UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2015

Commission file number: 1-13820

SOVRAN SELF STORAGE, INC.
(Exact name of Registrant as specified in its charter)

Maryland	**16-1194043**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

6467 Main Street
Williamsville, NY 14221
(Address of principal executive offices) (Zip code)

(716) 633-1850
(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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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. (Check one):

Large Accelerated Filer ☒	Accelerated Filer ☐
Non-accelerated Filer ☐	Smaller Reporting Company ☐

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

As of July 24, 2015, 35,835,139 shares of Common Stock, $.01 par value per share, were outstanding.

Part I. Financial Information

Item 1. Financial Statements

SOVRAN SELF STORAGE, INC.
CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except share data)	June 30, 2015 (unaudited)	December 31, 2014
Assets		
Investment in storage facilities:		
Land	$ 456,008	$ 397,642
Building, equipment, and construction in progress	1,940,430	1,780,341
	2,396,438	2,177,983
Less: accumulated depreciation	(437,466)	(411,701)
Investment in storage facilities, net	1,958,972	1,766,282
Cash and cash equivalents	6,617	8,543
Accounts receivable	6,165	5,758
Receivable from unconsolidated joint ventures	811	583
Investment in unconsolidated joint ventures	57,580	57,803
Prepaid expenses	5,740	6,533
Other assets	9,067	9,298
Total Assets	$2,044,952	$1,854,800
Liabilities		
Line of credit	$ 96,000	$ 49,000
Term notes	750,000	750,000
Accounts payable and accrued liabilities	37,259	43,551
Deferred revenue	7,675	7,290
Fair value of interest rate swap agreements	14,892	13,341
Mortgages payable	2,061	2,127
Total Liabilities	907,887	865,309
Noncontrolling redeemable Operating Partnership Units at redemption value	15,742	13,622
Shareholders' Equity		
Common stock $.01 par value, 100,000,000 shares authorized, 35,833,639 shares outstanding at June 30, 2015 (34,105,955 at December 31, 2014)	370	353
Additional paid-in capital	1,331,662	1,183,388
Dividends in excess of net income	(168,963)	(167,692)
Accumulated other comprehensive loss	(14,571)	(13,005)
Treasury stock at cost, 1,171,886 shares	(27,175)	(27,175)
Total Shareholders' Equity	1,121,323	975,869
Total Liabilities and Shareholders' Equity	$2,044,952	$1,854,800

See notes to consolidated financial statements.

SOVRAN SELF STORAGE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

(dollars in thousands, except per share data)	April 1, 2015 to June 30, 2015	April 1, 2014 to June 30, 2014
Revenues		
Rental income	$ 83,487	$ 74,394
Other operating income	7,239	6,050
Total operating revenues	90,726	80,444
Expenses		
Property operations and maintenance	19,486	17,993
Real estate taxes	9,145	8,055
General and administrative	9,686	8,864
Acquisition costs	788	1,938
Operating leases of storage facilities	—	1,997
Depreciation and amortization	14,584	12,481
Total operating expenses	53,689	51,328
Income from operations	37,037	29,116
Other income (expenses)		
Interest expense	(9,216)	(8,872)
Interest income	2	24
Equity in income of joint ventures	853	433
Net income	28,676	20,701
Net income attributable to noncontrolling interest	(144)	(125)
Net income attributable to common shareholders	$ 28,532	$ 20,576
Earnings per common share attributable to common shareholders – basic	$ 0.81	$ 0.63
Earnings per common share attributable to common shareholders – diluted	$ 0.80	$ 0.62
Common shares used in basic earnings per share calculation	35,377,694	32,799,837
Common shares used in diluted earnings per share calculation	35,603,020	32,979,708
Dividends declared per common share	$ 0.75	$ 0.68

See notes to consolidated financial statements.

SOVRAN SELF STORAGE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

(dollars in thousands, except per share data)	January 1, 2015 to June 30, 2015	January 1, 2014 to June 30, 2014
Revenues		
Rental income	$ 162,373	$ 144,347
Other operating income	13,761	11,555
Total operating revenues	176,134	155,902
Expenses		
Property operations and maintenance	40,046	36,478
Real estate taxes	18,064	16,121
General and administrative	19,092	17,400
Acquisition costs	1,369	4,716
Operating leases of storage facilities	683	3,994
Depreciation and amortization	28,766	24,423
Total operating expenses	108,020	103,132
Income from operations	68,114	52,770
Other income (expenses)		
Interest expense	(18,377)	(16,216)
Interest income	4	31
Loss on sale of storage facility	(7)	—
Equity in income of joint ventures	1,499	892
Net income	51,233	37,477
Net income attributable to noncontrolling interest	(250)	(228)
Net income attributable to common shareholders	$ 50,983	$ 37,249
Earnings per common share attributable to common shareholders – basic	$ 1.46	$ 1.14
Earnings per common share attributable to common shareholders – diluted	$ 1.45	$ 1.14
Common shares used in basic earnings per share calculation	34,853,731	32,591,917
Common shares used in diluted earnings per share calculation	35,078,946	32,759,069
Dividends declared per common share	$ 1.50	$ 1.36

See notes to consolidated financial statements.

SOVRAN SELF STORAGE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(dollars in thousands)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Net income	$28,676	$20,701	$51,233	$37,477
Other comprehensive income:				
Change in fair value of derivatives net of reclassification to interest expense	2,421	(3,726)	(1,566)	(5,655)
Total comprehensive income	31,097	16,975	49,667	31,822
Comprehensive income attributable to noncontrolling interest	(156)	(103)	(242)	(194)
Comprehensive income attributable to common shareholders	$30,941	$16,872	$49,425	$31,628

See notes to consolidated financial statements.

SOVRAN SELF STORAGE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(dollars in thousands)	January 1, 2015 to June 30, 2015	January 1, 2014 to June 30, 2014
Operating Activities		
Net income	$ 51,233	$ 37,477
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,766	24,413
Amortization of deferred financing fees	592	407
Loss on sale of storage facility	7	—
Equity in income of joint ventures	(1,499)	(892)
Distributions from unconsolidated joint ventures	1,978	1,487
Non-vested stock earned	3,208	2,381
Stock option expense	117	149
Changes in assets and liabilities (excluding the effects of acquisitions):		
Accounts receivable	(404)	(189)
Prepaid expenses	793	(2,205)
(Advances to) receipts from joint ventures	(228)	423
Accounts payable and other liabilities	(3,929)	(2,978)
Deferred revenue	86	(211)
Net cash provided by operating activities	80,720	60,262
Investing Activities		
Acquisitions of storage facilities	(208,453)	(183,835)
Improvements, equipment additions, and construction in progress	(12,296)	(11,717)
Net proceeds from the sale of storage facility	711	—
Investment in unconsolidated joint ventures	(483)	(7,053)
Property deposit	(1,493)	(395)
Net cash used in investing activities	(222,014)	(203,000)
Financing Activities		
Net proceeds from sale of common stock	144,966	51,728
Proceeds from line of credit	219,000	104,000
Repayments of line of credit	(172,000)	(145,000)
Proceeds from term notes	—	175,000
Financing costs	—	(711)
Dividends paid-common stock	(52,281)	(44,510)
Distributions to noncontrolling interest holders	(251)	(271)
Mortgage principal payments	(66)	(63)
Net cash provided by financing activities	139,368	140,173
Net decrease in cash	(1,926)	(2,565)
Cash at beginning of period	8,543	9,524
Cash at end of period	$ 6,617	$ 6,959
Supplemental cash flow information		
Cash paid for interest, net of interest capitalized	$ 17,896	$ 14,075
Cash paid for income taxes, net of refunds	$ 943	$ 853

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited financial statements of Sovran Self Storage, Inc. have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six month period ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

Reclassification: Certain amounts from the 2014 financial statements have been reclassified to conform with the current year presentation. See Note 15.

2. ORGANIZATION

Sovran Self Storage, Inc. (the "Company," "We," "Our," or "Sovran"), a self-administered and self-managed real estate investment trust (a "REIT"), was formed on April 19, 1995 to own and operate self-storage facilities throughout the United States. On June 26, 1995, the Company commenced operations effective with the completion of its initial public offering. At June 30, 2015, we had an ownership interest in, leased, and/or managed 531 self-storage properties in 25 states under the name Uncle Bob's Self Storage ®. Among our 531 self-storage properties are 39 properties that we manage for an unconsolidated joint venture (Sovran HHF Storage Holdings LLC) of which we are a 20% owner, 30 properties that we manage for an unconsolidated joint venture (Sovran HHF Storage Holdings II LLC) of which we are a 15% owner, and 20 properties that we manage and have no ownership interest. Approximately 41% of the Company's revenue is derived from stores in the states of Texas and Florida. In addition, approximately 11% of the Company's revenue is derived from the Houston, Texas market.

All of the Company's assets are owned by, and all its operations are conducted through, Sovran Acquisition Limited Partnership (the "Operating Partnership"). Sovran Holdings, Inc., a wholly-owned subsidiary of the Company (the "Subsidiary"), is the sole general partner of the Operating Partnership; the Company is a limited partner of the Operating Partnership, and through its ownership of the Subsidiary and its limited partnership interest controls the operations of the Operating Partnership, holding a 99.5% ownership interest therein as of June 30, 2015. The remaining ownership interests in the Operating Partnership (the "Units") are held by certain former owners of assets acquired by the Operating Partnership.

We consolidate all wholly owned subsidiaries. Partially owned subsidiaries and joint ventures are consolidated when we control the entity. Our consolidated financial statements include the accounts of the Company, the Operating Partnership, Uncle Bob's Management, LLC (the Company's taxable REIT subsidiary), Locke Sovran I, LLC (a wholly-owned subsidiary), and Locke Sovran II, LLC (a wholly-owned subsidiary). All intercompany transactions and balances have been eliminated. Investments in joint ventures that we do not control but for which we have significant influence over are accounted for using the equity method.

Included in the consolidated balance sheets are noncontrolling redeemable operating partnership units. These interests are presented in the "mezzanine" section of the consolidated balance sheet because they do not meet the functional definition of a liability or equity under current accounting literature. These represent the outside ownership interests of the limited partners in the Operating Partnership. At June 30, 2015, there were 178,866 noncontrolling redeemable operating partnership Units outstanding (155,484 at December 31, 2014). These unitholders are entitled to receive distributions per unit equivalent to the dividends declared per share on the Company's common stock. The Operating Partnership is obligated to redeem each of these limited partnership Units in the Operating Partnership at the request of the holder thereof for cash equal to the fair market value of a share of the Company's common stock, at the time of such redemption, provided that the Company at its option may elect to acquire any such Unit presented for redemption for one common share or cash. The Company accounts for these noncontrolling redeemable Operating Partnership Units under the provisions of EITF D-98, "*Classification and Measurement of Redeemable Securities*" which was codified in FASB ASC Topic 480-10-S99. The application of the FASB ASC Topic 480-10-S99 accounting model requires the noncontrolling interest to follow normal noncontrolling interest accounting and then be marked to redemption value at the end of each reporting period if higher (but never adjusted below that normal noncontrolling interest accounting amount). The offset to the adjustment to the carrying amount of the noncontrolling redeemable Operating Partnership Units is reflected in dividends in excess of net income. Accordingly, in the accompanying consolidated balance sheet, noncontrolling redeemable Operating Partnership Units are reflected at redemption value at June 30, 2015 and December 31, 2014, equal to the number of Units outstanding multiplied by the fair market value of the Company's common stock at that date. Redemption value exceeded the value determined under the Company's historical basis of accounting at those dates.

(dollars in thousands)	Six Months Ended Jun. 30, 2015
Beginning balance noncontrolling redeemable Operating Partnership Units	$ 13,622
Issuance of Operating Partnership Units	2,148
Net income attributable to noncontrolling interests – consolidated joint venture	250
Distributions	(251)
Adjustment to redemption value	(27)
Ending balance noncontrolling redeemable Operating Partnership Units	$ 15,742

In March 2015 the Operating Partnership issued 23,382 Units with a fair market value of $2.1 million to acquire one self-storage property. The fair value of the Units on the date of issuance was determined based upon the fair market value of the Company's common stock on that date.

3. STOCK BASED COMPENSATION

The Company accounts for stock-based compensation under the provisions of ASC Topic 718, "*Compensation—Stock Compensation*". The Company recognizes compensation cost in its financial statements for all share based payments granted, modified, or settled during the period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the related vesting period.

For the three months ended June 30, 2015 and 2014, the Company recorded compensation expense (included in general and administrative expense) of $81,000 and $113,000, respectively, related to stock options and $1,579,000 and $1,129,000, respectively, related to amortization of non-vested stock grants. For the six months ended June 30, 2015 and 2014, the Company recorded compensation expense of $117,000 and $149,000, respectively, related to stock options and $3,191,000 and $2,322,000, respectively, related to amortization of non-vested stock grants.

During the three months ended June 30, 2015 and 2014, employees and directors exercised 5,500 and 7,500 stock options respectively, and 5,995 and 7,720 shares of non-vested stock, respectively, vested. During the six months ended June 30, 2015 and 2014, employees and directors exercised 15,000 and 9,000 stock options respectively, and 11,229 and 17,600 shares of non-vested stock, respectively, vested.

4. INVESTMENT IN STORAGE FACILITIES

The following summarizes our activity in storage facilities during the six months ended June 30, 2015.

(dollars in thousands)	
Cost:	
Beginning balance	$2,177,983
Acquisition of storage facilities	207,837
Improvements and equipment additions	12,197
Net increase in construction in progress	165
Dispositions	(1,744)
Ending balance	$2,396,438
Accumulated Depreciation:	
Beginning balance	$411,701
Depreciation expense during the period	26,788
Dispositions	(1,023)
Ending balance	$437,466

The Company acquired 15 facilities during the six months ended June 30, 2015. The four facilities acquired in Connecticut and New York on February 2, 2015 had been leased by the Company since November 1, 2013. The acquisitions of these four stores and the three stores acquired at certificate of occupancy were accounted for as asset acquisitions. The cost of these seven stores was assigned to their land, building, equipment and improvements components based upon their fair values. The assets and liabilities of the other eight acquired storage facilities, which primarily consist of tangible and intangible assets, are measured at fair value on the date of acquisition in accordance with the principles of FASB ASC Topic 820, "*Fair Value Measurements and Disclosures.*" The purchase price of the 15 facilities has been assigned as follows:

(dollars in thousands)				Consideration paid			Acquisition Date Fair Value			
State	Number of Properties	Date of Acquisition	Purchase Price	Cash Paid	Value of Operating Partnership Units Issued	Net Other Liabilities (Assets) Assumed	Land	Building, Equipment, and Improvements	In-Place Customer Leases	Closing Costs Expensed
2015										
Connecticut	2	2/2/2015	$ 61,116	$ 62,377	$ —	$ (1,261)	$19,389	$ 41,727	$ —	$ —
New York	2	2/2/2015	57,900	59,103	—	(1,203)	10,084	47,816	—	—
Illinois	1	2/5/2015	6,800	6,652	—	148	2,579	4,066	155	157
Illinois	1	3/9/2015	8,690	6,466	2,148	76	1,719	6,971	—	—
Florida	1	4/1/2015	6,290	6,236	—	54	1,793	4,382	115	370
Texas	1	4/16/2015	8,800	8,713	—	87	3,864	4,777	159	151
Florida	1	4/21/2015	8,750	8,687	—	63	2,118	6,501	131	133
Florida	4	5/1/2015	32,465	32,279	—	186	12,184	19,672	609	558
Arizona	1	6/16/2015	7,904	7,904	—	—	852	7,052	—	—
Massachusetts	1	6/19/2015	10,291	10,286	—	5	2,110	8,181	—	—
Total acquired 2015	15		$209,006	$208,703	$ 2,148	$ (1,845)	$56,692	$ 151,145	$ 1,169	$ 1,369

All of the properties acquired were purchased from unrelated third parties. The operating results of the four facilities which had been leased since November 1, 2013 have been included in the Company's operations since that date. The operating results of the other 11 facilities have been included in the Company's operations since the respective acquisition dates. Of the $208.7 million paid at closing for the properties acquired during the six months ended June 30, 2015, $250,000 represented deposits that were paid in 2014 when certain of these properties originally went under contract. Non-cash investing activities during the six months ended June 30, 2015 include the issuance of $2.1 million in Operating Partnership Units, the assumption of $0.6 million of other net liabilities and $2.4 million for the settlement of a straight-line rent liability in connection with the acquisition of self-storage facilities.

The Company measures the fair value of in-place customer lease intangible assets based on the Company's experience with customer turnover. The Company amortizes in-place customer leases on a straight-line basis over 12 months (the estimated future benefit period). In-place customer leases are included in other assets on the Company's balance sheet as follows:

(Dollars in thousands)	Jun. 30, 2015	Dec. 31, 2014
In-place customer leases	$ 20,940	$ 19,867
Accumulated amortization	(19,618)	(17,663)
Net carrying value at the end of period	$ 1,322	$ 2,204

Amortization expense related to in-place customer leases was $1.0 million and $0.8 million for the three months ended June 30, 2015 and 2014, respectively and was $2.0 million and $1.5 million for the six months ended June 30, 2015 and 2014, respectively. The Company expects to record $3.0 million and $341,000 of amortization expense for the years ended December 31, 2015 and 2016, respectively.

During 2014, the Company acquired 33 properties. The following pro forma information is based on the combined historical financial statements of the Company and the 33 properties acquired, and presents the Company's results as if the acquisitions had occurred as of January 1, 2013:

	Three months ended June 30, 2014	Six months ended June 30, 2014
Total revenues	$ 84,288	$ 163,990
Net income attributable to common shareholders	$ 22,836	$ 42,191
Earnings per common share		
Basic	$ 0.68	$ 1.25
Diluted	$ 0.67	$ 1.25

Property Dispositions

During the six months ended June 30, 2015 the Company sold a non-strategic property purchased in May 2014 with a carrying value of $698,000 and received cash proceeds of approximately $691,000, resulting in a $7,000 loss on sale. The following table summarizes the revenues and expenses up to the date of sale of the property sold in 2015 that are included in the Company's consolidated statements of operations for 2015 and 2014.

(Dollars in thousands)	Jan. 1, 2015 to Jun. 30, 2015	Jan. 1, 2014 to Jun. 30, 2014
Total revenues	$ 40	$ —
Property operations and maintenance expense	(16)	—
Real estate tax expense	(5)	—
Depreciation and amortization expense	(9)	—
Loss on sale of storage facilities	(7)	—
	$ 3	$ —

5. UNSECURED LINE OF CREDIT AND TERM NOTES

Borrowings outstanding on our unsecured line of credit and term notes are as follows:

(Dollars in thousands)	Jun. 30, 2015	Dec. 31, 2014
Revolving line of credit borrowings	$ 96,000	$ 49,000
Term note due April 13, 2016	150,000	150,000
Term note due June 4, 2020	325,000	325,000
Term note due August 5, 2021	100,000	100,000
Term note due April 8, 2024	175,000	175,000
Total term notes payable	$750,000	$750,000

On December 10, 2014, the Company amended its existing unsecured credit agreement. As part of the amended agreement, the Company increased its revolving credit limit from $175 million to $300 million. The interest rate on the revolving credit facility bears interest at a variable rate equal to LIBOR plus a margin based on the Company's credit rating (at June 30, 2015 the margin is 1.30%), and requires a 0.20% facility fee. The amended agreement also reduced the interest rate on the $325 million unsecured term note maturing June 4, 2020, with the term note bearing interest at LIBOR plus a margin based on the Company's credit rating (at June 30, 2015 the margin is 1.40%). The interest rate at June 30, 2015 on the Company's line of credit was approximately 1.49% (1.46% at December 31, 2014). At June 30, 2015, there was $204 million available on the unsecured line of credit. The revolving line of credit has a maturity date of December 10, 2019. The amended agreement also provides for an increase in the revolving credit facility and the bank term notes at the Company's request to an aggregate amount up to $850 million.

On April 8, 2014, the Company entered into a $175 million term note maturing April 2024 bearing interest at a fixed rate of 4.533%. The interest rate on the term note increases to 6.283% if the Company is not rated by at least one rating agency or if the Company's credit rating is downgraded. The proceeds from this term note were used to repay the $115 million outstanding on the Company's line of credit at April 8, 2014, with the excess proceeds used for acquisitions.

In 2011, the Company entered into a $100 million term note maturing August 5, 2021 bearing interest at a fixed rate of 5.54%. The interest rate on the term note increases to 7.29% if the notes are not rated by at least one rating agency, the credit rating on the notes is downgraded or if the Company's credit rating is downgraded. The proceeds from this term note were used to fund acquisitions and investments in unconsolidated joint ventures.

The Company also maintains a $150 million unsecured term note maturing April 13, 2016 bearing interest at 6.38%. The interest rate on the $150 million unsecured term note increases to 8.13% if the notes are not rated by at least one rating agency, the credit rating on the notes is downgraded or the Company's credit rating is downgraded.

The line of credit and term notes require the Company to meet certain financial covenants, measured on a quarterly basis, including prescribed leverage, fixed charge coverage, minimum net worth, limitations on additional indebtedness and limitations on dividend payouts. At June 30, 2015, the Company was in compliance with its debt covenants.

We believe that if operating results remain consistent with historical levels and levels of other debt and liabilities remain consistent with amounts outstanding at June 30, 2015 the entire availability on the line of credit could be drawn without violating our debt covenants.

The Company's fixed rate term notes contain a provision that allows for the noteholders to call the debt upon a change of control of the Company at an amount that includes a make whole premium based on rates in effect on the date of the change of control.

6. MORTGAGES PAYABLE AND DEBT MATURITIES

Mortgages payable at June 30, 2015 and December 31, 2014 consist of the following:

(dollars in thousands)	June 30, 2015	December 31, 2014
5.99% mortgage notes due May 1, 2026, secured by one self-storage facility with an aggregate net book value of $4.4 million, principal and interest paid monthly (effective interest rate 6.23%)	2,061	2,127
Total mortgages payable	$2,061	$ 2,127

The table below summarizes the Company's debt obligations and interest rate derivatives at June 30, 2015. The estimated fair value of financial instruments is subjective in nature and is dependent on a number of important assumptions, including discount rates and relevant comparable market information associated with each financial instrument. The fair value of the fixed rate term notes and mortgage notes were estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. These assumptions are considered Level 2 inputs within the fair value hierarchy as described in Note 8. The carrying values of our variable rate debt instruments approximate their fair values as these debt instruments bear interest at current market rates that approximate market participant rates. This is considered a Level 2 input within the fair value hierarchy. The use of different market assumptions and estimation methodologies may have a material effect on the reported estimated fair value amounts. Accordingly, the estimates presented below are not necessarily indicative of the amounts the Company would realize in a current market exchange.

	Expected Maturity Date Including Discount							
(dollars in thousands)	2015	2016	2017	2018	2019	Thereafter	Total	Fair Value
Line of credit - variable rate LIBOR + 1.30% (1.49% at June 30, 2015)	—	—	—	—	$96,000	—	$ 96,000	$ 96,000
Notes Payable:								
Term note - fixed rate 6.38%	—	$150,000	—	—	—	—	$150,000	$157,038
Term note - variable rate LIBOR+1.40% (1.59% at June 30, 2015)	—	—	—	—	—	$325,000	$325,000	$325,000
Term note - fixed rate 5.54%	—	—	—	—	—	$100,000	$100,000	$108,322
Term note - fixed rate 4.533%	—	—	—	—	—	$175,000	$175,000	$174,782
Mortgage note - fixed rate 5.99%	$ 68	$ 142	$151	$160	$ 170	$ 1,370	$ 2,061	$ 2,181
Interest rate derivatives - liability	—	—	—	—	—	—	—	$ 14,892

7. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swaps are used to adjust the proportion of total debt that is subject to variable interest rates. The interest rate swaps require the Company to pay an amount equal to a specific fixed rate of interest times a notional principal amount and to receive in return an amount equal to a variable rate of interest times the same notional amount. The notional amounts are not exchanged. No other cash payments are made unless the contract is terminated prior to its maturity, in which case the contract would likely be settled for an amount equal to its fair value. The Company enters into interest rate swaps with a number of major financial institutions to minimize counterparty credit risk.

The interest rate swaps qualify and are designated as hedges of the amount of future cash flows related to interest payments on variable rate debt. Therefore, the interest rate swaps are recorded in the consolidated balance sheet at fair value and the related gains or losses are deferred in shareholders' equity as Accumulated Other Comprehensive Loss ("AOCL"). These deferred gains and losses are recognized in interest expense during the period or periods in which the related interest payments affect earnings. However, to the extent that the interest rate swaps are not perfectly effective in offsetting the change in value of the interest payments being hedged, the ineffective portion of these contracts is recognized in earnings immediately. Ineffectiveness was de minimis for the three and six months ended June 30, 2015, and 2014.

The Company has interest rate swap agreements in effect at June 30, 2015 as detailed below to effectively convert a total of $325 million of variable-rate debt to fixed-rate debt.

Notional Amount	Effective Date	Expiration Date	Fixed Rate Paid	Floating Rate Received
$125 Million	9/1/2011	8/1/18	2.3700%	1 month LIBOR
$100 Million	12/30/11	12/29/17	1.6125%	1 month LIBOR
$100 Million	9/4/13	9/4/18	1.3710%	1 month LIBOR
$100 Million	12/29/17	11/29/19	3.9680%	1 month LIBOR
$125 Million	8/1/18	6/1/20	4.1930%	1 month LIBOR

The interest rate swap agreements are the only derivative instruments, as defined by FASB ASC Topic 815 "*Derivatives and Hedging*", held by the Company. During the three months ended June 30, 2015 and 2014, the net reclassification from AOCL to interest expense was $1.4 million and $1.4 million, respectively, based on payments made under the swap agreements. During the six months ended June 30, 2015 and 2014, the net reclassification from AOCL to interest expense was $2.7 million and $2.7 million, respectively, based on payments made under the swap agreements. Based on current interest rates, the Company estimates that payments under the interest rate swaps will be approximately $5.4 million for the 12 months ended June 30, 2016. Payments made under the interest rate swap agreements will be reclassified to interest expense as settlements occur. The fair value of the swap agreements, including accrued interest, was a liability of $14.9 million and $13.3 million at June 30, 2015 and December 31, 2014, respectively.

The Company's agreements with its interest rate swap counterparties contain provisions pursuant to which the Company could be declared in default of its derivative obligations if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender. The interest rate swap agreements also incorporate other loan covenants of the Company. Failure to comply with the loan covenant provisions would result in the Company being in default on the interest rate swap agreements. As of June 30, 2015, the Company had not posted any collateral related to the interest rate swap agreements. If the Company had breached any of these provisions as of June 30, 2015, it could have been required to settle its obligations under the agreements at their net termination cost of $14.9 million.

The changes in AOCL for the three and six months ended June 30, 2015 and June 30, 2014 are summarized as follows:

(dollars in thousands)	Apr. 1, 2015 to Jun. 30, 2015	Apr. 1, 2014 to Jun. 30, 2014	Jan. 1, 2015 to Jun. 30, 2015	Jan. 1, 2014 to Jun. 30, 2014
Accumulated other comprehensive loss beginning of period	$ (16,992)	$ (8,331)	$ (13,005)	$ (6,402)
Realized loss reclassified from accumulated other comprehensive loss to interest expense	1,359	1,381	2,718	2,742
Unrealized loss from changes in the fair value of the effective portion of the interest rate swaps	1,062	(5,107)	(4,284)	(8,397)
Loss included in other comprehensive loss	2,421	(3,726)	(1,566)	(5,655)
Accumulated other comprehensive loss end of period	$ (14,571)	$ (12,057)	$ (14,571)	$ (12,057)

8. FAIR VALUE MEASUREMENTS

The Company applies the provisions of ASC Topic 820 "*Fair Value Measurements and Disclosures*" in determining the fair value of its financial and nonfinancial assets and liabilities. ASC Topic 820 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Refer to Note 6 for presentation of the fair values of debt obligations which are disclosed at fair value on a recurring basis.

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2015 and December 31, 2014 (in thousands):

	Asset (Liability)	Level 1	Level 2	Level 3
June 30, 2015				
Interest rate swaps	(14,892)	—	(14,892)	—
December 31, 2014				
Interest rate swaps	(13,341)	—	(13,341)	—

Interest rate swaps are over the counter securities with no quoted readily available Level 1 inputs, and therefore are measured at fair value using inputs that are directly observable in active markets and are classified within Level 2 of the valuation hierarchy, using the income approach.

During 2015, assets and liabilities measured at fair value on a non-recurring basis included the assets acquired and liabilities assumed in connection with the acquisition of 15 storage facilities (see note 4). To determine the fair value of land, the Company used prices per acre derived from observed transactions involving comparable land in similar locations, which is considered a Level 2 input. To determine the fair value of buildings, equipment and improvements, the Company used current replacement cost based on information derived from construction industry data by geographic region which is considered a Level 2 input. The replacement cost is then adjusted for the age, condition, and economic obsolescence associated with these assets, which are considered Level 3 inputs. The fair value of in-place customer leases is based on the rent lost due to the amount of time required to replace existing customers which is based on the Company's historical experience with turnover at its facilities, which is a Level 3 input. Other assets acquired and liabilities assumed in the acquisitions consist primarily of prepaid or accrued real estate taxes and deferred revenues from advance monthly rentals paid by customers. The fair values of these assets and liabilities are based on their carrying values as they typically turn over within one year from the acquisition date and these are Level 3 inputs.

9. INVESTMENT IN JOINT VENTURES

The Company has a 20% ownership interest in Sovran HHF Storage Holdings LLC ("Sovran HHF"), a joint venture that was formed in May 2008 to acquire self-storage properties that are managed by the Company. The carrying value of the Company's investment at June 30, 2015 and December 31, 2014 was $45.1 million and $45.2 million, respectively. 25 properties were acquired by Sovran HHF in 2008 for approximately $171.5 million and 14 additional properties were acquired by Sovran HHF in 2014 for $187.2 million. In 2008, the Company contributed $18.6 million to the joint venture as its share of capital required to fund the acquisitions. In 2012 the Company contributed an additional $1.2 million to the joint venture. In 2013 the Company received a return of capital distribution of $3.4 million as part of the refinancing of Sovran HHF. In 2014 the Company contributed an additional $28.6 million to the joint venture as its share of capital required to fund acquisitions. As of June 30, 2015, the carrying value of the Company's investment in Sovran HHF exceeds its share of the underlying equity in net assets of Sovran HHF by approximately $1.7 million as a result of the capitalization of certain acquisition related costs in 2008. This difference is included in the carrying value of the investment, which is assessed for other-than-temporary impairment on a periodic basis. No other-than-temporary impairments have been recorded on this investment.

The Company has a 15% ownership interest in Sovran HHF Storage Holdings II LLC ("Sovran HHF II"), a joint venture that was formed in 2011 to acquire self-storage properties that are managed by the Company. The carrying value of the Company's investment at June 30, 2015 and December 31, 2014 was $12.5 million and $12.6 million, respectively. 20 properties were acquired by Sovran HHF II during 2011 for approximately $166.1 million. During 2011, the Company contributed $12.8 million to the joint venture as its share of capital required to fund the acquisitions. Ten additional properties were acquired by Sovran HHF II during 2012 for approximately $29 million. During 2012, the Company contributed $2.4 million to the joint venture as its share of capital required to fund the acquisitions. The carrying value of this investment is assessed for other-than-temporary impairment on a periodic basis and no such impairments have been recorded on this investment.

As manager of Sovran HHF and Sovran HHF II, the Company earns a management and call center fee of 7% of gross revenues which totaled $1.2 million and $0.9 million for the three months ended June 30, 2015 and 2014, respectively. The management and call center fees earned by the Company for the six months ended June 30, 2015 and 2014, totaled $2.4 million and $1.8 million, respectively.

The Company's share of Sovran HHF and Sovran HHF II's income for the three months ended June 30, 2015 and 2014 was $807,000 and $367,000, respectively. The Company's share of Sovran HHF and Sovran HHF II's income for the six months ended June 30, 2015 and 2014 was $1,395,000 and $793,000, respectively.

The Company also has a 49% ownership interest in Iskalo Office Holdings, LLC, which owns the building that houses the Company's headquarters and other tenants. The carrying value of the Company's investment is a liability of $0.6 million at June 30, 2015 and $0.5 million at December 31, 2014, and is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheets. For the three months ended June 30, 2015, and 2014, the Company's share of Iskalo Office Holdings, LLC's income was $46,000 and $32,000, respectively. For the six months ended June 30, 2015, and 2014, the Company's share of Iskalo Office Holdings, LLC's income was $104,000 and $64,000, respectively. The Company paid rent to Iskalo Office Holdings, LLC of $259,000 and $252,000 during the three months ended June 30, 2015 and 2014, respectively. The Company paid rent to Iskalo Office Holdings, LLC of $534,000 and $503,000 during the six months ended June 30, 2015 and 2014, respectively.

A summary of the unconsolidated joint ventures' financial statements as of and for the six months ended June 30, 2015 is as follows:

(dollars in thousands)	Sovran HHF Storage Holdings LLC	Sovran HHF Storage Holdings II LLC	Iskalo Office Holdings, LLC
Balance Sheet Data:			
Investment in storage facilities, net	$ 338,682	$ 183,575	$ —
Investment in office building	—	—	4,919
Other assets	7,175	4,862	3,238
Total Assets	$ 345,857	$ 188,437	$ 8,157
Due to the Company	$ 426	$ 391	$ —
Mortgages payable	124,149	102,509	9,137
Other liabilities	4,416	2,360	333
Total Liabilities	128,991	105,260	9,470
Unaffiliated partners' equity (deficiency)	173,493	70,707	(745)
Company equity (deficiency)	43,373	12,470	(568)
Total Partners' Equity (Deficiency)	216,866	83,177	(1,313)
Total Liabilities and Partners' Equity (Deficiency)	$ 345,857	$ 188,437	$ 8,157
Income Statement Data:			
Total revenues	$ 19,374	$ 14,657	$ 763
Property operating expenses	(6,398)	(5,107)	(293)
Administrative, management and call center fees	(1,437)	(1,086)	—
Depreciation and amortization of customer list	(4,320)	(2,099)	(114)
Income tax expense	(88)	(18)	—
Interest expense	(2,927)	(2,652)	(144)
Net income	$ 4,204	$ 3,695	$ 212

The Company does not guarantee the debt of Sovran HHF, Sovran HHF II, or Iskalo Office Holdings, LLC.

We do not expect to have material future cash outlays relating to these joint ventures outside our share of capital for future acquisitions of properties.

10. INCOME TAXES

The Company qualifies as a REIT under the Internal Revenue Code of 1986, as amended, and will generally not be subject to corporate income taxes to the extent it distributes its taxable income to its shareholders and complies with certain other requirements.

The Company has elected to treat one of its subsidiaries as a taxable REIT subsidiary. In general, the Company's taxable REIT subsidiary may perform additional services for tenants and generally may engage in certain real estate or non-real estate related business. A taxable REIT subsidiary is subject to corporate federal and state income taxes. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities.

For the three months ended June 30, 2015 and 2014, the Company recorded federal and state income tax expense of $0.6 million and $0.3 million, respectively. For the six months ended June 30, 2015 and 2014, the Company recorded federal and state income tax expense of $1.0 million and $0.6 million, respectively. At June 30, 2015 and 2014, there were no material unrecognized tax benefits. Interest and penalties relating to uncertain tax positions will be recognized in income tax expense when incurred. As of June 30, 2015 and 2014, the Company had no interest or penalties related to uncertain tax positions. Net income taxes payable and the deferred tax liability of our taxable REIT subsidiary are classified within accounts payable and accrued liabilities in the consolidated balance sheet. As of June 30, 2015, the Company's taxable REIT subsidiary has a current tax liability of $0.1 million and a deferred tax liability of $1.2 million. The tax years 2011-2014 remain open to examination by the major taxing jurisdictions to which the Company is subject.

11. EARNINGS PER SHARE

The Company reports earnings per share data in accordance ASC Topic 260, "*Earnings Per Share*." Effective January 1, 2009, FASB ASC Topic 260 was updated for the issuance of FASB Staff Position ("FSP") EITF 03-6-1, "*Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities"*, or FSP EITF 03-6-1, with transition guidance included in FASB ASC Topic 260-10-65-2. Under FSP EITF 03-6-1, unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities and shall be included in the computation of earnings-per-share pursuant to the two-class method. The Company has calculated its basic and diluted earnings per share using the two-class method. The following table sets forth the computation of basic and diluted earnings per common share utilizing the two-class method.

(in thousands except per share data)	Three Months Ended Jun. 30, 2015	Three Months Ended Jun. 30, 2014	Six Months Ended Jun. 30, 2015	Six Months Ended Jun. 30, 2014
Numerator:				
Net income attributable to common shareholders	$ 28,532	$ 20,576	$ 50,983	$ 37,249
Denominator:				
Denominator for basic earnings per share – weighted average shares	35,378	32,800	34,854	32,592
Effect of Dilutive Securities:				
Stock options and non-vested stock	225	180	225	167
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversion	35,603	32,980	35,079	32,759
Basic earnings per common share attributable to common shareholders	$ 0.81	$ 0.63	$ 1.46	$ 1.14
Diluted earnings per common share attributable to common shareholders	$ 0.80	$ 0.62	$ 1.45	$ 1.14

Not included in the effect of dilutive securities above are 11,000 stock options and 161,412 unvested restricted shares for the three months ended June 30, 2015, and 8,000 stock options and 142,417 unvested restricted shares for the three months ended June 30, 2014, because their effect would be antidilutive. Not included in the effect of dilutive securities above are 5,500 stock options and 166,316 unvested restricted shares for the six months ended June 30, 2015, and 4,000 stock options and 155,648 unvested restricted shares for the six months ended June 30, 2014, because their effect would be antidilutive.

12. SHAREHOLDERS' EQUITY

The following is a reconciliation of the changes in total shareholders' equity for the period:

(dollars in thousands)	Six Months Ended June 30, 2015
Beginning balance of total shareholders' equity	$ 975,869
Net proceeds from the issuance of common stock	144,111
Exercise of stock options	855
Earned portion of non-vested stock	3,191
Stock option expense	117
Deferred compensation—directors	17
Adjustment to redemption value on noncontrolling redeemable Operating Partnership units	27
Net income attributable to common shareholders	50,983
Change in fair value of derivatives	(1,566)
Dividends	(52,281)
Ending balance of total shareholders' equity	$1,121,323

On March 3, 2015, the Company completed the public offering of 1,380,000 shares of its common stock at $90.40 per share. Net proceeds to the Company after deducting underwriting discounts and commissions and offering expenses were approximately $119.5 million. The Company used the net proceeds from the offering to repay a portion of the indebtedness outstanding on the Company's unsecured line of credit.

For the six months ended June 30, 2015, 15,000 shares of common stock were issued upon the exercise of stock options.

On May 12, 2014, the Company entered into a continuous equity offering program ("Equity Program") with Wells Fargo Securities, LLC ("Wells Fargo"), Jefferies LLC ("Jefferies"), SunTrust Robinson Humphrey, Inc. ("SunTrust"), Piper Jaffray & Co. ("Piper"), HSBC Securities (USA) Inc. ("HSBC"), and BB&T Capital Markets, a division of BB&T Securities, LLC ("BB&T"), pursuant to which the Company may sell from time to time up to $225 million in aggregate offering price of shares of the Company's common stock. Actual sales under the Equity Program will depend on a variety of factors and conditions, including, but not limited to, market conditions, the trading price of the Company's common stock, and determinations of the appropriate sources of funding for the Company. The Company expects to continue to offer, sell, and issue shares of common stock under the Equity Program from time to time based on various factors and conditions, although the Company is under no obligation to sell any shares under the Equity Program.

During the six months ended June 30, 2015, the Company issued 199,700 shares of common stock under the Equity Program at a weighted average issue price of $91.53 per share, generating net proceeds of $18.0 million after deducting $0.2 million of sales commissions paid to Jefferies. The Company used the proceeds from the Equity Program to fund a portion of the acquisition of 15 storage facilities. As of June 30, 2015, the Company had $133.0 million available for issuance under the Equity Program.

During the six months ended June 30, 2014, the Company issued 250,000 shares of common stock under the Equity Program and 359,102 shares of common stock under a previous equity program at a weighted average issue price of $75.45 per share, generating net proceeds of $45.4 million after deducting $0.3 million of sales commissions payable to SunTrust and $0.3 million of sales commissions payable to Piper.

In 2013, the Company implemented a Dividend Reinvestment Plan. The Company issued 73,186 shares under the plan during the six months ended June 30, 2015.

13. RECENT ACCOUNTING PRONOUNCEMENTS

In April 2014, the FASB issued ASU 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and disclosures of Components of an Entity". Under this ASU, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. The ASU also requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. It is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014, with early adoption permitted. The Company adopted this guidance effective January 1, 2014 and the adoption is expected to significantly reduce the classification of property sales by the Company as discontinued operations.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers,” which supersedes the revenue recognition requirements in “Revenue Recognition (Topic 605),” and requires an entity to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company has the option to apply the provisions of ASU 2014-09 either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the new guidance recognized at the date of initial application. The Company has not yet completed its assessment of the impact that the adoption of ASU 2014-09 will have on its consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, “Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period,” which requires a reporting entity to treat a performance target that affects vesting and that could be achieved after the requisite service period as a performance condition. ASU 2014-12 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. ASU 2014-12 may be adopted either prospectively for share-based payment awards granted or modified on or after the effective date, or retrospectively, using a modified retrospective approach. The modified retrospective approach would apply to share-based payment awards outstanding as of the beginning of the earliest annual period presented in the financial statements on adoption, and to all new or modified awards thereafter. The Company does not expect the adoption of ASU 2014-12 to have a material impact on its consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. This ASU is effective for annual reporting periods beginning after December 15, 2015 including interim periods within that reporting period. ASU 2015-02 amends the current consolidation model specifically as it relates to variable interest entities (“VIE’s”) and provides reporting entities with a revised consolidation analysis procedure. The Company is currently evaluating the impact that the adoption of this guidance will have on its financial position, results of operations, comprehensive income, cash flows and/or disclosures.

In April 2015, the FASB issued ASU No. 2015-03, “Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”). ASU 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. Prior to the issuance of the standard, debt issuance costs were required to be presented in the balance sheet as an asset. The Company is currently assessing the impact that adopting this new accounting guidance will have on its consolidated financial statements and footnote disclosures. ASU 2015-03 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Accordingly, the standard is effective for the Company on January 1, 2016.

14. COMMITMENT AND CONTINGENCIES

At June 30, 2015, the Company was under contract to acquire 13 self-storage facilities for cash consideration of approximately $85.4 million. The purchase of these facilities by the Company is subject to customary conditions to closing, and there is no assurance that these facilities will be acquired.

On or about August 25, 2014, a putative class action was filed against the Company in the Superior Court of New Jersey Law Division Burlington County. The action seeks to obtain declaratory, injunctive and monetary relief for a class of consumers based upon alleged violations by the Company of the New Jersey Truth in Customer Contract, Warranty and Notice Act, the New Jersey Consumer Fraud Act and the New Jersey Insurance Producer Licensing Act. On October 17, 2014, the action was removed from the Superior Court of New Jersey Law Division Burlington County to the United States District Court for the District of New Jersey. The Company intends to vigorously defend the action, and the possibility of any adverse outcome cannot be determined at this time.

15. RECLASSIFICATION

Internet advertising expense, which had been included in the general and administrative expense line in prior year financial statements, has been reclassified to property operations and maintenance expense to conform with the current year presentation. The Company believes the classification of internet advertising expenses as property operations and maintenance expense is more consistent with industry trends. The amount of internet advertising expense that was reclassified for the three and six months ended June 30, 2014 was $1,540 and $2,960, respectively (dollars in thousands).

If such reclassification was in effect for the years ended December 31, 2014, 2013 and 2012, the consolidated statements of operations of the Company for such periods would show an increase in property operations and maintenance expense and a reduction of general and administrative expenses of (dollars in thousands) $5,570 for 2014, $4,803 for 2013, and $3,848 for 2012. There would be no effect on any other line items of the consolidated statements of operations. The consolidated statements of operations of the Company for such periods would have been presented as follows:

CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per share data)	Year Ended December 31, 2014	2013	2012
Revenues			
Rental income	$302,044	$253,384	$217,906
Other operating income	24,036	20,123	16,176
Total operating revenues	326,080	273,507	234,082
Expenses			
Property operations and maintenance	75,333	66,119	59,011
Real estate taxes	32,097	26,496	22,076
General and administrative	35,222	30,136	28,465
Acquisition costs	7,359	3,129	4,328
Operating leases of storage facilities	7,987	1,331	—
Depreciation and amortization	51,749	45,233	40,542
Total operating expenses	209,747	172,444	154,422
Income from operations	116,333	101,063	79,660
Other income (expenses)			
Interest expense	(34,578)	(32,000)	(33,166)
Interest income	40	40	4
Gain on sale of storage facilities	5,176	—	—
Gain on sale of real estate	—	421	687
Equity in income of joint ventures	2,086	1,948	936
Income from continuing operations	89,057	71,472	48,121
Income from discontinued operations (including a gain on disposal of $2,431 in 2013 and $4,498 in 2012)	—	3,123	7,520
Net income	89,057	74,595	55,641
Net income attributable to noncontrolling interest	(526)	(469)	(513)
Net income attributable to common shareholders	$ 88,531	$ 74,126	$ 55,128
Earnings per common share attributable to common shareholders—basic			
Continuing operations	$ 2.68	$ 2.27	$ 1.62
Discontinued operations	—	0.10	0.26
Earnings per share—basic	$ 2.68	$ 2.37	$ 1.88
Earnings per common share attributable to common shareholders—diluted			
Continuing operations	$ 2.67	$ 2.26	$ 1.61
Discontinued operations	—	0.10	0.26
Earnings per share—diluted	$ 2.67	$ 2.36	$ 1.87

16. SUBSEQUENT EVENTS

On July 1, 2015, the Company declared a quarterly dividend of $0.85 per common share. The dividend was paid on July 27, 2015 to shareholders of record on July 17, 2015. The total dividend paid amounted to $30.3 million.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the Company’s consolidated financial condition and results of operations should be read in conjunction with the unaudited financial statements and notes thereto included elsewhere in this report.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

When used in this discussion and elsewhere in this document, the words “intends,” “believes,” “expects,” “anticipates,” and similar expressions are intended to identify “forward-looking statements” within the meaning of that term in Section 27A of the Securities Act of 1933 and in Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the effect of competition from new self-storage facilities, which would cause rents and occupancy rates to decline; the Company’s ability to evaluate, finance and integrate acquired businesses into the Company’s existing business and operations; the Company’s ability to effectively compete in the industry in which it does business; the Company’s existing indebtedness may mature in an unfavorable credit environment, preventing refinancing or forcing refinancing of the indebtedness on terms that are not as favorable as the existing terms; interest rates may fluctuate, impacting costs associated with the Company’s outstanding floating rate debt; the Company’s ability to comply with debt covenants; any future ratings on the Company’s debt instruments; regional concentration of the Company’s business may subject it to economic downturns in the states of Florida and Texas; the Company’s reliance on its call center; the Company’s cash flow may be insufficient to meet required payments of operating expenses, principal, interest and dividends; and tax law changes that may change the taxability of future income.

RESULTS OF OPERATIONS

FOR THE PERIOD APRIL 1, 2015 THROUGH JUNE 30, 2015, COMPARED TO THE PERIOD APRIL 1, 2014 THROUGH JUNE 30, 2014

We recorded rental revenues of $83.5 million for the three months ended June 30, 2015, an increase of $9.1 million or 12.2% when compared to rental revenues of $74.4 million for the same period in 2014. Of the increase in rental revenue, $3.9 million resulted from a 5.5% increase in rental revenues at the 399 core properties considered in same store sales (those properties included in the consolidated results of operations since January 1, 2014). The increase in same store rental revenues was a result of a 130 basis point increase in average quarterly occupancy and a 3.9% increase in rental income per square foot. The remaining increase in rental revenue of $5.2 million was a result of the revenues from the acquisition of 44 properties completed since January 1, 2014. Other operating income, which includes merchandise sales, insurance commissions, truck rentals, management fees and acquisition fees, increased by $1.2 million for the three months ended June 30, 2015 compared to the same period in 2014 primarily as a result of increased commissions earned on customer insurance as well as increased management fee income.

Property operations and maintenance expenses increased $1.5 million or 8.3% in the three months ended June 30, 2015 as compared to the same period in 2014. The 399 core properties considered in the same store pool experienced a $0.2 million or 1.0% increase in operating expenses as a result of higher costs for repairs and maintenance, bank charges and payroll expenses. The same store pool benefited from reduced advertising and utility expenses. The remaining increase in property operating expenses of $1.3 million resulted from the acquisition of 44 properties completed since January 1, 2014. Real estate tax expense increased $1.1 million as a result of a 3.4% increase in property taxes on the 399 same store pool and the inclusion of taxes on the properties acquired in 2014 and 2015.

Net operating income increased $7.7 million or 14.2% as a result of a 7.8% increase in our same store net operating income and the acquisitions completed since January 1, 2014.

Net operating income or "NOI" is a non-GAAP (generally accepted accounting principles) financial measure that we define as total continuing revenues less continuing property operating expenses. NOI also can be calculated by adding back to net income: interest expense, impairment and casualty losses, depreciation and amortization expense, acquisition related costs, general and administrative expense, and deducting from net income: income from discontinued operations, interest income, gain on sale of real estate, and equity in income of joint ventures. We believe that NOI is a meaningful measure of operating performance because we utilize NOI in making decisions with respect to capital allocations, in determining current property values, and in comparing period-to-period and market-to-market property operating results. 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. 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. Internet advertising expense, which had been included in the general and administrative expense line in prior year financial statements, has been reclassified to property operations and maintenance expense to conform with the current year presentation. The following table reconciles NOI generated by our self-storage facilities to our net income presented in the consolidated financial statements for the three months ended June 30, 2015 and 2014.

	Three Months ended June 30,	
(dollars in thousands)	2015	2014
Net operating income		
Same store	$ 54,088	$ 50,190
Other stores and management fee income	8,007	4,206
Total net operating income	62,095	54,396
General and administrative	(9,686)	(8,864)
Acquisition related costs	(788)	(1,938)
Operating leases of storage facilities	—	(1,997)
Depreciation and amortization	(14,584)	(12,481)
Interest expense	(9,216)	(8,872)
Interest income	2	24
Equity in income of joint ventures	853	433
Net income	$ 28,676	$ 20,701

Our 2015 same store results consist of only those properties that were included in our consolidated results since January 1, 2014, and exclude the three properties we sold since January 1, 2014. The following table sets forth operating data for our 399 same store properties. These results provide information relating to property operating changes without the effects of acquisitions.

Same Store Summary

	Three Months ended June 30,		
(dollars in thousands)	2015	2014	Percentage Change
Same store rental income	$75,003	$71,081	5.5%
Same store other operating income	4,262	3,850	10.7%
Total same store operating income	79,265	74,931	5.8%
Payroll and benefits	6,791	6,586	3.1%
Real estate taxes	7,950	7,689	3.4%
Utilities	2,487	2,586	-3.8%
Repairs and maintenance	2,734	2,473	10.6%
Office and other operating expenses	2,532	2,543	-0.4%
Insurance	1,014	1,017	-0.3%
Advertising and yellow pages	337	366	-7.9%
Internet marketing,	1,332	1,481	-10.1%
Total same store operating expenses	25,177	24,741	1.8%
Same store net operating income	$54,088	$50,190	7.8%
			Change
Quarterly same store move ins	45,339	47,695	(2,356)
Quarterly same store move outs	38,962	40,352	(1,390)

We believe the decrease in same store move ins was a byproduct of our increased occupancy, leaving fewer spaces to rent. We believe the decrease in move outs is a byproduct of customers staying longer with us.

General and administrative expenses for the three months ended June 30, 2015 increased $0.8 million or 9.3% compared with the three months ended June 30, 2014. The key drivers of the increase were a $0.3 million increase in income taxes and a $0.2 million increase in professional fees. The remaining $0.3 million increase is the result of various other administrative costs related to managing the increased number of stores in our portfolio as compared to the 2014 period.

Acquisition related costs were $0.8 million in the three months ended June 30, 2015 as a result of the acquisition of nine stores during that period. Acquisition related costs for the three months ended June 30, 2014 were $1.9 million for the 16 stores acquired during that period.

The operating lease expense for storage facilities in the 2015 and 2014 periods relates to leases which commenced in November 2013 with respect to four self storage facilities in New York (2) and Connecticut (2). Such leases had annual lease payments of $6 million with a provision for 4% annual increases, and an exclusive option to purchase the facilities for $120 million. We completed the purchase of these four facilities on February 2, 2015, which eliminated the lease payment at that time.

Depreciation and amortization expense increased to $14.6 million in the three months ended June 30, 2015 from $12.5 million in the same period of 2014, primarily as a result of depreciation on the properties acquired in 2014 and 2015.

Interest expense increased from $8.9 million in the three months ended June 30, 2014 to $9.2 million in the same period in 2015. The increase was due to additional borrowings on our line of credit during the second quarter of 2015 which were used to fund a portion of our acquisitions.

Reclassification

Internet advertising expense, which had been included in the general and administrative expense line in prior year financial statements, has been reclassified to property operations and maintenance expense to conform with the current year presentation. The Company believes the classification of internet advertising expenses as property operations and maintenance expense is more consistent with industry trends. If such reclassification was in effect for the years ended December 31, 2014, 2013 and 2012, the Company's financial statements would show an increase in property operations and maintenance expense and a reduction of general and administrative expenses of (dollars in thousands) $5,570 for 2014, $4,803 for 2013, and $3,848 for 2012. The Company's same store results and net operating income reconciliation to net income for such periods would have been presented as follows:

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Our 2014 same store results consist of only those properties that were included in our consolidated results since January 1, 2013, excluding the properties we sold in 2014 and 2013. The following table sets forth operating data for our 384 same store properties after the reclassification of the internet advertising expense. These results provide information relating to property operating changes without the effects of acquisition.

2014 Same Store Summary

(dollars in thousands)	Year ended December 31, 2014	Year ended December 31, 2013	Percentage Change
Same store rental income	$265,788	$247,678	7.3%
Same store other operating income	14,426	12,923	11.6%
Total same store operating income	280,214	260,601	7.5%
Payroll and benefits	25,178	24,505	2.7%
Real estate taxes	27,289	25,671	6.3%
Utilities	10,608	10,155	4.5%
Repairs and maintenance	10,540	9,448	11.6%
Office and other operating expenses	9,783	9,555	2.4%
Insurance	3,987	4,303	-7.3%
Internet marketing, advertising and yellow pages	6,498	6,201	4.8%
Total same store operating expenses	93,883	89,838	4.5%
Same store net operating income	$186,331	$170,763	9.1%

The following table reconciles NOI generated by our self-storage facilities to our net income presented in the 2014 and 2013 consolidated financial statements after the reclassification of the internet advertising expense.

(dollars in thousands)	Year ended December 31, 2014	2013
Net operating income		
Same store	$186,331	$170,763
Other stores and management fee income	32,319	10,129
Total net operating income	218,650	180,892
General and administrative	(35,222)	(30,136)
Acquisition related costs	(7,359)	(3,129)
Operating leases of storage facilities	(7,987)	(1,331)
Depreciation and amortization	(51,749)	(45,233)
Interest expense	(34,578)	(32,000)
Interest income	40	40
Gain on sale of real estate	5,176	421
Equity in income of joint ventures	2,086	1,948
Income from discontinued operations	—	3,123
Net income	$ 89,057	$ 74,595

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Our 2013 same store results consist of only those properties that were included in our consolidated results since January 1, 2012, excluding the properties we sold in 2013 and 2012. The following table sets forth operating data for our 358 same store properties after the reclassification of the internet advertising expense. These results provide information relating to property operating changes without the effects of acquisition.

2013 Same Store Summary

(dollars in thousands)	Year ended December 31, 2013	2012	Percentage Change
Same store rental income	$228,357	$212,596	7.4%
Same store other operating income	12,284	10,745	14.3%
Total same store operating income	240,641	223,341	7.7%
Payroll and benefits	22,521	22,277	1.1%
Real estate taxes	22,999	21,417	7.4%
Utilities	9,262	9,167	1.0%
Repairs and maintenance	8,734	8,488	2.9%
Office and other operating expenses	8,776	8,339	5.2%
Insurance	3,819	3,435	11.2%
Internet marketing, advertising and yellow pages	5,768	5,359	7.6%
Total same store operating expenses	81,879	78,482	4.3%
Same store net operating income	$158,762	$144,859	9.6%

The following table reconciles NOI generated by our self-storage facilities to our net income presented in the 2013 and 2012 consolidated financial statements after the reclassification of the internet advertising expense.

(dollars in thousands)	Year ended December 31, 2013	2012
Net operating income		
Same store	$158,762	$144,859
Other stores and management fee income	22,130	8,136
Total net operating income	180,892	152,995
General and administrative	(30,136)	(28,465)
Acquisition related costs	(3,129)	(4,328)
Operating leases of storage facilities	(1,331)	—
Depreciation and amortization	(45,233)	(40,542)
Interest expense	(32,000)	(33,166)
Interest income	40	4
Gain on sale of real estate	421	687
Equity in income of joint ventures	1,948	936
Income from discontinued operations	3,123	7,520
Net income	$ 74,595	$ 55,641

FOR THE PERIOD JANUARY 1, 2015 THROUGH JUNE 30, 2015, COMPARED TO THE PERIOD JANUARY 1, 2014 THROUGH JUNE 30, 2014

We recorded rental revenues of $162.4 million for the six months ended June 30, 2015, an increase of $18.0 million or 12.5% when compared to rental revenues of $144.3 million for the same period in 2014. Of the increase in rental revenue, $7.6 million resulted from a 5.5% increase in rental revenues at the 399 core properties considered in same store sales (those properties included in the consolidated results of operations since January 1, 2014). The increase in same store rental revenues was a result of a 115 basis point increase in average quarterly occupancy and a 3.7% increase in rental income per square foot. The remaining increase in rental revenue of $10.4 million was a result of the revenues from the acquisition of 44 properties completed since January 1, 2014. Other operating income, which includes merchandise sales, insurance commissions, truck rentals, management fees and acquisition fees, increased by $2.2 million for the six months ended June 30, 2015 compared to the same period in 2014 primarily as a result of increased commissions earned on customer insurance as well as increased management fee income.

Property operations and maintenance expenses increased $3.6 million or 9.8% in the six months ended June 30, 2015 as compared to the same period in 2014. The 399 core properties considered in the same store pool experienced a $0.7 million or 1.9% increase in operating expenses as a result of higher costs for snow removal, repairs and maintenance, bank charges and payroll expenses. The same store pool benefited from reduced advertising expense, property insurance and utility expenses. The remaining increase in property operating expenses of $2.9 million resulted from the acquisition of 44 properties completed since January 1, 2014. Real estate tax expense increased $1.9 million as a result of a 2.6% increase in property taxes on the 399 same store pool and the inclusion of taxes on the properties acquired in 2014 and 2015.

Net operating income increased $14.7 million or 14.3% as a result of a 7.6% increase in our same store net operating income and the acquisitions completed since January 1, 2014.

Net operating income or "NOI" is a non-GAAP (generally accepted accounting principles) financial measure that we define as total continuing revenues less continuing property operating expenses. NOI also can be calculated by adding back to net income: interest expense, impairment and casualty losses, depreciation and amortization expense, acquisition related costs, general and administrative expense, and deducting from net income: income from discontinued operations, interest income, gain on sale of real estate, and equity in income of joint ventures. We believe that NOI is a meaningful measure of operating performance because we utilize NOI in making decisions with respect to capital allocations, in determining current property values, and in comparing period-to-period and market-to-market property operating results. 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. 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. Internet advertising expense, which had been included in the general and administrative expense line in prior year financial statements, has been reclassified to property operations and maintenance expense to conform with the current year presentation. The following table reconciles NOI generated by our self-storage facilities to our net income presented in the consolidated financial statements for the six months ended June 30, 2015 and 2014.

(dollars in thousands)	Six Months ended June 30, 2015	2014
Net operating income		
Same store	$103,413	$ 96,092
Other stores and management fee income	14,611	7,211
Total net operating income	118,024	103,303
General and administrative	(19,092)	(17,400)
Acquisition related costs	(1,369)	(4,716)
Operating leases of storage facilities	(683)	(3,994)
Depreciation and amortization	(28,766)	(24,423)
Interest expense	(18,377)	(16,216)
Interest income	4	31
Loss on sale of real estate	(7)	—
Equity in income of joint ventures	1,499	892
Net income	$ 51,233	$ 37,477

Our 2015 same store results consist of only those properties that were included in our consolidated results since January 1, 2014, and exclude the three properties we sold since January 1, 2014. The following table sets forth operating data for our 399 same store properties. These results provide information relating to property operating changes without the effects of acquisitions.

Same Store Summary

(dollars in thousands)	Six Months ended June 30, 2015	2014	Percentage Change
Same store rental income	$146,852	$139,240	5.5%
Same store other operating income	8,164	7,372	10.7%
Total same store operating income	155,016	146,612	5.7%
Payroll and benefits	13,538	13,136	3.1%
Real estate taxes	15,889	15,481	2.6%
Utilities	5,393	5,672	-4.9%
Repairs and maintenance	6,362	5,359	18.7%
Office and other operating expenses	4,965	5,148	-3.6%
Insurance	2,029	2,116	-4.1%
Advertising and yellow pages	671	734	-8.6%
Internet marketing	2,756	2,874	-4.1%
Total same store operating expenses	51,603	50,520	2.1%
Same store net operating income	$103,413	$ 96,092	7.6%
			Change
Quarterly same store move ins	85,004	87,525	(2,521)
Quarterly same store move outs	74,141	76,479	(2,338)

We believe the decrease in same store move ins was a byproduct of our increased occupancy, leaving fewer spaces to rent. We believe the decrease in move outs is a byproduct of customers staying longer with us.

General and administrative expenses for the six months ended June 30, 2015 increased $1.7 million or 9.7% compared with the six months ended June 30, 2014. The key drivers of the increase were a $0.6 million increase in salaries and benefits, a $0.4 million increase in income taxes, and a $0.4 million increase in professional fees. The remaining $0.3 million increase is the result of various other administrative costs related to managing the increased number of stores in our portfolio as compared to the 2014 period.

Acquisition related costs were $1.4 million in the six months ended June 30, 2015 as a result of the acquisition of 15 stores during that period. Acquisition related costs for the six months ended June 30, 2014 were $4.7 million for the 23 stores acquired during that period, and included a $1.3 million loan defeasance cost paid by the Company.

The operating lease expense for storage facilities in the 2015 and 2014 periods relates to leases which commenced in November 2013 with respect to four self storage facilities in New York (2) and Connecticut (2). Such leases had annual lease payments of $6 million with a provision for 4% annual increases, and an exclusive option to purchase the facilities for $120 million. We completed the purchase of these four facilities on February 2, 2015, which eliminated the lease payment at that time.

Depreciation and amortization expense increased to $28.8 million in the six months ended June 30, 2015 from $24.4 million in the same period of 2014, primarily as a result of depreciation on the properties acquired in 2014 and 2015.

Interest expense increased from $16.2 million in the six months ended June 30, 2014 to $18.4 million in the same period in 2015. The increase was due to the additional $175 million term note borrowings in April 2014 and additional line of credit borrowings in 2015 which were used to fund a portion of our acquisitions.

During the six months ended June 30, 2015 we sold one storage facility in Missouri for net proceeds of approximately $691,000, resulting in a loss on sale of $7,000.

FUNDS FROM OPERATIONS

We believe that Funds from Operations ("FFO") provides relevant and meaningful information about our operating performance that is necessary, along with net earnings and cash flows, for an understanding of our operating results. FFO adds back historical cost depreciation, which assumes the value of real estate assets diminishes predictably in the future. In fact, real estate asset values increase or decrease with market conditions. Consequently, we believe FFO is a useful supplemental measure in evaluating our operating performance by disregarding (or adding back) historical cost depreciation.

FFO is defined by the National Association of Real Estate Investment Trusts, Inc. ("NAREIT") as net income available to common shareholders computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains or losses on sales of properties, plus impairment of real estate assets, plus depreciation and amortization and after adjustments to record unconsolidated partnerships and joint ventures on the same basis. We believe that to further understand our performance FFO should be compared with our reported net income and cash flows in accordance with GAAP, as presented in our consolidated financial statements.

In October and November of 2011, NAREIT issued guidance for reporting FFO that reaffirmed NAREIT's view that impairment write-downs of depreciable real estate should be excluded from the computation of FFO. This view is based on the fact that impairment write-downs are akin to and effectively reflect the early recognition of losses on prospective sales of depreciable property or represent adjustments of previously charged depreciation. Since depreciation of real estate and gains/losses from sales are excluded from FFO, it is NAREIT's view that it is consistent and appropriate for write-downs of depreciable real estate to also be excluded. Our calculation of FFO excludes impairment write-downs of investments in storage facilities.

Our computation of FFO may not be comparable to FFO reported by other REITs or real estate companies that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently. FFO does not represent cash generated from operating activities determined in accordance with GAAP, and should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of our performance, as an alternative to net cash flows from operating activities (determined in accordance with GAAP) as a measure of our liquidity, or as an indicator of our ability to make cash distributions.

Reconciliation of Net Income to Funds From Operations (unaudited)

(in thousands)	Three Months Ended Jun. 30, 2015	Three Months Ended Jun. 30, 2014	Six Months Ended Jun. 30, 2015	Six Months Ended Jun. 30, 2014
Net income attributable to common shareholders	$ 28,532	$ 20,576	$ 50,983	$ 37,249
Net income attributable to noncontrolling interest	144	125	250	228
Depreciation of real estate and amortization of intangible assets	14,308	12,255	28,219	23,970
Depreciation and amortization from unconsolidated joint ventures	617	360	1,235	736
Loss on sale of storage facility	—	—	7	—
Funds from operations allocable to noncontrolling redeemable Operating Partnership Units	(220)	(202)	(394)	(378)
FFO available to common shareholders	$ 43,381	$ 33,114	$ 80,300	$ 61,805

LIQUIDITY AND CAPITAL RESOURCES

Our line of credit and term notes require us to meet certain financial covenants measured on a quarterly basis, including prescribed leverage, fixed charge coverage, minimum net worth, limitations on additional indebtedness, and limitations on dividend payouts. At June 30, 2015, the Company was in compliance with all debt covenants. The most sensitive covenant is the leverage ratio covenant contained in certain of our term note agreements. This covenant limits our total consolidated liabilities to 55% of our gross asset value. At June 30, 2015, our leverage ratio as defined in the agreements was approximately 38.6%. The agreements define total consolidated liabilities to include the liabilities of the Company plus our share of liabilities of unconsolidated joint ventures. The agreements also define a prescribed formula for determining gross asset value which incorporates the use of a 9.25% capitalization rate applied to annualized earnings before interest, taxes, depreciation and amortization and other items (“Adjusted EBITDA”) as defined in the agreements. In the event that the Company violates its debt covenants in the future, the amounts due under the agreements could be callable by the lenders and could adversely affect our credit rating requiring us to pay higher interest and other debt-related costs. We believe that if operating results remain consistent with historical levels and levels of other debt and liabilities remain consistent with amounts outstanding at June 30, 2015, the entire availability under our line of credit could be drawn without violating our debt covenants.

Our ability to retain cash flow is limited because we operate as a REIT. In order to maintain our REIT status, a substantial portion of our operating cash flow must be used to pay dividends to our shareholders. We believe that our internally generated net cash provided by operating activities and the availability on our line of credit will be sufficient to fund ongoing operations, capital improvements, dividends and debt service requirements through April 2016, at which time $150 million of term notes mature.

Cash flows from operating activities were $80.7 million and $60.3 million for the six months ended June 30, 2015, and 2014, respectively. The increase in operating cash flows in the 2015 period compared to the 2014 period was primarily due to the increase in net income.

Cash used in investing activities was $222.0 million and $203.0 million for the six months ended June 30, 2015 and 2014, respectively. The increase in cash used in investing activities in the 2015 period compared to the 2014 period was due to increased dollar value of acquisitions in 2015 as compared to the same period in 2014.

Cash provided by financing activities was $139.4 million for the six months ended June 30, 2015 compared to $140.2 million for the six months ended June 30, 2014. On March 3, 2015, the Company completed the public offering of 1,380,000 shares of its common stock at $90.40 per share. Net proceeds to the Company after deducting underwriting discounts and commissions and offering expenses were approximately $119.5 million, and when combined with proceeds from our continuous equity offering program, the exercise of stock options, and the sale of common stock through our dividend reinvestment plan, resulted in net cash proceeds from the sale of common stock of $145.0 million. The Company used the net proceeds from the offering to repay a portion of the indebtedness outstanding on the Company's unsecured line of credit. Additional borrowings were incurred in 2015 to fund acquisitions completed subsequent to this equity offering. In the 2014 period we received proceeds of $175.0 million on a 10 year term note and used the proceeds to reduce our line of credit. We made net repayments on our line of credit of $41.0 million in the 2014 period. In the 2014 period we also issued shares under our continuous equity offering program to fund acquisitions which, when combined with proceeds from the exercise of stock options and the sale of common stock through our dividend reinvestment plan, resulted in net cash proceeds from the sale of common stock of $51.7 million. We paid dividends of $52.3 million in the 2015 period which increased in comparison to dividends of $44.5 million in the 2014 period primarily because of an increase in our common shares outstanding and an increase in our dividend rate.

On December 10, 2014, the Company amended its existing unsecured credit agreement. As part of the amended agreement, the Company increased its revolving credit limit from $175 million to $300 million. The interest rate on the revolving credit facility bears interest at a variable rate equal to LIBOR plus a margin based on the Company's credit rating (at June 30, 2015 the margin is 1.30%), and requires a 0.20% facility fee. The amended agreement also reduced the interest rate on the $325 million unsecured term note maturing June 4, 2020, with the term note bearing interest at LIBOR plus a margin based on the Company's credit rating (at June 30, 2015 the margin is 1.40%). The interest rate at June 30, 2015 on the Company's line of credit was approximately 1.49% (1.46% at December 31, 2014). At June 30, 2015, there was $204 million available on the unsecured line of credit. The revolving line of credit has a maturity date of December 10, 2019. The amended agreement also provides for an increase in the revolving credit facility and the bank term notes at the Company's request to an aggregate amount up to $850 million.

On April 8, 2014, the Company entered into a $175 million term note maturing April 2024 bearing interest at a fixed rate of 4.533%. The interest rate on the term note increases to 6.283% if the Company is not rated by at least one rating agency or if the Company's credit rating is downgraded. The proceeds from this term note were used to repay the $115 million outstanding on the Company's line of credit at April 8, 2014, with the excess proceeds used for acquisitions.

On August 5, 2011, the Company entered into a $100 million term note maturing August 5, 2021 bearing interest at a fixed rate of 5.54%. The interest rate on the term note increases to 7.29% if the notes are not rated by at least one rating agency, the credit rating on the notes is downgraded or if the Company's credit rating is downgraded. The proceeds from this term note were used to fund acquisitions and investments in unconsolidated joint ventures.

The Company also maintains a $150 million unsecured term note maturing April 13, 2016 bearing interest at 6.38%. The interest rate on the $150 million unsecured term note increases to 8.13% if the notes are not rated by at least one rating agency, the credit rating on the notes is downgraded or the Company's credit rating is downgraded.

Our line of credit facility and term notes have an investment grade rating from Standard and Poor's and Fitch Ratings (BBB-).

In addition to the unsecured financing mentioned above, our consolidated financial statements also include a $2.1 million mortgage payable that is secured by a storage facility.

On May 12, 2014, the Company entered into a continuous equity offering program ("Equity Program") with Wells Fargo Securities, LLC ("Wells Fargo"), Jefferies LLC ("Jefferies"), SunTrust Robinson Humphrey, Inc. ("SunTrust"), Piper Jaffray & Co. ("Piper"), HSBC Securities (USA) Inc. ("HSBC"), and BB&T Capital Markets, a division of BB&T Securities, LLC ("BB&T"), pursuant to which the Company may sell from time to time up to $225 million in aggregate offering price of shares of the Company's common stock. Actual sales under the Equity Program will depend on a variety of factors and conditions, including, but not limited to, market conditions, the trading price of the Company's common stock, and determinations of the appropriate sources of funding for the Company. The Company expects to continue to offer, sell, and issue shares of common stock under the Equity Program from time to time based on various factors and conditions, although the Company is under no obligation to sell any shares under the Equity Program.

During the six months ended June 30, 2015, the Company issued 199,700 shares of common stock under the Equity Program at a weighted average issue price of $91.53 per share, generating net proceeds of $18.0 million after deducting $0.2 million of sales commissions paid to Jefferies. The Company used the proceeds from the Equity Program to fund a portion of the acquisition of 15 storage facilities. As of June 30, 2015, the Company had $133.0 million available for issuance under the Equity Program.

During the six months ended June 30, 2014, the Company issued 250,000 shares of common stock under the Equity Program and 359,102 shares of common stock under a previous equity program at a weighted average issue price of $75.45 per share, generating net proceeds of $45.4 million after deducting $0.3 million of sales commissions payable to SunTrust and $0.3 million of sales commissions payable to Piper.

In 2013, the Company implemented a Dividend Reinvestment Plan. The Company issued 73,186 shares under the plan during the six months ended June 30, 2015.

During the six months ended June 30, 2015 and 2014, we did not acquire any shares of our common stock via the Share Repurchase Program authorized by the Board of Directors. From the inception of the Share Repurchase Program through June 30, 2015, we have reacquired a total of 1,171,886 shares pursuant to this program. From time to time, subject to market price and certain loan covenants, we may reacquire additional shares.

Future acquisitions, our expansion and enhancement program, and share repurchases are expected to be funded with draws on our line of credit, issuance of common and preferred stock, the issuance of unsecured term notes, sale of properties, and private placement solicitation of joint venture equity. Should the capital markets deteriorate, we may have to curtail acquisitions, our expansion and enhancement program, and share repurchases as we approach April 2016, when certain term notes mature.

ACQUISITION AND DISPOSITION OF PROPERTIES

In the six months ended June 30, 2015, the Company acquired 15 self-storage facilities comprising 1.3 million square feet in Arizona (1), Connecticut (2), Florida (6), Illinois (2), Massachusetts (1), New York (2) and Texas (1) for a total purchase price of $209.0 million. Based on the trailing financial information of the entities from which the properties were acquired, the weighted average capitalization rate was 5.0% on these purchases and ranged from 0% on recently constructed facilities to 6.1% on mature facilities. The four facilities acquired in Connecticut and New York in 2015 had been leased by the Company since November 1, 2013 and the operating results of these four facilities have been included in the Company's operations since that date.

In 2014, we acquired 33 self storage facilities comprising 2.4 million square feet in Florida (4), Georgia (1), Illinois (3), Louisiana (1), Maine (2), Missouri (7), New Jersey (6), New York (1), Texas (6), Tennessee (1), and Virginia (1) for a total purchase price of $291.9 million. Sovran HHF Holdings LLC, a joint venture in which the Company is a 20% owner, acquired 14 self-storage facilities in 2014 for approximately $187.2 million. The Company's share of the capital required for these purchases was approximately $28.6 million.

During the six months ended June 30, 2015 we sold one non-strategic storage facility in Missouri for net proceeds of approximately $691,000, resulting in a loss on sale of $7,000.

During 2014, we sold two non-strategic storage facilities in Texas for net proceeds of approximately $11.0 million resulting in a gain of approximately $5.2 million.

We may seek to sell additional properties to third parties or joint venture partners in 2015.

FUTURE ACQUISITION AND DEVELOPMENT PLANS

Our external growth strategy is to increase the number of facilities we own by acquiring suitable facilities in markets in which we already have operations, or to expand into new markets by acquiring several facilities at once in those new markets. We are actively pursuing acquisitions in 2015, and at June 30, 2015 we had 13 properties under contract to be purchased for approximately $85.4 million.

In the six months ended June 30, 2015, we added 80,045 square feet to existing properties for a total cost of approximately $4.0 million. In 2014, we added 272,000 square feet to existing properties and converted 9,000 square feet to premium storage for a total cost of approximately $18.3 million. Although we do not expect to construct any new facilities in 2015, we do plan to complete an additional $23.2 million of expansions and enhancements to our existing facilities.

We also expect to continue making capital expenditures on our properties. This includes roofing, paving, and remodeling of store offices. For the first six months of 2015 we spent approximately $8.2 million on such improvements and we expect to spend approximately $11.3 million for the remainder of 2015.

REIT QUALIFICATION AND DISTRIBUTION REQUIREMENTS

As a REIT, we are not required to pay federal income tax on income that we distribute to our shareholders, provided that we satisfy certain requirements, including distributing at least 90% of our REIT taxable income for a taxable year. These distributions must be made in the year to which they relate, or in the following year if declared before we file our federal income tax return, and if they are paid not later than the date of the first regular dividend of the following year. As a REIT, we must derive at least 95% of our total gross income from income related to real property, interest and dividends.

Although we currently intend to operate in a manner designed to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause our Board of Directors to revoke our REIT election.

UMBRELLA PARTNERSHIP REIT

We are formed as an Umbrella Partnership Real Estate Investment Trust ("UPREIT") and, as such, have the ability to issue Operating Partnership Units in exchange for properties sold by independent owners. By utilizing such Units as currency in facility acquisitions, we may obtain more favorable pricing or terms due to the seller's ability to partially defer their income tax liability. As of June 30, 2015, 178,866 Units are outstanding. These Units had been issued in exchange for self-storage properties at the request of the sellers.

INTEREST RATE RISK

The primary market risk to which we believe we are exposed is interest rate risk, which may result from many factors, including government monetary and tax policies, domestic and international economic and political considerations, and other factors that are beyond our control.

We have entered into interest rate swap agreements in order to mitigate the effects of fluctuations in interest rates on our variable rate debt. The LIBOR base rates have been contractually fixed on $325 million of our debt through the interest rate swap termination dates. See Note 7 to our consolidated financial statements appearing elsewhere in this quarterly report on Form 10-Q.

Based on our outstanding unsecured floating rate debt of $421 million at June 30, 2015, and taking into account our interest rate swap agreements, a 100 basis point increase in interest rates would have a $1.0 million effect on our annual interest expense. These amounts were determined by considering the impact of the hypothetical interest rates on our borrowing cost and our interest rate swap agreements in effect on June 30, 2015. These analyses do not consider the effects of the reduced level of overall economic activity that could exist in such an environment. Further, in the event of a change of such magnitude, we would consider taking actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no changes in our capital structure.

INFLATION

We do not believe that inflation has had or will have a direct effect on our operations. Substantially all of the leases at the facilities are on a month-to-month basis which provides us with the opportunity to increase rental rates as each lease matures.

SEASONALITY

Our revenues typically have been higher in the third and fourth quarters, primarily because self-storage facilities tend to experience greater occupancy during the late spring, summer and early fall months due to the greater incidence of residential moves and college student activity during these periods. However, we believe that our customer mix, diverse geographic locations, rental structure and expense structure provide adequate protection against undue fluctuations in cash flows and net revenues during off-peak seasons. Thus, we do not expect seasonality to affect materially distributions to shareholders.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 13 to the financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required is incorporated by reference to the information appearing under the caption "Interest Rate Risk" in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" above.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, has been conducted under the supervision of and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective at June 30, 2015. There have not been changes in the Company's internal controls or in other factors that could significantly affect these controls during the quarter ended June 30, 2015.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as defined in 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934) that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. Other Information

Item 1. Legal Proceedings

On or about August 25, 2014, a putative class action was filed against the Company in the Superior Court of New Jersey Law Division Burlington County. The action seeks to obtain declaratory, injunctive and monetary relief for a class of consumers based upon alleged violations by the Company of the New Jersey Truth in Customer Contract, Warranty and Notice Act, the New Jersey Consumer Fraud Act and the New Jersey Insurance Producer Licensing Act. On October 17, 2014, the action was removed from the Superior Court of New Jersey Law Division Burlington County to the United States District Court for the District of New Jersey. The Company intends to vigorously defend the action.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the quarterly period ended June 30, 2015, the Company issued 4,000 shares of common stock as a result of the exercise of stock options issued under the Company's 2009 Outside Directors' Stock Option and Award Plan. The Company received aggregate proceeds of $291,940 in connection with the exercise of the stock options. The issuance of such common stock was exempt from registration pursuant to the Securities Act of 1933, among other reasons, by virtue of Section 4(2) as transactions not involving a public offering.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

None

Item 6. Exhibits

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
32	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.
101	The following financial statements from the Company's Quarterly Report on Form

10-Q for the quarter ended June 30, 2015, formatted in XBRL, as follows:

(i) Consolidated Balance Sheets at June 30, 2015 and December 31, 2014;

(ii) Consolidated Statements of Operations for the three and six months ended June 30, 2015 and 2014;

(iii) Consolidated Statements of Cash Flows for the six months ended June 30, 2015 and 2014;

(iv) Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2015 and 2014; and

(v) Notes to Consolidated Financial Statements.

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, thereunto duly authorized.

Sovran Self Storage, Inc.

By: /S/ Andrew J. Gregoire
Andrew J. Gregoire
Chief Financial Officer
(Principal Accounting Officer)

August 4, 2015
Date

Exhibit 31.1

Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended

I, David L. Rogers, certify that:

1. I have reviewed this report on Form 10-Q of Sovran Self Storage, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 4, 2015

/S/ David L. Rogers
David L. Rogers
Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended

I, Andrew J. Gregoire, certify that:

1. I have reviewed this report on Form 10-Q of Sovran Self Storage, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 4, 2015

/S/ Andrew J. Gregoire

Andrew J. Gregoire
Chief Financial Officer

Exhibit 32

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

Each of the undersigned of Sovran Self Storage, Inc. (the "Company") does hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1) The Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2015 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

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

Dated: August 4, 2015

/S/ David L. Rogers
David L. Rogers
Chief Executive Officer

/S/ Andrew J. Gregoire
Andrew J. Gregoire
Chief Financial Officer