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

**FORM 10-Q**

[ X ] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2008

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 [ X ] 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 [X] 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 [ X ]

As of July 23, 2008, 21,951,198 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, 2008 (unaudited) | December 31, 2007 |
|---|---|---|
| **Assets** | | |
| Investment in storage facilities: | | |
| Land | $ 239,644 | $ 236,349 |
| Building, equipment, and construction in progress | 1,121,131 | 1,086,359 |
| | 1,360,775 | 1,322,708 |
| Less: accumulated depreciation | (199,853) | (183,679) |
| Investment in storage facilities, net | 1,160,922 | 1,139,029 |
| Cash and cash equivalents | 21,060 | 4,010 |
| Accounts receivable | 2,575 | 2,794 |
| Receivable from related parties | 14 | 27 |
| Investment in joint ventures | 100 | - |
| Prepaid expenses | 6,159 | 4,771 |
| Other assets | 10,814 | 7,574 |
| Net assets of discontinued operations | - | 6,383 |
| Total Assets | $ 1,201,644 | $ 1,164,588 |
| | | |
| **Liabilities** | | |
| Line of credit | $ - | $ 100,000 |
| Term notes | 500,000 | 356,000 |
| Accounts payable and accrued liabilities | 20,917 | 23,752 |
| Deferred revenue | 6,087 | 5,602 |
| Fair value of interest rate swap agreements | 4,457 | 1,230 |
| Accrued dividends | 13,791 | 13,656 |
| Mortgages payable | 110,152 | 110,517 |
| Total Liabilities | 655,404 | 610,757 |
| | | |
| Minority interest – Operating Partnership | 9,495 | 9,659 |
| Minority interest – consolidated joint venture | 13,082 | 16,783 |
| | | |
| **Shareholders' Equity** | | |
| Common stock $.01 par value, 100,000,000 shares authorized, 21,890,727 shares outstanding (21,676,586 at December 31, 2007) | 231 | 228 |
| Additional paid-in capital | 661,286 | 654,141 |
| Dividends in excess of net income | (106,481) | (98,437) |
| Accumulated other comprehensive loss | (4,198) | (1,368) |
| Treasury stock at cost, 1,171,886 shares | (27,175) | (27,175) |
| Total Shareholders' Equity | 523,663 | 527,389 |
| Total Liabilities and Shareholders' Equity | $ 1,201,644 | $ 1,164,588 |

See notes to financial statements.

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

| (dollars in thousands, except per share data) | April 1, 2008 to June 30, 2008 | April 1, 2007 to June 30, 2007 |
|---|---|---|
| **Revenues** | | |
| Rental income | $ 48,432 | $ 46,301 |
| Other operating income | 1,688 | 1,571 |
| Total operating revenues | 50,120 | 47,872 |
| | | |
| **Expenses** | | |
| Property operations and maintenance | 13,355 | 12,864 |
| Real estate taxes | 4,823 | 4,606 |
| General and administrative | 4,095 | 3,698 |
| Depreciation and amortization | 8,508 | 10,085 |
| Total operating expenses | 30,781 | 31,253 |
| | | |
| Income from operations | 19,339 | 16,619 |
| | | |
| **Other income (expenses)** | | |
| Interest expense | (8,978) | (8,217) |
| Interest income | 86 | 149 |
| Minority interest – Operating Partnership | (204) | (167) |
| Minority interest – consolidated joint ventures | (421) | (462) |
| Equity in income of joint ventures | 7 | 28 |
| | | |
| Income from continuing operations | 9,829 | 7,950 |
| Income from discontinued operations (including gain on disposal of $716 in 2008) | 712 | 114 |
| **Net Income** | 10,541 | 8,064 |
| Preferred stock dividends | - | (628) |
| Net income available to common shareholders | $ 10,541 | $ 7,436 |
| | | |
| **Earnings per common share – basic** | | |
| Continuing operations | $ 0.45 | $ 0.36 |
| Discontinued operations | 0.04 | - |
| Earnings per common share – basic | $ 0.49 | $ 0.36 |
| | | |
| **Earnings per common share – diluted** | | |
| Continuing operations | $ 0.45 | $ 0.36 |
| Discontinued operations | 0.03 | - |
| Earnings per common share – diluted | $ 0.48 | $ 0.36 |
| | | |
| Common shares used in basic earnings per share calculation | 21,727,506 | 20,479,201 |
| | | |
| Common shares used in diluted earnings per share calculation | 21,760,891 | 20,532,878 |
| | | |
| Dividends declared per common share | $ 0.63 | $ 0.62 |

See notes to financial statements.

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

| (dollars in thousands, except per share data) | January 1, 2008 to June 30, 2008 | January 1, 2007 to June 30, 2007 |
|---|---|---|
| **Revenues** | | |
| Rental income | $ 96,490 | $ 89,340 |
| Other operating income | 3,250 | 2,903 |
| Total operating revenues | 99,740 | 92,243 |
| | | |
| **Expenses** | | |
| Property operations and maintenance | 27,150 | 25,217 |
| Real estate taxes | 9,563 | 8,972 |
| General and administrative | 8,220 | 7,254 |
| Depreciation and amortization | 17,109 | 17,064 |
| Total operating expenses | 62,042 | 58,507 |
| | | |
| Income from operations | 37,698 | 33,736 |
| | | |
| **Other income (expenses)** | | |
| Interest expense | (17,933) | (15,816) |
| Interest income | 178 | 678 |
| Minority interest – Operating Partnership | (378) | (367) |
| Minority interest – consolidated joint ventures | (884) | (924) |
| Equity in income of joint ventures | 19 | 80 |
| | | |
| Income from continuing operations | 18,700 | 17,387 |
| Income from discontinued operations (including gain on disposal of $716 in 2008) | 794 | 214 |
| **Net Income** | 19,494 | 17,601 |
| Preferred stock dividends | - | (1,256) |
| Net income available to common shareholders | $ 19,494 | $ 16,345 |
| | ======= | ======= |
| **Earnings per common share – basic** | | |
| Continuing operations | $ 0.86 | $ 0.79 |
| Discontinued operations | 0.04 | 0.01 |
| Earnings per common share – basic | $ 0.90 | $ 0.80 |
| | ======= | ======= |
| **Earnings per common share – diluted** | | |
| Continuing operations | $ 0.86 | $ 0.79 |
| Discontinued operations | 0.04 | 0.01 |
| Earnings per common share – diluted | $ 0.90 | $ 0.80 |
| | ======= | ======= |
| Common shares used in basic earnings per share calculation | 21,687,436 | 20,446,229 |
| Common shares used in diluted earnings per share calculation | 21,712,668 | 20,506,267 |
| Dividends declared per common share | $ 1.26 | $ 1.24 |
| | ======= | ======= |

See notes to financial statements.

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

| (dollars in thousands) | January 1, 2008 to June 30, 2008 | January 1, 2007 to June 30, 2007 |
|---|---|---|
| **Operating Activities** | | |
| Net income | $ 19,494 | $ 17,601 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 17,717 | 17,641 |
| Gain on sale of storage facility | (716) | - |
| Equity in income of joint ventures | (19) | (80) |
| Minority interest | 1,262 | 1,291 |
| Non-vested stock earned | 705 | 573 |
| Stock option expense | 137 | 102 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 225 | (288) |
| Prepaid expenses | (1,354) | (135) |
| Accounts payable and other liabilities | (2,424) | 3,363 |
| Deferred revenue | 439 | 530 |
| Net cash provided by operating activities | 35,466 | 40,598 |
| **Investing Activities** | | |
| Acquisition of storage facilities | (14,037) | (128,344) |
| Improvements, equipment additions, and construction in progress | (21,666) | (20,466) |
| Net proceeds from the sale of storage facility | 7,002 | - |
| Investment in joint ventures | (6,206) | - |
| Property deposits | (1,245) | (69) |
| Receipts from related parties | 13 | 10 |
| Net cash used in investing activities | (36,139) | (148,869) |
| **Financing Activities** | | |
| Net proceeds from sale of common stock | 6,306 | 7,178 |
| Proceeds from line of credit and term note | 250,000 | 96,000 |
| Repayment of line of credit and term note | (206,000) | (7,000) |
| Financing costs | (2,946) | - |
| Dividends paid-common stock | (27,403) | (25,413) |
| Dividends paid-preferred stock | - | (1,256) |
| Distributions from unconsolidated joint venture | - | 98 |
| Minority interest distributions | (1,417) | (1,454) |
| Redemption of operating partnership units | (9) | (98) |
| Mortgage principal and capital lease payments | (808) | (747) |
| Net cash provided by financing activities | 17,723 | 67,308 |
| Net increase (decrease) in cash | 17,050 | (40,963) |
| Cash at beginning of period | 4,010 | 47,730 |
| Cash at end of period | $ 21,060 | $ 6,767 |
| **Supplemental cash flow information** | | |
| Cash paid for interest | $ 18,362 | $ 14,936 |
| Fair value of net liabilities assumed on the acquisition of storage facilities * | 68 | 386 |

* See Note 4 for fair value of land, building, and equipment acquired during the period

Dividends declared but unpaid were $13,791 at June 30, 2008 and $12,776 at June 30, 2007.
See notes to 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, 2008 are not necessarily indicative of the results that may be expected for the year ended December 31, 2008.

Reclassification: Certain amounts from the 2007 financial statements have been reclassified as a result of the sale of a storage facility in 2008 that has been reclassified as discontinued operations (see Note 5).

**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 properties throughout the United States. On June 26, 1995, the Company commenced operations effective with the completion of its initial public offering. At June 30, 2008, we owned and operated 359 self-storage properties in 22 states under the name Uncle Bob's Self Storage ®. Among our 359 self-storage properties are 38 properties that we manage for two consolidated joint ventures of which we are a majority owner.

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 98.1% ownership interest therein as of June 30, 2008. The remaining ownership interests in the Operating Partnership (the "Units") are held by certain former owners of assets acquired by the Operating Partnership subsequent to its formation.

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, Locke Sovran I, LLC, and Locke Sovran II, LLC which is a majority owned joint venture. 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 reported using the equity method.

In June 2008, the Company made additional investments of $6.1 million in Locke Sovran I, LLC that increased the Company's ownership from approximately 70% to 100% in this joint venture. The accounts of Locke Sovran I, LLC were already being included in the Company's financial statements as it has been a majority controlled joint venture since 2006.

## 3. STOCK BASED COMPENSATION

The Company adopted FASB Statement No. 123(R), Share-Based Payment on January 1, 2006 and uses the modified-prospective method. Under the modified-prospective method, the Company recognizes compensation cost in the financial statements issued subsequent to January 1, 2006 for all share based payments granted, modified, or settled after the date of adoption as well as for any awards that were granted prior to the adoption date for which the requisite service period has not been completed as of the adoption date.

For the three months ended June 30, 2008 and 2007, the Company recorded compensation expense (included in general and administrative expense) of $90,000 and $78,000, respectively, related to stock options under Statement 123(R) and $344,000 and $309,000, respectively, related to amortization of non-vested stock grants. For the six months ended June 30, 2008 and 2007, the Company recorded compensation expense (included in general and administrative expense) of $137,000 and $102,000, respectively, related to stock options under Statement 123(R) and $705,000 and $573,000, respectively, related to amortization of non-vested stock grants.

During the three months ended June 30, 2008 and 2007, employees exercised 200 and 2,600 stock options respectively, and 1,564 and 1,664 shares of non-vested stock, respectively, vested. During the six months ended June 30, 2008 and 2007, employees exercised 1,200 and 12,100 stock options respectively, and 24,680 and 20,215 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, 2008.

| (dollars in thousands) | |
|---|---|
| Cost: | |
| Beginning balance | $ 1,322,708 |
| Property acquisitions | 14,013 |
| Additional investment in consolidated joint venture | 2,473 |
| Improvements and equipment additions | 25,421 |
| Net reductions in construction in progress | (3,726) |
| Dispositions | (114) |
| Ending balance | $ 1,360,775 |
| | |
| Accumulated Depreciation: | |
| Beginning balance | $ 183,679 |
| Depreciation expense during the period | 16,253 |
| Dispositions | (79) |
| Ending balance | $ 199,853 |

The Company allocates purchase price to the tangible and intangible assets and liabilities acquired based on their estimated fair values. The value of land and buildings are determined at

replacement cost. Intangible assets, which represent the value of existing customer leases, are recorded at their estimated fair values. The Company measures the value of in-place customer leases 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). During the six months ended June 30, 2008, the Company acquired two storage facilities for $14.3 million. Substantially all of the purchase price of these facilities was allocated to land ($2.8 million), building ($11.1 million), equipment ($0.1 million) and in-place customer leases ($0.3 million) and the operating results of the acquired facilities have been included in the Company's operations since the respective acquisition dates.

## 5. DISCONTINUED OPERATIONS

During the six months ended June 30, 2008, the Company sold one non-strategic storage facility located in Michigan for net cash proceeds of $7.0 million resulting in a gain of $0.7 million. The operations of this facility and the gain on sale are reported as discontinued operations. The amounts in the 2007 financial statements related to the operations and the net assets of this property have been reclassified and are presented as discontinued operations and net assets from discontinued operations, respectively. Cash flows of discontinued operations have not been segregated from the cash flows of continuing operations on the accompanying consolidated statement of cash flows for 2008 and 2007. The following is a summary of the amounts reported as discontinued operations:

| (dollars in thousands) | January 1, 2008 to June 30, 2008 | January 1, 2007 to June 30, 2007 |
|---|---|---|
| Total revenue | $ 233 | $ 458 |
| Property operations and maintenance expense | (76) | (102) |
| Real estate tax expense | (33) | (50) |
| Depreciation and amortization expense | (46) | (92) |
| Net realized gain on properties sold | 716 | - |
| Total income from discontinued operations | $ 794 | $ 214 |

## 6. UNSECURED LINE OF CREDIT AND TERM NOTES

On June 25, 2008, the Company entered into agreements relating to new unsecured credit arrangements, and received funds under those arrangements. As part of the agreements, the Company entered into a $250 million unsecured term note maturing in June 2012 bearing interest at LIBOR plus 1.625%. The proceeds from this term note were used to repay the Company's previous line of credit that was to mature in September 2008, the Company's term note that was to mature in September 2009, the term note maturing in July 2008, and to provide for working capital. The new agreements also provide for a $125 million (expandable to $150 million) revolving line of credit maturing June 2011 bearing interest at a variable rate equal to LIBOR plus 1.375%, and requires a 0.25% facility fee. The interest rate at June 30, 2008 on the Company's available line of credit was approximately 3.9% (5.5% at December 31, 2007). At June 30, 2008, there was $125 million available on the unsecured line of credit.

The Company also maintains a $80 million term note maturing September 2013 bearing interest at a fixed rate of 6.26%, a $20 million term note maturing September 2013 bearing interest at a variable rate equal to LIBOR plus 1.50%, and a $150 million unsecured term note maturing in April 2016 bearing interest at 6.38%.

**7. MORTGAGES PAYABLE**

Mortgages payable at June 30, 2008 and December 31, 2007 consist of the following:

| (dollars in thousands) | June 30, 2008 | December 31, 2007 |
|---|---|---|
| 7.80% mortgage note due December 2011, secured by 11 self-storage facilities (Locke Sovran I) with an aggregate net book value of $44.0 million, principal and interest paid monthly | $ 29,308 | $ 29,084 |
| 7.19% mortgage note due March 2012, secured by 27 self-storage facilities (Locke Sovran II) with an aggregate net book value of $80.7 million, principal and interest paid monthly | 43,133 | 43,645 |
| 7.25% mortgage note due December 2011, secured by 1 self-storage facility with an aggregate net book value of $5.8 million, principal and interest paid monthly. Estimated market rate at time of acquisition 5.40% | 3,577 | 3,643 |
| 6.76% mortgage note due September 2013, secured by 1 self-storage facility with an aggregate net book value of $2.0 million, principal and interest paid monthly | 1,011 | 1,022 |
| 6.35% mortgage note due March 2014, secured by 1 self-storage facility with an aggregate net book value of $3.8 million, principal and interest paid monthly | 1,110 | 1,122 |
| 5.55% mortgage notes due November 2009, secured by 8 self-storage facilities with an aggregate net book value of $35.2 million, interest only paid monthly. Estimated market rate at time of acquisition 6.44% | 25,826 | 25,719 |
| 7.50% mortgage notes due August 2011, secured by 3 self-storage facilities with an aggregate net book value of $14.4 million, principal and interest paid monthly. Estimated market rate at time of acquisition 6.42% | 6,187 | 6,282 |
| Total mortgages payable | $ 110,152 | $ 110,517 |

The Company assumed the 7.25%, 6.76%, 6.35%, 5.55% and 7.50% mortgage notes in connection with the acquisitions of storage facilities in 2005 and 2006. The 7.25%, 5.55%, and 7.50% mortgages were recorded at their estimated fair value based upon the estimated market rates at the time of the acquisitions ranging from 5.40% to 6.44%. The carrying value of these three mortgages approximates the actual principal balance of the mortgages payable. An immaterial premium exists at June 30, 2008, which will be amortized over the remaining term of the mortgages based on the effective interest method.

The table below summarizes the Company's debt obligations and interest rate derivatives at June 30, 2008. 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. 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) | 2008 | 2009 | 2010 | 2011 | 2012 | Thereafter | Total | Fair Value |
| Line of credit - variable rate LIBOR + 1.375% | - | - | - | - | - | - | - | - |
| Notes Payable: | | | | | | | | |
| Term note - variable rate LIBOR+1.625% | - | - | - | - | $250,000 | - | $250,000 | $250,000 |
| Term note - variable rate LIBOR+1.50% | - | - | - | - | - | $ 20,000 | $ 20,000 | $ 20,000 |
| Term note - fixed rate 6.26% | - | - | - | - | - | $ 80,000 | $ 80,000 | $ 79,707 |
| Term note - fixed rate 6.38% | - | - | - | - | - | $150,000 | $150,000 | $147,883 |
| Mortgage note - fixed rate 7.80% | $ 275 | $ 587 | $ 630 | $27,816 | - | - | $ 29,308 | $ 30,501 |
| Mortgage note - fixed rate 7.19% | $ 530 | $ 1,128 | $ 1,211 | $ 1,301 | $ 38,963 | - | $ 43,133 | $ 45,028 |
| Mortgage note - fixed rate 7.25% | $ 67 | $ 141 | $ 149 | $ 3,220 | - | - | $ 3,577 | $ 3,544 |
| Mortgage note - fixed rate 6.76% | $ 11 | $ 23 | $ 25 | $ 27 | $ 29 | $ 896 | $ 1,011 | $ 1,038 |
| Mortgage note - fixed rate 6.35% | $ 12 | $ 26 | $ 28 | $ 30 | $ 31 | $ 983 | $ 1,110 | $ 1,120 |
| Mortgage notes - fixed rate 5.55% | - | $25,826 | - | - | - | - | $ 25,826 | $ 26,573 |
| Mortgage notes - fixed rate 7.50% | $ 99 | $ 208 | $ 222 | $ 5,658 | - | - | $ 6,187 | $ 6,312 |
| Interest rate derivatives – liability | - | - | - | - | - | - | - | $ 4,457 |

**8. 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 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 Income ("AOCI"). These deferred gains and losses are amortized into interest expense during the period or periods in which the related interest payments affect earnings. However, to the extent that the interest rate swaps are

not perfectly effective in offsetting the change in value of the interest payments being hedged, the ineffective portion of these contracts is recognized in earnings immediately. Ineffectiveness was immaterial in the six months ended June 30, 2008 and 2007.

The Company has entered into six interest rate swap agreements as detailed below to effectively convert a total of $270 million of variable-rate debt to fixed-rate debt.

| Notional Amount | Effective Date | Expiration Date | Fixed Rate Paid | Floating Rate Received |
|---|---|---|---|---|
| $50 Million………….. | 11/14/05 | 9/1/09 | 4.3900% | 1 month LIBOR |
| $20 Million………….. | 9/4/05 | 9/4/13 | 4.4350% | 6 month LIBOR |
| $50 Million………..… | 10/10/06 | 9/1/09 | 4.4800% | 1 month LIBOR |
| $50 Million………….. | 7/1/08 | 6/25/12 | 4.2825% | 1 month LIBOR |
| $100 Million………… | 7/1/08 | 6/22/12 | 4.2965% | 1 month LIBOR |
| $75 Million……….…. | 9/1/09 | 6/22/12 | 4.7100% | 1 month LIBOR |

The fixed rate amounts presented in the above table represent the rates paid under the swaps only and do not include the additional interest rate spread related to the outstanding term notes described in Note 6. The interest rate swap agreements are the only derivative instruments, as defined by SFAS No. 133, held by the Company. Based on current interest rates, the Company estimates that payments under the interest rate swaps will be approximately $2.8 million in 2008. Payments made under the interest rate swap agreements will be reclassified to interest expense as settlements occur.

## 9. FAIR VALUE MEASUREMENTS

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," (SFAS 157), which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. This statement defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. This statement applies under other accounting pronouncements that require or permit fair value measurements. The statement indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. SFAS 157 defines fair value based upon an exit price model.

Relative to SFAS 157, the FASB issued FASB Staff Positions (FSP) 157-1 and 157-2. FSP 157-1 amends SFAS 157 to exclude SFAS No. 13, "Accounting for Leases," (SFAS 13) and its related interpretive accounting pronouncements that address leasing transactions, while FSP 157-2 delays the effective date of the application of SFAS 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis.

We adopted SFAS 157 as of January 1, 2008, with the exception of the application of the statement to non-recurring nonfinancial assets and nonfinancial liabilities. Non-recurring nonfinancial assets and nonfinancial liabilities for which we have not applied the provisions of SFAS 157 include those measured at fair value in a business combination.

SFAS 157 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, for substantially the full term of the financial instrument. 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.

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2008 (in thousands):

| | Asset (Liability) | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Interest rate swaps | (4,457) | - | (4,457) | - |

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.

**10. COMMITMENTS AND CONTINGENCIES**

The Company's current practice is to conduct environmental investigations in connection with property acquisitions. At this time, the Company is not aware of any environmental contamination of any of its facilities that individually or in the aggregate would be material to the Company's overall business, financial condition, or results of operations.

**11. COMPREHENSIVE INCOME**

Comprehensive income consists of net income and the change in value of derivatives used for hedging purposes. Comprehensive income was $16.7 million and $18.2 million for the six months ended June 30, 2008 and 2007, respectively.

**12. INVESTMENT IN JOINT VENTURES**

The Company has a 20% ownership interest in Sovran HHF Storage Holdings LLC that was formed in June 2008 to acquire self-storage properties that will be managed by the Company. The Company's investment at June 30, 2008, included a capital contribution of $100,000. No properties were acquired by the joint venture as of June 30, 2008. In July 2008, this joint venture acquired 21 properties for approximately $144 million. The Company's equity contribution to the joint venture for these purchases was approximately $15 million.

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 Company's investment includes a capital contribution of $49. The carrying value of the Company's investment is a liability of $0.4 million at June 30, 2008 and December 31, 2007, and is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheets.

The Company does not guarantee the debt of Iskalo Office Holdings, LLC.

## 13. EARNINGS PER SHARE

The Company reports earnings per share data in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share." In computing earnings per share, the Company excludes preferred stock dividends from net income to arrive at net income available to common shareholders. The following table sets forth the computation of basic and diluted earnings per common share.

| (in thousands except per share data) | Three Months Ended Jun. 30, 2008 | Three Months Ended Jun. 30, 2007 | Six Months Ended Jun. 30, 2008 | Six Months Ended Jun. 30, 2007 |
|---|---|---|---|---|
| Numerator: | | | | |
| Net income available to common shareholders | $ 10,541 | $ 7,436 | $ 19,494 | $ 16,345 |
| Denominator: | | | | |
| Denominator for basic earnings per share - weighted average shares | 21,728 | 20,479 | 21,687 | 20,446 |
| Effect of Dilutive Securities: | | | | |
| Stock options, warrants and non-vested stock | 33 | 54 | 26 | 60 |
| Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversion | 21,761 | 20,533 | 21,713 | 20,506 |
| Basic earnings per common share from continuing operations | $ 0.45 | $ 0.36 | $ 0.86 | $ 0.79 |
| Basic earnings per common share | $ 0.49 | $ 0.36 | $ 0.90 | $ 0.80 |
| Diluted earnings per common share from continuing operations | $ 0.45 | $ 0.36 | $ 0.86 | $ 0.79 |
| Diluted earnings per common share | $ 0.48 | $ 0.36 | $ 0.90 | $ 0.80 |

## 14. 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 at least 90% of its taxable income to its shareholders and complies with certain other requirements. Accordingly, no provision has been made for federal income taxes in the accompanying financial statements.

The Company's continuing practice is to recognize interest and/or penalties related to state income tax matters in income tax expense which is included in general and administrative expenses. No interest and penalties have been recognized for the six months ended June 30, 2008 and 2007. As of June 30, 2008, the Company had no amounts accrued related to uncertain tax positions. The tax years 2004-2007 remain open to examination by the major taxing jurisdictions to which the Company is subject.

## 15. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 allows entities to voluntarily choose, at specified election dates, to measure many financial assets and liabilities at fair value. The effective date for the Company is January 1, 2008. The adoption of SFAS 159 did not impact the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements ("SFAS No. 160"), which amends Accounting Research Bulletin No. 51, Consolidated Financial Statements, to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements. SFAS No. 160 establishes accounting and reporting standards that require the ownership interests in subsidiaries not held by the parent to be clearly identified, labeled and presented in the consolidated statement of financial position within equity, but separate from the parent's equity. This statement also requires the amount of consolidated net income attributable to the parent and to the non-controlling interest to be clearly identified and presented on the face of the consolidated statement of income. This Statement applies prospectively to all entities that prepare consolidated financial statements and applies prospectively for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Upon adoption of SFAS 160, the Company will re-classify non-controlling interests as a component of equity.

In December 2007, the FASB Statement 141R, "Business Combinations" ("SFAS 141R") was issued. SFAS 141R replaces SFAS 141. SFAS 141R requires the acquirer of a business to recognize and measure the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at fair value. SFAS 141R also requires transaction costs related to the business combination to be expensed as incurred. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The effective date for the Company will be January 1, 2009. The Company has not yet determined the impact of SFAS 141R related to future acquisitions, if any, on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures About Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133" ("SFAS No. 161"). SFAS No. 161 expands quarterly disclosure requirements in SFAS No. 133 about an entity's derivative instruments and hedging activities. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008. The Company is currently assessing the impact of SFAS No. 161 on our consolidated financial statements.

## 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 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 our actual results, performance or achievements 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 could cause rents and occupancy rates to decline; our ability to evaluate, finance and integrate acquired businesses into our existing business and operations; our ability to effectively compete in the industry in which we do business; our 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 our outstanding floating rate debt; our reliance on our call center; our cash flow may be insufficient to meet required payments of principal, interest and dividends; and tax law changes that may change the taxability of future income.

### RESULTS OF OPERATIONS

FOR THE PERIOD APRIL 1, 2008 THROUGH JUNE 30, 2008, COMPARED TO THE PERIOD APRIL 1, 2007 THROUGH JUNE 30, 2007

We recorded rental revenues of $48.4 million for the three months ended June 30, 2008, an increase of $2.1 million or 4.6% when compared to the three months ended June 30, 2007 rental revenues of $46.3 million. Of the increase in rental revenue, $0.6 million resulted from a 1.3% increase in rental revenues at the 338 core properties considered in same store sales (those properties included in the consolidated results of operations since April 1, 2007). The increase in same store rental revenues was achieved primarily through rate increases on select units averaging 2.6%, offset by a decrease in occupancy of 220 basis points, which we believe resulted from general economic conditions, in particular the housing sector, and the return to normalcy in Florida after the 2005 hurricanes. The remaining $1.5 million increase in rental revenues resulted from the acquisition of two stores during 2008 and from having the 19 stores acquired in the second half of 2007 included for a full quarter of operations. Other income increased $0.1 million due to merchandise and insurance sales and the additional incidental revenue generated by truck rentals at the stores acquired in 2008 and 2007.

Property operating and real estate tax expense increased $0.7 million, or 4.1%, in the quarter ended June 30, 2008 compared to the same period in 2007. All of the increase was a result of

expenses incurred by the facilities acquired in 2008 and from having expenses from the 2007 acquisitions included for a full quarter of operations. Same store expenses for the period were flat for 2008. We expect same-store operating costs to increase only moderately in 2008 with increases primarily attributable to maintenance, utilities and property taxes.

General and administrative expenses increased $0.4 million or 10.7% from the second quarter of 2007 to the same period in 2008. The increase primarily resulted from the costs associated with operating the properties acquired in 2008 and 2007.

Depreciation and amortization expense decreased to $8.5 million in the second quarter of 2008 from $10.1 million in same period of 2007, primarily as a result of the reduction in the amortization of in-place customers leases relating to previous year acquisitions as these amounts are amortized over a 12 month period.

Income from operations increased from $16.6 million for the three months ended June 30, 2007 to $19.3 million for the three months ended June 30, 2008 as a result of the net effect of the aforementioned items.

Interest expense increased from $8.2 million in 2007 to $9.0 million in 2008 as a result of additional borrowings under our line of credit and term notes to purchase two stores in 2008 and 19 stores in the second half of 2007.

The decrease in preferred stock dividends from 2007 to 2008 was a result of the conversion of all remaining 1,200,000 shares of our Series C Preferred Stock into 920,244 shares of common stock in July 2007.

As described in Note 5 to the financial statements, during the six months ended June 30, 2008, the Company sold one non-strategic storage facility located in Michigan for net cash proceeds of $7.0 million resulting in a gain of $0.7 million. The operations of this facility and the gain on sale are reported as discontinued operations.

FOR THE PERIOD JANUARY 1, 2008 THROUGH JUNE 30, 2008, COMPARED TO THE PERIOD JANUARY 1, 2007 THROUGH JUNE 30, 2007

We recorded rental revenues of $96.5 million for the six months ended June 30, 2008, an increase of $7.2 million or 8.0% when compared to the six months ended June 30, 2007 rental revenues of $89.3 million. Of the increase in rental revenue, $1.7 million resulted from a 2.0% increase in rental revenues at the 326 core properties considered in same store sales (those properties included in the consolidated results of operations since January 1, 2007). The increase in same store rental revenues was achieved primarily through rate increases on select units, offset by a decrease in occupancy, which we believe resulted from general economic conditions, in particular the housing sector, and the return to normalcy in Florida after the 2005 hurricanes. The remaining $5.5 million increase in rental revenues resulted from the acquisition of two stores during 2008 and from having the 31 stores acquired in 2007 included for a full six months of operations. Other income increased $0.3 million due to merchandise and insurance sales and the additional incidental revenue generated by truck rentals at the stores acquired in 2008 and 2007.

Property operating and real estate tax expense increased $2.5 million, or 7.4%, in the six months ended June 30, 2008 compared to the same period in 2007. Of this increase, $2.2 million were expenses incurred by the facilities acquired in 2008 and from having expenses from the 2007 acquisitions included for a full six months of operations. $0.4 million of the increase was due to increased maintenance, utilities, and property taxes at the 326 core properties considered same stores. We expect same-store operating costs to increase only moderately in 2008 with increases primarily attributable to maintenance, utilities and property taxes.

General and administrative expenses increased $1.0 million or 13.3% from the first six months of 2007 to the same period in 2008. The increase primarily resulted from the costs associated with operating the properties acquired in 2008 and 2007.

Depreciation and amortization expense remained relatively flat for the first six months of 2008 as compared to 2007 as a result of increased depreciation on acquisitions offset by a reduction in amortization of in-place customer leases.

Income from operations increased from $33.7 million for the six months ended June 30, 2007 to $37.7 million for the six months ended June 30, 2008 as a result of the net effect of the aforementioned items.

Interest expense increased from $15.8 million in 2007 to $17.9 million in 2008 as a result of additional borrowings under our line of credit and term notes to purchase two stores in 2008 and 31 stores in 2007.

The decrease in preferred stock dividends from 2007 to 2008 was a result of the conversion of all remaining 1,200,000 shares of our Series C Preferred Stock into 920,244 shares of common stock in July 2007.

**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 computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains or losses on sales of properties, 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.

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)*

| | Six months ended | |
|---|---|---|
| (in thousands) | June 30, 2008 | June 30, 2007 |
| Net income | $ 19,494 | $ 17,601 |
| Minority interest in income | 1,262 | 1,291 |
| Depreciation of real estate and amortization of intangible assets exclusive of deferred financing fees | 17,155 | 17,157 |
| Depreciation and amortization from unconsolidated joint ventures | 29 | 28 |
| Gain on sale of real estate | (716) | - |
| Preferred stock dividends | - | (1,256) |
| Funds from operations allocable to minority interest in Operating Partnership | (691) | (691) |
| Funds from operations allocable to minority interest in consolidated joint ventures | (884) | (924) |
| FFO available to common shareholders | $ 35,649 | $ 33,206 |
| | ======= | ====== |

**LIQUIDITY AND CAPITAL RESOURCES**

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 will continue to be sufficient to fund ongoing operations, capital improvements, dividends and debt service requirements through June 2011, at which time our revolving line of credit matures.

Cash flows from operating activities were $35.3 million and $40.6 million for the six months ended June 30, 2008, and 2007, respectively. The decrease was primarily attributable to prepaid insurance premiums and a decrease in accounts payable related to property taxes and interest paid in 2008.

Cash used in investing activities was $36.1 million and $148.9 million for the six months ended June 30, 2008, and 2007 respectively. The decrease in cash used from 2007 to 2008 was attributable to reduced acquisition activity in 2008.

Cash provided by financing activities was $17.7 million in the first six months of 2008 compared to $67.3 million in the same period of 2007. The decrease in cash provided by financing activities was due to reduced borrowings for acquisitions in 2008 versus the higher activity in 2007.

On June 25, 2008, we entered into agreements relating to new unsecured credit arrangements, and received funds under those arrangements. As part of the agreements, we entered into a $250 million unsecured term note maturing in June 2012 bearing interest at LIBOR plus 1.625%. The proceeds from this term note were used to repay the Company's previous line of credit that was to mature in September 2008, the Company's term note that was to mature in September 2009, the term note maturing in July 2008, and to provide for working capital. The new agreements also provide for a $125 million (expandable to $150 million) revolving line of credit maturing June 2011 bearing interest at a variable rate equal to LIBOR plus 1.375%, and requires a 0.25% facility fee. The revolving line of credit maturity can be extended at our option until June 2012.

We also maintain a $80 million term note maturing September 2013 bearing interest at a fixed rate of 6.26%, a $20 million term note maturing September 2013 bearing interest at a variable rate equal to LIBOR plus 1.50%, and a $150 million unsecured term note maturing in April 2016 bearing interest at 6.38%.

The line of credit facility and term notes currently have investment grade ratings from Standard and Poor's (BBB-) and Fitch (BBB-).

Our line of credit and term notes require us to meet certain financial covenants, including prescribed leverage, fixed charge coverage, minimum net worth, limitations on additional indebtedness and limitations on dividend payouts. As of June 30, 2008, we were in compliance with all covenants.

In addition to the unsecured financing mentioned above, our consolidated financial statements also include $110.2 million of mortgages payable as detailed below:

* 7.80% mortgage note due December 2011, secured by 11 self-storage facilities (Locke Sovran I) with an aggregate net book value of $44.0 million, principal and interest paid monthly. The outstanding balance at June 30, 2008 on this mortgage was $29.3 million.
* 7.19% mortgage note due March 2012, secured by 27 self-storage facilities (Locke Sovran II) with an aggregate net book value of $80.7 million, principal and interest paid monthly. The outstanding balance at June 30, 2008 on this mortgage was $43.1 million.
* 7.25% mortgage note due December 2011, secured by 1 self-storage facility with an aggregate net book value of $5.8 million, principal and interest paid monthly. Estimated market rate at time of acquisition 5.40%. The outstanding balance at June 30, 2008 on this mortgage was $3.6 million.
* 6.76% mortgage note due September 2013, secured by 1 self-storage facility with an aggregate net book value of $2.0 million, principal and interest paid monthly. The outstanding balance at June 30, 2008 on this mortgage was $1.0 million.
* 6.35% mortgage note due March 2014, secured by 1 self-storage facility with an aggregate net book value of $3.8 million, principal and interest paid monthly. The outstanding balance at June 30, 2008 on this mortgage was $1.1 million.

* 5.55% mortgage notes due November 2009, secured by 8 self-storage facilities with an aggregate net book value of $35.2 million, interest only paid monthly. Estimated market rate at time of acquisition 6.44%. The outstanding balance at June 30, 2008 on this mortgage was $25.8 million.
* 7.50% mortgage notes due August 2011, secured by 3 self-storage facilities with an aggregate net book value of $14.4 million, principal and interest paid monthly. Estimated market rate at time of acquisition 6.42%. The outstanding balance at June 30, 2008 on this mortgage was $6.2 million.

The 7.80% and 7.19% mortgages were incurred in 2001 and 2002 respectively as part of the financing of the consolidated joint ventures. The Company assumed the 7.25%, 6.76%, 6.35%, 5.55% and 7.50% mortgage notes in connection with the acquisitions of storage facilities in 2005 and 2006.

On July 7, 2007, we issued 920,244 shares of our common stock to the holder of our 8.375% Series C Preferred Stock upon the holder's election to convert the remaining 1,200,000 shares of Series C Preferred Stock into common stock. As a result of the 2007 conversion, $26.6 million recorded in shareholders' equity as 8.375% Series C Convertible Cumulative Preferred Stock was reclassified to additional paid-in capital in July 2007.

During the first six months of 2008, 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, 2008, 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.

During the first six months of 2008, we issued 208,000 shares via our Dividend Reinvestment and Stock Purchase Plan and Employee Stock Option Plan. We received $6.3 million from the sale of such shares. We expect to issue shares when our share price and capital needs warrant such issuance.

Future acquisitions, share repurchases and repayment of the credit line are expected to be funded with draws on the bank term note, issuance of secured or unsecured term notes, issuance of common or preferred stock, sale of properties, private placement solicitation of joint venture equity and other sources of capital.

**ACQUISITION OF PROPERTIES**

During the first six months of 2008, we have used operating cash flow, borrowings pursuant to a bank term note, and proceeds from our Dividend Reinvestment and Stock Purchase Plan to acquire two properties in Mississippi comprising 0.2 million square feet from unaffiliated storage operators for approximately $14.3 million.

## 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 in new markets by acquiring several facilities at once in those new markets. In conjunction with the joint venture agreement entered in June 2008 (see Note 12 to the financial statements), potential acquisition opportunities over the first nine months of the agreement will be offered to the joint venture. The Company's acquisitions over this period will therefore be limited to facilities that do not fit the joint venture's investment objectives, but do meet ours. In July 2008, the Company's joint venture (Sovran HHF Storage Holdings LLC) acquired 21 properties for approximately $144 million. The Company's equity contribution to the joint venture for these purchases was approximately $15 million, which was financed through draws on the line of credit.

In addition, we are continuing with our program of expanding and enhancing our existing properties. In 2008, we expect to add as much as 700,000 square feet of climate and/or humidity controlled space, and acquire several parcels of land contiguous to our existing stores. The projected cost of these revenue enhancing improvements is estimated at approximately $50 million. During the first six months of 2008 we spent approximately $16.5 million on such revenue enhancing improvements. Funding of these and the above-mentioned improvements is expected to be provided primarily from borrowings under our line of credit, and issuance of common shares through our Dividend Reinvestment and Stock Purchase Plan.

We also expect to accelerate, by two to three years, the required capital expenditures on 50 to 70 of our properties. This includes repainting, paving, and remodeling of the office buildings at these facilities. For the first six months of 2008 we spent approximately $8.9 million on such improvements and we expect to spend approximately $11 million for the remainder of 2008.

## 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 the amount distributed is equal to at least 90% of our taxable income. 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 it is paid before 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. In 2008, our percentage of revenue from such sources exceeded 98%, thereby passing the 95% test, and no special measures are expected to be required to enable us to maintain our REIT designation. 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 were formed as an Umbrella Partnership Real Estate Investment Trust ("UPREIT") and, as such, have the ability to issue Operating Partnership ("OP") Units in exchange for properties sold by independent owners. By utilizing such OP 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, 2008, 422,527 Units are outstanding that were issued in exchange for self-storage properties at the request of the sellers.

**INTEREST RATE RISK**

We have entered into interest rate swap agreements in order to mitigate the effects of fluctuations in interest rates on our floating rate debt. At June 30, 2008, we have six outstanding interest rate swap agreements as summarized below:

| Notional Amount | Effective Date | Expiration Date | Fixed Rate Paid | Floating Rate Received |
|---|---|---|---|---|
| $50 Million………….. | 11/14/05 | 9/1/09 | 4.3900% | 1 month LIBOR |
| $20 Million………….. | 9/4/05 | 9/4/13 | 4.4350% | 6 month LIBOR |
| $50 Million………….. | 10/10/06 | 9/1/09 | 4.4800% | 1 month LIBOR |
| $50 Million………….. | 7/1/08 | 6/25/12 | 4.2825% | 1 month LIBOR |
| $100 Million………… | 7/1/08 | 6/22/12 | 4.2965% | 1 month LIBOR |
| $75 Million………….. | 9/1/09 | 6/22/12 | 4.7100% | 1 month LIBOR |

The fixed rate amounts presented in the above table represent the rates paid under the swaps only and do not include the additional interest rate spread related to the outstanding term notes described in Note 6 of our financial statements.

Upon renewal or replacement of the credit facility, our total interest may change dependent on the terms we negotiate with the lenders; however, the LIBOR base rates have been contractually fixed on $270 million of our debt through the interest rate swap termination dates.

At June 30, 2008, all of our unsecured debt is on a fixed rate basis after taking into account the interest rate swaps noted above. Based on our outstanding unsecured debt at June 30, 2008, a 1% increase in interest rates would have no effect on our interest expense annually.

**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 we increase rental rates on most of our storage units at the beginning of May and 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 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 materially affect distributions to shareholders.

**RECENT ACCOUNTING PRONOUNCEMENTS**

See Note 15 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, 2008. 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, 2008.

**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**

None

**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, 2007, 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**

None

**Item 3. Defaults Upon Senior Securities**

None

**Item 4. Submission of Matters to a Vote of Security Holders**

The Annual Meeting of Shareholders was held on Monday, May 21, 2008. Results of shareholder voting at the Annual Meeting were as follows:

a.) Directors

| Directors | Votes For | Votes Withheld |
|---|---|---|
| Robert J. Attea | 19,303,365 | 202,071 |
| Kenneth F. Myszka | 19,217,194 | 288,242 |
| John E. Burns | 19,296,262 | 209,174 |
| Michael A. Elia | 19,297,064 | 208,371 |
| Anthony P. Gammie | 19,294,896 | 210,539 |
| Charles E. Lannon | 18,291,866 | 1,213,570 |

b.) An amendment to the Deferred Compensation Plan for Directors of Sovran Self Storage, Inc. to increase the number of shares of the Company's common stock that may be issued thereunder from 45,000 to 75,000.

| | |
|---|---|
| Votes For | 16,273,565 |
| Votes Against | 325,312 |
| Abstentions | 114,222 |
| Broker Non-Vote | 2,792,335 |

c.) The ratification of the appointment of Ernst & Young LLP as independent auditors of the Company for the fiscal year ending December 31, 2008.

| | |
|---|---|
| Votes For | 19,338,738 |
| Votes Against | 135,916 |
| Abstentions | 30,776 |

**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.

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 / David L. Rogers
David L. Rogers
Chief Financial Officer

August 8, 2008
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, Robert J. Attea, 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 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 8, 2008

/ S / Robert J. Attea
Robert J. Attea
Chairman of the Board and 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, 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 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 8, 2008

/ S / David L. Rogers
David L. Rogers
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, 2008 (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 8, 2008

/ S / Robert J. Attea
Robert J. Attea
Chairman of the Board
Chief Executive Officer

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