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 companyEmerging growth company

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

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

CubeSmart

CubeSmart, L.P.

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

CubeSmart	Yes	No
CubeSmart, L.P.	Yes	No

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.

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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

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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.

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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;

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- 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

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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

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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

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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.

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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 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.

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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

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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

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- 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.

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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

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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.

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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

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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 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.

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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.

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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.

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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

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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.

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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;

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

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

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

The market price of our common shares has been subject to significant 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.

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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

		Rentable	Average Occupancy		
Year Acquired (1)	# of Stores	Square Feet	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 %

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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.

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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.

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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.

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.

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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

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	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.

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	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
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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
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Total discontinued operations	—	—	—	—	336
NET INCOME	165,488	135,611	88,376	78,756	26,702
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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

	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
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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.

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

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Report. 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 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

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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.

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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 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.

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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.

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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

(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.

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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.

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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)	(50,39

		(2,638)		(2,577)
		(1,386)		(2,662)
		872		1,062
		(60,104)		(54,57
		135,611		88,376
UTABLE TO NONCONTROLLING INTERESTS				
		(1,593)		(941)
		270		470
	$	134,288	$	87,905
		—		(5,045)
		—		(2,937)
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.

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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

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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.

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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:

	Year Ended December 31,		
Net cash provided by (used in):	2018	2017	Change
	(in thousands)		
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 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 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”):