Section 1: 8-K (8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported): **April 27, 2018 (April 26, 2018)**

CUBESMART
CUBESMART L.P.

(Exact Name of Registrant as Specified in Its Charter)

Maryland (CubeSmart) **Delaware (CubeSmart, L.P.)**	**001-32324** **000-54462**	**20-1024732** **34-1837021**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

5 Old Lancaster Road
Malvern, Pennsylvania 19355
(Address of Principal Executive Offices)

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

Not applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging Growth Company (CubeSmart) ☐
Emerging Growth Company (CubeSmart, L.P.) ☐

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. ☐

Item 2.02 Results of Operations and Financial Condition.

On April 26, 2018, CubeSmart (the "Company") announced its financial results for the three months ended March 31, 2018. A copy of the Company's earnings press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

Item 7.01 Regulation FD Disclosure.

The information included in this Current Report on Form 8-K (including Exhibit 99.1 hereto) shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any filing made by the Company under the Exchange Act or the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

The Company believes that certain statements in the information attached as Exhibit 99.1 may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are made on the basis of management's views and assumptions regarding future events and business performance as of the time the statements are made. Actual results may differ materially from those expressed or implied. Information concerning factors that could cause actual results to differ materially from those in forward-looking statements is contained from time to time in the Company's filings with the Securities and Exchange Commission.

Item 9.01 Financial Statements and Exhibits.

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

(d) Exhibits. The following exhibit is being furnished herewith to this Current Report on Form 8-K.

Exhibit No.	Description
99.1	CubeSmart Earnings Press Release, dated April 26, 2018, announcing the financial results for the three months ended March 31, 2018

SIGNATURES

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

CUBESMART

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

CUBESMART, L.P.

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

Date: April 27, 2018

EXHIBIT INDEX

Exhibit No.	Description
99.1	CubeSmart Earnings Press Release, dated April 26, 2018, announcing the financial results for the three months ended March 31, 2018

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Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1

News Release – April 26, 2018

CubeSmart Reports First Quarter 2018 Results

MALVERN, PA -- (Marketwired) – April 26, 2018 -- CubeSmart (NYSE: CUBE) today announced its operating results for the three months ended March 31, 2018.

"We are pleased with our first quarter results that reflect steady, broad-based demand and a competitive pricing environment," commented President and Chief Executive Officer Christopher P. Marr. "Demand for our third-party management services remains strong, expanding our national portfolio and strengthening our brand in targeted markets. We are well positioned for the busy rental season and remain focused on generating attractive risk-adjusted returns for shareholders."

Key Highlights for the Quarter

- Reported earnings per share ("EPS") attributable to the Company's common shareholders of $0.19.
- Reported funds from operations ("FFO") per share, as adjusted, of $0.39, representing a year-over-year increase of 8.3%.
- Increased same-store (458 stores) net operating income ("NOI") 4.0% year over year, driven by 3.8% revenue growth and a 3.4% increase in property operating expenses.
- Averaged 91.9% same-store occupancy during the quarter, ending March at 92.5%, a 20 basis point increase year over year.
- Closed on one property acquisition totaling $12.2 million.
- Added 47 stores to our third-party management platform during the quarter, bringing our total third-party managed store count to 496.

Financial Results

Net income attributable to the Company's common shareholders was $34.4 million for the first quarter of 2018, compared with $25.0 million for the first quarter of 2017. EPS attributable to the Company's common shareholders was $0.19 for the first quarter of 2018, compared to $0.14 for the same period last year.

FFO, as adjusted, was $71.5 million for the first quarter of 2018, compared with $65.7 million for the first quarter of 2017. FFO per share, as adjusted, increased 8.3% to $0.39 for the first quarter of 2018, compared with $0.36 for the same period last year.

Investment Activity

Acquisition Activity

The Company acquired a store in Texas for $12.2 million during the three months ended March 31,

2018. Additionally, the Company is under contract to acquire two properties located in Texas and Washington, D.C. for $53.7 million that are expected to close by the third quarter of 2018.

Unconsolidated Joint Venture Activity

During the first quarter of 2018, the Company's joint venture, HVP IV, acquired four properties located in Arizona (2), Maryland and Texas for $51.0 million, of which the Company contributed $10.3 million.

Subsequent to quarter-end, HVP IV acquired a store in Florida for $19.0 million and has three properties under contract, located in Florida, Georgia, and Texas, for $23.9 million that are expected to close during the second quarter of 2018.

Development Activity

The Company has agreements with developers for the construction of Class A self-storage properties. These agreements are structured as either purchases at completion of construction and issuance of certificate of occupancy ("C/O") or as joint venture developments. The Company did not acquire any properties at C/O or open for operation any development properties during the first quarter of 2018.

As of March 31, 2018, the Company had two properties under contract to purchase at C/O for a total acquisition price of $40.0 million. The stores are located in California and Florida. The purchases of the two properties are expected to occur at various times during the second quarter and third quarter of 2018. These acquisitions are subject to due diligence and other customary closing conditions, and no assurance can be provided that these acquisitions will be completed on the terms described, or at all.

As of March 31, 2018, the Company had seven joint venture development properties under construction. The Company anticipates investing a total of $250.0 million related to these projects and had invested $90.8 million of that total as of March 31, 2018. These stores are located in New York (4), Massachusetts (2), and New Jersey. The seven projects are expected to open at various times between the third quarter of 2018 and the fourth quarter of 2019.

Third-Party Management

As of March 31, 2018, the Company's third-party management program included 496 stores totaling 32.5 million square feet. During the quarter ended March 31, 2018, the Company added 47 stores to its third-party management program.

Same-Store Results

The Company's same-store portfolio at March 31, 2018 included 458 stores containing approximately 31.6 million rentable square feet, or approximately 93.4% of the aggregate rentable square feet of the Company's 485 owned stores. These same-store properties represented approximately 95.5% of property net operating income for the quarter ended March 31, 2018.

Same-store physical occupancy at period end for the first quarter of 2018 was 92.5%, compared with 92.3% for the same quarter of last year. Same-store revenues for the first quarter of 2018 increased 3.8%, and same-store operating expenses increased 3.4% from the same quarter in 2017. Same-store net operating income increased 4.0%, as compared with the same period in 2017.

Operating Results

As of March 31, 2018, the Company's total owned portfolio included 485 stores containing 33.8 million rentable square feet and had a physical occupancy of 90.3%.

Revenues increased $9.8 million and property operating expenses increased $3.9 million in the first quarter of 2018, as compared with the same period in 2017. Increases in revenues were primarily attributable to increased net effective rents and occupancy levels in the same-store portfolio as well as revenues generated from property acquisitions and recently opened development properties. Increases in property operating expenses were primarily attributable to a $1.8 million increase in costs associated with growth in our third-party management program as well as system enhancements, a $1.3 million increase in same-store expenses primarily due to higher property taxes and snow removal expenses, and $0.8 million of increased expenses associated with newly acquired or developed stores.

Interest expense increased from $13.6 million during the three months ended March 31, 2017 to $15.2 million during the three months ended March 31, 2018, an increase of $1.6 million. The increase is attributable to a higher amount of outstanding debt and higher interest rates during the 2018 period. To fund a portion of the Company's growth, the average debt balance during the three months ended March 31, 2018 increased approximately $57 million from the same period in 2017 from $1,624 million to $1,681 million. The weighted average effective interest rate on our outstanding debt increase from 3.71% for the three months ended March 31, 2017 to 3.87% for the three months ended March 31, 2018.

Financing Activity

During the quarter, the Company did not sell any common shares of beneficial interest through its "at-the-market" equity program ("ATM"). As of March 31, 2018, the Company had 4.7 million shares available for issuance under the existing equity distribution agreements.

Quarterly Dividend

On February 13, 2018, the Company declared a dividend of $0.30 per common share. The dividend was paid on April 16, 2018 to common shareholders of record on April 2, 2018.

2018 Financial Outlook

"Based on our first quarter performance, we are increasing the guidance midpoint for certain same-store operating metrics and FFO per share, as adjusted," commented Chief Financial Officer Tim Martin. "We continue to actively pursue acquisition and development opportunities in targeted markets, selectively purchasing five properties and adding two properties to our value creation pipeline during the quarter. Our investment grade balance sheet is well positioned to support our disciplined growth strategy going forward."

The Company is adjusting its previously issued estimates as well as underlying assumptions, and now expects that its fully diluted FFO per share, as adjusted, for 2018 will be between $1.61 and $1.65 (previously between $1.60 and $1.65), and that its fully diluted earnings per share for the period will be between $0.80 and $0.84 (previously $0.76 and $0.81). Due to uncertainty related to the timing and terms of transactions, the impact of any potential future speculative investment activity is excluded from guidance. For 2018, the same store pool consists of 458 properties totaling 31.6 million square feet.

2018 Full Year Guidance Range Summary	Current Ranges for Annual Assumptions			Prior Guidance[1]		
Same-store revenue growth	2.25%	to	3.25%	2.0%	to	3.0%
Same-store expense growth	3.5%	to	4.5%	3.5%	to	4.5%
Same-store NOI growth	1.75%	to	3.0%	1.5%	to	3.0%
Acquisition of wholly-owned operating properties	$ 50.0M	to	$100.0M	$ 50.0M	to	$100.0M
Acquisition of properties at C/O	$ 40.0M		$ 40.0M	$ 20.8M		$ 20.8M
New development openings	$135.7M		$135.7M	$151.7M		$151.7M
Dispositions	$ 0	to	$ 50.0M	$ 0	to	$ 50.0M
Dilution from properties in lease-up	$ (0.06)	to	$ (0.07)	$ (0.06)	to	$ (0.07)
Property management fee income	$ 19.0M	to	$ 21.0M	$ 19.0M	to	$ 21.0M
General and administrative expenses	$ 36.0M	to	$ 37.0M	$ 36.0M	to	$ 37.0M
Interest and loan amortization expense	$ 65.5M	to	$ 67.5M	$ 65.5M	to	$ 67.5M
Weighted average shares and units	185.3M		185.3M	185.3M		185.3M
Earnings per diluted share allocated to common shareholders	$ 0.80	to	$ 0.84	$ 0.76	to	$ 0.81
Plus: real estate depreciation and amortization	$ 0.81		0.81	$ 0.84		0.84
FFO per diluted share, as adjusted	**$ 1.61**	**to**	**$ 1.65**	**$ 1.60**	**to**	**$ 1.65**

(1) Prior guidance as included in our fourth quarter earnings release dated February 15, 2018.

2nd Quarter 2018 Guidance	Range or Value		
Earnings per diluted share allocated to common shareholders	$ 0.20	to	$ 0.21
Plus: real estate depreciation and amortization	0.20		0.20
FFO per diluted share, as adjusted	**$ 0.40**	**to**	**$ 0.41**

Conference Call

Management will host a conference call at 11:00 a.m. ET on Friday, April 27, 2018 to discuss financial results for the three months ended March 31, 2018.

A live webcast of the conference call will be available online from the investor relations page of the Company's corporate website at www.CubeSmart.com. Telephone participants may avoid any delays in joining the conference call by pre-registering for the call using the following link to receive a special dial-in number and PIN: http://dpregister.com/10118701.

Telephone participants who are unable to pre-register for the conference call may join on the day of the call using 1-877-506-3281 for domestic callers, +1-412-902-6677 for international callers, or 1-855-669-9657 for callers in Canada. After the live webcast, the call will remain available on CubeSmart's website for 30 days. In addition, a telephonic replay of the call will be available through May 27, 2018. The replay numbers are 1-877-344-7529 for domestic callers, +1-412-317-0088 for international callers, and 1-855-669-9658 for callers in Canada. For callers accessing a telephonic replay, the conference number is 10118701.

Supplemental operating and financial data as of March 31, 2018 is available on the Company's corporate website under Investor Relations - Financial Information - Financial Reports.

About CubeSmart

CubeSmart is a self-administered and self-managed real estate investment trust. The Company's self-storage properties are designed to offer affordable, easily accessible and secure storage space for residential and commercial customers. According to the 2018 Self-Storage Almanac, CubeSmart is one of the top three owners and operators of self-storage properties in the United States.

Non-GAAP Financial Measures

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

Management uses FFO as a key performance indicator in evaluating the operations of the Company's stores. Given the nature of its business as a real estate owner and operator, the Company considers FFO a key measure of its operating performance that is not specifically defined by accounting principles generally accepted in the United States. The Company believes that FFO is useful to management and investors as a starting point in measuring its operational performance because FFO excludes various items included in net income that do not relate to or are not indicative of its 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. The Company's 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 the Company's 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 the Company's ability to make cash distributions. The Company believes that to further understand its performance, FFO should be compared with its reported net income and considered in addition to cash flows computed in accordance with GAAP, as presented in its Consolidated Financial Statements.

FFO, as adjusted represents FFO as defined above, excluding the effects of acquisition related costs, gains or losses from early extinguishment of debt, and other non-recurring items, which the Company believes are not indicative of the Company's operating results.

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

Management uses NOI as a measure of operating performance at each of its stores, and for all of its stores in the aggregate. NOI should not be considered as a substitute for operating income, net income, cash flows provided by operating, investing and financing activities, or other income statement or cash flow statement data prepared in accordance with GAAP. The Company believes NOI is useful to investors in evaluating operating performance because it is one of the primary measures used by management and store managers to evaluate the economic productivity of the Company's stores, including the ability to lease stores, increase pricing and occupancy, and control property operating expenses. Additionally, NOI helps the Company's investors meaningfully compare the results of its operating performance from period to period by removing the impact of its capital structure (primarily interest expense on outstanding indebtedness) and depreciation of the basis in its assets from operating results.

Forward-Looking Statements

This presentation, together with other statements and information publicly disseminated by CubeSmart ("we," "us," "our" or the "Company"), contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the "Exchange Act." Forward-looking statements include statements concerning the Company's plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions and other information that is not historical information. In some cases, forward-looking statements can be identified by terminology such as "believes," "expects," "estimates," "may," "will," "should," "anticipates," or "intends" or the negative of such terms or other comparable terminology, or by discussions of strategy. Such statements are based on assumptions and expectations that may not be realized and are inherently subject to risks, uncertainties and other factors, many of which cannot be predicted with accuracy and some of which might not even be anticipated. Although we believe the expectations reflected in these forward-looking statements are based on reasonable assumptions, future events and actual results, performance, transactions or achievements, financial and otherwise, may differ materially from the results, performance, transactions or achievements expressed or implied by the forward-looking statements. As a result, you should not rely on or construe any forward-looking statements in this presentation, or which management may make orally or in writing from time to time, as predictions of future events or as guarantees of future performance. We caution you not to place undue reliance on forward-looking statements, which speak only as of the date of this presentation or as of the dates otherwise indicated in the statements. All of our forward-looking statements, including those in this presentation, 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 presentation. Any forward-looking statements should be considered in light of the risks and uncertainties referred to in Item 1A. "Risk Factors" in our Annual Report on Form 10-K and in our other filings with the Securities and Exchange Commission ("SEC"). These risks include, but are not limited to, the following:

- national and local economic, business, real estate and other market conditions;
- the competitive environment in which we operate, including our ability to maintain or raise occupancy and rental rates;
- the execution of our business plan;
- the availability of external sources of capital;
- financing risks, including the risk of over-leverage and the corresponding risk of default on our mortgage and other debt and potential inability to refinance existing indebtedness;

- increases in interest rates and operating costs;
- counterparty non-performance related to the use of derivative financial instruments;
- our ability to maintain our status as a real estate investment trust (“REIT”) for federal income tax purposes;
- acquisition and development risks;
- 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;
- 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;
- risks related to natural disasters;
- potential environmental and other liabilities;
- other factors affecting the real estate industry generally or the self-storage industry in particular; and
- other risks identified in Item 1A of our Annual Report on Form 10-K 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, 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 in securities laws.

Contact:

CubeSmart
Charles Place
Director, Investor Relations
(610) 535-5700

CUBESMART AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(unaudited)

	March 31, 2018 (unaudited)	December 31, 2017
ASSETS		
Storage properties	$ 4,201,909	$ 4,161,715
Less: Accumulated depreciation	(785,010)	(752,925)
Storage properties, net (including VIE assets of $268,343 and $291,496, respectively)	3,416,899	3,408,790
Cash and cash equivalents	6,036	5,268
Restricted cash	2,946	3,890
Loan procurement costs, net of amortization	1,463	1,592
Investment in real estate ventures, at equity	99,085	91,206
Other assets, net	39,105	34,590
Total assets	$ 3,565,534	$ 3,545,336
LIABILITIES AND EQUITY		
Unsecured senior notes, net	$ 1,142,726	$ 1,142,460
Revolving credit facility	136,400	81,700
Unsecured term loans, net	299,497	299,396
Mortgage loans and notes payable, net	110,635	111,434
Accounts payable, accrued expenses and other liabilities	122,703	143,344
Distributions payable	55,382	55,297
Deferred revenue	22,671	21,529
Security deposits	486	486
Total liabilities	1,890,500	1,855,646
Noncontrolling interests in the Operating Partnership	57,705	54,320
Commitments and contingencies		
Equity		
Common shares $.01 par value, 400,000,000 shares authorized, 182,279,975 and 182,215,735 shares issued and outstanding at March 31, 2018 and December 31, 2017, respectively	1,823	1,822
Additional paid-in capital	2,356,759	2,356,620
Accumulated other comprehensive income	279	3
Accumulated deficit	(748,499)	(729,311)
Total CubeSmart shareholders' equity	1,610,362	1,629,134
Noncontrolling interests in subsidiaries	6,967	6,236
Total equity	1,617,329	1,635,370
Total liabilities and equity	$ 3,565,534	$ 3,545,336

CUBESMART AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share data)
(unaudited)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
REVENUES		
Rental income	$ 124,161	$ 117,057
Other property related income	14,247	12,983
Property management fee income	4,469	2,997
Total revenues	142,877	133,037
OPERATING EXPENSES		
Property operating expenses	48,754	44,874
Depreciation and amortization	34,966	38,119
General and administrative	8,744	9,494
Acquisition related costs	—	159
Total operating expenses	92,464	92,646
OPERATING INCOME	50,413	40,391
OTHER (EXPENSE) INCOME		
Interest:		
Interest expense on loans	(15,155)	(13,599)
Loan procurement amortization expense	(579)	(706)
Equity in losses of real estate ventures	(184)	(772)
Other	304	(108)
Total other expense	(15,614)	(15,185)
NET INCOME	34,799	25,206
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS		
Noncontrolling interests in the Operating Partnership	(383)	(277)
Noncontrolling interest in subsidiaries	7	57
NET INCOME ATTRIBUTABLE TO THE COMPANY'S COMMON SHAREHOLDERS	$ 34,423	$ 24,986
Basic earnings per share attributable to common shareholders	$ 0.19	$ 0.14
Diluted earnings per share attributable to common shareholders	$ 0.19	$ 0.14
Weighted-average basic shares outstanding	182,274	180,165
Weighted-average diluted shares outstanding	183,222	181,265

Same-Store Facility Results (458 stores)

(in thousands, except percentage and per square foot data)

(unaudited)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Percent Change
REVENUES			
Rental income	$ 117,510	$ 113,265	3.7 %
Other property related income	12,250	11,705	4.7 %
Total revenues	129,760	124,970	3.8 %
OPERATING EXPENSES			
Property taxes	14,193	13,588	4.5 %
Personnel expense	10,619	10,401	2.1 %
Advertising	1,701	1,776	(4.2)%
Repair and maintenance	1,494	1,407	6.2 %
Utilities	4,109	3,911	5.1 %
Property insurance	672	748	(10.2)%
Other expenses	5,924	5,607	5.7 %
Total operating expenses	38,712	37,438	3.4 %
Net operating income (1)	$ 91,048	$ 87,532	4.0 %
Gross margin	70.2 %	70.0 %	
Period end occupancy (2)	92.5 %	92.3 %	
Period average occupancy (3)	91.9 %	91.8 %	
Total rentable square feet	31,591		
Realized annual rent per occupied square foot (4)	$ 16.19	$ 15.62	3.6 %

Reconciliation of Same-Store Net Operating Income to Operating Income

	2018	2017
Same-store net operating income (1)	$ 91,048	$ 87,532
Non same-store net operating income (1)	4,262	1,944
Indirect property overhead (5)	(1,187)	(1,313)
Depreciation and amortization	(34,966)	(38,119)
General and administrative expense	(8,744)	(9,494)
Acquisition related costs	-	(159)
Operating Income	$ 50,413	$ 40,391

(1) Net operating income (NOI) is a non-GAAP (generally accepted accounting principles) financial measure that excludes from operating income the impact of depreciation and general & administrative expense.
(2) Represents occupancy at March 31 of the respective year.
(3) Represents the weighted average occupancy for the period.
(4) Realized annual rent per occupied square foot is computed by dividing rental income by the weighted average occupied square feet for the period.
(5) Includes property management income earned in conjunction with managed properties.

Non-GAAP Measure – Computation of Funds From Operations

(in thousands, except per share data)

(unaudited)

	Three Months Ended March 31,	
	2018	2017
Net income attributable to the Company's common shareholders	$ 34,423	$ 24,986
Add:		
Real estate depreciation and amortization:		
Real property	34,259	37,476
Company's share of unconsolidated real estate ventures	2,418	2,780
Noncontrolling interests in the Operating Partnership	383	277
FFO attributable to common shareholders and OP unitholders	$ 71,483	$ 65,519
Add:		
Acquisition related costs	—	159
FFO, as adjusted, attributable to common shareholders and OP unitholders	$ 71,483	$ 65,678
Earnings per share attributable to common shareholders - basic	$ 0.19	$ 0.14
Earnings per share attributable to common shareholders - diluted	$ 0.19	$ 0.14
FFO per share and unit - fully diluted	$ 0.39	$ 0.36
FFO, as adjusted per share and unit - fully diluted	$ 0.39	$ 0.36
Weighted-average basic shares outstanding	182,274	180,165
Weighted-average diluted shares outstanding	183,222	181,265
Weighted-average diluted shares and units outstanding	185,212	183,297
Dividend per common share and unit	$ 0.30	$ 0.27
Payout ratio of FFO, as adjusted	76.9 %	75.0 %

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