U-Store-It Trust
Form 10-Q
May 10, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended March 31, 2011.

or

o **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

U-STORE-IT TRUST

(Exact Name of Registrant as Specified in its Charter)

Maryland	**20-1024732**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
460 East Swedesford Road **Wayne, Pennsylvania**	**19087**
(Address of Principal Executive Offices)	(Zip Code)

(610) 293-5700

(Registrant s Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

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

Class	Outstanding at May 5, 2011
common shares, $.01 par value	99,442,049

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U-STORE-IT TRUST

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Forward-Looking Statements

This Quarterly Report on Form 10-Q, or this Report , together with other statements and information publicly disseminated by U-Store-It Trust (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 our 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 ne terms or other comparable terminology, or by discussions of strategy. Such statements are based on assumptions and expectations that may not be realized and are inherently subject to risks, uncertainties and other factors, many of which cannot be predicted with accuracy and some of which might not even be anticipated. Although we believe the expectations reflected in these forward-looking statements are based on reasonable assumptions, future events and actual results, performance, transactions or achievements, financial and otherwise, may differ materially from the results, performance, transactions or achievements expressed or implied by the forward-looking statements. As a result, you should not rely on or construe any forward-looking statements in this Report, or which management may make orally or in writing from time to time, as predictions of future events or as guarantees of future performance. We caution you not to place undue reliance on forward-looking statements, which speak only as of the date of this Report or as of the dates otherwise indicated in the statements. All of our forward-looking statements, including those in this Report, are qualified in their entirety by this statement.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in or contemplated by this Report. Any forward-looking statements should be considered in light of the risks and uncertainties referred to in Item 1A. Risk Factors in the U-Store-It Trust Annual Report on Form 10-K for the year ended December 31, 2010 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 raise 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;

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- acquisition and development risks;
- increases in taxes, fees, and assessments from state and local jurisdictions;
- 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 our Annual Report on Form 10-K and, from time to time, in other reports we file with the SEC or in other documents that we publicly disseminate.

Given these uncertainties and the other risks identified elsewhere in our Annual Report on Form 10-K and 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.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

U-STORE-IT TRUST AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

(unaudited)

	March 31, 2011	December 31, 2010
ASSETS		
Storage facilities	$ 1,737,681	$ 1,743,021
Less: Accumulated depreciation	(307,569)	(314,530)
Storage facilities, net	1,430,112	1,428,491
Cash and cash equivalents	4,089	5,891
Restricted cash	9,612	10,250
Loan procurement costs, net of amortization	14,034	15,611
Other assets, net	17,860	18,576
Total assets	$ 1,475,707	$ 1,478,819
LIABILITIES AND EQUITY		
Revolving credit facility	$ 40,500	$ 43,000
Unsecured term loan	200,000	200,000
Mortgage loans and notes payable	382,541	372,457
Accounts payable, accrued expenses and other liabilities	32,104	36,172
Distributions payable	7,292	7,275
Deferred revenue	9,272	8,873
Security deposits	497	489
Total liabilities	672,206	668,266
Noncontrolling interests in the Operating Partnership	49,835	45,145
Commitments and contingencies		
Equity		
Common shares $.01 par value, 200,000,000 shares authorized, 98,831,423 and 98,596,796 shares issued and outstanding at March 31, 2011 and December 31, 2010, respectively	988	986
Additional paid in capital	1,027,594	1,026,952
Accumulated other comprehensive loss	(888)	(1,121)
Accumulated deficit	(314,693)	(302,601)
Total U-Store-It Trust shareholders equity	713,001	724,216
Noncontrolling interest in subsidiaries	40,665	41,192
Total equity	753,666	765,408
Total liabilities and equity	$ 1,475,707	$ 1,478,819

See accompanying notes to the unaudited consolidated financial statements.

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U-STORE-IT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended March 31, 2011		Three Months Ended March 31, 2010	
REVENUES				
Rental income	$	51,873	$	47,715
Other property related income		4,759		3,805
Property management fee income		909		44
Total revenues		57,541		51,564
OPERATING EXPENSES				
Property operating expenses		25,610		22,348
Depreciation and amortization		15,572		15,949
General and administrative		6,031		5,868
Total operating expenses		47,213		44,165
OPERATING INCOME		10,328		7,399
OTHER INCOME (EXPENSE)				
Interest:				
Interest expense on loans		(8,113)		(10,051)
Loan procurement amortization expense		(1,636)		(1,539)
Interest income		9		535
Acquisition related costs		(109)		
Other		(3)		(41)
Total other expense		(9,852)		(11,096)
INCOME (LOSS) FROM CONTINUING OPERATIONS		476		(3,697)
INCOME FROM DISCONTINUED OPERATIONS				505
NET INCOME (LOSS)		476		(3,192)
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS				
Noncontrolling interests in the Operating Partnership		5		178
Noncontrolling interest in subsidiaries		(598)		(461)
NET LOSS ATTRIBUTABLE TO THE COMPANY	$	(117)	$	(3,475)
Basic and diluted loss per share from continuing operations attributable to common shareholders	$		$	(0.04)
Basic and diluted earnings per share from discontinued operations attributable to common shareholders	$		$	
Basic and diluted loss per share attributable to common shareholders	$		$	(0.04)
Weighted-average basic and diluted shares outstanding		98,769		92,834
AMOUNTS ATTRIBUTABLE TO THE COMPANY S COMMON SHAREHOLDERS:				
Loss from continuing operations	$	(117)	$	(3,955)
Total discontinued operations				480
Net loss	$	(117)	$	(3,475)

See accompanying notes to the unaudited consolidated financial statements.

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U-STORE-IT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

For the Three-Month Periods Ended March 31, 2011 and 2010

(in thousands)

(unaudited)

	Common Shares Number	Common Shares Amount	Additional Paid in Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Shareholders Equity	Noncontrolling Interest in Subsidiaries	Total Equity	Noncontrolling Interests in the Operating Partnership
Balance at December 31, 2010	98,597	$ 986	$ 1,026,952	$ (1,121)	$ (302,601)	$ 724,216	$ 41,192	$ 765,408	$ 45,145
Contributions from noncontrolling interests in subsidiaries							12	12	
Issuance of restricted shares	218	2				2		2	
Exercise of stock options	16		60			60		60	
Amortization of restricted shares			149			149		149	
Share compensation expense			433			433		433	
Net (loss) income					(117)	(117)	598	481	(5)
Adjustment for noncontrolling interest in Operating partnership					(5,015)	(5,015)		(5,015)	5,015
Other comprehensive income:									
Unrealized gain on foreign currency translation				233		233	8	241	11
Distributions					(6,960)	(6,960)	(1,145)	(8,105)	(331)
Balance at March 31, 2011	98,831	$ 988	$ 1,027,594	$ (888)	$ (314,693)	$ 713,001	$ 40,665	$ 753,666	$ 49,835

	Common Shares Number	Common Shares Amount	Additional Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders Equity	Noncontrolling Interest in Subsidiaries	Total Equity	Noncontrolling Interests in the Operating Partnership
Balance at December 31, 2009	92,655	$ 927	$ 974,926	$ (874)	$ (279,670)	$ 695,309	$ 44,021	$ 739,330	$ 45,394
Contributions from noncontrolling interests in subsidiaries							19	19	
Issuance of restricted shares	195	2				2		2	
Exercise of stock options	52		180			180		180	
Amortization of restricted shares			503			503		503	
Share compensation expense			536			536		536	
Net (loss) income					(3,475)	(3,475)	461	(3,014)	(178)

Other comprehensive income:									
Unrealized loss on foreign currency translation				(182)		(182)	(5)	(187)	(10)
Distributions					(2,342)	(2,342)	(1,132)	(3,474)	(120)
Balance at March 31, 2010	92,902	$ 929	$ 976,145	$ (1,056)	$ (285,487)	$ 690,531	$ 43,364	$ 733,895	$ 45,086

See accompanying notes to the unaudited consolidated financial statements.

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U-STORE-IT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three Months Ended March 31, 2011		Three Months Ended March 31, 2010	
Operating Activities				
Net income (loss)	$	476	$	(3,192)
Adjustments to reconcile net income (loss) to cash provided by operating activities:				
Depreciation and amortization		17,208		17,917
Equity compensation expense		582		1,039
Accretion of fair market value adjustment of debt		(19)		(113)
Changes in other operating accounts:				
Other assets		(91)		668
Restricted cash		765		
Accounts payable and accrued expenses		(3,984)		(5,996)
Other liabilities		310		561
Net cash provided by operating activities	$	15,247	$	10,884
Investing Activities				
Acquisitions, additions and improvements to storage facilities	$	(8,043)	$	(2,612)
Proceeds from repayment of notes receivable				17,580
(Increase) decrease in restricted cash		(127)		2,860
Net cash (used in) provided by investing activities	$	(8,170)	$	17,828
Financing Activities				
Proceeds from:				
Revolving credit facility	$	14,000	$	
Mortgage loans and notes payable		3,537		
Principal payments on:				
Revolving credit facility		(16,500)		
Mortgage loans and notes payable		(1,588)		(85,390)
Exercise of stock options		60		180
Contributions from noncontrolling interests in subsidiaries		12		19
Distributions paid to shareholders		(6,940)		(2,331)
Distributions paid to noncontrolling interests in Operating Partnership		(332)		(122)
Distributions paid to noncontrolling interests in subsidiaries		(1,145)		(1,132)
Loan procurement costs		17		(1,180)
Net cash used in financing activities	$	(8,879)	$	(89,956)
Decrease in cash and cash equivalents		(1,802)		(61,244)
Cash and cash equivalents at beginning of period		5,891		102,768
Cash and cash equivalents at end of period	$	4,089	$	41,524
Supplemental Cash Flow and Noncash Information				
Cash paid for interest, net of interest capitalized	$	8,158	$	10,245
Supplemental disclosure of noncash activities:				

Foreign currency translation adjustment	$	252	$	(197)
Mortgage loan assumption at fair value	$	8,021	$	

See accompanying notes to the unaudited consolidated financial statements.

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U-STORE-IT TRUST AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF OPERATIONS

U-Store-It Trust, a Maryland real estate investment trust (collectively with its subsidiaries, we , us or the Company), is a self-administered and self-managed real estate investment trust, or REIT, that specializes in acquiring, developing, managing and operating self-storage properties for business and personal use under month-to-month leases. The Company s self-storage facilities (collectively, the Properties) are located in 26 states throughout the United States, and in the District of Columbia and the UK and are managed under one reportable segment: we own, operate, develop, manage and acquire self-storage facilities. The Company owns substantially all of its assets and conducts its operations through U-Store-It, L.P., a Delaware limited partnership (the Operating Partnership). The Company is the sole general partner of the Operating Partnership and, as of March 31, 2011, owned a 95.4% interest in the Operating Partnership. The Company manages its owned assets through YSI Management, LLC (the Management Company), a wholly owned subsidiary of the Operating Partnership, and manages assets owned by third parties through Storage Asset Management, LLC, also a wholly owned subsidiary of the Operating Partnership. The Company owns four subsidiaries that have elected to be treated as taxable REIT subsidiaries. In general, a taxable REIT subsidiary, which is treated as a corporation for U.S. federal income tax purposes, may perform non-customary services for tenants, hold assets that the Company, as a REIT, cannot hold directly and generally may engage in any real estate or non-real estate related business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the SEC regarding interim financial reporting and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods presented in accordance with generally accepted accounting principles in the United States (GAAP). Accordingly, readers of this Quarterly Report on Form 10-Q should refer to the Company s audited financial statements prepared in accordance with GAAP, and the related notes thereto, for the year ended December 31, 2010, which are included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010 as certain footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted from this report pursuant to the rules of the SEC. The results of operations for each of the three months ended March 31, 2011 and 2010 are not necessarily indicative of the results of operations to be expected for any future period or the full year.

3. STORAGE FACILITIES

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

	March 31, 2011	December 31, 2010
	(in thousands)	
Land and improvements	$ 376,662	$ 374,569
Buildings and improvements	1,285,159	1,273,938
Equipment	74,405	93,571
Construction in progress	1,455	943
Total	1,737,681	1,743,021
Less accumulated depreciation	(307,569)	(314,530)
Storage facilities, net	$ 1,430,112	$ 1,428,491

As assets become fully depreciated, the carrying values are removed from their respective asset category and accumulated depreciation. During the three months ended March 31, 2011 and 2010, $21.2 million and $33.4 million of assets became fully depreciated and were removed from storage facilities.

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The following table summarizes the Company s acquisition and disposition activity during the period January 1, 2010 to March 31, 2011:

Facility/Portfolio	Location	Transaction Date	Number of Facilities		Purchase / Sales Price (in thousands)
2011 Acquisitions:					
Burke Lake Asset	Fairfax Station, VA	January 2011	1	$	14,000
2010 Acquisitions:					
Frisco Asset	Frisco, TX	July 2010	1	$	5,800
New York City Assets	New York, NY	September 2010	2		26,700
Northeast Assets	Multiple locations in NJ, NY and MA	November 2010	5		18,560
Manassas Asset	Manassas, VA	November 2010	1		6,050
Apopka Asset	Orlando, FL	November 2010	1		4,235
Wyckoff Asset	Queens, NY	December 2010	1		13,600
McLearen Asset	McLearen, VA	December 2010	1		10,200
			12	$	85,145
2010 Dispositions:					
Sun City Asset	Sun City, CA	October 2010	1	$	3,100
Inland Empire/Fayetteville Assets	Multiple locations in CA and NC	December 2010	15		35,000
			16	$	38,100

4. ACQUISITIONS

On April 28, 2010, the Company acquired 85 management contracts from United Stor-All Management, LLC (United Stor-All). The Company accounted for this acquisition as a business combination. The 85 management contracts relate to facilities located in 16 states and the District of Columbia. The Company recorded the fair value of the assets acquired which includes the intangible value related to the management contracts as other assets, net on the Company s consolidated balance sheet. The Company s estimate of the fair value of the acquired assets and liabilities utilized Level 3 inputs and considered the probability of the expected period the contracts would remain in place, including estimated renewal periods, and the amount of the discounted estimated future contingent payments to be made. The Company paid $4.1 million in cash for the contracts and recognized $1.8 million in contingent consideration. The Company records changes in the fair value of the contingent consideration liability in earnings. The average estimated life of the intangible value of the management contracts is 56 months from the April 2010 closing and the related amortization expense recognized during the three months ended March 31, 2011 was $0.3 million.

During 2010, the Company acquired 12 self-storage facilities for an aggregate purchase price of $85.1 million and allocated approximately $3.7 million to the intangible value of the in-place leases. The amortization expense that was recognized during the three months ended March 31, 2011 was approximately $0.9 million.

During the quarter ended March 31, 2011, the Company acquired one self-storage facility for $14.0 million and allocated approximately $0.6 million to the intangible value of in-place leases. This asset represents the value of in-place leases at the time of acquisition. The Company recognized amortization expense related to this asset of $0.1 million during the three months ended March 31, 2011. In connection with this acquisition, the Company assumed mortgage debt with an outstanding principal balance of $7.5 million and recorded a premium of $0.5 million to reflect the fair value of the debt at the time of assumption.

Refer to Note 3 for facility details of the 2010 and 2011 acquisitions.

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5. UNSECURED CREDIT FACILITY AND UNSECURED TERM LOANS

On September 29, 2010, the Company amended its three-year, $450 million senior secured credit facility (the Secured Credit Facility), which consisted of a $200 million secured term loan and a $250 million secured revolving credit facility. The Secured Credit Facility was collateralized by mortgages on borrowing base properties (as defined in the Secured Credit Facility agreement). The amended credit facility (the Credit Facility) consists of a $200 million unsecured term loan and a $250 million unsecured revolving credit facility. The Credit Facility has a three-year term expiring on December 7, 2013, is unsecured, and borrowings on the facility incur interest based on a borrowing spread based on the Company s leverage levels plus LIBOR. The Company incurred $2.5 million in connection with executing this amendment and capitalized such costs as a component of loan procurement costs, net of amortization on the Company s consolidated balance sheet.

At March 31, 2011, $200 million of unsecured term loan borrowings and $40.5 million of unsecured revolving credit facility borrowings were outstanding under the Credit Facility and $209.5 million was available for borrowing under the Credit Facility. Borrowings under the Credit Facility bear interest ranging from 3.25% to 3.75% over LIBOR depending on our leverage ratio. The Company had an interest rate cap agreement as of March 31, 2011, that effectively limited the LIBOR component of the interest rate on $100 million of Credit Facility borrowings to 2.00% per annum through January 2012. As of March 31, 2011, borrowings under the Credit Facility had a weighted average interest rate of 3.5%, and the Company was in compliance with all covenants.

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6. MORTGAGE LOANS AND NOTES PAYABLE

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

Mortgage Loan	Carrying Value as of: March 31, 2011	Carrying Value as of: December 31, 2010	Effective Interest Rate	Maturity Date
	(in thousands)			
YSI 12	$ 1,465	$ 1,477	5.97%	Sep-11
YSI 13	1,259	1,270	5.97%	Sep-11
YSI 6	75,803	76,137	5.13%	Aug-12
YASKY	80,000	80,000	4.96%	Sep-12
YSI 14	1,746	1,759	5.97%	Jan-13
YSI 7	3,083	3,100	6.50%	Jun-13
YSI 8	1,761	1,771	6.50%	Jun-13
YSI 9	1,938	1,948	6.50%	Jun-13
YSI 17	4,087	4,121	6.32%	Jul-13
YSI 27	495	499	5.59%	Nov-13
YSI 30	7,249	7,316	5.59%	Nov-13
YSI 11	2,403	2,420	5.87%	Dec-13
USIFB	7,395	3,726	5.11%	Dec-13
YSI 5	3,170	3,193	5.25%	Jan-14
YSI 28	1,543	1,555	5.59%	Feb-14
YSI 34	14,783	14,823	8.00%	Jun-14
YSI 37	2,201	2,210	7.25%	Aug-14
YSI 40	2,503	2,520	7.25%	Aug-14
YSI 44	1,088	1,095	7.00%	Sep-14
YSI 41	3,853	3,879	6.60%	Sep-14
YSI 38	3,945	3,973	6.35%	Oct-14
YSI 45	5,420	5,443	6.75%	Oct-14
YSI 46	3,415	3,430	6.75%	Oct-14
YSI 43	2,898	2,919	6.50%	Nov-14
YSI 48	25,161	25,270	7.25%	Nov-14
YSI 50	2,307	2,322	6.75%	Dec-14
YSI 10	4,070	4,091	5.87%	Jan-15
YSI 15	1,866	1,877	6.41%	Jan-15
YSI 20	61,992	62,459	5.97%	Nov-15
YSI 51	7,493		6.36%	Oct-16
YSI 31	13,600	13,660	6.75%	Jun-19(a)
YSI 35	4,499	4,499	6.90%	Jul-19(a)
YSI 32	6,032	6,058	6.75%	Jul-19(a)
YSI 33	11,318	11,370	6.42%	Jul-19
YSI 42	3,162	3,184	6.88%	Sep-19(a)
YSI 39	3,915	3,931	6.50%	Sep-19(a)
YSI 47	3,155	3,176	6.63%	Jan-20(a)
Unamortized fair value adjustment	468	(24)		
Total mortgage loans and notes payable	$ 382,541	$ 372,457		

(a) These borrowings have a fixed interest rate for the first five years of their term, which then resets and remains constant over the final five years of the loan term.

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The following table represents the future principal payment requirements on the outstanding mortgage loans and notes payable at March 31, 2011 (in thousands):

2011	$	7,395
2012		160,082
2013		33,741
2014		91,171
2015		60,215
2016 and thereafter		29,469
Total mortgage payments		382,073
Plus: Unamortized fair value adjustment		468
Total mortgage indebtedness	$	382,541

The Company currently intends to fund its remaining 2011 principal payment requirements from cash provided by operating activities.

7. FAIR VALUE MEASUREMENTS

The fair values of financial instruments, including cash and cash equivalents, accounts receivable and accounts payable approximates their respective book values at March 31, 2011 and December 31, 2010. The Company had fixed interest rate loans with a carrying value of $382.5 million and $372.5 million at March 31, 2011 and December 31, 2010, respectively. The estimated fair values of these fixed rate loans were $356.7 million and $351.8 million at March 31, 2011 and December 31, 2010, respectively. The Company had variable interest rate loans with a carrying value of $240.5 million and $243.0 million at March 31, 2011 and December 31, 2010, respectively. The estimated fair values of the variable interest rate loans approximate their carrying values due to their floating rate nature and market spreads. These estimates are based on discounted cash flow analyses assuming market interest rates for comparable obligations at March 31, 2011 and December 31, 2010.

8. NONCONTROLLING INTERESTS

Variable Interests in Consolidated Real Estate Joint Ventures

On August 13, 2009, the Company, through a wholly-owned affiliate, formed a joint venture (HART) with an affiliate of Heitman, LLC (Heitman) to own and operate 22 self-storage facilities, which are located throughout the United States. Upon formation, Heitman contributed approximately $51 million of cash to a newly-formed limited partnership and the Company contributed certain unencumbered wholly-owned properties with an agreed upon value of approximately $102 million to such limited partnership. In exchange for its contribution of those properties, the Company received a cash distribution from HART of approximately $51 million and retained a 50% interest in HART. The Company is the managing partner of HART and the manager of the properties owned by HART in exchange for a market rate management fee.

The Company determined that HART is a variable interest entity, and that the Company is the primary beneficiary. Accordingly, the Company consolidates the assets, liabilities and results of operations of HART. The 50% interest that is owned by Heitman is reflected as noncontrolling interest in subsidiaries within permanent equity, separate from the Company s equity on the consolidated balance sheets. At March 31, 2011, HART had total assets of $88.7 million, including $86.6 million of storage facilities, net and total liabilities of $2.1 million.

USIFB, LLP (the Venture) was formed to own, operate, acquire and develop self-storage facilities in England. The Company owns a 97% interest in the Venture through a wholly-owned subsidiary and the Venture commenced operations at two facilities in London, England during 2008. The Company determined that the Venture is a variable interest entity, and that the Company is the primary beneficiary. Accordingly, the Company consolidates the assets, liabilities and results of operations of the Venture. At March 31, 2011, the Venture had total assets of $11.9 million and total liabilities of $7.7 million, including two mortgage loans totaling $7.4 million secured by storage facilities with a net book value of $11.6 million. At March 31, 2011, the Venture s creditors had no recourse to the general credit of the Company.

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Operating Partnership Ownership

The Company follows the FASB guidance regarding the classification and measurement of redeemable securities. Under this guidance, securities that are redeemable for cash or other assets, at the option of the holder and not solely within the control of the issuer, must be classified outside of permanent equity. This classification results in certain outside ownership interests being included as redeemable noncontrolling interests outside of permanent equity in the consolidated balance sheets. The Company makes this determination based on terms in applicable agreements, specifically in relation to redemption provisions. Additionally, with respect to noncontrolling interests for which the Company has a choice to settle the redemption by delivery of its own shares, the Company considered the guidance regarding accounting for derivative financial instruments indexed to, and potentially settled in, a company s own shares, to evaluate whether the Company controls the actions or events necessary to presume share settlement. The guidance also requires that noncontrolling interests classified outside of permanent equity be adjusted each period to the greater of the carrying value based on the accumulation of historical cost or the redemption value.

The consolidated results of the Company include results attributable to units of the Operating Partnership that are not owned by the Company, which amounted to approximately 4.6% of all outstanding Operating Partnership units as of March 31, 2011 and December 31, 2010. The interests in the Operating Partnership represented by these units were a component of the consideration that the Company paid to acquire certain self-storage facilities. The holders of the units are limited partners in the Operating Partnership and have the right to require the Operating Partnership to redeem part or all of their units for, at the Company s option, an equivalent number of common shares of the Company or cash based upon the fair value of an equivalent number of common shares of the Company. However, the partnership agreement contains certain provisions that could result in a settlement outside the control of the Company, as the Company does not have the ability to settle in unregistered shares. Accordingly, consistent with the guidance, the Company will record these noncontrolling interests outside of permanent equity in the consolidated balance sheets. Net income or loss related to these noncontrolling interests is excluded from net income or loss attributable to the Company in the consolidated statements of operations.

The per unit cash redemption amount would equal the average of the closing prices of the Company s common shares on the New York Stock Exchange for the 10 trading days ending prior to the Company s receipt of the redemption notice for the applicable unit. At March 31, 2011 and December 31, 2010, 4,737,136 units were outstanding and the calculated aggregate redemption value of outstanding Operating Partnership units was based upon the Company s average closing share prices. Based on the Company s evaluation of the redemption value of the redeemable noncontrolling interest, the Company has reflected these interests at their redemption value, as the estimated redemption value exceeded their carrying value at March 31, 2011 and December 31, 2010. The Company recorded increases to non-controlling interests and corresponding decreases to shareholders equity of $5.0 million and $1.5 million at March 31, 2011 and December 31, 2010, respectively.

9. RELATED PARTY TRANSACTIONS

During 2005 and 2006, the Operating Partnership entered into various office lease agreements with Amsdell and Amsdell, an entity owned by Robert Amsdell and Barry Amsdell (each a former Trustee). Pursuant to these lease agreements, the Operating Partnership rented office space in the Airport Executive Park, an office and flex development located in Cleveland, Ohio, which is owned by Amsdell and Amsdell. The Company s independent Trustees approved the terms of, and entry into, each of the office lease agreements by the Operating Partnership. In addition to monthly rent, the office lease agreements require the Operating Partnership to reimburse Amsdell and Amsdell for certain maintenance and improvements to the leased office space. The aggregate amount of payments by the Company to Amsdell and Amsdell under these lease agreements for each of the three months ended March 31, 2011 and March 31, 2010 was approximately $0.1 million. The Company vacated the office space owned by Amsdell and Amsdell in 2007, but remains obligated under certain terms of the lease agreements through 2014. Subsequently, the Company entered into a sublease agreement for a portion of the space with a third party for the remainder of the lease term.

Total future minimum rental payments under the related party lease agreements as of March 31, 2011 are as follows:

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	Due to Related Party Amount		Due from Subtenant Amount	
	(in thousands)			
2011	$	356	$	209
2012		475		278
2013		499		278
2014		499		278
	$	1,829	$	1,043

10. PRO FORMA FINANCIAL INFORMATION

During the three months ended March 31, 2011, the Company acquired one self-storage facility for a purchase price of approximately $14.0 million (see note 4).

The condensed consolidated pro forma financial information set forth below reflects adjustments to the Company s historical financial data to give effect to each of the acquisitions and related financing activity (including the issuance of common shares) that occurred during 2011 as if each had occurred as of January 1, 2010. The unaudited pro forma information presented below does not purport to represent what the Company s actual results of operations would have been for the periods indicated, nor does it purport to represent the Company s future results of operations.

The following table summarizes, on a pro forma basis, the Company s consolidated results of operations for the three months ended March 31, 2011 and 2010 based on the assumptions described above:

	Three Months Ended March 31, 2011		2010	
	(in thousands, except per share data)			
Pro forma revenue	$	57,606	$	51,952
Pro forma net income (loss) from continuing operations	$	495	$	(3,697)
Net loss per common share				
Basic and diluted - as reported	$		$	(0.04)
Basic and diluted - as pro forma	$		$	(0.04)

11. COMPREHENSIVE INCOME (LOSS)

	Three Months Ended March 31, 2011		2010	
	(in thousands)			
NET INCOME (LOSS)	$	476	$	(3,192)
Other comprehensive income (loss):				
Unrealized gain (loss) on foreign currency translation		252		(197)

COMPREHENSIVE INCOME (LOSS)	$	728	$	(3,389)

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

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report. The Company makes certain statements in this section that are forward-looking statements within the meaning of the federal securities laws. For a discussion of forward-looking statements, see the section in this report entitled Forward-Looking Statements. Certain risk factors may cause actual results, performance or achievements to differ materially from those expressed or implied by the following discussion. For a discussion of such risk factors, see the section entitled Risk Factors in the Company s Annual Report on the Form 10-K for the year ended December 31, 2010.

Overview

The Company is 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 facilities. The Company has elected to be taxed as a REIT for U.S. federal income tax purposes. As of March 31, 2011 and December 31, 2010, the Company owned 364 and 363 self-storage facilities, respectively, totaling approximately 23.7 million rentable square feet and 23.6 million rentable square feet, respectively. In addition, as of March 31, 2011, the Company managed 87 properties for third parties bringing the total number of properties which it owned and/or managed to 451.

The Company derives revenues principally from rents received from its customers who rent units at its self-storage facilities 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 units 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. We have a decentralized approach to the management and operation of our facilities, which places an emphasis on local, 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.

The Company typically experiences seasonal fluctuations in the occupancy levels of our facilities, which are generally slightly higher during the summer months due to increased moving activity.

The United States recently experienced an economic downturn that resulted in higher unemployment, stagnant employment growth, shrinking demand for products, large-scale business failures and tight credit markets. Our results of operations may be sensitive to changes in overall economic conditions that impact consumer spending, including discretionary spending, as well as to increased bad debts due to recessionary pressures. A continuation of ongoing 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.

In the future, the Company intends to focus on maximizing internal growth opportunities and selectively pursuing targeted acquisitions and developments of self-storage facilities. We intend to incur additional debt in connection with any such future acquisitions or developments.

The Company has one reportable segment: we own, operate, develop, manage and acquire self-storage facilities.

The Company s self-storage facilities are located in major metropolitan and rural areas and have numerous tenants per facility. No single tenant represents a significant concentration of our revenues. The facilities in Florida, California, Texas and Illinois provided approximately 18%, 12%, 10% and 7%, respectively, of total revenues for the three months ended March 31, 2011.

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 an understanding of the unaudited consolidated financial statements included in this report. 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 from estimates calculated and utilized by management.

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Self-Storage Facilities

The Company records self-storage facilities 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 40 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 facilities 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 facilities is acquired, the purchase price is allocated to the individual facilities 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 facility 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. Substantially all of the leases in place at acquired facilities 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 tenant relationships, because the Company does not have any concentrations of significant tenants and the average tenant turnover is fairly frequent.

During 2010, the Company acquired 85 management contracts from United Stor-All Management, LLC (United Stor-All). The Company accounted for this acquisition as a business combination. The Company recorded the fair value of the assets acquired which includes the intangible value related to the management contracts as other assets, net on the Company s consolidated balance sheet. The average estimated life of the intangible value of the management contracts is 56 months, and the amortization expense that was recognized during the three months ended March 31, 2011 was approximately $0.3 million. Additionally, during 2010, the Company acquired 12 self-storage facilities and allocated approximately $3.7 million to the intangible value of the in-place leases. The amortization expense that was recognized during the three months ended March 31, 2011 was approximately $0.9 million.

During the quarter ended March 31, 2011, the Company acquired one self-storage facility located in Fairfax Station, Virginia. In connection with this acquisition, the Company allocated a portion of the purchase price to the intangible value of in-place leases which aggregated $0.6 million. The estimated life of these in-place leases is 12 months, and the amortization expense that was recognized during the three months ended March 31, 2011 was approximately $0.1 million.

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 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 property s basis is recoverable. If a property 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 for the three months ended March 31, 2011 and 2010.

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 facility (or group of facilities), (b) the facility is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such facilities, (c) an active program to locate a buyer and other actions required to complete the plan to sell the facility have been initiated, (d) the sale of the facility is probable and transfer of the asset is expected to be completed within one year, (e) the facility is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (f) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Typically these criteria are all met when the relevant asset is under contract, significant non-refundable deposits have been made by the potential buyer, the assets are immediately available for transfer and there are no contingencies related to the sale that may prevent the transaction from closing. In most transactions, these contingencies are not satisfied until the actual closing of the transaction; accordingly, the facility is not identified as held for sale until the closing actually occurs. However, each potential transaction is

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evaluated based on its separate facts and circumstances. Properties classified as held for sale are reported at the lesser of carrying value or fair value less estimated costs to sell.

Revenue Recognition

Management has determined that all of our leases with tenants are operating leases. Rental income is recognized in accordance with the terms of the lease agreements or contracts, which generally are month-to-month.

The Company recognizes gains on disposition of properties only upon closing in accordance with the guidance on sales of real estate. Payments received from purchasers prior to closing are recorded as deposits. Profit on real estate sold is recognized using the full accrual method upon closing when the collectability of the sales price is reasonably assured and the Company is not obligated to perform significant activities after the sale. Profit may be deferred in whole or part until the sale meets the requirements of profit recognition on sales under this guidance.

Share-Based Payments

We apply the fair value method of accounting for contingently issued shares and share options issued under our equity incentive plans. Accordingly, share compensation expense is recorded ratably over the vesting period relating to such contingently issued shares and options. The Company has elected to recognize compensation expense on a straight-line method over the requisite service period.

Noncontrolling Interests

Noncontrolling interests are the portion of equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent. The ownership interests in the subsidiary that are held by owners other than the parent are noncontrolling interests. In accordance with authoritative guidance issued by the FASB on noncontrolling interests in consolidated financial statements, such noncontrolling interests are reported on the consolidated balance sheets within equity, separately from the Company s equity. The guidance also requires that noncontrolling interests are adjusted each period so that the carrying value equals the greater of its carrying value based on the accumulation of historical cost or its redemption fair value. 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 Company and noncontrolling interests. Presentation of consolidated equity activity is included for both quarterly and annual financial statements, including beginning balances, activity for the period and ending balances for shareholders equity, noncontrolling interests and total equity. The Company has adjusted the carrying value of its noncontrolling interests subject to redemption value to the extent applicable. Disclosure of such redemption value provisions is provided in Note 8 to the unaudited condensed consolidated financial statements.

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 facilities and should not be taken as indicative of future operations. The Company considers its same-store portfolio to consist of only those facilities owned and operated on a stabilized basis at the beginning and at the end of the applicable years presented. Same-store results are considered to be useful to investors in evaluating our performance because it provides information relating to changes in facility-level operating performance without taking into account the effects of acquisitions, developments or dispositions.

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Acquisition and Development Activities

The comparability of the Company s results of operations is affected by the timing of acquisition and disposition activities during the periods reported. At March 31, 2011 and 2010, the Company owned 364 and 367 self-storage facilities and related assets, respectively. The following table summarizes the change in number of owned self-storage facilities from January 1, 2010 through March 31, 2011:

	2011	2010
Balance - January 1	363	367
Facilities acquired	1	
Facilities sold		
Balance - March 31	364	367
Facilities acquired		
Facilities sold		
Balance - June 30		367
Facilities acquired		3
Facilities sold		
Balance - September 30		370
Facilities acquired		9
Facilities sold		(16)
Balance - December 31		363

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Comparison of the three months ended March 31, 2011 to the three months ended March 31, 2010

	Same-Store Property Portfolio				Non Same-Store Properties		Other/ Eliminations		Total Portfolio			
	2011	2010	Increase/ (Decrease)	% Change	2011	2010	2011	2010	2011	2010	Increase/ (Decrease)	Change
REVENUES:												
Rental income	$ 49,097	$ 47,681	$ 1,416	3%	$ 2,776	$ 34	$	$	$ 51,873	$ 47,715	$ 4,158	9%
Other property related income	4,184	3,690	494	13%	288	115	287		4,759	3,805	954	25%
Property management fee income							909	44	909	44	865	1966%
Total revenues	53,281	51,371	1,910	4%	3,064	149	1,196	44	57,541	51,564	5,977	12%
OPERATING EXPENSES:												
Property operating expenses	21,618	20,503	1,115	5%	1,226	147	2,766	1,698	25,610	22,348	3,262	15%
NET OPERATING INCOME:	31,663	30,868	795	3%	1,838	2	(1,570)	(1,654)	31,931	29,216	2,715	9%
Depreciation and amortization									15,572	15,949	(377)	-2%
General and administrative									6,031	5,868	163	3%
Subtotal									21,603	21,817	(214)	-1%
Operating income									10,328	7,399	2,929	40%
Other Income (Expense):												
Interest:												
Interest expense on loans									(8,113)	(10,051)	1,938	-19%
Loan procurement amortization expense									(1,636)	(1,539)	(97)	6%
Interest income									9	535	(526)	-98%
Acquisition related costs									(109)		(109)	100%
Other									(3)	(41)	38	-93%
Total other expense									(9,852)	(11,096)	1,244	-11%
INCOME (LOSS) FROM CONTINUING OPERATIONS									476	(3,697)	4,173	113%
INCOME FROM DISCONTINUED OPERATIONS										505	(505)	-100%
NET INCOME (LOSS)									476	(3,192)	3,668	115%
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS												
Noncontrolling interests in the Operating Partnership									5	178	(173)	-97%
Noncontrolling interests in subsidiaries									(598)	(461)	(137)	-30%
NET LOSS ATTRIBUTABLE TO THE COMPANY									$ (117)	$ (3,475)	$ 3,358	97%

Revenues

Rental income increased from $47.7 million for the three months ended March 31, 2010 to $51.9 million for the three months ended March 31, 2011, an increase of $4.2 million, or 9%. This increase is primarily attributable to $2.7 million of additional income from the 2010 and 2011 acquisitions and increases in average occupancy and scheduled annual rent per square foot on the same-store portfolio resulting in a $1.4 million increase in rental income during the first quarter 2011 as compared to the first quarter 2010.

Other property related income increased from $3.8 million for the three months ended March 31, 2010 to $4.8 million for the three months ended March 31, 2011, an increase of $1.0 million, or 25%. This increase is primarily attributable to increased fee revenue and insurance commissions related to same-store properties of $0.5 million and an increase in other property related income of $0.5 million related to the 2010 and 2011 acquisitions and other non-same store activity during the three months ended March 31, 2011 as compared to the three months ended March 31, 2010.

Property management fee income increased to $0.9 million for the three months ended March 31, 2011 from $44,000 for the three months ended March 31, 2010, an increase of $865,000. This increase is attributable to an increase in the number of facilities we manage for third parties, including 87 facilities at March 31, 2011 and eight facilities at March 31, 2010.

Operating Expenses

Property operating expenses increased from $22.3 million for the three months ended March 31, 2010 to $25.6 million for the three months ended March 31, 2011, an increase of $3.3 million, or 15%. This increase is primarily attributable to $2.1 million of increased expenses associated with newly acquired properties and additional costs incurred to support the growth of the third party management

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business. In addition, we experienced a $1.1 million increase in same-store expenses primarily attributable to a $0.9 million increase in marketing expenses during the 2011 period as compared to the 2010 period.

Depreciation and amortization decreased from $15.9 million for the three months ended March 31, 2010 to $15.6 million for the three months ended March 31, 2011, a decrease of $0.3 million, or 2%. This decrease is primarily attributable to $2.6 million of depreciation expense recognized in the 2010 period related to assets that became fully depreciated during 2010, with no similar activity on these fully depreciated assets in the 2011 period, offset by depreciation and amortization expense related to the 2010 and 2011 acquisitions with no similar expense in the 2010 period.

Other Income (Expenses)

Interest expense decreased from $10.1 million for the three months ended March 31, 2010 to $8.1 million for the three months ended March 31, 2011, a decrease of $2.0 million, or 19%. Approximately $1.1 million of the reduced interest expense related to approximately $187 million of net mortgage loan repayments during the period from January 1, 2010 through March 31, 2011. Interest expense also decreased as a result of lower interest rates during 2011 as compared to 2010, offset by increased average outstanding credit facility borrowings during the 2011 period as compared to the 2010 period.

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, acquisition related costs, amounts attributable to noncontrolling interests, other expense, depreciation and amortization expense, general and administrative expense, and deducting from net income: income from discontinued operations, gains on disposition of discontinued operations, other income, 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 facilities, and for all of our facilities in the aggregate. NOI should not be considered as a substitute for operating income, net income, cash flows provided by operating, investing and financing activities, or other income statement or cash flow statement data prepared in accordance with GAAP.

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

- It is one of the primary measures used by our management and our facility managers to evaluate the economic productivity of our facilities, including our ability to lease our facilities, 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 expense, which can vary depending upon accounting methods and the book value of assets; and

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

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

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Cash Flows

Comparison of the three months ended March 31, 2011 to the three months ended March 31, 2010

A comparison of cash flow from operating, investing and financing activities for the three months ended March 31, 2011 and 2010 is as follows (in thousands):

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Change
Net cash flow provided by (used in):			
Operating activities	$ 15,247	$ 10,884	$ 4,363
Investing activities	$ (8,170)	$ 17,828	$ (25,998)
Financing activities	$ (8,879)	$ (89,956)	$ 81,077

Cash flows provided by operating activities for the three months ended March 31, 2011 and 2010 were $15.2 million and $10.9 million, respectively, an increase of $4.4 million. The increase primarily relates to increased NOI levels of $2.7 million during the three months ended March 31, 2011 as compared to the three months ended March 31, 2010, as well as timing differences associated with a $2.0 million increase in accounts payable and accrued expenses, offset by a $0.3 million decrease in other liabilities during the 2011 period as compared to 2010.

Cash provided by (used in) investing activities decreased from $17.8 million for the three months ended March 31, 2010 to ($8.2) million for the three months ended March 31, 2011, a decrease of $26.0 million. The decrease primarily relates to higher acquisition activity in the 2011 period (1 facility for an aggregate cash outflow of $8.0 million) relative to no acquisitions during the 2010 period and collections of notes receivable repayments of $17.6 million during the three months ended March 31, 2010.

Cash used in financing activities decreased from $90.0 million to $8.9 million during the three months ended March 31, 2010 and 2011, a decrease of $81.1 million. The decrease primarily relates to decreased net debt repayments of $85.0 million, offset by increased distributions paid to shareholders, and non-controlling interests of $4.8 million during the 2011 period as compared to the 2010 period due to additional outstanding shares during 2011 and distributions paid to shareholders and unit holders at $0.07 per share in the 2011 period as compared to similar distributions paid at $0.025 per share during the 2010 period.

Liquidity and Capital Resources

Liquidity Overview

Our cash flow from operations has historically been one of our primary sources of liquidity used to fund debt service, distributions and capital expenditures. We derive substantially all of our revenue from customers who lease space from us at our facilities. 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 facilities in which we invest self-storage facilities are less sensitive than other real estate product types to current 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, we are required to distribute at least 90% of our REIT taxable income, excluding capital gains, to our 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 facilities, refinancing of certain mortgage indebtedness, interest expense and scheduled principal payments on debt, expected distributions to limited partners and shareholders and recurring capital expenditures. These liquidity needs will vary from year to year, in some cases significantly. We expect recurring capital expenditures remaining in fiscal year 2011 to be approximately $6 million to $8 million. In addition, our currently scheduled principal payments on debt, including borrowings outstanding on the credit facility and unsecured term loan, are approximately $7.4 million during the remainder of 2011 and $160.1 million in 2012.

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Our most restrictive debt covenants limit the amount of additional leverage we can add; however, we believe access to our credit facility, access to our at the market program and cash flow from operations are adequate to execute our current business plan and remain in compliance with our debt covenants.

Our liquidity needs beyond 2011 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 facilities; (iii) acquisitions of additional facilities; and (iv) development of new facilities. We will have to satisfy our needs through either additional borrowings, including borrowings under our revolving credit facility, sales of common or preferred shares and/or cash generated through facility dispositions and joint venture transactions.

Notwithstanding the discussion above, we believe that, as a publicly traded REIT, we will have access to multiple sources of capital to fund 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 is dependent on a number of factors, including our degree of leverage, the value of our assets and borrowing restrictions that may be imposed by lenders. In addition, dislocations 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 is also dependent on a number of factors, including general market conditions for REITs and market perceptions about us.

Current and Expected Sources of Cash Excluding Credit Facility

As of March 31, 2011 we had approximately $4.1 million in available cash and cash equivalents. In addition, we had approximately $209.5 million of availability for borrowings under our revolving credit facility.

Bank Credit Facilities

On September 29, 2010, we amended the 2009 Credit Facility. The amended credit facility (the Credit Facility) consists of a $200 million unsecured term loan and a $250 million unsecured revolving credit facility. The Credit Facility has a three-year term expiring on December 7, 2013, is unsecured, and borrowings on the facility incur interest based at a borrowing spread based on our leverage levels plus LIBOR. We incurred $2.5 million of costs in connection with executing this amendment, which were capitalized and are included as a component of loan procurement costs, net of amortization, on the our consolidated balance sheet.

At March 31, 2011, $200 million of unsecured term loan borrowings and $40.5 million of unsecured revolving credit facility borrowings were outstanding under the Credit Facility, and $209.5 million was available for borrowing under the unsecured revolving credit facility. As of March 31, 2011, borrowings under the Credit Facility had a weighted average interest rate of 3.5%.

Our ability to borrow under the amended credit facility is subject to our ongoing compliance with certain financial covenants which include:

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

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

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

Further, under the Credit Facility, we are restricted from paying distributions on our common shares that would exceed an amount equal to the greater of (i) 95% of our funds from operations, and (ii) such amount as may be necessary to maintain our REIT status.

We are currently in compliance with all of our covenants and anticipate being in compliance with all of our covenants through the term of the Credit Facility.

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At The Market Program

On January 26, 2011, we amended our sales agreement with Cantor Fitzgerald & Co. (the Sales Agent) dated April 3, 2009 (as amended, the Sales Agreement) to increase the number of common shares that the Sales Agent may sell under the Sales Agreement from 10,000,000 to 15,000,000.

Future sales of common shares, if any, under the Sales Agreement will depend upon market conditions and other factors to be determined by the Company and may be made in negotiated transactions or transactions that are deemed to be at the market offerings . We have no obligation to sell any common shares under the Sales Agreement, and may at any time suspend solicitation and offers under the Sales Agreement or terminate the Sales Agreement.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements**.**

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company s future income, cash flows and fair values relevant to financial instruments depend upon prevailing interest rates.

Market Risk

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

Effect of Changes in Interest Rates on our Outstanding Debt

The analysis below presents the sensitivity of the market value of our financial instruments to selected changes in market rates. The range of changes chosen reflects our view of changes which are reasonably possible over a one-year period. Market values are the present value of projected future cash flows based on the market rates chosen.

Our financial instruments consist of both fixed and variable rate debt. As of March 31, 2011, our consolidated debt consisted of $382.5 million in fixed rate loans payable, $200 million in a variable rate unsecured term loan and $40.5 million in the unsecured revolving credit facility. All financial instruments were entered into for other than trading purposes and the net market value of these financial instruments is referred to as the net financial position. Changes in interest rates have different impacts on the fixed and variable rate portions of our debt portfolio. A change in interest rates on the fixed portion of the debt portfolio impacts the net financial instrument position, but has no impact on interest incurred or cash flows. A change in interest rates on the variable portion of the debt portfolio impacts the interest incurred and cash flows, but does not impact the net financial instrument position.

If market rates of interest on our variable rate debt increase by 1%, the increase in annual interest expense on our variable rate debt would decrease future earnings and cash flows by approximately $2.4 million a year. If market rates of interest on our variable rate debt decrease by 1%, the decrease in interest expense on our variable rate debt would increase future earnings and cash flows by approximately $2.4 million a year.

If market rates of interest increase by 1%, the fair value of our outstanding fixed-rate mortgage debt would decrease by approximately $8.5 million. If market rates of interest decrease by 1%, the fair value of our outstanding fixed-rate mortgage debt would increase by approximately $8.8 million.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act of

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1934, as amended (the Exchange Act)). Based on that evaluation, the CEO and the CFO have concluded that our disclosure controls and procedures are effective.

Based on that evaluation, the CEO and the CFO have concluded that our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Controls Over Financial Reporting

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

PART II. OTHER INFORMATION

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

The following table provides information about repurchases of the Company s common shares during the three month period ended March 31, 2011:

	Total Number of Shares Purchased (1)		Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
January 1- January 31	39,964	$	9.30	N/A	3,000,000
February 1- February 28	2,269	$	10.09	N/A	3,000,000
March 1- March 31				N/A	3,000,000
Total	42,233	$	9.35	N/A	3,000,000

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

(2) On September 27, 2007, the Company announced that the Board of Trustees approved a share repurchase program for up to 3.0 million of the 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 Company has made no repurchases under this program.

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ITEM 6. EXHIBITS

Exhibit No.	
10.1*	Amended and Restated Executive Employment Agreement, dated January 24, 2011, by and among U-Store-It Trust and Christopher P. Marr, incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K, filed with the SEC on January 27, 2011.
10.2*	Amended and Restated Non-Competition Agreement, dated January 24, 2011, by and among U-Store-It Trust and Christopher P. Marr, incorporated by reference to Exhibit 10.3 to the Company s Current Report on Form 8-K, filed with the SEC on January 27, 2011.
12.1	Statement regarding Computation of Ratios of U-Store-It Trust. (filed here with)
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed here with)
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed here with)
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished here with)

* Denotes a contract or compensatory plan, contract or arrangement

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SIGNATURES OF REGISTRANT

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

U-STORE-IT TRUST
(Registrant)

Date: May 10, 2011	By: /s/ Dean Jernigan Dean Jernigan, Chief Executive Officer (Principal Executive Officer)
Date: May 10, 2011	By: /s/ Timothy M. Martin Timothy M. Martin, Chief Financial Officer (Principal Financial Officer)