

**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 March 31, 2012

Commission file number: 1-13820

SOVRAN SELF STORAGE, INC.

(Exact name of Registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

16-1194043
(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 May 1, 2012, 28,997,918 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)	March 31, 2012 (unaudited)	December 31, 2011
Assets		
Investment in storage facilities:		
Land	\$ 272,994	\$ 272,784
Building, equipment, and construction in progress	1,327,427	1,323,319
	1,600,421	1,596,103
Less: accumulated depreciation	(314,915)	(305,585)
Investment in storage facilities, net	1,285,506	1,290,518
Cash and cash equivalents	13,405	7,321
Accounts receivable	3,355	3,008
Receivable from unconsolidated joint ventures	1,036	589
Investment in unconsolidated joint ventures	33,901	31,939
Prepaid expenses	6,640	3,987
Other assets	6,158	7,373
Total Assets	<u>\$1,350,001</u>	<u>\$1,344,735</u>
Liabilities		
Line of credit	\$ 63,000	\$ 46,000
Term notes	575,000	575,000
Accounts payable and accrued liabilities	20,669	32,254
Deferred revenue	6,827	6,305
Fair value of interest rate swap agreements	9,550	10,748
Mortgages payable	4,381	4,423
Total Liabilities	679,427	674,730
Noncontrolling redeemable Operating Partnership Units at redemption value	16,894	14,466
Shareholders' Equity		
Common stock \$.01 par value, 100,000,000 shares authorized, 28,982,918 shares outstanding (28,952,356 at December 31, 2011)	301	301
Additional paid-in capital	863,891	862,467
Dividends in excess of net income	(174,137)	(169,799)
Accumulated other comprehensive loss	(9,200)	(10,255)
Treasury stock at cost, 1,171,886 shares	(27,175)	(27,175)
Total Shareholders' Equity	653,680	655,539
Total Liabilities and Shareholders' Equity	<u>\$1,350,001</u>	<u>\$1,344,735</u>

See notes to consolidated financial statements.

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

(dollars in thousands, except per share data)	January 1, 2012 to March 31, 2012	January 1, 2011 to March 31, 2011
Revenues		
Rental income	\$ 53,217	\$ 47,126
Other operating income	3,865	2,409
Total operating revenues	<u>57,082</u>	<u>49,535</u>
Expenses		
Property operations and maintenance	14,053	13,513
Real estate taxes	5,761	5,044
General and administrative	7,565	5,772
Acquisition costs	7	42
Depreciation and amortization	10,245	8,625
Total operating expenses	<u>37,631</u>	<u>32,996</u>
Income from operations	19,451	16,539
Other income (expenses)		
Interest expense	(8,253)	(7,897)
Interest income	3	18
Equity in income of joint ventures	68	40
Net income	<u>11,269</u>	<u>8,700</u>
Net income attributable to noncontrolling interest	(131)	(440)
Net income attributable to common shareholders	<u>\$ 11,138</u>	<u>\$ 8,260</u>
Earnings per common share attributable to common shareholders – basic	<u>\$ 0.39</u>	<u>\$ 0.30</u>
Earnings per common share attributable to common shareholders – diluted	<u>\$ 0.39</u>	<u>\$ 0.30</u>
Common shares used in basic earnings per share calculation	28,785,663	27,537,278
Common shares used in diluted earnings per share calculation	28,877,736	27,577,435
Dividends declared per common share	<u>\$ 0.45</u>	<u>\$ 0.45</u>

See notes to consolidated financial statements.

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

(dollars in thousands)	Three Months Ended March 31,	
	2012	2011
Net income	\$ 11,269	\$ 8,700
Other comprehensive income:		
Change in fair value of derivatives net of reclassification to interest expense	1,055	1,555
Total comprehensive income	12,324	10,255
Comprehensive income attributable to noncontrolling interest	(143)	(459)
Comprehensive income attributable to common shareholders	\$ 12,181	\$ 9,796

See notes to consolidated financial statements.

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

(dollars in thousands)	January 1, 2012 to March 31, 2012	January 1, 2011 to March 31, 2011
Operating Activities		
Net income	\$ 11,269	\$ 8,700
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,245	8,625
Amortization of deferred financing fees	208	257
Equity in income of joint ventures	(68)	(40)
Distributions from unconsolidated joint venture	337	188
Non-vested stock earned	600	332
Stock option expense	51	69
Changes in assets and liabilities (excluding the effects of acquisitions):		
Accounts receivable	(347)	463
Prepaid expenses	(2,653)	(1,947)
Accounts payable and other liabilities	(11,705)	(5,574)
Deferred revenue	522	109
Net cash provided by operating activities	<u>8,459</u>	<u>11,182</u>
Investing Activities		
Acquisitions of storage facilities	—	—
Improvements, equipment additions, and construction in progress	(4,361)	(3,541)
Investment in unconsolidated joint ventures	(2,270)	—
(Advances) reimbursement of advances to joint ventures	(421)	21
Property deposits	125	(1,050)
Net cash used in investing activities	<u>(6,927)</u>	<u>(4,570)</u>
Financing Activities		
Net proceeds from sale of common stock	773	340
Proceeds from line of credit	17,000	12,000
Repayments of line of credit	—	(6,000)
Financing costs	—	(312)
Dividends paid-common stock	(13,027)	(12,444)
Distributions to noncontrolling interest holders	(152)	(493)
Mortgage principal payments	(42)	(610)
Net cash provided by (used in) financing activities	<u>4,552</u>	<u>(7,519)</u>
Net increase (decrease) in cash	6,084	(907)
Cash at beginning of period	7,321	5,766
Cash at end of period	<u>\$ 13,405</u>	<u>\$ 4,859</u>
Supplemental cash flow information		
Cash paid for interest, net of interest capitalized	\$ 8,512	\$ 6,624

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 three-month period ended March 31, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

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 March 31, 2012, we had an ownership interest in and/or managed 446 self-storage properties in 25 states under the name Uncle Bob's Self Storage[®]. Among our 446 self-storage properties are 25 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, one property that we manage for a consolidated joint venture (West Deptford JV LLC) of which we have a 20% common ownership interest and a preferred interest, and 11 properties that we manage and have no ownership interest. Approximately 43% of the Company's revenue is derived from stores in the states of Texas and Florida.

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 98.8% ownership interest therein as of March 31, 2012. 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 (a wholly-owned subsidiary), Locke Sovran II LLC (a wholly-owned subsidiary), Uncle Bob's Management, LLC (the Company's taxable REIT subsidiary), and West Deptford JV LLC, a controlled 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 May 2011, the Company made an additional investment of \$17.0 million in Locke Sovran II, LLC and now owns 100% of that entity. The purchase price in excess of the carrying value of the non-controlling interest in Locke Sovran II, LLC was \$3.9 million and was recorded as a reduction of additional paid-in capital. In connection with this transaction, the noncontrolling interest holders settled an outstanding \$2.8 million note receivable due to the Company, and the net cash paid by the Company to the noncontrolling interest holders was \$14.2 million. Prior to May 2011, the Company presented noncontrolling interests in Locke Sovran II, LLC as a separate component of equity, called "Noncontrolling interests - consolidated joint venture" in the consolidated balance sheets.

On June 30, 2011, the Company entered into a newly formed joint venture agreement with an owner of a self-storage facility in New Jersey (West Deptford JV LLC). As part of the agreement the Company contributed \$4.2 million to the joint venture for a \$2.8 million mortgage note at 8%, a 20% common interest, and a \$1.4 million preferred interest with an 8% preferred return. Pursuant to the terms of the joint venture operating agreement, upon a liquidation of the joint venture the Company has the right to receive a return of its investment prior to any distributions to the common members. The Company also has the right to redeem its preferred interests in the joint venture upon a written election any time on or after June 30, 2016. The Company has concluded that this joint venture is a variable interest entity pursuant to the guidance in FASB ASC Topic 810, "Consolidation" on the basis that the total equity investment in the joint venture is not sufficient to permit the joint venture to finance its activities without additional subordinated financial support from its investors. The Company has determined that it is the primary beneficiary of the joint venture as it has the power to direct the activities of the joint venture that most significantly impact the joint venture's economic performance. The Company also has the right to receive a significant amount of the benefits of the joint venture by virtue of its preferred interest and liquidation preferences. As a result of the above, the assets, liabilities and results of operations of West Deptford JV LLC since June 30, 2011 are included in the Company's consolidated financial statements. Pursuant to the terms of the West Deptford JV LLC operating agreement, neither party to the joint venture is obligated to make additional capital contributions to the joint venture and shall not be held personally liable for any obligations of the joint venture. Should the joint venture be unable to meet its obligations as they come due or there be any other events or circumstances that have a significant adverse effect on West Deptford JV LLC, the Company could be exposed to losses on its investment in the joint venture and the Company could determine that it is necessary to make additional capital contributions to West Deptford JV LLC. At March 31, 2012, West Deptford JV LLC had total assets of \$4.1 million and total liabilities of \$2.9 million. For the three months ended March 31, 2012 West Deptford JV LLC generated total operating revenues of \$0.1 million and a net loss of \$49,000. The net loss includes \$50,000 of depreciation and amortization.

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 March 31, 2012 and December 31, 2011, there were 339,025 noncontrolling redeemable operating partnership Units outstanding. 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 are included 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 March 31, 2012 and December 31, 2011, 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.

<u>(Dollars in thousands)</u>	Three Months Ended Mar. 31, 2012
Beginning balance noncontrolling redeemable Operating Partnership Units	\$ 14,466
Net income attributable to noncontrolling interests	131
Distributions	(152)
Adjustment to redemption value	<u>2,449</u>
Ending balance noncontrolling redeemable Operating Partnership Units	<u>\$ 16,894</u>

3. STOCK BASED COMPENSATION

The Company accounts for stock-based compensation under the provisions of ASC Topic 718, “*Compensation—Stock Compensation*” (formerly, FASB Statement 123R). 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 March 31, 2012 and 2011, the Company recorded compensation expense (included in general and administrative expense) of \$51,000 and \$69,000, respectively, related to stock options and \$600,000 and \$332,000, respectively, related to amortization of non-vested stock grants.

During the three months ended March 31, 2012 and 2011, employees exercised 21,835 and 12,500 stock options respectively, and 28,252 and 33,282 shares of non-vested stock, respectively, vested.

4. INVESTMENT IN STORAGE FACILITIES

The following summarizes our activity in storage facilities during the three months ended March 31, 2012.

<u>(dollars in thousands)</u>	
Cost:	
Beginning balance	\$1,596,103
Acquisition of storage facilities	—
Improvements and equipment additions	7,314
Net decrease in construction in progress	(2,948)
Dispositions	(48)
Ending balance	<u>\$1,600,421</u>
Accumulated Depreciation:	
Beginning balance	\$ 305,585
Depreciation expense during the period	9,373
Dispositions	(43)
Ending balance	<u>\$ 314,915</u>

The assets and liabilities of the 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 Company did not acquire any storage facilities in the three months ended March 31, 2012.

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). At March 31, 2012 and December 31, 2011, the gross carrying amount of in-place customer leases was \$9.5 million and \$9.5 million, respectively, and the accumulated amortization was \$7.9 million and \$7.0 million, respectively. The Company recorded amortization expense of \$0.9 million and \$0.1 million during the three months ended March 31, 2012 and 2011, respectively. The Company expects to record \$1.6 million of amortization expense for the remaining nine months of 2012.

5. UNSECURED LINE OF CREDIT AND TERM NOTES

On August 5, 2011, 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 \$125 million unsecured term note maturing in August 2018 bearing interest at LIBOR plus a margin based on the Company's credit rating (at March 31, 2012 the margin is 2.0%). The agreements also provide for a \$175 million (expandable to \$250 million) revolving line of credit bearing interest at a variable rate equal to LIBOR plus a margin based on the Company's credit rating (at March 31, 2012 the margin is 2.0%), and requires a 0.20% facility fee. The interest rate at March 31, 2012 on the Company's available line of credit was approximately 2.24% (2.28% at December 31, 2011). At March 31, 2012, there was \$112 million available on the unsecured line of credit without considering the additional availability under the expansion feature. The revolving line of credit has a maturity date of August 2016, but can be extended for two one-year periods at the Company's option with the payment of an extension fee equal to 0.125% of the total line of credit commitment.

In addition, on August 5, 2011, the Company secured an additional \$100 million term note with a delayed draw feature that was used to fund the Company's mortgage maturities in December 2011. The delayed draw term note matures August 2018 and bears interest at LIBOR plus a margin based on the Company's credit rating (at March 31, 2012 the margin is 2.0%).

On August 5, 2011, the Company also entered into a \$100 million term note maturing August 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 an \$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 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 March 31, 2012, 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 March 31, 2012 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 March 31, 2012 and December 31, 2011 consist of the following:

<u>(dollars in thousands)</u>	<u>March 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
6.76% mortgage note due September 2013, secured by 1 self-storage facility with an aggregate net book value of \$1.9 million, principal and interest paid monthly (effective interest rate 6.85%)	917	925
6.35% mortgage note due March 2014, secured by 1 self-storage facility with an aggregate net book value of \$3.6 million, principal and interest paid monthly (effective interest rate 6.43%)	1,007	1,014
5.99% mortgage notes due May 2026, secured by 1 self-storage facility with an aggregate net book value of \$4.3 million, principal and interest paid monthly (effective interest rate 6.19%)	<u>2,457</u>	<u>2,484</u>
Total mortgages payable	<u>\$ 4,381</u>	<u>\$ 4,423</u>

The table below summarizes the Company's debt obligations and interest rate derivatives at March 31, 2012. 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. 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.

(dollars in thousands)	Expected Maturity Date Including Discount							Fair Value
	2012	2013	2014	2015	2016	Thereafter	Total	
Line of credit - variable rate LIBOR + 2.0% (2.24% at March 31, 2012)	—	—	—	—	\$ 63,000	—	\$ 63,000	\$ 63,000
Notes Payable:								
Term note - variable rate LIBOR+1.50% (2.25% at March 31, 2012)	—	\$20,000	—	—	—	—	\$ 20,000	\$ 20,000
Term note - fixed rate 6.26%	—	\$80,000	—	—	—	—	\$ 80,000	\$ 83,402
Term note - fixed rate 6.38%	—	—	—	—	\$150,000	—	\$150,000	\$161,120
Term note - variable rate LIBOR+2.0% (2.24% at March 31, 2012)	—	—	—	—	—	\$125,000	\$125,000	\$125,000
Term note - variable rate LIBOR+2.0% (2.24% at March 31, 2012)	—	—	—	—	—	\$100,000	\$100,000	\$100,000
Term note - fixed rate 5.54%	—	—	—	—	—	\$100,000	\$100,000	\$ 93,746
Mortgage note - fixed rate 6.76%	\$ 21	\$ 896	—	—	—	—	\$ 917	\$ 964
Mortgage note - fixed rate 6.35%	\$ 24	\$ 34	\$949	—	—	—	\$ 1,007	\$ 1,064
Mortgage notes - fixed rate 5.99%	\$ 85	\$ 119	\$126	\$134	\$ 142	\$ 1,851	\$ 2,457	\$ 2,575
Interest rate derivatives - liability	—	—	—	—	—	—	—	\$ 9,550

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 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 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 three months ended March 31, 2012 and 2011.

The Company has six interest rate swap agreements in effect at March 31, 2012 as detailed below to effectively convert a total of \$245 million of variable-rate debt to fixed-rate debt.

<u>Notional Amount</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Fixed Rate Paid</u>	<u>Floating Rate Received</u>
\$20 Million	9/4/05	9/4/13	4.4350%	6 month LIBOR
\$75 Million	9/1/2011	8/1/18	2.3700%	1 month LIBOR
\$50 Million	9/1/2011	8/1/18	2.3700%	1 month LIBOR
\$50 Million	12/30/11	12/29/17	1.6125%	1 month LIBOR
\$25 Million	12/30/11	12/29/17	1.6125%	1 month LIBOR
\$25 Million	12/30/11	12/29/17	1.6125%	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 March 31, 2012, and 2011, the net reclassification from AOCL to interest expense was \$1.2 million and \$1.9 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 \$4.9 million for the twelve months ended March 31, 2013. 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 \$9.6 million and \$10.7 million at March 31, 2012, and December 31, 2011 respectively.

<u>(dollars in thousands)</u>	<u>Jan. 1, 2012 to Mar. 31, 2012</u>	<u>Jan. 1, 2011 to Mar. 31, 2011</u>
Adjustments to interest expense:		
Realized loss reclassified from accumulated other comprehensive loss to interest expense	\$ (1,198)	\$ (1,908)
Adjustments to other comprehensive income (loss):		
Realized loss reclassified to interest expense	1,198	1,908
Unrealized loss from changes in the fair value of the effective portion of the interest rate swaps	(143)	(353)
Gain included in other comprehensive income (loss)	\$ 1,055	\$ 1,555

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, 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.

In May 2011 the FASB issued ASU No. 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and International Financial Reporting Standards (“IFRS”)* (“ASU 2011-04”). ASU 2011-04 represents the converged guidance of the FASB and the IASB (the “Boards”) on fair value measurements. The collective efforts of the Boards and their staffs, reflected in ASU 2011-04, have resulted in common requirements for measuring fair value and for disclosing information about fair value measurements, including a consistent meaning of the term “fair value.” The Boards have concluded the common requirements will result in greater comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and IFRSs. The amendments in this ASU are required to be applied prospectively, and are effective for interim and annual periods beginning after December 15, 2011. The Company adopted the provisions of ASU 2011-04 on January 1, 2012 and its adoption did not have a significant impact on the Company’s current fair value measurements or disclosures. The adoption is not expected to have a significant effect on any future fair value measurements or disclosures.

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of March 31, 2012 (in thousands):

	Asset (Liability)	Level 1	Level 2	Level 3
Interest rate swaps	(9,550)	—	(9,550)	—

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 2011 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 29 storage facilities. 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 as adjusted for the age and condition of these assets, which are considered level 2 and 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 in its facilities, which is a level 3 input. Debt assumed is recorded at fair value based on current interest rates compared to contractual rates which is a level 2 input. Other assets acquired and liabilities assumed in the acquisitions consist primarily of prepaid 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 March 31, 2012 was \$20.3 million. Twenty five properties were acquired by Sovran HHF in 2008 for approximately \$171.5 million and no additional properties have been acquired by Sovran HHF since then. In 2008, the Company contributed \$18.6 million to the joint venture as its share of capital required to fund the acquisitions. In 2012 and 2011 the Company contributed an additional \$0.1 million and \$0.8 million, respectively, to the joint venture. As of March 31, 2012, 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 March 31, 2012 was \$13.6 million. Twenty 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 the three months ended March 31, 2012 for approximately \$29 million. During 2012, the Company contributed \$2.1 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 \$0.7 million and \$0.3 million for the three months ended March 31, 2012, and 2011, respectively. The Company also received an acquisition fee of \$0.1 million, for securing purchases for Sovran HHF II in 2012. The Company’s share of Sovran HHF and Sovran HHF II’s income for the three months ended March 31, 2012, and 2011 was \$29,000 and \$0.1 million, 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 Company’s investment includes a capital contribution of \$196,049. The carrying value of the Company’s investment is a liability of \$0.5 million at March 31, 2012 and December 31, 2011, and is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheets. For the three months ended March 31, 2012 and 2011, the Company’s share of Iskalo Office Holdings, LLC’s income (loss) was \$13,000 and (\$32,000), respectively.

A summary of the unconsolidated joint ventures' financial statements as of and for the three months ended March 31, 2012 is as follows:

<u>(dollars in thousands)</u>	<u>Sovran HHF Storage Holdings LLC</u>	<u>Sovran HHF Storage Holdings II LLC</u>	<u>Iskalo Office Holdings, LLC</u>
<u>Balance Sheet Data:</u>			
Investment in storage facilities, net	\$ 161,802	\$ 192,511	\$ —
Investment in office building	—	—	5,277
Other assets	5,154	5,074	565
Total Assets	<u>\$ 166,956</u>	<u>\$ 197,585</u>	<u>\$ 5,842</u>
Due to the Company	\$ 516	\$ 520	\$ —
Mortgages payable	70,835	104,762	6,713
Other liabilities	2,711	2,393	683
Total Liabilities	74,062	107,675	7,396
Unaffiliated partners' equity (deficiency)	74,315	76,423	(1,065)
Company equity (deficiency)	18,579	13,487	(489)
Total Liabilities and Partners' Equity (deficiency)	<u>\$ 166,956</u>	<u>\$ 197,585</u>	<u>\$ 5,842</u>
<u>Income Statement Data:</u>			
Total revenues	\$ 4,702	\$ 5,366	\$ 292
Depreciation and amortization	(921)	(1,359)	(55)
Other expenses	(3,163)	(4,635)	(210)
Net income (loss)	<u>\$ 618</u>	<u>\$ (628)</u>	<u>\$ 27</u>

Included in other expenses of Sovran HHF II for the three-months ended March 31, 2012 is \$1.0 million of property acquisition related costs. 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.

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 at least 90% of its taxable income to its shareholders and complies with certain other requirements.

The Company has elected to treat its Uncle Bob's Management, LLC subsidiary 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 March 31, 2012 and 2011, the Company recorded federal and state income tax expense of \$0.4 million and \$0.4 million, respectively, which are included in general and administrative expense in the consolidated statements of operations. At March 31, 2012 and 2011, 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 March 31, 2012, the Company had no interest or penalties related to uncertain tax positions. The Company's taxable REIT subsidiary has a current taxes payable of \$0.1 million and a deferred tax liability of \$0.1 million as of March 31, 2012 (both of which are included in accounts payable and accrued liabilities in the consolidated balance sheet). The tax years 2008-2011 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.

<u>(in thousands except per share data)</u>	Three Months Ended Mar. 31, 2012	Three Months Ended Mar. 31, 2011
Numerator:		
Net income from continuing operations attributable to common shareholders	\$ 11,138	\$ 8,260
Denominator:		
Denominator for basic earnings per share – weighted average shares	28,786	27,537
Effect of Dilutive Securities:		
Stock options, warrants and non-vested stock	<u>92</u>	<u>40</u>
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversion	28,878	27,577
Basic earnings per common share attributable to common shareholders	\$ 0.39	\$ 0.30
Diluted earnings per common share attributable to common shareholders	\$ 0.39	\$ 0.30

Not included in the effect of dilutive securities above are 76,500 stock options and 152,345 unvested restricted shares for the three months ended March 31, 2012; and 306,268 stock options and 153,029 unvested restricted shares for the year ended March 31, 2011, because their effects on the above diluted earnings per share calculation would be antidilutive.

12. EQUITY OFFERING

On September 14, 2011, the Company entered into a continuous equity offering program ("Equity Program") with Wells Fargo Securities, LLC ("Wells Fargo"), pursuant to which the Company may sell from time to time up to \$125 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.

No shares were issued under this Equity Program in the three months ended March 31, 2012. During 2011, the Company issued 1,166,875 shares of common stock under the Equity Program at a weighted average issue price of \$40.59 per share, generating net proceeds of \$46.4 million after deducting \$0.9 million of sales commissions payable to Wells Fargo. In addition to sales commissions paid to Wells Fargo, the Company incurred expenses of \$0.4 million in connection with the Equity Program during 2011. The Company used the proceeds from the Equity Program to reduce the outstanding balance under the Company's revolving line of credit. As of March 31, 2012, the Company had \$77.6 million available for issuance under the Equity Program.

13. RECENT ACCOUNTING PRONOUNCEMENTS

In July 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income (Topic 220) – Presentation of Comprehensive Income." The amendment eliminates the option to present other comprehensive income and its components in the statement of stockholders' equity. The amendment requires all nonowner changes in stockholders' equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendment, which must be applied retrospectively, is effective for interim and annual periods beginning after December 15, 2011, with early adoption permitted. The Company adopted ASU No. 2011-05 in 2011. The adoption of ASU No. 2011-05 did not have a material impact on the Company's consolidated financial statements.

14. COMMITMENT AND CONTINGENCIES

At March 31, 2012, the Company was under contract with a seller to acquire 3 self-storage facilities for approximately \$36.1 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.

The Company conducts 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.

15. SUBSEQUENT EVENTS

On April 2, 2012, the Company declared a quarterly dividend of \$0.45 per common share. The dividend was paid on April 26, 2012 to shareholders of record on April 12, 2012. The total dividend paid amounted to \$13.0 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 JANUARY 1, 2012 THROUGH MARCH 31, 2012, COMPARED TO THE PERIOD JANUARY 1, 2011 THROUGH MARCH 31, 2011

We recorded rental revenues of \$53.2 million for the three months ended March 31, 2012, an increase of \$6.1 million or 12.9% when compared to rental revenues of \$47.1 million for the same period in 2011. Of the increase in rental revenue, \$1.4 million resulted from a 3.0% increase in rental revenues at the 350 core properties considered in same store sales (those properties included in the consolidated results of operations since January 1, 2011). The increase in same store rental revenues was a result of a 270 basis point increase in average quarterly occupancy which was offset by a slight (0.8%) decrease in rental income per square foot. The remaining increase in rental revenue of \$4.7 million resulted from the continued lease-up of our Richmond, Virginia property constructed in 2009 and the revenues from the acquisition of 29 properties completed since January 1, 2011. Other operating income, which includes merchandise sales, insurance commissions, truck rentals, management fees and acquisition fees, increased by \$1.5 million for the three months ended March 31, 2012 compared to the same period in 2011 primarily as a result of increased commissions earned on customer insurance and from fees for managing the properties in the new joint venture (Sovran HHF Storage Holdings II) which began operations in July 2011. We also earned a \$0.1 million acquisition fee from the new joint venture in the three months ended March 31, 2012. There was no acquisition fee in the same period of 2011.

Property operations and maintenance expenses increased \$0.5 million or 4.0% in the three months ended March 31, 2012 as compared to the same period in 2011. The 350 core properties considered in the same store pool experienced a \$0.7 million or 4.9% decrease in operating expenses as a result of lower utilities and snow plowing costs from the mild winter. The same store pool also benefited from reduced yellow page advertising expense. The decrease in same store operating expenses was offset by the \$1.2 million increase in operating expenses resulting from the 29 properties acquired since January 1, 2011. Real estate tax expense increased \$0.7 million as a result of 2.8% increase in property taxes on the 350 same store pool and the inclusion of taxes on the properties acquired in 2011.

Net operating income increased \$6.3 million or 20.3% as a result of a 7.9% increase in our same store net operating income and the acquisitions completed since January 1, 2011.

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, amounts attributable to noncontrolling interests, 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 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. The following table reconciles NOI generated by our self-storage facilities to our net income presented in the March 31, 2012 and 2011 consolidated financial statements.

(dollars in thousands)	Three Months ended March 31,	
	2012	2011
Net operating income		
Same store	\$ 32,955	\$ 30,539
Other stores and management fee income	4,313	439
Total net operating income	37,268	30,978
General and administrative	(7,565)	(5,772)
Acquisition related costs	(7)	(42)
Depreciation and amortization	(10,245)	(8,625)
Interest expense	(8,253)	(7,897)
Interest income	3	18
Equity in income of joint ventures	68	40
Net income	\$ 11,269	\$ 8,700

Our 2012 same store results consist of only those properties that were included in our consolidated results since January 1, 2011, excluding the one property we developed in 2009. The following table sets forth operating data for our 350 same store properties. These results provide information relating to property operating changes without the effects of acquisition.

Same Store Summary

(dollars in thousands)	Three Months ended March 31,		Percentage Change
	2012	2011	
Same store rental income	\$ 48,476	\$ 47,044	3.0%
Same store other operating income	2,437	1,969	23.8%
Total same store operating income	50,913	49,013	3.9%
Same store property operations and maintenance	12,788	13,444	-4.9%
Same store real estate taxes	5,170	5,030	2.8%
Total same store operating expenses	17,958	18,474	-2.8%
Same store net operating income	\$ 32,955	\$ 30,539	7.9%
			Change
Quarterly same store move ins	36,779	32,509	4,270
Quarterly same store move outs	32,593	33,006	(413)

We believe the increase in same store move ins was a result of more effective online marketing and improved rental rate management.

General and administrative expenses increased \$1.8 million or 31.1% from 2011 to 2012. The key drivers of the increase were a \$0.8 million increase in salaries and performance incentives, \$0.4 million increase in internet advertising, and a \$0.1 million increase in costs associated with training and onboarding new owned and/or managed stores. The remaining \$0.5 million increase is the result of increases in various other administrative costs as a result of managing the increased number of stores in our portfolio as compared to the 2011 period.

Acquisition related costs were minimal in the three months ended March 31, 2012 and 2011 as no acquisitions were completed during these periods.

Depreciation and amortization expense increased to \$10.2 million in the three months ended March 31, 2012 from \$8.6 million in the same period of 2011, primarily as a result of depreciation on the 29 properties acquired in 2011.

Interest expense increased from \$7.9 million in the three months ended March 31, 2011 to \$8.3 million in the same period in 2012 due to the increase in our debt outstanding as a result of our financing a portion of the 2011 acquisitions with debt.

Net income attributable to noncontrolling interest decreased from \$0.4 million in the three months ended March 31, 2011 to \$0.1 million in the same period in 2012 as a result of our May 2011 additional investment in Locke Sovran II, LLC in which we purchased the remaining noncontrolling interest in that entity.

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	
	March 31, 2012	March 31, 2011
Net income attributable to common shareholders	\$ 11,138	\$ 8,260
Net income attributable to noncontrolling interest	131	440
Depreciation of real estate and amortization of intangible assets exclusive of deferred financing fees	10,153	8,625
Depreciation and amortization from unconsolidated joint ventures exclusive of deferred financing fees	390	198
Funds from operations allocable to noncontrolling redeemable Operating Partnership Units	(254)	(206)
Funds from operations allocable to noncontrolling interest in consolidated joint venture	—	(340)
FFO available to common shareholders	\$ 21,558	\$ 16,977

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 March 31, 2012, 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 March 31, 2012, our leverage ratio as defined in the agreements was approximately 46.2%. 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 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 March 31, 2012, 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 September 2013, at which time \$100 million of term notes mature.

Cash flows from operating activities were \$8.5 million and \$11.2 million for the three months ended March 31, 2012, and 2011, respectively. The decrease in operating cash flows from 2011 to 2012 was primarily due to a decrease in accounts payable and other liabilities.

Cash used in investing activities was \$6.9 million and \$4.6 million for the three months ended March 31, 2012 and 2011 respectively. The increase in cash used from 2011 to 2012 was due to the additional investment in an unconsolidated joint venture to fund the Company's 15% share of the purchase price of 10 self-storage facilities acquired by the Sovran HHF II joint venture in the first quarter of 2012.

Cash provided by financing activities was \$4.6 million for the three months ended March 31, 2012, compared to cash used of \$7.5 million for the same period in 2011. In 2012, we borrowed under our line of credit to fund (i) capital improvements, (ii) our additional investment in an unconsolidated joint venture, and (iii) other operating activities. Capital improvements for the three months ended March 31, 2011 were funded with operating cash flow and smaller draws on the line of credit. We made no additional investment in the unconsolidated joint venture in the first quarter of 2011.

On August 5, 2011, 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 \$125 million unsecured term note maturing in August 2018 bearing interest at LIBOR plus a margin based on the Company's credit rating (at March 31, 2012 the margin is 2.0%). The agreements also provide for a \$175 million (expandable to \$250 million) revolving line of credit bearing interest at a variable rate equal to LIBOR plus a margin based on the Company's credit rating (at March 31, 2012 the margin is 2.0%), and requires a 0.20% facility fee. The interest rate at March 31, 2012 on the Company's available line of credit was approximately 2.24% (2.28% at December 31, 2011). At March 31, 2012, there was \$112 million available on the unsecured line of credit without considering the additional availability under the expansion feature. The revolving line of credit has a maturity date of August 2016, but can be extended for two one-year periods at the Company's option with the payment of an extension fee equal to 0.125% of the total line of credit commitment.

In addition, on August 5, 2011, the Company secured an additional \$100 million term note with a delayed draw feature that was used to fund the Company's mortgage maturities in December 2011. The delayed draw term note matures August 2018 and bears interest at LIBOR plus a margin based on the Company's credit rating (at March 31, 2012 the margin is 2.0%).

On August 5, 2011, the Company also entered into a \$100 million term note maturing August 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 an \$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 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 \$4.4 million of mortgages payable that are secured by three storage facilities.

On September 14, 2011, the Company entered into a continuous equity offering program ("Equity Program") with Wells Fargo Securities, LLC ("Wells Fargo"), pursuant to which the Company may sell from time to time up to \$125 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. No shares were issued under this program for the three months ended March 31, 2012. 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 2011, the Company issued 1,166,875 shares of common stock under the Equity Program at a weighted average issue price of \$40.59 per share, generating net proceeds of \$46.4 million after deducting \$0.9 million of sales commissions payable to Wells Fargo. In addition to sales commissions paid to Wells Fargo, the Company incurred expenses of \$0.4 million in connection with the Equity Program during 2011. The Company used the proceeds from the Equity Program to reduce the outstanding balance under the Company's revolving line of credit during 2011. As of March 31, 2012, the Company had \$77.6 million available for issuance under the Equity Program.

Our Dividend Reinvestment and Stock Purchase Plan was suspended in November 2009, and therefore we did not issue any shares under this plan in 2012 or 2011. We expect to reinstate our Dividend Reinvestment Plan in 2012.

During the three months ended March 31, 2012 and 2011, 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 March 31, 2012, 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 September 2013, when certain term notes mature.

ACQUISITION AND DISPOSITION OF PROPERTIES

We did not acquire any self-storage facilities for the Company in the three months ended March 31, 2012. Sovran HHF Storage Holdings II LLC, a joint venture in which the Company is a 15% owner, acquired 10 self-storage facilities in the three months ended March 31, 2012 for approximately \$29 million. The Company's share of the capital required for these purchases was \$2.1 million.

In 2011, we acquired 29 self storage facilities comprising 2.0 million square feet in New Jersey (3), Florida (1), Georgia (1), Missouri (1), Texas (22), and Virginia (1) for a total purchase price of \$155.1 million. Based on the trailing financials of the entities from which the properties were acquired, the weighted average capitalization rate was 7.6% on these purchases and ranged from 5.3% to 8.4%.

We may seek to sell properties to third parties or joint venture programs in 2012.

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 2012 and at March 31, 2012 we had 3 properties under contract to be purchased for approximately \$36.1 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.

In the three months ended March 31, 2012, we added 81,000 square feet to existing Properties, for a total cost of approximately \$4.9 million. In 2011, we added 118,000 square feet to existing Properties, and converted 2,000 square feet to premium storage for a total cost of approximately \$7.2 million. Although we do not expect to construct any new facilities in 2012, we do plan to expend an additional \$15 million to expand and enhance existing facilities.

We also expect to continue making capital expenditures on our properties. This includes roofing, paving, and remodeling of the office buildings. For the first three months of 2012 we spent approximately \$2.4 million on such improvements and we expect to spend approximately \$11.6 million for the remainder of 2012.

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 also 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 March 31, 2012, 339,025 Units are outstanding. These Units had been issued in prior years 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. 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 \$245 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.

Through September 2013, \$245 million of our \$308 million of floating rate unsecured debt is on a fixed rate basis after taking into account our interest rate swap agreements. Based on our outstanding unsecured debt of \$308 million at March 31, 2012, a 100 basis point increase in interest rates would have a \$0.6 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 March 31, 2012. 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 March 31, 2012. 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 March 31, 2012.

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, 2011, 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 March 31, 2012, the Company issued 8,000 shares of common stock to its directors as a result of the exercise of stock options issued under the Company's 2009 Outside Directors' Stock Option and Award Plan and the Company issued 9,506 shares of common stock pursuant to the Company's Deferred Compensation Plan for Directors. The Company received aggregate proceeds of \$246,020 in connection with the exercise of the stock options. The shares issued under the Deferred Compensation Plans were in exchange for units previously issued under such plan. 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.

The Company made no repurchases of any of its equity securities during the period covered by this report.

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 March 31, 2012, formatted in XBRL, as follows:
- (i) Consolidated Balance Sheets at March 31, 2012 and December 31, 2011;
 - (ii) Consolidated Statements of Operations for the three months ended March 31, 2012 and 2011;
 - (iii) Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011;
 - (iv) Consolidated Statements of Comprehensive Income for the three months ended March 31, 2012 and 2011; and
 - (v) Notes to Consolidated Financial Statements.

* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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)

May 8, 2012

Date

**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 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: May 8, 2012

/ S / David L. Rogers

David L. Rogers
Chief Executive Officer

**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 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: May 8, 2012

/ S / Andrew J. Gregoire

Andrew J. Gregoire
Chief Financial Officer

**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 March 31, 2012 (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: May 8, 2012

/S/ David L. Rogers

David L. Rogers
Chief Executive Officer

/S/ Andrew J. Gregoire

Andrew J. Gregoire
Chief Financial Officer