

June 4, 2015



# National Storage Affiliates Trust Reports First Quarter 2015 Pre-IPO Results; Core FFO Increased to \$0.21 per OP Unit; Same Store NOI Increased 9.4%

GREENWOOD VILLAGE, Colo.-- National Storage Affiliates Trust ("NSA" or the "Company") (NYSE: NSA) today reported the Company's first quarter 2015 results. These results are for the period prior to the successful completion of the initial public offering ("IPO") on April 28, 2015.

## Key Highlights

- Completed an IPO of its common shares of beneficial interest on April 28, 2015.
- Achieved core funds from operations ("Core FFO") of \$4.4 million, or \$0.21 per operating partnership ("OP") unit for the first quarter of 2015.
- Increased net operating income ("NOI") to \$18.4 million for the first quarter of 2015 compared to \$8.2 million in the first quarter of 2014.
- Increased same store NOI by 9.4%, driven by an average occupancy gain of 260 basis points and an average annualized rental revenue per occupied square foot increase of 4.5% for the first quarter of 2015 compared to the first quarter of 2014.
- Acquired six self storage properties during the first quarter of 2015 for approximately \$41 million.
- Invested approximately \$93 million in the acquisition of 21 properties in connection with the completion of the Company's IPO and formation transactions during the second quarter of 2015.

Arlen Nordhagen, Chief Executive Officer, commented, "We are very pleased with the Company's 2015 performance to date. We strengthened our portfolio in the first quarter leading into our initial public offering with the acquisition of six self storage properties and completed an additional 21 self storage acquisitions in connection with the completion of our IPO. We are also pleased by the improvement in our same store property operations with excellent growth in net operating income, occupancy and average revenue per occupied square foot."

## Financial Results

(\$ in thousands, except per share and unit data)

	<u>First Quarter</u>	
	<u>2015</u>	<u>2014</u>
<b>Net loss</b>	<u><b>\$(2,771)</b></u>	<u><b>\$(2,803)</b></u>
<b>Funds From Operations (FFO)</b>	<u><b>3,760</b></u>	<u><b>372</b></u>
Add back acquisition, organizational and offering expenses	<u>657</u>	<u>417</u>
<b>Core Funds From Operations (Core FFO)</b>	<u><b>\$ 4,417</b></u>	<u><b>\$ 789</b></u>
<b>FFO per share and unit</b>	<u><b>\$ 0.18</b></u>	<u><b>\$ 0.04</b></u>
<b>Core FFO per share and unit</b>	<u><b>\$ 0.21</b></u>	<u><b>\$ 0.09</b></u>

First quarter 2015 funds from operations ("FFO") and Core FFO increased \$3.4 million and \$3.6 million year-over-year from first quarter of 2014, respectively, primarily a result of an additional \$9.4 million of NOI from the acquisition of 88 self storage properties acquired between April 1, 2014 and March 31, 2015, partially offset by increases in interest and general and administrative expenses.

Net loss decreased by less than \$0.1 million year-over-year from first quarter of 2014. The decrease in net loss was primarily due to an increase in NOI resulting from additional self storage properties we acquired during 2014 and 2015, offset by increases in depreciation and amortization, interest expense, and general and administrative expenses.

### **Total Portfolio Operating Results**

(\$ in thousands, except per square foot data)

	<u>First Quarter</u>	
	<u>2015</u>	<u>2014</u>
Total revenue	<u>\$28,291</u>	<u>\$13,161</u>
Property operating expenses	<u>9,842</u>	<u>4,922</u>
<b>Net Operating Income (NOI)</b>	<u><b>\$18,449</b></u>	<u><b>\$ 8,239</b></u>
<b>Average annualized rental revenue per occupied square foot</b>	<u><b>\$ 10.41</b></u>	<u><b>\$ 9.32</b></u>
<b>Average annualized contractual rent per occupied square foot</b>	<u><b>\$ 10.40</b></u>	<u><b>\$ 9.36</b></u>

Total portfolio revenues increased 115.0% in the first quarter of 2015 compared to the first quarter of 2014. Revenue increases were driven by a 180 basis point increase in average occupancy for the first quarter of 2015 compared to the first quarter of 2014, combined with an 11.7% increase in average annualized rental revenue per occupied square foot compared to the prior year.

Total portfolio NOI in the first quarter increased 123.9% to over \$18.4 million in 2015 from \$8.2 million in 2014.

## Same Store Operating Results

(\$ in thousands, except per square foot data)

	First Quarter	
	2015	2014
Total revenue	\$14,055	\$13,027
Property operating expenses	5,028	4,777
<b>Net Operating Income (NOI)</b>	<b>\$ 9,027</b>	<b>\$ 8,250</b>
<b>Average annualized rental revenue per occupied square foot</b>	<b>\$ 9.74</b>	<b>\$ 9.32</b>
<b>Average annualized contractual rent per occupied square foot</b>	<b>\$ 9.64</b>	<b>\$ 9.39</b>

Same store revenues increased 7.9% in the first quarter of 2015 compared to the first quarter of 2014. Revenue increases were driven by a 260 basis point increase in average occupancy for the first quarter of 2015 compared to the first quarter of 2014, combined with a 4.5% increase in average annualized rental revenue per occupied square foot compared to the prior year.

Same store NOI in the first quarter increased 9.4% to over \$9.0 million in 2015 from \$8.3 million in 2014.

## Investment Activity

NSA acquired six properties during the first quarter of 2015 with an estimated fair value of approximately \$41 million, comprising approximately 0.4 million rentable square feet configured in over 3,400 storage units. All six of these properties were acquired by the Company from its participating regional operators ("PROs").

In connection with the completion of NSA's IPO during the second quarter of 2015, the Company completed the acquisition of an additional 21 self storage properties located in seven states for an investment of approximately \$93 million, comprising approximately 1.3 million rentable square feet configured in approximately 9,300 storage units. Of these acquisitions, four were acquired by NSA from its PROs and 17 were acquired from third-party sellers.

These acquisitions increase NSA's total portfolio to 246 self storage properties located in 16 states with approximately 14 million net rentable square feet in over 100,000 storage units.

## Debt and Credit Facility Activity

Following the completion of the Company's IPO during the second quarter of 2015, NSA repaid \$229.8 million of outstanding indebtedness as shown in the table below (\$ in thousands):

**Effective Rate as of**

	<b>March 31, 2015</b>	<b>Principal</b>
Unsecured Term Loan	5.18%	\$ 50,000
Variable rate mortgages payable	4.69%	83,500
Revolving line of credit	2.78%	96,300
<b>Total/Weighted Average</b>	<b>4.00%</b>	<b>\$229,800</b>

As a result of the overall reduction in NSA's outstanding indebtedness, pricing grids for the Company's revolving line of credit and term loan were reduced by 100 basis points to interest rates equal to one-month LIBOR plus 1.60% and one-month LIBOR plus 1.50%, respectively.

### **Distributions and Dividends**

On April 30, 2015, NSA paid an ordinary distribution of \$0.19 per OP unit to unitholders of record as of March 31, 2015 as well as an ordinary distribution of \$0.04 per OP unit to unitholders of record as of April 20, 2015.

In addition, the Company's Board of Trustees declared a dividend of \$0.15 per common share and a distribution of \$0.15 per OP unit for the remainder of the second quarter of 2015 following the Company's IPO, for common shareholders of record as of June 30, 2015.

### **Supplemental Financial Information**

The full text of this earnings release and supplemental financial information, including certain financial information referenced in this release are available on NSA's website at <http://ir.nationalstorageaffiliates.com/sec-filings> and as exhibit 99.1 to the Company's Form 8-K furnished to the SEC on June 5, 2015.

### **Non-GAAP Financial Measures & Glossary**

This press release contains certain non-GAAP financial measures. These non-GAAP measures are presented because NSA's management believes these measures help investors understand NSA's business, performance and ability to earn and distribute cash to its shareholders by providing perspectives not immediately apparent from net income (loss). These measures are also frequently used by securities analysts, investors and other interested parties. The presentation of FFO, Core FFO and NOI in this press release are not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. In addition, NSA's method of calculating these measures may be different from methods used by other companies, and, accordingly, may not be comparable to similar measures as calculated by other companies that do not use the same methodology as NSA. These measures, and other words and phrases used herein, are defined in the Glossary in the supplemental financial information and, where appropriate, reconciliations of these measures and other non-GAAP financial measures to their most directly comparable GAAP measures are included in the Schedules to this press release and in the supplemental financial information.

### **Quarterly Teleconference and Webcast**

NSA does not plan to conduct a teleconference and webcast related to the Company's first quarter 2015 earnings announcement. Going forward, NSA intends to conduct quarterly earnings calls following the issuance of the Company's quarterly earnings releases.

### **Upcoming Industry Conferences**

The Company's executive management team plans to attend the National Association of Real Estate Investment Trust's upcoming REITWeek conference in New York, New York, June 9 - June 11, 2015. The Company's related presentation materials will be available on NSA's website at [www.nationalstorageaffiliates.com](http://www.nationalstorageaffiliates.com) at the start of the conference.

### **About National Storage Affiliates Trust**

National Storage Affiliates Trust is a Maryland real estate investment trust focused on the ownership, operation and acquisition of self storage properties located within the top 100 metropolitan statistical areas throughout the United States. The Company currently owns and operates 246 self storage properties located in 16 states with approximately 14 million rentable square feet. NSA is the sixth largest owner and operator of self storage properties among public and private companies. For more information, please visit the Company's website at [www.nationalstorageaffiliates.com](http://www.nationalstorageaffiliates.com).

### **NOTE REGARDING FORWARD LOOKING STATEMENTS**

*NSA makes forward-looking statements in this press release that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. When NSA uses the words "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "may," or similar expressions, the Company intends to identify forward-looking statements.*

*The forward-looking statements contained in this press release reflect NSA's current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions, and changes in circumstances that may cause the Company's actual results to differ significantly from those expressed in any forward-looking statement.*

*Statements regarding the following subjects, among others, may be forward-looking:*

- *market trends in the Company's industry, interest rates, the debt and lending markets or the general economy;*
- *the Company's business and investment strategy;*
- *the acquisition of properties, including the timing of acquisitions;*
- *the Company's relationships with, and its ability to attract additional, PROs;*
- *NSA's ability to effectively align the interests of its PROs with the Company and its shareholders;*
- *the integration of the Company's PROs and their contributed portfolios into the Company, including into its financial and operational reporting infrastructure and internal control framework;*

- *NSA's operating performance and projected operating results, including its ability to achieve market rents and occupancy levels, reduce operating expenditures and increase the sale of ancillary products and services;*
- *the Company's ability to access additional off-market acquisitions;*
- *actions and initiatives of the U.S. federal, state and local government and changes to U.S. federal, state and local government policies and the execution and impact of these actions, initiatives and policies;*
- *the state of the U.S. economy generally or in specific geographic regions, states or municipalities;*
- *economic trends and economic recoveries;*
- *NSA's ability to obtain and maintain financing arrangements on favorable terms;*
- *general volatility of the securities markets in which we participate;*
- *changes in the value of the Company's assets;*
- *projected capital expenditures;*
- *the impact of technology on NSA's products, operations, and business;*
- *the implementation of the Company's technology and best practices programs (including NSA's ability to effectively implement its integrated Internet marketing strategy);*
- *changes in interest rates and the degree to which the Company's hedging strategies may or may not protect NSA from interest rate volatility;*
- *impact of and changes in governmental regulations, tax law and rates, accounting guidance and similar matters;*
- *the Company's ability to qualify, and maintain its qualification, as a REIT for U.S. federal income tax purposes;*
- *NSA's ability to successfully remediate the material weakness in its internal control over financial reporting;*
- *availability of qualified personnel;*
- *the timing of conversions of subordinated performance units into OP units and the conversion ratio in effect at such time;*
- *estimates relating to the Company's ability to make distributions to its shareholders in the future; and*
- *NSA's understanding of its competition.*

*The forward-looking statements are based on NSA's beliefs, assumptions and expectations of the Company's future performance, taking into account all information currently available to NSA. Forward-looking statements are not predictions of future events. These beliefs, assumptions, and expectations can change as a result of many possible events or factors, not all of which are known to the Company. Readers should carefully review NSA's financial statements and the notes thereto, as well as the section entitled "Risk Factors,"*

*"Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business and Properties" described in the Company's Prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act of 1933, as amended, on April 24, 2015 (the "Prospectus"), and the other documents NSA files from time to time with the Securities and Exchange Commission. If a change occurs, the Company's business, financial condition, liquidity and results of operations may vary materially from those expressed in NSA's forward-looking statements. **Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for the Company to predict those events or how they may affect NSA. Except as required by law, the Company is not obligated to, and does not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.***

**National Storage Affiliates Trust**  
**Consolidated Statements of Operations**  
(dollars in thousands, except per share amounts)  
(unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>REVENUE</b>		
Rental revenue	\$ 27,418	\$ 12,856
Other property-related revenue	873	305
Total revenue	<u>28,291</u>	<u>13,161</u>
<b>OPERATING EXPENSES</b>		
Property operating expenses	9,842	4,922
General and administrative expenses	3,613	1,338
Depreciation and amortization	9,877	3,837
Total operating expenses	<u>23,332</u>	<u>10,097</u>
Income from operations	4,959	3,064
<b>OTHER INCOME (EXPENSE)</b>		
Interest expense	(6,982)	(5,446)
Acquisition costs	(599)	(182)
Organizational and offering expenses	(58)	(235)
Non-operating expense	(91)	(4)
Other income (expense)	<u>(7,730)</u>	<u>(5,867)</u>
<b>Net loss</b>	<u>(2,771)</u>	<u>(2,803)</u>
Net loss attributable to noncontrolling interests	2,771	2,803
<b>Net loss attributable to National Storage Affiliates Trust</b>	<u>\$ —</u>	<u>\$ —</u>
<b>Earnings (loss) per share (basic and diluted)</b>	<u>\$ —</u>	<u>\$ —</u>

Weighted average shares outstanding (basic and diluted) 1,000 1,000

**National Storage Affiliates Trust**  
**Consolidated Balance Sheets**  
(dollars in thousands, except per share amounts)  
(unaudited)

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>ASSETS</b>		
Real estate		
Self storage properties	\$879,631	\$ 838,941
Less accumulated depreciation	(45,961)	(39,614)
Self storage properties, net	833,670	799,327
Cash and cash equivalents	8,328	9,009
Restricted cash	2,446	2,120
Debt issuance costs, net	5,755	6,346
Other assets, net	14,239	15,944
Total assets	<u>\$864,438</u>	<u>\$ 832,746</u>
<b>LIABILITIES AND EQUITY</b>		
Liabilities		
Debt financing	\$618,290	\$ 597,691
Accounts payable and accrued liabilities	13,752	10,012
Distributions payable	—	6,763
Deferred revenue	4,606	4,176
Total liabilities	<u>636,648</u>	<u>618,642</u>
Equity		
Common shares of beneficial interest, par value \$0.01 per share. 1,000 shares authorized; 1,000 shares issued and outstanding	—	—
Retained earnings	—	—
Total shareholder's equity	—	—
Noncontrolling interests	227,790	214,104
Total equity	<u>227,790</u>	<u>214,104</u>
Total liabilities and equity	<u>\$864,438</u>	<u>\$ 832,746</u>

**Funds From Operations and Core Funds From Operations**  
(in thousands, except per share and unit amounts) (unaudited)

**Three Months Ended**



	<b>March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Net loss</b>	<b>\$ (2,771)</b>	<b>\$ (2,803)</b>
Add (subtract):		
Real estate depreciation and amortization	9,806	3,801
Distributions on subordinated performance units <sup>(1)</sup>	(3,275)	(626)
<b>FFO attributable to common shareholders and OP unitholders</b>	<b>3,760</b>	<b>372</b>
Add:		
Acquisition costs	599	182
Organizational and offering expenses	58	235
<b>Core FFO attributable to common shareholders and OP unitholders</b>	<b>\$ 4,417</b>	<b>\$ 789</b>
<b>Weighted average shares and units outstanding - FFO and Core FFO: <sup>(2)</sup></b>		
Weighted average shares outstanding - basic	1	1
Weighted average operating partnership units outstanding <sup>(3)</sup>	19,205	9,263
Weighted average DownREIT operating partnership unit equivalents outstanding	1,386	—
<b>Total weighted average shares and units outstanding - FFO and Core FFO</b>	<b>20,592</b>	<b>9,264</b>
<b>FFO per share and unit</b>	<b>\$ 0.18</b>	<b>\$ 0.04</b>
<b>Core FFO per share and unit</b>	<b>\$ 0.21</b>	<b>\$ 0.09</b>

(1) Distributions to subordinated performance unitholders classified as noncontrolling interests are included as an adjustment to eliminate the noncontrolling interests' share of FFO for purposes of calculating FFO attributable to common shareholders and OP and DownREIT OP unitholders. Amounts represent distributions declared for subordinated performance unitholders and DownREIT subordinated performance unitholders for the periods presented. These distributions were declared and paid to unitholders of record as of March 31, 2015 and 2014 during the periods subsequent to March 31, 2015 and 2014, respectively, and therefore the amounts are not reflected in the historical financial statements for the periods presented.

- (2) We combine OP units and DownREIT OP units with common shares because, after the applicable lock-out periods, OP units in our operating partnership are redeemable for cash or, at our option, exchangeable for common shares on a one-for-one basis and DownREIT OP units are also redeemable for cash or, at our option, exchangeable for OP units in our operating partnership on a one-for-one basis, subject to certain adjustments in each case. Subordinated performance units, DownREIT subordinated performance units, and LTIP units may also, under certain circumstances, be convertible into or exchangeable for common shares (or other units that are convertible into or exchangeable for common shares). Subordinated performance units and DownREIT subordinated units have been excluded from the calculations of FFO and Core FFO per share and unit as their effect is anti-dilutive. LTIP units have been excluded from the calculations of FFO and Core FFO per share and unit because such units did not participate in distributions prior to our Company's initial public offering.
- (3) Amount for the three months March 31, 2014 includes 2,060,711 OP units issued in connection with the contribution of 65 self storage properties on April 1, 2014 by SecurCare Portfolio Holdings, LLC and SecurCare Value Properties, Ltd. (collectively, "NSA Predecessor"), entities whose principal owner is the Company's chief executive officer. For financial reporting purposes, NSA Predecessor contributions are reported as a reorganization of entities under common control whereby the contributed self storage properties are included in the Company's results of operations for the three months March 31, 2014 and have been recorded in the Company's financial statements at NSA Predecessor's depreciated historical cost basis.

### Other Non-GAAP Financial Measurements

(dollars in thousands) (unaudited)

#### Net Operating Income

	Three Months Ended March 31,	
	2015	2014
<b>Net loss</b>	<b>\$ (2,771)</b>	<b>\$ (2,803)</b>
Add:		
General and administrative expenses	3,613	1,338
Depreciation and amortization	9,877	3,837
Interest expense	6,982	5,446
Acquisition costs	599	182
Organizational and offering expenses	58	235
Non-operating expense	91	4
<b>Net Operating Income</b>	<b>\$ 18,449</b>	<b>\$ 8,239</b>

## Reconciliation of Same Store Data and Net Operating Income to Income from Operations

(dollars in thousands) (unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
Total revenue for:		
Same Store Properties	\$ 14,055	\$ 13,027
Non-Same Store Properties	14,236	134
Total revenue	28,291	13,161
Operating expenses for:		
Same Store Properties	5,028	4,777
Non-Same Store Properties	4,814	145
Total operating expenses	9,842	4,922
Net operating income for:		
Same Store Properties	9,027	8,250
Non-Same Store Properties	9,422	(11)
<b>Net operating income</b>	<b>18,449</b>	<b>8,239</b>
General and administrative expenses	(3,613)	(1,338)
Depreciation and amortization	(9,877)	(3,837)
<b>Income from operations on our statements of operations</b>	<b>\$ 4,959</b>	<b>\$ 3,064</b>

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<http://www.businesswire.com/news/home/20150604006554/en/>

### **National Storage Affiliates Trust**

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Source: National Storage Affiliates Trust