CubeSmart
Form ARS
April 04, 2019
Table of Contents

2018 Annual Report

Table of Contents

Table of Contents

(NYSE: CUBE)

CubeSmart (NYSE: CUBE), headquartered in Malvern, Pennsylvania, is one of the largest owners and operators of self-storage properties in the United States. CubeSmart is organized as a Maryland real estate investment trust ("REIT"). Our stores are designed to offer affordable, easily accessible, and in most locations, climate-controlled storage space for our residential and commercial customers. As of December 31, 2018, we owned 493 stores located in 23 states and the District of Columbia containing an aggregate of approximately 34.6 million rentable square feet. In addition, as of December 31, 2018, we managed 593 stores for third-party owners in 34 states and the District of Columbia containing an aggregate of approximately 38.5 million rentable square feet, bringing the total number of stores we operated to 1,086.

In 2018, we continued to deliver on our core strategic objectives of:

- Producing attractive organic growth in an increasingly competitive environment through a sophisticated operating platform;
- Growing our portfolio of high-quality, well-positioned storage assets concentrated in targeted investment markets with appealing demographic trends and long-term growth prospects; and
- Maintaining a conservative, unsecured balance sheet that provides an attractive long-term cost of capital and the flexibility to support our external growth objectives.

Our focus on these core strategic objectives resulted in another year of solid growth despite the short-term dilution generated by our value creation pipeline of recently developed assets and competition from new supply in many of our core markets. Funds from operations per share, as adjusted, increased 3.1%, while our conservative payout ratio and operating cash flow growth supported a 6.7% increase in our annualized common dividend.

Attractive Organic Growth

In a competitive operating environment characterized by high occupancies and increasing levels of new supply, the Company's strong operating performance in 2018 reflects the quality of our operating platform and the commitment of our teammates. At CubeSmart, we strategically invest in people, training, and technology to better meet our customers' needs and exceed their expectations by delivering a superior storage experience. In recognition of these efforts, CubeSmart received numerous external awards for outstanding customer service – namely, the Stevie Award for Contact Center of the Year, the People's Choice Stevie Award for Best Customer Service, and the ISS Best in Business Best Customer Service Award. Our more than 2,800 dedicated teammates serve with passion and exceed expectations to deliver our customer-centric service model every day.

We remain committed to building upon our proprietary operating platform, which sets us apart in an industry characterized by broad fragmentation, generic service offerings, and relatively unsophisticated technology solutions. In 2018, we continued to refine our digital marketing platform through strategies to build brand awareness across expanding media channels and attract customers searching for a solution to their storage needs. Additionally, we continued to enhance our revenue management processes by analyzing existing customer data and leveraging sophisticated forecasting and optimization models to set pricing and promotion strategies that attract customers to CubeSmart and maximize the revenue potential from every rental opportunity.

A Portfolio of High-Quality, Well-Positioned Storage Assets

CubeSmart's portfolio is concentrated in targeted, high-barrier-to-entry investment markets, including an industry-leading market share in New York City. Our external growth strategy is focused on acquiring existing cash-flowing properties, acquiring recently developed properties that are still in the early stages of lease-up, and entering into selective development or acquisition opportunities with joint-venture partners. In 2018, we acquired or opened for operation 11 properties located in our core markets including New York City, Chicago, Washington DC, Houston, Austin, and Los Angeles for a total investment of $319.6 million. Also in 2018, we contributed $14.1 million to a joint venture to acquire 12 recently developed properties and disposed of two non-strategic properties for $17.5 million. Going forward, we expect to selectively invest in additional store acquisitions, new development properties, and joint ventures that generate attractive risk-adjusted returns for the Company.

Our third-party management platform has been, and continues to be, an important part of our portfolio growth and strategy. We continue to see significant and growing interest from private owners and developers who recognize the benefit of CubeSmart's brand, sophisticated operating platform, real-time reporting, and back-office support. During the past year, the number of stores in our third-party management program grew by 31.2%, from 452 at the end of 2017 to 593 at the end of 2018.

Table of Contents

Importantly, our third-party management platform increases CubeSmart's scale and market penetration, adds a profitable revenue stream, and serves as an attractive pipeline for future acquisition opportunities. This platform, combined with our deep industry relationships and disciplined investment process, provides us with a significant competitive advantage as we pursue our external growth objectives.

A Conservative, Unsecured Balance Sheet

We have long communicated our objective of maintaining an unsecured balance sheet that affords significant financing and portfolio management flexibility, while supporting an attractive long-term cost of capital. During 2018, both Moody's and Standard & Poor's reaffirmed the Company's credit ratings of Baa2 and BBB, respectively. The Company finished 2018 with debt to total gross assets of 37.9% and a secured debt balance that represented just 2.3% of our total gross asset value.

CubeSmart's financial position remains strong and we have proven access to the full array of capital resources. To support our external growth initiatives in 2018, we prudently utilized our "at-the-market" equity program to sell common shares, raising $131.8 million in net proceeds, and in January 2019, we completed our fifth public offering of unsecured senior notes, raising net proceeds of $345.5 million. Looking forward, we expect to continue to fund growth in a manner that maintains credit metrics consistent with our investment grade ratings.

Corporate Responsibility

CubeSmart is dedicated to growing strategically and consciously in a sustainable manner that is beneficial to all of our stakeholders. We proactively pursue environmental and energy-efficient initiatives that positively impact the well-being of our customers, teammates and communities, while also improving our profitability. Our asset management team investigates opportunities to generate solar energy from our rooftops, while our technology team has developed paperless transaction processing to minimize the use of toner and paper. We believe that implementation of sustainable business practices benefits our teammates, shareholders, and the communities in which we operate.

Our Board of Trustees recognizes the importance of integrity and a dedication to maintaining good corporate governance practices, as demonstrated by achieving the highest ISS score for Corporate Governance. We are committed to the long-term benefit of our shareholders through the highest ethical standards and upholding our corporate responsibilities. The CubeSmart Code of Business Conduct and Ethics shapes our management, operation, and governance of the Company, supporting and promoting diversity, inclusion, and fairness. Going forward, CubeSmart will continue to maintain our sound corporate governance practices, reduce the environmental impact of our operations, and improve engagement with our teammates, investors, and communities.

Value Creation

At CubeSmart, we are committed to enhancing our high-quality portfolio, sophisticated operating platform, and award-winning customer service while maintaining a conservative, unsecured balance sheet. During 2018, we expanded our portfolio in targeted core markets, delivered attractive same-store NOI growth, and received national recognition for our customer service efforts. Demand for self-storage remains steady and broad-based and we believe our sophisticated operating platform and national portfolio are well positioned to continue to meet the competitive challenges of new supply. We thank you for your interest and support as we remain focused on creating long-term value for all of our stakeholders.

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

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

For the fiscal year ended December 31, 2018

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)

Commission file number 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 (CubeSmart) 34-1837021 (CubeSmart, L.P.) (IRS Employer Identification No.)
5 Old Lancaster Road Malvern, Pennsylvania (Address of Principal Executive Offices)	19355 (Zip Code)

Registrant's telephone number, including area code (610) 535-5000

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

Title of each class	Name of each exchange on which registered
Common Shares, $0.01 par value per share, of CubeSmart	New York Stock Exchange

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

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

CubeSmart Yes No
CubeSmart, L.P. Yes No

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

CubeSmart Yes No
CubeSmart, L.P. Yes No

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 every Interactive Data File required to be submitted 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 such files).

CubeSmart Yes No
CubeSmart, L.P. Yes No

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

CubeSmart Yes No
CubeSmart, L.P. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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 company Emerging growth company

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

As of June 29, 2018, the last business day of CubeSmart's most recently completed second fiscal quarter, the aggregate market value of common shares held by non-affiliates of CubeSmart was $5,988,953,396. As of February 20, 2019, the number of common shares of CubeSmart outstanding was 187,160,187.

As of June 29, 2018, the last business day of CubeSmart, L.P.'s most recently completed second fiscal quarter, the aggregate market value of the 2,002,248 units of limited partnership (the "OP Units") held by non-affiliates of CubeSmart, L.P. was $64,512,431 based upon the last reported sale price of $32.22 per share on the New York Stock Exchange on June 29, 2018 of the common shares of CubeSmart, the sole general partner of CubeSmart, L.P. (For this computation, the market value of all OP Units beneficially owned by CubeSmart has been excluded.)

Documents incorporated by reference: Portions of the Proxy Statement for the 2019 Annual Meeting of Shareholders of CubeSmart to be filed subsequently with the SEC are incorporated by reference into Part III of this report.

Table of Contents

EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2018 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, and/or the Operating Partnership.

The Parent Company is the sole general partner of the Operating Partnership and, as of December 31, 2018, 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 annual reports on Form 10-K of the Parent Company and the Operating Partnership into a single report will:

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

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

Table of Contents

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 9A - 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 (the "Exchange Act") and 18 U.S.C. §1350.

Table of Contents

TABLE OF CONTENTS

PART I		5
Item 1.	Business	6
Item 1A.	Risk Factors	12
Item 1B.	Unresolved Staff Comments	25
Item 2.	Properties	26
Item 3.	Legal Proceedings	28
Item 4.	Mining Safety Disclosures	28
PART II		28
Item 5.	Market for Registrant's Common Equity, Related Shareholder Matters, and Issuer Purchases of Equity Securities	28
Item 6.	Selected Financial Data	30
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	35
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	51
Item 8.	Financial Statements and Supplementary Data	52
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	52
Item 9A.	Controls and Procedures	52
Item 9B.	Other Information	53
PART III		53
Item 10.	Trustees, Executive Officers, and Corporate Governance	53
Item 11.	Executive Compensation	54
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters	54
Item 13.	Certain Relationships and Related Transactions, and Trustee Independence	54
Item 14.	Principal Accountant Fees and Services	54

PART IV 54

Item 15. Exhibits and Financial Statement Schedules 54

Item 16. Form 10-K Summary 61

Table of Contents

PART I

Forward-Looking Statements

This Annual Report on Form 10-K, 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 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 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 or persons acting on their behalf 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 such forward-looking 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 this Report and in our other filings with the Securities and Exchange Commission ("SEC"). These risks include, but are not limited to, the following:

- adverse changes in the national and local economic, business, real estate and other market conditions;
- the effect of competition from existing and new self-storage properties on our ability to maintain or raise occupancy and rental rates;
- the execution of our business plan;
- reduced availability and increased costs 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;

- risks related to our ability to maintain the Parent Company's qualification as a REIT for federal income tax purposes;

- failure of acquisitions and developments to close on expected terms, or at all, or to perform as expected;

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

- the failure of our joint venture partners to fulfill their obligations to us or their pursuit of actions that are inconsistent with our objectives;

- reductions in asset valuations and related impairment charges;

- cyber security breaches or a failure of our networks, systems or technology, which could adversely impact our business, customer and employee relationships;

- changes in real estate and zoning laws or regulations;

Table of Contents

- risks related to natural disasters or acts of violence, terrorism, or war that affect the markets in which we operate;

- potential environmental and other liabilities;

- uninsured losses;

- other factors affecting the real estate industry generally or the self-storage industry in particular; and

- other risks identified in this Report and, from time to time, in other reports that we file with the SEC or in other documents that we publicly disseminate.

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

ITEM 1. BUSINESS

Overview

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

As of December 31, 2018, we owned 493 self-storage properties located in 23 states and in the District of Columbia containing an aggregate of approximately 34.6 million rentable square feet. As of December 31, 2018, approximately 89.0% of the rentable square footage at our owned stores was leased to approximately 289,500 customers, and no single customer represented a significant concentration of our revenues. As of December 31, 2018, 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 December 31, 2018, we managed 593 stores for third parties (including 151 stores containing an aggregate of approximately 9.0 million net rentable square feet as part of five separate unconsolidated real estate ventures) bringing the total number

of stores we owned and/or managed to 1,086. As of December 31, 2018, we managed stores for third parties in the District of Columbia and the following 34 states: Alabama, Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Missouri, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, and Wisconsin.

Our self-storage properties are designed to offer affordable and easily-accessible storage space for our residential and commercial customers. Our customers rent storage cubes for their exclusive use, typically on a month-to-month basis. Additionally, some of our stores offer outside storage areas for vehicles and boats. Our stores are designed to accommodate both residential and commercial customers, with features such as wide aisles and load-bearing capabilities for large truck access. All of our stores have a storage associate available to assist our customers during business hours, and 287, or approximately 58.2%, of our owned stores have a manager who resides in an apartment at the store. Our customers can access their storage cubes during business hours, and some of our stores provide customers with 24-hour access through computer-controlled access systems. Our goal is to provide customers with the highest standard of physical attributes and service in the industry. To that end, 419, or approximately 85.0%, of our owned stores include climate-controlled cubes.

The Parent Company was formed in July 2004 as a Maryland REIT. The Parent Company owns its assets and conducts its business through the Operating Partnership, and its subsidiaries. The Parent Company controls the Operating Partnership as its sole general partner and, as of December 31, 2018, owned an approximately 99.0% interest in the Operating Partnership. The Operating Partnership was formed in July 2004 as a Delaware limited partnership and has been engaged in virtually all aspects of the self-storage business, including the development, acquisition, management, ownership, and operation of self-storage properties.

Acquisition and Disposition Activity

As of December 31, 2018 and 2017, we owned 493 and 484 stores, respectively, that contained an aggregate of 34.6 million and 33.8 million rentable square feet with occupancy levels of 89.0% and 89.2%, respectively. A complete listing of, and additional information

Table of Contents

about, our stores is included in Item 2 of this Report. The following is a summary of our 2018, 2017 and 2016 acquisition and disposition activity:

Asset/Portfolio	Market	Transaction Date	Number of Stores	Purchase / Sale Price (in thousands)
2018 Acquisitions:				
Texas Asset	Texas Markets - Major	January 2018	1	$ 12,200
Texas Asset	Texas Markets - Major	May 2018	1	19,000
Metro DC Asset	Baltimore / DC	July 2018	1	34,200
Nevada Asset	Las Vegas	September 2018	1	14,350
North Carolina Asset	Charlotte	September 2018	1	11,000
California Asset	Los Angeles	October 2018	1	53,250
Texas Asset	Texas Markets - Major	October 2018	1	23,150
California Asset	San Diego	November 2018	1	19,118
New York Asset	New York / Northern NJ	November 2018	1	37,000
Illinois Asset	Chicago	December 2018	1	4,250
			10	$ 227,518
2018 Dispositions:				
Arizona Assets	Phoenix	November 2018	2	$ 17,502
			2	$ 17,502
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
Texas Asset	Texas Markets - Major	October 2017	1	4,050
Florida Asset	Florida Markets - Other	October 2017	1	14,500
Illinois Asset	Chicago	November 2017	1	11,300
Florida Asset	Florida Markets - Other	December 2017	1	17,750
			7	$ 80,650
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

Table of Contents

The comparability of our results of operations is affected by the timing of acquisition and disposition activities during the periods reported. As of December 31, 2018, 2017, and 2016, we owned 493, 484, and 475 self-storage properties and related assets, respectively. The following table summarizes the change in number of owned stores from January 1, 2016 through December 31, 2018:

	2018	2017	2016
Balance - January 1	484	475	445
Stores acquired	1	—	10
Stores developed	—	1	1
Balance - March 31	485	476	456
Stores acquired	1	3	7
Stores developed	—	—	1
Stores combined (1)	—	(1)	—
Balance - June 30	486	478	464
Stores acquired	3	—	7
Stores developed	1	2	—
Balance - September 30	490	480	471
Stores acquired	5	4	4
Stores developed	—	1	—
Stores combined (2)	—	(1)	—
Stores sold	(2)	—	—
Balance - December 31	493	484	475

(1) On May 16, 2017, we 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.

(2) On October 2, 2017, we acquired a store located in Keller, TX for approximately $4.1 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.

Financing and Investing Activities

The following summarizes certain financing and investing activities during the year ended December 31, 2018:

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Store Acquisitions. During 2018, we acquired ten self-storage properties located throughout the United States, including one store upon completion of construction and the issuance of a certificate of occupancy, for an aggregate purchase price of approximately $227.5 million. In connection with these acquisitions, we allocated a portion of the purchase price paid for each store to the intangible value of in-place leases which aggregated $11.3 million.

· Development Activity. During 2018, we completed construction and opened for operation one joint venture store located in New York. As of December 31, 2018, we had six joint venture development properties under construction located in New York (3), Massachusetts (2), and New Jersey (1) which are expected to be completed by the second quarter of 2020. As of December 31, 2018, we had invested $82.6 million of an expected $160.0 million, related to these six projects.

· Store Dispositions. On November 28, 2018, we sold two stores in Arizona for an aggregate sales price of approximately $17.5 million. In connection with these sales, we recorded gains that totaled approximately $10.6 million.

· At-The-Market Equity Program. During 2018, under our at-the-market equity program, we sold a total of 4.3 million common shares at an average sales price of $31.09 per share, resulting in net proceeds for the year under the program of $131.8 million, after deducting offering costs. As of December 31, 2018, 10.5 million common shares remained available for sale under the program. We used the proceeds from the 2018 sales to fund acquisitions of self-storage properties and for general corporate purposes.

· Unconsolidated Real Estate Ventures. During 2018, 191 IV CUBE LLC, an unconsolidated real estate venture in which we own a 20% interest, acquired 12 stores for an aggregate purchase price of $129.4 million, of which we contributed $14.1

Table of Contents

million. The acquired stores were located in Arizona (2), Connecticut (2), Florida (3), Georgia (2), Maryland (1), and Texas (2).

Business Strategy

Our business strategy consists of several elements:

- Maximize cash flow from our stores — Our operating strategy focuses on maximizing sustainable rents at our stores while achieving and sustaining occupancy targets. We utilize our operating systems and experienced personnel to manage the balance between rental rates, discounts, and physical occupancy with an objective of maximizing our rental revenue.

- Acquire stores within targeted markets — During 2019, we intend to pursue selective acquisitions in markets that we believe have high barriers to entry, strong demographic fundamentals, and demand for storage in excess of storage capacity. We believe the self-storage industry will continue to afford us opportunities for growth through acquisitions due to the highly fragmented composition of the industry. In the past, we have formed joint ventures with unaffiliated third parties, and in the future we may form additional joint ventures to facilitate the funding of future developments or acquisitions.

- Dispose of stores — During 2019, we intend to continue to evaluate opportunities to dispose of assets that have unattractive risk adjusted returns. We intend to use proceeds from these transactions to fund acquisitions within targeted markets.

- Grow our third-party management business — We intend to pursue additional third-party management opportunities. We intend to leverage our current platform to take advantage of consolidation in the industry. We plan to utilize our relationships with third-party owners to help source future acquisitions and other investment opportunities.

Investment and Market Selection Process

We maintain a disciplined and focused process in the acquisition and development of self-storage properties. Our investment committee, comprised of four senior officers and led by Christopher P. Marr, our Chief Executive Officer, oversees our investment process. Our investment process involves six stages — identification, initial due diligence, economic assessment, investment committee approval (and when required, the approval of our Board of Trustees (the "Board")), final due diligence, and documentation. Through our investment committee, we intend to focus on the following criteria:

- Targeted markets — Our targeted markets include areas where we currently maintain management that can be extended to additional stores, or where we believe that we can acquire a significant number of stores efficiently and within a short period of time. We evaluate both the broader market and the immediate area, typically three miles around the store, for its ability to support above-average demographic growth. We seek to increase our presence primarily in areas that we expect will experience growth, including the Northeastern and Mid-Atlantic areas of the United States and areas within Arizona, California, Florida, Georgia, Illinois, and Texas, and to enter additional markets should suitable opportunities arise.

- Quality of store — We focus on self-storage properties that have good visibility and are located near retail centers, which typically provide high traffic corridors and are generally located near residential communities and commercial customers.

- Growth potential — We target acquisitions that offer growth potential through increased operating efficiencies and, in some cases, through additional leasing efforts, renovations, or expansions. In addition to acquiring single stores, we seek to invest in portfolio acquisitions, including those offering significant potential for increased operating efficiency and the ability to spread our fixed costs across a large base of stores.

Segment

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

Concentration

Our self-storage properties are located in major metropolitan areas as well as suburban areas and have numerous customers per store. No single customer represented a significant concentration of our 2018 revenues. Our stores in Florida, New York, Texas, and California provided approximately 17%, 16%, 10% and 8%, respectively, of our total revenues for each of the years ended December 31, 2018, 2017 and 2016.

Table of Contents

Seasonality

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

Financing Strategy

We maintain a capital structure that we believe is reasonable and prudent and that will enable us to have ample cash flow to cover debt service and make distributions to our shareholders. As of December 31, 2018, our debt to total capitalization ratio (determined by dividing the carrying value of our total indebtedness by the sum of (a) the market value of the Parent Company's outstanding common shares and units of the Operating Partnership held by third parties and (b) the carrying value of our total indebtedness) was approximately 24.4% compared to approximately 23.5% as of December 31, 2017. Our ratio of debt to the undepreciated cost of our total assets as of December 31, 2018 was approximately 37.9% compared to approximately 38.0% as of December 31, 2017. We expect to finance additional investments in self-storage properties through the most attractive sources of capital available at the time of the transaction, in a manner consistent with maintaining a strong financial position and future financial flexibility, subject to limitations on incurrence of indebtedness in our unsecured credit facilities and the indenture that governs our unsecured notes. These capital sources may include existing cash, borrowings under the revolving portion of our credit facility, additional secured or unsecured financings, sales of common or preferred shares of the Parent Company in public offerings or private placements, additional issuances of debt securities, issuances of common or preferred units in our Operating Partnership in exchange for contributed properties, and formations of joint ventures. We also may sell stores that have unattractive risk adjusted returns and use the sales proceeds to fund other acquisitions.

Competition

Self-storage properties compete based on a number of factors, including location, rental rates, security, suitability of the store's design to prospective customers' needs, and the manner in which the store is operated and marketed. In particular, the number of competing self-storage properties in a market could have a material effect on our occupancy levels, rental rates, and on the overall operating performance of our stores. We believe that the primary competition for potential customers of any of our self-storage properties comes from other self-storage providers within a three-mile radius of that store. We believe our stores are well-positioned within their respective markets, and we emphasize customer service, convenience, security, professionalism, and cleanliness.

Our key competitors include local and regional operators as well as the other public self-storage REITs, including Public Storage, Extra Space Storage Inc., and Life Storage, Inc. These companies, some of which operate

significantly more stores than we do and have greater resources than we have, and other entities may be able to accept more risk than we determine is prudent for us, including risks with respect to the geographic proximity of investments and the payment of higher acquisition prices. This competition may reduce the number of suitable acquisition opportunities available to us, increase the price required to acquire stores, and reduce the demand for self-storage space at our stores. Nevertheless, we believe that our experience in operating, managing, acquiring, developing, and obtaining financing for self-storage properties should enable us to compete effectively.

Government Regulation

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

Under the Americans with Disabilities Act of 1990 and applicable state accessibility act laws (collectively, the “ADA”), all places of public accommodation are required to meet federal requirements related to physical access and use by disabled persons. A number of other federal, state, and local laws may also impose access and other similar requirements at our stores. A failure to comply with the ADA or similar state or local requirements could result in the governmental imposition of fines or the award of damages to private litigants affected by the noncompliance. Although we believe that our stores comply in all material respects with these requirements (or would be eligible for applicable exemptions from material requirements because of adaptive assistance provided), a determination that one or more of our stores or websites is not in compliance with the ADA or similar state or local requirements would result in the incurrence of additional costs associated with bringing them into compliance.

Under various federal, state, and local laws, ordinances and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of hazardous substances released on or in its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. The presence of hazardous substances, or the failure to properly remediate such substances, when released, may adversely affect the property owner’s

Table of Contents

ability to sell the real estate or to borrow using the real estate as collateral, and may cause the property owner to incur substantial remediation costs. In addition to claims for cleanup costs, the presence of hazardous substances on a property could result in a claim by a private party for personal injury or a claim by an adjacent property owner or user for property damage. We may also become liable for the costs of removal or remediation of hazardous substances stored at the properties by a customer even though storage of hazardous substances would be without our knowledge or approval and in violation of the customer's storage lease agreement with us.

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

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

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

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

Insurance

We carry comprehensive liability, fire, extended coverage, and rental loss insurance covering all of the properties in our portfolio. We carry environmental insurance coverage on certain stores in our portfolio. We believe the policy specifications and insured limits are appropriate and adequate given the relative risk of loss, the cost of the coverage, and industry practice. We do not carry insurance for losses such as loss from riots, war or acts of God, and, in some

cases, flood and environmental hazards, because such coverage is either not available or not available at commercially reasonable rates. Some of our policies, such as those covering losses due to terrorist activities, hurricanes, floods and earthquakes, are insured subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover losses. We also carry liability insurance to insure against personal injuries that might be sustained at our stores as well as director and officer liability insurance.

Offices

Our principal executive offices are located at 5 Old Lancaster Road, Malvern, PA 19355. Our telephone number is (610) 535-5000.

Employees

As of December 31, 2018, we employed 2,815 employees, of whom 330 were corporate executive and administrative personnel and 2,485 were property-level personnel. We believe that our relations with our employees are good. Our employees are not unionized.

Available Information

We file registration statements, proxy statements, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, with the SEC. You may obtain copies of these documents by accessing the SEC's website at www.sec.gov. Our internet website address is www.cubesmart.com. You also can obtain on our website, free of charge, copies of our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and any amendments to those reports, after we electronically file such reports or amendments with, or furnish them to, the SEC. Our internet website and the information contained therein or connected thereto are not intended to be incorporated by reference into this Report.

Table of Contents

Also available on our website, free of charge, are copies of our Code of Business Conduct and Ethics, our Corporate Governance Guidelines, and the charters for each of the committees of our Board — the Audit Committee, the Corporate Governance and Nominating Committee, and the Compensation Committee. Copies of each of these documents are also available in print free of charge, upon request by any shareholder. You can obtain copies of these documents by contacting Investor Relations by mail at 5 Old Lancaster Road, Malvern, PA 19355.

ITEM 1A. RISK FACTORS

Overview

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

Risks Related to our Business and Operations

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

We are susceptible to the effects of adverse macro-economic events that can result in higher unemployment, shrinking demand for products, large-scale business failures and tight credit markets. Our results of operations are sensitive to changes in overall economic conditions that impact consumer spending, including discretionary spending, as well as to increased bad debts due to recessionary pressures. Adverse economic conditions affecting disposable consumer income, such as employment levels, business conditions, interest rates, tax rates, and fuel and energy costs, could reduce consumer spending or cause consumers to shift their spending to other products and services. A general reduction in the level of discretionary spending or shifts in consumer discretionary spending could adversely affect our growth and profitability.

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

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

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

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

We are susceptible to adverse developments in the markets in which we operate, such as business layoffs or downsizing, industry slowdowns, relocations of businesses, changing demographics, and other factors. Our stores in Florida, New York, Texas, and California accounted for approximately 17%, 16%, 10% and 8%, respectively, of our total 2018 revenues. As a result of this geographic concentration of our stores, we are particularly susceptible to adverse market conditions in these areas. Any adverse economic or real estate developments in these markets, or in any of the other markets in which we operate, or any decrease in demand for self-storage space resulting from the local business climate, could adversely affect our rental revenues, which could impair our ability to satisfy our debt service obligations and pay distributions to our shareholders.

We face risks associated with property acquisitions.

We intend to continue to acquire individual and portfolios of self-storage properties. The purchase agreements that we enter into in connection with acquisitions typically contain closing conditions that need to be satisfied before the acquisitions can be consummated. The satisfaction of many of these conditions is outside of our control, and we therefore cannot assure that any of our pending or future acquisitions will be consummated. These conditions include, among other things, satisfactory examination of the title to the properties, the ability to obtain title insurance and customary closing conditions. Moreover, in the event we are unable to complete pending or future

Table of Contents

acquisitions, we may have incurred significant legal, accounting, and other transaction costs in connection with such acquisitions without realizing the expected benefits.

Those acquisitions that we do consummate would increase our size and may potentially alter our capital structure. Although we believe that future acquisitions that we complete will enhance our financial performance, the success of acquisitions is subject to the risks that:

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

In addition, we often do not obtain third-party appraisals of acquired properties and instead rely on value determinations by our senior management.

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

As we acquire or develop additional self-storage properties and bring additional self-storage properties onto our third party management platform, we will be subject to risks associated with integrating and managing new stores, including customer retention and mortgage default risks. In the case of a large portfolio purchase, we could experience strains in our existing information management capacity. In addition, acquisitions or developments may cause disruptions in our operations and divert management's attention away from day-to-day operations. Furthermore, our income may decline because we will be required to depreciate/amortize in future periods costs for acquired real

property and intangible assets. Our failure to successfully integrate any future acquisitions into our portfolio could have an adverse effect on our operating costs and our ability to make distributions to our shareholders.

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

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

Our development activities may be more costly or difficult to complete than we anticipate.

We intend to continue to develop self-storage properties where market conditions warrant such investment. Once made, these investments may not produce results in accordance with our expectations. Risks associated with development and construction activities include:

· the unavailability of favorable financing sources in the debt and equity markets;

· construction cost overruns, including on account of rising interest rates, diminished availability of materials and labor, and increases in the costs of materials and labor;

· construction delays and failure to achieve target occupancy levels and rental rates, resulting in a lower than projected return on our investment; and

Table of Contents

- complications (including building moratoriums and anti-growth legislation) in obtaining necessary zoning, occupancy, and other governmental permits.

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

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

We may incur impairment charges.

We evaluate on a quarterly basis our real estate portfolio for indicators of impairment. Impairment charges reflect management's judgment of the probability and severity of the decline in the value of real estate assets we own. These charges and provisions may be required in the future as a result of factors beyond our control, including, among other things, changes in the economic environment and market conditions affecting the value of real property assets or natural or man-made disasters. If we are required to take impairment charges, our results of operations will be adversely impacted.

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

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

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

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

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

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

Table of Contents

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

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

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

We have in the past co-invested with, and we may continue to co-invest with, third parties through joint ventures. In any such joint venture, we may not be in a position to exercise sole decision-making authority regarding the stores owned through joint ventures. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that joint venture partners might become bankrupt or fail to fund their share of required capital contributions. Joint venture partners may have business interests or goals that are inconsistent with our business interests or goals and may be in a position to take actions contrary to our policies or objectives. Such investments also have the potential risk of impasse on strategic decisions, such as a sale, in cases where neither we nor the joint venture partner would have full control over the joint venture. In other circumstances, joint venture partners may have the ability without our agreement to make certain major decisions, including decisions about sales, capital expenditures, and/or financing. Any disputes that may arise between us and our joint venture partners could result in litigation or arbitration that could increase our expenses and distract our officers and/or Trustees from focusing their time and effort on our business. In addition, we might in certain circumstances be liable for the actions of our joint venture partners, and the activities of a joint venture could adversely affect our ability to qualify as a REIT, even though we do not control the joint venture.

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

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

If our competitors build new stores that compete with our stores or offer space at rental rates below the rental rates we currently charge our customers, we may lose potential customers, and we may be pressured to reduce our rental rates below those we currently charge in order to retain customers when our customers' leases expire. As a result, our

financial condition, cash flow, cash available for distribution, market price of our shares, and ability to satisfy our debt service obligations could be materially adversely affected. In addition, increased competition for customers may require us to make capital improvements to our stores that we would not have otherwise made. Any unbudgeted capital improvements we undertake may reduce cash available for distributions to our shareholders.

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

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

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

There are other commercial parties, at both a local and national level, that may assert that our use of our brand names and other intellectual property conflict with their rights to use brand names, internet domains, and other intellectual property that they consider to be

Table of Contents

similar to ours. Any such commercial dispute and related resolution would involve all of the risks described above, including, in particular, our agreement to restrict the use of our brand name or other intellectual property.

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

Legislative actions and changes may cause our general and administrative costs and compliance costs to increase.

In order to comply with laws adopted by federal, state or local government or regulatory bodies, we may be required to increase our expenditures and hire additional personnel and additional outside legal, accounting and advisory services, all of which may cause our general and administrative and compliance costs to increase. Significant workforce-related legislative changes could increase our expenses and adversely affect our operations. Examples of possible workforce-related legislative changes include changes to an employer's obligation to recognize collective bargaining units, the process by which collective bargaining agreements are negotiated or imposed, minimum wage requirements, and health care and medical and family leave mandates. In addition, changes in the regulatory environment affecting health care reimbursements, and increased compliance costs related to enforcement of federal and state wage and hour statutes and common law related to overtime, among others, could cause our expenses to increase without an ability to pass through any increased expenses through higher prices.

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

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

Our insurance coverage may not comply with certain loan requirements.

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

Potential liability for environmental contamination could result in substantial costs.

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

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

Table of Contents

Our practice is to conduct or obtain environmental assessments in connection with the acquisition or development of additional stores. We carry environmental insurance coverage on certain stores in our portfolio. We obtain or examine environmental assessments from qualified and reputable environmental consulting firms (and intend to conduct such assessments prior to the acquisition or development of additional stores). The environmental assessments received to date have not revealed, nor do we have actual knowledge of, any environmental liability that we believe will have a material adverse effect on us. However, we cannot assure that our environmental assessments have identified or will identify all material environmental conditions, that any prior owner of any property did not create a material environmental condition not actually known to us, or that a material environmental condition does not otherwise exist with respect to any of our properties.

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

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

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

Personal privacy has become a significant issue in the jurisdictions in which we operate. Many jurisdictions in which we operate, including California, have imposed restrictions and requirements on the use of personal information by those collecting such information. The regulatory framework for privacy issues is rapidly evolving and future enactment of more restrictive laws, rules, or regulations and/or future enforcement actions or investigations could have a materially adverse impact on us through increased costs or restrictions on our business. Failure to comply with such laws and regulations could result in consent orders or regulatory penalties and significant legal liability, including fines, which could damage our reputation and have an adverse effect on our results of operations or financial condition.

We face system security risks as we depend upon automated processes and the Internet and we could damage our reputation, incur substantial additional costs and become subject to litigation if our systems are penetrated.

We are increasingly dependent upon automated information technology processes and Internet commerce, and many of our new customers come from the telephone or over the Internet. Moreover, the nature of our business involves the receipt and retention of personal information about our customers. We also rely extensively on third-party vendors to retain data, process transactions and provide other systems and services. These systems, and our systems, are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, malware, and other destructive or disruptive security breaches and catastrophic events, such as a natural disaster or a terrorist event or cyber-attack. In addition, experienced computer programmers and hackers may be able to penetrate our security systems and misappropriate our confidential information, create system disruptions, or cause shutdowns. Such data security breaches as well as system disruptions and shutdowns could result in additional costs to repair or replace such networks or information systems and possible legal liability, including government enforcement actions and private litigation. In addition, our customers could lose confidence in our ability to protect their personal information, which could cause them to discontinue leasing at our self-storage properties.

If we are unable to attract and retain team members or contract with third parties having the specialized skills or technologies needed to support our systems, implement improvements to our customer-facing technology in a timely manner, allow accurate visibility to product availability when customers are ready to rent, quickly and efficiently fulfill our customers rental and payment methods they demand, or provide a convenient and consistent experience for our customers regardless of the ultimate sales channel, our ability to compete and our results of operations could be adversely affected.

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

Terrorist attacks against our stores, the United States or our interests, may negatively impact our operations and the value of our securities. Attacks or armed conflicts could negatively impact the demand for self-storage and increase the cost of insurance coverage for

Table of Contents

our stores, which could reduce our profitability and cash flow. Furthermore, any terrorist attacks or armed conflicts could result in increased volatility in or damage to the United States and worldwide financial markets and economy.

Risks Related to the Real Estate Industry

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

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

- downturns in the national, regional, and local economic climate;
- local or regional oversupply, increased competition, or reduction in demand for self-storage space;
- vacancies or changes in market rents for self-storage space;
- inability to collect rent from customers;
- increased operating costs, including maintenance, personnel, insurance premiums, and real estate taxes;
- changes in interest rates and availability of financing;
- hurricanes, earthquakes and other natural disasters, civil disturbances, terrorist acts, or acts of war that may result in uninsured or underinsured losses;
- significant expenditures associated with acquisitions and development projects, such as debt service payments, real estate taxes, insurance, and maintenance costs which are generally not reduced when circumstances cause a reduction in revenues from a property;

- costs of complying with changes in laws and governmental regulations, including those governing usage, zoning, the environment, and taxes; and

- the relative illiquidity of real estate investments.

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

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

Because our real estate portfolio consists primarily of self-storage properties, we are subject to risks inherent in investments in a single industry. A decrease in the demand for self-storage space would have a greater adverse effect on our rental revenues than if we owned a more diversified real estate portfolio. Demand for self-storage space could be adversely affected by weakness in the national, regional, and local economies, changes in supply of, or demand for, similar or competing self-storage properties in an area, and the excess amount of self-storage space in a particular market. To the extent that any of these conditions occur, they are likely to affect market rents for self-storage space, which could cause a decrease in our rental revenue. Any such decrease could impair our ability to satisfy debt service obligations and make distributions to our shareholders.

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

Real estate property investments generally cannot be sold quickly. Also, the tax laws applicable to REITs require that we hold our properties for investment, rather than for sale in the ordinary course of business, which may cause us to forgo or defer sales of properties

Table of Contents

that otherwise would be in our best interest. Therefore, we may not be able to dispose of properties promptly, or on favorable terms, in response to economic or other market conditions, which may adversely affect our financial position.

Risks Related to our Qualification and Operation as a REIT

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

We operate our business to qualify to be taxed as a REIT for federal income tax purposes. We have not requested and do not plan to request a ruling from the IRS that we qualify as a REIT, and the statements in this Report are not binding on the IRS or any court. As a REIT, we generally will not be subject to federal income tax on the income that we distribute currently to our shareholders. Many of the REIT requirements, however, are highly technical and complex. The determination that we are a REIT requires an analysis of various factual matters and circumstances that may not be totally within our control. For example, to qualify as a REIT, at least 95% of our gross income must come from specific passive sources, such as rent, that are itemized in the REIT tax laws. In addition, to qualify as a REIT, we cannot own specified amounts of debt and equity securities of some issuers. We also are required to distribute to our shareholders with respect to each year at least 90% of our REIT taxable income, excluding net capital gains. The fact that we hold substantially all of our assets through the Operating Partnership and its subsidiaries and joint ventures further complicates the application of the REIT requirements for us. Even a technical or inadvertent mistake could jeopardize our REIT status, and, given the highly complex nature of the rules governing REITs and the ongoing importance of factual determinations, we cannot provide any assurance that we will continue to qualify as a REIT. Changes to rules governing REITs were made by legislation commonly known as the Tax Cuts and Jobs Act (the “TCJA”) and the Protecting Americans From Tax Hikes Act of 2015, signed into law on December 22, 2017 and December 18, 2015, respectively, and Congress and the IRS might make further changes to the tax laws and regulations, and the courts might issue new rulings that make it more difficult, or impossible, for us to remain qualified as a REIT. If we fail to qualify as a REIT for federal income tax purposes and are able to avail ourselves of one or more of the statutory savings provisions in order to maintain our REIT status, we would nevertheless be required to pay penalty taxes of $50,000 or more for each such failure.

If we fail to qualify as a REIT for federal income tax purposes, and are unable to avail ourselves of certain savings provisions set forth in the Internal Revenue Code, we would be subject to federal income tax at regular corporate rates on all of our income. As a taxable corporation, we would not be allowed to take a deduction for distributions to shareholders in computing our taxable income or pass through long-term capital gains to individual shareholders at favorable rates. For tax years beginning before January 1, 2018, we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes. We would not be able to elect to be taxed as a REIT for four years following the year we first failed to qualify unless the IRS were to grant us relief under certain statutory provisions. If we failed to qualify as a REIT, we would have to pay significant income taxes, which would reduce our net earnings available for investment or distribution to our shareholders. This likely would have a significant adverse effect on our earnings and likely would adversely affect the value of our securities. In addition, we would no longer be required to pay any distributions to shareholders.

Furthermore, we owned a subsidiary REIT ("PSI") that was liquidated on December 31, 2018. Prior to liquidation, PSI was independently subject to, and was required to comply with, the same REIT requirements that we must satisfy in order to qualify as a REIT, together with all other rules applicable to REITs. If PSI failed to qualify as a REIT during our period of ownership, and certain statutory relief provisions do not apply, as a result of a protective election made jointly by PSI and CubeSmart, PSI will be taxed as a taxable REIT subsidiary. See the section entitled "Taxation of CubeSmart–Requirements for Qualification–Taxable REIT Subsidiaries" in Exhibit 99.1 for more information regarding taxable REIT subsidiaries.

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

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

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

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

Table of Contents

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

Even if we qualify as a REIT for federal income tax purposes, we will be required to pay certain federal, state and local taxes on our income and property. For example, we will be subject to income tax to the extent we distribute less than 100% of our REIT taxable income, including capital gains. Additionally, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which dividends paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. Moreover, if we have net income from "prohibited transactions," that income will be subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property held primarily for sale to customers in the ordinary course of business. The determination as to whether a particular sale is a prohibited transaction depends on the facts and circumstances related to that sale. We cannot guarantee that sales of our properties would not be prohibited transactions unless we comply with certain statutory safe-harbor provisions.

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

We face possible federal, state, and local tax audits.

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

Legislative or regulatory tax changes related to REITs could materially and adversely affect our business.

At any time, the federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be changed, possibly with retroactive effect. We cannot predict if or when any new federal income tax law, regulation or administrative interpretation, or any amendment to any existing federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective or whether any such law, regulation or interpretation may take effect retroactively. We and our shareholders could be adversely affected by any such change in, or any new, federal income tax law, regulation or administrative interpretation.

The TCJA made significant changes to the U.S. federal income tax rules for taxation of individuals and corporations, generally effective for taxable years beginning after December 31, 2017. In addition to reducing corporate and non-corporate tax rates, the TCJA made changes to the number of provisions of the Code that may affect the taxation of REITs and their security holders. While the changes in the TCJA generally appear to be favorable with respect to REITs, certain changes to the U.S. federal income tax laws enacted by the TCJA could have a material and adverse effect on us. For example, certain changes in law pursuant to the TCJA could reduce the relative competitive advantage of operating as a REIT as compared with operating as a C corporation, including by:

- reducing the rate of tax applicable to individuals and C corporations, which could reduce the relative attractiveness of the generally single level of taxation on REIT distributions
- permitting immediate expensing of capital expenditures, which could likewise reduce the relative attractiveness of the REIT taxation regime and
- limiting the deductibility of interest expense, which could increase the distribution requirement of REITs.

Table of Contents

Most of the changes applicable to individuals are temporary and apply only to taxable years beginning after December 31, 2017 and before January 1, 2026. The TCJA made numerous large and small changes to the tax rules that do not affect REITs directly but may affect our shareholders and may indirectly affect us.

Moreover, Congressional leaders have recognized that the process of adopting extensive tax legislation in a short amount of time without hearings and substantial time for review is likely to have led to drafting errors, issues needing clarification and unintended consequences that will have to be reviewed in subsequent tax legislation. At this point, although certain additional guidance has been provided by Treasury and the IRS, it is not clear when Congress will address these issues or when the Internal Revenue Service will issue additional administrative guidance on the changes made in the TCJA.

Shareholders are urged to consult with their tax advisors with respect to the status of the TCJA and any other regulatory or administrative developments and proposals and their potential effect on investment in our capital stock.

Dividends paid by REITs do not qualify for the reduced tax rates provided under current law.

Dividends paid by REITs are generally not eligible for the reduced 15% maximum tax rate for dividends paid to individuals (20% for those with taxable income above certain thresholds that are adjusted annually under current law). The more favorable rates applicable to regular corporate dividends could cause shareholders who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stock of non-REIT corporations that pay dividends to which more favorable rates apply, which could reduce the value of REIT stocks.

Legislation modifies the rules applicable to partnership tax audits.

The Bipartisan Budget Act of 2015, effective for taxable years beginning after December 31, 2017, requires our Operating Partnership and any subsidiary partnership to pay the hypothetical increase in partner-level taxes (including interest and penalties) resulting from an adjustment of partnership tax items on audit or in other tax proceedings, unless the partnership elects an alternative method under which the taxes resulting from the adjustment (and interest and penalties) are assessed at the partner level. Many uncertainties remain as to the application of these rules, including the application of the alternative method to partners that are REITs, and the impact they will have on us. However, it is possible that partnerships in which we invest may be subject to U.S. federal income tax, interest and penalties in the event of a U.S. federal income tax audit as a result of these law changes.

Risks Related to our Debt Financings

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

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

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

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

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

Table of Contents

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

From time to time, domestic financial markets experience volatility and uncertainty. At times in recent years liquidity has tightened in the domestic financial markets, including the investment grade debt and equity capital markets from which we historically sought financing. Consequently, there is greater uncertainty regarding our ability to access the credit markets in order to attract financing on reasonable terms; there can be no assurance that we will be able to continue to issue common or preferred equity securities at a reasonable price. Our ability to finance new acquisitions and refinance future debt maturities could be adversely impacted by our inability to secure permanent financing on reasonable terms, if at all.

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

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

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

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

to economic or other conditions.

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

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

Changes in the method of determining LIBOR, or the replacement of LIBOR with an alternative reference rate, may adversely affect our financial results.

As of December 31, 2018, we had $495.5 million of debt outstanding that was indexed to the London Interbank Offered Rate ("LIBOR"). On July 27, 2017, the Financial Conduct Authority ("FCA"), which regulates LIBOR, announced its intention to phase out LIBOR rates by the end of 2021. It is not possible to predict the further effect of the FCA's announcement, any changes in the methods by which LIBOR is determined, or any other reforms to LIBOR that may be enacted in the United Kingdom, the European Union or elsewhere. Such developments may cause LIBOR to perform differently than in the past, or cease to exist. In addition, any other legal or regulatory changes made by the FCA, ICE Benchmark Administration Limited, the European Money Markets Institute (formerly Euribor-EBF), the European Commission or any other successor governance or oversight body, or future changes adopted by such body, in the method by which LIBOR is determined or the transition from LIBOR to a successor benchmark may result in, among other things, a sudden or prolonged increase or decrease in LIBOR, a delay in the publication of LIBOR, and changes in the rules or methodologies in LIBOR, which may discourage market participants from continuing to administer or to participate in LIBOR's determination, and, in certain situations, could result in LIBOR no longer being determined and published. If a published U.S. dollar LIBOR rate is unavailable

Table of Contents

after 2021, the interest rates on our debt which is indexed to LIBOR will be determined using alternative methods, which may result in interest obligations which are more than or do not otherwise correlate over time with the payments that would have been made on such debt if U.S. dollar LIBOR was available in its current form. Further, the same costs and risks that may lead to the unavailability of U.S. dollar LIBOR may make one or more of the alternative methods impossible or impracticable to determine. Any of these proposals or consequences could have a material adverse effect on our financing costs, and as a result, our financial condition, operating results and cash flows.

Risks Related to our Organization and Structure

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

Our executive team, including our named executive officers, has extensive self-storage, real estate, and public company experience. Our Chief Executive Officer, Chief Financial Officer, and Chief Legal Officer are parties to the Company's executive severance plan, however, we cannot provide assurance that any of them will remain in our employment. The loss of services of one or more members of our senior management team could adversely affect our operations and our future growth.

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

As of December 31, 2018, we had 2,485 property-level personnel involved in the management and operation of our stores. The customer service, marketing skills, and knowledge of local market demand and competitive dynamics of our store managers are contributing factors to our ability to maximize our rental income and to achieve the highest sustainable rent levels at each of our stores. We compete with various other companies in attracting and retaining qualified and skilled personnel. Competitive pressures may require that we enhance our pay and benefits package to compete effectively for such personnel. If there is an increase in these costs or if we fail to attract and retain qualified and skilled personnel, our business and operating results could be adversely affected.

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

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

- "business combination moratorium/fair price" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested shareholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the shareholder becomes an interested shareholder, and thereafter imposes stringent fair price and super-majority shareholder voting requirements on these combinations; and

- "control share" provisions that provide that "control shares" of our company (defined as shares which, when aggregated with other shares controlled by the shareholder, entitle the shareholder to exercise one of three increasing ranges of voting power in electing Trustees) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares" from a party other than the issuer) have no voting rights except to the extent approved by our shareholders by the affirmative vote of at least two thirds of all the votes entitled to be cast on the matter, excluding all interested shares, and are subject to redemption in certain circumstances.

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

Our Trustees also have the discretion, granted in our bylaws and Maryland law, without shareholder approval to, among other things (1) create a staggered Board, (2) amend our bylaws or repeal individual bylaws in a manner that provides the Board with greater authority, and (3) issue additional equity securities. Any such action could inhibit or impede a third party from making a proposal to acquire us at a price that could be beneficial to our shareholders.

Table of Contents

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

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

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

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

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

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

Risks Related to our Securities

Additional issuances of equity securities may be dilutive to shareholders.

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

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

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

· increases in market interest rates, relative to the dividend yield on our shares. If market interest rates go up, prospective purchasers of our securities may require a higher yield. Higher market interest rates would not, however, result in more funds for us to distribute and, to the contrary, would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our equity securities to go down;

· anticipated benefit of an investment in our securities as compared to investment in securities of companies in other industries (including benefits associated with tax treatment of dividends and distributions);

· perception by market professionals of REITs generally and REITs comparable to us in particular;

· level of institutional investor interest in our securities;

· relatively low trading volumes in securities of REITs;

Table of Contents

- our results of operations and financial condition;

- investor confidence in the stock market generally; and

- additions and departures of key personnel.

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

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

The market price of our common shares has been subject to significant fluctuation and may continue to fluctuate or decline. Between January 1, 2016 and December 31, 2018, the closing price per share of our common shares has ranged from a high of $33.30 (on March 31, 2016) to a low of $22.94 (on July 10, 2017). In the past several years, REIT securities have experienced high levels of volatility and significant increases in value from their historic lows.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

Table of Contents

ITEM 2. PROPERTIES

As of December 31, 2018, we owned 493 self-storage properties that contain approximately 34.6 million rentable square feet and are located in 23 states and the District of Columbia. The following table sets forth summary information regarding our stores by state as of December 31, 2018.

State	Number of Stores	Cubes	Total Rentable Square Feet	% of Total Rentable Square Feet	Period-end Occupancy
Florida	80	58,210	5,972,181	17.2 %	89.4 %
Texas	66	39,407	4,637,296	13.4 %	88.3 %
New York	47	62,686	3,576,590	10.3 %	81.3 %
California	42	28,596	3,052,908	8.8 %	89.1 %
Illinois	42	25,271	2,695,599	7.8 %	89.7 %
Arizona	31	17,608	1,893,512	5.5 %	92.3 %
New Jersey	25	16,878	1,700,724	4.9 %	92.0 %
Maryland	16	13,034	1,320,367	3.8 %	91.3 %
Georgia	18	11,072	1,317,737	3.8 %	91.3 %
Ohio	20	11,127	1,290,003	3.7 %	89.9 %
Connecticut	22	10,682	1,178,620	3.4 %	91.5 %
Virginia	10	7,889	788,260	2.3 %	90.5 %
North Carolina	10	6,279	722,500	2.1 %	87.4 %
Colorado	11	6,019	697,299	2.0 %	89.2 %
Massachusetts	11	7,242	668,883	1.9 %	89.5 %
Nevada	8	5,131	642,342	1.9 %	93.0 %
Tennessee	7	4,450	618,060	1.8 %	90.8 %
Pennsylvania	9	6,034	608,866	1.8 %	91.4 %
Washington D.C.	5	5,301	410,075	1.2 %	76.9 %
Utah	4	2,306	239,398	0.7 %	89.1 %
Rhode Island	4	1,978	237,195	0.7 %	91.5 %
New Mexico	3	1,676	182,261	0.5 %	92.8 %
Minnesota	1	1,026	100,928	0.3 %	93.2 %
Indiana	1	577	67,604	0.2 %	93.4 %
Total/Weighted Average	493	350,479	34,619,208	100.0 %	89.0 %

We have grown by adding stores to our portfolio through acquisitions and development. The tables set forth below show the average occupancy, annual rent per occupied square foot, and total revenues for our stores owned as of December 31, 2018, and for each of the previous three years, grouped by the year during which we first owned or operated the store.

Stores by Year Acquired - Average Occupancy

Year Acquired (1)	# of Stores	Rentable Square Feet	Average Occupancy 2018	2017	2016
2015 and earlier	443	30,419,868	92.5 %	92.6 %	91.9 %
2016	30	2,442,005	85.5 %	79.9 %	67.8 %
2017	9	763,343	45.9 %	39.1 %	—
2018	11	993,992	56.7 %	—	—
All Stores Owned as of December 31, 2018	493	34,619,208	90.5 %	91.2 %	90.7 %

Table of Contents

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

Year Acquired (1)	# of Stores	Rent per Square Foot 2018	2017	2016
2015 and earlier	443	$ 17.52	$ 16.92	$ 16.24
2016	30	16.14	15.36	15.24
2017	9	19.99	19.11	—
2018	11	24.76	—	—
All Stores Owned as of December 31, 2018	493	$ 17.58	$ 16.84	$ 16.18

Stores by Year Acquired - Total Revenues (dollars in thousands)

Year Acquired (1)	# of Stores	Total Revenues 2018	2017	2016
2015 and earlier	443	$ 522,579	$ 504,521	$ 479,029
2016	30	35,593	31,391	16,005
2017	9	7,563	2,102	—
2018	11	4,137	—	—
All Stores Owned as of December 31, 2018	493	$ 569,872	$ 538,014	$ 495,034

(1) Represents the year acquired for those stores we acquired from a third party or the year placed in service for those stores we developed.

(2) Determined by dividing the aggregate rental revenue for each twelve-month period by the average of the month-end occupied square feet for the period. Rental revenue includes the impact of promotional discounts, which reduce rental income over the promotional period, of $19.9 million, $18.2 million, and $17.4 million for the periods ended December 31, 2018, 2017 and 2016, respectively.

Unconsolidated Real Estate Ventures

As of December 31, 2018, we held common ownership interests ranging from 10% to 50% in four unconsolidated real estate ventures for an aggregate investment balance of $95.8 million. We formed interests in these real estate ventures with unaffiliated third parties to acquire, own, and operate self-storage properties in select markets. As of December 31, 2018, these four unconsolidated real estate ventures owned 129 self-storage properties that contain an aggregate of approximately 7.7 million net rentable square feet. The self-storage properties owned by these four real estate ventures are managed by us and are located in Texas (37), South Carolina (22), Michigan (17), Massachusetts (13), Tennessee

(10), Georgia (7), Florida (6), Connecticut (5), North Carolina (5), Arizona (2), Rhode Island (2), Vermont (2), and Maryland (1).

On September 5, 2018, we invested $5.0 million in exchange for 100% of the Class A Preferred Units of Capital Storage Partners, LLC ("Capital Storage"), a newly formed venture that acquired 22 self-storage properties that contain an aggregate of approximately 1.3 million net rentable square feet. The stores owned by Capital Storage are located in Florida (4), Oklahoma (5), and Texas (13). The Class A Preferred Units earn an 11% cumulative dividend prior to any other distributions.

Each of these ventures has assets and liabilities that we do not consolidate in our financial statements.

We account for our investments in real estate ventures using the equity method when it is determined that we have the ability to exercise significant influence over the venture. See note 5 to the consolidated financial statements for further disclosure regarding the assets, liabilities, and operating results of our unconsolidated real estate ventures which we account for using the equity method of accounting.

Capital Expenditures

We have a capital improvement program that includes office upgrades, adding climate control to selected cubes, construction of parking areas, and other store upgrades. For 2019, we anticipate spending approximately $5.0 million to $10.0 million associated with these capital expenditures. For 2019, we also anticipate spending approximately $10.0 million to $15.0 million on recurring capital expenditures and approximately $30.0 million to $45.0 million on the development of new self-storage properties.

Table of Contents

ITEM 3. LEGAL PROCEEDINGS

To our knowledge, no legal proceedings are pending against us, other than routine actions and administrative proceedings, and other actions not deemed material, and which, in the aggregate, are not expected to have a material adverse effect on our financial condition, results of operations, or cash flows.

ITEM 4. MINING SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Repurchase of Parent Company Common and Preferred Shares

The following table provides information about repurchases of the Parent Company's common and preferred shares during the three months ended December 31, 2018:

	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
October 1 - October 31	147	$ 28.00	N/A	3,000,000
November 1 - November 30	37	$ 30.33	N/A	3,000,000
December 1 - December 31	232	$ 30.67	N/A	3,000,000
Total	416	$ 29.70	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.

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.

Market Information for and Holders of Record of Common Shares

As of December 31, 2018, there were approximately 131 registered record holders of the Parent Company's common shares and 13 holders (other than the Parent Company) of the Operating Partnership's common units. These amounts do not include common shares held by brokers and other institutions on behalf of shareholders. The Parent Company's common stock is traded on the New York Stock Exchange ("NYSE") under the symbol CUBE. There is no established trading market for units of the Operating Partnership.

Since our initial quarter as a publicly-traded REIT, we have made regular quarterly distributions to our shareholders. Distributions to shareholders are usually taxable as ordinary income, although a portion of the distribution may be designated as capital gain or may constitute a tax-free return of capital. Annually, we provide each of the Parent Company's common shareholders a statement detailing the tax characterization of dividends paid during the preceding year as ordinary income, capital gain, or return of capital. The characterization of the Parent Company's dividends for 2018 consisted of a 78.190% ordinary income distribution, a 13.653% capital gain distribution, and an 8.157% return of capital distribution from earnings and profits.

We intend to continue to declare quarterly distributions. However, we cannot provide any assurance as to the amount or timing of future distributions. Under our Credit Facility, we are restricted from paying distributions on the Parent Company's common shares in excess of the greater of (i) 95% of our funds from operations, and (ii) such amount as may be necessary to maintain our REIT status.

Table of Contents

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

Recent Sales of Unregistered Equity Securities and Use of Proceeds

Recent Sales of Operating Partnership Unregistered Equity Securities

As previously disclosed, on December 7, 2017, the Operating Partnership entered into an agreement to acquire a self-storage property located in Texas for $12.2 million, and agreed to fund a portion of the acquisition price in the form of common units, designated Class B Units. On January 31, 2018, the Operating Partnership closed on the acquisition and funded approximately $4.8 million of the acquisition price through the issuance of 168,011 common units. Following a 13-month lock-up period, the holder may tender the common units for redemption by the Operating Partnership for a cash amount per common unit equal to the market value of an equivalent number of common shares of the Company. The Company has the right, but not the obligation, to assume and satisfy the redemption obligation of the Operating Partnership by issuing one common share in exchange for each common unit tendered for redemption. The common units were sold to a single accredited investor unaffiliated with the Company in a private placement transaction exempt from the registration requirements of the Securities Act of 1933 pursuant to Section 4(a)(2) of such Act.

Securities Authorized Under Equity Compensation Plans

Other information about our equity compensation plans is incorporated herein by reference to Part III, Item 12 of this Annual Report on Form 10-K.

Table of Contents

Share Performance Graph

The SEC requires us to present a chart comparing the cumulative total shareholder return, assuming reinvestment of dividends, on our common shares with the cumulative total shareholder return of (i) a broad equity index and (ii) a published industry or peer group index. The following chart compares the yearly cumulative total shareholder return for our common shares with the cumulative shareholder return of companies on (i) the S&P 500 Index, (ii) the Russell 2000 Index and (iii) the NAREIT All Equity REIT Index as provided by NAREIT for the period beginning December 31, 2013 and ending December 31, 2018.

	Period Ending					
Index	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
CubeSmart	100.00	142.54	203.01	183.03	206.31	213.29
S&P 500 Index	100.00	113.69	115.26	129.05	157.22	150.33
Russell 2000 Index	100.00	104.89	100.26	121.63	139.44	124.09
NAREIT All Equity REIT Index	100.00	128.03	131.64	143.00	155.41	149.12

ITEM 6. SELECTED FINANCIAL DATA

CUBESMART

The following table sets forth selected financial and operating data on a historical consolidated basis for the Parent Company. The selected historical financial data as of and for each of the years in the five-year period ended December 31, 2018 are derived from the Parent Company's consolidated financial statements, which financial statements have been audited by KPMG LLP, an independent registered public accounting firm. The consolidated financial statements as of December 31, 2018 and 2017, and for each of the years in the three-year period ended December 31, 2018, and the report thereon, are included herein. The selected data should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018, the related notes, and the independent registered public accounting firm's report. The other data presented below is not derived from the audited financial statements included herein.

Table of Contents

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

	For the year ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands, except per share data)				
REVENUES					
Rental income	$ 517,535	$ 489,043	$ 449,601	$ 392,476	$ 330,898
Other property related income	60,156	55,001	50,255	45,189	40,065
Property management fee income	20,253	14,899	10,183	6,856	6,000
Total revenues	597,944	558,943	510,039	444,521	376,963
OPERATING EXPENSES					
Property operating expenses	196,866	181,508	165,847	153,172	132,701
Depreciation and amortization	143,350	145,681	161,865	151,789	126,813
General and administrative	37,712	34,745	32,823	28,371	28,422
Acquisition related costs	—	1,294	6,552	3,301	7,484
Total operating expenses	377,928	363,228	367,087	336,633	295,420
OTHER (EXPENSE) INCOME					
Interest:					
Interest expense on loans	(62,132)	(56,952)	(50,399)	(43,736)	(46,802)
Loan procurement amortization expense	(2,313)	(2,638)	(2,577)	(2,324)	(2,190)
Equity in losses of real estate ventures	(865)	(1,386)	(2,662)	(411)	(6,255)
Gains from sale of real estate, net	10,576	—	—	17,567	475
Other	206	872	1,062	(228)	(405)
Total other expense	(54,528)	(60,104)	(54,576)	(29,132)	(55,177)
INCOME FROM CONTINUING OPERATIONS	165,488	135,611	88,376	78,756	26,366
DISCONTINUED OPERATIONS					
Income from discontinued operations	—	—	—	—	336
Total discontinued operations	—	—	—	—	336
NET INCOME	165,488	135,611	88,376	78,756	26,702
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS					
Noncontrolling interests in the Operating Partnership	(1,820)	(1,593)	(941)	(960)	(307)
Noncontrolling interest in subsidiaries	221	270	470	(84)	(16)
NET INCOME ATTRIBUTABLE TO THE COMPANY	163,889	134,288	87,905	77,712	26,379
Distribution to preferred shareholders	—	—	(5,045)	(6,008)	(6,008)
Preferred share redemption charge	—	—	(2,937)	—	—
NET INCOME ATTRIBUTABLE TO THE COMPANY'S COMMON SHAREHOLDERS	$ 163,889	$ 134,288	$ 79,923	$ 71,704	$ 20,371

Basic earnings per share from continuing operations attributable to common shareholders	$ 0.89	$ 0.74	$ 0.45	$ 0.43	$ 0.13
Basic earnings per share from discontinued operations attributable to common shareholders	$ —	$ —	$ —	$ —	$ 0.01
Basic earnings per share attributable to common shareholders	$ 0.89	$ 0.74	$ 0.45	$ 0.43	$ 0.14
Diluted earnings per share from continuing operations attributable to common shareholders	$ 0.88	$ 0.74	$ 0.45	$ 0.42	$ 0.13
Diluted earnings per share from discontinued operations attributable to common shareholders	$ —	$ —	$ —	$ —	$ 0.01
Diluted earnings per share attributable to common shareholders	$ 0.88	$ 0.74	$ 0.45	$ 0.42	$ 0.14
Weighted-average basic shares outstanding (1)	184,653	180,525	178,246	168,640	149,107
Weighted-average diluted shares outstanding (1)	185,495	181,448	179,533	170,191	150,863
AMOUNTS ATTRIBUTABLE TO THE COMPANY'S COMMON SHAREHOLDERS:					
Income from continuing operations	$ 163,889	$ 134,288	$ 79,923	$ 71,704	$ 20,040
Total discontinued operations	—	—	—	—	331
Net income	$ 163,889	$ 134,288	$ 79,923	$ 71,704	$ 20,371

Table of Contents

	At December 31, 2018	2017	2016	2015	2014
Balance Sheet Data (in thousands):					
Storage properties, net	$ 3,600,968	$ 3,408,790	$ 3,326,816	$ 2,872,983	$ 2,625,129
Total assets	3,752,972	3,545,336	3,475,028	3,104,164	2,776,906
Unsecured senior notes, net	1,143,524	1,142,460	1,039,076	741,904	493,957
Revolving credit facility	195,525	81,700	43,300	—	78,000
Unsecured term loans, net	299,799	299,396	398,749	398,183	397,617
Mortgage loans and notes payable, net	108,246	111,434	114,618	111,455	194,844
Total liabilities	1,980,704	1,855,646	1,759,384	1,393,183	1,277,465
Noncontrolling interests in the Operating Partnership	55,819	54,320	54,407	66,128	49,823
Total CubeSmart shareholders' equity	1,709,678	1,629,134	1,655,382	1,643,327	1,448,026
Noncontrolling interests in subsidiaries	6,771	6,236	5,855	1,526	1,592
Total liabilities and equity	3,752,972	3,545,336	3,475,028	3,104,164	2,776,906
Other Data:					
Number of stores	493	484	475	445	421
Total rentable square feet (in thousands)	34,619	33,760	32,858	30,361	28,622
Occupancy percentage	89.0 %	89.2 %	89.7 %	90.2 %	89.1 %
Cash dividends declared per common share (2)	$ 1.22	$ 1.11	$ 0.90	$ 0.69	$ 0.55

(1) OP units have been excluded from the earnings per share calculations as the related income or loss is presented in noncontrolling interests in the Operating Partnership.

(2) We announced full quarterly dividends of $0.13 and $0.484 per common and preferred shares, respectively, on February 25, 2014, May 28, 2014, and August 5, 2014; dividends of $0.16 and $0.484 per common and preferred shares, respectively, on December 16, 2014, February 24, 2015, May 27, 2015, and August 4, 2015; dividends of $0.21 and $0.484 per common and preferred shares, respectively, on December 10, 2015, February 16, 2016, June 1, 2016, and August 2, 2016; dividends of $0.174 per preferred share on September 2, 2016; dividends of $0.27 per common share on December 15, 2016, February 14, 2017, May 31, 2017, and July 25, 2017; dividends of $0.30 per common share on December 14, 2017, February 13, 2018, May 30, 2018, and August 7, 2018; and dividends of $0.32 per common share on December 13, 2018.

CUBESMART, L.P.

The following table sets forth selected financial and operating data on a historical consolidated basis for the Operating Partnership. The selected historical financial data as of and for each of the years in the five-year period ended December 31, 2018 are derived from the Operating Partnership's consolidated financial statements, which financial statements have been audited by KPMG LLP, an independent registered public accounting firm. The consolidated financial statements as of December 31, 2018 and 2017, and for each of the years in the three-year period ended December 31, 2018, and the report thereon, are included herein. The selected data should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018, the related notes, and the independent registered public accounting firm's report. The other data presented below is not derived from the audited financial statements included herein.

Table of Contents

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

	For the year ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands, except per unit data)				
REVENUES					
Rental income	$ 517,535	$ 489,043	$ 449,601	$ 392,476	$ 330,898
Other property related income	60,156	55,001	50,255	45,189	40,065
Property management fee income	20,253	14,899	10,183	6,856	6,000
Total revenues	597,944	558,943	510,039	444,521	376,963
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Depreciation and amortization	143,350	145,681	161,865	151,789	126,813
General and administrative	37,712	34,745	32,823	28,371	28,422
Acquisition related costs	—	1,294	6,552	3,301	7,484
Total operating expenses	377,928	363,228	367,087	336,633	295,420
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Interest:					
Interest expense on loans	(62,132)	(56,952)	(50,399)	(43,736)	(46,802)
Loan procurement amortization expense	(2,313)	(2,638)	(2,577)	(2,324)	(2,190)
Equity in losses of real estate ventures	(865)	(1,386)	(2,662)	(411)	(6,255)
Gains from sale of real estate, net	10,576	—	—	17,567	475
Other	206	872	1,062	(228)	(405)
Total other expense	(54,528)	(60,104)	(54,576)	(29,132)	(55,177)
INCOME FROM CONTINUING OPERATIONS	165,488	135,611	88,376	78,756	26,366
DISCONTINUED OPERATIONS					
Income from discontinued operations	—	—	—	—	336
Total discontinued operations	—	—	—	—	336
NET INCOME	165,488	135,611	88,376	78,756	26,702
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS					
Noncontrolling interest in subsidiaries	221	270	470	(84)	(16)
NET INCOME ATTRIBUTABLE TO CUBESMART L.P.	165,709	135,881	88,846	78,672	26,686
Operating Partnership interests of third parties	(1,820)	(1,593)	(941)	(960)	(307)
NET INCOME ATTRIBUTABLE TO OPERATING PARTNER	163,889	134,288	87,905	77,712	26,379
Distribution to preferred unitholders	—	—	(5,045)	(6,008)	(6,008)
Preferred unit redemption charge	—	—	(2,937)	—	—
	$ 163,889	$ 134,288	$ 79,923	$ 71,704	$ 20,371

NET INCOME ATTRIBUTABLE TO COMMON UNITHOLDERS					
Basic earnings per unit from continuing operations attributable to common unitholders	$ 0.89	$ 0.74	$ 0.45	$ 0.43	$ 0.13
Basic earnings per unit from discontinued operations attributable to common unitholders	$ —	$ —	$ —	$ —	$ 0.01
Basic earnings per unit attributable to common unitholders	$ 0.89	$ 0.74	$ 0.45	$ 0.43	$ 0.14
Diluted earnings per unit from continuing operations attributable to common unitholders	$ 0.88	$ 0.74	$ 0.45	$ 0.42	$ 0.13
Diluted earnings per unit from discontinued operations attributable to common unitholders	$ —	$ —	$ —	$ —	$ 0.01
Diluted earnings per unit attributable to common unitholders	$ 0.88	$ 0.74	$ 0.45	$ 0.42	$ 0.14
Weighted-average basic units outstanding (1)	184,653	180,525	178,246	168,640	149,107
Weighted-average diluted units outstanding (1)	185,495	181,448	179,533	170,191	150,863
AMOUNTS ATTRIBUTABLE TO COMMON UNITHOLDERS:					
Income from continuing operations	$ 163,889	$ 134,288	$ 79,923	$ 71,704	$ 20,040
Total discontinued operations	—	—	—	—	331
Net income	$ 163,889	$ 134,288	$ 79,923	$ 71,704	$ 20,371

Table of Contents

	At December 31, 2018	2017	2016	2015	2014
Balance Sheet Data (in thousands):					
Storage properties, net	$ 3,600,968	$ 3,408,790	$ 3,326,816	$ 2,872,983	$ 2,625,129
Total assets	3,752,972	3,545,336	3,475,028	3,104,164	2,776,906
Unsecured senior notes, net	1,143,524	1,142,460	1,039,076	741,904	493,957
Revolving credit facility	195,525	81,700	43,300	—	78,000
Unsecured term loans, net	299,799	299,396	398,749	398,183	397,617
Mortgage loans and notes payable, net	108,246	111,434	114,618	111,455	194,844
Total liabilities	1,980,704	1,855,646	1,759,384	1,393,183	1,277,465
Operating Partnership interests of third parties	55,819	54,320	54,407	66,128	49,823
Total CubeSmart L.P. Capital	1,709,678	1,629,134	1,655,382	1,643,327	1,448,026
Noncontrolling interests in subsidiaries	6,771	6,236	5,855	1,526	1,592
Total liabilities and capital	3,752,972	3,545,336	3,475,028	3,104,164	2,776,906
Other Data:					
Number of stores	493	484	475	445	421
Total rentable square feet (in thousands)	34,619	33,760	32,858	30,361	28,622
Occupancy percentage	89.0 %	89.2 %	89.7 %	90.2 %	89.1 %
Cash dividends declared per common unit (2)	$ 1.22	$ 1.11	$ 0.90	$ 0.69	$ 0.55

(1) OP units have been excluded from the earnings per unit calculations as the related income or loss is presented in Operating Partnership interest of third parties.

(2) We announced full quarterly dividends of $0.13 and $0.484 per common and preferred units, respectively, on February 25, 2014, May 28, 2014, and August 5, 2014; dividends of $0.16 and $0.484 per common and preferred units, respectively, on December 16, 2014, February 24, 2015, May 27, 2015, and August 4, 2015; dividends of $0.21 and $0.484 per common and preferred units, respectively, on December 10, 2015, February 16, 2016, June 1, 2016, and August 2, 2016; dividends of $0.174 per preferred unit on September 2, 2016; dividends of $0.27 per common unit on December 15, 2016, February 14, 2017, May 31, 2017, and July 25, 2017; dividends of $0.30 per common unit on December 14, 2017, February 13, 2018, May 30, 2018, and August 7, 2018; and dividends of $0.32 per common share on December 13, 2018.

Table of Contents

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Report. Some of the statements we make in this section are forward-looking statements within the meaning of the federal securities laws. For a complete discussion of forward-looking statements, see the section in this Report entitled "Forward-Looking Statements". Certain risk factors may cause actual results, performance or achievements to differ materially from those expressed or implied by the following discussion. For a discussion of such risk factors, see the section in this Report entitled "Risk Factors".

Overview

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 December 31, 2018 and December 31, 2017, we owned 493 and 484 self-storage properties, respectively, totaling approximately 34.6 million and 33.8 million rentable square feet, respectively. As of December 31, 2018, 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 December 31, 2018, we managed 593 stores for third parties (including 151 stores containing an aggregate of approximately 9.0 million net rentable square feet as part of five separate unconsolidated real estate ventures), bringing the total number of stores we owned and/or managed to 1,086. As of December 31, 2018, we managed stores for third parties in the District of Columbia and the following 34 states: Alabama, Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Missouri, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, and Wisconsin.

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 and moving trends, 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, Texas, and California provided approximately 17%, 16%, 10%, and 8%, respectively, of total revenues for the year ended December 31, 2018.

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 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

Table of Contents

notes to our consolidated financial statements (see note 2 to the consolidated financial statements). These policies require the application of judgment and assumptions by management and, as a result, are subject to a degree of uncertainty. Due to this uncertainty, actual results could differ materially from estimates calculated and utilized by management.

Basis of Presentation

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

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

Self-Storage 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 comparable market sales information for land, buildings and improvements, and estimates of depreciated replacement cost of equipment.

In allocating the purchase price for an acquisition, the Company determines whether the acquisition includes intangible assets or liabilities. The Company allocates a portion of the purchase price to an intangible asset attributable to the value of in-place leases. This intangible asset is generally amortized to expense over the expected remaining term of the 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 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 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 years ended December 31, 2018, 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

Table of Contents

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 our leases with customers are operating leases. Rental income is recognized in accordance with the terms of the leases, which generally are month to month. Property management fee income is recognized monthly as services are performed and in accordance with the terms of the related management agreements.

The Company recognizes gains from sale of real estate in accordance with the guidance on transfer of nonfinancial assets. Payments received from purchasers prior to closing are recorded as deposits. Profit on real estate sold is recognized when a valid contract exists, the collectability of the sales price is reasonably assured and the control of the property has transferred.

Noncontrolling Interests

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

Investments in Unconsolidated Real Estate Ventures

The Company accounts for its investments in unconsolidated real estate ventures under the equity method of accounting when it is determined that the Company has the ability to exercise significant influence over the venture. Under the equity method, investments in unconsolidated real estate 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 that is other than temporary 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. 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 years ended December 31, 2018, 2017 and 2016.

Income Taxes

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

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

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

Table of Contents

Recent Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

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 became effective on January 1, 2018 when the Company adopted the new revenue standard. Upon adoption, the majority of the Company's sale transactions are now 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. The adoption of this guidance did not have a material impact on the Company's consolidated financial position or results of operations.

In January 2017, the FASB issued ASU No. 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 became effective on January 1, 2018. Upon adoption of the new guidance, the majority of the Company's 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. The adoption of this guidance did not have a material impact on the Company's consolidated financial position or results of operations.

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 to reconcile such total to amounts on the balance sheet and disclose the nature of the restrictions. The standard became effective on January 1, 2018 and requires the use of the retrospective transition method. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements as the update primarily relates to financial statement presentation and disclosures.

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 became effective on January 1, 2018 and requires the use of the retrospective transition method. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements as the update primarily relates to financial statement presentation and disclosures.

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

Table of Contents

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 Company adopted the standard on January 1, 2019, the date it became effective for public companies, using the modified retrospective approach. Upon adoption, the Company elected the package of practical expedients permitted within the standard, which among other things, allows for the carryforward of historical lease classification. In addition, the Company elected the practical expedient that allows reporting entities to use hindsight to determine the lease term for existing leases. The Company expects to record lease liabilities of approximately $55.0 million and right-of-use assets of approximately $50.0 million, primarily related to the Company's ten ground leases in which it serves as lessee.

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 No. 2016-12 - Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, which amends ASU No. 2014-09 and is intended to address implementation issues that were raised by stakeholders. ASU No. 2016-12 provides practical expedients on collectability, noncash consideration, presentation of sales tax and contract modifications and completed contracts in transition. Both standards became effective on January 1, 2018. The Company finalized 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 and adopted the standards using the modified retrospective transition method. The standards did not have a material impact on the Company's consolidated statements of 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 insurance fee revenue, property management fee revenue, and merchandise sale revenue are included in the scope of the new guidance, however, the Company identified similar performance obligations under this standard as compared with deliverables and separate units of account identified under its previous revenue recognition methodology. Accordingly, revenue recognized under the new guidance does not differ materially from revenue recognized under previous guidance and there is no material prior year impact.

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 for each period presented 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 years 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 December 31, 2018, we owned 456 same-store properties and 37 non same-store properties. All of the non same-store properties were 2017 and 2018 acquisitions, dispositions, developed stores, stores with a significant portion of net rentable square footage taken out of service, or stores that have not yet reached stabilization as defined above. For analytical presentation, all percentages are calculated using the numbers presented in the financial statements contained in this Report.

The comparability of our results of operations is affected by the timing of acquisition and disposition activities during the periods reported. As of December 31, 2018, 2017, and 2016, we owned 493, 484, and 475 self-storage properties and related assets, respectively.

Table of Contents

The following table summarizes the change in number of owned stores from January 1, 2016 through December 31, 2018:

	2018	2017	2016
Balance - January 1	484	475	445
Stores acquired	1	—	10
Stores developed	—	1	1
Balance - March 31	485	476	456
Stores acquired	1	3	7
Stores developed	—	—	1
Stores combined (1)	—	(1)	—
Balance - June 30	486	478	464
Stores acquired	3	—	7
Stores developed	1	2	—
Balance - September 30	490	480	471
Stores acquired	5	4	4
Stores developed	—	1	—
Stores combined (2)	—	(1)	—
Stores sold	(2)	—	—
Balance - December 31	493	484	475

(1) On May 16, 2017, we 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.

(2) On October 2, 2017, we acquired a store located in Keller, TX for approximately $4.1 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.

Table of Contents

Comparison of the Year Ended December 31, 2018 to the Year Ended December 31, 2017 (dollars in thousands)

	Same-Store Property Portfolio				Non Same-Store Properties		Other/ Eliminations	
	2018	2017	Increase/ (Decrease)	% Change	2018	2017	2018	2017
REVENUES:								
Rental income	$ 483,421	$ 468,090	$ 15,331	3.3 %	$ 34,114	$ 20,953	$ —	$
Other property related income	49,888	48,105	1,783	3.7 %	4,105	2,669	6,163	4
Property management fee income	—	—	—	0.0 %	—	—	20,253	1
Total revenues	533,309	516,195	17,114	3.3 %	38,219	23,622	26,416	1
OPERATING EXPENSES:								
Property operating expenses	152,442	147,334	5,108	3.5 %	15,641	10,616	28,783	2
NET OPERATING INCOME (LOSS):	380,867	368,861	12,006	3.3 %	22,578	13,006	(2,367)	(
Store count	456	456			37	28		
Total square footage	31,434	31,434			3,185	2,326		
Period End Occupancy (1)	91.2 %	91.5 %			67.0 %	56.1 %		
Period Average Occupancy (2)	92.7 %	92.9 %						
Realized annual rent per occupied sq. ft. (3)	$ 16.60	$ 16.03						
Depreciation and amortization								
General and administrative								
Acquisition related costs								
Subtotal								

OTHER
(EXPENSE)
INCOME
Interest:
Interest
expense on
loans
Loan
procurement
amortization
expense
Equity in
losses of real
estate ventures
Gains from
sale of real
estate, net
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’S COMMON
SHAREHOLDERS

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(1) Represents occupancy as of December 31 of the respective year.
(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 $489.0 million during 2017 to $517.5 million during 2018, an increase of $28.5 million, or 5.8%. The increase in same-store rental income was primarily due to higher rental rates. Realized annual rent per square foot on our same-store portfolio increased 3.6% as a result of higher rates for new and existing customers during 2018 as compared to 2017. The remaining increase is primarily attributable to $13.2 million of additional income from the stores acquired in 2017 and 2018 included in our non same-store portfolio.

Other property related income increased from $55.0 million in 2017 to $60.2 million in 2018, an increase of $5.2 million, or 9.4%. The $1.8 million increase in same-store other property related income is mainly attributable to increased customer insurance participation. The remainder of the increase is attributable to $1.4 million of additional other property related income derived from the stores acquired or opened in 2017 and 2018 included in our non same-store portfolio and $1.9 million resulting primarily from increased customer insurance participation at our managed stores.

Property management fee income increased from $14.9 million during 2017 to $20.3 million during 2018, an increase of $5.4 million, or 35.9%. 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 (593 stores as of December 31, 2018 compared to 452 stores as of December 31, 2017).

Operating Expenses

Property operating expenses increased from $181.5 million in 2017 to $196.9 million in 2018, an increase of $15.4 million, or 8.5%. This increase was primarily attributable to a $5.2 million increase in costs associated with the growth in our third-party management program as well as system enhancements, a $5.1 million increase in property operating expenses on the same-store portfolio primarily due to higher property taxes, payroll, and snow removal expenses, and $5.0 million of increased expenses associated with newly acquired or developed stores.

Table of Contents

Depreciation and amortization decreased from $145.7 million in 2017 to $143.4 million in 2018, a decrease of $2.3 million, or 1.6%. This decrease is primarily attributable to five-year assets acquired as part of the Company's property acquisitions in 2012 that became fully depreciated during 2017.

General and administrative expenses increased from $34.7 million in 2017 to $37.7 million in 2018, an increase of $3.0 million, or 8.5%. The change is primarily attributable to increased professional fees, a charge associated with the settlement of a legal action, and payroll expenses resulting from additional employee headcount to support our growth.

Acquisition related costs decreased $1.3 million from the year ended December 31, 2017 to the year ended December 31, 2018 as a result of the Company's adoption of ASU 2017-01 on January 1, 2018 (see note 2), which now categorizes the majority of our property acquisitions as asset acquisitions, resulting in the capitalization of acquisition related costs.

Other (expense) income

Interest expense on loans increased from $57.0 million in 2017 to $62.1 million in 2018, an increase of $5.2 million, or 9.1%. The increase is primarily attributable to a higher amount of outstanding debt during 2018 as compared to 2017, and higher interest rates during 2018. The average debt balance increased to $1.7 billion during 2018 as compared to $1.6 billion during 2017 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 3.79% during 2017 to 3.93% during 2018.

Gains from sale of real estate, net were $10.6 million for the year ended December 31, 2018, with no comparable gains during the year ended December 31, 2017. These gains are determined on a transactional basis and, accordingly, are not comparable across reporting periods.

Table of Contents

Comparison of the Year Ended December 31, 2017 to the Year Ended December 31, 2016 (dollars in thousands)

operty Portfolio			Non Same-Store Properties		Other/ Eliminations		Total Portfolio	
2016	Increase/ (Decrease)	% Change	2017	2016	2017	2016	2017	2016
$ 424,977	$ 19,313	4.5 %	$ 44,753	$ 24,624	$ —	$ —	$ 489,043	$ 449,60
44,689	1,442	3.2 %	4,643	2,574	4,227	2,992	55,001	50,255
—	—	0.0 %	—	—	14,899	10,183	14,899	10,183
469,666	20,755	4.4 %	49,396	27,198	19,126	13,175	558,943	510,03
135,366	3,726	2.8 %	18,858	11,936	23,558	18,545	181,508	165,84
334,300	17,029	5.1 %	30,538	15,262	(4,432)	(5,370)	377,435	344,19
432			52	43			484	475
29,561			4,199	3,297			33,760	32,858
91.8 %			71.7 %	71.4 %			89.2 %	89.7
92.9 %								
$ 15.48								
							145,681	161,86
							34,745	32,823
							1,294	6,552
							181,720	201,24
							(56,952)	(50,399

	(2,638)	(2,577)
	(1,386)	(2,662)
	872	1,062
	(60,104)	(54,576)
	135,611	88,376
UTABLE TO NONCONTROLLING INTERESTS		
	(1,593)	(941)
	270	470
	$ 134,288	$ 87,905
	—	(5,045)
	—	(2,937)
E TO THE COMPANY'S COMMON	$ 134,288	$ 79,923

(1) Represents occupancy as of December 31 of the respective year.
(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 $449.6 million during 2016 to $489.0 million during 2017, an increase of $39.4 million, or 8.8%. The increase in same-store rental income was primarily due 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 4.3% as a result of higher rates for new and existing customers during 2017 as compared to 2016. The remaining increase is primarily attributable to $20.1 million of additional income from the stores acquired in 2016 and 2017 included in our non same-store portfolio.

Other property related income increased from $50.3 million in 2016 to $55.0 million in 2017, an increase of $4.7 million, or 9.4%. The $1.4 million increase in same-store other property related income is mainly attributable to increased customer insurance participation and higher average occupancy. The remainder of the increase is 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 $10.2 million during 2016 to $14.9 million during 2017, an increase of $4.7 million, or 46.3%. 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 (452 stores as of December 31, 2017 compared to 316 stores as of December 31, 2016).

Operating Expenses

Property operating expenses increased from $165.8 million in 2016 to $181.5 million in 2017, an increase of $15.7 million, or 9.4%, which is primarily attributable to $7.0 million of increased expenses associated with newly acquired stores, a $3.7 million increase in property operating expenses on the same-store portfolio, primarily due to higher property tax expenses, and $0.9 million related to hurricane damage, net of expected insurance proceeds.

Table of Contents

Depreciation and amortization decreased from $161.9 million in 2016 to $145.7 million in 2017, a decrease of $16.2 million, or 10.0%. This decrease is primarily attributable to five-year assets acquired as part of the Company's property acquisitions in 2011 and 2012 that became fully depreciated during 2016 and 2017.

General and administrative expenses increased from $32.8 million in 2016 to $34.7 million in 2017, an increase of $1.9 million, or 5.9%. 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 $6.6 million during 2016 to $1.3 million during 2017, a decrease of $5.3 million, or 80.3%. Acquisition-related costs are non-recurring and fluctuate based on periodic investment activity.

Other (expense) income

Interest expense on loans increased from $50.4 million during the year ended December 31, 2016 to $57.0 million during the year ended December 31, 2017, an increase of $6.6 million, or 13.0%. The increase is primarily attributable to a higher amount of outstanding debt during 2017 as compared to 2016, partially offset by lower interest rates during 2017. The average debt balance increased $199.4 million to $1.6 billion during 2017 as compared to $1.4 billion during 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 3.82% during 2016 to 3.79% during 2017.

Equity in losses of real estate ventures fluctuated from a loss of $2.7 million during the year ended December 31, 2016 to a loss of $1.4 million during the year ended December 31, 2017, a change of $1.3 million, or 47.9%. The change is mainly driven by our share of the losses attributable to HVP III, a real estate venture in which we own a 10% interest. The loss incurred in 2016 was primarily the result of amortization expense associated with the in-place lease intangible that was recorded in connection with HVP III's acquisition of 68 properties during 2015 and 2016. These assets became fully amortized during 2016 and 2017.

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, income from discontinued operations, gains from disposition of discontinued operations, 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 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 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

Table of Contents

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 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, 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.

Table of Contents

The following table presents a reconciliation of net income to FFO and FFO, as adjusted, for the years ended December 31, 2018 and 2017 (in thousands):

	For the Year Ended December 31,	
	2018	2017
Net income attributable to the Company's common shareholders	$ 163,889	$ 134,288
Add (deduct):		
Real estate depreciation and amortization:		
Real property	140,538	142,961
Company's share of unconsolidated real estate ventures	10,286	10,243
Gains from sale of real estate, net	(10,576)	—
Noncontrolling interests in the Operating Partnership	1,820	1,593
FFO attributable to common shareholders and OP unitholders	$ 305,957	$ 289,085
Add:		
Loan procurement amortization expense - early repayment of debt	—	190
Acquisition related costs	—	1,319
Loss related to settlement of legal action (1)	1,828	—
Property damage related to hurricanes, net of expected insurance proceeds (2)	—	874
FFO, as adjusted, attributable to common shareholders and OP unitholders	$ 307,785	$ 291,468
Weighted-average diluted shares outstanding	185,495	181,448
Weighted-average diluted units outstanding	2,021	2,150
Weighted-average diluted shares and units outstanding	187,516	183,598

(1) Loss related to settlement of legal action for the year ended December 31, 2018, represents a charge related to a preliminary settlement agreement for a class action alleging violations of a state specific deceptive and unfair trade practices act.

(2) Property damage related to hurricanes, net of expected insurance proceeds for the year ended December 31, 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.

Cash Flows

Comparison of the Year Ended December 31, 2018 to the Year Ended December 31, 2017

A comparison of cash flow related to operating, investing and financing activities for the years ended December 31, 2018 and 2017 is as follows:

Net cash provided by (used in):	Year Ended December 31, 2018 (in thousands)	2017	Change
Operating activities	$ 304,335	$ 291,914	$ 12,421
Investing activities	$ (322,259)	$ (150,303)	$ (171,956)
Financing activities	$ 15,248	$ (143,319)	$ 158,567

Cash provided by operating activities for the years ended December 31, 2018 and 2017 was $304.3 million and $291.9 million, respectively, reflecting an increase of $12.4 million. Our increased cash flow from operating activities is primarily attributable to our 2017 and 2018 acquisitions and increased net operating income levels on the same-store portfolio in the 2018 period as compared to the 2017 period.

Cash used in investing activities increased from $150.3 million for the year ended December 31, 2017 to $322.3 million for the year ended December 31, 2018, reflecting an increase of $172.0 million. The change was primarily driven by an increase in cash used for the acquisition of storage properties. Cash used during the year ended December 31, 2018 related to the acquisition of ten stores for an aggregate purchase price of $227.5 million, inclusive of $7.2 million of assumed debt and $4.8 million of OP units issued, while cash used

Table of Contents

during the year ended December 31, 2017 related to the acquisition of seven stores for an aggregate purchase price of $80.7 million, inclusive of $6.2 million of assumed debt and $12.3 million of OP units issued. The change was also driven by an $18.9 million increase in our investment in real estate ventures primarily due to $14.1 million used to fund the acquisition of twelve properties during 2018 by HVP IV and $5.0 million to fund our preferred investment in Capital Storage (see note 2). The remainder of the increase was primarily due to a $17.2 million increase in development costs resulting from the acquisition of the noncontrolling interest in a previously consolidated joint venture offset by a $16.4 million increase in proceeds received from the sale of two stores during 2018 with no property sales in the 2017 period.

Cash provided by financing activities was $15.2 million in 2018 compared to cash used in financing activities of $143.3 million in 2017, a change of $158.6 million. This change was primarily the result of a $75.4 million net increase in revolving credit facility borrowings and a $102.2 million increase in proceeds received from the issuance of common shares during the year ended December 31, 2018 compared to the year ended December 31, 2017. These cash inflows were offset by a $26.4 million increase in cash distributions paid to common shareholders and noncontrolling interests in the Operating Partnership during the year ended December 31, 2018 compared to the year ended December 31, 2017, resulting from the increase in the common dividend per share and number of shares outstanding.

Comparison of the Year Ended December 31, 2017 to the Year Ended December 31, 2016

A comparison of cash flow related to operating, investing and financing activities for the years ended December 31, 2017 and 2016 is as follows:

	Year Ended December 31,		
Net cash provided by (used in):	2017	2016	Change
	(in thousands)		
Operating activities	$ 291,914	$ 263,274	$ 28,640
Investing activities	$ (150,303)	$ (559,288)	$ 408,985
Financing activities	$ (143,319)	$ 219,411	$ (362,730)

Cash provided by operating activities for the years ended December 31, 2017 and 2016 was $291.9 million and $263.3 million, respectively, reflecting an increase of $28.6 million. Our increased cash flow from operating activities is primarily attributable to our 2016 and 2017 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 was $150.3 million in 2017 and $559.3 million in 2016, a decrease of $409.0 million driven by a decrease in cash used for acquisitions of self-storage properties. Cash used during 2017 related to the acquisition of seven stores for an aggregate purchase price of $80.7 million, inclusive of $6.2 million of assumed debt and $12.3 million of OP units issued, while cash used in investing activities during 2016 related to the acquisition of 28 stores for an aggregate purchase price of $403.6 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 2016.

Cash used in financing activities was $143.3 million in 2017 compared to cash provided by financing activities of $219.4 million in 2016, a change of $362.7 million. The change 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. There was also a $106.5 million decrease in proceeds received from the issuance and sale of common shares from 2016 to 2017 and a $100.0 million term loan repayment during April 2017 with no comparable repayment in the prior year. We also paid $77.6 million to redeem our 7.75% Series A Preferred shares in November 2016 with no similar transaction in 2017. Additionally, cash distributions paid to common shareholders, preferred shareholders, and noncontrolling interests in the Operating Partnership increased $39.6 million from 2016 to 2017, resulting primarily from the increase in the common dividend per share and number of shares outstanding.

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

Table of Contents

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. In the 2019 fiscal year, we expect recurring capital expenditures to be approximately $10.0 million to $15.0 million, planned capital improvements and store upgrades to be approximately $5.0 million to $10.0 million and costs associated with the development of new stores to be approximately $30.0 million to $45.0 million. After giving effect to the subsequent repayment of the $200.0 million outstanding indebtedness under the term loan portion of our Credit Facility in January 2019 (see “Recent Developments”), as of December 31, 2018, our remaining scheduled principal payments on debt are approximately $11.7 million in 2019.

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 2019 consist primarily of contractual obligations which include repayments of indebtedness at maturity, as well as potential discretionary expenditures such as (i) non-recurring capital expenditures; (ii) redevelopment of operating 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 December 31, 2018, we had approximately $3.8 million in available cash and cash equivalents. In addition, we had approximately $303.8 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	December 31, 2018	2017	Effective Interest Rate	Issuance Date	Maturity Date
	(in thousands)				
$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	300,000	4.33 %	Various (1)	Dec-23
$300M 4.000% Guaranteed Notes due 2025 (2)	300,000	300,000	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	1,150,000			
Less: Discount on issuance of unsecured senior notes, net	(568)	(617)			
Less: Loan procurement costs, net	(5,908)	(6,923)			
Total unsecured senior notes, net	$ 1,143,524	$ 1,142,460			

Table of Contents

(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 tranches 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 tranches 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 and for the year ended December 31, 2018, 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 December 31, 2018, $303.8 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 December 31, 2018, 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. On April 6, 2017, we used the net proceeds from the issuance of $50.0 million of our 4.375% Senior Notes due 2023 and $50.0 million of our 4.000% Senior Notes due 2025 to repay all of the outstanding indebtedness under our five-year $100.0 million unsecured term loan that was scheduled to mature in June 2018.

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

	Carrying Value as of: December 31,		Effective Interest Rate as of December 31, 2018	
Unsecured Term Loans	2018	2017	(1)	Maturity Date
	(in thousands)			
Credit Facility				
Unsecured term loan (2)	$ 200,000	$ 200,000	3.80 %	Jan-19
Term Loan Facility				
Unsecured term loan	100,000	100,000	3.65 %	Jan-20
Principal balance outstanding	300,000	300,000		
Less: Loan procurement costs, net	(201)	(604)		
Total unsecured term loans, net	$ 299,799	$ 299,396		

(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 loan that matured in January 2019 were 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. As of December 31, 2018, borrowings under the Credit Facility, inclusive of the Revolver, and Term Loan Facility, as amended, had an effective weighted average interest rate of 3.75%.

Table of Contents

(2) On January 31, 2019, we used a portion of the net proceeds from the issuance of $350.0 million of 4.375% Senior Notes due 2029 (see “Recent Developments”) to repay all of the outstanding indebtedness under the unsecured term loan portion of the Credit Facility that was scheduled to mature in January 2019.

The Term Loan Facility and the unsecured term loan under the Credit Facility were fully drawn as of December 31, 2018 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;

· 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 December 31, 2018, 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.

Issuance of Common Shares

We maintain an at-the-market equity program that enables us to offer and sell up to 50.0 million common shares through sales agents pursuant to equity distribution agreements (the “Equity Distribution Agreements”). Our sales activity under the program for the years ended December 31, 2018, 2017, and 2016 is summarized below:

	For the year ended December 31,		
	2018	2017	2016
	(Dollars and shares in thousands, except per share amounts)		
Number of shares sold	4,291	1,036	4,408
Average sales price per share	$ 31.09	$ 29.13	$ 31.25
Net proceeds after deducting offering costs	$ 131,835	$ 29,642	$ 136,120

We used proceeds from sales of common shares under the program during the years ended December 31, 2018, 2017, and 2016 to fund acquisitions of storage properties and for general corporate purposes. As of December 31, 2018, 2017, and 2016, 10.5 million common shares, 4.7 million common shares, and 5.8 million common shares, respectively, remained available for issuance under the Equity Distribution Agreements.

Redemption of Preferred Shares

On November 2, 2016, we completed the redemption of all of our 3,100,000 outstanding shares of 7.75% Series A Cumulative Redeemable Preferred Shares at a cash redemption price of $25.00 per share plus accumulated and unpaid dividends. The redemption price of $77.5 million was paid by the Company from available cash balances. In connection with the redemption, we recognized a charge of $2.9 million related to excess redemption costs over the original net proceeds.

Recent Developments

On January 30, 2019, the Operating Partnership issued $350.0 million in aggregate principal amount of unsecured senior notes due February 15, 2029 which bear interest at a rate of 4.375% per annum (the “2029 Notes”). The 2029 Notes were priced at 99.356% of the principal amount to yield 4.455% to maturity. Net proceeds from the offering of $345.5 million were used to repay all of the outstanding indebtedness under our $200.0 million unsecured term loan portion of the Credit Facility that was scheduled to mature in January 2019. The remaining proceeds from the offering were used to repay a portion of the outstanding indebtedness under the Revolver.

Table of Contents

Other Material Changes in Financial Position

	December 31, 2018	2017	Change
		(in thousands)	
Selected Assets			
Storage properties, net	$ 3,600,968	$ 3,408,790	$ 192,178
Other assets, net	$ 48,763	$ 34,590	$ 14,173
Selected Liabilities			
Revolving credit facility	$ 195,525	$ 81,700	$ 113,825

Storage properties, net of accumulated depreciation, increased $192.2 million primarily as a result of the acquisition of ten storage properties, additions and improvements to storage properties, and development costs incurred during the year.

Other assets, net increased $14.2 million primarily due to a $6.4 million net increase in our in-place lease intangibles resulting from the acquisition of nine operating storage properties during the year. The increase is also a result of our $5.0 million investment made in exchange for 100% of the Class A Preferred Units of Capital Storage Partners, LLC, a newly formed venture that acquired 22 storage properties located in Florida (4), Oklahoma (5), and Texas (13) (see note 2).

Revolving credit facility increased $113.8 million primarily as a result of borrowings used to fund the acquisition of ten storage properties, additions and improvements to storage properties, and development costs incurred during the year.

Contractual Obligations

The following table summarizes our known contractual obligations as of December 31, 2018 (in thousands):

Payments Due by Period

2024 and

	Total	2019	2020	2021	2022	2023	thereafter
Mortgage loans and notes payable (1)	$ 106,146	$ 11,652	$ 12,791	$ 45,057	$ 923	$ 31,019	$ 4,704
Revolving credit facility and unsecured term loans (2)	495,525	200,000	295,525	—	—	—	—
Unsecured senior notes	1,150,000	—	—	—	250,000	300,000	600,000
Interest payments	292,175	63,387	53,845	49,437	42,719	35,017	47,770
Ground leases	131,242	2,814	2,887	2,956	3,116	3,090	116,379
Software and service contracts	164	134	30	—	—	—	—
Development commitments	41,561	36,706	4,855	—	—	—	—
	$ 2,216,813	$ 314,693	$ 369,933	$ 97,450	$ 296,758	$ 369,126	$ 768,853

(1) Amounts do not include unamortized fair value adjustments for discounts/premiums and loan procurement costs.

(2) On January 31, 2019, we used a portion of the net proceeds from the issuance of the 2029 Notes (see “Recent Developments”) to repay all of the $200.0 million of outstanding indebtedness under the unsecured term loan portion of the Credit Facility that was scheduled to mature in January 2019. We expect to satisfy all other contractual obligations owed in 2019 through a combination of cash generated from operations and from draws on the revolving portion of our Credit Facility.

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 7A. 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.

51

Table of Contents

Market Risk

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

Effect of Changes in Interest Rates on our Outstanding Debt

Our interest rate risk objectives are to limit the impact of interest rate fluctuations on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, we manage our exposure to fluctuations in market interest rates for a portion of our borrowings through the use 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 interest 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 interest rates chosen.

As of December 31, 2018 our consolidated debt consisted of $1.3 billion of outstanding mortgages and unsecured senior notes that are subject to fixed rates. Additionally, as of December 31, 2018, there were $195.5 million and $300.0 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 $5.0 million a year. If market 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 $5.0 million a year.

If market interest rates 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 $60.7 million. If market interest rates 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 $65.0 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements required by this item appear with an Index to Financial Statements and Schedules, starting on page F-1 of this Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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

Table of Contents

accumulated and communicated to the Parent Company's management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal 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.

Management's Report on Internal Control Over Financial Reporting

Management's report on internal control over financial reporting of the Parent Company is set forth on page F-2 of this Report, and is incorporated herein by reference. The effectiveness of the Parent Company's internal control over financial reporting as of December 31, 2018 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in its report which is included herein.

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 our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management's report on internal control over financial reporting of the Operating Partnership is set forth on page F-3 of this Report, and is incorporated herein by reference. The effectiveness of the Operating Partnership's internal control over financial reporting as of December 31, 2018 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in its report which is included herein.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. TRUSTEES, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We have adopted a Code of Ethics for all of our employees, officers and trustees, including our principal executive officer and principal financial officer, which is available on our website at www.cubesmart.com. We intend to disclose any amendment to, or a waiver from, a provision of our Code of Ethics on our website within four business days following the date of the amendment or waiver.

Table of Contents

The remaining information required by this item regarding trustees, executive officers and corporate governance is hereby incorporated by reference to the material appearing in the Parent Company's Proxy Statement for the Annual Shareholders Meeting to be held in 2019 (the "Proxy Statement") under the captions "Proposal 1: Election of Trustees," "Executive Officers," "Meetings and Committees of the Board of Trustees," and "Shareholder Proposals and Nominations for the 2019 Annual Meeting." The information required by this item regarding compliance with Section 16(a) of the Exchange Act is hereby incorporated by reference to the material appearing in the Parent Company's Proxy Statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance."

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is hereby incorporated by reference to the material appearing in the Parent Company's Proxy Statement under the captions "Compensation Committee Report," "Meetings and Committees of the Board of Trustees Compensation Committee Interlocks and Insider Participation," "Compensation Discussion and Analysis," "Executive Compensation," "Severance Plan and Potential Payments Upon Termination or Change in Control," and "Trustee Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The following table sets forth certain information regarding our equity compensation plans as of December 31, 2018.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a)) (c)
Equity compensation plans approved by shareholders	1,659,003	$ 19.89 (1)	4,517,038
Equity compensation plans not approved by shareholders	—	—	—
Total	1,659,003	$ 19.89	4,517,038

(1) This number reflects the weighted-average exercise price of outstanding options and has been calculated exclusive of outstanding restricted unit awards.

The information regarding security ownership of certain beneficial owners and management required by this item is hereby incorporated by reference to the material appearing in the Parent Company's Proxy Statement under the caption "Security Ownership of Management" and "Security Ownership of Beneficial Owners."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND TRUSTEE INDEPENDENCE

The information required by this item is hereby incorporated by reference to the material appearing in the Parent Company's Proxy Statement under the captions "Corporate Governance - Independence of Trustees," "Policies and Procedures Regarding Review, Approval or Ratification of Transactions With Related Persons," and "Transactions With Related Persons."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is hereby incorporated by reference to the material appearing in the Parent Company's Proxy Statement under the captions "Audit Committee Matters - Fees Paid to Our Independent Registered Public Accounting Firm" and "- Audit Committee Pre-Approval Policies and Procedures."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report:

1. Financial Statements.

The response to this portion of Item 15 is submitted as a separate section of this report.

Table of Contents

2. Financial Statement Schedules.

The response to this portion of Item 15 is submitted as a separate section of this report.

3. Exhibits.

The list of exhibits filed with this Report is set forth in response to Item 15(b). The required exhibit index has been filed with the exhibits.

(b) Exhibits. The following documents are filed as exhibits to this report:

3.1*	Articles of Amendment to the Declaration of Trust of CubeSmart, incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed on May 28, 2015.
3.2*	Articles of Restatement of the Declaration of Trust of CubeSmart, incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K, filed on May 28, 2015.
3.3*	Articles Supplementary to Declaration of Trust of CubeSmart classifying and designating CubeSmart's 7.75% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, incorporated by reference to Exhibit 3.3 to CubeSmart's Form 8-A, filed on October 31, 2011.
3.4*	Articles of Amendment to the Declaration of Trust of CubeSmart, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on November 3, 2016.
3.5*	Third Amended and Restated Bylaws of CubeSmart, effective September 14, 2011, incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed on September 16, 2011.
3.6*	Certificate of Limited Partnership of U-Store-It, L.P., incorporated by reference to Exhibit 3.1 to CubeSmart, L.P.'s Registration Statement on Form 10, filed on July 15, 2011.
3.7*	Amendment No. 1 to Certificate of Limited Partnership of CubeSmart, L.P., dated September 14, 2011, incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K, filed on September 16, 2011.
3.8*	Second Amended and Restated Agreement of Limited Partnership of U-Store-It, L.P. dated as of October 27, 2004, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on November 2, 2004.

3.9*	Amendment No. 1 to Second Amended and Restated Agreement of Limited Partnership of CubeSmart, L.P. dated as of September 14, 2011, incorporated by reference to Exhibit 3.4 to the Company's Current Report on Form 8-K, filed on September 16, 2011.
3.10*	Amendment No. 2 to Second Amended and Restated Agreement of Limited Partnership of CubeSmart, L.P. dated as of November 2, 2011, incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed on November 2, 2011.
3.11*	Class C Unit Supplement No. 1 to Second Amended and Restated Agreement of Limited Partnership of CubeSmart, L.P. dates as of April 12, 2017, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on April 18, 2017.
3.12*	Articles of Amendment to the Declaration of Trust of CubeSmart, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on June 2, 2017.
3.13*	First Amendment to Third Amended and Restated Bylaws of CubeSmart, effective June 1, 2017, incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed on June 2, 2017.
4.1*	Form of Common Share Certificate, incorporated by reference to Exhibit 4.1 to Amendment No. 3 to the Company's Registration Statement on Form S-11, filed on October 20, 2004, File No. 333-117848.

Table of Contents

4.2*	Form of Certificate for CubeSmart's 7.75% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, incorporated by reference to Exhibit 4.1 to CubeSmart's Form 8-A, filed on October 31, 2011.
4.3*	Indenture, dated as of September 16, 2011, among CubeSmart, L.P., CubeSmart and U.S. Bank National Association, incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-3, filed on September 16, 2011.
4.4*	First Supplemental Indenture, dated as of June 26, 2012, among the Company, the Operating Partnership and U.S. Bank National Association, incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed on June 26, 2012.
4.5*	Form of $250 million aggregate principal amount of 4.80% senior note due July 15, 2022, incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed on June 26, 2012.
4.6*	Form of CubeSmart Notation of Guarantee, incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K, filed on June 26, 2012.
4.7*	Second Supplemental Indenture, dated as of December 17, 2013, among the Company, the Operating Partnership and U.S. Bank National Association, incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed on December 17, 2013.
4.8*	Form of $250 million aggregate principal amount of 4.375% senior notes due December 15, 2023, incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed on December 17, 2013.
4.9*	Form of CubeSmart Notation of Guarantee, incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K, filed on December 17, 2013.
4.10*	Third Supplemental Indenture, dated as of October 26, 2015, among CubeSmart, CubeSmart, L.P. and U.S. Bank National Association, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed on October 26, 2015.
4.11*	Form of $250 million aggregate principal amount of 4.000% senior note due November 15, 2025, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed on October 26, 2015.
4.12*	Fourth Supplemental Indenture, dated as of August 15, 2016, among CubeSmart, CubeSmart, L.P. and U.S. Bank National Association, incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed on August 15, 2016.
4.13*	Form of $300 million aggregate principal amount of 3.125% senior notes due September 1, 2026, incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed on August 15, 2016.
4.14*	Form of CubeSmart Guarantee, incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K, filed on August 15, 2016.
4.15*	Form of $50 million aggregate principal amount of 4.375% senior notes due December 15, 2023, incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed on April 5, 2017.

4.16* Form of $50 million aggregate principal amount of 4.000% senior notes due November 15, 2025, incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K, filed on April 5, 2017.

4.17* Fifth Supplemental Indenture, dated as of April 4, 2017, among CubeSmart, CubeSmart, L.P. and U.S. Bank National Association, incorporated herein by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K, filed on April 5, 2017.

4.18* Form of $350 million aggregate principal amount of 4.375% senior notes due February 15, 2029, incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed on January 30, 2019.

Table of Contents

4.19*	Sixth Supplemental Indenture, dated as of January 30, 2019, among CubeSmart, CubeSmart, L.P. and U.S. Bank National Association, incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K, filed on January 30, 2019.
10.1*†	Indemnification Agreement, dated as of October 27, 2004, by and among U-Store-It Trust, U-Store-It, L.P. and David J. LaRue (substantially identical agreements have been entered into with Christopher P. Marr, Timothy M. Martin, Jeffrey P. Foster, Piero Bussani, Dorothy Dowling, John W. Fain, Marianne M. Keler, John F. Remondi, Jeffrey F. Rogatz, and Deborah R. Salzberg), incorporated by reference to Exhibit 10.19 to the Company's Current Report on Form 8-K, filed on November 2, 2004.
10.2*†	Form of Restricted Share Agreement for Non-Employee Trustees under the U-Store-It Trust 2007 Equity Incentive Plan, incorporated by reference to Exhibit 10.83 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007, filed on February 29, 2008.
10.3*†	Form of Nonqualified Share Option Agreement under the U-Store-It Trust 2004 Equity Incentive Plan, incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, filed on May 10, 2007.
10.4*†	Form of Restricted Share Agreement under the U-Store-It Trust 2004 Equity Incentive Plan, incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, filed on May 10, 2007.
10.5*†	Form of Nonqualified Share Option Agreement under the U-Store-It Trust 2007 Equity Incentive Plan, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on January 25, 2008.
10.6*†	Form of Restricted Share Agreement under the U-Store-It Trust 2007 Equity Incentive Plan, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on January 25, 2008.
10.7*†	U-Store-It Trust Trustees Deferred Compensation Plan, amended and restated effective January 1, 2009, incorporated by reference to Exhibit 10.78 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008, filed on March 2, 2009.
10.8*†	U-Store-It Trust Executive Deferred Compensation Plan, amended and restated effective January 1, 2009, incorporated by reference to Exhibit 10.79 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008, filed on March 2, 2009.
10.9*†	U-Store-It Trust Deferred Trustees Plan, effective as of May 31, 2005, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on June 6, 2005.
10.10*	Term Loan Agreement dated as of June 20, 2011 by and among U-Store-It, L.P., as Borrower, U-Store-It Trust, and Wells Fargo Securities, LLC and PNC Capital Markets LLC, as joint lead arrangers and joint bookrunners, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on June 23, 2011.
10.11*	Credit Agreement dated as of December 9, 2011 by and among CubeSmart, L.P., CubeSmart, Wells Fargo Securities, LLC and Merrill Lynch, Pierce Fenner & Smith Incorporated, as Revolver and Tranche A joint lead arrangers and joint bookrunners and Wells Fargo Securities, LLC, as Tranche B sole lead arranger and sole bookrunner, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K,

filed on December 14, 2011.

10.12*† Form of Restricted Share Agreement under the CubeSmart 2007 Equity Incentive Plan, incorporated herein by reference to Exhibit 10.42 to the Company's Annual Report on Form 10-K, filed on February 28, 2013.

10.13*† Form of Non-Qualified Share Option Agreement under the CubeSmart 2007 Equity Incentive Plan, incorporated herein by reference to Exhibit 10.43 to the Company's Annual Report on Form 10-K, filed on February 28, 2013.

10.14*† Form of 2012 Performance-Vested Restricted Share Unit Award Agreement under the CubeSmart 2007 Equity Incentive Plan, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on January 31, 2012.

Table of Contents

10.15*	First Amendment to Credit Agreement, dated as of April 5, 2012, by and among CubeSmart, L.P., CubeSmart, Wells Fargo Bank, National Association and each of the lenders party to the credit agreement dated December 9, 2011, incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed on May 7, 2012.
10.16*†	Form of Restricted Share Unit Award Agreement (2-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, incorporated herein by reference to Exhibit 10.47 to the Company's Annual Report on Form 10-K, filed on February 28, 2013.
10.17*†	Form of Performance-Vested Restricted Share Unit Award Agreement under the CubeSmart 2007 Equity Incentive Plan, incorporated herein by reference to Exhibit 10.48 to the Company's Annual Report on Form 10-K, filed on February 28, 2013.
10.18*	Waiver of Ownership Limitation, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, filed on May 6, 2013.
10.19*	Underwriting Agreement, dated as of January 24, 2019, among CubeSmart, CubeSmart, L.P., Wells Fargo Securities, LLC, Barclays Capital Inc. and Jefferies LLC, as representatives of each of the other underwriters named in Exhibit A thereto, incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K, filed on January 25, 2019.
10.20*	Second Amendment to Credit Agreement dated as of June 18, 2013 by and among CubeSmart, L.P., CubeSmart, Wells Fargo Bank, National Association, as Administrative Agent and each of the lenders, incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed on June 19, 2013.
10.21*	Second Amendment to Term Loan Agreement dated as of June 18, 2013 by and among CubeSmart, L.P., CubeSmart, Wells Fargo Bank, National Association, as Administrative Agent and each of the lenders, incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K, filed on June 19, 2013.
10.22*†	Advisory Agreement, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, filed on November 8, 2013.
10.23*†	Executive Employment Agreement, entered into as of January 24, 2014 and effective as of January 1, 2014, by and between CubeSmart and Christopher P. Marr, incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed on January 28, 2014.
10.24*†	Form of Non-Qualified Share Option Agreement for Executive Officers (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, incorporated by reference to Exhibit 10.58 to the Company's Annual Report on Form 10-K, filed on February 28, 2014.
10.25*†	Form of Non-Qualified Share Option Agreement (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, incorporated by reference to Exhibit 10.59 to the Company's Annual Report on Form 10-K, filed on February 28, 2014.
10.26*†	Form of Performance Share Award Agreement for Executive Officers (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, incorporated by reference to Exhibit 10.60 to the Company's Annual Report on Form 10-K, filed on February 28, 2014.

10.27*† Form of Performance Share Award Agreement (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, incorporated by reference to Exhibit 10.61 to the Company's Annual Report on Form 10-K, filed on February 28, 2014.

10.28*† Form of Restricted Share Award Agreement for Executive Officers (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, incorporated by reference to Exhibit 10.63 to the Company's Annual Report on Form 10-K, filed on February 28, 2014.

10.29*† Form of Restricted Share Award Agreement (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, incorporated by reference to Exhibit 10.64 to the Company's Annual Report on Form 10-K, filed on February 28, 2014.

Table of Contents

10.30*†	Form of Restricted Share Award Agreement (5-Year Vesting) under the CubeSmart 2004 Equity Incentive Plan, incorporated by reference to Exhibit 10.65 to the Company's Annual Report on Form 10-K, filed on February 28, 2014.
10.31*	Third Amendment to Credit Agreement, dated as of April 22, 2015, by and among CubeSmart, L.P., CubeSmart, Wells Fargo Bank, National Association, as Administrative Agent and each of the lenders party thereto, incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed on April 27, 2015.
10.32*	Fourth Amendment to Term Loan Agreement, dated as of April 22, 2015, by and among CubeSmart, L.P., CubeSmart, Wells Fargo Bank, National Association, as Administrative Agent and each of the lenders party thereto, incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K, filed on April 27, 2015.
10.33*†	Amended and Restated CubeSmart 2007 Equity Incentive Plan, effective June 1, 2016, incorporated by reference to Appendix A to the Company's Definitive Proxy Statement, filed on April 14, 2016.
10.34*†	First Amendment to Executive Employment Agreement, dated as of September 30, 2016, by and between CubeSmart and Christopher P. Marr, incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed on September 30, 2016.
10.35*†	CubeSmart Executive Severance Plan, effective January 1, 2017, incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed on November 4, 2016.
10.36*†	Form of Non-Qualified Share Option Agreement for Executive Officers (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, as amended and restated, effective June 1, 2016, incorporated by reference to Exhibit 10.42 to the Company's Annual Report on Form 10-K, filed on February 17, 2017.
10.37*†	Form of Non-Qualified Share Option Agreement (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, as amended and restated, effective June 1, 2016, incorporated by reference to Exhibit 10.43 to the Company's Annual Report on Form 10-K, filed on February 17, 2017.
10.38*†	Form of Restricted Share Award Agreement for Executive Officers (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, as amended and restated, effective June 1, 2016, incorporated by reference to Exhibit 10.44 to the Company's Annual Report on Form 10-K, filed on February 17, 2017.
10.39*†	Form of Restricted Share Award Agreement (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, as amended and restated, effective June 1, 2016, incorporated by reference to Exhibit 10.45 to the Company's Annual Report on Form 10-K, filed on February 17, 2017.
10.40*†	Form of Restricted Share Award Agreement (5-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, as amended and restated, effective June 1, 2016, incorporated by reference to Exhibit 10.46 to the Company's Annual Report on Form 10-K, filed on February 17, 2017.
10.41*†	Form of Restricted Share Unit Award Agreement for Executive Officers (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, as amended and restated, effective June 1, 2016, incorporated by reference to Exhibit 10.47 to the Company's Annual Report on Form 10-K, filed on February 17, 2017.
10.42*†	

Form of Restricted Share Unit Award Agreement (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, as amended and restated, effective June 1, 2016, incorporated by reference to Exhibit 10.48 to the Company's Annual Report on Form 10-K, filed on February 17, 2017.

10.43*† Form of Performance-Vested Restricted Share Award Agreement for Executive Officers (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, as amended and restated, effective June 1, 2016, incorporated by reference to Exhibit 10.49 to the Company's Annual Report on Form 10-K, filed on February 17, 2017.

10.44*† Form of Performance-Vested Restricted Share Award Agreement (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, as amended and restated, effective June 1, 2016, incorporated by reference to Exhibit 10.50 to the Company's Annual Report on Form 10-K, filed on February 17, 2017.

Table of Contents

10.45*†	Form of Performance-Vested Restricted Share Unit Award Agreement for Executive Officers (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, as amended and restated, effective June 1, 2016, incorporated by reference to Exhibit 10.51 to the Company's Annual Report on Form 10-K, filed on February 17, 2017.
10.46*†	Form of Performance-Vested Restricted Share Unit Award Agreement (3-Year Vesting) under the CubeSmart 2007 Equity Incentive Plan, as amended and restated, effective June 1, 2016, incorporated by reference to Exhibit 10.52 to the Company's Annual Report on Form 10-K, filed on February 17, 2017.
10.47*	Amended and Restated Equity Distribution Agreement, dated July 27, 2018, by and among CubeSmart, CubeSmart, L.P. and Wells Fargo Securities, LLC, incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K, filed on July 27, 2018.
10.48*	Amended and Restated Equity Distribution Agreement, dated July 27, 2018, by and among CubeSmart, CubeSmart, L.P. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, incorporated by reference to Exhibit 1.2 to the Company's Current Report on Form 8-K, filed on July 27, 2018.
10.49*	Amended and Restated Equity Distribution Agreement, dated July 27, 2018, by and among CubeSmart, CubeSmart, L.P. and BMO Capital Markets Corp., incorporated by reference to Exhibit 1.3 to the Company's Current Report on Form 8-K, filed on July 27, 2018.
10.50*	Amended and Restated Equity Distribution Agreement, dated July 27, 2018, by and among CubeSmart, CubeSmart, L.P. and Jeffries LLC, incorporated by reference to Exhibit 1.4 to the Company's Current Report on Form 8-K, filed on July 27, 2018.
10.51*	Amended and Restated Equity Distribution Agreement, dated July 27, 2018, by and among CubeSmart, CubeSmart, L.P. and RBC Capital Markets, LLC, incorporated by reference to Exhibit 1.5 to the Company's Current Report on Form 8-K, filed on July 27, 2018.
10.52*	Amended and Restated Equity Distribution Agreement, dated July 27, 2018, by and among CubeSmart, CubeSmart, L.P. and Barclays Capital Inc., incorporated by reference to Exhibit 1.6 to the Company's Current Report on Form 8-K, filed on July 27, 2018.
10.53*†	Form of Restricted Share Agreement under the CubeSmart 2007 Equity Incentive Plan, as amended and restated, effective June 1, 2016, incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed on January 3, 2019.
10.54*†	Form of Non-Qualified Share Option Agreement under the CubeSmart 2007 Equity Incentive Plan, as amended and restated, effective June 1, 2016, incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K, filed on January 3, 2019.
10.55*†	Form of Performance-Vested Restricted Share Agreement under the CubeSmart 2007 Equity Incentive Plan, as amended and restated, effective June 1, 2016, incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K, filed on January 3, 2019.
21.1	List of Subsidiaries.
23.1	Consent of KPMG LLP relating to financial statements of CubeSmart.

23.2	Consent of KPMG LLP relating to financial statements of CubeSmart, L.P.
31.1	Certification of Chief Executive Officer of CubeSmart 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.
31.2	Certification of Chief Financial Officer of CubeSmart 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.
31.3	Certification of Chief Executive Officer of CubeSmart, L.P. 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.

Table of Contents

31.4	Certification of Chief Financial Officer of CubeSmart, L.P. 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.
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.
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.
99.1	Material United States Federal Income Tax Considerations.
101	The following CubeSmart and CubeSmart, L.P. financial information for the year ended December 31, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statement of Equity, (iv) the Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements, detailed tagged and filed herewith.

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* Incorporated herein by reference as above indicated.

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

ITEM 16. FORM 10-K SUMMARY

None.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CUBESMART

By: /s/ Timothy M. Martin
Timothy M. Martin
Chief Financial Officer

Date: February 22, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Marianne M. Keler Marianne M. Keler	Chair of the Board of Trustees	February 22, 2019
/s/ Christopher P. Marr Christopher P. Marr	Chief Executive Officer and Trustee (Principal Executive Officer)	February 22, 2019
/s/ Timothy M. Martin Timothy M. Martin	Chief Financial Officer (Principal Financial and Accounting Officer)	February 22, 2019
/s/ Piero Bussani Piero Bussani	Trustee	February 22, 2019
/s/ Dorothy Dowling Dorothy Dowling	Trustee	February 22, 2019
/s/ John W. Fain	Trustee	February 22, 2019

John W. Fain

/s/ John F. Remondi John F. Remondi	Trustee	February 22, 2019
/s/ Jeffrey F. Rogatz Jeffrey F. Rogatz	Trustee	February 22, 2019
/s/ Deborah Ratner Salzberg Deborah Ratner Salzberg	Trustee	February 22, 2019

FINANCIAL STATEMENTS
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Page No.
Consolidated Financial Statements of CUBESMART and CUBESMART, L.P. (the "Company")	
Management's Report on CubeSmart Internal Control Over Financial Reporting	F-2
Management's Report on CubeSmart, L.P. Internal Control Over Financial Reporting	F-3
Reports of Independent Registered Public Accounting Firm	F-4
CubeSmart and Subsidiaries Consolidated Balance Sheets as of December 31, 2018 and 2017	F-8
CubeSmart and Subsidiaries Consolidated Statements of Operations for the years ended December 31, 2018, 2017, and 2016	F-9
CubeSmart and Subsidiaries Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2018, 2017, and 2016	F-10
CubeSmart and Subsidiaries Consolidated Statements of Equity for the years ended December 31, 2018, 2017, and 2016	F-11
CubeSmart and Subsidiaries Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017, and 2016	F-12
CubeSmart, L.P. and Subsidiaries Consolidated Balance Sheets as of December 31, 2018 and 2017	F-13
CubeSmart, L.P. and Subsidiaries Consolidated Statements of Operations for the years ended December 31, 2018, 2017, and 2016	F-14
CubeSmart, L.P. and Subsidiaries Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2018, 2017, and 2016	F-15
CubeSmart, L.P. and Subsidiaries Consolidated Statements of Capital for the years ended December 31, 2018, 2017, and 2016	F-16
CubeSmart, L.P. and Subsidiaries Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017, and 2016	F-17
Notes to Consolidated Financial Statements	F-18

MANAGEMENT'S REPORT ON CUBESMART INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of CubeSmart (the "REIT") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under Section 404 of the Sarbanes-Oxley Act of 2002, the REIT's management is required to assess the effectiveness of the REIT's internal control over financial reporting as of the end of each fiscal year, and report on the basis of that assessment whether the REIT's internal control over financial reporting is effective.

The REIT's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. The REIT's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and the disposition of the assets of the REIT;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that the receipts and expenditures of the REIT are being made only in accordance with the authorization of the REIT's management and its Board of Trustees; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the REIT's assets that could have a material effect on the financial statements.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of an internal control system may vary over time.

Under the supervision, and with the participation, of the REIT's management, including the principal executive officer and principal financial officer, management conducted a review, evaluation, and assessment of the effectiveness of our internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In performing its assessment of the effectiveness of internal control over financial reporting, management has concluded that, as of December 31, 2018, the REIT's internal control over financial reporting was effective based on the COSO framework.

The effectiveness of our internal control over financial reporting as of December 31, 2018, has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report that appears herein.

February 22, 2019

MANAGEMENT'S REPORT ON CUBESMART, L.P. INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of CubeSmart, L.P. (the "Partnership") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under Section 404 of the Sarbanes-Oxley Act of 2002, the Partnership's management is required to assess the effectiveness of the Partnership's internal control over financial reporting as of the end of each fiscal year, and report on the basis of that assessment whether the Partnership's internal control over financial reporting is effective.

The Partnership's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. The Partnership's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and the disposition of the assets of the Partnership;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that the receipts and expenditures of the Partnership are being made only in accordance with the authorization of the Partnership's management and its Board of Trustees; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Partnership's assets that could have a material effect on the financial statements.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of an internal control system may vary over time.

Under the supervision, and with the participation, of the Partnership's management, including the principal executive officer and principal financial officer, management conducted a review, evaluation, and assessment of the effectiveness of our internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In performing its assessment of the effectiveness of internal control over financial reporting, management has concluded that, as of December 31, 2018, the Partnership's internal control over financial reporting was effective based on the COSO framework.

The effectiveness of our internal control over financial reporting as of December 31, 2018, has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report that appears herein.

February 22, 2019

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees of
CubeSmart:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of CubeSmart and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the years in the three year period ended December 31, 2018, and the related notes and financial statement schedule III (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 22, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2009.

Philadelphia, Pennsylvania

February 22, 2019

F-4

Report of Independent Registered Public Accounting Firm

To the Partners of
CubeSmart, L.P.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of CubeSmart, L.P. and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), capital, and cash flows for each of the years in the three year period ended December 31, 2018, and the related notes and financial statement schedule III (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 22, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2009.

Philadelphia, Pennsylvania

February 22, 2019

F-5

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees of
CubeSmart:

Opinion on Internal Control Over Financial Reporting

We have audited CubeSmart and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement schedule III (collectively, the consolidated financial statements), and our report dated February 22, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on CubeSmart Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally

accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Philadelphia, Pennsylvania

February 22, 2019

Report of Independent Registered Public Accounting Firm

To the Partners of
CubeSmart, L.P.:

Opinion on Internal Control Over Financial Reporting

We have audited CubeSmart, L.P. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), capital, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement schedule III (collectively, the consolidated financial statements), and our report dated February 22, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on CubeSmart, L.P. Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally

accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Philadelphia, Pennsylvania

February 22, 2019

CUBESMART AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	December 31, 2018	2017
ASSETS		
Storage properties	$ 4,463,455	$ 4,161,715
Less: Accumulated depreciation	(862,487)	(752,925)
Storage properties, net (including VIE assets of $330,986 and $291,496, respectively)	3,600,968	3,408,790
Cash and cash equivalents	3,764	5,268
Restricted cash	2,718	3,890
Loan procurement costs, net of amortization	963	1,592
Investment in real estate ventures, at equity	95,796	91,206
Other assets, net	48,763	34,590
Total assets	$ 3,752,972	$ 3,545,336
LIABILITIES AND EQUITY		
Unsecured senior notes, net	$ 1,143,524	$ 1,142,460
Revolving credit facility	195,525	81,700
Unsecured term loans, net	299,799	299,396
Mortgage loans and notes payable, net	108,246	111,434
Accounts payable, accrued expenses and other liabilities	149,914	143,344
Distributions payable	60,627	55,297
Deferred revenue	22,595	21,529
Security deposits	474	486
Total liabilities	1,980,704	1,855,646
Noncontrolling interests in the Operating Partnership	55,819	54,320
Commitments and contingencies		
Equity		
Common shares $.01 par value, 400,000,000 shares authorized, 187,145,103 and 182,215,735 shares issued and outstanding at December 31, 2018 and 2017, respectively	1,871	1,822
Additional paid-in capital	2,500,751	2,356,620
Accumulated other comprehensive (loss) income	(1,029)	3
Accumulated deficit	(791,915)	(729,311)
Total CubeSmart shareholders' equity	1,709,678	1,629,134
Noncontrolling interests in subsidiaries	6,771	6,236
Total equity	1,716,449	1,635,370

Total liabilities and equity	$ 3,752,972	$ 3,545,336

See accompanying notes to the consolidated financial statements.

CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	For the year ended December 31,		
	2018	2017	2016
REVENUES			
Rental income	$ 517,535	$ 489,043	$ 449,601
Other property related income	60,156	55,001	50,255
Property management fee income	20,253	14,899	10,183
Total revenues	597,944	558,943	510,039
OPERATING EXPENSES			
Property operating expenses	196,866	181,508	165,847
Depreciation and amortization	143,350	145,681	161,865
General and administrative	37,712	34,745	32,823
Acquisition related costs	—	1,294	6,552
Total operating expenses	377,928	363,228	367,087
OTHER (EXPENSE) INCOME			
Interest:			
Interest expense on loans	(62,132)	(56,952)	(50,399)
Loan procurement amortization expense	(2,313)	(2,638)	(2,577)
Equity in losses of real estate ventures	(865)	(1,386)	(2,662)
Gains from sale of real estate, net	10,576	—	—
Other	206	872	1,062
Total other expense	(54,528)	(60,104)	(54,576)
NET INCOME	165,488	135,611	88,376
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS			
Noncontrolling interests in the Operating Partnership	(1,820)	(1,593)	(941)
Noncontrolling interest in subsidiaries	221	270	470
NET INCOME ATTRIBUTABLE TO THE COMPANY	163,889	134,288	87,905
Distribution to preferred shareholders	—	—	(5,045)
Preferred share redemption charge	—	—	(2,937)
NET INCOME ATTRIBUTABLE TO THE COMPANY'S COMMON SHAREHOLDERS	$ 163,889	$ 134,288	$ 79,923
Basic earnings per share attributable to common shareholders	$ 0.89	$ 0.74	$ 0.45
Diluted earnings per share attributable to common shareholders	$ 0.88	$ 0.74	$ 0.45
Weighted-average basic shares outstanding	184,653	180,525	178,246
Weighted-average diluted shares outstanding	185,495	181,448	179,533

See accompanying notes to the consolidated financial statements.

CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

	For the year ended December 31,		
	2018	2017	2016
NET INCOME	$ 165,488	$ 135,611	$ 88,376
Other comprehensive (loss) income:			
Unrealized (losses) gains on interest rate swaps	(979)	195	(1,247)
Reclassification of realized (gains) losses on interest rate swaps	(60)	1,680	4,412
OTHER COMPREHENSIVE (LOSS) INCOME	(1,039)	1,875	3,165
COMPREHENSIVE INCOME	164,449	137,486	91,541
Comprehensive income attributable to noncontrolling interests in the Operating Partnership	(1,814)	(1,615)	(978)
Comprehensive loss attributable to noncontrolling interest in subsidiaries	221	270	470
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE COMPANY	$ 162,856	$ 136,141	$ 91,033

See accompanying notes to the consolidated financial statements.

CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

(in thousands)

	Common Shares Number	Amount	Preferred Shares Number	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Shareholders' Equity
Balance at December 31, 2015	174,668	$ 1,747	3,100	$ 31	$ 2,231,181	$ (4,978)	$ (584,654)	$ 1,643,327
Contributions from noncontrolling interest in subsidiaries								
Issuance of common shares, net	4,408	44			136,077			136,121
Issuance of restricted shares	123	1						1
Issuance of OP Shares								
Conversion from units to shares	188	2			4,874			4,876
Exercise of stock options	696	7			13,276			13,283
Amortization of restricted shares					1,952			1,952
Share compensation expense					1,260			1,260
Adjustment for noncontrolling interests in the Operating Partnership							7,388	7,388
Net income (loss)							87,905	87,905
Other comprehensive income, net:						3,128		3,128
Preferred share distributions ($1.63 per share)							(5,045)	(5,045)
Preferred share redemption			(3,100)	(31)	(74,606)		(2,937)	(77,574)

Common share distributions ($0.90 per share)							(161,240)	(161,240)
Balance at December 31, 2016	180,083	$ 1,801	—	$ —	$ 2,314,014	$ (1,850)	$ (658,583)	$ 1,655,382
Contributions from noncontrolling interest in subsidiaries								
Acquisition of noncontrolling interest in subsidiary					(8,626)			(8,626)
Issuance of common shares, net	1,036	10			29,632			29,642
Issuance of restricted shares	106	1						1
Issuance of OP Shares Conversion from units to shares	594	6			15,700			15,706
Exercise of stock options	397	4			2,360			2,364
Amortization of restricted shares					2,009			2,009
Share compensation expense					1,531			1,531
Adjustment for noncontrolling interests in the Operating Partnership							(3,965)	(3,965)
Net income (loss)							134,288	134,288
Other comprehensive income, net:						1,853		1,853
Common share distributions ($1.11 per share)							(201,051)	(201,051)
Balance at December 31, 2017	182,216	$ 1,822	—	$ —	$ 2,356,620	$ 3	$ (729,311)	$ 1,629,134
Contributions from noncontrolling interest in subsidiaries								
Distributions to noncontrolling interests in subsidiaries								
Issuance of common shares, net	4,291	43			131,786			131,829

Issuance of restricted shares	86	1						1
Issuance of OP Shares								
Conversion from units to shares	147	1			4,403			4,404
Exercise of stock options	405	4			3,831			3,835
Amortization of restricted shares					2,570			2,570
Share compensation expense					1,541			1,541
Adjustment for noncontrolling interests in the Operating Partnership							(299)	(299)
Net income (loss)							163,889	163,889
Other comprehensive (loss) income, net:						(1,032)	405	(627)
Common share distributions ($1.22 per share)							(226,599)	(226,599)
Balance at December 31, 2018	187,145	$ 1,871	—	$ —	$ 2,500,751	$ (1,029)	$ (791,915)	$ 1,709,678

See accompanying notes to the consolidated financial statements.

CUBESMART AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	For the year ended December 31,		
	2018	2017	2016
Operating Activities			
Net income	$ 165,488	$ 135,611	$ 88,376
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	145,663	148,319	164,442
Equity in losses of real estate ventures	865	1,386	2,662
Gains from sale of real estate, net	(10,576)	—	—
Equity compensation expense	5,572	5,586	4,850
Accretion of fair market value adjustment of debt	(735)	(559)	(1,138)
Changes in other operating accounts:			
Other assets	(4,937)	(10,429)	(5,229)
Accounts payable and accrued expenses	2,653	10,846	7,862
Other liabilities	342	1,154	1,449
Net cash provided by operating activities	$ 304,335	$ 291,914	$ 263,274
Investing Activities			
Acquisitions of storage properties	(214,510)	(69,629)	(388,641)
Additions and improvements to storage properties	(27,626)	(27,378)	(29,672)
Development costs	(86,002)	(68,778)	(136,912)
Investment in real estate ventures	(19,216)	(301)	(12,176)
Cash distributed from real estate ventures	8,706	15,783	8,113
Proceeds from sale of real estate, net	16,389	—	—
Net cash used in investing activities	$ (322,259)	$ (150,303)	$ (559,288)
Financing Activities			
Proceeds from:			
Unsecured senior notes	—	103,192	298,512
Revolving credit facility	679,535	628,400	958,200
Principal payments on:			
Revolving credit facility	(565,710)	(590,000)	(914,900)
Unsecured term loans	—	(100,000)	—
Mortgage loans and notes payable	(9,816)	(8,666)	(37,260)
Loan procurement costs	—	(953)	(2,467)
Acquisition of noncontrolling interest in subsidiary	—	(9,033)	—
Proceeds from issuance of common shares, net	131,830	29,643	136,122
Cash paid upon vesting of restricted shares	(1,461)	(2,046)	(1,638)
Redemption of preferred shares	—	—	(77,574)
Exercise of stock options	3,835	2,364	13,283
Contributions from noncontrolling interests in subsidiaries	925	1,058	4,799
Distributions paid to noncontrolling interests in subsidiaries	(169)	—	—

Distributions paid to common shareholders	(221,328)	(195,006)	(149,280)
Distributions paid to preferred shareholders	—	—	(6,545)
Distributions paid to noncontrolling interests in Operating Partnership	(2,393)	(2,272)	(1,841)
Net cash provided by (used in) financing activities	$ 15,248	$ (143,319)	$ 219,411
Change in cash, cash equivalents, and restricted cash	(2,676)	(1,708)	(76,603)
Cash, cash equivalents, and restricted cash at beginning of year	9,158	10,866	87,469
Cash, cash equivalents, and restricted cash at end of year	$ 6,482	$ 9,158	$ 10,866
Supplemental Cash Flow and Noncash Information			
Cash paid for interest, net of interest capitalized	$ 66,829	$ 63,407	$ 53,085
Supplemental disclosure of noncash activities:			
Restricted cash - acquisition of storage properties	$ —	$ —	$ (22,019)
Accretion of put liability	$ 24,747	$ 35,122	$ 31,426
Derivative valuation adjustment	$ (633)	$ 1,875	$ 3,165
Discount on issuance of unsecured senior notes	$ —	$ —	$ 1,488
Mortgage loan assumptions	$ 7,166	$ 6,201	$ 41,513
Preferred share redemption	$ —	$ —	$ 2,863
Issuance of OP units	$ 6,242	$ 12,324	$ —
Liability for acquisition of storage property	$ —	$ 1,470	$ —
Contribution of storage property to real estate venture	$ —	$ 9,400	$ —

See accompanying notes to the consolidated financial statements.

CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)

	December 31, 2018	2017
ASSETS		
Storage properties	$ 4,463,455	$ 4,161,715
Less: Accumulated depreciation	(862,487)	(752,925)
Storage properties, net (including VIE assets of $330,986 and $291,496, respectively)	3,600,968	3,408,790
Cash and cash equivalents	3,764	5,268
Restricted cash	2,718	3,890
Loan procurement costs, net of amortization	963	1,592
Investment in real estate ventures, at equity	95,796	91,206
Other assets, net	48,763	34,590
Total assets	$ 3,752,972	$ 3,545,336
LIABILITIES AND CAPITAL		
Unsecured senior notes, net	$ 1,143,524	$ 1,142,460
Revolving credit facility	195,525	81,700
Unsecured term loans, net	299,799	299,396
Mortgage loans and notes payable, net	108,246	111,434
Accounts payable, accrued expenses and other liabilities	149,914	143,344
Distributions payable	60,627	55,297
Deferred revenue	22,595	21,529
Security deposits	474	486
Total liabilities	1,980,704	1,855,646
Limited Partnership interests of third parties	55,819	54,320
Commitments and contingencies		
Capital		
Operating Partner	1,710,707	1,629,131
Accumulated other comprehensive (loss) income	(1,029)	3
Total CubeSmart, L.P. capital	1,709,678	1,629,134
Noncontrolling interests in subsidiaries	6,771	6,236
Total capital	1,716,449	1,635,370
Total liabilities and capital	$ 3,752,972	$ 3,545,336

See accompanying notes to the consolidated financial statements.

CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per common unit data)

	For the year ended December 31,		
	2018	2017	2016
REVENUES			
Rental income	$ 517,535	$ 489,043	$ 449,601
Other property related income	60,156	55,001	50,255
Property management fee income	20,253	14,899	10,183
Total revenues	597,944	558,943	510,039
OPERATING EXPENSES			
Property operating expenses	196,866	181,508	165,847
Depreciation and amortization	143,350	145,681	161,865
General and administrative	37,712	34,745	32,823
Acquisition related costs	—	1,294	6,552
Total operating expenses	377,928	363,228	367,087
OTHER (EXPENSE) INCOME			
Interest:			
Interest expense on loans	(62,132)	(56,952)	(50,399)
Loan procurement amortization expense	(2,313)	(2,638)	(2,577)
Equity in losses of real estate ventures	(865)	(1,386)	(2,662)
Gains from sale of real estate, net	10,576	—	—
Other	206	872	1,062
Total other expense	(54,528)	(60,104)	(54,576)
NET INCOME	165,488	135,611	88,376
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS			
Noncontrolling interest in subsidiaries	221	270	470
NET INCOME ATTRIBUTABLE TO CUBESMART L.P.	165,709	135,881	88,846
Operating Partnership interests of third parties	(1,820)	(1,593)	(941)
NET INCOME ATTRIBUTABLE TO OPERATING PARTNER	163,889	134,288	87,905
Distribution to preferred unitholders	—	—	(5,045)
Preferred unit redemption charge	—	—	(2,937)
NET INCOME ATTRIBUTABLE TO COMMON UNITHOLDERS	$ 163,889	$ 134,288	$ 79,923
Basic earnings per unit attributable to common unitholders	$ 0.89	$ 0.74	$ 0.45
Diluted earnings per unit attributable to common unitholders	$ 0.88	$ 0.74	$ 0.45
Weighted-average basic units outstanding	184,653	180,525	178,246
Weighted-average diluted units outstanding	185,495	181,448	179,533

See accompanying notes to the consolidated financial statements.

CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

	For the year ended December 31,		
	2018	2017	2016
NET INCOME	$ 165,488	$ 135,611	$ 88,376
Other comprehensive (loss) income:			
Unrealized (losses) gains on interest rate swaps	(979)	195	(1,247)
Reclassification of realized (gains) losses on interest rate swaps	(60)	1,680	4,412
OTHER COMPREHENSIVE (LOSS) INCOME	(1,039)	1,875	3,165
COMPREHENSIVE INCOME	164,449	137,486	91,541
Comprehensive income attributable to Operating Partnership interests of third parties	(1,814)	(1,615)	(978)
Comprehensive loss attributable to noncontrolling interest in subsidiaries	221	270	470
COMPREHENSIVE INCOME ATTRIBUTABLE TO OPERATING PARTNER	$ 162,856	$ 136,141	$ 91,033

See accompanying notes to the consolidated financial statements.

CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITAL

(in thousands)

	Number of Common OP Units Outstanding	Number of Preferred OP Units Outstanding	Operating Partner	Accumulated Other Comprehensive (Loss) Income	Total CubeSmart L.P. Capital	Noncontrolling Interest in Subsidiaries	Total Capital	Oper Partn Inter of T Parti
Balance at December 31, 2015	174,668	3,100	$ 1,648,305	$ (4,978)	$ 1,643,327	$ 1,526	$ 1,644,853	$ 66
Contributions from noncontrolling interest in subsidiaries						4,799	4,799	
Issuance of common OP units, net	4,408		136,121		136,121		136,121	
Issuance of restricted OP units	123		1		1		1	
Issuance of OP Shares								1,
Conversion from OP units to shares	188		4,876		4,876		4,876	(4
Exercise of OP unit options	696		13,283		13,283		13,283	
Amortization of restricted OP units			1,952		1,952		1,952	
OP unit compensation expense			1,260		1,260		1,260	
Adjustment for Operating Partnership interests of third parties			7,388		7,388		7,388	(7
Net income (loss)			87,905		87,905	(470)	87,435	94
Other comprehensive income, net:				3,128	3,128		3,128	37
Preferred OP unit distributions ($1.63 per unit)			(5,045)		(5,045)		(5,045)	

Preferred OP unit redemption		(3,100)	(77,574)		(77,574)		(77,574)	
Common OP unit distributions ($0.90 per unit)			(161,240)		(161,240)		(161,240)	(1
Balance at December 31, 2016	180,083	—	$ 1,657,232	$ (1,850)	$ 1,655,382	$ 5,855	$ 1,661,237	$ 54
Contributions from noncontrolling interest in subsidiaries						1,058	1,058	
Acquisition of noncontrolling interest in subsidiary			(8,626)		(8,626)	(407)	(9,033)	
Issuance of common OP units, net	1,036		29,642		29,642		29,642	
Issuance of restricted OP units	106		1		1		1	
Issuance of OP Shares								12
Conversion from OP units to shares	594		15,706		15,706		15,706	(1
Exercise of OP unit options	397		2,364		2,364		2,364	
Amortization of restricted OP units			2,009		2,009		2,009	
OP unit compensation expense			1,531		1,531		1,531	
Adjustment for Operating Partnership interests of third parties			(3,965)		(3,965)		(3,965)	3,
Net income (loss)			134,288		134,288	(270)	134,018	1,
Other comprehensive income, net:				1,853	1,853		1,853	22
Common OP unit distributions ($1.11 per unit)			(201,051)		(201,051)		(201,051)	(2
Balance at December 31, 2017	182,216	—	$ 1,629,131	$ 3	$ 1,629,134	$ 6,236	$ 1,635,370	$ 54
Contributions from noncontrolling interest in subsidiaries						925	925	
Distributions to noncontrolling interests in						(169)	(169)	

subsidiaries								
Issuance of common OP units, net	4,291		131,829		131,829		131,829	
Issuance of restricted OP units	86		1		1		1	
Issuance of OP Shares								6,
Conversion from OP units to shares	147		4,404		4,404		4,404	(4
Exercise of OP unit options	405		3,835		3,835		3,835	
Amortization of restricted OP units			2,570		2,570		2,570	
OP unit compensation expense			1,541		1,541		1,541	
Adjustment for Operating Partnership interests of third parties			(299)		(299)		(299)	29
Net income (loss)			163,889		163,889	(221)	163,668	1,
Other comprehensive income (loss), net:			405	(1,032)	(627)		(627)	(6
Common OP unit distributions ($1.22 per unit)			(226,599)		(226,599)		(226,599)	(2
Balance at December 31, 2018	187,145	—	$ 1,710,707	$ (1,029)	$ 1,709,678	$ 6,771	$ 1,716,449	$ 55

See accompanying notes to the consolidated financial statements.

CUBESMART, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	For the year ended December 31,		
	2018	2017	2016
Operating Activities			
Net income	$ 165,488	$ 135,611	$ 88,376
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	145,663	148,319	164,442
Equity in losses of real estate ventures	865	1,386	2,662
Gains from sale of real estate, net	(10,576)	—	—
Equity compensation expense	5,572	5,586	4,850
Accretion of fair market value adjustment of debt	(735)	(559)	(1,138)
Changes in other operating accounts:			
Other assets	(4,937)	(10,429)	(5,229)
Accounts payable and accrued expenses	2,653	10,846	7,862
Other liabilities	342	1,154	1,449
Net cash provided by operating activities	$ 304,335	$ 291,914	$ 263,274
Investing Activities			
Acquisitions of storage properties	(214,510)	(69,629)	(388,641)
Additions and improvements to storage properties	(27,626)	(27,378)	(29,672)
Development costs	(86,002)	(68,778)	(136,912)
Investment in real estate ventures	(19,216)	(301)	(12,176)
Cash distributed from real estate ventures	8,706	15,783	8,113
Proceeds from sale of real estate, net	16,389	—	—
Net cash used in investing activities	$ (322,259)	$ (150,303)	$ (559,288)
Financing Activities			
Proceeds from:			
Unsecured senior notes	—	103,192	298,512
Revolving credit facility	679,535	628,400	958,200
Principal payments on:			
Revolving credit facility	(565,710)	(590,000)	(914,900)
Unsecured term loans	—	(100,000)	—
Mortgage loans and notes payable	(9,816)	(8,666)	(37,260)
Loan procurement costs	—	(953)	(2,467)
Acquisition of noncontrolling interest in subsidiary	—	(9,033)	—
Proceeds from issuance of common OP units	131,830	29,643	136,122
Cash paid upon vesting of restricted OP units	(1,461)	(2,046)	(1,638)
Redemption of preferred units	—	—	(77,574)
Exercise of OP unit options	3,835	2,364	13,283
Contributions from noncontrolling interests in subsidiaries	925	1,058	4,799
Distributions paid to noncontrolling interests in subsidiaries	(169)	—	—

Distributions paid to common OP unitholders	(223,721)	(197,278)	(151,121)
Distributions paid to preferred OP unitholders	—	—	(6,545)
Net cash provided by (used in) financing activities	$ 15,248	$ (143,319)	$ 219,411
Change in cash, cash equivalents, and restricted cash	(2,676)	(1,708)	(76,603)
Cash, cash equivalents, and restricted cash at beginning of year	9,158	10,866	87,469
Cash, cash equivalents, and restricted cash at end of year	$ 6,482	$ 9,158	$ 10,866
Supplemental Cash Flow and Noncash Information			
Cash paid for interest, net of interest capitalized	$ 66,829	$ 63,407	$ 53,085
Supplemental disclosure of noncash activities:			
Restricted cash - acquisition of storage properties	$ —	$ —	$ (22,019)
Accretion of put liability	$ 24,747	$ 35,122	$ 31,426
Derivative valuation adjustment	$ (633)	$ 1,875	$ 3,165
Discount on issuance of unsecured senior notes	$ —	$ —	$ 1,488
Mortgage loan assumptions	$ 7,166	$ 6,201	$ 41,513
Preferred unit redemption	$ —	$ —	$ 2,863
Issuance of OP units	$ 6,242	$ 12,324	$ —
Liability for acquisition of storage property	$ —	$ 1,470	$ —
Contribution of storage property to real estate venture	$ —	$ 9,400	$ —

See accompanying notes to the consolidated financial statements.

CUBESMART AND CUBESMART L.P.

NOTES TO 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 December 31, 2018, the Company owned self-storage properties located in 23 states throughout the United States and in the District of Columbia which are presented under one reportable segment: the Company owns, operates, develops, manages, and acquires self-storage properties.

As of December 31, 2018, 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 us in exchange for OP Units. Under the partnership agreement, these persons have the right to tender their OP Units for redemption to the Operating Partnership at any time following a specified restricted period for cash equal to the fair value of an equivalent number of common shares of the Parent Company. In lieu of delivering cash, however, the Parent Company, as the Operating Partnership's general partner, may, at its option, choose to acquire any OP Units so tendered by issuing common shares in exchange for the tendered OP Units. If the Parent Company so chooses, its common shares will be exchanged for OP Units on a one-for-one basis. This one-for-one exchange ratio is subject to adjustment to prevent dilution. With each such exchange or redemption, the Parent Company's percentage ownership in the Operating Partnership will increase. In addition, whenever the Parent Company issues common or other classes of its shares, it contributes the net proceeds it receives from the issuance to the Operating Partnership and the Operating Partnership issues to the Parent Company an equal number of OP Units or other partnership interests having preferences and rights that mirror the preferences and rights of the shares issued. This structure is commonly referred to as an umbrella partnership REIT or "UPREIT".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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 consolidated. 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 on the consolidation of VIEs. When an entity is not deemed to be a VIE, the Company considers the provisions of additional 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 which the limited partners do not have the ability to dissolve or remove the Company without cause nor substantive participating rights.

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 VIE. The Parent Company's sole significant asset is its investment in the Operating Partnership. As a result, substantially all of the Parent Company's assets and liabilities represent those assets and liabilities of the Operating Partnership. All of the Parent Company's debt is an obligation of the Operating Partnership.

Noncontrolling Interests

The Financial Accounting Standards Board ("FASB") issued authoritative guidance regarding noncontrolling interests in consolidated financial statements which was effective on January 1, 2009. The guidance states that 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. Under the guidance, such noncontrolling interests are reported on the consolidated balance sheets within equity, separately from the Company's equity. On the consolidated statements of operations, revenues,

expenses, and net income or loss from controlled or consolidated entities that are less than wholly owned are reported at the consolidated amounts, including both the amounts attributable to the Company and noncontrolling interests. Presentation of consolidated equity activity is included for both quarterly and annual financial statements, including beginning balances, activity for the period, and ending balances for shareholders' equity, noncontrolling interests and total equity.

However, per the FASB issued authoritative guidance on the classification and measurement of redeemable securities, securities that are redeemable for cash or other assets at the option of the holder, not solely within the control of the issuer, must be classified outside of permanent equity. This would result in certain outside ownership interests being included as redeemable noncontrolling interests outside of permanent equity 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 noncontrolling interests for which the Company has a choice to settle the contract by delivery of its own shares, the Company considered the FASB issued guidance on accounting for derivative financial instruments indexed to, and potentially settled in, a Company's own stock to evaluate whether the Company controls the actions or events necessary to issue the maximum number of shares that could be required to be delivered under share settlement of the contract. 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 fair value.

The consolidated results of the Company include results attributable to units of the Operating Partnership that are not owned by the Company. These interests were issued in the form of OP units and were a component of the consideration the Company paid to acquire certain self-storage properties. Limited partners who acquired OP units have the right to require the Operating Partnership to redeem part or all of their OP units for, at the Company's option, an equivalent number of common shares of the Company or cash based upon the fair value of an equivalent number of common shares of the Company. However, the operating agreement contains certain circumstances that could result in a net cash settlement outside the control of the Company, as the Company does not have the ability to settle in unregistered shares. Accordingly, consistent with the guidance discussed above, the Company will continue to record these noncontrolling interests outside of permanent equity in the consolidated balance sheets. Net income or loss related to these noncontrolling interests is excluded from net income or loss in the consolidated statements of operations. The Company has adjusted the carrying value of its noncontrolling interests subject to redemption value to the extent applicable. Based on the Company's evaluation of the redemption value of the redeemable noncontrolling interests, the Operating Partnership reflected these interests at their redemption value as of December 31, 2018, as the estimated redemption value exceeded their carrying value. The Operating Partnership recorded an increase to OP Units owned by third parties and a corresponding decrease to capital of $0.3 million as of December 31, 2018. Disclosure of such redemption provisions is provided in note 12.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported

amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Although management believes the assumptions and estimates made are reasonable and appropriate, as discussed in the applicable sections throughout these consolidated financial statements, different assumptions and estimates could materially impact the Company's reported results. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions and changes in market conditions could impact the Company's future operating results.

Self-Storage Properties

Self-storage properties are carried at historical cost less accumulated depreciation and impairment losses. The cost of self-storage properties reflects their purchase price or development cost. Acquisition costs are accounted for in accordance with Accounting Standard Update ("ASU") No. 2017-01 - Business Combinations (Topic 805): Clarifying the Definition of a Business, which was adopted on January 1, 2018 (see section entitled Recent Accounting Pronouncements"), and are generally capitalized. Costs incurred for the renovation of a store are capitalized to the Company's investment in that store. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. The costs to develop self-storage properties are capitalized to construction in progress while the project is under development.

Purchase Price Allocation

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 the fair

value determined using 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 land, building and improvements, and equipment are recorded 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 attributed to the value of in-place leases. This intangible is generally amortized to expense over the expected remaining term of the respective leases. Substantially all of the leases in place at acquired 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 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.

Depreciation and Amortization

The costs of self-storage properties and improvements are depreciated using the straight-line method based on useful lives ranging from five to 39 years.

Impairment of Long-Lived Assets

We evaluate long-lived assets 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 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.

Long-Lived Assets Held for Sale

We consider 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.

Cash and Cash Equivalents

Cash and cash equivalents are highly-liquid investments with original maturities of three months or less. The Company may maintain cash equivalents in financial institutions in excess of insured limits, but believes this risk is mitigated by only investing in or through major financial institutions.

Restricted Cash

Restricted cash consists of purchase deposits and cash deposits required for debt service requirements, capital replacement, and expense reserves in connection with the requirements of our loan agreements.

Loan Procurement Costs

Loan procurement costs related to borrowings were $21.5 million and $21.4 million as of December 31, 2018 and 2017, respectively, and are reported net of accumulated amortization of $13.4 million and $11.1 million as of December 31, 2018 and 2017, respectively. In accordance with ASU No. 2015-03, Loan procurement costs, net are presented as a direct deduction from the carrying amount of the related debt liability. If there is not an associated debt liability recorded on the consolidated balance sheets, the costs are recorded as an

asset net of accumulated amortization. Loan procurement costs associated with the Company's revolving credit facility remain in Loan procurement costs, net of amortization on the Company's consolidated balance sheets. The costs are amortized over the estimated life of the related debt using the effective interest method and are reported as Loan procurement amortization expense on the Company's consolidated statements of operations.

Other Assets

Other assets are comprised of the following as of December 31, 2018 and 2017 (in thousands):

	December 31, 2018	2017
Intangible assets, net of accumulated amortization of $3,124 and $1,532	$ 8,145	$ 1,716
Accounts receivable	5,672	5,498
Prepaid real estate taxes	4,406	3,960
Prepaid insurance	1,479	2,105
Amounts due from affiliates (see note 13)	10,584	7,480
Assets held in trust related to deferred compensation arrangements	9,645	9,393
Equity investment recorded at cost (1)	5,000	—
Other	3,832	4,438
Total other assets, net	$ 48,763	$ 34,590

(1) On September 5, 2018, the Company invested $5.0 million in exchange for 100% of the Class A Preferred Units of Capital Storage Partners, LLC, a newly formed venture that acquired 22 self-storage properties located in Florida (4), Oklahoma (5), and Texas (13). The Class A Preferred Units earn an 11% cumulative dividend prior to any other distributions. The Company's investment in Capital Storage and the related dividends are included in Other assets, net on the Company's consolidated balance sheets and in Other income on the Company's consolidated statements of operations, respectively.

Environmental Costs

Our practice is to conduct or obtain environmental assessments in connection with the acquisition or development of additional stores. Whenever the environmental assessment for one of our stores indicates that a store is impacted by soil or groundwater contamination from prior owners/operators or other sources, we will work with our environmental consultants and where appropriate, state governmental agencies, to ensure that the store is either cleaned up, that no cleanup is necessary because the low level of contamination poses no significant risk to public health or the environment, or that the responsibility for cleanup rests with a third party.

Revenue Recognition

Management has determined that all of our leases are operating leases. Rental income is recognized in accordance with the terms of the leases, which generally are month to month. Property management fee income is recognized monthly as services are performed and in accordance with the terms of the related management agreements.

The Company recognizes gains from sale of real estate in accordance with the guidance on transfer of nonfinancial assets. Payments received from purchasers prior to closing are recorded as deposits. Profit on real estate sold is recognized when a valid contract exists, the collectability of the sales price is reasonably assured and the control of the property has transferred.

Advertising and Marketing Costs

The Company incurs advertising and marketing costs primarily attributable to internet marketing and other media advertisements. The Company incurred $10.3 million, $9.7 million, and $9.4 million in advertising and marketing expenses for the years ended December 31, 2018, 2017 and 2016, respectively, which are included in Property operating expenses on the Company’s consolidated statements of operations.

Equity Offering Costs

Underwriting discounts and commissions, financial advisory fees and offering costs are reflected as a reduction to additional paid-in capital. For the years ended December 31, 2018, 2017 and 2016, the Company recognized $1.6 million, $0.6 million, and $1.6 million, respectively, of equity offering costs related to the issuance of common shares.

Other Property Related Income

Other property related income consists of late fees, administrative charges, customer insurance fees, sales of storage supplies, and other ancillary revenues and is recognized in the period that it is earned.

Capitalized Interest

The Company capitalizes interest incurred that is directly associated with construction activities until the asset is placed into service. Interest is capitalized to the related asset(s) using the weighted-average rate of the Company's outstanding debt. For the years ended December 31, 2018, 2017 and 2016, the Company capitalized $4.4 million, $5.6 million, and $4.6 million, respectively, of interest incurred that is directly associated with construction activities.

Derivative Financial Instruments

The Company carries all derivatives on the balance sheet at fair value. The Company determines the fair value of derivatives by observable prices that are based on inputs not quoted on active markets, but corroborated by market data. The accounting for changes in the fair value of a derivative instrument depends on whether the derivative has been designated and qualifies as part of a hedging relationship and, if so, the reason for holding it. The Company's use of derivative instruments has been limited to cash flow hedges of certain interest rate risks. The Company had interest rate swap agreements for notional principal amounts aggregating $150.0 million and $100.0 million as of December 31, 2018 and 2017, respectively, the fair values of which are included in Accounts payable, accrued expenses and other liabilities on the Company's consolidated balance sheets.

Income Taxes

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

Earnings and profits, which determine the taxability of distributions to shareholders, differ from net income reported for financial reporting purposes due to differences in cost basis, the estimated useful lives used to compute depreciation, and the allocation of net income and loss for financial versus tax reporting purposes. The net tax basis in the Company's assets was approximately $3.6 billion and $3.4 billion as of December 31, 2018 and 2017, respectively.

Distributions to shareholders are usually taxable as ordinary income, although a portion of the distribution may be designated as capital gain or may constitute a tax-free return of capital. Annually, the Company provides each of its shareholders a statement detailing the tax characterization of dividends paid during the preceding year as ordinary income, capital gain, or return of capital. The characterization of the Company's dividends for 2018 consisted of a 78.190% ordinary income distribution, a 13.653% capital gain distribution, and an 8.157% return of capital distribution from earnings and profits.

The Company is subject to a 4% federal excise tax if sufficient taxable income is not distributed within prescribed time limits. The excise tax equals 4% of the annual amount, if any, by which the sum of (a) 85% of the Company's ordinary income, (b) 95% of the Company's net capital gains, and (c) 100% of prior taxable income exceeds cash distributions and certain taxes paid by the Company. No excise tax was incurred in 2018, 2017, or 2016.

Taxable REIT subsidiaries are subject to federal and state income taxes. Our taxable REIT subsidiaries had a net deferred tax asset related to expenses which are deductible for tax purposes in future periods of $1.4 million as of December 31, 2018 and 2017.

Legislation commonly known as the Tax Cuts and Jobs Act ("TCJA") was signed into law on December 22, 2017. The TCJA made significant changes to the U.S. federal income tax rules for taxation of individuals and corporations (including REITs), generally effective for taxable years beginning after December 31, 2017.

Earnings per Share and Unit

Basic earnings per share and unit are calculated based on the weighted average number of common shares and restricted shares outstanding during the period. Diluted earnings per share and unit is calculated by further adjusting for the dilutive impact of share options, unvested restricted shares and contingently issuable shares outstanding during the period using the treasury stock method. Potentially dilutive securities calculated under the treasury stock method were 842,000; 923,000 and 1,287,000 in 2018, 2017 and 2016, respectively.

Share-Based Payments

We apply the fair value method of accounting for contingently issued shares and share options issued under our incentive award plan. Accordingly, share compensation expense is recorded ratably over the vesting period relating to such contingently issued shares and options. The Company has recognized compensation expense on a straight-line method over the requisite service period, which is included in general and administrative expense on the Company's consolidated statement of operations.

Investments in Unconsolidated Real Estate Ventures

The Company accounts for its investments in unconsolidated real estate ventures under the equity method of accounting when it is determined that the Company has the ability to exercise significant influence over the venture. Under the equity method, investments in unconsolidated real estate ventures are recorded initially at cost, as investments in real estate ventures, and subsequently adjusted for equity in earnings (losses), cash contributions, less distributions. On a periodic basis, management also assesses whether there are any indicators that the value of the Company's investments in unconsolidated real estate ventures may be other than temporarily impaired. An investment is impaired only if the fair value of the investment is less than the carrying value of the investment and the decline is other than temporary. To the extent impairment that is other than temporary 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.

Reclassifications

On January 1, 2018, the Company adopted ASU No. 2016-15: Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments, which requires retrospective application for a number of cash flow

classification items for which there was diversity in practice. See Recent Accounting Pronouncements below for the specific cash flow areas addressed by the new standard. As a result of adopting the new guidance, $1.6 million and $1.3 million of proceeds received from the settlement of insurance claims during the years ended December 31, 2017 and 2016, respectively, have been reclassified from operating activities to investing activities within the consolidated statements of cash flows.

On January 1, 2018, the Company also adopted ASU No. 2016-18: Statement of Cash Flows (Topic 230) – Restricted Cash, which requires restricted cash to be included with cash and cash equivalents as part of the reconciliation of beginning and end of period balances within the consolidated statements of cash flows. As a result of adopting the new guidance, $0.1 million and $4.1 million of restricted cash, which were previously included as operating cash outflows and investing cash inflows within the consolidated statements of cash flows for the year ended December 31, 2017, respectively, have been removed and are now included in the cash, cash equivalents, and restricted cash line items at the beginning and the end of the year. For the year ended December 31, 2016, $0.6 million and $16.1 million of restricted cash, which were previously included as operating cash inflows and investing cash inflows, respectively, have been removed and are now included in the cash, cash equivalents, and restricted cash line items at the beginning and the end of the year.

Recent Accounting Pronouncements

In August 2017, the 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 adoption of this guidance is not expected to have a material impact on the Company’s consolidated financial statements.

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 became effective on January 1, 2018 when the Company adopted the new revenue standard. Upon adoption, the majority of the Company’s sale transactions are now 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. The adoption of this guidance did not have a material impact on the Company’s consolidated financial position or results of operations.

In January 2017, the FASB issued ASU No. 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 became effective on January 1, 2018. Upon adoption of the new guidance, the majority of the Company’s 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. The adoption of this guidance did not have a material impact on the Company’s consolidated financial position or results of operations.

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 to reconcile such total to amounts on the balance sheet and disclose the nature of the restrictions. The standard became effective on January 1, 2018 and requires the use of the retrospective transition method. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements as the update primarily relates to financial statement presentation and disclosures.

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 became effective on January 1, 2018 and requires the use of the retrospective transition method. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements as the update primarily relates to financial

statement presentation and disclosures.

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 Company adopted the standard on January 1, 2019, the date it became effective for public companies, using the modified retrospective approach. Upon adoption, the Company elected the package of practical expedients permitted within the standard, which among other things, allows for the carryforward of historical lease classification. In addition, the Company elected the practical expedient that allows reporting entities to use hindsight to determine the lease term for existing leases. The Company expects to record lease liabilities of approximately $55.0 million and right-of-use assets of approximately $50.0 million, primarily related to the Company’s ten ground leases in which it serves as lessee (see note 14).

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 No. 2016-12 - Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, which amends ASU No. 2014-09 and is intended to address implementation issues that were raised by stakeholders. ASU No. 2016-12 provides practical expedients on collectability, noncash consideration, presentation of sales tax and contract modifications and completed contracts in transition. Both standards became effective on January 1, 2018. The Company finalized 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 and adopted the standards using the modified retrospective transition method. The standards did not have a material impact on the Company's consolidated statements of 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 insurance fee revenue, property management fee revenue, and merchandise sale revenue are included in the scope of the new guidance, however, the Company identified similar performance obligations under this standard as compared with deliverables and separate units of account identified under its previous revenue recognition methodology. Accordingly, revenue recognized under the new guidance does not differ materially from revenue recognized under previous guidance and there is no material prior year impact.

Concentration of Credit Risk

The Company's stores are located in major metropolitan and rural areas and have numerous customers per store. No single customer represents a significant concentration of our revenues. The stores in Florida, New York, Texas, and California provided approximately 17%, 16%, 10% and 8%, respectively, of our total revenues for each of the years ended December 31, 2018, 2017 and 2016.

3. STORAGE PROPERTIES

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

	December 31, 2018	2017
	(in thousands)	
Land	$ 806,916	$ 711,140
Buildings and improvements	3,343,173	3,086,252
Equipment	176,583	182,958
Construction in progress	136,783	181,365
Storage properties	4,463,455	4,161,715
Less: Accumulated depreciation	(862,487)	(752,925)
Storage properties, net	$ 3,600,968	$ 3,408,790

The following table summarizes the Company's acquisition and disposition activity for the years ended December 31, 2018, 2017, and 2016:

Asset/Portfolio	Market	Transaction Date	Number of Stores	Purchase / Sale Price (in thousands)
2018 Acquisitions:				
Texas Asset	Texas Markets - Major	January 2018	1	$ 12,200
Texas Asset	Texas Markets - Major	May 2018	1	19,000
Metro DC Asset	Baltimore / DC	July 2018	1	34,200
Nevada Asset	Las Vegas	September 2018	1	14,350
North Carolina Asset	Charlotte	September 2018	1	11,000
California Asset	Los Angeles	October 2018	1	53,250
Texas Asset	Texas Markets - Major	October 2018	1	23,150
California Asset	San Diego	November 2018	1	19,118
New York Asset	New York / Northern NJ	November 2018	1	37,000
Illinois Asset	Chicago	December 2018	1	4,250
			10	$ 227,518
2018 Dispositions:				
Arizona Assets	Phoenix	November 2018	2	$ 17,502
			2	$ 17,502
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
Texas Asset	Texas Markets - Major	October 2017	1	4,050
Florida Asset	Florida Markets - Other	October 2017	1	14,500
Illinois Asset	Chicago	November 2017	1	11,300
Florida Asset	Florida Markets - Other	December 2017	1	17,750
			7	$ 80,650
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

2018 Acquisitions

During the year ended December 31, 2018, the Company acquired ten stores located throughout the United States, including one store upon completion of construction and the issuance of a certificate of occupancy, for an aggregate purchase price of approximately $227.5 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 $11.3 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 2018 was approximately $3.1 million. In connection with one of the acquired stores, the Company assumed a $7.2 million mortgage loan that was immediately repaid by the Company. The remainder of the purchase price was funded with $0.2 million of cash and $4.8 million through the issuance of 168,011 OP Units (see note 12). Following a 13-month lock-up period, the holder may tender the OP Units for redemption by the Operating Partnership for a cash amount per OP Unit equal to the market value of an equivalent number of common shares of the Company. The Company has the right, but not the obligation, to assume and satisfy the redemption obligation of the Operating Partnership by issuing one common share in exchange for each OP Unit tendered for redemption.

The following table summarizes the Company’s revenue and earnings associated with the 2018 acquisitions from the respective acquisition dates, that are included in the consolidated statements of operations for the year ended December 31, 2018:

	Year Ended December 31, 2018 (in thousands)
Total revenue	$ 4,089
Net loss	(2,732)

2018 Dispositions

On November 28, 2018, the Company sold two stores in Arizona for an aggregate sales price of approximately $17.5 million. In connection with these sales, the Company recorded gains that totaled approximately $10.6 million.

Development

As of December 31, 2018, the Company had invested in joint ventures to develop six self-storage properties located in Massachusetts (2) New Jersey (1), and New York (3). Construction for all projects is expected to be completed by the second quarter of 2020. As of December 31, 2018, development costs incurred to date for these projects totaled $118.6 million. Total construction costs for these projects are expected to be $162.7 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 since January 1, 2016. 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.

Store Location	Number of Stores	Date Opened	CubeSmart Ownership Interest	Total Construction Costs (in thousands)
Bronx, NY	1	Q3 2018	51%	$ 92,100
Brooklyn, NY (1)	1	Q4 2017	100%	49,300
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
	7			$ 324,100

(1) These stores were previously owned through three 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. On March 28, 2018, the noncontrolling member in the venture that owned the Brooklyn, NY store put its 49% interest in the venture to the Company for $20.4 million. These amounts are included in Development costs on the Company's consolidated statements of cash flows.

(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.

2017 Acquisitions

During the year ended December 31, 2017, the Company acquired six stores located throughout the United States, including two stores upon completion of construction and the issuance of a certificate of occupancy, for an aggregate purchase price of approximately $69.5 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 $3.2 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 years ended December 31, 2018 and 2017 was approximately $1.7 and $1.5 million, respectively. 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 as consideration for the remainder of the purchase price (see note 12).

During the year ended December 31, 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 satisfied with $9.7 million of cash and 58,400 newly created Class C OP Units. Each Class C OP Unit had a stated value of $25 and an annual distribution rate of 3% of the stated value. On July 23, 2018, all of the Class C OP Units were exchanged for an aggregate of 46,322 common units of the Operating Partnership. Because the Class C OP Units represented an unconditional obligation that the Company settled by issuing a variable number of its common shares with a monetary value that was known at inception, the Class C OP Units were classified as a liability in Accounts payable, accrued

expenses and other liabilities on the Company's consolidated balance sheets prior to redemption.

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 years ended December 31, 2017 and 2016 was approximately $8.3 million and $10.5 million, respectively. 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.

5. INVESTMENT IN UNCONSOLIDATED REAL ESTATE VENTURES

191 IV CUBE LLC ("HVP IV")

On October 16, 2017, the Company acquired a self-storage property located in Texas for $9.4 million, which it then contributed to a newly-formed real estate venture on November 1, 2017. In return for contributing the property to HVP IV, the Company received approximately $7.5 million in cash and a 20% ownership interest in the venture. During the year ended December 31, 2018, HVP IV acquired 12 additional stores located in Arizona (2), Connecticut (2), Florida (3), Georgia (2), Maryland (1), and Texas (2) for an

aggregate purchase price of $129.4 million, of which the Company has contributed $14.1 million. On May 16, 2018 and August 15, 2018, HVP IV received $43.7 million and $24.4 million advances, respectively, on its $107.0 million loan facility, which encumbers the first eleven stores that were acquired by the venture. The loan bears interest at LIBOR plus 1.70% and matures on May 16, 2021 with options to extend the maturity date through May 16, 2023, subject to satisfaction of certain conditions and payment of the extension fees as stipulated in the loan agreement.

CUBE HHF Northeast Venture LLC (“HHFNE”)

On December 15, 2016, the Company invested a 10% ownership interest in a newly-formed real estate 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.

191 III CUBE LLC (“HVP III”)

During the fourth quarter of 2015, the Company invested a 10% ownership interest in a newly-formed real estate 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 III 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 III 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 III 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 III related to this portfolio acquisition was $10.7 million. The loan facility bears interest at LIBOR plus 2.00% per annum and was originally scheduled to mature 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 III agreed to acquire a 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 III 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 III acquired 30 of the stores on March 30, 2016 for $112.8 million and one of the stores on November

29, 2016 for $2.7 million. In conjunction with the acquisitions, HVP III 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 III related to this portfolio acquisition was $5.4 million, bringing its total investment in HVP III to $16.1 million as of December 31, 2016. The amended and restated loan facility bears interest at LIBOR plus 2.00% per annum. The initial maturity date was extended to March 30, 2019 with options to extend through March 30, 2021, subject to satisfaction of certain conditions and payment of the extension fees as stipulated in the amended and restated loan agreement.

CUBE HHF Limited Partnership ("HHF")

On December 10, 2013, the Company invested a 50% ownership interest in a newly-formed real estate 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 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 HVP IV, HHFNE, HVP III, 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 Ventures. The following is a summary of the financial position of the Ventures as of December 31, 2018 and 2017 (in thousands):

	December 31,	
	2018	2017
Assets		
Storage properties, net	$ 741,209	$ 647,668
Other assets	16,042	8,284
Total assets	$ 757,251	$ 655,952
Liabilities and equity		
Other liabilities	$ 7,911	$ 6,853
Debt	413,848	346,475
Equity		
CubeSmart	95,796	91,206
Joint venture partners	239,696	211,418
Total liabilities and equity	$ 757,251	$ 655,952

The following is a summary of results of operations of the Ventures for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	Year ended December 31,		
	2018	2017	2016
Total revenues	$ 90,111	$ 81,058	$ 64,931
Operating expenses	37,899	33,922	26,150
Other expense	938	783	3,750
Interest expense, net	13,311	11,703	9,432
Depreciation and amortization	41,972	45,086	53,701
Net loss	$ (4,009)	$ (10,436)	$ (28,102)
Company’s share of net loss	$ (865)	$ (1,386)	$ (2,662)

The results of operations above include the periods from November 1, 2017 (date of acquisition) through December 31, 2018 for HVP IV and December 15, 2016 (date of acquisition) through December 31, 2018 for HHFNE.

6. UNSECURED SENIOR NOTES

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

Unsecured Senior Notes	December 31, 2018 (in thousands)	2017	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	300,000	4.33 %	Various (1)	Dec-23
$300M 4.000% Guaranteed Notes due 2025 (2)	300,000	300,000	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	1,150,000			
Less: Discount on issuance of unsecured senior notes, net	(568)	(617)			
Less: Loan procurement costs, net	(5,908)	(6,923)			
Total unsecured senior notes, net	$ 1,143,524	$ 1,142,460			

(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 tranches 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 tranches 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 and for the year ended December 31, 2018, 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 December 31, 2018, $303.8 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 December 31, 2018, 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. 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 five-year $100.0 million unsecured term loan that was scheduled to mature in June 2018.

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

Unsecured Term Loans	Carrying Value as of: December 31, 2018	2017	Effective Interest Rate as of December 31, 2018 (1)	Maturity Date
	(in thousands)			
Credit Facility				
Unsecured term loan (2)	$ 200,000	$ 200,000	3.80 %	Jan-19
Term Loan Facility				
Unsecured term loan	100,000	100,000	3.65 %	Jan-20
Principal balance outstanding	300,000	300,000		
Less: Loan procurement costs, net	(201)	(604)		
Total unsecured term loans, net	$ 299,799	$ 299,396		

(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 loan that matured in January 2019 were priced at 1.30% over LIBOR, while amounts drawn under the term loan that is scheduled to mature in January 2020 are priced at 1.15% over LIBOR. As of December 31, 2018, borrowings under the Credit Facility, inclusive of the Revolver, and Term Loan Facility, as amended, had an effective weighted average interest rate of 3.75%.

(2) On January 31, 2019, the Company used a portion of the net proceeds from the issuance of $350.0 million of 4.375% Senior Notes due 2029 (the "2029 Notes" - see note 18) to repay all of the outstanding indebtedness under the unsecured term loan portion of the Credit Facility that was scheduled to mature in January 2019.

The Term Loan Facility and the unsecured term loan under the Credit Facility were fully drawn as of December 31, 2018 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 December 31, 2018, the Company was in compliance with all of its financial covenants and it 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: December 31, 2018	2017	Effective Interest Rate	Maturity Date
	(in thousands)			
YSI 33	$ 9,214	$ 9,547	6.42 %	Jul-19
YSI 26	8,022	8,228	4.56 %	Nov-20
YSI 57	2,816	2,889	4.61 %	Nov-20
YSI 55	22,041	22,508	4.85 %	Jun-21
YSI 24	24,893	25,700	4.64 %	Jun-21

YSI 65	2,363	2,411	3.85	%	Jun-23
YSI 66	31,171	31,727	3.51	%	Jun-23
YSI 68	5,626	5,786	3.78	%	May-24
Principal balance outstanding	106,146	108,796			
Plus: Unamortized fair value adjustment	2,551	3,286			
Less: Loan procurement costs, net	(451)	(648)			
Total mortgage loans and notes payable, net	$ 108,246	$ 111,434			

As of December 31, 2018 and 2017, the Company's mortgage loans payable were secured by certain of its self-storage properties with net book values of approximately $231.0 million and $236.9 million, respectively. The following table represents the future principal payment requirements on the outstanding mortgage loans and notes payable as of December 31, 2018 (in thousands):

2019	$ 11,652
2020	12,791
2021	45,057
2022	923
2023	31,019
2024 and thereafter	4,704
Total mortgage payments	106,146
Plus: Unamortized fair value adjustment	2,551
Less: Loan procurement costs, net	(451)
Total mortgage loans and notes payable, net	$ 108,246

9. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the changes in accumulated other comprehensive income (loss) by component for the year ended December 31, 2018 (in thousands):

	Unrealized Gains (Losses) on Interest Rate Swaps	
Other comprehensive loss before reclassifications	$ (970)	
Amounts reclassified from accumulated other comprehensive income	(62)	(1)
Net current-period other comprehensive loss	(1,032)	
Balance at December 31, 2017	3	
Balance at December 31, 2018	$ (1,029)	

(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 sheets at fair value, and the related gains or losses are deferred in shareholders’ equity as accumulated other comprehensive loss. These deferred gains and losses are amortized into interest expense during the period or periods in which the related interest payments affect earnings. However, to the extent that the

interest rate swaps are not perfectly effective in offsetting the change in value of the interest payments being hedged, the ineffective portion of these contracts is recognized in earnings immediately.

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

The following table summarizes the terms and fair values of the Company's derivative financial instruments as of December 31, 2018 and 2017 (in thousands):

Hedge Product	Hedge Type	Notional Amount December 31, 2018	December 31, 2017	Strike	Effective Date	Maturity	Fair Value December 31, 2018	December 31, 201
Swap	Cash flow (1)	$ 75,000	$ —	2.8015%	6/28/2019	6/28/2029	$ (516)	$ —
Swap	Cash flow (1)	50,000	—	2.8030%	6/28/2019	6/28/2029	(350)	—
Swap	Cash flow (1)	25,000	—	2.8020%	6/28/2019	6/28/2029	(173)	—
Swap	Cash flow (2)	—	40,000	2.4590%	6/20/2011	6/20/2018	—	(161)
Swap	Cash flow (2)	—	40,000	2.4725%	6/20/2011	6/20/2018	—	(163)
Swap	Cash flow (2)	—	20,000	2.4750%	6/20/2011	6/20/2018	—	(82)
		$ 150,000	$ 100,000				$ (1,039)	$ (406)

(1) These interest rate swaps were entered into on December 24, 2018 to protect the Company against adverse fluctuations in interest rates by reducing exposure to variability in cash flows relating to interest payments on a forecasted issuance of long-term debt. On January 24, 2019, in conjunction with the issuance of the 2029 Notes (see note 18), the Company settled these interest rate swaps

for $0.8 million. The termination premium will be reclassified from accumulated other comprehensive income (loss) as an increase to interest expense over the life of the 2029 Notes, which mature on February 15, 2029.

(2) Hedged 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 December 31, 2018 and 2017, 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 loss. Amounts reported in accumulated other comprehensive 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 losses on interest rate swaps reflects a reclassification of $0.1 million of unrealized gains from accumulated other comprehensive loss as a decrease to interest expense during 2018. The Company estimates that $0.1 million will be reclassified as an increase to interest expense in 2019.

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.

Financial assets and liabilities carried at fair value as of December 31, 2018 are classified in the table below in one of the three categories described above (dollars in thousands):

	Level 1	Level 2	Level 3
Interest rate swap derivative liabilities	$ —	$ 1,039	$ —
Total liabilities at fair value	$ —	$ 1,039	$ —

Financial assets and liabilities carried at fair value as of December 31, 2017 are classified in the table below in one of the three categories described above (dollars in thousands):

	Level 1	Level 2	Level 3
Interest rate swap derivative liabilities	$ —	$ 406	$ —
Total liabilities at fair value	$ —	$ 406	$ —

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 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 the reporting dates, the Company has assessed the significance of the effect of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The fair values of financial instruments, including cash and cash equivalents, accounts receivable and accounts payable approximate their respective carrying values as of December 31, 2018 and 2017. The aggregate carrying value of the Company's debt was $1.7 billion and $1.6 billion as of December 31, 2018 and 2017, respectively. The estimated fair value of the Company's debt was $1.7 billion as of December 31, 2018 and 2017. These estimates were based on a discounted cash flow analysis assuming market interest rates for comparable obligations as of December 31, 2018 and 2017. 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 Joint Ventures

Noncontrolling interests in subsidiaries represent the ownership interests of third parties in the Company's consolidated joint 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 joint ventures in the table below (dollars in thousands):

Consolidated Joint Ventures	Number of Stores	Location	Date Opened / Estimated Opening	CubeSmart Ownership Interest	December 31, 2018 Total Assets	December 31, 2018 Total Liabilities
CS SJM E 92nd Street, LLC ("92nd St") (3)	1	New York, NY	Q2 2020 (est.)	90%	$ 3,829	$ 2,424
CS SDP Newtonville, LLC ("Newton") (3)	1	Newton, MA	Q1 2020 (est.)	90%	7,077	549

CS 1158 McDonald Ave, LLC ("McDonald Ave") (1)	1	Brooklyn, NY	Q3 2019 (est.)	51%	30,291	8,341
CS 160 East 22nd St, LLC ("22nd St") (1)	1	Bayonne, NJ	Q1 2019 (est.)	51%	20,947	12,023
CS SDP Waltham, LLC ("Waltham") (3)	1	Waltham, MA	Q1 2019 (est.)	90%	14,764	9,025
2225 46th St, LLC ("46th St") (1)	1	Queens, NY	Q1 2019 (est.)	51%	42,840	14,876
2880 Exterior St, LLC ("Exterior St") (1)	1	Bronx, NY	Q3 2018	51%	88,207	39,097
444 55th Street Holdings, LLC ("55th St") (2)	1	New York, NY	Q3 2017	90%	78,837	32,998
186 Jamaica Avenue, LLC ("Jamaica Ave") (3)	1	Queens, NY	Q4 2015	90%	17,588	12,497
Shirlington Rd, LLC ("SRLLC") (3)	1	Arlington, VA	Q2 2015	90%	15,521	12,497
	10				$ 319,901	$ 144,327

(1) The noncontrolling members of McDonald Ave, 22nd St, 46th St, and Exterior St have the option to put their ownership interest in the ventures to the Company for $10.0 million, $11.5 million, $14.2 million, and $37.8 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, and Exterior St for $10.0 million, $11.5 million, $14.2 million, and $37.8 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 December 31, 2018, has accrued $6.7 million, $9.8 million, $13.1 million, and $37.8 million related to McDonald Ave, 22nd St, 46th St, and Exterior St, 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 commitment to these ventures to fund all or a portion of the construction costs. As of December 31, 2018, the Company has funded $1.1 million of a total $6.9 million loan commitment to 92nd St, $0.5 million of a total $12.1 million loan commitment to Newton, $6.8 million of a total $10.8 million loan commitment to Waltham, $12.4 million of a total $12.8 million loan commitment to Jamaica Ave, and $12.4 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.

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% of the outstanding OP Units as of December 31, 2018 and December 31, 2017 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 cash 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 records 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 January 31, 2018, the Company acquired a store in Texas for $12.2 million and assumed an existing mortgage loan with an outstanding balance of approximately $7.2 million and immediately repaid the loan. In conjunction with the closing, the Company paid $0.2 million in cash and issued 168,011 OP Units, valued at approximately $4.8 million, to pay the remaining consideration.

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 58,400 Class C OP Units to pay the remaining consideration. On July 23, 2018, all of the 58,400 Class C OP Units were exchanged for an aggregate of 46,322 common units of the Operating Partnership.

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 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 December 31, 2018 and 2017, 1,945,570 and 1,878,253 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 year. Based on the Company’s evaluation of the redemption value of the redeemable noncontrolling interests, the Company has reflected these interests at their redemption value as of December 31, 2018 and 2017. As of December 31, 2018, the Operating Partnership recorded an increase to OP Units owned by third parties and a corresponding decrease to capital of $0.3 million. As of December 31, 2017, the Operating Partnership recorded an increase to OP Units owned by third parties and a corresponding decrease to capital of $4.0. million.

13. 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 real estate ventures or other entities in which the Company held an ownership interest for the years ending December 31, 2018, 2017 and 2016 were $4.5 million, $3.8 million and $2.9 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 $10.6 million and $7.5 million as of December 31, 2018 and 2017, respectively, and are included 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 $33.2 million and $25.5 million as of December 31, 2018 and 2017, respectively, which are eliminated for consolidation purposes. The Company believes that all of these related-party receivables are fully collectible.

The HVP III, HVP IV, and HHFNE operating agreements provide for acquisition fees payable from HVP III, HVP IV, and HHFNE to the Company in an amount equal to 0.5% of the purchase price upon the closing of an acquisition by HVP III, HVP IV, and HHFNE, or any of their subsidiaries and completion of certain measures as defined in the operating agreements. The Company recognized $0.6 million, $0.5 million, and $1.8 million in acquisition fees during the years ended December 31, 2018, 2017, and 2016, respectively, which are included in Other income on the consolidated statements of operations.

14. COMMITMENTS AND CONTINGENCIES

Ground Leases

The Company currently owns eight operating self-storage properties and two self-storage properties currently under development that are subject to ground leases, and two other operating self-storage properties that have portions of land that are subject to ground leases. The Company recorded ground rent expense of approximately $3.7 million, $3.4 million, and $2.7 million for the years ended December 31, 2018, 2017 and 2016, respectively. Total future minimum rental payments under non-cancelable ground leases are as follows:

	Ground Lease Amount (in thousands)
2019	$ 2,814
2020	2,887
2021	2,956
2022	3,116
2023	3,090
2024 and thereafter	116,379
	$ 131,242

Development Commitments

The Company has development agreements for the construction of six new self-storage properties (see note 4), which will require payments of approximately $41.6 million, due in installments upon completion of certain construction milestones, during 2019 and 2020.

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.

On January 11, 2019, a preliminary settlement agreement was entered into for a class action alleging violation of a state specific deceptive and unfair trade practices act. During the year ended December 31, 2018, the Company recorded a $1.8 million charge related to this legal action, which is included in Accounts payable, accrued expenses and other liabilities on the Company's consolidated balance sheets and in General and administrative on the Company's consolidated statements of operations.

15. SHARE-BASED COMPENSATION PLANS

On June 1, 2016 the Company's shareholders approved an amendment and restatement of the Company's 2007 Equity Incentive Plan, a share-based employee compensation plan originally approved by shareholders on May 8, 2007 and subsequently amended with shareholder approval on June 2, 2010 (as amended and restated, the "2007 Plan"). The purpose of the 2007 Plan is to attract and retain highly qualified executive officers, Trustees and key employees and other persons and to motivate such officers, Trustees, key employees, and other persons to serve the Company and its affiliates to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company. To this end, the 2007 Plan provides for the grant of share options, share appreciation rights, restricted shares, restricted share units, performance awards, which may be denominated in cash or shares, included restricted shares and restricted share units, and other share-based awards, including unrestricted common shares or awards denominated or payable in, or valued in whole or part by reference to, common shares. Any of these awards may, but need not, be made as performance incentives to reward attainment of annual or long-term performance goals. Share options granted under the 2007 Plan may be non-qualified share options or incentive share options.

Upon shareholder approval of the amendment and restatement of the 2007 Plan in June 2016, 4,500,000 additional common shares were made available for award under the 2007 Plan. As a result, these 4,500,000 additional shares, together with the 991,117 shares that remained available for future awards under the 2007 Plan at the time of the shareholder approval, plus any common shares that are restored to availability upon expiration or forfeiture of outstanding options or restricted share awards, would constitute the "Aggregate Share Reserve". As of December 31, 2018: (i) 4,517,038 common shares remained available for future awards under the 2007 Plan; (ii) 449,948 unvested restricted share awards were outstanding under the 2007 Plan; and (iii) 1,659,003 common shares were subject to outstanding options under the 2007 Plan (with the outstanding options having a weighted average exercise price of $19.89 per share and a weighted average term to maturity of 5.52 years).

Prior to the June 2016 amendments, the 2007 Plan used a "Fungible Units" methodology for computing the maximum number of common shares available for issuance under the 2007 Plan. The Fungible Units methodology assigned weighted values to different types of awards under the 2007 Plan without assigning specific numerical limits for different types of awards. As amended in June 2016, the 2007 Plan provides that any common shares made the subject of awards under the 2007 Plan will count against the Aggregate Share Reserve as one (1) unit. The Aggregate Share Reserve and the computation of the number of common shares available for issuance is subject to adjustment upon certain corporate transactions or events, including share splits, reverse share splits and recapitalizations. The number of shares counted against the Aggregate Share Reserve includes the full number of shares subject to the award, and is not reduced in the event shares are withheld to fund withholding tax obligations, or, in the case of options and share

appreciation rights, where shares are applied to pay the exercise price. If an option or other award granted under the 2007 Plan expires, is forfeited or otherwise terminates, the common shares subject to any portion of the award that expires, is forfeited or that otherwise terminates, as the case may be, again becomes available for issuance under the 2007 Plan.

The 2007 Plan is administered by the Compensation Committee of the Company's Board of Trustees (the "Compensation Committee"), which is appointed by the Board of Trustees. The Compensation Committee interprets the 2007 Plan and, subject to its right to delegate authority to grant awards, determines the terms and provisions of option grants and share awards.

Subject to adjustment upon certain corporate transactions or events, a participant (other than a non-employee trustee) may not receive awards under the 2007 Plan in any one calendar year covering more than 1,000,000 shares. Subject to adjustment upon certain corporate transactions or events, a non-employee trustee may not receive awards under the 2007 Plan in any one calendar year covering more than 250,000 shares.

Under the 2007 Plan, the Compensation Committee determines the vesting schedule of each share award and option, subject to a one-year minimum vesting requirement, but with permitted acceleration of vesting in the event of a participant's death or disability, or in the event of a change in control or certain changes in our capital structure. Notwithstanding the foregoing one-year minimum vesting limitation, up to five percent of the shares subject to the Aggregate Share Reserve may be subject to awards that are not subject to such limitation. The exercise price for options is equivalent to the fair value of the underlying common shares at the grant date. The Compensation Committee also determines the term of each option, which shall not exceed 10 years from the grant date.

On October 19, 2004, the Company's sole shareholder approved a share-based employee compensation plan, the 2004 Equity Incentive Plan (the "2004 Plan"). The 2004 Plan expired in October 2014. Prior to its expiration, a total of 3.0 million common shares were reserved for issuance under the 2004 Plan. Subsequent to its expiration, no new equity awards may be granted under the 2004 Plan, and to the extent that options expire unexercised or are terminated, surrendered or canceled, the options and share awards no longer become available for future grants under the 2004 Plan.

Share Options

The fair values for options granted in 2018, 2017, and 2016 were estimated at the time the options were granted using the Black-Scholes option-pricing model applying the following weighted average assumptions:

Assumptions:	2018	2017	2016
Risk-free interest rate	2.5 %	2.2 %	1.8 %
Expected dividend yield	3.7 %	3.5 %	2.7 %
Volatility (1)	32.00%	33.00%	33.00%
Weighted average expected life of the options (2)	6.0 years	6.0 years	6.0 years
Weighted average grant date fair value of options granted per share	$ 6.24	$ 6.12	$ 7.61

(1) Expected volatility is based upon the level of volatility historically experienced.
(2) Expected life is based upon our expectations of share option recipients' expected exercise and termination patterns.

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options. In addition, option-pricing models require the input of highly subjective assumptions, including the expected share price volatility. Volatility for the 2018, 2017 and 2016 grants was based on the trading history of the Company's shares.

In 2018, 2017, and 2016, the Company recognized compensation expense related to options issued to employees and executives of approximately $1.5 million, $1.5 million and $1.3 million, respectively, which is included in General and administrative expense on the Company's consolidated statements of operations. During 2018, 305,805 share options were issued for which the fair value of the options at their respective grant dates was approximately $1.7 million. The share options vest over three years. As of December 31, 2018, the Company had approximately $1.7 million of unrecognized option compensation cost related to all grants that will be recorded over the next three years.

The table below summarizes the option activity under the 2004 Plan and the 2007 Plan for the years ended December 31, 2018, 2017 and 2016:

	Number of Shares Under Option	Weighted Average Strike Price	Weighted Average Remaining Contractual Term
Balance at December 31, 2015	2,421,944	$ 13.07	4.08
Options granted	213,008	30.32	9.07
Options exercised	(695,262)	18.69	0.29
Balance at December 31, 2016	1,939,690	$ 12.94	4.85
Options granted	289,104	26.30	9.07
Options exercised	(395,621)	5.98	1.14
Balance at December 31, 2017	1,833,173	$ 16.55	5.26
Options granted	305,805	27.85	9.08
Options canceled	(74,748)	26.95	—
Options exercised	(405,227)	9.47	1.98
Balance at December 31, 2018	1,659,003	$ 19.89	5.52
Vested or expected to vest at December 31, 2018	1,659,003	$ 19.89	5.52
Exercisable at December 31, 2018	1,161,209	$ 16.58	4.25

As of December 31, 2018, the aggregate intrinsic value of options outstanding, of options that vested or expected to vest, and of options that were exercisable was approximately $14.9 million. The aggregate intrinsic value of options exercised was approximately $8.4 million for the year ended December 31, 2018.

Restricted Shares

The Company applies the fair value method of accounting for contingently issued shares. As such, each grant is recognized ratably over the related vesting period. Approximately 166,000 restricted shares and share units were issued during 2018 for which the fair value of the restricted shares and share units at their respective grant dates was approximately $4.9 million, which vest over three to five years. During 2017, approximately 166,000 restricted shares and share units were issued for which the fair value of the restricted shares and share units at their respective grant dates was approximately $4.7 million. As of December 31, 2018 the Company had approximately $5.0 million of remaining unrecognized restricted share and share unit compensation costs that will be recognized over the next five years. Restricted share awards are considered to be performance awards and are valued using the share price on the grant date. The compensation expense recognized related to these awards and remaining unrecognized compensation costs are included in the amounts disclosed above.

In 2018, 2017 and 2016, the Company recognized compensation expense related to restricted shares and share units issued to employees and Trustees of approximately $4.0 million, $4.1 million, and $3.6 million, respectively; these amounts were recorded in general and administrative expense. The following table presents non-vested restricted share and share unit activity during 2018:

	Number of Non-Vested Restricted Shares and Share Units
Non-Vested at January 1, 2018	352,462
Granted	165,551
Vested	(95,553)
Forfeited	(39,860)
Non-Vested at December 31, 2018	382,600

On January 23, 2018, 66,872 restricted share units were granted to certain executives. The restricted share units were granted in the form of deferred share units with a market condition, entitling the holders thereof to receive common shares at a future date. The deferred share units will be awarded based on the Company's total return to shareholders with respect to a specified peer group consisting of publicly traded REITs over a three-year period. The fair value of the restricted share units on the grant date was approximately $1.9 million. The Company used a Monte Carlo simulation analysis to estimate the fair value of the awards. The restricted share units will cliff vest upon the third anniversary of the effective date, or December 31, 2020. The compensation expense recognized related to these awards and remaining unrecognized compensation costs are included in the amounts disclosed above.

On January 23, 2017, 52,426 restricted share units were granted to certain executives. The restricted share units were granted in the form of deferred share units with a market condition, entitling the holders thereof to receive common shares at a future date. The deferred share units will be awarded based on the Company's total return to shareholders with respect to a specified peer group consisting of publicly traded REITs over a three-year period. The fair value of the restricted share units on the grant date was approximately $1.8 million. The Company used a Monte Carlo simulation analysis to estimate the fair value of the awards. The restricted share units will cliff vest upon the third anniversary of the effective date, or December 31, 2019. The compensation expense recognized related to these awards and remaining unrecognized compensation costs are included in the amounts disclosed above.

On January 22, 2016, 37,008 restricted share units were granted to certain executives. The restricted share units were granted in the form of deferred share units with a market condition, entitling the holders thereof to receive common shares at a future date. The deferred share units were awarded based on the Company's total return to shareholders with respect to a specified peer group consisting of publicly traded REITs over a three-year period. The fair value of the restricted share units on the grant date was approximately $1.6 million. The Company used a Monte Carlo simulation analysis to estimate the fair value of the awards. The restricted share units cliff vested upon the third anniversary of the effective date, or December 31, 2018. The compensation expense recognized related to these awards and remaining unrecognized compensation costs are included in the amounts disclosed above.

16. EARNINGS PER SHARE AND UNIT AND SHAREHOLDERS' EQUITY AND CAPITAL

Earnings per common share and shareholders' equity

The following is a summary of the elements used in calculating basic and diluted earnings per common share:

	For the year ended December 31,		
	2018	2017	2016
	(Dollars and shares in thousands, except per share amounts)		
Net income	$ 165,488	$ 135,611	$ 88,376
Noncontrolling interests in the Operating Partnership	(1,820)	(1,593)	(941)
Noncontrolling interest in subsidiaries	221	270	470
Distributions to preferred shareholders (1)	—	—	(5,045)
Preferred share redemption charge	—	—	(2,937)
Net income attributable to the Company's common shareholders	$ 163,889	$ 134,288	$ 79,923
Weighted-average shares outstanding	184,653	180,525	178,246
Share options and restricted share units	842	923	1,287

Weighted-average diluted shares outstanding (2)	185,495	181,448	179,533
Basic earnings per share attributable to common shareholders	$ 0.89	$ 0.74	$ 0.45
Diluted earnings per share attributable to common shareholders	$ 0.88	$ 0.74	$ 0.45

Earnings per common unit and capital

The following is a summary of the elements used in calculating basic and diluted earnings per common unit:

	For the year ended December 31,		
	2018	2017	2016
	(Dollars and units in thousands, except per unit amounts)		
Net income	$ 165,488	$ 135,611	$ 88,376
Operating Partnership interests of third parties	(1,820)	(1,593)	(941)
Noncontrolling interest in subsidiaries	221	270	470
Distribution to preferred unitholders (1)	—	—	(5,045)
Preferred unit redemption charge	—	—	(2,937)
Net income attributable to common unitholders	$ 163,889	$ 134,288	$ 79,923
Weighted-average units outstanding	184,653	180,525	178,246
Unit options and restricted share units	842	923	1,287
Weighted-average diluted units outstanding (2)	185,495	181,448	179,533
Basic earnings per unit attributable to common unitholders	$ 0.89	$ 0.74	$ 0.45
Diluted earnings per unit attributable to common unitholders	$ 0.88	$ 0.74	$ 0.45

(1) For the year ended December 31, 2016, the Company declared cash dividends per preferred share/unit of $1.626 prior to redemption of the preferred shares on November 2, 2016.

(2) For the years ended December 31, 2018, 2017 and 2016, the Company declared cash dividends per common share/unit of $1.22, $1.11, and $0.90, respectively.

The OP units and common units have essentially the same economic characteristics as they share equally in the total net income or loss and distributions of the Operating Partnership. An Operating Partnership unit may be redeemed for cash, or at the Company's option, common units on a one-for-one basis. Outstanding noncontrolling interest units in the Operating Partnership were 1,945,570; 1,878,253 and 2,032,394 as of December 31, 2018, 2017 and 2016, respectively. There were 187,145,103; 182,215,735 and 180,083,111 common units outstanding as of December 31, 2018, 2017 and 2016, respectively.

Common and Preferred Shares

On November 2, 2016, the Company redeemed all 3.1 million outstanding shares of 7.75% Series A Cumulative Redeemable Preferred Shares (the "Series A Preferred Shares") at a cash redemption price of $25.00 per share plus accumulated and unpaid dividends up to and including the date of redemption of $0.17374 per share. The redemption price of $77.5 million for the redemption of the Series A Preferred Shares was paid by the Company from available cash balances. In connection with the redemption, the Company recognized a charge of $2.9 million related to excess redemption costs over the original net proceeds.

The Company maintains an at-the-market equity program that enables it to offer and sell up to 50.0 million common shares through sales agents pursuant to equity distribution agreements (the "Equity Distribution Agreements"). The Company's sales activity under the program for the years ended December 31, 2018, 2017, and 2016 is summarized below:

	For the year ended December 31,		
	2018	2017	2016
	(Dollars and shares in thousands, except per share amounts)		
Number of shares sold	4,291	1,036	4,408
Average sales price per share	$ 31.09	$ 29.13	$ 31.25
Net proceeds after deducting offering costs	$ 131,835	$ 29,642	$ 136,120

The proceeds from the sales conducted during the years ended December 31, 2018, 2017, and 2016 were used to fund acquisitions of storage properties and for general corporate purposes. As of December 31, 2018, 2017, and 2016, 10.5 million common shares, 4.7 million common shares, and 5.8 million common shares, respectively, remained available for issuance under the Equity Distribution Agreements.

17. INCOME TAXES

Deferred income taxes are established for temporary differences between financial reporting basis and tax basis of assets and liabilities at the enacted tax rates expected to be in effect when the temporary differences reverse. A valuation allowance for deferred tax assets is provided if the Company believes that it is more likely than not that all or some portion of the deferred tax asset will not be realized. No valuation allowance was recorded as of December 31, 2018 or 2017. As of December 31, 2018 and 2017, the Company had net deferred tax assets of $1.4 million, which are included in Other assets, net on the Company's consolidated balance sheets. The Company believes it is more likely than not the deferred tax assets will be realized.

18. SUBSEQUENT EVENTS

On January 30, 2019, the Operating Partnership issued $350.0 million in aggregate principal amount of unsecured senior notes due February 15, 2029 which bear interest at a rate of 4.375% per annum (the "2029 Notes"). The 2029 Notes were priced at 99.356% of the principal amount to yield 4.455% to maturity. Net proceeds from the offering of $345.5 million were used to repay all of the outstanding indebtedness under the Company's $200.0 million unsecured term loan portion of the Credit Facility that was scheduled to mature in January 2019. The remaining proceeds from the offering were used to repay a portion of the outstanding indebtedness under the Revolver.

19. PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

During the years ended December 31, 2018 and 2017, the Company acquired ten self-storage properties for an aggregate purchase price of approximately $227.5 million (see note 3) and seven stores for an aggregate purchase price of approximately $80.7 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 2018 and 2017 as if each had occurred as of January 1, 2017 and 2016, 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 year ended December 31, 2018 and 2017 based on the assumptions described above:

	Year ended December 31,	
	2018	2017
	(in thousands, except per share data)	
Pro forma revenues	$ 607,181	$ 561,244
Pro forma net income	$ 173,510	$ 129,740
Earnings per share attributable to common shareholders:		
Basic - as reported	$ 0.89	$ 0.74
Diluted - as reported	$ 0.88	$ 0.74
Basic - as pro forma	$ 0.93	$ 0.71
Diluted - as pro forma	$ 0.93	$ 0.71

20. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of quarterly financial information for the years ended December 31, 2018 and 2017 (in thousands, except per share data):

	Three months ended			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Total revenues	$ 142,877	$ 147,815	$ 153,370	$ 153,882
Total operating expenses	92,464	92,915	93,774	98,775
Net income	34,799	38,751	43,302	48,636
Net income attributable to the Company's common shareholders	34,423	38,410	42,900	48,156
Basic earnings per share attributable to the Company's common shareholders	0.19	0.21	0.23	0.26
Diluted earnings per share attributable to the Company's common shareholders	0.19	0.21	0.23	0.26

	Three months ended			
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Total revenues	$ 133,037	$ 138,559	$ 143,865	$ 143,482
Total operating expenses	92,646	91,025	91,586	87,971
Net income	25,206	32,838	37,709	39,858
Net income attributable to the Company's common shareholders	24,986	32,458	37,297	39,547
Basic earnings per share attributable to the Company's common shareholders	0.14	0.18	0.21	0.22
Diluted earnings per share attributable to the Company's common shareholders	0.14	0.18	0.21	0.22

The sum of quarterly earnings per share amounts do not necessarily equal the full year amounts.

Table of Contents

CUBESMART

SCHEDULE III

REAL ESTATE AND RELATED DEPRECIATION

December 31, 2018

(Dollars in thousands)

			Initial Cost		Costs Subsequent to	Gross Carrying Amount at December 31, 2018			A
Description	Square Footage	Encumbrances	Land	Buildings & Improvements	Acquisition	Land	Buildings & Improvements	Total	D (I
Chandler I, AZ	47,880		327	1,257	545	327	1,625	1,952	6
Chandler II, AZ	82,915		1,518	7,485	137	1,518	7,621	9,139	1
Gilbert I, AZ	57,100		951	4,688	102	951	4,791	5,742	8
Gilbert II, AZ	114,080		1,199	11,846	167	1,199	12,013	13,212	7
Glendale, AZ	56,807		201	2,265	1,295	418	2,998	3,416	1
Green Valley, AZ	25,050		298	1,153	211	298	1,153	1,451	4
Mesa I, AZ	52,575		920	2,739	381	921	2,674	3,595	1
Mesa II, AZ	45,511		731	2,176	299	731	2,145	2,876	9
Mesa III, AZ	59,524		706	2,101	454	706	2,171	2,877	8
Peoria, AZ	110,810		1,436	7,082	250	1,436	7,331	8,767	8
Phoenix III, AZ	121,880		2,115	10,429	277	2,115	10,706	12,821	1
Phoenix IV, AZ	69,710		930	12,277	102	930	12,380	13,310	7
Queen Creek, AZ	94,462		1,159	5,716	90	1,159	5,806	6,965	7
Scottsdale, AZ	79,925		443	4,879	1,766	883	5,528	6,411	2
Surprise , AZ	72,475		584	3,761	122	584	3,883	4,467	3
Tempe I, AZ	53,910		749	2,159	657	749	2,505	3,254	9
Tempe II, AZ	68,409		588	2,898	2,157	588	5,055	5,643	9
Tucson I, AZ	59,800		188	2,078	1,149	384	2,723	3,107	1
Tucson II, AZ	43,950		188	2,078	1,136	391	2,729	3,120	1
	49,820		532	2,048	307	533	1,995	2,528	8

Tucson III, AZ								
Tucson IV, AZ	48,040	674	2,595	401	675	2,575	3,250	1,
Tucson V, AZ	45,134	515	1,980	413	515	2,037	2,552	8
Tucson VI, AZ	40,766	440	1,692	264	430	1,658	2,088	7
Tucson VII, AZ	52,663	670	2,576	394	670	2,556	3,226	1,
Tucson VIII, AZ	46,700	589	2,265	382	589	2,296	2,885	9
Tucson IX, AZ	67,496	724	2,786	478	725	2,743	3,468	1,
Tucson X, AZ	46,350	424	1,633	336	425	1,659	2,084	6
Tucson XI, AZ	42,700	439	1,689	427	439	1,825	2,264	8
Tucson XII, AZ	42,275	671	2,582	401	672	2,554	3,226	1,
Tucson XIII, AZ	45,800	587	2,258	357	587	2,245	2,832	9
Tucson XIV, AZ	48,995	707	2,721	496	708	2,668	3,376	1,
Benicia, CA	74,770	2,392	7,028	412	2,392	6,346	8,738	2,
Citrus Heights, CA	75,620	1,633	4,793	245	1,634	4,261	5,895	1,
Corona, CA	95,043	2,107	10,385	182	2,107	10,567	12,674	1,
Diamond Bar, CA	103,558	2,522	7,404	328	2,524	6,621	9,145	2,
Escondido, CA	143,645	3,040	11,804	301	3,040	9,746	12,786	3,
Fallbrook, CA	45,926	133	1,492	1,881	432	2,830	3,262	1,
Fremont, CA	51,189	1,158	5,711	172	1,158	5,884	7,042	9
Lancaster, CA	60,475	390	2,247	1,123	556	2,635	3,191	1,
Long Beach, CA	124,541	3,138	14,368	1,005	3,138	13,438	16,576	5,
Los Angeles, CA	76,178	23,289	25,867	8	23,289	25,876	49,165	1
Murrieta, CA	49,775	1,883	5,532	307	1,903	4,972	6,875	2,
North Highlands, CA	57,094	868	2,546	476	868	2,561	3,429	1,
Ontario, CA	93,540	1,705	8,401	353	1,705	8,753	10,458	1,
Orangevale, CA	50,542	1,423	4,175	363	1,423	3,860	5,283	1,
Pleasanton, CA	83,600	2,799	8,222	360	2,799	7,339	10,138	3,

Rancho Cordova, CA	53,978	1,094	3,212	406	1,095	3,073	4,168	1,
Rialto I, CA	57,391	899	4,118	299	899	3,844	4,743	1,
Rialto II, CA	99,783	277	3,098	1,844	672	4,145	4,817	2,
Riverside I, CA	67,320	1,351	6,183	640	1,351	5,991	7,342	2,
Riverside II, CA	85,131	1,170	5,359	492	1,170	5,047	6,217	2,
Roseville, CA	59,944	1,284	3,767	428	1,284	3,597	4,881	1,
Sacramento I, CA	50,664	1,152	3,380	405	1,152	3,223	4,375	1,
Sacramento II, CA	111,736	2,085	6,750	509	2,086	6,592	8,678	1,
San Bernardino I, CA	31,070	51	572	1,193	182	1,434	1,616	7(
San Bernardino II, CA	41,546	112	1,251	1,381	306	2,088	2,394	1,
San Bernardino III, CA	35,416	98	1,093	1,336	242	1,931	2,173	9:
San Bernardino IV, CA	83,427	1,872	5,391	228	1,872	4,903	6,775	2,
San Bernardino V, CA	56,803	783	3,583	628	783	3,685	4,468	1,
San Bernardino VII, CA	78,704	1,475	6,753	418	1,290	6,423	7,713	2,
San Bernardino VIII, CA	111,583	1,691	7,741	615	1,692	6,404	8,096	2,
San Diego, CA	87,483	1,185	16,740	13	1,186	16,752	17,938	8:
San Marcos, CA	37,425	775	2,288	179	776	2,096	2,872	9(
Santa Ana, CA	63,916	1,223	5,600	464	1,223	5,286	6,509	2,
South Sacramento, CA	52,390	790	2,319	425	791	2,325	3,116	9
Spring Valley, CA	55,035	1,178	5,394	879	1,178	5,529	6,707	2,
Temecula I, CA	81,340	660	4,735	1,025	899	4,919	5,818	2,
Temecula II, CA	84,520	3,080	5,839	730	3,080	5,633	8,713	1,

Vista I, CA	74,238		711	4,076	2,353	1,118	5,094	6,212	2,
Vista II, CA	147,723		4,629	13,599	198	4,629	11,736	16,365	4,
Walnut, CA	50,688		1,578	4,635	475	1,595	4,371	5,966	1,
West Sacramento, CA	39,765	(A)	1,222	3,590	221	1,222	3,244	4,466	1,
Westminster, CA	68,393		1,740	5,142	382	1,743	4,637	6,380	2,
Aurora, CO	75,717		1,343	2,986	587	1,343	3,025	4,368	1,
Centennial, CO	62,400		1,281	8,958	96	1,281	9,053	10,334	7
Colorado Springs I, CO	47,975		771	1,717	412	771	1,786	2,557	7
Colorado Springs II, CO	62,400		657	2,674	272	656	2,438	3,094	1,
Denver I, CO	59,200		673	2,741	237	646	2,500	3,146	1,
Denver II, CO	74,420		1,430	7,053	179	1,430	7,231	8,661	1,
Denver III, CO	76,025		1,828	12,109	74	1,828	12,183	14,011	8
Federal Heights, CO	54,770		878	1,953	342	879	1,896	2,775	7
Golden, CO	87,800		1,683	3,744	572	1,684	3,644	5,328	1,
Littleton, CO	53,490		1,268	2,820	393	1,268	2,705	3,973	1,
Northglenn, CO	43,102		862	1,917	513	662	2,216	2,878	8
Bloomfield, CT	48,700		78	880	2,411	360	2,682	3,042	1,

Table of Contents

Description	Square Footage	Encumbrances	Initial Cost		Costs Subsequent to Acquisition	Gross Carrying Amount at December 31, 2018			A D (
			Land	Buildings & Improvements		Land	Buildings & Improvements	Total	
Branford, CT	50,629		217	2,433	1,627	504	3,347	3,851	1
Bristol, CT	47,725		1,819	3,161	186	1,819	2,882	4,701	1
East Windsor, CT	45,966		744	1,294	525	744	1,548	2,292	7
Enfield, CT	52,875		424	2,424	463	473	2,106	2,579	9
Gales Ferry, CT	54,905		240	2,697	1,604	489	3,580	4,069	1
Manchester I, CT	46,925		540	3,096	515	563	2,614	3,177	1
Manchester II, CT	52,725		996	1,730	376	996	1,798	2,794	8
Manchester III, CT	60,113		671	3,308	161	671	3,469	4,140	5
Milford, CT	44,885		87	1,050	1,336	274	1,892	2,166	9
Monroe, CT	58,500		2,004	3,483	709	2,004	3,507	5,511	1
Mystic, CT	50,850		136	1,645	2,085	410	2,965	3,375	1
Newington I, CT	42,420		1,059	1,840	277	1,059	1,821	2,880	8
Newington II, CT	36,140		911	1,584	294	911	1,604	2,515	7
Norwalk I, CT	30,160		646	3,187	61	646	3,248	3,894	6
Norwalk II, CT	77,825		1,171	15,422	132	1,171	15,554	16,725	1
Old Saybrook I, CT	87,000		3,092	5,374	709	3,092	5,229	8,321	2
Old Saybrook II, CT	26,425		1,135	1,973	257	1,135	1,903	3,038	9
Shelton, CT	78,405		1,613	9,032	535	1,613	8,483	10,096	1
South Windsor, CT	72,025		90	1,127	1,512	272	2,247	2,519	1
Stamford, CT	28,907		1,941	3,374	191	1,941	3,025	4,966	1
Wilton, CT	84,515		2,409	12,261	747	2,421	13,069	15,490	2
Washington I, DC	62,685	(A)	871	12,759	617	894	10,653	11,547	3
Washington II, DC	82,552		3,152	13,612	292	3,154	12,129	15,283	2
	78,315		4,469	15,438	97	4,469	15,536	20,005	1

Washington III, DC								
Washington IV, DC	72,323	6,359	20,417	107	6,359	20,524	26,883	6
Washington V, DC	114,200	13,908	18,770	90	13,917	18,852	32,769	2
Boca Raton, FL	37,968	529	3,054	1,651	813	3,597	4,410	1
Boynton Beach I, FL	61,695	667	3,796	1,946	958	4,410	5,368	1
Boynton Beach II, FL	61,514	1,030	2,968	452	1,030	2,982	4,012	1
Boynton Beach III, FL	67,393	1,225	6,037	255	1,225	6,293	7,518	9
Boynton Beach IV, FL	76,414	1,455	7,171	85	1,455	7,257	8,712	8
Bradenton I, FL	68,389	1,180	3,324	280	1,180	3,082	4,262	1
Bradenton II, FL	88,063	1,931	5,561	1,148	1,931	5,597	7,528	2
Cape Coral I, FL	76,857	472	2,769	2,587	830	4,033	4,863	2
Cape Coral II, FL	67,955	1,093	5,387	104	1,093	5,490	6,583	7
Coconut Creek I, FL	78,846	1,189	5,863	188	1,189	6,050	7,239	1
Coconut Creek II, FL	90,147	1,937	9,549	192	1,937	9,741	11,678	1
Dania Beach, FL	180,588	3,584	10,324	1,709	3,584	10,495	14,079	4
Dania, FL	58,165	205	2,068	1,755	481	3,125	3,606	1
Davie, FL	80,985	1,268	7,183	1,345	1,373	6,255	7,628	2
Deerfield Beach, FL	57,230	946	2,999	2,013	1,311	4,503	5,814	2
Delray Beach I, FL	67,843	798	4,539	832	883	4,085	4,968	1
Delray Beach II, FL	75,710	957	4,718	267	957	4,985	5,942	9
Delray Beach III, FL	94,277	2,086	10,286	166	2,086	10,453	12,539	1
Delray Beach IV, FL	97,370	2,208	14,384	19	2,208	14,403	16,611	4
Ft. Lauderdale I, FL	70,043	937	3,646	2,508	1,384	5,470	6,854	2
Ft. Lauderdale	49,662	862	4,250	89	862	4,340	5,202	6

II, FL									
Ft. Myers I, FL	67,534		303	3,329	983	328	3,309	3,637	1
Ft. Myers II, FL	83,375		1,030	5,080	151	1,030	5,231	6,261	7
Ft. Myers III, FL	81,554		1,148	5,658	165	1,148	5,824	6,972	8
Jacksonville I, FL	79,735		1,862	5,362	162	1,862	4,842	6,704	1
Jacksonville II, FL	64,970		950	7,004	212	950	5,668	6,618	2
Jacksonville III, FL	65,830		860	7,409	1,050	1,670	6,049	7,719	2
Jacksonville IV, FL	95,525		870	8,049	1,179	1,651	7,147	8,798	2
Jacksonville V, FL	82,573		1,220	8,210	399	1,220	6,866	8,086	2
Jacksonville VI, FL	67,375		755	3,725	145	755	3,869	4,624	5
Kendall, FL	75,495	(A)	2,350	8,106	482	2,350	6,814	9,164	2
Lake Worth I, FL	158,842		183	6,597	7,589	354	10,957	11,311	5
Lake Worth II, FL	86,920		1,552	7,654	184	1,552	7,838	9,390	1
Lake Worth III, FL	92,510		957	4,716	232	957	4,949	5,906	5
Lakeland, FL	49,079		81	896	1,287	256	1,593	1,849	7
Leisure City, FL	56,185		409	2,018	188	409	2,205	2,614	4
Lutz I, FL	66,795		901	2,478	349	901	2,439	3,340	1
Lutz II, FL	69,232		992	2,868	403	992	2,776	3,768	1
Margate I, FL	53,660		161	1,763	2,318	399	3,400	3,799	1
Margate II, FL	65,380		132	1,473	1,979	383	2,824	3,207	1
Merritt Island, FL	50,201		716	2,983	700	796	2,770	3,566	1
Miami I, FL	46,500		179	1,999	1,862	484	2,862	3,346	1
Miami II, FL	67,160		253	2,544	1,677	561	3,382	3,943	1
Miami III, FL	151,620		4,577	13,185	888	4,577	12,248	16,825	4
Miami IV, FL	76,695		1,852	10,494	948	1,963	9,881	11,844	2
Miramar, FL	80,130		1,206	5,944	133	1,206	6,078	7,284	1
Naples I, FL	48,100		90	1,010	2,745	270	3,212	3,482	1
Naples II, FL	65,850		148	1,652	4,301	558	5,255	5,813	2
Naples III, FL	80,005		139	1,561	4,204	598	4,132	4,730	2
	40,625		262	2,980	667	407	3,049	3,456	1

Naples IV, FL								
New Smyrna Beach, FL	81,454	1,261	6,215	197	1,261	6,411	7,672	8
North Palm Beach, FL	45,825	1,374	7,649	32	1,374	7,682	9,056	4
Oakland Park, FL	63,806	3,007	10,145	36	3,007	10,181	13,188	3
Ocoee, FL	76,150	1,286	3,705	228	1,286	3,415	4,701	1
Orange City, FL	59,580	1,191	3,209	307	1,191	3,029	4,220	1
Orlando II, FL	63,184	1,589	4,576	215	1,589	4,151	5,740	1
Orlando III, FL	101,490	1,209	7,768	757	1,209	7,137	8,346	2
Orlando IV, FL	76,601	633	3,587	190	633	3,274	3,907	8
Orlando V, FL	75,377	950	4,685	139	950	4,823	5,773	9
Orlando VI, FL	67,275	640	3,154	150	640	3,304	3,944	4
Oviedo, FL	49,276	440	2,824	626	440	2,778	3,218	1
Palm Coast I, FL	47,400	555	2,735	117	555	2,852	3,407	4
Palm Coast II, FL	122,490	1,511	7,450	419	1,511	7,870	9,381	1
Palm Harbor, FL	82,685	2,457	16,178	132	2,457	16,311	18,768	1
Pembroke Pines, FL	67,321	337	3,772	2,817	953	5,442	6,395	2
Royal Palm Beach II, FL	81,178	1,640	8,607	331	1,640	7,277	8,917	2
Sanford I, FL	61,810	453	2,911	237	453	2,580	3,033	9

Table of Contents

Description	Square Footage	Encumbrances	Initial Cost		Costs Subsequent to Acquisition	Gross Carrying Amount at December 31, 2018			A D (E
			Land	Buildings & Improvements		Land	Buildings & Improvements	Total	
Sanford II, FL	69,875		1,003	4,944	234	1,003	5,177	6,180	70
Sarasota, FL	71,142		333	3,656	1,510	529	3,949	4,478	1,
St. Augustine, FL	59,725		135	1,515	3,447	383	4,358	4,741	2,
St. Petersburg, FL	66,025		2,721	10,173	425	2,721	10,598	13,319	81
Stuart, FL	86,736		324	3,625	3,214	685	5,852	6,537	2,
SW Ranches, FL	64,990		1,390	7,598	296	1,390	6,032	7,422	2,
Tampa I, FL	83,938		2,670	6,249	267	2,670	5,163	7,833	1,
Tampa II, FL	74,790		2,291	10,262	133	2,291	10,396	12,687	78
West Palm Beach I, FL	66,831		719	3,420	1,826	835	3,998	4,833	1,
West Palm Beach II, FL	94,113		2,129	8,671	488	2,129	7,854	9,983	3,
West Palm Beach III, FL	77,410		804	3,962	89	804	4,051	4,855	78
West Palm Beach IV, FL	102,719		1,499	7,392	328	1,499	7,719	9,218	1,
Winter Park, FL	54,416		866	4,268	116	866	4,384	5,250	59
Alpharetta, GA	90,501		806	4,720	1,024	917	4,046	4,963	1,
Atlanta, GA	66,825		822	4,053	82	822	4,136	4,958	84
Austell, GA	83,655		1,635	4,711	441	1,643	4,497	6,140	1,
Decatur, GA	145,320		616	6,776	449	616	6,230	6,846	3,
Duluth, GA	70,885		373	2,044	233	373	1,952	2,325	46
Lawrenceville, GA	73,890		546	2,903	434	546	2,920	3,466	71
Lithia Springs, GA	66,750		748	5,552	133	748	5,684	6,432	56
Norcross I, GA	85,320		514	2,930	986	632	2,999	3,631	1,
Norcross II, GA	52,595		366	2,025	233	366	1,973	2,339	48
Norcross III, GA	46,955		938	4,625	83	938	4,709	5,647	1,
Norcross IV, GA	57,505		576	2,839	129	576	2,968	3,544	60
Peachtree City I, GA	49,875		435	2,532	805	529	2,552	3,081	1,
	59,950		398	1,963	141	398	2,104	2,502	42

Peachtree City II, GA								
Smyrna, GA	57,015	750	4,271	325	750	3,478	4,228	1,
Snellville, GA	79,950	1,660	4,781	381	1,660	4,499	6,159	1,
Suwanee I, GA	85,125	1,737	5,010	349	1,737	4,657	6,394	1,
Suwanee II, GA	80,340	800	6,942	110	622	5,847	6,469	2,
Villa Rica, GA	65,281	757	5,616	161	757	5,776	6,533	5
Addison, IL	31,575	428	3,531	503	428	3,533	3,961	1,
Aurora, IL	73,985	644	3,652	259	644	3,391	4,035	1,
Bartlett, IL	51,395	931	2,493	313	931	2,402	3,333	1,
Bellwood, IL	86,500	1,012	5,768	1,148	1,012	5,178	6,190	2,
Blue Island, IL	55,125	633	3,120	66	633	3,186	3,819	3
Bolingbrook, IL	82,575	1,675	8,254	193	1,675	8,448	10,123	1,
Chicago I, IL	95,795	2,667	13,118	994	2,667	14,111	16,778	1,
Chicago II, IL	78,835	833	4,035	81	833	4,116	4,949	5
Chicago III, IL	84,990	2,427	11,962	825	2,427	12,787	15,214	1,
Chicago IV, IL	60,420	1,296	6,385	120	1,296	6,506	7,802	7
Chicago V, IL	51,775	1,044	5,144	73	1,044	5,217	6,261	6
Chicago VI, IL	71,748	1,596	9,535	55	1,596	9,590	11,186	7
Chicago VII, IL	90,947	—	11,191	321	—	11,512	11,512	4
Countryside, IL	97,633	2,607	12,684	214	2,607	12,899	15,506	1,
Des Plaines, IL	69,450	1,564	4,327	867	1,564	4,555	6,119	1,
Downers Grove, IL	71,625	1,498	13,153	45	1,498	13,197	14,695	1,
Elk Grove Village, IL	64,104	1,446	3,535	314	1,446	3,319	4,765	1,
Evanston, IL	57,715	1,103	5,440	248	1,103	5,687	6,790	1,
Glenview I, IL	100,085	3,740	10,367	587	3,740	9,487	13,227	4,
Glenview II, IL	30,843	725	3,144	1	725	3,145	3,870	9
Gurnee, IL	80,300	1,521	5,440	411	1,521	5,081	6,602	2,
Hanover, IL	41,190	1,126	2,197	353	1,126	2,212	3,338	9
Harvey, IL	60,090	869	3,635	494	869	3,587	4,456	1,
Joliet, IL	72,865	547	4,704	269	547	4,313	4,860	1,
Kildeer, IL	74,463	2,102	2,187	4,599	1,997	6,583	8,580	1,
Lombard, IL	58,728	1,305	3,938	992	1,305	4,325	5,630	1,
Maywood, IL	60,225	749	3,689	49	749	3,738	4,487	4
Mount Prospect, IL	65,000	1,701	3,114	659	1,701	3,320	5,021	1,
Mundelein, IL	44,700	1,498	2,782	461	1,498	2,827	4,325	1,

North Chicago, IL	53,400		1,073	3,006	513	1,073	3,034	4,107	1,
Plainfield I, IL	53,900		1,770	1,715	360	1,740	1,782	3,522	72
Plainfield II, IL	51,900		694	2,000	290	694	1,958	2,652	76
Riverwoods, IL	73,915		1,585	7,826	81	1,585	7,907	9,492	47
Schaumburg, IL	31,160		538	645	266	538	774	1,312	31
Streamwood, IL	64,505		1,447	1,662	547	1,447	1,898	3,345	77
Warrenville, IL	48,796		1,066	3,072	508	1,066	3,148	4,214	1,
Waukegan, IL	79,500		1,198	4,363	668	1,198	4,378	5,576	1,
West Chicago, IL	48,175		1,071	2,249	500	1,071	2,390	3,461	99
Westmont, IL	53,400		1,155	3,873	332	1,155	3,664	4,819	1,
Wheeling I, IL	54,210		857	3,213	508	857	3,249	4,106	1,
Wheeling II, IL	67,825		793	3,816	559	793	3,823	4,616	1,
Woodridge, IL	50,232		943	3,397	309	943	3,231	4,174	1,
Schererville, IN	67,604		1,134	5,589	58	1,134	5,647	6,781	82
Boston I, MA	33,286		538	3,048	282	538	2,899	3,437	74
Boston II, MA	60,470		1,516	8,628	825	1,516	6,997	8,513	2,
Boston III, MA	108,205		3,211	15,829	706	3,211	16,535	19,746	2,
Brockton, MA	59,446		577	4,394	1,165	577	5,559	6,136	50
Haverhill, MA	60,589		669	6,610	193	669	6,803	7,472	66
Lawrence, MA	34,672		585	4,737	268	585	5,005	5,590	50
Leominster, MA	54,048		90	1,519	2,664	338	3,541	3,879	1,
Medford, MA	58,685		1,330	7,165	329	1,330	6,001	7,331	1,
Stoneham, MA	62,200		1,558	7,679	303	1,558	7,982	9,540	1,
Tewksbury, MA	62,402		1,537	7,579	279	1,537	7,857	9,394	1,
Walpole, MA	74,880		634	13,069	336	634	13,405	14,039	97
Annapolis, MD	92,332	5,626	2,643	13,938	68	2,643	14,007	16,650	68
Baltimore, MD	93,750		1,050	5,997	1,483	1,173	5,321	6,494	2,
Beltsville, MD	63,657		1,277	6,295	75	1,268	6,379	7,647	1,
California, MD	77,840		1,486	4,280	353	1,486	4,018	5,504	1,
Capitol Heights, MD	79,500		2,704	13,332	50	2,704	13,383	16,087	1,
Clinton, MD	84,225		2,182	10,757	140	2,182	10,897	13,079	1,
District Heights, MD	78,265		1,527	8,313	557	1,527	7,744	9,271	1,

Elkridge, MD	63,475	1,155	5,695	209	1,120	5,939	7,059	99

Table of Contents

Description	Square Footage	Encumbrances	Initial Cost		Costs Subsequent to Acquisition	Gross Carrying Amount at December 31, 2018			
			Land	Buildings & Improvements		Land	Buildings & Improvements	Total	
Gaithersburg I, MD	87,045		3,124	9,000	488	3,124	8,225	11,349	
Gaithersburg II, MD	74,100		2,383	11,750	80	2,383	11,829	14,212	
Hyattsville, MD	52,830		1,113	5,485	108	1,113	5,593	6,706	
Laurel, MD	162,896		1,409	8,035	3,919	1,928	9,091	11,019	
Temple Hills I, MD	97,270		1,541	8,788	2,643	1,800	8,929	10,729	
Temple Hills II, MD	84,175		2,229	10,988	64	2,229	11,052	13,281	
Timonium, MD	66,717		2,269	11,184	209	2,269	11,393	13,662	
Upper Marlboro, MD	62,290		1,309	6,455	104	1,309	6,557	7,866	
Bloomington, MN	100,928		1,598	12,298	210	1,598	12,510	14,108	
Belmont, NC	81,850		385	2,196	963	451	2,341	2,792	
Burlington I, NC	109,300		498	2,837	897	498	2,917	3,415	
Burlington II, NC	42,165		320	1,829	473	340	1,761	2,101	
Cary, NC	111,750		543	3,097	917	543	3,316	3,859	
Charlotte I, NC	69,000		782	4,429	1,589	1,068	4,562	5,630	
Charlotte II, NC	53,706		821	8,764	58	821	8,821	9,642	
Charlotte III, NC	69,037		1,974	8,211	83	1,974	8,293	10,267	
Cornelius, NC	59,270		2,424	4,991	980	2,424	5,971	8,395	
Pineville, NC	77,747		2,490	9,169	151	2,490	9,320	11,810	
Raleigh, NC	48,675		209	2,398	464	296	2,386	2,682	
Bordentown, NJ	50,550		457	2,255	173	457	2,427	2,884	
Brick, NJ	51,710		234	2,762	1,553	485	3,465	3,950	
Cherry Hill I, NJ	51,500		222	1,260	204	222	1,249	1,471	
Cherry Hill II, NJ	65,425		471	2,323	320	471	2,643	3,114	
Clifton, NJ	105,550		4,346	12,520	331	4,340	11,171	15,511	

Cranford, NJ	91,280	290	3,493	2,792	779	5,090	5,869	2
East Hanover, NJ	107,704	504	5,763	4395	1,315	8,177	9,492	4
Egg Harbor I, NJ	36,025	104	510	81	104	581	685	1
Egg Harbor II, NJ	70,400	284	1,608	309	284	1,695	1,979	4
Elizabeth, NJ	38,770	751	2,164	719	751	2,560	3,311	1
Fairview, NJ	27,876	246	2,759	617	246	2,767	3,013	1
Freehold, NJ	81,420	1,086	5,355	211	1,086	5,566	6,652	1
Hamilton, NJ	70,550	1,885	5,430	511	1,893	5,173	7,066	1
Hoboken, NJ	34,194	1,370	3,947	972	1,370	4,285	5,655	1
Linden, NJ	100,425	517	6,008	2,669	1,043	7,139	8,182	2
Lumberton, NJ	96,025	987	4,864	316	987	5,180	6,167	1
Morris Township, NJ	72,226	500	5,602	3,100	1,072	7,054	8,126	2
Parsippany, NJ	84,655	475	5,322	5,820	844	9,798	10,642	2
Rahway, NJ	83,121	1,486	7,326	680	1,486	8,007	9,493	1
Randolph, NJ	52,565	855	4,872	1,574	1,108	4,757	5,865	1
Ridgefield, NJ	67,803	1,810	8,925	318	1,810	9,243	11,053	1
Roseland, NJ	53,569	1,844	9,759	189	1,844	9,948	11,792	9
Sewell, NJ	57,826	484	2,766	1,441	706	3,129	3,835	1
Somerset, NJ	57,485	1,243	6,129	587	1,243	6,716	7,959	1
Whippany, NJ	92,070	2,153	10,615	653	2,153	11,268	13,421	1
Albuquerque I, NM	65,927	1,039	3,395	367	1,039	3,178	4,217	1
Albuquerque II, NM	58,798	1,163	3,801	284	1,163	3,462	4,625	1
Albuquerque III, NM	57,536	664	2,171	371	664	2,151	2,815	9
Henderson, NV	75,150	1,246	6,143	105	1,246	6,246	7,492	8
Las Vegas I, NV	48,732	1,851	2,986	593	1,851	3,167	5,018	1
Las Vegas II, NV	48,850	3,354	5,411	615	3,355	5,444	8,799	2
Las Vegas III, NV	84,600	1,171	10,034	113	1,171	10,148	11,319	6
Las Vegas IV, NV	90,527	1,116	8,575	365	1,116	8,939	10,055	6
Las Vegas V, NV	107,226	1,460	9,560	183	1,460	9,744	11,204	6
Las Vegas VI, NV	92,732	1,386	12,299	123	1,386	12,422	13,808	6
Las Vegas VII, NV	94,525	1,575	11,483	146	1,575	11,630	13,205	1

Baldwin, NY	61,380		1,559	7,685	646	1,559	8,331	9,890	
Bronx I, NY	67,864		2,014	11,411	1,118	2,014	10,937	12,951	
Bronx II, NY	99,028		—	28,289	1,721	—	29,475	29,475	
Bronx III, NY	105,900		6,459	36,180	219	6,460	32,052	38,512	
Bronx IV, NY	74,580		—	22,074	130	—	19,549	19,549	
Bronx V, NY	54,704		—	17,556	226	—	15,671	15,671	
Bronx VI, NY	45,970		—	16,803	364	—	15,136	15,136	
Bronx VII, NY	78,700	8,022	—	22,512	189	—	22,810	22,810	
Bronx VIII, NY	30,550	2,816	1,245	6,137	308	1,251	6,475	7,726	
Bronx IX, NY	147,915	22,041	7,967	39,279	1,452	7,967	40,730	48,697	
Bronx X, NY	159,805	24,893	9,090	44,816	537	9,090	45,353	54,443	
Bronx XI, NY	46,425		—	17,130	344	—	17,476	17,476	
Bronx XII, NY	101,268		—	31,603	80	—	31,681	31,681	
Bronx XIII, NY	201,195		19,622	68,290	—	19,621	68,379	88,000	
Brooklyn I, NY	57,456		1,795	10,172	410	1,795	9,166	10,961	
Brooklyn II, NY	60,920		1,601	9,073	497	1,601	8,251	9,852	
Brooklyn III, NY	41,610		2,772	13,570	146	2,772	13,798	16,570	
Brooklyn IV, NY	37,560		2,283	11,184	198	2,284	11,444	13,728	
Brooklyn V, NY	47,045		2,374	11,636	120	2,374	11,809	14,183	
Brooklyn VI, NY	74,820		4,210	20,638	124	4,211	20,869	25,080	
Brooklyn VII, NY	72,725		5,604	27,452	200	5,604	27,817	33,421	
Brooklyn VIII, NY	61,525		4,982	24,561	118	4,982	24,678	29,660	
Brooklyn IX, NY	46,980		2,966	14,620	154	2,966	14,774	17,740	
Brooklyn X, NY	55,938		3,739	7,703	3,118	4,885	9,674	14,559	
Brooklyn XI, NY	110,215		10,093	35,385	229	10,093	35,613	45,706	
Brooklyn XII, NY	131,913		7,249	40,230	9	7,250	40,243	47,493	
Flushing, NY	64,993		17,177	17,356	18	17,177	17,373	34,550	
Holbrook, NY	60,377		2,029	10,737	77	2,029	10,814	12,843	
	88,385		2,043	11,658	2,374	2,043	11,299	13,342	

Jamaica I, NY									
Jamaica II, NY	92,805		5,391	26,413	397	5,391	26,953	32,344	
Long Island City, NY	88,775		5,700	28,101	46	5,700	28,147	33,847	
New Rochelle I, NY	43,596		1,673	4,827	1,223	1,673	5,391	7,064	
New Rochelle II, NY	63,425		3,167	2,713	452	3,762	18,999	22,761	
New York, NY	94,912	31,171	42,022	38,753	23	42,022	38,777	80,799	
North Babylon, NY	78,350		225	2,514	4,233	568	5,595	6,163	
Patchogue, NY	47,759		1,141	5,624	61	1,141	5,685	6,826	
Queens I, NY	82,875		5,158	12,339	1,156	5,160	13,493	18,653	
Queens II, NY	90,728		6,208	25,815	484	6,208	26,300	32,508	

Table of Contents

			Initial Cost		Costs Subsequent to Acquisition	Gross Carrying Amount at December 31, 2018		
Description	Square Footage	Encumbrances	Land	Buildings & Improvements		Land	Buildings & Improvements	Total
Riverhead, NY	38,490		1,068	1,149	216	1,068	1,086	2,154
Southold, NY	59,945		2,079	2,238	350	2,079	2,184	4,263
Staten Island, NY	96,573		1,919	9,463	870	1,919	10,334	12,253
Tuckahoe, NY	51,358		2,363	17,411	311	2,363	11,951	14,314
West Hempstead, NY	83,395		2,237	11,030	245	2,237	11,273	13,510
White Plains, NY	85,874		3,295	18,049	1,030	3,295	16,582	19,877
Woodhaven, NY	50,665		2,015	11,219	158	2,015	10,080	12,095
Wyckoff, NY	60,440		1,961	11,113	351	1,961	9,980	11,941
Yorktown, NY	78,879		2,382	11,720	216	2,382	11,949	14,331
Cleveland I, OH	46,000		525	2,592	273	524	2,515	3,039
Cleveland II, OH	58,325		290	1,427	239	289	1,413	1,702
Columbus I, OH	71,905		1,234	3,151	153	1,239	2,828	4,067
Columbus II, OH	36,659		769	3,788	293	769	4,081	4,850
Columbus III, OH	51,200		326	1,607	124	326	1,732	2,058
Columbus IV, OH	60,950		443	2,182	106	443	2,288	2,731
Columbus V, OH	73,325		838	4,128	139	838	4,267	5,105
Columbus VI, OH	63,525		701	3,454	120	701	3,575	4,276
Grove City, OH	89,290		1,756	4,485	290	1,761	4,157	5,918
Hilliard, OH	89,290		1,361	3,476	285	1,366	3,273	4,639
Lakewood, OH	39,332		405	854	690	405	1,385	1,790
Lewis Center, OH	76,224		1,056	5,206	146	1,056	5,351	6,407
Middleburg Heights, OH	93,200		63	704	2,402	332	2,436	2,768
North Olmsted I, OH	48,672		63	704	1,591	214	1,802	2,016
North Olmsted II, OH	47,850		290	1,129	1,232	469	2,034	2,503
North Randall, OH	80,297		515	2,323	3,274	898	3,997	4,895
Reynoldsburg, OH	67,245		1,290	3,295	388	1,295	3,229	4,524
Strongsville, OH	43,683		570	3,486	430	570	3,082	3,652
Warrensville Heights, OH	90,281		525	766	3,292	935	3,443	4,378
Westlake, OH	62,750		509	2,508	264	508	2,383	2,891
Conshohocken, PA	81,285		1,726	8,508	182	1,726	8,689	10,415

Exton, PA	57,750		541	2,668	127	519	2,817	3,336
Langhorne, PA	64,838		1,019	5,023	360	1,019	5,383	6,402
Levittown, PA	76,130		926	5,296	1,306	926	4,881	5,807
Malvern, PA	18,820		2,959	18,198	1,727	2,959	19,923	22,882
Montgomeryville, PA	84,145		975	4,809	261	975	5,069	6,044
Norristown, PA	61,520		662	3,142	789	638	4,061	4,699
Philadelphia I, PA	96,099		1,461	8,334	1,931	1,461	6,921	8,382
Philadelphia II, PA	68,279		1,012	4,990	167	1,012	5,157	6,169
Exeter, RI	41,275		547	2,697	148	547	2,845	3,392
Johnston, RI	77,275		1,061	5,229	106	1,061	5,336	6,397
Wakefield, RI	45,745		823	4,058	85	823	4,143	4,966
Woonsocket, RI	72,900		1,049	5,172	174	1,049	5,346	6,395
Antioch, TN	75,985		588	4,906	372	588	4,510	5,098
Nashville I, TN	107,950		405	3,379	1,056	405	3,846	4,251
Nashville II, TN	83,174		593	4,950	272	593	4,527	5,120
Nashville III, TN	101,525		416	3,469	347	416	3,482	3,898
Nashville IV, TN	102,450		992	8,274	396	992	7,428	8,420
Nashville V, TN	74,560	2,363	895	4,311	854	895	5,165	6,060
Nashville VI, TN	72,416		2,749	8,443	124	2,749	8,566	11,315
Allen, TX	62,170		714	3,519	134	714	3,653	4,367
Austin I, TX	59,645		2,239	2,038	278	2,239	1,967	4,206
Austin II, TX	64,360	(A)	734	3,894	419	738	3,751	4,489
Austin III, TX	70,735		1,030	5,468	358	1,035	5,167	6,202
Austin IV, TX	65,258		862	4,250	381	862	4,632	5,494
Austin V, TX	67,850		1,050	5,175	294	1,050	5,469	6,519
Austin VI, TX	62,850		1,150	5,669	327	1,150	5,996	7,146
Austin VII, TX	71,023		1,429	6,263	256	1,429	6,519	7,948
Austin VIII, TX	62,288		2,935	7,007	63	2,935	7,071	10,006
Austin IX, TX	78,547		1,321	9,643	34	1,321	9,677	10,998
Bryan, TX	60,650		1,394	1,268	575	1,396	1,605	3,001
Carrollton, TX	77,780		661	3,261	140	661	3,401	4,062
Cedar Park, TX	86,725		3,350	7,950	380	3,350	8,331	11,681
College Station, TX	26,550		812	740	216	813	769	1,582
Cypress, TX	58,161		360	1,773	154	360	1,928	2,288
Dallas I, TX	58,582		2,475	2,253	489	2,475	2,264	4,739
Dallas II, TX	77,073		940	4,635	234	940	4,869	5,809
Dallas III, TX	83,479		2,608	12,857	306	2,608	13,163	15,771
Dallas IV, TX	114,750		2,369	11,850	75	2,369	11,924	14,293
Dallas V, TX	54,510		—	11,604	87	—	11,692	11,692
Denton, TX	60,846		553	2,936	445	569	2,886	3,455
Fort Worth I, TX	50,416		1,253	1,141	356	1,253	1,259	2,512
Fort Worth II, TX	72,900		868	4,607	399	874	4,338	5,212
Fort Worth III, TX	81,145		1,000	4,928	186	1,000	5,115	6,115
Fort Worth IV, TX	78,579		1,274	7,693	34	1,274	7,728	9,002
Frisco I, TX	50,904		1,093	3,148	205	1,093	2,895	3,988

Frisco II, TX	71,839	1,564	4,507	244	1,564	4,135	5,699
Frisco III, TX	74,665	1,147	6,088	682	1,154	5,961	7,115
Frisco IV, TX	75,175	719	4,072	293	719	3,769	4,488
Frisco V, TX	74,415	1,159	5,714	145	1,159	5,858	7,017
Frisco VI, TX	69,176	1,064	5,247	174	1,064	5,421	6,485
Garland I, TX	70,100	751	3,984	628	767	4,018	4,785
Garland II, TX	68,425	862	4,578	310	862	4,291	5,153
Grapevine, TX	78,769	1,211	8,559	117	1,211	8,676	9,887
Houston III, TX	61,590	575	524	486	576	898	1,474
Houston IV, TX	43,750	960	875	704	961	1,379	2,340
Houston V, TX	124,279	1,153	6,122	1,804	991	7,176	8,167
Houston VI, TX	54,690	575	524	5,857	983	5,060	6,043
Houston VII, TX	46,991	681	3,355	185	681	3,540	4,221
Houston VIII, TX	54,215	1,294	6,377	383	1,294	6,761	8,055
Houston IX, TX	51,208	296	1,459	149	296	1,608	1,904
Houston X, TX	96,061	5,267	12,667	10	5,267	12,677	17,944
Houston XI, TX	80,930	5,618	15,330	5	5,618	15,334	20,952
Humble, TX	70,700	706	5,727	113	706	5,840	6,546

Table of Contents

Description	Square Footage	Encumbrances	Initial Cost		Costs Subsequent to Acquisition	Gross Carrying Amount at December 31, 2018		
			Land	Buildings & Improvements		Land	Buildings & Improvements	Total
Katy, TX	71,308		1,329	6,552	87	1,329	6,640	7,969
Keller, TX	88,585		1,330	7,960	329	1,331	7,673	9,004
Lewisville I, TX	67,340		476	2,525	539	492	2,627	3,119
Lewisville II, TX	127,659		1,464	7,217	508	1,464	7,725	9,189
Lewisville III, TX	93,855		1,307	15,025	204	1,307	15,229	16,53
Little Elm I, TX	60,115		892	5,529	138	892	5,668	6,560
Little Elm II, TX	97,136		1,219	9,864	121	1,219	9,986	11,20
Mansfield I, TX	63,000		837	4,443	292	843	4,152	4,995
Mansfield II, TX	57,375		662	3,261	165	662	3,426	4,088
Mansfield III, TX	71,000		947	4,703	183	947	4,887	5,834
McKinney I, TX	47,020		1,632	1,486	286	1,634	1,532	3,166
McKinney II, TX	70,050		855	5,076	287	857	4,738	5,595
McKinney III, TX	53,650		652	3,213	73	652	3,285	3,937
North Richland Hills, TX	57,200		2,252	2,049	258	2,252	1,928	4,180
Pearland, TX	72,050		450	2,216	418	450	2,635	3,085
Richmond, TX	102,295		1,437	7,083	171	1,437	7,254	8,691
Roanoke, TX	59,300		1,337	1,217	238	1,337	1,229	2,566
San Antonio I, TX	73,579		2,895	2,635	376	2,895	2,478	5,373
San Antonio II, TX	73,955		1,047	5,558	288	1,052	5,153	6,205
San Antonio III, TX	71,825		996	5,286	332	996	4,896	5,892
San Antonio IV, TX	61,500		829	3,891	156	829	4,048	4,877
Spring, TX	72,745		580	3,081	309	580	2,898	3,478
Murray I, UT	60,280		3,847	1,017	546	3,848	1,346	5,194
Murray II, UT	70,996		2,147	567	674	2,147	1,069	3,216
	56,446		2,695	712	544	2,696	1,070	3,766

Salt Lake City I, UT							
Salt Lake City II, UT	51,676	2,074	548	416	1,937	798	2,735
Alexandria, VA	114,100	2,812	13,865	251	2,812	14,116	16,92
Arlington, VA	96,143	6,836	9,843	99	6,836	9,943	16,77
Burke Lake, VA	91,467	2,093	10,940	1,194	2,093	10,536	12,62
Fairfax, VA	73,265	2,276	11,220	316	2,276	11,537	13,81
Fredericksburg I, VA	69,475	1,680	4,840	370	1,680	4,537	6,217
Fredericksburg II, VA	61,057	1,757	5,062	438	1,757	4,808	6,565
Leesburg, VA	85,503	1,746	9,894	189	1,746	8,794	10,54
Manassas, VA	72,745	860	4,872	274	860	4,480	5,340
McLearen, VA	69,385	1,482	8,400	257	1,482	7,502	8,984
Vienna, VA	55,120	2,300	11,340	173	2,300	11,513	13,81
Divisional Offices				398		398	398
	34,619,208	785,736	3,267,473	310,175	806,916	3,343,173	4,150

(A) This store is part of the YSI 33 Loan portfolio, with a balance of $9,214 as of December 31, 2018.

(B) Depreciation on the buildings and improvements is recorded on a straight-line basis over their estimated useful lives, which range from five to 39 years.

Activity in storage properties during 2018 and 2017 was as follows (in thousands):

	2018	2017	2016
Storage properties*			
Balance at beginning of year	$ 4,161,715	$ 3,998,180	$ 3,467,032
Acquisitions & improvements	381,182	247,546	490,980
Fully depreciated assets	(26,125)	(53,903)	(61,232)
Dispositions and other	(8,735)	(9,179)	—
Construction in progress, net	(44,582)	(20,929)	101,400
Balance at end of year	$ 4,463,455	$ 4,161,715	$ 3,998,180
Accumulated depreciation*			
Balance at beginning of year	$ 752,925	$ 671,364	$ 594,049
Depreciation expense	138,510	135,732	138,547
Fully depreciated assets	(26,125)	(53,903)	(61,232)
Dispositions and other	(2,823)	(268)	—
Balance at end of year	$ 862,487	$ 752,925	$ 671,364
Storage properties, net	$ 3,600,968	$ 3,408,790	$ 3,326,816

*These amounts include equipment that is housed at the Company's stores which is excluded from Schedule III above.

As of December 31, 2018, the aggregate cost of Storage properties for federal income tax purposes was approximately $4.6 billion.

Table of Contents

Exhibit 21.1

Subsidiary	Jurisdiction of Organization
101 OLD WINDSOR ROAD, LLC	Delaware
1053 CROMWELL AVENUE, LLC	Delaware
12250 El Dorado Parkway, LLC	Delaware
1575 NORTH BLAIRS BRIDGE ROAD, LLC	Delaware
186 Jamaica Ave TRS, LLC	Delaware
186 JAMAICA AVE, LLC	Delaware
191 III CUBE 2 LLC	Delaware
191 III CUBE BORDEAUX SUB, LLC	Delaware
191 III CUBE CHATTANOOGA SUB, LLC	Delaware
191 III CUBE FL SUB LLC	Delaware
191 III CUBE GA SUB LLC	Delaware
191 III CUBE GOODLETTSVILLE I SUB, G.P.	Delaware
191 III CUBE GOODLETTSVILLE II SUB, G.P.	Delaware
191 III CUBE GRANDVILLE SUB, LLC	Delaware
191 III CUBE KNOXVILLE I SUB, G.P.	Delaware
191 III CUBE KNOXVILLE II SUB, G.P.	Delaware
191 III CUBE KNOXVILLE III SUB, G.P.	Delaware
191 III Cube LLC	Delaware
191 III CUBE MA SUB LLC	Delaware
191 III CUBE MI SUB LLC	Delaware
191 III CUBE MURFREESBORO SUB, LLC	Delaware
191 III CUBE NC SUB LLC	Delaware
191 III CUBE NEW BEDFORD SUB, LLC	Delaware
191 III CUBE OLD HICKORY SUB, LLC	Delaware
191 III CUBE SC SUB LLC	Delaware
191 III CUBE SUB HOLDINGS 1 LLC	Delaware
191 III CUBE SUB HOLDINGS 2 LLC	Delaware
191 III CUBE SUB HOLDINGS 3 LLC	Delaware
191 III CUBE SUB HOLDINGS 4 LLC	Delaware
191 III CUBE SUB HOLDINGS 5 LLC	Delaware
191 III CUBE SUB HOLDINGS 6 LLC	Delaware
191 III CUBE SUB HOLDINGS 7 LLC	Delaware
191 III CUBE SUB HOLDINGS 8 LLC	Delaware
191 III CUBE TN SUB LLC	Delaware
191 III CUBE TRINITY SUB, LLC	Delaware
191 IV CUBE LLC	Delaware
2225 46TH ST, LLC	Delaware
2301 TILLOTSON AVE, LLC	Delaware
251 JAMAICA AVE, LLC	Delaware
2880 Exterior St, LLC	Delaware
2880 EXTERIOR STREET TRS, LLC	Delaware
295 E. Ocotillo Road, LLC	Delaware
3068 CROPSEY AVENUE, LLC	Delaware

3103 N. Decatur Road, LLC	Delaware
38300 North Gantzel Road, LLC	Delaware
430 1ST AVENUE SOUTH, LLC	Delaware
444 55TH STREET HOLDINGS TRS, LLC	Delaware
444 55TH STREET HOLDINGS, LLC	Delaware
444 55TH STREET VENTURE, LLC	Delaware
444 55TH STREET, LLC	Delaware
4441 Alma Road, LLC	Delaware
5 Old Lancaster Associates, LLC	Pennsylvania
5505 Maple Ave, LLC	Delaware
7205 Vanderbilt Way, LLC	Delaware

Table of Contents

Subsidiary	Jurisdiction of Organization
8552 BAYMEADOWS ROAD, LLC	Delaware
9641 Annapolis Road, LLC	Delaware
CONSHOHOCKEN GP II, LLC	Delaware
CS 1158 MCDONALD AVE, LLC	Delaware
CS 160 EAST 22ND ST, LLC	Delaware
CS ANNAPOLIS HOLDINGS, LLC	Delaware
CS ANNAPOLIS, LLC	Delaware
CS CAPITAL INVESTORS, LLC	Delaware
CS FLORIDA AVENUE, LLC	Delaware
CS SDP EVERETT BORROWER, LLC	Delaware
CS SDP Everett, LLC	Delaware
CS SDP Newtonville, LLC	Delaware
CS SDP WALTHAM BORROWER, LLC	Delaware
CS SDP WALTHAM, LLC	Delaware
CS SJM E 92ND STREET OWNER, LLC	Delaware
CS SJM E 92ND STREET, LLC	Delaware
CS SNL NEW YORK AVE, LLC	Delaware
CS SNL OPERATING COMPANY, LLC	Delaware
CS VENTURE I, LLC	Delaware
CUBE HHF Limited Partnership	Delaware
CUBE HHF NORTHEAST CT, LLC	Delaware
CUBE HHF NORTHEAST MA, LLC	Delaware
CUBE HHF NORTHEAST RI, LLC	Delaware
CUBE HHF NORTHEAST SUB HOLDINGS LLC	Delaware
CUBE HHF NORTHEAST TRS, LLC	Delaware
CUBE HHF NORTHEAST VENTURE LLC	Delaware
CUBE HHF NORTHEAST VT, LLC	Delaware
CUBE HHF TRS, LLC	Delaware
CUBE III TN ASSET MANAGEMENT, LLC	Delaware
CUBE III TRS 2 LLC	Delaware
CUBE III TRS LLC	Delaware
CUBE IV TRS LLC	Delaware
CUBE VENTURE GP, LLC	Delaware
CubeSmart	Maryland
CubeSmart Asset Management, LLC	Delaware
CUBESMART BARTOW, LLC	Delaware
CUBESMART BOSTON ROAD, LLC	Delaware
CUBESMART CLINTON, LLC	Delaware
CUBESMART CYPRESS, LLC	Delaware
CUBESMART EAST 135TH, LLC	Delaware
CubeSmart Management, LLC	Delaware
CUBESMART SOUTHERN BLVD, LLC	Delaware
CUBESMART SWISS AVE, LLC	Delaware
CUBESMART TEMPLE HILLS, LLC	Delaware
CUBESMART TIMONIUM BORROWER, LLC	Delaware
CubeSmart Timonium, LLC	Delaware
CubeSmart TRS, Inc.	Ohio

CubeSmart, L.P.	Delaware
EAST COAST GP, LLC	Delaware
EAST COAST STORAGE PARTNERS, L.P.	Delaware
FREEHOLD MT, LLC	Delaware
LANGHORNE GP II, LLC	Delaware
Lantana Property Owner's Association, Inc.	Florida
MONTGOMERYVILLE GP II, LLC	Delaware
Old Lancaster Venture, L.P.	Pennsylvania
PSI Atlantic Austin TX, LLC	Delaware

Table of Contents

Subsidiary	Jurisdiction of Organization
PSI Atlantic Brockton MA, LLC	Delaware
PSI Atlantic Cornelius NC, LLC	Delaware
PSI Atlantic Haverhill MA, LLC	Delaware
PSI Atlantic Holbrook NY, LLC	Delaware
PSI Atlantic Humble TX, LLC	Delaware
PSI Atlantic Lawrence MA, LLC	Delaware
PSI Atlantic Lithia Springs GA, LLC	Delaware
PSI Atlantic Nashville TN, LLC	Delaware
PSI Atlantic NPB FL, LLC	Delaware
PSI Atlantic Pineville NC, LLC	Delaware
PSI Atlantic REIT, Inc.	Delaware
PSI Atlantic Surprise AZ, LLC	Delaware
PSI Atlantic TRS, LLC	Delaware
PSI Atlantic Villa Rica GA, LLC	Delaware
PSI Atlantic Villa Rica Parcel Owner, LLC	Delaware
R STREET STORAGE ASSOCIATES, LLC	Maryland
SHIRLINGTON RD II, LLC	Delaware
SHIRLINGTON RD TRS, LLC	Delaware
SHIRLINGTON RD, LLC	Delaware
SOMERSET MT, LLC	Delaware
STORAGE PARTNERS OF CONSHOHOCKEN, L.P.	Delaware
Storage Partners of Freehold II, LLC	Delaware
Storage Partners of Langhorne II, LP	Delaware
STORAGE PARTNERS OF MONTGOMERYVILLE, L.P.	Delaware
STORAGE PARTNERS OF SOMERSET, LLC	Delaware
UNITED-HSRE I, L.P.	Delaware
U-Store-It Development LLC	Delaware
U-Store-It Trust Luxembourg S.ar.l.	Luxembourg
Valley Forge Storage Venture, LLC	Delaware
Wider Reach, LLC	Delaware
YSI HART TRS, INC	Delaware
YSI I LLC	Delaware
YSI II LLC	Delaware
YSI X GP LLC	Delaware
YSI X LP	Delaware
YSI X LP LLC	Delaware
YSI XV LLC	Delaware
YSI XX GP LLC	Delaware
YSI XX LP	Delaware
YSI XX LP LLC	Delaware
YSI XXX LLC	Delaware
YSI XXXI, LLC	Delaware
YSI XXXIII, LLC	Delaware
YSI XXXIIIA, LLC	Delaware
YSI XXXVII, LLC	Delaware

Table of Contents

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Trustees of
CubeSmart:

We consent to the incorporation by reference in the registration statements (No. 333 216768) on Form S-3 of CubeSmart and CubeSmart, L.P. and (Nos. 333-211787, 333-167623, 333-143126, 333-143125, 333-143124 and 333-119987) on Form S-8 of CubeSmart of our reports dated February 22, 2019, with respect to the consolidated balance sheets of CubeSmart and subsidiaries as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement schedule III (collectively, the "consolidated financial statements"), and the effectiveness of internal control over financial reporting as of December 31, 2018, which reports appear in the December 31, 2018 annual report on Form 10 K of CubeSmart and CubeSmart, L.P.

/s/ KPMG LLP

Philadelphia, Pennsylvania
February 22, 2019

Table of Contents

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

The Partners of
CubeSmart, L.P.:

We consent to the incorporation by reference in the registration statements (No. 333 216768) on Form S-3 of CubeSmart and CubeSmart, L.P. and (Nos. 333-211787, 333-167623, 333-143126, 333-143125, 333-143124 and 333-119987) on Form S-8 of CubeSmart of our reports dated February 22, 2019, with respect to the consolidated balance sheets of CubeSmart, L.P. and subsidiaries as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), capital, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement schedule III (collectively, the "consolidated financial statements"), and the effectiveness of internal control over financial reporting as of December 31, 2018, which reports appear in the December 31, 2018 annual report on Form 10 K of CubeSmart and CubeSmart, L.P.

6
/s/ KPMG LLP

Philadelphia, Pennsylvania
February 22, 2019

Table of Contents

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher P. Marr, certify that:

1. I have reviewed this Annual Report on Form 10-K of CubeSmart;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Trustees (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Christopher P. Marr
Christopher P. Marr
Chief Executive Officer

Date: February 22, 2019

Table of Contents

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Timothy M. Martin, certify that:

1. I have reviewed this Annual Report on Form 10-K of CubeSmart;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Trustees (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

6

/s/ Timothy M. Martin
Timothy M. Martin
Chief Financial Officer

Date: February 22, 2019

1

Table of Contents

Exhibit 31.3

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher P. Marr, certify that:

1. I have reviewed this Annual Report on Form 10-K of CubeSmart L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Trustees (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

6

/s/ Christopher P. Marr
Christopher P. Marr
Chief Executive Officer

Date: February 22, 2019

1

Table of Contents

Exhibit 31.4

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Timothy M. Martin, certify that:

1. I have reviewed this Annual Report on Form 10-K of CubeSmart L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Trustees (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Timothy M. Martin
Timothy M. Martin
Chief Financial Officer

Date: February 22, 2019

Table of Contents

Exhibit 32.1

Certification of Chief Executive Officer and Chief Financial Officer

Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of

the

Sarbanes-Oxley Act of 2002

The undersigned, the Chief Executive Officer and Chief Financial Officer of CubeSmart (the "Company"), each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(a) The Annual Report on Form 10-K of the Company for the year ended December 31, 2018 (the "Report") filed on the date hereof with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

6

/s/ Christopher P. Marr
Christopher P. Marr
Chief Executive Officer

Date: February 22, 2019

/s/ Timothy M. Martin
Timothy M. Martin
Chief Financial Officer

Date: February 22, 2019

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

1

Table of Contents

Exhibit 32.2

Certification of Chief Executive Officer and Chief Financial Officer

Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of

the

Sarbanes-Oxley Act of 2002

The undersigned, the Chief Executive Officer and Chief Financial Officer of CubeSmart L.P. (the "Company"), each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(a) The Annual Report on Form 10-K of the Company for the year ended December 31, 2018 (the "Report") filed on the date hereof with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

6

/s/ Christopher P. Marr
Christopher P. Marr
Chief Executive Officer

Date: February 22, 2019

/s/ Timothy M. Martin
Timothy M. Martin
Chief Financial Officer

Date: February 22, 2019

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

1

Table of Contents

Exhibit 99.1

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion describes the material U.S. federal income tax considerations relating to the purchase, ownership and disposition of common shares and preferred shares of CubeSmart and debt securities of CubeSmart, L.P. (the "Operating Partnership"), and the qualification and taxation of CubeSmart as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). This discussion reflects changes to the U.S. federal income tax laws made by legislation commonly referred to as the Tax Cuts and Jobs Act (the "TCJA"), which was signed into law on December 22, 2017. The TCJA is a far-reaching and complex revision to the U.S. federal income tax laws with disparate and, in some cases, countervailing impacts on different categories of taxpayers and industries, and it is anticipated that it will require subsequent rulemaking in a number of areas.

This discussion is not exhaustive of all possible tax considerations and does not provide a detailed discussion of any state, local or foreign tax considerations. The discussion does not address all aspects of taxation that may be relevant to particular investors in light of their personal investment or tax circumstances, or to certain types of investors that are subject to special treatment under the U.S. federal income tax laws, such as insurance companies, regulated investment companies, REITs, tax-exempt organizations (except to the limited extent discussed below under "Taxation of Tax-Exempt Shareholders"), financial institutions or broker-dealers, non-U.S. individuals and foreign corporations (except to the limited extent discussed below under "Taxation of Non-U.S. Shareholders"), an entity treated as a U.S. corporation on account of the inversion rules, and other persons subject to special tax rules. This summary deals only with investors who hold common shares or preferred shares of CubeSmart or debt securities of the Operating Partnership as "capital assets" within the meaning of Section 1221 of the Code. This discussion is not intended to be, and should not be construed as, tax advice.

The information in this summary is based on the Code, current, temporary and proposed Treasury regulations, the legislative history of the Code, current administrative interpretations and practices of the Internal Revenue Service (the "IRS"), including its practices and policies as endorsed in private letter rulings, which are not binding on the IRS, and existing court decisions. Future legislation, regulations, administrative interpretations and court decisions could change current law or adversely affect existing interpretations of current law. Any change could apply retroactively. We have not obtained any rulings from the IRS concerning the tax treatment of the matters discussed in this summary. Therefore, it is possible that the IRS could challenge the statements in this summary, which do not bind the IRS or the courts, and that a court could agree with the IRS.

We urge you to consult your own tax advisor regarding the specific tax consequences to you of ownership of common shares or preferred shares of CubeSmart and debt securities of the Operating Partnership, and of CubeSmart's election to be taxed as a REIT. Specifically, you should consult your own tax advisor regarding the federal, state, local, foreign, and other tax consequences of such ownership and election, and regarding potential changes in applicable tax laws.

Taxation of CubeSmart

Qualification of CubeSmart as a REIT

CubeSmart elected to be taxed as a REIT under the U.S. federal income tax laws beginning with its short taxable year ended December 31, 2004. CubeSmart believes that, beginning with such short taxable year, it has been organized and has operated in such a manner as to qualify for taxation as a REIT under the Code and intends to continue to operate in such a manner. However, there can be no assurance that CubeSmart has qualified or will remain qualified as a REIT.

CubeSmart's continued qualification and taxation as a REIT depends upon its ability to meet on a continuing basis, through actual annual operating results, certain qualification tests set forth in the U.S. federal income tax laws. Those qualification tests involve the percentage of income that CubeSmart earns from specified sources, the percentage of its assets that falls within specified categories, the diversity of its share ownership, and the percentage of its earnings that CubeSmart distributes. Accordingly, no assurance can be given that the actual results of CubeSmart's operations for any particular taxable year will satisfy such requirements. For a discussion of the tax consequences of its failure to qualify as a REIT, see "Requirements for Qualification — Failure to Qualify" below.

Pursuant to CubeSmart's declaration of trust, CubeSmart's board of trustees has the authority to make any tax elections on its behalf that, in its sole judgment, are in CubeSmart's best interest. This authority includes the ability to revoke or otherwise terminate CubeSmart's status as a REIT. CubeSmart's board of trustees has the authority under its declaration of trust to make these elections without the necessity of obtaining the approval of CubeSmart's shareholders. In addition, CubeSmart's board of trustees has the authority to waive any restrictions and limitations contained in its declaration of trust that are intended to preserve CubeSmart's status as a REIT during any period in which its board of trustees has determined not to pursue or preserve CubeSmart's status as a REIT.

Table of Contents

Taxation of CubeSmart as a REIT

The sections of the Code relating to qualification and operation as a REIT, and the U.S. federal income taxation of a REIT, are highly technical and complex. The following discussion sets forth only the material aspects of those sections. This summary is qualified in its entirety by the applicable Code provisions and the related rules and regulations.

If CubeSmart qualifies as a REIT, it generally will not be subject to federal income tax on the taxable income that it distributes to its shareholders. The benefit of that tax treatment is that it avoids the "double taxation," or taxation at both the corporate and shareholder levels, that generally results from owning shares in a corporation. However, CubeSmart will be subject to federal tax in the following circumstances:

- CubeSmart is subject to the corporate federal income tax on any taxable income, including net capital gain that it does not distribute to shareholders during, or within a specified time period after, the calendar year in which the income is earned.

- For tax years beginning before January 1, 2018, CubeSmart may be subject to the corporate "alternative minimum tax" on any items of tax preference, including any deductions of net operating losses.

- CubeSmart is subject to tax, at the highest corporate rate (35% for tax years beginning on or before December 31, 2017 and 21% for tax years beginning after that date), on net income from the sale or other disposition of property acquired through foreclosure ("foreclosure property") that it holds primarily for sale to customers in the ordinary course of business, and other non-qualifying income from foreclosure property.

- CubeSmart is subject to a 100% tax on net income from sales or other dispositions of property, other than foreclosure property, that it holds primarily for sale to customers in the ordinary course of business.

- If CubeSmart fails to satisfy one or both of the 75% gross income test or the 95% gross income test, as described below under "Requirements for Qualification — Gross Income Tests," but nonetheless continues to qualify as a REIT because it meets other requirements, CubeSmart will be subject to a 100% tax on: the greater of the amount by which it fails the 75% gross income test or the 95% gross income test multiplied, in either case, by a fraction intended to reflect its profitability.

- If CubeSmart fails to distribute during a calendar year at least the sum of: (1) 85% of its REIT ordinary income for the year, (2) 95% of its REIT capital gain net income for the year, and (3) any undistributed taxable income required to be distributed from earlier periods, then CubeSmart will be subject to a 4% nondeductible excise tax on the excess of the required distribution over the amount it actually distributed.

- If CubeSmart fails any of the asset tests, as described below under "Requirements for Qualification — Asset Tests," other than certain de minimis failures, but its failure was due to reasonable cause and not to willful neglect, and it nonetheless maintains its REIT qualification because of specified cure provisions, CubeSmart will pay a tax equal to the greater of $50,000 or 35% (for tax years beginning on or before December 31, 2017 and 21% for tax years beginning after that date) of the net income from the nonqualifying assets during the period in which it failed to satisfy the asset tests.

The amount of gain on which CubeSmart will pay tax generally is the lesser of the amount of gain that it recognizes at the time of the sale or disposition, and the amount of gain that it would have recognized if it had sold the asset at the time CubeSmart acquired it.

- If CubeSmart fails to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, and such failure is due to reasonable cause and not to willful neglect, it will be required to pay a penalty of $50,000 for each such failure.

- CubeSmart may elect to retain its net long-term capital gain and pay income tax on such gain.

- CubeSmart will be subject to a 100% excise tax on transactions with a taxable REIT subsidiary that are not conducted on an arm's-length basis.

Table of Contents

- If CubeSmart acquires any asset from a C corporation (a corporation that generally is subject to full corporate-level tax) in a transaction in which the adjusted basis of the assets in CubeSmart's hands is determined by reference to the adjusted tax basis of the asset in the hands of the C corporation, CubeSmart will pay tax at the highest regular corporate rate then applicable (35% for tax years beginning on or before December 31, 2017 and 21% for tax years beginning after that date) if it recognizes gain on the sale or disposition of the asset during the 5-year period after it acquires the asset, unless the C corporation elects to treat the assets as if they were sold for their fair market value at the time of CubeSmart's acquisition.

- CubeSmart may be required to pay monetary penalties to the IRS in certain circumstances, including if it fails to meet record-keeping requirements intended to monitor its compliance with rules relating to the composition of a REIT's shareholders, as described below in "Requirements for Qualification – Organizational Requirements - Recordkeeping Requirements."

- The earnings of CubeSmart's lower-tier entities, if any, that are subchapter C corporations, including taxable REIT subsidiaries, are subject to federal corporate income tax.

In addition, we may be subject to a variety of taxes, including payroll taxes and state, local and foreign income, property and other taxes on our assets and operations. We could also be subject to tax in situations and on transactions not presently contemplated.

Requirements for Qualification

To qualify as a REIT, CubeSmart must elect to be treated as a REIT, and CubeSmart must meet various (a) organizational requirements, (b) gross income tests, (c) asset tests and (d) annual distribution requirements.

Organizational Requirements. A REIT is a corporation, trust or association that meets each of the following requirements:

1) It is managed by one or more trustees or directors;

2) Its beneficial ownership is evidenced by transferable shares, or by transferable certificates of beneficial interest;

3) It would be taxable as a domestic corporation, but for Sections 856 through 860 of the Code;

4) It is neither a financial institution nor an insurance company subject to special provisions of the U.S. federal income tax laws;

5) At least 100 persons are beneficial owners of its shares or ownership certificates (determined without reference to any rules of attribution);

6) Not more than 50% in value of its outstanding shares or ownership certificates is owned, directly or indirectly, by five or fewer individuals, which the U.S. federal income tax laws define to include certain entities, during the last half of any taxable year;

7) It elects to be a REIT, or has made such election for a previous taxable year which has not been revoked or terminated, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT status;

8) It uses a calendar year for U.S. federal income tax purposes and complies with the recordkeeping requirements of the U.S. federal income tax laws; and

9) It meets certain other qualifications, tests described below, regarding the nature of its income and assets and the distribution of its income.

CubeSmart must meet requirements 1 through 4, 8 and 9 during its entire taxable year and must meet requirement 5 during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. CubeSmart's declaration of trust provides for restrictions regarding the ownership and transfer of its shares of beneficial interest that are intended to assist CubeSmart in continuing to satisfy requirements 5 and 6. However, these restrictions may not ensure that CubeSmart will, in all cases, be able to satisfy these requirements.

Table of Contents

For purposes of determining share ownership under requirement 6, an "individual" generally includes a supplemental unemployment compensation benefits plan, a private foundation, or a portion of a trust permanently set aside or used exclusively for charitable purposes. An "individual," however, generally does not include a trust that is a qualified employee pension or profit sharing trust under the U.S. federal income tax laws, and beneficiaries of such a trust will be treated as holding CubeSmart's shares in proportion to their actuarial interests in the trust for purposes of requirement 6. CubeSmart believes it has issued sufficient shares of beneficial interest with enough diversity of ownership to satisfy requirements 5 and 6 set forth above.

Recordkeeping Requirements. To monitor compliance with the share ownership requirements, CubeSmart is required to maintain records regarding the actual ownership of its shares. To do so, CubeSmart must demand written statements each year from the record holders of certain percentages of its shares in which the record holders are to disclose the actual owners of the shares (the persons required to include in gross income the dividends paid by us). A list of those persons failing or refusing to comply with this demand must be maintained as part of CubeSmart's records. Failure by CubeSmart to comply with these recordkeeping requirements could subject CubeSmart to monetary penalties. If CubeSmart satisfies these requirements and has no reason to know that requirement 6 is not satisfied, CubeSmart will be deemed to have satisfied such requirement. A shareholder that fails or refuses to comply with the demand is required by Treasury Regulations to submit a statement with its tax return disclosing the actual ownership of the shares and other information.

Qualified REIT Subsidiaries. A corporation that is a "qualified REIT subsidiary" is not treated as a corporation separate from its parent REIT. A "qualified REIT subsidiary" is a corporation, all of the capital stock of which is owned by the REIT and that has not elected to be a taxable REIT subsidiary. All assets, liabilities, and items of income, deduction, and credit of a "qualified REIT subsidiary" are treated as assets, liabilities, and items of income, deduction, and credit of the REIT. Thus, in applying the requirements described herein, any "qualified REIT subsidiary" that CubeSmart owns will be ignored, and all assets, liabilities, and items of income, deduction, and credit of such subsidiary will be treated as its assets, liabilities, and items of income, deduction, and credit.

Partnership Subsidiaries. An unincorporated domestic entity, such as a partnership or limited liability company that has a single owner, generally is not treated as an entity separate from its parent for U.S. federal income tax purposes. An unincorporated domestic entity with two or more owners is generally treated as a partnership for U.S. federal income tax purposes. In the case of a REIT that is a partner in a partnership, the REIT is treated as owning its proportionate share of the assets of the partnership and as earning its allocable share of the gross income of the partnership for purposes of the applicable REIT qualification tests. Thus, CubeSmart's proportionate share of the assets, liabilities and items of income of the Operating Partnership and any other partnership, joint venture, or limited liability company that is treated as a partnership for U.S. federal income tax purposes in which CubeSmart acquires an interest, directly or indirectly ("Partnership Subsidiary"), is treated as CubeSmart's assets and gross income for purposes of applying the various REIT qualification requirements.

Taxable REIT Subsidiaries. A REIT is permitted to own up to 100% of the stock of one or more "taxable REIT subsidiaries." A taxable REIT subsidiary is a corporation subject to U.S. federal income tax, and state and local income tax where applicable, as a regular "C" corporation. The subsidiary and the REIT must jointly elect to treat the subsidiary

as a taxable REIT subsidiary. In addition, if a taxable REIT subsidiary owns, directly or indirectly, securities representing 35% or more of the vote or value of a subsidiary corporation, that subsidiary will also be treated as a taxable REIT subsidiary. Several provisions regarding the arrangements between a REIT and its taxable REIT subsidiaries ensure that a taxable REIT subsidiary will be subject to an appropriate level of U.S. federal income taxation. For example, the taxable REIT subsidiary rules limit the deductibility of interest paid or accrued by a taxable REIT subsidiary to its parent REIT. Further, the rules impose a 100% excise tax on transactions between a taxable REIT subsidiary and its parent REIT or the REIT's tenants that are not conducted on an arm's-length basis, and, effective for taxable years beginning after December 31, 2015, on income imputed to a taxable REIT subsidiary, for services rendered to or on behalf of CubeSmart, the Operating Partnership, any qualified REIT subsidiary, or a Partnership Subsidiary. CubeSmart may engage in activities indirectly through a taxable REIT subsidiary that would jeopardize its REIT status if CubeSmart engaged in the activities directly. For example, a taxable REIT subsidiary of CubeSmart may provide services to unrelated parties which might produce income that does not qualify under the gross income tests described below. A taxable REIT subsidiary may also engage in other activities that, if conducted by CubeSmart directly, could result in the receipt of non-qualified income or the ownership of non-qualified assets or the imposition of the 100% tax on income from prohibited transactions. See description below under "Requirements for Qualification – Gross Income Tests - Prohibited Transactions." For taxable years beginning after December 31, 2017, taxpayers are subject to a limitation on their ability to deduct net business interest generally equal to 30% of adjusted taxable income, subject to certain exceptions. This provision may limit the ability of our taxable REIT subsidiaries to deduct interest, which could increase their taxable income.

Gross Income Tests. CubeSmart must satisfy two gross income tests annually to maintain its qualification as a REIT. First, at least 75% of its gross income for each taxable year must consist of defined types of income that CubeSmart derives, directly or indirectly, from investments relating to real property or mortgages on real property or qualified temporary investment income. Qualifying income for purposes of that 75% gross income test generally includes:

· rents from real property;

Table of Contents

- interest on debt secured by mortgages on real property or on interests in real property (including certain types of mortgage-backed securities);

- for taxable years beginning after December 31, 2015, interest on mortgage loans secured by both real and personal property if the fair market value of such personal property does not exceed 15% of the total fair market value of all property securing the loans;

- dividends or other distributions on, and gain from the sale of, shares in other REITs (excluding dividends from its taxable REIT subsidiaries);

- gain from the sale of real estate assets (other than gain from property held primarily for sale to customers), except, effective for taxable years beginning after December 31, 2015, for gain from a nonqualified publicly offered REIT debt instrument (as defined below);

- income and gain derived from foreclosure property; and

- income derived from the temporary investment of new capital that is attributable to the issuance of CubeSmart's shares of beneficial interest or a public offering of its debt with a maturity date of at least five years and that CubeSmart receives during the one-year period beginning on the date on which it receives such new capital.

Second, in general, at least 95% of CubeSmart's gross income for each taxable year must consist of income that is qualifying income for purposes of the 75% gross income test, other types of interest and dividends (including dividends from its taxable REIT subsidiaries), gain from the sale or disposition of stock or securities, or any combination of these.

Gross income from the sale of property that CubeSmart holds primarily for sale to customers in the ordinary course of business is excluded from both the numerator and the denominator in both income tests. See "Prohibited Transactions." In addition, certain gains from hedging transactions and certain foreign currency gains will be excluded from both the numerator and the denominator for purposes of one or both of the income tests. See "Hedging Transactions" and "Foreign Currency Gain."

Rents from Real Property. Rent that CubeSmart receives from its real property will qualify as "rents from real property," which is qualifying income for purposes of the 75% and 95% gross income tests, only if the following conditions are met:

First, the rent must not be based in whole or in part on the income or profits of any person. Participating rent, however, will qualify as "rents from real property" if it is based on percentages of receipts or sales and the percentages are fixed at the time the leases are entered into, are not renegotiated during the term of the leases in a manner that has the effect of basing percentage rent on income or profits, and conform with normal business practice.

Second, CubeSmart must not own, actually or constructively, 10% or more of the stock of any corporate tenant or the assets or net profits of any tenant, referred to as a related party tenant, other than a taxable REIT subsidiary. The constructive ownership rules generally provide that, if 10% or more in value of its shares is owned, directly or indirectly, by or for any person, CubeSmart is considered as owning the stock owned, directly or indirectly, by or for such person. CubeSmart does not own any stock or any assets or net profits of any tenant directly. However, because the constructive ownership rules are broad and it is not possible to monitor continually direct and indirect transfers of its shares, no absolute assurance can be given that such transfers or other events of which CubeSmart has no knowledge will not cause CubeSmart to own constructively 10% or more of a tenant (or a subtenant, in which case only rent attributable to the subtenant is disqualified) other than a taxable REIT subsidiary at some future date.

Under an exception to the related-party tenant rule described in the preceding paragraph, rent that CubeSmart receives from a taxable REIT subsidiary will qualify as "rents from real property" as long as (1) at least 90% of the leased space in the property is leased to persons other than taxable REIT subsidiaries and related-party tenants, and (2) the amount paid by the taxable REIT subsidiary to rent space at the property is substantially comparable to rents paid by other tenants of the property for comparable space. The "substantially comparable" requirement must be satisfied when the lease is entered into, when it is extended, and when the lease is modified, if the modification increases the rent paid by the taxable REIT subsidiary. If the requirement that at least 90% of the leased space in the related property is rented to unrelated tenants is met when a lease is entered into, extended, or modified, such requirement will continue to be met as long as there is no increase in the space leased to any taxable REIT subsidiary or related party tenant. Any increased rent attributable to a modification of a lease with a taxable REIT subsidiary in which CubeSmart owns directly or indirectly more than 50% of the voting power or value of the stock (a "controlled taxable REIT subsidiary") will not be treated as "rents from real property."

Table of Contents

Third, the rent attributable to the personal property leased in connection with a lease of real property must not be greater than 15% of the total rent received under the lease. The rent attributable to personal property under a lease is the amount that bears the same ratio to total rent under the lease for the taxable year as the average of the fair market values of the leased personal property at the beginning and at the end of the taxable year bears to the average of the aggregate fair market values of both the real and personal property covered by the lease at the beginning and at the end of such taxable year (the "personal property ratio"). With respect to each of its leases, CubeSmart believes that the personal property ratio generally is less than 15%. Where that is not, or may in the future not be, the case, CubeSmart believes that any income attributable to personal property will not jeopardize its ability to qualify as a REIT. There can be no assurance, however, that the IRS would not challenge CubeSmart's calculation of a personal property ratio, or that a court would not uphold such assertion. If such a challenge were successfully asserted, CubeSmart could fail to satisfy the 75% or 95% gross income test and thus lose its REIT status.

Fourth, CubeSmart cannot furnish or render non-customary services to the tenants of its properties, or manage or operate its properties, other than through an independent contractor who is adequately compensated and from whom CubeSmart does not derive or receive any income. However, CubeSmart need not provide services through an "independent contractor," but instead may provide services directly to its tenants, if the services are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not considered to be provided for the tenants' convenience. In addition, CubeSmart may provide a minimal amount of "non-customary" services to the tenants of a property, other than through an independent contractor, as long as its income from the services does not exceed 1% of its income from the related property.

Finally, CubeSmart may own up to 100% of the stock of one or more taxable REIT subsidiaries, which may provide non-customary services to CubeSmart's tenants without tainting CubeSmart's rents from the related properties. CubeSmart has not performed, and does not intend to perform, any services other than customary ones for its tenants, other than services provided through independent contractors or taxable REIT subsidiaries.

Tenants may be required to pay, in addition to base rent, reimbursements for certain amounts CubeSmart is obligated to pay to third parties (such as a lessee's proportionate share of a property's operational or capital expenses), penalties for nonpayment or late payment of rent or additions to rent. These and other similar payments should qualify as "rents from real property." To the extent they do not, they should be treated as interest that qualifies for the 95% gross income test.

If a portion of the rent CubeSmart receives from a property does not qualify as "rents from real property" because the rent attributable to personal property exceeds 15% of the total rent for a taxable year, the portion of the rent attributable to personal property will not be qualifying income for purposes of either the 75% or 95% gross income test. Thus, if rent attributable to personal property, plus any other income that is nonqualifying income for purposes of the 95% gross income test, during a taxable year exceeds 5% of its gross income during the year, CubeSmart would lose its REIT status, unless CubeSmart qualified for certain statutory relief provisions. By contrast, in the following circumstances, none of the rent from a lease of property would qualify as "rents from real property": (1) the rent is considered based on the income or profits of the tenant; (2) the lessee is a related party tenant or fails to qualify for the exception to the related-party tenant rule for qualifying taxable REIT subsidiaries; or (3) CubeSmart furnishes

non-customary services to the tenants of the property, or manages or operates the property, other than through a qualifying independent contractor or a taxable REIT subsidiary. In any of these circumstances, CubeSmart could lose its REIT status, unless CubeSmart qualified for certain statutory relief provisions, because it would be unable to satisfy either the 75% or 95% gross income test.

Interest. The term “interest” generally does not include any amount received or accrued, directly or indirectly, if the determination of the amount depends in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term “interest” solely because it is based on a fixed percentage or percentages of receipts or sales. Furthermore, to the extent that interest from a loan that is based on the profit or net cash proceeds from the sale of the property securing the loan constitutes a “shared appreciation provision,” income attributable to such participation feature will be treated as gain from the sale of the secured property.

Prohibited Transactions. A REIT will incur a 100% tax on the net income derived from any sale or other disposition of property, other than foreclosure property, that the REIT holds primarily for sale to customers in the ordinary course of a trade or business. Whether a REIT holds an asset “primarily for sale to customers in the ordinary course of a trade or business” depends, however, on the facts and circumstances in effect from time to time, including those related to a particular asset. A safe harbor to the characterization of the sale of property by a REIT as a prohibited transaction and the 100% prohibited transaction tax is available if the following requirements are met:

· the REIT has held the property for not less than two years;

· the aggregate expenditures made by the REIT, or any partner of the REIT, during the four-year period preceding the date of the sale that are includable in the basis of the property do not exceed 30% of the selling price of the property;

Table of Contents

- either (1) during the year in question, the REIT did not make more than seven sales of property other than foreclosure property or sales to which Section 1033 of the Code applied, (2) the aggregate adjusted bases of all such properties sold by the REIT during the year did not exceed 10% of the aggregate bases of all of the assets of the REIT at the beginning of the year, (3) the aggregate fair market value of all such properties sold by the REIT during the year did not exceed 10% of the aggregate fair market value of all of the assets of the REIT at the beginning of the year, (4) (i) for taxable years beginning after December 31, 2015, the aggregate adjusted bases of all such properties sold by the REIT during the year did not exceed 20% of the aggregate bases of all of the assets of the REIT at the beginning of the year and (ii) the average annual percentage of such properties sold by the REIT compared to all the REIT's assets (measured by adjusted tax bases) in the current and two prior years did not exceed 10%, or (5) (i) the aggregate fair market value of all such properties sold by the REIT during the year did not exceed 20% of the aggregate fair market value of all assets of the REIT at the beginning of the year and (ii) the average annual percentage of such properties sold by the REIT compared to all the REIT's assets (measured by fair market value) in the current and two prior years did not exceed 10%;

- in the case of property not acquired through foreclosure or lease termination, the REIT has held the property for at least two years for the production of rental income; and

- if the REIT has made more than seven sales of non-foreclosure property during the taxable year, substantially all of the marketing and development expenditures with respect to the property were made through an independent contractor (or, for taxable years beginning after December 31, 2015, a taxable REIT subsidiary) from whom the REIT derives no income.

CubeSmart intends to hold properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing, owning and operating properties, and to make occasional sales of properties as are consistent with its investment objective. CubeSmart cannot assure you, however, that it can comply with the safe-harbor provisions that would prevent the imposition of the 100% tax or that it will avoid owning property that may be characterized as property held "primarily for sale to customers in the ordinary course of a trade or business." The 100% tax does not apply to gains from the sale of property that is held through a taxable REIT subsidiary or other taxable corporation, although such income will be subject to tax in the hands of that corporation at regular corporate tax rates. CubeSmart may, therefore, form or acquire a taxable REIT subsidiary to hold and dispose of those properties it concludes may not fall within the safe-harbor provisions.

Foreclosure Property. CubeSmart will be subject to tax at the maximum corporate rate (35% for tax years beginning on or before December 31, 2017 and 21% for tax years beginning after that date) on any net income from foreclosure property, other than income that otherwise would be qualifying income for purposes of the 75% gross income test. "Foreclosure property" is any real property, including interests in real property, and any personal property incident to such real property:

- that is acquired by a REIT as the result of the REIT having bid on such property at foreclosure, or having otherwise reduced such property to ownership or possession by agreement or process of law, after there was a default or default was imminent on a lease of such property or on indebtedness that such property secured;

- for which the related loan or leased property was acquired by the REIT at a time when the default was not imminent or anticipated; and

- for which the REIT makes a proper election to treat the property as foreclosure property.

A REIT will not be considered to have foreclosed on a property where the REIT takes control of the property as a mortgagee-in-possession and cannot receive any profit or sustain any loss except as a creditor of the mortgagor. Property generally ceases to be foreclosure property at the end of the third taxable year following the taxable year in which the REIT acquired the property (or longer if an extension is granted by the Secretary of the Treasury). This period (as extended, if applicable) terminates, and foreclosure property ceases to be foreclosure property, on the first day:

- on which a lease is entered into for the property that, by its terms, will give rise to income that does not qualify for purposes of the 75% gross income test, or any amount is received or accrued, directly or indirectly, pursuant to a lease entered into on or after such day that will give rise to income that does not qualify for purposes of the 75% gross income test;

- on which any construction takes place on the property, other than completion of a building or, any other improvement, where more than 10% of the construction was completed before default became imminent; or

Table of Contents

- which is more than 90 days after the day on which the REIT acquired the property and the property is used in a trade or business which is conducted by the REIT, other than through an independent contractor from whom the REIT itself does not derive or receive any income.

Any gain from the sale of property for which a foreclosure property election has been made will not be subject to the 100% tax on gains from prohibited transactions described above, even if the property is held primarily for sale to customers in the ordinary course of a trade or business. Income and gain from foreclosure property are qualifying income for the 75% and 95% gross income tests.

Hedging Transactions. From time to time, CubeSmart enters into hedging transactions with respect to its assets or liabilities. CubeSmart's hedging activities may include entering into interest rate swaps, caps, and floors, options to purchase such items, and futures and forward contracts. Income and gain from "hedging transactions" will be excluded from gross income for purposes of both the 75% and 95% gross income tests. A "hedging transaction" means either (1) any transaction entered into in the normal course of its trade or business primarily to manage the risk of interest rate, price changes, or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, to acquire or carry real estate assets or (2) any transaction entered into primarily to manage the risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the 75% or 95% gross income test (or any property which generates such income or gain). CubeSmart will be required to clearly identify any such hedging transaction before the close of the day on which it was acquired, originated, or entered into and to satisfy other identification requirements. No assurance can be given that its hedging activities will not give rise to income that does not qualify for purposes of either or both of the gross income tests, and will not adversely affect CubeSmart's ability to satisfy the REIT qualification requirements.

Effective for taxable years beginning after December 31, 2015, if CubeSmart has entered into a hedging transaction described in (1) or (2), and a portion of the hedged indebtedness or property is extinguished or disposed of and, in connection with such extinguishment or disposition, CubeSmart enters into a new clearly identified hedging transaction (a "New Hedge"), income from the applicable hedge and income from the New Hedge (including gain from the disposition of such New Hedge) will not be treated as gross income for purposes of the 95% and 75% gross income tests.

Foreign Currency Gain. Certain foreign currency gains will be excluded from gross income for purposes of one or both of the gross income tests. "Real estate foreign exchange gain" will be excluded from gross income for purposes of the 75% gross income test. Real estate foreign exchange gain generally includes foreign currency gain attributable to any item of income or gain that is qualifying income for purposes of the 75% gross income test, foreign currency gain attributable to the acquisition or ownership of (or becoming or being the obligor under) obligations secured by mortgages on real property or on interests in real property and certain foreign currency gain attributable to certain "qualified business units" of a REIT. "Passive foreign exchange gain" will be excluded from gross income for purposes of the 95% gross income test. Passive foreign exchange gain generally includes real estate foreign exchange gain as described above, and also includes foreign currency gain attributable to any item of income or gain that is qualifying income for purposes of the 95% gross income test and foreign currency gain attributable to the acquisition or ownership of (or becoming or being the obligor under) debt obligations. Because passive foreign exchange gain includes real estate foreign exchange gain, real estate foreign exchange gain is excluded from gross income for

purposes of both the 75% and 95% gross income test. These exclusions for real estate foreign exchange gain and passive foreign exchange gain do not apply to foreign currency gain derived from dealing, or engaging in substantial and regular trading, in securities. Such gain is treated as nonqualifying income for purposes of both the 75% and 95% gross income tests.

Failure to Satisfy Gross Income Tests. If CubeSmart fails to satisfy one or both of the gross income tests for any taxable year, CubeSmart nevertheless may qualify as a REIT for that year if it qualifies for relief under certain provisions of the U.S. federal income tax laws. Those relief provisions will be available if:

· CubeSmart's failure to meet those tests is due to reasonable cause and not to willful neglect; and

· following such failure for any taxable year, a schedule of the sources of its income is filed with the IRS in accordance with regulations prescribed by the Secretary of the Treasury.

CubeSmart cannot predict, however, whether any failure to meet these tests will qualify for the relief provisions. As discussed above in "Taxation of CubeSmart as a REIT," even if the relief provisions apply, CubeSmart would incur a 100% tax on the gross income attributable to the greater of (1) the amount by which it fails the 75% gross income test, or (2) the excess of 95% of its gross income over the amount of gross income qualifying under the 95% gross income test, multiplied, in either case, by a fraction intended to reflect its profitability.

Asset Tests. To maintain its qualification as a REIT, CubeSmart also must satisfy the following asset tests at the end of each quarter of each taxable year.

Table of Contents

First, at least 75% of the value of CubeSmart's total assets must consist of:

- cash or cash items, including certain receivables;
- government securities;
- interests in real property, including leaseholds and options to acquire real property and leaseholds;
- effective for taxable years beginning after December 31, 2015: (i) personal property leased in connection with real property to the extent that the rents from personal property are treated as "rent from real property" for purposes of the 75% income test, and (ii) debt instruments issued by publicly offered REITs;
- interests in mortgages on real property (including certain mortgage-backed securities) and, for taxable years beginning after December 31, 2015, interests in mortgage loans secured by both real and personal property if the fair market value of such personal property does not exceed 15% of the total fair market value of all property securing the loans;
- stock in other REITs; and
- investments in stock or debt instruments during the one year period following its receipt of new capital that CubeSmart raises through equity offerings or public offerings of debt with at least a five year term.

Second, of CubeSmart's investments not included in the 75% asset class, the value of its interest in any one issuer's securities may not exceed 5% of the value of its total assets, or the "5% asset test."

Third, of CubeSmart's investments not included in the 75% asset class, CubeSmart may not own more than 10% of the voting power or value of any one issuer's outstanding securities, or the "10% vote test" and "10% value test," respectively.

Fourth, not more than 25% (20% for taxable years beginning after December 31, 2017) of the value of CubeSmart's assets may be represented by securities of one or more taxable REIT subsidiaries.

Fifth, effective for taxable years beginning after December 31, 2015, not more than 25% of the value of CubeSmart's total assets may be represented by "nonqualified publicly offered REIT debt instruments." "Nonqualified publicly offered REIT debt instruments" are debt instruments issued by publicly offered REITs that are not secured by a mortgage on

real property.

For purposes of the 5% asset test, the 10% vote test and 10% value test, the term “securities” does not include stock in another REIT, equity or debt securities of a qualified REIT subsidiary or taxable REIT subsidiary, mortgage loans that constitute real estate assets, or equity interests in a partnership. The term “securities,” however, generally includes debt securities issued by a partnership or another REIT, except that for purposes of the 10% value test, the term “securities” does not include:

- Any “straight debt” security, which is defined as a written unconditional promise to pay on demand or on a specified date a sum certain in money if (i) the debt is not convertible, directly or indirectly, into stock, and (ii) the interest rate and interest payment dates are not contingent on profits, the borrower’s discretion, or similar factors. “Straight debt” securities do not include any securities issued by a partnership or a corporation in which CubeSmart or any controlled taxable REIT subsidiary hold non-”straight debt” securities that have an aggregate value of more than 1% of the issuer’s outstanding securities. However, “straight debt” securities include debt subject to the following contingencies: (1) a contingency relating to the time of payment of interest or principal, as long as either (i) there is no change to the effective yield of the debt obligation, other than a change to the annual yield that does not exceed the greater of 0.25% or 5% of the annual yield, or (ii) neither the aggregate issue price nor the aggregate face amount of the issuer’s debt obligations held by CubeSmart exceeds $1 million and no more than 12 months of unaccrued interest on the debt obligations can be required to be prepaid; and (2) a contingency relating to the time or amount of payment upon a default or prepayment of a debt obligation, as long as the contingency is consistent with customary commercial practice.

- Any loan to an individual or an estate.

- Any “section 467 rental agreement,” other than an agreement with a related party tenant.

- Any obligation to pay “rents from real property.”

Table of Contents

- Certain securities issued by governmental entities.

- Any security issued by a REIT.

- Any debt instrument issued by an entity treated as a partnership for U.S. federal income tax purposes in which CubeSmart is a partner to the extent of CubeSmart's proportionate interest in the debt and equity securities of the partnership.

- Any debt instrument issued by an entity treated as a partnership for U.S. federal income tax purposes not described in the preceding bullet points if at least 75% of the partnership's gross income, excluding income from prohibited transactions, is qualifying income for purposes of the 75% gross income test described above in "Requirements for Qualification — Gross Income Tests."

For purposes of the 10% value test, its proportionate share of the assets of a partnership is its proportionate interest in any securities issued by the partnership, without regard to the securities described in the last two bullet points above.

Failure to Satisfy Asset Tests. CubeSmart will monitor the status of its assets for purposes of the various asset tests and will manage its portfolio in order to comply at all times with such tests. If CubeSmart fails to satisfy the asset tests at the end of a calendar quarter, it would not lose its REIT status if:

- CubeSmart satisfied the asset tests at the end of the preceding calendar quarter; and

- the discrepancy between the value of its assets and the asset test requirements arose from changes in the market values of its assets and was not wholly or partly caused by the acquisition of one or more non-qualifying assets.

If the failure to satisfy the asset tests results from an acquisition of securities or other property during a quarter, the failure can be cured by disposition of sufficient nonqualifying assets within 30 days after the close of that quarter. CubeSmart intends to maintain adequate records of the value of its assets to ensure compliance with the asset tests, and to take such other action within 30 days after the close of any quarter as may be required to cure any noncompliance. However, there can be no assurance that such other action will always be successful. If CubeSmart fails to cure any noncompliance with the asset tests within such time period, its status as a REIT would be lost.

In the event that, at the end of any calendar quarter, CubeSmart violates the 5% asset test, the 10% vote test or the 10% value test described above, CubeSmart will not lose its REIT status if (i) the failure is de minimis (up to the lesser of 1% of its assets or $10 million) and (ii) CubeSmart disposes of assets or otherwise complies with the asset tests within six months after the last day of the quarter in which it identifies such failure. In the event the failure to meet the asset test is more than de minimis, CubeSmart will not lose its REIT status if (i) the failure was due to

reasonable cause and not to willful neglect, (ii) CubeSmart files a description of each asset causing the failure with the IRS, (iii) CubeSmart disposes of assets or otherwise complies with the asset tests within six months after the last day of the quarter in which CubeSmart identifies the failure, and (iv) CubeSmart pays a tax equal to the greater of $50,000 or 35% (for tax years beginning on or before December 31, 2017 and 21% for tax years beginning after that date) of the net income from the nonqualifying assets during the period in which it failed to satisfy the asset tests.

Annual Distribution Requirements. Each taxable year, CubeSmart must distribute dividends, other than capital gain dividends and deemed distributions of retained capital gain, to its shareholders in an aggregate amount not less than the sum of

- 90% of its "REIT taxable income," computed without regard to the dividends paid deduction and its net capital gain or loss, and
- 90% of its after-tax net income, if any, from foreclosure property, minus
- the sum of certain items of non-cash income.

For taxable years beginning after December 31, 2017, CubeSmart's deduction for net business interest expense will generally be limited to 30% of its taxable income, as adjusted for certain items of income, gain, deduction or loss. Any business interest deduction that is disallowed due to this limitation may be carried forward to future taxable years. If CubeSmart is subject to this interest expense limitation, its REIT taxable income for a taxable year may be increased. Taxpayers that conduct certain real estate businesses may elect not to have this interest expense limitation apply to them, provided that they use an alternative depreciation system to depreciate certain property. CubeSmart may be eligible to make this election. If CubeSmart makes this election, although it would not be subject to

Table of Contents

the interest expense limitation described above, its depreciation deductions may be reduced and, as a result, its REIT taxable income for a taxable year may be increased.

Generally, CubeSmart must pay such distributions in the taxable year to which they relate, or in the following taxable year if either (a) CubeSmart declares the distribution before it timely files its U.S. federal income tax return for the year and pays the distribution on or before the first regular dividend payment date after such declaration or (b) CubeSmart declares the distribution in October, November, or December of the taxable year, payable to shareholders of record on a specified day in any such month, and CubeSmart actually pays the dividend before the end of January of the following year. In both instances, these distributions relate to its prior taxable year for purposes of the 90% distribution requirement.

In order for distributions to be counted towards CubeSmart's distribution requirement, and to provide a tax deduction to CubeSmart, for taxable years ending on or before December 31, 2014, they must not be "preferential dividends." A dividend is not a preferential dividend if it is pro rata among all outstanding shares within a particular class, and is in accordance with the preferences among the different classes of shares as set forth in CubeSmart's organizational documents. For all subsequent taxable years, so long as CubeSmart continues to be a "publicly offered REIT," the preferential dividend rule will not apply.

To the extent that CubeSmart distributes at least 90%, but less than 100%, of its net taxable income, CubeSmart will be subject to tax at ordinary corporate tax rates on the retained portion. In addition, CubeSmart may elect to retain, rather than distribute, its net long-term capital gains and pay tax on such gains. In this case, CubeSmart would elect to have its shareholders include their proportionate share of such undistributed long-term capital gains in their income and receive a corresponding credit for their proportionate share of the tax paid by us. CubeSmart's shareholders would then increase their adjusted basis in their CubeSmart shares by the difference between the amount included in their long-term capital gains and the tax deemed paid with respect to their shares.

If CubeSmart fails to distribute during a calendar year, or by the end of January of the following calendar year in the case of distributions with declaration and record dates falling in the last three months of the calendar year, at least the sum of:

- 85% of its REIT ordinary income for the year,
- 95% of its REIT capital gain income for the year, and
- any undistributed taxable income from prior periods, CubeSmart will incur a 4% nondeductible excise tax on the excess of such required distribution over the amounts CubeSmart actually distributed. In calculating the required distribution for taxable years beginning after December 31, 2015, the amount that CubeSmart is treated as having

distributed is not reduced by any amounts not allowable in computing its taxable income for the taxable year and which were not allowable in computing its taxable income for any prior years. If CubeSmart so elects, it will be treated as having distributed any such retained amount for purposes of the 4% nondeductible excise tax described above.

It is possible that, from time to time, CubeSmart may experience timing differences between the actual receipt of income and actual payment of deductible expenses and the inclusion of that income and deduction of such expenses in arriving at its REIT taxable income. For example, because CubeSmart may deduct capital losses only to the extent of its capital gains, its REIT taxable income may exceed its economic income. Further, it is possible that, from time to time, CubeSmart may be allocated a share of net capital gain from a partnership in which CubeSmart owns an interest attributable to the sale of depreciated property that exceeds its allocable share of cash attributable to that sale. Although several types of non-cash income are excluded in determining the annual distribution requirement, CubeSmart will incur corporate income tax and the 4% nondeductible excise tax with respect to those non-cash income items if CubeSmart does not distribute those items on a current basis. As a result of the foregoing, CubeSmart may have less cash than is necessary to distribute all of its taxable income and thereby avoid corporate income tax and the 4% nondeductible excise tax imposed on certain undistributed income. In such a situation, CubeSmart may issue additional common or preferred shares, CubeSmart may borrow or may cause the Operating Partnership to arrange for short-term or possibly long-term borrowing to permit the payment of required distributions, or CubeSmart may pay dividends in the form of taxable in-kind distributions of property, including potentially, its shares.

Under certain circumstances, CubeSmart may be able to correct a failure to meet the distribution requirement for a year by paying “deficiency dividends” to its shareholders in a later year. CubeSmart may include such deficiency dividends in its deduction for dividends paid for the earlier year. Although CubeSmart may be able to avoid income tax on amounts distributed as deficiency dividends, CubeSmart will be required to pay interest to the IRS based upon the amount of any deduction it takes for deficiency dividends.

Table of Contents

Failure to Qualify

If CubeSmart were to fail to qualify as a REIT in any taxable year and no relief provision applied, CubeSmart would have the following consequences: CubeSmart would be subject to U.S. federal income tax and, for tax years beginning before January 1, 2018, any applicable alternative minimum tax at regular corporate rates applicable to regular C corporations on its taxable income, determined without reduction for amounts distributed to shareholders. CubeSmart would not be required to make any distributions to shareholders. Unless CubeSmart qualified for relief under specific statutory provisions, it would not be permitted to elect taxation as a REIT for the four taxable years following the year during which CubeSmart ceased to qualify as a REIT.

If CubeSmart fails to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, CubeSmart could avoid disqualification if its failure is due to reasonable cause and not to willful neglect and CubeSmart pays a penalty of $50,000 for each such failure. In addition, there are relief provisions for a failure of the gross income tests and asset tests, as described in “Requirements for Qualification — Gross Income Tests” and “Requirements for Qualification — Asset Tests.” It is not possible to state whether in all circumstances CubeSmart would be entitled to such statutory relief.

State and Local Taxes

We may be subject to taxation by various states and localities, including those in which we transact business or own property. The state and local tax treatment in such jurisdictions may differ from the U.S. federal income tax treatment described above.

Tax Aspects of Investments in the Operating Partnership and Subsidiary Partnerships

The following discussion summarizes certain U.S. federal income tax considerations applicable to CubeSmart’s direct or indirect investment in its Operating Partnership and any subsidiary partnerships or limited liability companies we form or acquire that are treated as partnerships for U.S. federal income tax purposes, each individually referred to as a “Partnership” and, collectively, as “Partnerships” below. The following discussion does not address state or local tax laws or any federal tax laws other than income tax laws.

Classification as Partnerships. CubeSmart is required to include in its income its distributive share of each Partnership’s income and to deduct its distributive share of each Partnership’s losses but only if such Partnership is classified for U.S. federal income tax purposes as a partnership (or an entity that is disregarded for U.S. federal income tax purposes if the entity has only one owner or member), rather than as a corporation or an association

taxable as a corporation.

An organization with at least two owners or members will be classified as a partnership, rather than as a corporation, for U.S. federal income tax purposes if it:

- is treated as a partnership under the Treasury regulations relating to entity classification (the "check-the-box regulations"); and

- is not a "publicly traded partnership."

Under the check-the-box regulations, an unincorporated domestic entity with at least two owners or members may elect to be classified either as an association taxable as a corporation or as a partnership. If such an entity does not make an election, it generally will be treated as a partnership for U.S. federal income tax purposes. We intend that each Partnership will be classified as a partnership for U.S. federal income tax purposes (or else a disregarded entity where there are not at least two separate beneficial owners).

A publicly traded partnership is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market (or a substantial equivalent). A publicly traded partnership is generally treated as a corporation for U.S. federal income tax purposes, but will not be so treated if, for each taxable year beginning after December 31, 1987 in which it was classified as a publicly traded partnership, at least 90% of the partnership's gross income consisted of specified passive income, including real property rents (which includes rents that would be qualifying income for purposes of the 75% gross income test, with certain modifications that make it easier for the rents to qualify for the 90% passive income exception), gains from the sale or other disposition of real property, interest, and dividends (the "90% passive income exception").

Treasury regulations provide limited safe harbors from treatment as a publicly traded partnership. Pursuant to one of those safe harbors (the "private placement exclusion"), interests in a partnership will not be treated as readily tradable on a secondary market or the substantial equivalent thereof if (1) all interests in the partnership were issued in a transaction or transactions that were not required to be registered under the Securities Act of 1933, as amended, and (2) the partnership does not have more than 100 partners at any time during the partnership's taxable year. For the determination of the number of partners in a partnership, a person owning an interest in a partnership, grantor trust, or S corporation that owns an interest in the partnership is treated as a partner in the partnership only if

Table of Contents

(1) substantially all of the value of the owner's interest in the entity is attributable to the entity's direct or indirect interest in the partnership and (2) a principal purpose of the use of the entity is to permit the partnership to satisfy the 100-partner limitation. CubeSmart believes that each Partnership should qualify for the private placement exclusion.

We have not requested, and do not intend to request, a ruling from the IRS that the Partnerships will be classified as partnerships (or disregarded entities, if the entity has only one owner or member) for U.S. federal income tax purposes. If for any reason a Partnership were taxable as a corporation, rather than as a partnership, for U.S. federal income tax purposes, CubeSmart may not be able to qualify as a REIT, unless it qualifies for certain relief provisions. See "Requirements for Qualification — Gross Income Tests" and "Requirements for Qualification — Asset Tests." In addition any change in a Partnership's status for tax purposes might be treated as a taxable event, in which case CubeSmart might incur tax liability without any related cash distribution. See "Requirements for Qualification — Annual Distribution Requirements." Further, items of income and deduction of such Partnership would not pass through to its partners, and its partners would be treated as shareholders for tax purposes. Consequently, such Partnership would be required to pay income tax at corporate rates on its net income, and distributions to its partners would constitute dividends that would not be deductible in computing such Partnership's taxable income.

Partners, Not the Partnerships, Subject to Tax. A partnership is not a taxable entity for U.S. federal income tax purposes, except that, for tax years beginning after December 31, 2017, a partnership is liable for paying tax assessed pursuant to an audit adjustment unless the partnership elects to "push out" such audit adjustments to its partners.

CubeSmart will therefore take into account its allocable share of each Partnership's income, gains, losses, deductions, and credits for each taxable year of the Partnerships ending with or within CubeSmart's taxable year, even if CubeSmart receives no distribution from the Partnerships for that year or a distribution less than CubeSmart's share of taxable income. Similarly, even if CubeSmart receives a distribution, CubeSmart may not be taxed on such distribution if the distribution does not exceed its adjusted tax basis in its interest in the distributing Partnership.

Among the deductions that would flow to CubeSmart are the interest deductions of the Operating Partnership and its subsidiary Partnerships. The TCJA limits a taxpayer's net interest expense deduction to 30% of the sum of adjusted taxable income, business interest, and certain other amounts. Adjusted taxable income does not include items of income or expense not allocable to a trade or business, business interest or expense, the new deduction for qualified business income, NOLs, and for years prior to 2022, deductions for depreciation, amortization, or depletion. For partnerships, the interest deduction limitation is applied at the partnership level, subject to certain adjustments to the partners for unused deduction limitation at the partnership level.

The TCJA allows a real property trade or business to elect out of this interest limitation so long as it uses a 40-year recovery period for nonresidential real property, a 30-year recovery period for residential rental property, and a 20-year recovery period for related improvements. Disallowed interest expense is carried forward indefinitely (subject to special rules for partnerships). The interest deduction limitation applies to taxable years beginning after December 31, 2017.

For taxpayers that do not use the TCJA's real property trade or business exception to the business interest deduction limitations, the TCJA maintains the current 39-year and 27.5-year straight line recovery periods for nonresidential real property and residential rental property, respectively, and provides that tenant improvements for such taxpayers are subject to a general 15-year recovery period. Also, the TCJA temporarily allows 100% expensing of certain new or used tangible property through 2022, phasing out at 20% for each following year (with an election available for 50% expensing of such property if placed in service during the first taxable year ending after September 27, 2017). The changes apply, generally, to property acquired after September 27, 2017 and placed in service after September 27, 2017.

Partnership Allocations. Although a partnership agreement generally will determine the allocation of income and losses among partners, allocations will be disregarded for tax purposes if they do not comply with the provisions of the U.S. federal income tax laws governing partnership allocations. If an allocation is not recognized for U.S. federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item.

Tax Allocations With Respect to Contributed Properties. Income, gain, loss, and deduction attributable to (a) appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership or (b) property revalued on the books of a partnership must be allocated in a manner such that each of a contributing partner or the partners at the time of a book revaluation, as applicable, are charged with, or benefit from, respectively, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of such unrealized gain or unrealized loss, referred to as "built-in gain" or "built-in loss," is generally equal to the difference between the fair market value of the contributed or revalued property at the time of contribution or revaluation and the adjusted tax basis of such property at that time, referred to as a book-tax difference. Such allocations are solely for U.S. federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners.

Table of Contents

The U.S. Treasury Department has issued regulations requiring partnerships to use a "reasonable method" for allocating items with respect to which there is a book-tax difference and outlining several reasonable allocation methods. Unless we, as general partner, select a different method, the Operating Partnership will use the traditional method for allocating items with respect to which there is a book-tax difference. Depending upon the method chosen, (1) CubeSmart's tax depreciation deductions attributable to those properties may be lower than they would have been if the partnership had acquired those properties for cash and (2) in the event of a sale of such properties, CubeSmart could be allocated gain in excess of its corresponding economic or book gain. These allocations may cause CubeSmart to recognize taxable income in excess of cash proceeds received by us, which might adversely affect CubeSmart's ability to comply with the REIT distribution requirements or result in CubeSmart's shareholders recognizing additional dividend income without an increase in distributions.

Depreciation. Some assets in our Partnerships include appreciated property contributed by its partners. Assets contributed to a Partnership in a tax-free transaction generally retain the same depreciation method and recovery period as they had in the hands of the partner who contributed them to the partnership. Accordingly, the Partnership's depreciation deductions for such contributed real property are based on the historic tax depreciation schedules for the properties prior to their contribution to the Operating Partnership.

Basis in Partnership Interest. CubeSmart's adjusted tax basis in any partnership interest it owns generally will be:

- the amount of cash and the basis of any other property it contributes to the partnership;
- increased by its allocable share of the partnership's income (including tax-exempt income) and its allocable share of indebtedness of the partnership; and
- reduced, but not below zero, by its allocable share of the partnership's loss (excluding any non-deductible items), the amount of cash and the basis of property distributed to CubeSmart, and constructive distributions resulting from a reduction in its share of indebtedness of the partnership.

Loss allocated to CubeSmart in excess of its basis in a partnership interest will not be taken into account until CubeSmart again has basis sufficient to absorb the loss. A reduction of CubeSmart's share of partnership indebtedness will be treated as a constructive cash distribution to CubeSmart, and will reduce its adjusted tax basis in the partnership. Distributions, including constructive distributions, in excess of the basis of CubeSmart's partnership interest will constitute taxable income to CubeSmart. Such distributions and constructive distributions normally will be characterized as long-term capital gain.

Sale of a Partnership's Property. Generally, any gain realized by a Partnership on the sale of property that is a capital asset held for more than one year will be long-term capital gain, except for any portion of the gain treated as depreciation or cost recovery recapture. Any gain or loss recognized by a Partnership on the disposition of contributed

or revalued properties will be allocated first to the partners who contributed the properties or who were partners at the time of revaluation, to the extent of their built-in gain or loss on those properties for U.S. federal income tax purposes. The partners' built-in gain or loss on contributed or revalued properties is the difference between the partners' proportionate share of the book value of those properties and the partners' tax basis allocable to those properties at the time of the contribution or revaluation. Any remaining gain or loss recognized by the Partnership on the disposition of contributed or revalued properties, and any gain or loss recognized by the Partnership on the disposition of other properties, will be allocated among the partners in accordance with their percentage interests in the Partnership.

CubeSmart's share of any Partnership gain from the sale of inventory or other property held primarily for sale to customers in the ordinary course of the Partnership's trade or business will be treated as income from a prohibited transaction subject to a 100% tax. Income from a prohibited transaction may have an adverse effect on CubeSmart's ability to satisfy the gross income tests for REIT status. See "Requirements for Qualification — Gross Income Tests." CubeSmart does not presently intend to acquire or hold, or to allow any Partnership to acquire or hold, any property that is likely to be treated as inventory or property held primarily for sale to customers in the ordinary course of CubeSmart's, or the Partnership's, trade or business.

Table of Contents

Partnership Audit Rules. Congress recently revised the rules applicable to federal income tax audits of partnerships (such as the Operating Partnership) and the collection of any tax resulting from any such audits or other tax proceedings, generally for taxable years beginning after December 31, 2017. Under the new rules, a partnership itself may be liable for a tax computed by reference to the hypothetical increase in partner-level taxes (including interest and penalties) resulting from an adjustment of partnership tax items on audit, regardless of changes in the composition of the partners (or their relative ownership) between the year under audit and the year of the adjustment. The new rules also include an elective alternative method under which the additional taxes resulting from the adjustment are assessed against the affected partners, subject to a higher rate of interest than otherwise would apply. Questions remain as to how the new rules will apply, especially with respect to partners that are REITs (such as us), and it is not clear at this time what effect this new legislation will have on us. However, these changes could increase the U.S. federal income tax, interest, and/or penalties otherwise borne by us in the event of a federal income tax audit of the Operating Partnership or one of its subsidiary partnerships.

Taxation of Shareholders

Taxation of Taxable U.S. Shareholders

The term “U.S. shareholder” means a holder of CubeSmart common shares or preferred shares that, for U.S. federal income tax purposes, is:

- a citizen or individual resident of the United States;
- a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any of its states or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- any trust if (1) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) it has a valid election in place to be treated as a U.S. person.

If a partnership, entity or arrangement treated as a partnership for U.S. federal income tax purposes holds CubeSmart common shares or preferred shares, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. If you are a partner in a partnership holding CubeSmart common shares or preferred shares, you should consult your tax advisor regarding the consequences of the ownership and disposition of CubeSmart common shares or preferred shares by the partnership.

Taxation of U.S. Shareholders on Distributions. As long as CubeSmart qualifies as a REIT, a taxable U.S. shareholder will be required to take into account as ordinary income distributions made out of CubeSmart's current or accumulated earnings and profits that CubeSmart does not designate as capital gain dividends or retained long-term capital gain. However, for taxable years beginning after December 31, 2017 and before January 1, 2026, generally individual shareholders are allowed to deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations. A U.S. shareholder will not qualify for the dividends-received deduction generally available to corporations.

Dividends paid to a U.S. shareholder generally will not qualify for the preferential tax rate for "qualified dividend income" (currently, a 20% maximum rate, also see the discussion below, "Taxation of Shareholders— Tax Rates Applicable to Individual Shareholders under the TCJA"). Qualified dividend income generally includes dividends paid by domestic C corporations and certain qualified foreign corporations to most noncorporate U.S. shareholders. Because a REIT is not generally subject to U.S. federal income tax on the portion of its REIT taxable income distributed to its shareholders, CubeSmart's dividends generally will not be eligible for the preferential tax rate on qualified dividend income. As a result, CubeSmart's ordinary REIT dividends will be taxed at the higher rate applicable to ordinary income. The highest marginal individual income tax rate on ordinary income is 39.6% for tax years beginning on or before December 31, 2017 and 37% for tax years beginning after that date (but see the discussion below "Taxation of Shareholders — Tax Rates Applicable to Individual Shareholders under the TCJA" regarding the sunset of the 37% rate). However, the preferential tax rate for qualified dividend income will apply to CubeSmart's ordinary REIT dividends, if any, that are (i) attributable to dividends received by CubeSmart from non-REIT corporations, such as our taxable REIT subsidiaries, and (ii) attributable to income upon which CubeSmart has paid corporate income tax (e.g., to the extent that CubeSmart distributes less than 100% of CubeSmart's taxable income). In general, to qualify for the preferential tax rate on qualified dividend income, a U.S. shareholder must hold CubeSmart common shares or preferred shares for more than 60 days during the 121-day period beginning on the date that is 60 days before the date on which the common shares or preferred shares become ex-dividend.

Table of Contents

With respect to common shares, CubeSmart may distribute taxable dividends that are payable partly in cash and partly in CubeSmart common shares. Taxable U.S. shareholders receiving such dividends will be required to include the full amount of the dividends as ordinary income to the extent of CubeSmart's current and accumulated earnings and profits. However, for taxable years beginning after December 31, 2017 and before January 1, 2026, generally individual shareholders are allowed to deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations.

Any distribution CubeSmart declares in October, November, or December of any year that is payable to a U.S. shareholder of record on a specified date in any of those months will be treated as paid by CubeSmart and received by the U.S. shareholder on December 31 of the year, provided CubeSmart actually pays the distribution during January of the following calendar year.

Distributions to a U.S. shareholder which CubeSmart designates as capital gain dividends will generally be treated as long-term capital gain, without regard to the period for which the U.S. shareholder has held its common shares or preferred shares. In general, U.S. shareholders will be taxable on long-term capital gains at a current maximum rate of 20% (see the discussion below "Taxation of Shareholders—Tax Rates Applicable to Individual Shareholders under the TCJA"), except that the portion of such gain that is attributable to depreciation recapture will be taxable at the maximum rate of 25%. A corporate U.S. shareholder, however, may be required to treat up to 20% of certain capital gain dividends as ordinary income.

Effective for distributions paid or treated as being paid in taxable years beginning after December 31, 2015, the aggregate amount of dividends that CubeSmart may designate as "capital gain dividends" or "qualified dividend income" with respect to any taxable year may not exceed the dividends paid by CubeSmart with respect to such taxable year, including dividends that are paid in the following taxable year and treated as having been paid with respect to such taxable year by being (1) declared before CubeSmart timely files its tax return for such taxable year and (2) paid with or before the first regular dividend payment after such declaration.

CubeSmart may elect to retain and pay income tax on the net long-term capital gain that CubeSmart receives in a taxable year. In that case, a U.S. shareholder would be taxed on its proportionate share of CubeSmart's undistributed long-term capital gain. The U.S. shareholder would receive a credit or refund for its proportionate share of the tax CubeSmart paid. The U.S. shareholder would increase the basis in its common shares or preferred shares by the amount of its proportionate share of CubeSmart's undistributed long-term capital gain, minus its share of the tax CubeSmart paid.

A U.S. shareholder will not incur tax on a distribution in excess of CubeSmart's current and accumulated earnings and profits if the distribution does not exceed the adjusted basis of the U.S. shareholder's common shares or preferred shares. Instead, the distribution will reduce the adjusted basis of the shares, and any amount in excess of both CubeSmart's current and accumulated earnings and profits and the adjusted basis will be treated as capital gain, long-term capital gain if the shares have been held for more than one year, provided the shares are a capital asset in

the hands of the U.S. shareholder.

Shareholders may not include in their individual income tax returns any of CubeSmart's net operating losses or capital losses. Instead, these losses are generally carried over by CubeSmart for potential offset against CubeSmart's future income (subject to certain limitation for net operating losses arising in tax years beginning after December 31, 2017). Taxable distributions from CubeSmart and gain from the disposition of common shares or preferred shares will not be treated as passive activity income; and, therefore, shareholders generally will not be able to apply any "passive activity losses," such as losses from certain types of limited partnerships in which the shareholder is a limited partner, against such income. In addition, taxable distributions from CubeSmart and gain from the disposition of common shares or preferred shares generally will be treated as investment income for purposes of the investment interest limitations. Net capital gain from the disposition of our stock or capital gain dividends generally will be excluded from investment income unless the shareholder elects to have the gain taxed at ordinary income rates. CubeSmart will notify shareholders after the close of its taxable year as to the portions of the distributions attributable to that year that constitute ordinary income, return of capital, and capital gain.

Taxation of U.S. Shareholders on the Disposition of Common and Preferred Shares

In general, a U.S. shareholder who is not a dealer in securities must treat any gain or loss realized upon a taxable disposition of CubeSmart's common or preferred shares as long-term capital gain or loss if the U.S. shareholder has held the shares for more than one year, and otherwise as short-term capital gain or loss. In general, a U.S. shareholder will realize gain or loss in an amount equal to the difference between the sum of the fair market value of any property and the amount of cash received in such disposition and the U.S. shareholder's adjusted tax basis. A U.S. shareholder's adjusted tax basis generally will equal the U.S. shareholder's acquisition cost, increased by the excess of net capital gains deemed distributed to the U.S. shareholder less tax deemed paid by it and reduced by any returns of capital. However, a U.S. shareholder must treat any loss upon a sale or exchange of common or preferred shares held by such shareholder for six months or less as a long-term capital loss to the extent of capital gain dividends and any actual or deemed distributions from CubeSmart that such U.S. shareholder treats as long-term capital gain. All or a portion of any loss that a U.S. shareholder realizes

Table of Contents

upon a taxable disposition of common or preferred shares may be disallowed if the U.S. shareholder purchases other common shares or preferred shares within 30 days before or after the disposition.

If a U.S. shareholder recognizes a loss upon a subsequent disposition of CubeSmart shares in an amount that exceeds a prescribed threshold, it is possible that the provisions of Treasury regulations involving "reportable transactions" could apply, with a resulting requirement to separately disclose the loss generating transactions to the IRS. While these regulations are directed towards "tax shelters," they are written broadly, and apply to transactions that would not typically be considered tax shelters. Significant penalties apply for failure to comply with these requirements. You should consult your tax advisor concerning any possible disclosure obligation with respect to the receipt or disposition of CubeSmart shares, or transactions that might be undertaken directly or indirectly by us. Moreover, you should be aware that CubeSmart and other participants in transactions involving CubeSmart (including our advisors) might be subject to disclosure or other requirements pursuant to these regulations.

The tax-rate differential between capital gain and ordinary income for non-corporate taxpayers may be significant. A taxpayer generally must hold a capital asset for more than one year for gain or loss derived from its sale or exchange to be treated as long-term capital gain or loss. The highest marginal individual income tax rate is currently 39.6% for tax years beginning on or before December 31, 2017 and 37% for tax years beginning after that date (but see the discussion below "Taxation of Shareholders—Tax Rates Applicable to Individual Shareholders under the TCJA" regarding the sunset of the 37% rate). The maximum tax rate on long-term capital gain applicable to U.S. shareholders taxed at individual rates is currently 20%. For additional information, see the discussion below "Taxation of Shareholders—Tax Rates Applicable to Individual Shareholders under the TCJA." The maximum tax rate on long-term capital gain from the sale or exchange of "section 1250 property" (i.e., generally, depreciable real property) is 25% to the extent the gain would have been treated as ordinary income if the property were "section 1245 property" (i.e., generally, depreciable personal property). CubeSmart generally may designate whether a distribution CubeSmart designates as capital gain dividends (and any retained capital gain that CubeSmart is deemed to distribute) is taxable to non-corporate shareholders at the current20% or 25% rate. The characterization of income as capital gain or ordinary income may affect the deductibility of capital losses. A non-corporate taxpayer may deduct capital losses not offset by capital gains against its ordinary income only up to a maximum of $3,000 annually. A non-corporate taxpayer may carry unused capital losses forward indefinitely. A corporate taxpayer must pay tax on its net capital gain at corporate ordinary-income rates. A corporate taxpayer may deduct capital losses only to the extent of capital gains, with unused losses carried back three years and forward five years.

Redemption of Preferred Shares

Whenever we redeem any preferred shares, the treatment accorded to any redemption by us for cash (as distinguished from a sale, exchange or other disposition) of our preferred shares to a U.S. shareholder of such preferred shares can only be determined on the basis of the particular facts as to each holder at the time of redemption. In general, a U.S. shareholder of our preferred shares will recognize capital gain or loss measured by the difference between the amount received by the holder of such shares upon the redemption and such holder's adjusted tax basis in the preferred shares redeemed (provided the preferred shares are held as a capital asset) if such redemption (i) results in a "complete termination" of the holder's interest in all classes of our shares under Section 302(b)(3) of the Code, or (ii) is "not

essentially equivalent to a dividend" with respect to the holder of the preferred shares under Section 302(b)(1) of the Code. In applying these tests, there must be taken into account not only the preferred shares being redeemed, but also such holder's ownership of other classes and series of our shares and any options (including stock purchase rights) to acquire any of the foregoing. The U.S. shareholder of our preferred shares also must take into account any such securities (including options) which are considered to be owned by such holder by reason of the constructive ownership rules set forth in Sections 318 and 302(c) of the Code.

If the U.S. shareholder of preferred shares owns (actually or constructively) none of our voting shares, or owns an insubstantial amount of our voting shares, based upon current law, it is probable that the redemption of preferred shares from such a holder would be considered to be "not essentially equivalent to a dividend." However, whether a distribution is "not essentially equivalent to a dividend" depends on all of the facts and circumstances, and a U.S. shareholder of our preferred shares intending to rely on any of the tests in this or the preceding paragraph at the time of redemption should consult its tax advisor to determine their application to its particular situation. If the redemption does not meet any of the tests under Section 302 of the Code, then the redemption proceeds received from our preferred shares will be treated as a distribution on our shares as described under "Taxation of U.S. Shareholders — Taxation of Taxable U.S. Shareholders — Taxation of U.S. Shareholders on Distributions." If the redemption of a holder's preferred shares is taxed as a dividend, the adjusted basis of such holder's redeemed preferred shares will be transferred to any other shares held by the holder.

If the holder owns no other shares, under certain circumstances, such basis may be transferred to a related person, or it may be lost entirely.

With respect to a redemption of our preferred shares that is treated as a distribution with respect to our shares, which is not otherwise taxable as a dividend, the IRS has proposed Treasury regulations that would require any basis reduction associated with such a redemption to be applied on a share-by-share basis which could result in taxable gain with respect to some shares, even though the holder's aggregate basis for the shares would be sufficient to absorb the entire amount of the redemption distribution (in excess of any amount of such distribution treated as a dividend). Additionally, these proposed Treasury regulations would not permit the transfer of basis

Table of Contents

in the redeemed shares of the preferred shares to the remaining shares held (directly or indirectly) by the redeemed holder. Instead, the unrecovered basis in our preferred shares would be treated as a deferred loss to be recognized when certain conditions are satisfied. These proposed Treasury regulations would be effective for transactions that occur after the date the regulations are published as final Treasury regulations. There can, however, be no assurance as to whether, when, and in what particular form such proposed Treasury regulations will ultimately be finalized.

Conversion of Our Preferred Shares into Common Shares.

Except as provided below, a U.S. shareholder generally will not recognize gain or loss upon the conversion of our preferred shares into our common shares. Except as provided below, a U.S. shareholder's basis and holding period in the common shares received upon conversion generally will be the same as those of the converted preferred shares (but the basis will be reduced by the portion of adjusted tax basis allocated to any fractional common share exchanged for cash). Any common shares received in a conversion that is attributable to accumulated and unpaid dividends on the converted preferred shares will be treated as a distribution on our shares as described above in "Taxation of U.S. Shareholders — Taxation of Taxable U.S. Shareholders — Taxation of U.S. Shareholders on Distributions." Cash received upon conversion in lieu of a fractional common share generally will be treated as a payment in a taxable exchange for such fractional common share, and gain or loss will be recognized on the receipt of cash in an amount equal to the difference between the amount of cash received and the adjusted tax basis allocable to the fractional common share deemed exchanged. This gain or loss will be long-term capital gain or loss if the U.S. shareholder has held the preferred shares for more than one year. See "— Taxation of U.S. Shareholders — Taxation of Taxable U.S. Shareholders — Taxation of U.S. Shareholders on the Disposition of Common and Preferred Shares." U.S. shareholders should consult with their tax advisors regarding the U.S. federal income tax consequences of any transaction by which such holder exchanges common shares received on a conversion of preferred shares for cash or other property.

Tax Rates Applicable to Individual Shareholders under the TCJA

Long-term capital gains (i.e., capital gains with respect to assets held for more than one year) and "qualified dividends" received by an individual generally are subject to federal income tax at a maximum rate of 20%. Short-term capital gains (i.e., capital gains with respect to assets held for one year or less) generally are subject to federal income tax at ordinary income rates. Because we are not generally subject to federal income tax on the portion of our REIT taxable income or capital gains distributed to our shareholders, our dividends generally are not eligible for the 20% maximum tax rate on qualified dividends. Instead, our ordinary dividends generally are taxed at the higher tax rates applicable to ordinary income, the maximum rate of which is 37% for tax years beginning after December 31, 2017 (the rate was 39.6% for tax years beginning before that date) and before January 1, 2026. However, for taxable years prior to 2026, individual shareholders are generally allowed to deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations, which would reduce the maximum marginal effective tax rate for individuals on the receipt of such ordinary dividends to 29.6%. The 20% maximum tax rate for long-term capital gains and qualified dividends generally applies to:

· your long-term capital gains, if any, recognized on the disposition of our shares;
·

our distributions designated as long-term capital gain dividends (except to the extent attributable to real estate depreciation, in which case such distributions are subject to a 25% tax rate to such extent);

- our dividends attributable to dividends received by us from non-REIT corporations, such as taxable REIT subsidiaries; and
- our dividends to the extent attributable to income upon which we have paid corporate income tax (e.g., to the extent that we distribute less than 100% of our taxable income).

Medicare Tax on Investment Income

Certain U.S. shareholders and U.S. Holders (as defined below) who are individuals, estates or trusts and whose income exceeds certain thresholds may be required to pay a 3.8% Medicare tax on “net investment income” which includes, among other things, dividends on shares, interest on debt securities and capital gains from the sale or other disposition of shares or debt securities, subject to certain exceptions. Prospective investors should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of our common shares, preferred shares or debt securities.

Information Reporting Requirements and Backup Withholding.

CubeSmart will report to its shareholders and to the IRS the amount of distributions CubeSmart pays during each calendar year and the amount of tax it withholds, if any. A shareholder may be subject to backup withholding at a rate of up to 28% (for tax years beginning on or before December 31, 2017 and 24% for tax years beginning after that date) with respect to distributions unless the holder:

- is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact; or

Table of Contents

· provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with the applicable requirements of the backup withholding rules.

A shareholder who does not provide CubeSmart with its correct taxpayer identification number also may be subject to penalties imposed by the IRS. In addition, CubeSmart may be required to withhold a portion of capital gain distributions to any shareholders who fail to certify their non-foreign status to CubeSmart. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the shareholder's income tax liability, provided the required information is timely furnished to the IRS.

Taxation of Tax-Exempt Shareholders

Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts and annuities, generally are exempt from U.S. federal income taxation. However, they are subject to taxation on their "unrelated business taxable income." While many investments in real estate generate unrelated business taxable income, the IRS has issued a ruling that dividend distributions from a REIT to an exempt employee pension trust do not constitute unrelated business taxable income so long as the exempt employee pension trust does not otherwise use the shares of the REIT in an unrelated trade or business of the pension trust. Based on that ruling, amounts CubeSmart distributes to tax-exempt shareholders generally should not constitute unrelated business taxable income. However, if a tax-exempt shareholder were to finance its acquisition of common shares or preferred shares with debt, a portion of the income it received from CubeSmart would constitute unrelated business taxable income pursuant to the "debt-financed property" rules. Furthermore, social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans that are exempt from taxation under special provisions of the U.S. federal income tax laws are subject to different unrelated business taxable income rules, which generally will require them to characterize distributions they receive from CubeSmart as unrelated business taxable income.

In certain circumstances, a qualified employee pension or profit-sharing trust that owns more than 10% of CubeSmart's shares of beneficial interest (by value) must treat a percentage of the dividends it receives from CubeSmart as unrelated business taxable income. Such percentage is equal to the gross income CubeSmart derives from an unrelated trade or business, determined as if CubeSmart were a pension trust, divided by its total gross income for the year in which it pays the dividends. This rule applies to a pension trust holding more than 10% of CubeSmart shares only if:

· the percentage of CubeSmart's dividends which the tax-exempt trust must treat as unrelated business taxable income is at least 5%;

· CubeSmart is a "pension-held REIT," that is, CubeSmart qualifies as a REIT by reason of the modification of the rule requiring that no more than 50% of CubeSmart's shares of beneficial interest be owned by five or fewer individuals that allows the beneficiaries of the pension trust to be treated as holding CubeSmart's shares in proportion to their actuarial interests in the pension trust; and

· either: (i) one pension trust owns more than 25% of the value of CubeSmart's shares of beneficial interest; or (ii) one or more pension trusts each individually holding more than 10% of the value of CubeSmart's shares of beneficial interest collectively owns more than 50% of the value of CubeSmart's shares of beneficial interest.

Certain restrictions on ownership and transfer of CubeSmart's shares should generally prevent a tax-exempt entity from owning more than 10% of the value of its shares, or CubeSmart from becoming a pension-held REIT.

Tax-exempt U.S. shareholders are urged to consult their tax advisor regarding the U.S. federal, state, local and foreign tax consequences of the acquisition, ownership and disposition of CubeSmart shares.

Taxation of Non-U.S. Shareholders

The term "non-U.S. shareholder" means a holder of CubeSmart common shares or preferred shares that is not a U.S. shareholder or a partnership (or an entity treated as a partnership for U.S. federal income tax purposes). The rules governing U.S. federal income taxation of non-U.S. shareholders are complex. This section is only a summary of such rules. We urge non-U.S. shareholders to consult their own tax advisors to determine the impact of federal, state, local and foreign income tax laws on ownership of common shares or preferred shares, including any reporting requirements.

Taxation of Distributions. A non-U.S. shareholder that receives a distribution which is not attributable to gain from CubeSmart's sale or exchange of a "United States real property interest" ("USRPI") (discussed below) and that CubeSmart does not

Table of Contents

designate a capital gain dividend or retained capital gain will be treated as receiving dividends to the extent that CubeSmart pays such distribution out of CubeSmart's current or accumulated earnings and profits.

A withholding tax equal to 30% of the gross amount of the distribution ordinarily will apply unless an applicable tax treaty reduces or eliminates the tax. However, a non-U.S. shareholder generally will be subject to U.S. federal income tax at graduated rates on any distribution treated as effectively connected with the non-U.S. shareholder's conduct of a U.S. trade or business, in the same manner as U.S. shareholders are taxed on distributions. A corporate non-U.S. shareholder may, in addition, be subject to the 30% branch profits tax with respect to that distribution. CubeSmart plans to withhold U.S. income tax at the rate of 30% on the gross amount of any distribution paid to a non-U.S. shareholder unless either:

- a lower treaty rate applies and the non-U.S. shareholder files a properly completed IRS Form W-8BEN or W-8BEN-E (or other applicable form) evidencing eligibility for that reduced rate with us; or

- the non-U.S. shareholder files an IRS Form W-8ECI (or other applicable form) with CubeSmart claiming that the distribution is effectively connected income.

A non-U.S. shareholder will not incur tax on a distribution in excess of CubeSmart's current and accumulated earnings and profits if the excess portion of such distribution does not exceed the adjusted basis of its common shares or preferred shares. Instead, the excess portion of the distribution will reduce the adjusted basis of such shares. A non-U.S. shareholder will be subject to tax on a distribution that exceeds both CubeSmart's current and accumulated earnings and profits and the adjusted basis of its shares, if the non-U.S. shareholder otherwise would be subject to tax on gain from the sale or disposition of common shares or preferred shares, as described below. Because CubeSmart generally cannot determine at the time CubeSmart makes a distribution whether the distribution will exceed CubeSmart's current and accumulated earnings and profits, CubeSmart normally will withhold tax on the entire amount of any distribution at the same rate as CubeSmart would withhold on a dividend. However, a non-U.S. shareholder may obtain a refund of amounts CubeSmart withholds if CubeSmart later determines that a distribution in fact exceeded CubeSmart's current and accumulated earnings and profits.

CubeSmart may be required to withhold 15% (increased from 10% effective February 17, 2016) of any distribution that exceeds CubeSmart's current and accumulated earnings and profits. Consequently, although CubeSmart intends to withhold at a rate of 30% on the entire amount of any distribution, to the extent CubeSmart does not do so, CubeSmart may withhold at a rate of 15% on any portion of a distribution not subject to withholding at a rate of 30%.

For any year in which CubeSmart qualifies as a REIT, except as discussed below (in "Taxation of Non-U.S. Shareholders—Taxation of Disposition of Shares") with respect to certain holders owning 10% or less of regularly traded classes of shares, a non-U.S. shareholder will incur tax on distributions attributable to gain from CubeSmart's sale or exchange of a United States real property interest (a "USRPI") under the Foreign Investment in Real Property Tax Act of 1980, or "FIRPTA." A USRPI includes certain interests in real property and shares in United States corporations at

least 50% of whose assets consist of interests in real property. Under FIRPTA, a non-U.S. shareholder is taxed on distributions attributable to gain from sales of USRPIs as if the gain were effectively connected with the conduct of a U.S. business of the non-U.S. shareholder. A non-U.S. shareholder would be taxed on such a distribution at the normal capital gain rates applicable to U.S. shareholders, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of a nonresident alien individual. A non-U.S. corporate shareholder not entitled to treaty relief or exemption also may be subject to the 30% branch profits tax on such a distribution. CubeSmart must withhold 21% of any distribution that CubeSmart could designate as a capital gain dividend. A non-U.S. shareholder may receive a credit against its tax liability for the amount CubeSmart withholds.

Effective December 18, 2015, our shares will not be treated as a USRPI when held, directly or indirectly, by a qualified shareholder and, therefore, FIRPTA will not apply to such shares. However, certain investors in a qualified shareholder that owns more than 10% of our shares (directly or indirectly) that are not themselves qualified shareholders may be subject to FIRPTA withholding. A “qualified shareholder” is a foreign entity that (1)(i) is eligible for the benefits of a comprehensive income tax treaty with the United States that includes an exchange of information program and the principal class of interests of which is listed and regularly traded on one or more recognized stock exchanges (as defined in such comprehensive income tax treaty), or (ii) is a foreign partnership that is created or organized under foreign law as a limited partnership in a jurisdiction that has an agreement for the exchange of information with respect to taxes with the United States and has a class of limited partnership units which is regularly traded on the New York Stock Exchange or Nasdaq Stock Market and the value of such class of limited partnership units is greater than 50% of the value of all of the partnership units of the foreign partnership, (2) is a qualified collective investment vehicle, and (3) maintains records on the identity of each person who, at any time during the foreign person’s taxable year, holds directly 5% or more of the class of interests described in (1)(i) or (ii). A “qualified collective investment vehicle” is a foreign person that (x) under the comprehensive income tax treaty described in (1)(i) or (ii) would be eligible for a reduced rate of withholding with respect to dividends paid by a REIT even if such person owned more than 10% of the REIT, (y) is a publicly traded partnership that is a withholding foreign partnership, and would be treated as a United States real property holding corporation if it were a United States corporation, or (z) which is designated as a qualified collective investment vehicle

Table of Contents

by the Secretary of the Treasury and is either (1) fiscally transparent or (2) required to include dividends in its gross income, but is entitled to a deduction for distributions to its equity investors. Additionally, effective December 18, 2015, qualified foreign pension funds will not be subject to FIRPTA withholding. The rules concerning qualified shareholders and qualified foreign pension funds are complex and investors who believe they may be qualified shareholders or qualified foreign pension funds should consult with their own tax advisors to find out if these rules are applicable to them.

Distributions attributable to gain from sales or exchanges by CubeSmart of USRPIs are treated as ordinary dividends (not subject to the 21% withholding tax under FIRPTA) if the distribution is made to a non-U.S. shareholder with respect to any class of shares which is "regularly traded" on an established securities market located in the United States and if the non-U.S. shareholder did not own more than 5% of such class of shares at any time during the taxable year. Such distributions will generally be subject to a 30% U.S. withholding tax (subject to reduction under applicable treaty) but a non-U.S. shareholder will not be required to report the distribution on a U.S. tax return. In addition, the branch profits tax will not apply to such distributions.

Taxation of Disposition of Shares. A non-U.S. shareholder generally will not incur tax under FIRPTA with respect to gain on a sale of common shares or preferred shares as long as CubeSmart is a "domestically-controlled REIT," which means that at all times non-U.S. persons hold, directly or indirectly, less than 50% in value of all outstanding CubeSmart shares.

CubeSmart cannot assure you that this test will be met. Further, even if CubeSmart is a domestically controlled REIT, pursuant to "wash sale" rules under FIRPTA, a non-U.S. shareholder may incur tax under FIRPTA. The "wash sale" rule applies to the extent such non-U.S. shareholder disposes of CubeSmart shares during the 30-day period preceding a dividend payment, and such non-U.S. shareholder (or a person related to such non-U.S. shareholder) acquires or enters into a contract or option to acquire CubeSmart common shares or preferred shares within 61 days of the 1st day of the 30 day period described above, and any portion of such dividend payment would, but for the disposition, be treated as a USRPI capital gain to such non-U.S. shareholder, then such non-U.S. shareholder shall be treated as having USRPI capital gain in an amount that, but for the disposition, would have been treated as USRPI capital gain.

In addition, a non-U.S. shareholder that owns, actually or constructively, 10% or less of the outstanding common shares or preferred shares at all times during a specified testing period will not incur tax under FIRPTA on gain from a sale of such common shares or preferred shares if such shares are "regularly traded" on an established securities market. Because CubeSmart's common shares and preferred shares are "regularly traded" on an established securities market, CubeSmart expects that a non-U.S. shareholder generally will not incur tax under FIRPTA on gain from a sale of common shares or preferred shares unless it owns or has owned more than 10% of such common shares or preferred shares at any time during the five year period to such sale. Any gain subject to tax under FIRPTA will be treated in the same manner as it would be in the hands of U.S. shareholders, subject to alternative minimum tax, but under a special alternative minimum tax in the case of nonresident alien individuals, and the purchaser of the shares could be required to withhold 10% of the purchase price and remit such amount to the IRS.

A non-U.S. shareholder generally will incur tax on gain not subject to FIRPTA if:

- the gain is effectively connected with the conduct of the non-U.S. shareholder's U.S. trade or business, in which case the non-U.S. shareholder will be subject to the same treatment as U.S. shareholders with respect to the gain; or

- the non-U.S. shareholder is a nonresident alien individual who was present in the U.S. for 183 days or more during the taxable year and has a "tax home" in the United States, in which case the non-U.S. shareholder will incur a 30% tax on capital gains.

Redemptions of Our Preferred Shares. Whenever we redeem any preferred shares, the treatment accorded to any redemption by us for cash (as distinguished from a sale, exchange or other disposition) of our preferred shares to a non-U.S. shareholder of such preferred shares can only be determined on the basis of the particular facts as to each holder at the time of redemption. In general, a non-U.S. shareholder of our preferred shares will recognize capital gain or loss measured by the difference between the amount received by the holder of such shares upon the redemption and such holder's adjusted tax basis in the preferred shares redeemed (provided the preferred shares are held as a capital asset) if such redemption (i) results in a "complete termination" of the holder's interest in all classes of our shares under Section 302(b)(3) of the Code, or (ii) is "not essentially equivalent to a dividend" with respect to the holder of the preferred shares under Section 302(b)(1) of the Code. In applying these tests, there must be taken into account not only the preferred shares being redeemed, but also such holder's ownership of other classes and series of our shares and any options (including stock purchase rights) to acquire any of the foregoing. The non-U.S. shareholder of our preferred shares also must take into account any such securities (including options) which are considered to be owned by such holder by reason of the constructive ownership rules set forth in Sections 318 and 302(c) of the Code.

If the non-U.S. shareholder of preferred shares owns (actually or constructively) none of our voting shares, or owns an insubstantial amount of our voting shares, based upon current law, it is probable that the redemption of preferred shares from such a holder

Table of Contents

would be considered to be "not essentially equivalent to a dividend." However, whether a distribution is "not essentially equivalent to a dividend" depends on all of the facts and circumstances, and a non-U.S. shareholder of our preferred shares intending to rely on any of the tests in this or the preceding paragraph at the time of redemption should consult its tax advisor to determine their application to its particular situation. If the redemption does not meet any of the tests under Section 302 of the Code, then the redemption proceeds received from our preferred shares will be treated as a distribution on our shares as described under "Taxation of Shareholders — Taxation of Non-U.S. Shareholders — Taxation of Distributions."

If the redemption of a holder's preferred shares is taxed as a dividend, the adjusted basis of such holder's redeemed preferred shares will be transferred to any other shares held by the holder. If the holder owns no other shares, under certain circumstances, such basis may be transferred to a related person, or it may be lost entirely.

With respect to a redemption of our preferred shares that is treated as a distribution with respect to our shares, which is not otherwise taxable as a dividend, the IRS has proposed Treasury regulations that would require any basis reduction associated with such a redemption to be applied on a share-by-share basis which could result in taxable gain with respect to some shares, even though the holder's aggregate basis for the shares would be sufficient to absorb the entire amount of the redemption distribution (in excess of any amount of such distribution treated as a dividend). Additionally, these proposed Treasury regulations would not permit the transfer of basis in the redeemed shares of the preferred shares to the remaining shares held (directly or indirectly) by the redeemed holder. Instead, the unrecovered basis in our preferred shares would be treated as a deferred loss to be recognized when certain conditions are satisfied. These proposed Treasury regulations would be effective for transactions that occur after the date the regulations are published as final Treasury regulations. There can, however, be no assurance as to whether, when, and in what particular form such proposed Treasury regulations will ultimately be finalized.

Conversion of Our Preferred Shares into Common Shares. Except as provided below, a non-U.S. shareholder generally will not recognize gain or loss upon the conversion of our preferred shares into our common shares, provided our preferred shares do not constitute a USRPI. Even if our preferred shares do constitute a USRPI, provided our common shares also constitute a USRPI, a non-U.S. shareholder generally will not recognize gain or loss upon a conversion of our preferred shares into our common shares provided certain reporting requirements are satisfied. Except as provided below, a non-U.S. shareholder's basis and holding period in the common shares received upon conversion will be the same as those of the converted preferred shares (but the basis will be reduced by the portion of adjusted tax basis allocated to any fractional common share exchanged for cash). Any common shares received in a conversion that are attributable to accumulated and unpaid dividends on the converted preferred shares will be treated as a distribution on our shares as described under "— Taxation of Shareholders — Taxation of Non-U.S. Shareholders — Taxation of Distributions." Cash received upon conversion in lieu of a fractional common share generally will be treated as a payment in a taxable exchange for such fractional common share as described under "— Taxation of Shareholders — Taxation of Non-U.S. Shareholders — Taxation of Disposition of Shares." Non-U.S. shareholders should consult with their tax advisor regarding the U.S. federal income tax consequences of any transaction by which such holder exchanges common shares received on a conversion of preferred shares for cash or other property.

Information Reporting and Backup Withholding Applicable to non-U.S. Shareholders

CubeSmart must report annually to the IRS and to each non-U.S. shareholder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. shareholder resides under the provisions of an applicable income tax treaty.

Payments of dividends or of proceeds from the disposition of shares made to a non-U.S. shareholder may be subject to information reporting and backup withholding unless such holder establishes an exemption, for example, by properly certifying its non-United States status on a properly completed IRS Form W-8 BEN or W-8BEN-E or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding may apply if either CubeSmart or its paying agent has actual knowledge, or reason to know, that a non-U.S. shareholder is a United States person.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the shareholder’s income tax liability, provided the required information is timely furnished to the IRS.

Additional Withholding Requirements under “FATCA”

Under Sections 1471 through 1474 of the Code (such Sections commonly referred to as “FATCA”), payments of dividends to a non-U.S. shareholder will be subject to 30% withholding tax if the non-U.S. shareholder fails to provide the withholding agent with documentation sufficient to show that it is compliant with the FATCA or otherwise exempt from withholding under FATCA. Generally, such documentation is provided on an executed IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable. If a dividend payment is both subject to withholding under FATCA and subject to withholding tax discussed above, the withholding under FATCA may

Table of Contents

be credited against, and therefore reduce, such other withholding tax. Based upon proposed Treasury regulations, which may be relied upon by taxpayers until the final Treasury regulations are issued, the FATCA withholding that was to be effective on January 1, 2019 with respect to payments of the gross proceeds no longer applies. Non-U.S. shareholders should consult their tax advisors to determine the applicability of this legislation in light of their individual circumstances.

Legislative or Other Actions Affecting REITs

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. No assurance can be given as to whether, when, or in what form, the U.S. federal income tax laws applicable to CubeSmart and its shareholders may be enacted. Changes to the federal tax laws and interpretations of U.S. federal tax laws could adversely affect an investment in CubeSmart shares.

Taxation of Holders of Debt Securities Offered by the Operating Partnership

This section describes the material U.S. federal income tax consequences of owning the debt securities that the Operating Partnership may offer. This summary is for general information only and is not tax advice. The tax consequences of owning any particular issue of debt securities will be discussed in the applicable prospectus.

As used herein, a “U.S. Holder” means a beneficial owner of debt securities of the Operating Partnership, who is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States,
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, or any of its states, or the District of Columbia,
- an estate the income of which is subject to U.S. federal income taxation regardless of its source, or
- any trust if (1) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) it has a valid election in place to be treated as a U.S. person.

If a partnership holds debt securities, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding debt securities of the Operating Partnership, you should consult your tax advisor regarding the consequences of the ownership and disposition of debt securities by the partnership.

Pursuant to the TCJA, for taxable years beginning after December 31, 2017 (and for taxable years beginning after December 31, 2018 for instruments issued with original issue discount ("OID")), an accrual method taxpayer that reports revenues on an applicable financial statement generally must recognize income for U.S. federal income tax purposes no later than the taxable year in which such income is taken into account as revenue in an applicable financial statement of the taxpayer. To the extent this rule is inconsistent with the rules described in the subsequent discussion, this rule supersedes such discussion. Thus, this rule could potentially require such a taxpayer to recognize income for U.S. federal income tax purposes with respect to the debt securities prior to the time such income would be recognized pursuant to the rules described in the subsequent discussion. It is currently not clear how this rule would apply to debt instruments with OID and market discount. You should consult your tax advisors regarding the potential applicability of these rules to your investment in the debt securities.

Taxation of Taxable U.S. Holders

Interest. The stated interest on debt securities generally will be taxable to a U.S. Holder as ordinary income at the time that it is paid or accrued, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

Original Issue Discount. If you own debt securities issued with OID, you will be subject to special tax accounting rules, as described in greater detail below. In that case, you should be aware that you generally must include OID in gross income in advance of the receipt of cash attributable to that income. However, you generally will not be required to include separately in income cash payments received on the debt securities, even if denominated as interest, to the extent those payments do not constitute "qualified stated interest," as defined below. If we determine that a particular debt security will be an OID debt security, we will disclose that determination in the prospectus relating to those debt securities.

Table of Contents

A debt security with an "issue price" that is less than the "stated redemption price at maturity" (the sum of all payments to be made on the debt security other than "qualified stated interest") generally will be issued with OID if that difference is at least 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity. The "issue price" of each debt security in a particular offering will be the first price at which a substantial amount of that particular offering is sold to the public. The term "qualified stated interest" means stated interest that is unconditionally payable in cash or in property, other than debt instruments of the issuer, and the interest to be paid meets all of the following conditions:

· it is payable at least once per year;

· it is payable over the entire term of the debt security; and

· it is payable at a single fixed rate or, subject to certain conditions, based on one or more interest indices.

If we determine that particular debt securities of a series will bear interest that is not qualified stated interest, we will disclose that determination in the prospectus relating to those debt securities.

If you own a debt security issued with "de minimis" OID, which is discount that is not OID because it is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity, you generally must include the de minimis OID in income at the time principal payments on the debt securities are made in proportion to the amount paid. Any amount of de minimis OID that you have included in income will be treated as capital gain.

Certain of the debt securities may contain provisions permitting them to be redeemed prior to their stated maturity at our option and/or at your option. OID debt securities containing those features may be subject to rules that differ from the general rules discussed herein. If you are considering the purchase of OID debt securities with those features, you should carefully examine the applicable prospectus and should consult your own tax advisor with respect to those features since the tax consequences to you with respect to OID will depend, in part, on the particular terms and features of the debt securities.

If you own OID debt securities with a maturity upon issuance of more than one year you generally must include OID in income in advance of the receipt of some or all of the related cash payments using the "constant yield method" described in the following paragraphs. This method takes into account the compounding of interest.

The amount of OID that you must include in income if you are the initial United States holder of an OID debt security is the sum of the "daily portions" of OID with respect to the debt security for each day during the taxable year or portion of the taxable year in which you held that debt security ("accrued OID"). The daily portion is determined by allocating

to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. The "accrual period" for an OID debt security may be of any length and may vary in length over the term of the debt security, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of:

- the debt security's "adjusted issue price" at the beginning of the accrual period multiplied by its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period, over

- the aggregate of all qualified stated interest allocable to the accrual period.

OID allocable to a final accrual period is the difference between the amount payable at maturity, other than a payment of qualified stated interest, and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "adjusted issue price" of a debt security at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period, determined without regard to the amortization of any acquisition or bond premium, as described below, and reduced by any payments made on the debt security (other than qualified stated interest) on or before the first day of the accrual period. Under these rules, you will generally have to include in income increasingly greater amounts of OID in successive accrual periods. We are required to provide information returns stating the amount of OID accrued on debt securities held of record by persons other than corporations and other exempt holders.

Floating rate debt securities are subject to special OID rules. In the case of an OID debt security that is a floating rate debt security, both the "yield to maturity" and "qualified stated interest" will be determined solely for purposes of calculating the accrual of OID as though the debt security will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to

Table of Contents

interest payments on the debt security on its date of issue or, in the case of certain floating rate debt securities, the rate that reflects the yield to maturity that is reasonably expected for the debt security. Additional rules may apply if either:

· the interest on a floating rate debt security is based on more than one interest index; or

· the principal amount of the debt security is indexed in any manner.

This discussion does not address the tax rules applicable to debt securities with an indexed principal amount. If you are considering the purchase of floating rate OID debt securities or securities with indexed principal amounts, you should carefully examine the prospectus relating to those debt securities, and should consult your own tax advisor regarding the U.S. federal income tax consequences to you of holding and disposing of those debt securities.

You may elect to treat all interest on any debt securities as OID and calculate the amount includible in gross income under the constant yield method described above. For purposes of this election, interest includes stated interest, acquisition discount, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. You must make this election for the taxable year in which you acquired the debt security, and you may not revoke the election without the consent of the IRS. You should consult with your own tax advisor about this election.

Market Discount. If you purchase debt securities, other than OID debt securities, after original issuance for an amount that is less than their stated redemption price at maturity, or, in the case of OID debt securities, their adjusted issue price, the amount of the difference will be treated as “market discount” for U.S. federal income tax purposes, unless that difference is less than a specified de minimis amount. Under the market discount rules, you will be required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, the debt securities as ordinary income to the extent of the market discount that you have not previously included in income and are treated as having accrued on the debt securities at the time of their payment or disposition. In addition, you may be required to defer, until the maturity of the debt securities or their earlier disposition in a taxable transaction, the deduction of all or a portion of the interest expense on any indebtedness attributable to the debt securities. You may elect, on a debt security-by-debt security basis, to deduct the deferred interest expense in a tax year prior to the year of disposition. You should consult your own tax advisor before making this election.

Any market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the debt securities, unless you elect to accrue on a constant interest method. You may elect to include market discount in income currently as it accrues, on either a ratable or constant interest method, in which case the rule described above regarding deferral of interest deductions will not apply. Your election to include market discount in income currently, once made, applies to all market discount obligations acquired by you on or after the first taxable year to which your election applies and may not be revoked without the consent of the IRS. You should consult your own tax advisor before making this election.

Acquisition Premium and Amortizable Bond Premium. If you purchase OID debt securities for an amount that is greater than their adjusted issue price but equal to or less than the sum of all amounts payable on the debt securities after the purchase date other than payments of qualified stated interest, you will be considered to have purchased those debt securities at an "acquisition premium." Under the acquisition premium rules, the amount of OID that you must include in gross income with respect to those debt securities for any taxable year will be reduced by the portion of the acquisition premium properly allocable to that year.

If you purchase debt securities (including OID debt securities) for an amount in excess of the sum of all amounts payable on those debt securities after the purchase date other than qualified stated interest, you will be considered to have purchased those debt securities at a "premium" and, if they are OID debt securities, you will not be required to include any OID in income. You generally may elect to amortize the premium over the remaining term of those debt securities on a constant yield method as an offset to interest when includible in income under your regular accounting method.

In the case of debt securities that provide for alternative payment schedules, bond premium is calculated by assuming that (a) you will exercise or not exercise options in a manner that maximizes your yield, and (b) we will exercise or not exercise options in a manner that minimizes your yield. If you do not elect to amortize bond premium, that premium will decrease the gain or increase the loss you would otherwise recognize on disposition of the debt security. Your election to amortize premium on a constant yield method will also apply to all debt obligations held or subsequently acquired by you on or after the first day of the first taxable year to which the election applies. You may not revoke the election without the consent of the IRS. You should consult your own tax advisor before making this election.

Table of Contents

Sale, Exchange and Retirement of Debt Securities. A U.S. Holder of debt securities will recognize gain or loss upon the sale, exchange, retirement, redemption or other taxable disposition of such debt securities in an amount equal to the difference between:

- the amount of cash and the fair market value of other property received in exchange for such debt securities, other than amounts attributable to accrued but unpaid stated interest, which will be subject to tax as ordinary income to the extent not previously included in income; and

- the U.S. Holder's adjusted tax basis in such debt securities.

A U.S. Holder's adjusted tax basis in a debt security generally will equal the cost of the debt security to such holder (A) increased by the amount of OID or accrued market discount (if any) previously included in income by such holder and (B) decreased by the amount of (1) any payments other than qualified stated interest payments and (2) any amortizable bond premium taken by the holder.

Any gain or loss recognized will generally be capital gain or loss, and such capital gain or loss will generally be long-term capital gain or loss if the debt security has been held by the U.S. Holder for more than one year. Long-term capital gain for non-corporate taxpayers is subject to reduced rates of U.S. federal income taxation (currently, a 20% maximum federal rate, also see the discussion above in "Taxation of Shareholders—Tax Rates Applicable to Individual Shareholders under the TCJA" for a more detailed discussion on tax rates for individuals)). The deductibility of capital losses is subject to certain limitations.

If a U.S. Holder recognizes a loss upon a subsequent disposition of debt securities in an amount that exceeds a prescribed threshold, it is possible that the provisions of Treasury regulations involving "reportable transactions" could apply, with a resulting requirement to separately disclose the loss generating transactions to the IRS. While these regulations are directed towards "tax shelters," they are written broadly, and apply to transactions that would not typically be considered tax shelters. Significant penalties apply for failure to comply with these requirements. You should consult your tax advisor concerning any possible disclosure obligation with respect to the receipt or disposition of debt securities, or transactions that might be undertaken directly or indirectly by us. Moreover, you should be aware that we and other participants in transactions involving us (including our advisors) might be subject to disclosure or other requirements pursuant to these regulations.

Medicare Tax on Investment Income

Certain U.S. Shareholders and U.S. Holders who are individuals, estates or trusts and whose income exceeds certain thresholds may be required to pay a 3.8% Medicare tax on "net investment income" which includes, among other things, dividends on shares, interest on debt securities and capital gains from the sale or other disposition of shares or debt

securities, subject to certain exceptions. Prospective investors should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of our common shares, preferred shares or debt securities.

Taxation of Tax-Exempt Holders of Debt Securities

Assuming the debt security is debt for tax purposes, interest income accrued on the debt security should not constitute unrelated business taxable income to a tax-exempt holder. As a result, a tax-exempt holder generally should not be subject to U.S. federal income tax on the interest income accruing on debt securities of the Operating Partnership. Similarly, any gain recognized by the tax-exempt holder in connection with a sale of the debt security generally should not be unrelated business taxable income. However, if a tax-exempt holder were to finance its acquisition of the debt security with debt, a portion of the interest income and gain attributable to the debt security would constitute unrelated business taxable income pursuant to the "debt-financed property" rules. Tax-exempt holders should consult their own tax advisors to determine the potential tax consequences of an investment in debt securities of the Operating Partnership.

Taxation of Non-U.S. Holders of Debt Securities

The term "non-U.S. Holder" means a holder of debt securities of the Operating Partnership that is not a U.S. Holder or a partnership (or an entity treated as a partnership for U.S. federal income tax purposes). The rules governing U.S. federal income taxation of non-U.S. Holders are complex. This section is only a summary of such rules. We urge non-U.S. Holders to consult their own tax advisors to determine the impact of federal, state, local and foreign income tax laws on ownership of debt securities, including any reporting requirements.

Table of Contents

Interest. Interest (including OID) paid to a non-U.S. Holder of debt securities will not be subject to U.S. federal income or withholding tax under the "portfolio interest exemption," provided that:

- interest paid on debt securities is not effectively connected with a non-U.S. Holder's conduct of a trade or business in the United States;
- the non-U.S. Holder does not actually or constructively own 10% or more of the capital or profits interest in the Operating Partnership;
- the non-U.S. Holder is not
- a controlled foreign corporation with respect to which the Operating Partnership is a "related person" within the meaning of Section 864(d) of the Code; or
- a bank that receives such interest on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; and
- the beneficial owner of debt securities provides a certification, which is generally made on an IRS Form W-8BEN of W-8BEN-E or other applicable form or a suitable substitute form and signed under penalties of perjury, that it is not a United States person.

A payment of interest (including OID) to a non-U.S. Holder that does not qualify for the portfolio interest exemption and that is not effectively connected to a United States trade or business will be subject to United States federal withholding tax at a rate of 30%, unless a United States income tax treaty applies to reduce or eliminate withholding.

A non-U.S. Holder will generally be subject to tax in the same manner as a U.S. Holder with respect to payments of interest (including OID) if such payments are effectively connected with the conduct of a trade or business by the non-U.S. Holder in the United States and, if an applicable tax treaty provides, such gain is attributable to a United States permanent establishment maintained by the non-U.S. Holder. In some circumstances, such effectively connected income received by a non-U.S. Holder which is a corporation may be subject to an additional "branch profits tax" at a 30% base rate or, if applicable, a lower treaty rate.

To claim the benefit of a lower treaty rate or to claim exemption from withholding because the income is effectively connected with a United States trade or business, the non-U.S. Holder must provide a properly executed IRS Form W-8BEN or W-8BEN-E or IRS Form W-8ECI or other applicable form, or a suitable substitute form, as applicable, prior to the payment of interest. Such certificate must contain, among other information, the name and address of the non-U.S. Holder.

Non-U.S. Holders are urged to consult their own tax advisors regarding applicable income tax treaties, which may provide different rules.

Sale or Retirement of Debt Securities. A non-U.S. Holder generally will not be subject to U.S. federal income tax or withholding tax on gain realized on the sale, exchange or redemption of debt securities unless:

- the non-U.S. shareholder is a nonresident alien individual who was present in the U.S. for 183 days or more during the taxable year and has a “tax home” in the United States, in which case the non-U.S. shareholder will incur a 30% tax on capital gains; or

- the gain is effectively connected with the conduct of a trade or business of the non-U.S. Holder in the United States and, if an applicable tax treaty so provides, such gain is attributable to a United States permanent establishment maintained by such holder.

Except to the extent that an applicable tax treaty provides otherwise, a non-U.S. Holder will generally be subject to tax in the same manner as a U.S. Holder with respect to gain realized on the sale, exchange or redemption of debt securities if such gain is effectively connected with the conduct of a trade or business by the non-U.S. Holder in the United States and, if an applicable tax treaty provides, such gain is attributable to a United States permanent establishment maintained by the non-U.S. Holder. In certain circumstances, a non-U.S. Holder that is a corporation will be subject to an additional “branch profits tax” at a 30% rate or, if applicable, a lower treaty rate on such income.

Table of Contents

U.S. Federal Estate Tax. Your estate will not be subject to U.S. federal estate tax on the debt securities beneficially owned by you at the time of your death, provided that any payment to you on the debt securities, including OID, would be eligible for exemption from the 30% U.S. federal withholding tax under the "portfolio interest exemption" described above, without regard to the certification requirement.

Information Reporting and Backup Withholding Applicable to Holders of Debt Securities

U.S. Holders

Certain U.S. Holders may be subject to information reporting requirements on payments of principal and interest (including OID) on debt securities and payments of the proceeds of the sale, exchange, or redemption of debt securities, and backup withholding, currently imposed at a rate of 28% (for tax years beginning on or before December 31, 2017 and 24% for tax years beginning after that date), may apply to such payment if the U.S. Holder:

· fails to furnish an accurate taxpayer identification number, or TIN, to the payor in the manner required;

· is notified by the IRS that it has failed to properly report payments of interest or dividends; or

· under certain circumstances, fails to certify, under penalties of perjury, that it has furnished a correct TIN and that it has not been notified by the IRS that it is subject to backup withholding.

Non-U.S. Holders

A non-U.S. Holder is generally not subject to backup withholding with respect to payments of interest (including OID) on debt securities if it certifies as to its status as a non-U.S. Holder under penalties of perjury or if it otherwise establishes an exemption, provided that neither we nor our paying agent has actual knowledge or reason to know that the non-U.S. Holder is a United States person or that the conditions of any other exemptions are not, in fact, satisfied. Information reporting requirements, however, will apply to payments of interest (including OID) to non-U.S. Holders where such interest is subject to withholding or exempt from United States withholding tax pursuant to a tax treaty. Copies of these information returns may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the non-U.S. Holder resides.

The payment of the proceeds from the disposition of debt securities to or through the United States office of any broker, United States or foreign, will be subject to information reporting and possible backup withholding unless the

owner certifies as to its non-United States status under penalties of perjury or otherwise establishes an exemption, provided that the broker does not have actual knowledge or reason to know that the non-U.S. Holder is a United States person or that the conditions of any other exemption are not, in fact, satisfied.

The payment of the proceeds from the disposition of debt securities to or through a non-United States office of a non-United States broker that is not a "United States related person" generally will not be subject to information reporting or backup withholding. For this purpose, a "United States related person" is:

- a controlled foreign corporation for U.S. federal income tax purposes;

- a foreign person 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment, or for such part of the period that the broker has been in existence, is derived from activities that are effectively connected with the conduct of a United States trade or business; or

- a foreign partnership that at any time during the partnership's taxable year is either engaged in the conduct of a trade or business in the United States or of which 50% or more of its income or capital interests are held by United States persons.

In the case of the payment of proceeds from the disposition of debt securities to or through a non-United States office of a broker that is either a United States person or a United States related person, the payment may be subject to information reporting unless the broker has documentary evidence in its files that the owner is a non-U.S. Holder and the broker has no knowledge or reason to know to the contrary. Backup withholding will not apply to payments made through foreign offices of a broker that is a United States person or a United States related person, absent actual knowledge that the payee is a United States person.

Table of Contents

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a Holder will be allowed as a refund or a credit against such Holder's U.S. federal income tax liability, provided that the requisite procedures are followed.

Holders of debt securities are urged to consult their tax advisors regarding their qualification for exemption from backup withholding and the procedure for obtaining such an exemption, if applicable.

FATCA Withholding

Payments of interest to a non-U.S. holder will be subject to a 30% withholding tax if the non-U.S. holder fails to provide the withholding agent with documentation sufficient to show that it is compliant with FATCA. Generally such documentation is provided on an executed IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable. If interest is subject to the 30% tax under FATCA, it will not be subject to the 30% tax described above under "Taxation of Non-U.S. Shareholders" and "Taxation of Non-U.S. Holders of Debt Securities." Based upon proposed Treasury regulations, which may be relied upon by taxpayers until the final Treasury regulations are issued, the FATCA withholding that was to be effective on January 1, 2019 with respect to payments of the gross proceeds no longer applies. Prospective investors should consult their tax advisors regarding the possible implications of this legislation on their investment in common shares or preferred shares of CubeSmart or debt securities of the Operating Partnership.

Table of Contents

BOARD OF TRUSTEES

Marianne M. Keler
Chair of the Board
Partner,
Keler & Kershow, PLLC

Christopher P. Marr
President and Chief Executive Officer,
CubeSmart

Piero Bussani
General Counsel & Senior Vice President,
ReVantage Corporate Services

Dorothy Dowling
Chief Marketing Officer and Senior Vice President of Sales,
Best Western Hotels and Resorts

John W. Fain
Senior Vice President,
Sales & Marketing (retired),
UPS Freight

John F. Remondi
Chief Executive Officer and Director,
Navient

Jeffrey F. Rogatz
Managing Director,
Robert W. Baird & Co.

Deborah Ratner Salzberg

CORPORATE OFFICERS

Christopher P. Marr
President and Chief Executive Officer

Timothy M. Martin
Chief Financial Officer

Jeffrey P. Foster
Senior Vice President and Chief Legal Officer and Secretary

CORPORATE INFORMATION

Transfer Agent
American Stock Transfer & Trust Co., LLC
Operations Center
6201 15th Avenue
Brooklyn, NY 11219
877.237.6885

Stock Listing
CubeSmart trades on the New York Stock Exchange under the symbol CUBE

Annual Meeting
The annual meeting of shareholders will be held at 5 Old Lancaster Road Malvern, PA 19355 on May 14, 2019 at 8:00 A.M. ET

Corporate Headquarters
5 Old Lancaster Road
Malvern, PA 19355

Investor Relations
5 Old Lancaster Road
Malvern, PA 19355
610.535.5000

Form 10 K
The Annual Report on Form 10-K filed with the Securities and Exchange Commission is available to shareholders without charge upon written request to:

Investor Relations
5 Old Lancaster Road
Malvern, PA 19355
610.535.5000

Internet
Financial statements and other information are available electronically on CubeSmart's web site at www.cubesmart.com

Chair,
Brookfield Properties DC
Region

CubeSmart submitted to the New York Stock Exchange the certification of the Chief Executive Officer certifying that he is not aware of any violation of the New York Stock Exchange corporate governance listing standards in effect at the time of the submission of such certificate.

In addition, the Company has filed, as exhibits 31.1, 31.2, 31.3 and 31.4 to the Annual Report on Form 10 K for the year ended December 31, 2018, the certifications of the Chief Executive Officer and Chief Financial Officer, respectively, required by Section 302 of the Sarbanes-Oxley Act of 2002 regarding the quality of CubeSmart and CubeSmart L.P.'s public disclosure.

Forward-looking Statements

This Annual Report contains 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. 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 the Company believes 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. Risk, uncertainties and other factors that might cause such differences, some of which could be material, include but are not limited to: adverse changes in the national and local economic, business, real estate and other market conditions; the effect of competition from existing and new self-storage properties on the Company's ability to maintain or raise occupancy and rental rates; the execution of the Company's business plan; reduced availability and increased costs of external sources of capital; financing risks, including the risk of over-leverage and the corresponding risk of default on the Company's 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; risks related the Company's ability to maintain its qualification as a REIT for federal income tax purposes; failure of acquisition and developments to close on expected terms, or at all, or to perform as expected; increases in taxes, fees, and assessments from state and local jurisdictions; the failure of the Company's joint venture partners to fulfill their obligations to the Company or their pursuit of actions that are inconsistent with the Company's objectives; reductions in asset valuations and related impairment charges; cyber security breaches or a failure of the Company's networks, systems or technology, which could adversely impact the Company's business, customer and employee relationships; changes in real estate and zoning laws or regulations; risks related to natural disasters or acts of violence, terrorism, or war that affect the markets in which the Company operates; potential environmental and other liabilities; uninsured losses; other factors affecting the real estate industry generally or the self-storage industry in particular; and other risks identified in this Annual Report and, from time to time, in other reports that the Company files with the SEC or in other documents that the

Table of Contents

Company publicly disseminates. The Company undertakes no obligation to publicly update or revise these forward-looking statements, whether as a result of new information, future events or otherwise except as may be required by securities laws.

Table of Contents

5 Old Lancaster Road

Malvern, PA 19355

www.cubesmart.com