operations. We consider our same-store portfolio to consist of only those stores owned and operated on a stabilized basis at the beginning and at the end of the applicable periods presented. We consider a store to be stabilized once it has achieved an occupancy rate that we believe, based on our assessment of market-specific data, is representative of similar self-storage assets in the applicable market for a full year measured as of the most recent January 1 and has not been significantly damaged by natural disaster or undergone significant renovation. We believe that same-store results are useful to investors in evaluating our performance because they provide information relating to changes in store-level operating performance without taking into account the effects of acquisitions, developments or dispositions. As of September 30, 2017, we owned 432 same-store properties and 48 non-same-store properties. For analytical presentation, all percentages are calculated using the numbers presented in the financial statements contained in this Report.

Acquisition and Development Activities

The comparability of our results of operations is affected by the timing of acquisition and disposition activities during the periods reported. As of September 30, 2017 and 2016, we owned 480 and 471 self-storage properties and related assets, respectively. The following table summarizes the change in number of owned stores from January 1, 2016 through September 30, 2017:

	2017	2016
Balance - January 1	475	445
Stores acquired	—	10
Stores developed	1	1
Balance - March 31	476	456
Stores acquired	3	7
Stores developed	—	1
Stores combined (1)	(1)	—
Balance - June 30	478	464
Stores acquired	—	7
Stores developed	2	—

Balance - September 30	480	471
Stores acquired		4
Balance - December 31		475

(1) On May 16, 2017, the Company acquired a store located in Sacramento, CA for approximately $3.7 million, which is located directly adjacent to an existing wholly-owned store. Given their proximity to each other, the stores have been combined in our store count, as well as for operational and reporting purposes.

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Comparison of the three months ended September 30, 2017 to the three months ended September 30, 2016 (in thousands)

	Property Portfolio			Non Same-Store Properties		Other/ Eliminations		Total Portfolio	
	2016	Increase/ (Decrease)	% Change	2017	2016	2017	2016	2017	2016
	$ 109,214	$ 4,665	4.3 %	$ 11,820	$ 7,202	$ —	$ —	$ 125,699	$ 116,416
	11,487	301	2.6 %	1,260	793	1,193	727	14,241	13,007
	—	—	0.0 %	—	—	3,925	2,673	3,925	2,673
	120,701	4,966	4.1 %	13,080	7,995	5,118	3,400	143,865	132,096
	34,036	1,436	4.2 %	4,895	3,492	6,785	4,277	47,152	41,805
	86,665	3,530	4.1 %	8,185	4,503	(1,667)	(877)	96,713	90,291
	432			48	39			480	471
	29,532			3,821	2,957			33,353	32,489
%	93.1 %			78.1 %	61.7 %			91.9 %	90.9 %
%	93.8 %								
	$ 15.78								
								35,971	41,827
								8,228	8,065
								235	888

	44,434	50,780
	52,279	39,511
	(14,454)	(12,787)
zation expense	(577)	(655)
	(280)	(581)
	741	(397)
	(14,570)	(14,420)
	37,709	25,091
TRIBUTABLE TO NONCONTROLLING		
n the Operating Partnership	(490)	(283)
n subsidiaries	78	76
TABLE TO THE COMPANY	$ 37,297	$ 24,884
hareholders	—	(1,502)
TABLE TO THE COMPANY'S COMMON SHAREHOLDERS	$ 37,297	$ 23,382

(1) Represents occupancy at September 30th of the respective period.
(2) Represents the weighted average occupancy for the period.
(3) Realized annual rent per occupied square foot is computed by dividing rental income by the weighted average occupied square feet for the period.

Revenues

Rental income increased from $116.4 million during the three months ended September 30, 2016 to $125.7 million during the three months ended September 30, 2017, an increase of $9.3 million, or 8.0%. The increase in same-store revenue was due primarily to an increase in average occupancy of 10 basis points and higher rental rates. Realized annual rent per square foot on our same-store portfolio increased 4.1% as a result of higher asking rates for new and existing customers for the three months ended September 30, 2017 as compared to the three months ended September 30, 2016. The remaining increase is primarily attributable to $4.6 million of additional rental income from the stores acquired or opened in 2016 and 2017 included in our non-same store portfolio.

Other property related income increased from $13.0 million during the three months ended September 30, 2016 to $14.2 million during the three months ended September 30, 2017, an increase of $1.2 million, or 9.5%. This increase is primarily attributable to other property related income derived from the stores acquired or opened in 2016 and 2017 included in our non-same store portfolio.

Property management fee income increased from $2.7 million during the three months ended September 30, 2016 to $3.9 million during the three months ended September 30, 2017, an increase of $1.3 million, or 46.8%. This increase is attributable to an increase in management fees related to the third-party management business resulting from more stores under management and higher revenue at managed stores (428 stores as of September 30, 2017 compared to 291 stores as of September 30, 2016).

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Operating Expenses

Property operating expenses increased from $41.8 million during the three months ended September 30, 2016 to $47.2 million during the three months ended September 30, 2017, an increase of $5.3 million, or 12.8%. This increase is primarily attributable to $1.3 million related to hurricane damage, net of expected insurance proceeds, $1.4 million of increased expenses associated with newly acquired stores and a $1.4 million increase, or 4.2%, in property operating expenses on the same-store portfolio, primarily due to higher property tax expenses.

Depreciation and amortization decreased from $41.8 million during the three months ended September 30, 2016 to $36.0 million during the three months ended September 30, 2017, a decrease of $5.9 million, or 14.0%. This decrease is primarily attributable to five-year assets acquired as part of the Company's acquisition of 22 properties from Storage Deluxe in 2011 and 2012 that were fully depreciated.

Acquisition-related costs decreased from $0.9 million during the three months ended September 30, 2016 to $0.2 million during the three months ended September 30, 2017. Acquisition-related costs are non-recurring and fluctuate based on periodic investment activity.

Other (Expense) Income

Interest expense increased from $12.8 million during the three months ended September 30, 2016 to $14.5 million during the three months ended September 30, 2017, an increase of $1.7 million, or 13.0%. The increase is attributable to a higher amount of outstanding debt during the three months ended September 30, 2017 as compared to the three months ended September 30, 2016, and higher interest rates during the 2017 period. The average outstanding debt balance increased $144.0 million to $1.6 billion during the three months ended September 30, 2017 as compared to $1.5 billion during the three months ended September 30, 2016 as the result of borrowings to fund a portion of the Company's acquisition activity. The weighted average effective interest rate on our outstanding debt increased from 3.73% for the three months ended September 30, 2016 to 3.83% for the three months ended September 30, 2017.

Other income (expense) increased $1.1 million from the three months ended September 30, 2016 to the three months ended September 30, 2017 primarily due to federal tax credits received related to the Company's solar energy program.

The decrease in distributions to preferred shareholders of $1.5 million from the three months ended September 30, 2016 to the three months ended September 30, 2017 is a result of the redemption of 3,100,000 outstanding shares of 7.75% Series A Cumulative Redeemable Preferred Shares on November 2, 2016.

Impact from Hurricanes Harvey and Irma

Hurricanes Harvey and Irma impacted the operations of 91 owned and 30 joint venture stores representing 8.8 million square feet in Texas and Florida. The impact of the storms included property damage, power outages and inaccessibility. All but three of our stores, two owned and one joint venture, were open for business and accepting new rentals within five days after the respective storm. All stores were open for business as of September 30, 2017.

The Company maintains property and casualty insurance on its owned and joint venture properties, which covers damages and business interruption expenses subject to varying deductibles depending on the cause and extent of the claim. We estimate repair costs, net of expected insurance proceeds, for damage caused by hurricanes Harvey and Irma to be approximately $1.3 million.

These costs are presented in property operating expenses and are included in net income. We have not allocated any portion of these costs to our same-store, or non-same-store properties to provide more useful measures when comparing year over year results.

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Comparison of the nine months ended September 30, 2017 to the nine months ended September 30, 2016 (in thousands)

	Same-Store Property Portfolio				Non Same-Store Properties		Other/ Eliminations	
	2017	2016	Increase/ (Decrease)	% Change	2017	2016	2017	2016
REVENUES:								
Rental income	$ 331,891	$ 317,114	$ 14,777	4.7 %	$ 32,089	$ 15,837	$ —	$ -
Other property related income	34,675	33,425	1,250	3.7 %	3,390	1,735	3,039	2
Property management fee income	—	—	—	0.0 %	—	—	10,377	7
Total revenues	366,566	350,539	16,027	4.6 %	35,479	17,572	13,416	9
OPERATING EXPENSES:								
Property operating expenses	105,874	102,197	3,677	3.6 %	13,808	7,774	17,165	1
NET OPERATING INCOME (LOSS):	260,692	248,342	12,350	5.0 %	21,671	9,798	(3,749)	(
Store count	432	432			48	39		
Total square footage	29,532	29,532			3,821	2,957		
Period End Occupancy (1)	93.7 %	93.1 %			78.1 %	69.3 %		
Period Average Occupancy (2)	93.3 %	93.1 %						
Realized annual rent per occupied sq. ft. (3)	$ 16.06	$ 15.39						
Depreciation and amortization								
General and administrative								
Acquisition related costs								

Subtotal
OPERATING
INCOME

OTHER
(EXPENSE)
INCOME
Interest:
Interest
expense on
loans
Loan procurement amortization expense
Equity in losses of real estate ventures
Other
Total other
expense

NET
INCOME
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING
INTERESTS
Noncontrolling interests in the Operating Partnership
Noncontrolling interests in subsidiaries
NET INCOME ATTRIBUTABLE TO THE COMPANY
Distribution to preferred shareholders
NET INCOME ATTRIBUTABLE TO THE COMPANY'S COMMON
SHAREHOLDERS

(1) Represents occupancy at September 30th of the respective period.
(2) Represents the weighted average occupancy for the period.
(3) Realized annual rent per occupied square foot is computed by dividing rental income by the weighted average occupied square feet for the period.

Revenues

Rental income increased from $333.0 million during the nine months ended September 30, 2016 to $364.0 million during the nine months ended September 30, 2017, an increase of $31.0 million, or 9.3%. The increase in same-store revenue was due primarily to an increase in average occupancy of 20 basis points and higher rental rates. Realized annual rent per square foot on our same-store portfolio increased 4.4% as a result of higher asking rates for new and existing customers for the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016. The remaining increase is primarily attributable to $16.3 million of additional rental income from the stores acquired or opened in 2016 and 2017 included in our non-same store portfolio.

Other property related income increased from $37.4 million during the nine months ended September 30, 2016 to $41.1 million during the nine months ended September 30, 2017, an increase of $3.7 million, or 9.9%. This increase is primarily attributable to increased fee revenue and insurance fees of $3.5 million, resulting from increased insurance participation and higher average occupancy for the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016.

Property management fee income increased from $7.1 million during the nine months ended September 30, 2016 to $10.4 million during the nine months ended September 30, 2017, an increase of $3.2 million, or 45.6%. This increase is attributable to an increase in management fees related to the third-party management business resulting from more stores under management and higher revenue at managed stores (428 stores as of September 30, 2017 compared to 291 stores as of September 30, 2016).

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Operating Expenses

Property operating expenses increased from $123.6 million during the nine months ended September 30, 2016 to $136.8 million during the nine months ended September 30, 2017, an increase of $13.2 million, or 10.7%. This increase is primarily attributable to $1.3 million related to hurricane damage, net of expected insurance proceeds, $6.0 million of increased expenses associated with newly acquired stores and a $3.7 million increase, or 3.6%, in property operating expenses on the same-store portfolio, primarily due to higher property tax expenses.

Depreciation and amortization decreased from $122.6 million during the nine months ended September 30, 2016 to $110.8 million during the nine months ended September 30, 2017, a decrease of $11.8 million, or 9.6%. This decrease is primarily attributable to five-year assets acquired as part of the Company's acquisition of 22 properties from Storage Deluxe in 2011 and 2012 that were fully depreciated.

General and administrative expenses increased from $24.2 million during the nine months ended September 30, 2016 to $26.5 million, an increase of $2.3 million, or 9.7%. The change is primarily attributable to increased professional fees and payroll expenses resulting from additional employee headcount to support our growth.

Acquisition-related costs decreased from $5.8 million during the nine months ended September 30, 2016 to $1.1 million during the nine months ended September 30, 2017. Acquisition-related costs are non-recurring and fluctuate based on periodic investment activity.

Other (Expense) Income

Interest expense increased from $37.1 million during the nine months ended September 30, 2016 to $42.0 million during the nine months ended September 30, 2017, an increase of $5.0 million, or 13.4%. The increase is attributable to a higher amount of outstanding debt during the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016, partially offset by lower interest rates during the 2017 period. The average outstanding debt balance increased $241.7 million to $1.6 billion during the nine months ended September 30, 2017 as compared to $1.4 billion during the nine months ended September 30, 2016 as the result of borrowings to fund a portion of the Company's acquisition activity. The weighted average effective interest rate on our outstanding debt decreased from 3.85% for the nine months ended September 30, 2016 to 3.78% for the nine months ended September 30, 2017.

The decrease in distributions to preferred shareholders of $4.5 million from the nine months ended September 30, 2016 to the nine months ended September 30, 2017 is a result of the redemption of 3,100,000 outstanding shares of 7.75% Series A Cumulative Redeemable Preferred Shares on November 2, 2016.

Cash Flows

Comparison of the nine months ended September 30, 2017 to the nine months ended September 30, 2016

A comparison of cash flow from operating, investing and financing activities for the nine months ended September 30, 2017 and 2016 is as follows (in thousands):

Net cash provided by (used in):	Nine Months Ended September 30, 2017 (in thousands)	2016	Change
Operating activities	$ 224,280	$ 203,052	$ 21,228
Investing activities	$ (81,065)	$ (472,133)	$ 391,068
Financing activities	$ (139,958)	$ 293,591	$ (433,549)

Cash provided by operating activities for the nine months ended September 30, 2017 and 2016 was $224.3 million and $203.1 million, respectively, reflecting an increase of $21.2 million. Our principal source of cash flow is from the operation of our stores. During the nine months ended September 30, 2017, our increased cash flow from operating

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activities was primarily attributable to our 2017 and 2016 acquisitions and increased net operating income levels on the same-store portfolio in the 2017 period as compared to the 2016 period.

Cash used in investing activities decreased from $472.1 million for the nine months ended September 30, 2016 to $81.1 million for the nine months ended September 30, 2017, reflecting a decrease of $391.1 million. The change is primarily driven by a decrease in cash used for acquisitions of self-storage properties. Cash used during the nine months ended September 30, 2017, relates to the acquisition of three stores for an aggregate purchase price of $33.1 million, inclusive of $6.2 million of assumed debt and $12.3 million of OP units issued, while cash used in investing activities during the nine months ended September 30, 2016 relates to the acquisition of 24 stores for an aggregate purchase price of $350.8 million, inclusive of $6.5 million of assumed debt. The change is also driven by a decrease in cash used for development costs resulting from the acquisition of a development property by a consolidated joint venture for $67.2 million, inclusive of $35.0 million of assumed debt, during the prior period.

For the nine months ended September 30, 2017, cash used in financing activities was $140.0 million compared to cash provided by financing activities of $293.6 million during the nine months ended September 30, 2016, reflecting a decrease of $433.5 million. The decrease is primarily a result of $298.5 million of net proceeds from our issuance of unsecured senior notes in August 2016 compared to $103.2 million of net proceeds from our issuance of unsecured senior notes in April 2017. Additionally, the decrease is a result of a $136.4 million decrease in proceeds received from the issuance of common shares as well as a $100.0 million term loan repayment during April 2017 with no comparable repayment in the prior period.

Liquidity and Capital Resources

Liquidity Overview

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

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

Our short-term liquidity needs consist primarily of funds necessary to pay operating expenses associated with our stores, refinancing of certain mortgage indebtedness, interest expense and scheduled principal payments on debt, expected distributions to limited partners and shareholders, capital expenditures and the development of new stores. These funding requirements will vary from year to year, in some cases significantly. For the remainder of the 2017 fiscal year, we expect recurring capital expenditures to be approximately $4.0 million to $9.0 million, planned capital improvements and store upgrades to be approximately $2.0 million to $5.0 million and costs associated with the development of new stores to be approximately $20.0 million to $30.0 million. Our currently scheduled principal payments on debt, including borrowings outstanding on the Credit Facility and Term Loan Facility, are approximately $0.6 million for the remainder of 2017.

Our most restrictive financial covenants limit the amount of additional leverage we can add; however, we believe cash flows from operations, access to equity financing, including through our “at-the-market” equity program, and available borrowings under our Credit Facility provide adequate sources of liquidity to enable us to execute our current business plan and remain in compliance with our covenants.

Our liquidity needs beyond 2017 consist primarily of contractual obligations which include repayments of indebtedness at maturity, as well as potential discretionary expenditures such as (i) non-recurring capital expenditures;

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(ii) redevelopment of operating stores; (iii) acquisitions of additional stores; and (iv) development of new stores. We will have to satisfy the portion of our needs not covered by cash flow from operations through additional borrowings, including borrowings under our Credit Facility, sales of common or preferred shares of the Parent Company and common or preferred units of the Operating Partnership and/or cash generated through store dispositions and joint venture transactions.

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

As of September 30, 2017, we had approximately $6.2 million in available cash and cash equivalents. In addition, we had approximately $432.6 million of availability for borrowings under our Credit Facility.

Unsecured Senior Notes

Our unsecured senior notes are summarized as follows (collectively referred to as the “Senior Notes”):

Unsecured Senior Notes	September 30, 2017 (in thousands)	December 31, 2016	Effective Interest Rate		Issuance Date	Maturity Date
$250M 4.800% Guaranteed Notes due 2022	$ 250,000	$ 250,000	4.82	%	Jun-12	Jul-22
$300M 4.375% Guaranteed Notes due 2023 (1)	300,000	250,000	4.33	%	Various(1)	Dec-23
$300M 4.000% Guaranteed Notes due 2025 (2)	300,000	250,000	3.99	%	Various(2)	Nov-25
$300M 3.125% Guaranteed Notes due 2026	300,000	300,000	3.18	%	Aug-16	Sep-26
Principal balance outstanding	1,150,00	1,050,00				
Less: Discount on issuance of unsecured senior notes, net	(630)	(3,971)				

Less: Loan procurement costs, net	(7,176)	(6,953)
Total unsecured senior notes, net	$ 1,142,194	$ 1,039,076

(1) On April 4, 2017, the Operating Partnership issued $50.0 million of its 4.375% senior notes due 2023, which are part of the same series as the $250.0 million principal amount of the Operating Partnership's 4.375% senior notes due December 15, 2023 issued on December 17, 2013. The $50.0 million and $250.0 million traunches were priced at 105.040% and 98.995%, respectively, of the principal amount to yield 3.495% and 4.501%, respectively, to maturity. The combined weighted-average effective interest rate of the 2023 notes is 4.330%.

(2) On April 4, 2017, the Operating Partnership issued $50.0 million of its 4.000% senior notes due 2025, which are part of the same series as the $250.0 million principal amount of the Operating Partnership's 4.000% senior notes due November 15, 2025 issued on October 26, 2015. The $50.0 million and $250.0 million traunches were priced at 101.343% and 99.735%, respectively, of the principal amount to yield 3.811% and 4.032%, respectively, to maturity. The combined weighted-average effective interest rate of the 2025 notes is 3.994%.

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

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Operating Partnership and its consolidated subsidiaries. As of September 30, 2017, the Operating Partnership was in compliance with all of the financial covenants under the Senior Notes.

Revolving Credit Facility and Unsecured Term Loans

On December 9, 2011, we entered into a credit agreement (the "Credit Facility"), which was subsequently amended on April 5, 2012, June 18, 2013, and April 22, 2015 to provide for, amongst other things, a $500.0 million unsecured revolving facility (the "Revolver") with a maturity date of April 22, 2020. Pricing on the Revolver is dependent on our unsecured debt credit ratings. At our current Baa2/BBB level, amounts drawn under the Revolver are priced at 1.25% over LIBOR, inclusive of a facility fee of 0.15%. As of September 30, 2017, $432.6 million was available for borrowing under the Revolver. The available balance under the Revolver is reduced by an outstanding letter of credit of $0.7 million. As of September 30, 2017, we also had a $200.0 million unsecured term loan outstanding under the Credit Facility, which is included in the table below.

On June 20, 2011, we entered into an unsecured term loan agreement (the "Term Loan Facility"), which was subsequently amended on June 18, 2013 and August 5, 2014, consisting of a $100.0 million unsecured term loan with a five-year maturity and a $100.0 million unsecured term loan with a seven-year maturity.

Our unsecured term loans under the Credit Facility and Term Loan Facility are summarized below:

Unsecured Term Loans	Carrying Value as of: September 30, 2017	December 31, 2016	Effective Interest Rate (1)	Maturity Date
	(in thousands)			
Credit Facility				
Unsecured term loan	$ 200,000	$ 200,000	2.53 %	Jan-19
Term Loan Facility				
Unsecured term loan (2)	—	100,000	— %	Jun-18
Unsecured term loan (3)	100,000	100,000	3.62 %	Jan-20
Principal balance outstanding	300,000	400,000		
Less: Loan procurement costs, net	(705)	(1,251)		
Total unsecured term loans, net	$ 299,295	$ 398,749		

(1) Pricing on the Term Loan Facility and the unsecured term loan under the Credit Facility is dependent on our unsecured debt credit ratings. At our current Baa2/BBB level, amounts drawn under the term loans scheduled to mature in June 2018 and January 2019 are priced at 1.30% over LIBOR, while amounts drawn under the term loan

scheduled to mature in January 2020 are priced at 1.15% over LIBOR, excluding the impact of interest rate swaps. As of September 30, 2017, borrowings under the Credit Facility, inclusive of the Revolver, and Term Loan Facility, as amended and after giving effect to the interest rate swaps, had an effective weighted average interest rate of 2.82%.

(2) On April 6, 2017, we used the net proceeds from the issuance of $50.0 million of its 4.375% Senior Notes due 2023 and $50.0 million of its 4.000% Senior Notes due 2025 to repay all of the outstanding indebtedness under its unsecured term loan that was scheduled to mature in June 2018. Unamortized loan procurement costs of $0.2 million were written off in conjunction with the repayment.

(3) As of September 30, 2017, we had interest rate swaps in place on these borrowings that fix 30-day LIBOR (see note 10).

The Term Loan Facility and the unsecured term loan under the Credit Facility were fully drawn at September 30, 2017 and no further borrowings may be made under the term loans. Our ability to borrow under the Revolver is subject to ongoing compliance with certain financial covenants which include:

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

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

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

Further, under the Credit Facility and Term Loan Facility, we are 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 September 30, 2017, we were in compliance with all of our financial covenants, and we anticipate being in compliance with all of our financial covenants through the terms of the Credit Facility and Term Loan Facility.

At-the-Market Equity Program

We have an "at-the-market" equity program that enables us to sell common shares through a sales agent. On May 7, 2013, we entered into separate equity distribution agreements (the "Equity Distribution Agreements") with a group of sales agents (collectively, the "Sales Agents"). The Equity Distribution Agreements were amended on May 5, 2014, October 2, 2014, December 30, 2015, and March 17, 2017. Pursuant to the Equity Distribution Agreements, as amended, we may sell, from time to time, up to 40.0 million common shares of beneficial interest through the Sales Agents.

We did not sell any common shares under the Equity Distribution Agreements during the nine months ended September 30, 2017. As of September 30, 2017, 5.8 million common shares remained available for issuance under the Equity Distribution Agreements.

Recent Developments

Subsequent to September 30, 2017, we acquired three self-storage properties in Texas (2) and Florida (1) for an aggregate purchase price of approximately $28.0 million.

Non-GAAP Financial Measures

NOI

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

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

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

· it is one of the primary measures used by our management and our store managers to evaluate the economic productivity of our stores, including our ability to lease our stores, increase pricing and occupancy and control our property operating expenses;

· it is widely used in the real estate industry and the self-storage industry to measure the performance and value of real estate assets without regard to various items included in net income that do not relate to or are not indicative of

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operating performance, such as depreciation and amortization, which can vary depending upon accounting methods and the book value of assets; and

· it helps our investors to meaningfully compare the results of our operating performance from period to period by removing the impact of our capital structure (primarily interest expense on our outstanding indebtedness) and depreciation of our basis in our assets from our operating results.

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

FFO

Funds from operations ("FFO") is a widely used performance measure for real estate companies and is provided here as a supplemental measure of operating performance. The April 2002 National Policy Bulletin of the National Association of Real Estate Investment Trusts (the "White Paper"), as amended, defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of real estate and related impairment charges, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.

Management uses FFO as a key performance indicator in evaluating the operations of our stores. Given the nature of our business as a real estate owner and operator, we consider FFO a key measure of our operating performance that is not specifically defined by accounting principles generally accepted in the United States. We believe that FFO is useful to management and investors as a starting point in measuring our operational performance because FFO excludes various items included in net income that do not relate to or are not indicative of our operating performance such as gains (or losses) from sales of real estate, gains from remeasurement of investments in real estate ventures, impairments of depreciable assets, and depreciation, which can make periodic and peer analyses of operating performance more difficult. Our computation of FFO may not be comparable to FFO reported by other REITs or real estate companies.

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

FFO, as adjusted

FFO, as adjusted represents FFO as defined above, excluding the effects of acquisition related costs, gains or losses from early extinguishment of debt, and non-recurring items, which we believe are not indicative of the Company's operating results. We present FFO, as adjusted because we believe it is a helpful measure in understanding our results of operations insofar as we believe that the items noted above that are included in FFO, but excluded from FFO, as adjusted are not indicative of our ongoing operating results. We also believe that the analyst community considers our FFO, as adjusted (or similar measures using different terminology) when evaluating us. Because other REITs or real estate companies may not compute FFO, as adjusted in the same manner as we do, and may use different terminology, our computation of FFO, as adjusted may not be comparable to FFO, as adjusted reported by other REITs or real estate companies.

The following table presents a reconciliation of net income attributable to the Company's common shareholders to FFO attributable to common shareholders and OP unitholders and FFO, as adjusted, attributable to common shareholders and OP Unit holders for the three and nine months ended September 30, 2017 and 2016 (in thousands):

	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
Net income attributable to the Company's common shareholders	$ 37,297	$ 23,382	$ 94,741	$ 56,552
Add:				
Real estate depreciation and amortization:				
Real property	35,271	41,195	108,825	120,925
Company's share of unconsolidated real estate ventures	2,457	2,905	7,716	8,148
Noncontrolling interests in the Operating Partnership	490	283	1,194	682
FFO attributable to common shareholders and OP unitholders	$ 75,515	$ 67,765	$ 212,476	$ 186,307
Add:				
Loan procurement amortization expense - early repayment of debt	—	—	190	—
Acquisition related costs (1)	235	888	1,062	5,970
Property damage related to hurricanes, net of expected insurance proceeds (2)	1,424	—	1,424	—
FFO, as adjusted, attributable to common shareholders and OP unitholders	$ 77,174	$ 68,653	$ 215,152	$ 192,277
Weighted-average diluted shares outstanding	181,286	180,478	181,225	178,937
Weighted-average diluted units outstanding	2,401	2,221	2,221	2,197
Weighted-average diluted shares and units outstanding	183,687	182,699	183,446	181,134

(1) Acquisition related costs for the nine months ended September 30, 2016 include $0.2 million of acquisition related costs that are included in the Company's share of equity in losses of real estate ventures.
(2) Property damage related to hurricanes, net of expected insurance proceeds for the three and nine months ended September 30, 2017 includes $0.1 million of storm damage related costs that are included in the Company's share of equity in losses of real estate ventures.

Off-Balance Sheet Arrangements

We do not have off-balance sheet arrangements, financings or other relationships with other unconsolidated entities (other than our co-investment partnerships) or other persons, also known as variable interest entities not previously discussed.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows and fair values relevant to financial instruments depend upon prevailing market interest rates.

Market Risk

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

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Effect of Changes in Interest Rates on our Outstanding Debt

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

As of September 30, 2017, our consolidated debt consisted of $1.4 billion of outstanding mortgages, unsecured senior notes and unsecured term loans that are subject to fixed rates, including variable rate debt that is effectively fixed through our use of interest rate swaps. Additionally, as of September 30, 2017, there were $66.7 million and $200.0 million of outstanding credit facility and unsecured term loan borrowings, respectively, subject to floating rates. Changes in market interest rates have different impacts on the fixed and variable rate portions of our debt portfolio. A change in market interest rates on the fixed portion of the debt portfolio impacts the net financial instrument position, but has no impact on interest incurred or cash flows. A change in market interest rates on the variable portion of the debt portfolio impacts the interest incurred and cash flows, but does not impact the net financial instrument position.

If market interest rates on our variable rate debt increase by 100 basis points, the increase in annual interest expense on our variable rate debt would decrease future earnings and cash flows by approximately $2.7 million a year. If market interest rates on our variable rate debt decrease by 100 basis points, the decrease in interest expense on our variable rate debt would increase future earnings and cash flows by approximately $2.7 million a year.

If market rates of interest increase by 100 basis points, the fair value of our outstanding fixed-rate mortgage debt, unsecured senior notes and unsecured term loans would decrease by approximately $77.5 million. If market rates of interest decrease by 100 basis points, the fair value of our outstanding fixed-rate mortgage debt, unsecured senior notes and unsecured term loans would increase by approximately $88.4 million.

ITEM 4. CONTROLS AND PROCEDURES

Controls and Procedures (Parent Company)

Evaluation of Disclosure Controls and Procedures

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

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

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Changes in Internal Control Over Financial Reporting

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

Controls and Procedures (Operating Partnership)

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Control Over Financial Reporting

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in claims from time to time, which arise in the ordinary course of business. In accordance with applicable accounting guidance, management establishes an accrued liability for litigation when those matters present loss contingencies that are both probable and reasonably estimable. In such cases, there may be exposure to loss in excess of those amounts accrued. The estimated loss, if any, is based upon currently available information and is subject to significant judgment, a variety of assumptions, and known and unknown uncertainties. In the opinion of management, we have made adequate provisions for potential liabilities, arising from any such matters, which are included in Accounts payable, accrued expenses and other liabilities on the Company's consolidated balance sheets. 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.

On July 13, 2015, a putative class action was filed against the Company in the Federal District Court of New Jersey seeking to obtain declaratory, injunctive and monetary relief for a class of New Jersey consumers based upon alleged violations by the Company of the New Jersey Truth in Customer Contract, Warranty and Notice Act and the New Jersey Consumer Fraud Act. We continue to vigorously defend the action.

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

Repurchases of Parent Company Common Shares

The following table provides information about repurchases of the Parent Company's common shares during the three months ended September 30, 2017:

	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
July 1 - July 31	158	$ 24.03	N/A	3,000,000
August 1 - August 31	307	$ 24.26	N/A	3,000,000
September 1 - September 30	258	$ 26.00	N/A	3,000,000
Total	723	$ 24.83	N/A	3,000,000

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

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

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ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description
12.1	Statement regarding Computation of Ratios of Earnings to Fixed Charges of CubeSmart. (filed herewith)
12.2	Statement regarding Computation of Ratios of Earnings to Fixed Charges of CubeSmart L.P. (filed herewith)
31.1	Certification of Chief Executive Officer of CubeSmart as required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith)
31.2	Certification of Chief Financial Officer of CubeSmart as required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith)
31.3	Certification of Chief Executive Officer of CubeSmart, L.P., as required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith)
31.4	Certification of Chief Financial Officer of CubeSmart, L.P., as required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith)
32.1	Certification of Chief Executive Officer and Chief Financial Officer of CubeSmart pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (furnished herewith)
32.2	Certification of Chief Executive Officer and Chief Financial Officer of CubeSmart, L.P., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (furnished herewith)
101	The following CubeSmart and CubeSmart, L.P. financial information for the nine months ended September 30, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text. (filed herewith)

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SIGNATURES OF REGISTRANT

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

	CUBESMART (Registrant)	
Date: October 27, 2017	By:	/s/ Christopher P. Marr Christopher P. Marr, Chief Executive Officer (Principal Executive Officer)
Date: October 27, 2017	By:	/s/ Timothy M. Martin Timothy M. Martin, Chief Financial Officer (Principal Financial Officer)

SIGNATURES OF REGISTRANT

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

	CUBESMART, L.P. (Registrant)	
Date: October 27, 2017	By:	/s/ Christopher P. Marr Christopher P. Marr, Chief Executive Officer (Principal Executive Officer)

Date: October 27, 2017	By:	/s/ Timothy M. Martin Timothy M. Martin, Chief Financial Officer (Principal Financial Officer)