

November 6, 2017



# **National Storage Affiliates Trust Reports Third Quarter 2017 Results; Net Income Increases \$3.3 million; Core FFO per Share Increases 13.8%; Same Store NOI Increases 6.7%; Acquired 19 Self Storage Properties**

GREENWOOD VILLAGE, Colo.--(BUSINESS WIRE)-- National Storage Affiliates Trust ("NSA" or the "Company") (NYSE: NSA) today reported the Company's third quarter 2017 results.

## **Key Highlights**

- Net income was \$11.2 million for the third quarter of 2017, an increase of \$3.3 million compared to \$7.9 million for the third quarter of 2016.
- Core funds from operations ("Core FFO") was \$23.8 million, or \$0.33 per share, for the third quarter of 2017, an increase of 13.8% per share compared to \$18.2 million, or \$0.29 per share, for the third quarter of 2016.
- Same store NOI was \$30.5 million for the third quarter of 2017, an increase of 6.7% compared to \$28.6 million for the third quarter of 2016, driven by an increase of 5.4% in same store total revenues and a 2.4% increase in same store property operating expenses.
- Same store average annualized rental revenue per occupied square foot was \$11.83 for the third quarter of 2017, an increase of 5.7% compared to \$11.19 for the third quarter of 2016.
- Acquired 19 self storage properties during the third quarter of 2017 for \$123.8 million.

Arlen Nordhagen, Chief Executive Officer and Chairman, commented, "As expected, we had another great quarter with strong year-over-year increases in same store NOI and Core FFO per share. We acquired 19 properties for \$124 million during the third quarter and closed on an additional 28 properties for \$175 million subsequent to September 30. When combined with the \$59 million of joint venture acquisitions we've completed thus far in 2017, we've acquired and made investments in 67 properties totaling nearly \$460 million in value. In October we completed our first public perpetual preferred share offering for gross proceeds of \$173 million. We were very pleased by how well our first preferred offering was received as we further strengthen our balance sheet by broadening our sources of capital. The

preferred offering and the \$85 million of secured debt financing that we completed during the third quarter provide us the financial flexibility to continue to execute on our growth strategy as we close out 2017 and look ahead to 2018."

## Financial Results

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

	Three Months Ended September 30,		
	2017	2016	Growth
<b>Net income</b>	<b>\$ 11,226</b>	<b>\$ 7,944</b>	<b>41.3%</b>
<b>Funds From Operations ("FFO")<sup>(1)</sup></b>	<b>\$ 23,650</b>	<b>\$ 16,510</b>	<b>43.2%</b>
Add back acquisition costs and NSA's share of unconsolidated real estate venture acquisition costs	140	1,737	(91.9)%
<b>Core FFO<sup>(1)</sup></b>	<b>\$ 23,790</b>	<b>\$ 18,247</b>	<b>30.4%</b>
<b>Earnings (loss) per share - basic</b>	<b>\$ 0.03</b>	<b>\$ —</b>	<b>—%</b>
<b>Earnings (loss) per share - diluted</b>	<b>\$ 0.03</b>	<b>\$ —</b>	<b>—%</b>
<b>FFO per share and unit<sup>(1)</sup></b>	<b>\$ 0.32</b>	<b>\$ 0.26</b>	<b>23.1%</b>
<b>Core FFO per share and unit<sup>(1)</sup></b>	<b>\$ 0.33</b>	<b>\$ 0.29</b>	<b>13.8%</b>

(1) Non-GAAP financial measures, including FFO, Core FFO and NOI, are reconciled to their most directly comparable GAAP measure and defined (together with other words and phrases used herein) in the Schedules to this press release and in the supplemental financial information.

Third quarter 2017 net income increased \$3.3 million, driven primarily by incremental NOI generated from 65 self storage properties acquired between October 1, 2016 and September 30, 2017 and same store NOI growth, partially offset by increases in depreciation and amortization, interest expense and general and administrative expenses.

Third quarter 2017 basic earnings per share increased \$0.03 per share and diluted earnings per share increased \$0.03 per share. In addition to the items affecting net income described above, the comparison of earnings per share amounts between periods is affected by the allocation of net income to noncontrolling interests pursuant to GAAP. Additional information on NSA's allocation of net income (loss) can be found in the Glossary to the supplemental financial information under "Hypothetical Liquidation at Book Value Method."

Third quarter 2017 FFO per share increased 23.1% and Core FFO per share increased 13.8%. The increases in FFO and Core FFO were primarily the result of \$6.3 million of incremental NOI from 65 self storage properties acquired between October 1, 2016 and September 30, 2017, same store NOI growth of \$1.9 million, \$2.0 million of management fees and other revenue and \$1.3 million of the Company's share of FFO and Core FFO from its unconsolidated real estate venture, partially offset by increases of \$2.2 million of general and administrative expenses, \$2.9 million of interest expense and \$2.1 million of

distributions to subordinated performance unitholders.

### Total Consolidated Portfolio Operating Results

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

	Three Months Ended September 30,		
	2017	2016	Growth
Total rental and other property-related revenue	\$ 66,860	\$ 52,949	26.3%
Property operating expenses	21,618	17,330	24.7%
<b>Net Operating Income (NOI)</b>	<b>\$ 45,242</b>	<b>\$ 35,619</b>	<b>27.0%</b>
<b>Average Occupancy</b>	<b>90.4%</b>	<b>91.0%</b>	<b>(0.6)%</b>
<b>Average Annualized Rental Revenue Per Occupied Square Foot</b>	<b>\$ 11.61</b>	<b>\$ 11.24</b>	<b>3.3%</b>

Third quarter 2017 total rental and other property-related revenue increased 26.3%, driven by \$9.6 million of incremental revenues from 65 self storage properties acquired between October 1, 2016 and September 30, 2017 and a \$2.2 million increase in same store total revenues.

Third quarter 2017 total property operating expenses increased 24.7% resulting from \$3.3 million of incremental property operating expenses generated by 65 self storage properties acquired between October 1, 2016 and September 30, 2017, and an increase of \$0.3 million in same store property operating expenses.

Total consolidated portfolio NOI was \$45.2 million for the third quarter of 2017, an increase of 27.0% compared to NOI of \$35.6 million for the third quarter of 2016.

NSA's consolidated portfolio included 413 self storage properties, approximately 25.2 million rentable square feet, with period-end occupancy of 89.9% as of September 30, 2017.

### Same Store Operating Results (277 Properties)

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

	Three Months Ended September 30,		
	2017	2016	Growth
Total rental and other property-related revenue	\$ 44,117	\$ 41,875	5.4%
Property operating expenses	13,595	13,275	2.4%
<b>Net Operating Income (NOI)</b>	<b>\$ 30,522</b>	<b>\$ 28,600</b>	<b>6.7%</b>
<b>NOI Margin</b>	<b>69.2%</b>	<b>68.3%</b>	<b>0.9%</b>
<b>Average Occupancy</b>	<b>90.9%</b>	<b>91.4%</b>	<b>(0.5)%</b>
<b>Average Annualized Rental Revenue Per Occupied Square Foot</b>	<b>\$ 11.83</b>	<b>\$ 11.19</b>	<b>5.7%</b>

Year-over-year, third quarter 2017 same store total revenues increased 5.4%, driven by a 5.7% increase in average annualized rental revenue per occupied square foot partially offset by a 50 basis point decrease in average occupancy. Same store property operating expenses were \$13.6 million for the third quarter of 2017, an increase of 2.4% compared to \$13.3 million for the third quarter of 2016 driven primarily by property tax expense increases.

## **Investment Activity**

During the third quarter of 2017, NSA invested \$123.8 million in the acquisition of 19 self storage properties located in nine states, encompassing over 1.3 million rentable square feet configured in approximately 10,200 storage units.

Subsequent to September 30, 2017, NSA acquired 28 additional self storage properties located in eight states, for a total investment of approximately \$174.5 million encompassing approximately 1.8 million rentable square feet configured in approximately 13,700 storage units. NSA's unconsolidated real estate venture also invested approximately \$9.3 million in a self storage property encompassing approximately 0.1 million rentable square feet configured in approximately 430 storage units.

## **Balance Sheet**

In August 2017, NSA entered into an agreement with a single lender for an \$84.9 million debt financing secured by 22 of the Company's self storage properties. This interest-only loan matures in August 2027 and has a fixed interest rate of 4.14%. The net proceeds from the debt financing were used to repay amounts outstanding under NSA's revolving line of credit.

In October 2017, NSA completed an underwritten public offering of 6,900,000 of its 6.000% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest ("Preferred Shares"), which included 900,000 Preferred Shares sold upon the exercise in full by the underwriters of their option to purchase additional Preferred Shares, resulting in gross proceeds to the Company of approximately \$173 million. Generally, the Preferred Shares become redeemable by the Company beginning in October 2022 for a cash redemption price of \$25.00 per share. NSA used the net proceeds from the offering to repay amounts outstanding under its revolving line of credit, and subsequently redrew under its revolving line of credit to fund the self storage property acquisitions described above.

## **Dividends**

On August 24, 2017, NSA's Board of Trustees declared a quarterly cash dividend of \$0.26 per common share, which was paid on September 29, 2017 to shareholders of record as of September 15, 2017.

## **2017 Guidance**

NSA reaffirms its previously provided guidance estimates for the year ended December 31, 2017.

## **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/quarterly-reporting> and as exhibit 99.1 to the Company's Form 8-K furnished to the SEC on November 6, 2017.

## **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**

The Company will host a conference call at 1:00pm Eastern Time on Tuesday, November 7, 2017 to discuss its financial results. At the conclusion of the call, management will accept questions from certified financial analysts. All other participants are encouraged to listen to a webcast of the call by accessing the link found on the Company's website at [www.nationalstorageaffiliates.com](http://www.nationalstorageaffiliates.com).

### Conference Call and Webcast:

Date/Time: Tuesday, November 7, 2017, 1:00pm ET  
Webcast available at: [www.nationalstorageaffiliates.com](http://www.nationalstorageaffiliates.com)  
Domestic (Toll Free US & Canada): 877.407.9711  
International: 412.902.1014

### Replay:

Domestic (Toll Free US & Canada): 877.660.6853  
International: 201.612.7415  
Conference ID: 13646795

A replay of the call will be available for one week through Tuesday, November 14, 2017. A replay of the webcast will be available for 30 days on NSA's website at [www.nationalstorageaffiliates.com](http://www.nationalstorageaffiliates.com).

## **Upcoming Industry Conferences**

NSA management is scheduled to participate in the upcoming NAREIT REITWorld 2017 Annual Convention in Dallas, Texas on November 14 - 16, 2017.

## 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 holds ownership interests in and operates 512 self storage properties located in 29 states with approximately 32 million rentable square feet. NSA is the sixth largest owner and operator of self storage properties among public and private companies in the U.S. For more information, please visit the Company's website at [www.nationalstorageaffiliates.com](http://www.nationalstorageaffiliates.com). NSA is included in the MSCI US REIT Index (RMS/RMZ), the Russell 2000 Index of Companies and the S&P SmallCap 600 Index.

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

Certain statements contained in this press release constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and such statements are intended to be covered by the safe harbor provided by the same. Forward-looking statements are subject to substantial risks and uncertainties, many of which are difficult to predict and are generally beyond the Company's control. These forward-looking statements include information about possible or assumed future results of the Company's business, financial condition, liquidity, results of operations, plans and objectives. Changes in any circumstances may cause the Company's actual results to differ significantly from those expressed in any forward-looking statement. When used in this release, the words "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "may" or similar expressions are intended to identify forward-looking statements. 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; and the acquisition of properties, including the timing of acquisitions. For a further list and description of such risks and uncertainties, see the Company's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission, and the other documents filed by the Company with the Securities and Exchange Commission. The forward-looking statements, and other risks, uncertainties and factors are based on the Company's beliefs, assumptions and expectations of its future performance, taking into account all information currently available to the Company. Forward-looking statements are not predictions of future events. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>REVENUE</b>				

Rental revenue	\$ 64,715	\$ 51,263	\$182,713	\$135,548
Other property-related revenue	2,145	1,686	6,071	4,334
Management fees and other revenue	1,998	—	5,978	—
Total revenue	<u>68,858</u>	<u>52,949</u>	<u>194,762</u>	<u>139,882</u>
<b>OPERATING EXPENSES</b>				
Property operating expenses	21,618	17,330	61,170	46,064
General and administrative expenses	7,480	5,259	22,066	14,431
Depreciation and amortization	18,463	14,319	54,946	38,299
Total operating expenses	<u>47,561</u>	<u>36,908</u>	<u>138,182</u>	<u>98,794</u>
Income from operations	21,297	16,041	56,580	41,088
<b>OTHER (EXPENSE) INCOME</b>				
Interest expense	(9,157)	(6,265)	(24,788)	(17,050)
Loss on early extinguishment of debt	—	—	—	(136)
Equity in losses of unconsolidated real estate venture	(710)	—	(2,260)	—
Acquisition costs	(139)	(1,737)	(450)	(4,733)
Non-operating expense	(9)	(15)	(75)	(77)
Gain on sale of self storage properties	106	—	5,743	—
Other expense	<u>(9,909)</u>	<u>(8,017)</u>	<u>(21,830)</u>	<u>(21,996)</u>
<b>Income before income taxes</b>	11,388	8,024	34,750	19,092
Income tax expense	<u>(162)</u>	<u>(80)</u>	<u>(767)</u>	<u>(301)</u>
<b>Net income</b>	11,226	7,944	33,983	18,791
Net income attributable to noncontrolling interests	<u>(9,955)</u>	<u>(7,955)</u>	<u>(29,790)</u>	<u>(9,222)</u>
<b>Net income (loss) attributable to National Storage Affiliates Trust</b>	<u>\$ 1,271</u>	<u>\$ (11)</u>	<u>\$ 4,193</u>	<u>\$ 9,569</u>
<b>Earnings (loss) per share - basic</b>	<u>\$ 0.03</u>	<u>\$ —</u>	<u>\$ 0.09</u>	<u>\$ 0.35</u>
<b>Earnings (loss) per share - diluted</b>	<u>\$ 0.03</u>	<u>\$ —</u>	<u>\$ 0.09</u>	<u>\$ 0.25</u>
<b>Weighted average shares outstanding - basic</b>	<u>44,269</u>	<u>35,080</u>	<u>43,967</u>	<u>27,084</u>
<b>Weighted average shares outstanding - diluted</b>	<u>44,269</u>	<u>35,080</u>	<u>43,967</u>	<u>75,492</u>

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

	September 30, December 31,	
	2017	2016
<b>ASSETS</b>		
Real estate		
Self storage properties	\$ 2,075,845	\$ 1,844,336
Less accumulated depreciation	(153,783)	(110,803)
Self storage properties, net	1,922,062	1,733,533
Cash and cash equivalents	13,673	12,570
Restricted cash	4,683	2,767
Debt issuance costs, net	2,427	3,069
Investment in unconsolidated real estate venture	88,224	81,486
Other assets, net	41,928	44,730
Assets held for sale	—	13,937
Total assets	<u>\$ 2,072,997</u>	<u>\$ 1,892,092</u>
<b>LIABILITIES AND EQUITY</b>		
Liabilities		
Debt financing	\$ 1,071,854	\$ 878,954
Accounts payable and accrued liabilities	27,894	21,616
Deferred revenue	12,711	12,454
Total liabilities	1,112,459	913,024
Equity		
Common shares of beneficial interest, par value \$0.01 per share. 250,000,000 shares authorized, 44,316,107 and 43,110,362 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	443	431
Additional paid-in capital	595,354	576,365
Distributions in excess of earnings	(38,117)	(8,719)
Accumulated other comprehensive income	8,724	9,025
Total shareholders' equity	566,404	577,102
Noncontrolling interests	394,134	401,966
Total equity	960,538	979,068
Total liabilities and equity	<u>\$ 2,072,997</u>	<u>\$ 1,892,092</u>

### Reconciliation of Net Income to FFO and Core FFO

(in thousands, except per share and unit amounts) (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Net income</b>	<b>\$ 11,226</b>	<b>\$ 7,944</b>	<b>\$ 33,983</b>	<b>\$ 18,791</b>
Add (subtract):				



Real estate depreciation and amortization	18,187	14,117	53,773	37,831
Company's share of unconsolidated real estate venture real estate depreciation and amortization	2,042	—	5,832	—
Gain on sale of self storage properties	(106)	—	(5,743)	—
FFO attributable to subordinated performance unitholders <sup>(1)</sup>	<u>(7,699)</u>	<u>(5,551)</u>	<u>(20,743)</u>	<u>(16,044)</u>
<b>FFO attributable to common shareholders, OP unitholders, and LTIP unitholders</b>	<b>23,650</b>	<b>16,510</b>	<b>67,102</b>	<b>40,578</b>
Add:				
Acquisition costs	139	1,737	450	4,733
Company's share of unconsolidated real estate venture acquisition costs	1	—	22	—
Loss on early extinguishment of debt	<u>—</u>	<u>—</u>	<u>—</u>	<u>136</u>
<b>Core FFO attributable to common shareholders, OP unitholders, and LTIP unitholders</b>	<b><u>\$ 23,790</u></b>	<b><u>\$ 18,247</u></b>	<b><u>\$ 67,574</u></b>	<b><u>\$ 45,447</u></b>
<b>Weighted average shares and units outstanding - FFO and Core FFO:<sup>(2)</sup></b>				
Weighted average shares outstanding - basic	44,269	35,080	43,967	27,084
Weighted average restricted common shares outstanding	27	19	24	18
Weighted average OP units outstanding	26,361	24,310	25,984	23,761
Weighted average DownREIT OP unit equivalents outstanding	1,835	1,835	1,835	1,835
Weighted average LTIP units outstanding	<u>603</u>	<u>2,556</u>	<u>1,095</u>	<u>2,523</u>
<b>Total weighted average shares and units outstanding - FFO and Core FFO</b>	<b><u>73,095</u></b>	<b><u>63,800</u></b>	<b><u>72,905</u></b>	<b><u>55,221</u></b>
<b>FFO per share and unit</b>	<b>\$ 0.32</b>	<b>\$ 0.26</b>	<b>\$ 0.92</b>	<b>\$ 0.73</b>
<b>Core FFO per share and unit</b>	<b>\$ 0.33</b>	<b>\$ 0.29</b>	<b>\$ 0.93</b>	<b>\$ 0.82</b>

(1) Amounts represent distributions declared for subordinated performance unitholders and DownREIT subordinated performance unitholders for the periods presented.

(2) NSA combines OP units and DownREIT OP units with common shares because, after the applicable lock-out periods, OP units in the Company's operating partnership are redeemable for cash or, at NSA's option, exchangeable for common shares on a one-for-one basis and DownREIT OP units are also redeemable for cash or, at NSA's option, exchangeable for OP units in the Company's 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). See footnote<sup>(3)</sup> for additional discussion of subordinated performance units, DownREIT subordinated performance units, and LTIP units in the calculation of FFO and Core FFO per share and unit.

### Reconciliation of Earnings (Loss) Per Share - Diluted to FFO and Core FFO Per Share and Unit

(in thousands, except per share and unit amounts) (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Earnings (loss) per share - diluted</b>	<b>\$ 0.03</b>	<b>\$ —</b>	<b>\$ 0.09</b>	<b>\$ 0.25</b>
Impact of the difference in weighted average number of shares <sup>(3)</sup>	(0.02)	—	(0.04)	0.09
Impact of GAAP accounting for noncontrolling interests, two-class method and treasury stock method <sup>(4)</sup>	0.14	0.13	0.41	—
Add real estate depreciation and amortization	0.25	0.22	0.74	0.68
Add Company's share of unconsolidated real estate venture real estate depreciation and amortization	0.03	—	0.08	—
Subtract gain on sale of self storage properties	—	—	(0.08)	—
FFO attributable to subordinated performance unitholders	(0.11)	(0.09)	(0.28)	(0.29)
<b>FFO per share and unit</b>	<b>0.32</b>	<b>0.26</b>	<b>0.92</b>	<b>0.73</b>
Add acquisition costs, Company's share of unconsolidated real estate venture acquisition costs, and loss on early extinguishment of debt	0.01	0.03	0.01	0.09
<b>Core FFO per share and unit</b>	<b>\$ 0.33</b>	<b>\$ 0.29</b>	<b>\$ 0.93</b>	<b>\$ 0.82</b>

- (3) Adjustment accounts for the difference between the weighted average number of shares used to calculate diluted earnings per share and the weighted average number of shares used to calculate FFO and Core FFO per share and unit. Diluted earnings per share is calculated using the two-class method for the company's restricted common shares, the treasury stock method for certain unvested LTIP units, and includes the assumption of a hypothetical conversion of subordinated performance units, DownREIT subordinated performance units and LTIP units into OP units, even though such units may only be convertible into OP units (i) after a lock-out period and (ii) upon certain events or conditions. For additional information about the conversion of subordinated performance units and DownREIT subordinated performance units into OP units, see Note 10 to the Company's most recent Annual Report on Form 10-K, filed with the Securities and Exchange Commission. The computation of weighted average shares and units for FFO and Core FFO per share and unit includes all restricted common shares and LTIP units that participate in distributions and excludes all subordinated performance units and DownREIT subordinated performance units because their effect has been accounted for through the allocation of FFO to the related unitholders based on distributions declared.
- (4) Represents the effect of adjusting the numerator to consolidated net income (loss) prior to GAAP allocations for noncontrolling interests and the application of the two-class method and treasury stock method, as described in footnote (3).

## Net Operating Income

(dollars in thousands) (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Net income</b>	<b>\$ 11,226</b>	<b>\$ 7,944</b>	<b>\$ 33,983</b>	<b>\$ 18,791</b>
(Subtract) add:				
Management fees and other revenue	(1,998)	—	(5,978)	—
General and administrative expenses	7,480	5,259	22,066	14,431
Depreciation and amortization	18,463	14,319	54,946	38,299
Interest expense	9,157	6,265	24,788	17,050
Equity in losses of unconsolidated real estate venture	710	—	2,260	—
Loss on early extinguishment of debt	—	—	—	136
Acquisition costs	139	1,737	450	4,733
Income tax expense	162	80	767	301
Gain on sale of self storage properties	(106)	—	(5,743)	—
Non-operating expense	9	15	75	77
<b>Net Operating Income</b>	<b>\$ 45,242</b>	<b>\$ 35,619</b>	<b>\$ 127,614</b>	<b>\$ 93,818</b>

## EBITDA and Adjusted EBITDA

(dollars in thousands) (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Net income</b>	<b>\$ 11,226</b>	<b>\$ 7,944</b>	<b>\$ 33,983</b>	<b>\$ 18,791</b>
Add:				
Depreciation and amortization	18,463	14,319	54,946	38,299
Company's share of unconsolidated real estate venture depreciation and amortization	2,042	—	5,832	—
Interest expense	9,157	6,265	24,788	17,050
Income tax expense	162	80	767	301
Loss on early extinguishment of debt	—	—	—	136
<b>EBITDA</b>	<b>41,050</b>	<b>28,608</b>	<b>120,316</b>	<b>74,577</b>
Add (subtract):				
Acquisition costs	139	1,737	450	4,733
Company's share of unconsolidated real estate venture acquisition costs	1	—	22	—
Gain on sale of self storage properties	(106)	—	(5,743)	—
Equity-based compensation expense <sup>(1)</sup>	921	685	2,844	1,913
<b>Adjusted EBITDA</b>	<b>\$ 42,005</b>	<b>\$ 31,030</b>	<b>\$ 117,889</b>	<b>\$ 81,223</b>

(1) Equity-based compensation expense is a non-cash item that is included in general and administrative expenses in NSA's consolidated statements of operations.

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Source: National Storage Affiliates Trust