

May 2, 2018



National Storage Affiliates Trust Reports First Quarter 2018 Results; Net Income Increases \$4.8 million; Core FFO per Share Increases 10.3%, Same Store NOI Increases 4.4%, Acquired 25 Self Storage Properties

GREENWOOD VILLAGE, Colo.--(BUSINESS WIRE)-- National Storage Affiliates Trust ("NSA" or the "Company") (NYSE: NSA) today reported the Company's first quarter 2018 results.

First Quarter 2018 Highlights

- Net income was \$12.0 million for the first quarter of 2018, an increase of \$4.8 million compared to \$7.2 million for the first quarter of 2017.
- Core funds from operations ("Core FFO") was \$25.9 million, or \$0.32 per share, for the first quarter of 2018, an increase of 10.3% per share compared to \$21.3 million, or \$0.29 per share, for the first quarter of 2017.
- Same store net operating income ("NOI") was \$40.9 million for the first quarter of 2018, an increase of 4.4% compared to \$39.2 million for the first quarter of 2017, driven by a 4.2% increase in same store total revenues and a 3.9% increase in same store property operating expenses.
- Acquired 25 wholly-owned self storage properties for \$135.8 million and one joint venture property for \$9.5 million during the first quarter of 2018.

Arlen Nordhagen, Chief Executive Officer and Chairman, commented, "We are very pleased that our combination of same store organic improvement plus strong external growth is continuing to drive double digit increases in Core FFO per share. Our same store performance for the quarter was right on budget, and we acquired another 25 wholly-owned properties during the quarter, making this our strongest first quarter acquisition pace on record. Despite the increased headwinds of new supply in several markets, our unique growth strategy has allowed us to benefit from both the fragmentation and the fundamental strengths of the self storage industry. We remain focused on our commitment to creating long-term shareholder value through the continued execution of our differentiated strategy."

Financial Results

(\$ in thousands, except per share and unit data)	Three Months Ended March 31,		
	2018	2017	Growth
Net income	<u>\$11,973</u>	<u>\$ 7,181</u>	<u>66.7%</u>
Funds From Operations ("FFO")⁽¹⁾	\$25,678	\$21,155	21.4%
Add back acquisition costs and NSA's share of unconsolidated real estate venture acquisition costs	180	163	10.4%
Core FFO⁽¹⁾	<u>\$25,858</u>	<u>\$21,318</u>	<u>21.3%</u>
Earnings (loss) per share - basic	<u>\$ 0.16</u>	<u>\$ 0.01</u>	<u>1,500.0%</u>
Earnings (loss) per share - diluted	<u>\$ 0.09</u>	<u>\$ 0.01</u>	<u>800.0%</u>
FFO per share and unit⁽¹⁾	<u>\$ 0.31</u>	<u>\$ 0.29</u>	<u>6.9%</u>
Core FFO per share and unit⁽¹⁾	<u>\$ 0.32</u>	<u>\$ 0.29</u>	<u>10.3%</u>

(1) Non-GAAP financial measures, including FFO, Core FFO and NOI, 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.

First quarter 2018 net income increased \$4.8 million, driven primarily by incremental NOI generated from 85 self storage properties acquired between April 1, 2017 and March 31, 2018 and same store NOI growth, partially offset by increases in depreciation and amortization and interest expense.

First quarter 2018 basic earnings per share increased \$0.15 per share and diluted earnings per share increased \$0.08 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."

First quarter 2018 FFO per share increased 6.9% and Core FFO per share increased 10.3%. The increases in FFO and Core FFO were primarily the result of \$7.5 million of incremental NOI from 85 self storage properties acquired between April 1, 2017 and March 31, 2018 and same store NOI growth of \$1.7 million, partially offset by higher interest expense and the payment of dividends on preferred shares issued during the fourth quarter of 2017 to fund the Company's growth.

Total Consolidated Portfolio Operating Results

(\$ in thousands, except per square foot data)	Three Months Ended March 31,	
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	<u>2018</u>	<u>2017</u>	<u>Growth</u>
Total rental and other property-related revenue	\$74,332	\$59,725	24.5 %
Property operating expenses	25,226	19,749	27.7 %
Net Operating Income (NOI)	<u>\$49,106</u>	<u>\$39,976</u>	<u>22.8 %</u>
Average Occupancy	<u>87.2%</u>	<u>88.3%</u>	<u>(1.1)%</u>
Average Annualized Rental Revenue Per Occupied Square Foot	<u>\$ 11.87</u>	<u>\$ 11.36</u>	<u>4.5 %</u>

First quarter 2018 total rental and other property-related revenue increased 24.5%, driven by \$12.4 million of incremental revenues from 85 self storage properties acquired between April 1, 2017 and March 31, 2018 and a \$2.5 million increase in same store total revenues.

First quarter 2018 total property operating expenses increased 27.7% resulting from \$4.8 million of incremental property operating expenses generated by 85 self storage properties acquired between April 1, 2017 and March 31, 2018, and an increase of \$0.8 million in same store property operating expenses.

Total consolidated portfolio NOI was \$49.1 million for the first quarter of 2018, an increase of 22.8% compared to NOI of \$40.0 million for the first quarter of 2017.

NSA's consolidated portfolio included 468 self storage properties, approximately 28.5 million rentable square feet, with period-end occupancy of 87.8% as of March 31, 2018.

Same Store Operating Results (376 Properties)

	Three Months Ended March 31,		
	<u>2018</u>	<u>2017</u>	<u>Growth</u>
(\$ in thousands, except per square foot data)			
Total rental and other property-related revenue	\$60,866	\$58,403	4.2 %
Property operating expenses	19,990	19,231	3.9 %
Net Operating Income (NOI)	<u>\$40,876</u>	<u>\$39,172</u>	<u>4.4 %</u>
NOI Margin	<u>67.2%</u>	<u>67.1%</u>	<u>0.1 %</u>
Average Occupancy	<u>88.1%</u>	<u>88.5%</u>	<u>(0.4)%</u>
Average Annualized Rental Revenue Per Occupied Square Foot	<u>\$ 11.75</u>	<u>\$ 11.25</u>	<u>4.4 %</u>

Year-over-year, first quarter 2018 same store total revenues increased 4.2%, driven primarily by a 4.4% increase in average annualized rental revenue per occupied square foot partially offset by a 40 basis point decrease in average occupancy. Same store property operating expenses were \$20.0 million for the first quarter of 2018, an increase of 3.9% compared to \$19.2 million for the first quarter of 2017 driven primarily by increases in property taxes, personnel costs and advertising.

Tamara Fischer, Chief Financial Officer, commented, "We were very pleased with customer demand during the first quarter, and especially the strong pace of move-in activity toward quarter-end. Our same store revenues came in slightly above plan, but some operating expenses were higher than forecast, so first quarter same store NOI was right in line with our expectations."

Investment Activity

During the first quarter of 2018, NSA invested \$135.8 million in the acquisition of 25 consolidated self storage properties located in six states, encompassing approximately 1.4 million rentable square feet configured in approximately 12,000 storage units. Consideration for these acquisitions included approximately \$105.1 million of net cash, the assumption of \$8.3 million of mortgages and other working capital liabilities and OP equity of approximately \$22.4 million. The OP equity included the issuance of \$8.1 million of NSA's 6.000% Series A-1 Cumulative Redeemable Preferred Units (the "Series A-1 Preferred Units") in NSA's operating partnership which have a stated value of \$25.00 per unit and receive cumulative distributions at an annual rate of 6.000%.

NSA's unconsolidated real estate venture invested \$9.5 million in the acquisition of one self storage property located in New Jersey, encompassing approximately 0.1 million rentable square feet configured in approximately 500 storage units. NSA owns a 25% interest in its unconsolidated real estate venture and contributed approximately \$2.4 million to the venture to fund the acquisition.

Balance Sheet

On January 29, 2018, NSA entered into an increase agreement and amendment with a syndicated group of lenders to increase the total borrowing capacity under the Company's credit facility by \$125.0 million for a total credit facility of over \$1.0 billion, which included entry into a new \$125.0 million five-year term loan tranche D. NSA has an expansion option under the credit facility, which, if exercised in full, would provide for a total credit facility of \$1.3 billion.

Common Share Dividends

On February 22, 2018, NSA's Board of Trustees declared a quarterly cash dividend of \$0.28 per common share, which was paid on March 29, 2018 to shareholders of record as of March 15, 2018.

2018 Guidance

NSA reaffirms its previously provided guidance estimates for the year ended December 31, 2018.

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 May 2, 2018.

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 Thursday, May 3, 2018 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.

Conference Call and Webcast:

Date/Time: Thursday, May 3, 2018, 1:00pm ET

Webcast available at: 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 Thursday, May 10, 2018. A replay of the webcast will be available for 30 days on NSA's website at www.nationalstorageaffiliates.com.

Upcoming Industry Conferences

NSA management is scheduled to participate in the Nareit REITWeek 2018 Investor

Conference from June 5 -7 in New York, New York.

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 541 self storage properties located in 29 states with approximately 34 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. 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, and the Company's guidance estimates for the year ended December 31, 2018. 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)

	Three Months Ended March 31,	
	2018	2017
REVENUE		
Rental revenue	\$ 72,011	\$ 57,844
Other property-related revenue	2,321	1,881
Management fees and other revenue	2,161	1,838
Total revenue	<u>76,493</u>	<u>61,563</u>
OPERATING EXPENSES		
Property operating expenses	25,226	19,749
General and administrative expenses	8,306	7,181
Depreciation and amortization	21,368	18,683
Total operating expenses	<u>54,900</u>	<u>45,613</u>
Income from operations	21,593	15,950
OTHER (EXPENSE) INCOME		
Interest expense	(9,635)	(7,471)
Equity in losses of unconsolidated real estate venture	(52)	(785)
Acquisition costs	(180)	(144)
Non-operating expense	(84)	(52)
Gain on sale of self storage properties	474	—
Other expense	<u>(9,477)</u>	<u>(8,452)</u>
Income before income taxes	12,116	7,498
Income tax expense	(143)	(317)
Net income	11,973	7,181
Net income attributable to noncontrolling interests	<u>(1,513)</u>	<u>(6,626)</u>
Net income attributable to National Storage Affiliates Trust	10,460	555
Distributions to preferred shareholders	<u>(2,588)</u>	<u>—</u>
Net income attributable to common shareholders	<u>\$ 7,872</u>	<u>\$ 555</u>
Earnings (loss) per share - basic	<u>\$ 0.16</u>	<u>\$ 0.01</u>
Earnings (loss) per share - diluted	<u>\$ 0.09</u>	<u>\$ 0.01</u>
Weighted average shares outstanding - basic	<u>50,299</u>	<u>43,401</u>
Weighted average shares outstanding - diluted	<u>99,935</u>	<u>43,401</u>

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

	March 31, 2018	December 31, 2017
ASSETS		
Real estate		
Self storage properties	\$2,411,453	\$2,275,233
Less accumulated depreciation	(188,407)	(170,358)
Self storage properties, net	2,223,046	2,104,875
Cash and cash equivalents	15,262	13,366
Restricted cash	2,929	3,041
Debt issuance costs, net	1,943	2,185
Investment in unconsolidated real estate venture	90,092	89,093
Other assets, net	58,637	52,615
Assets held for sale	—	1,555
Total assets	<u>\$2,391,909</u>	<u>\$2,266,730</u>
LIABILITIES AND EQUITY		
Liabilities		
Debt financing	\$1,069,600	\$ 958,097
Accounts payable and accrued liabilities	24,079	24,459
Deferred revenue	13,542	12,687
Total liabilities	<u>1,107,221</u>	<u>995,243</u>
Equity		
Preferred shares of beneficial interest, par value \$0.01 per share. 50,000,000 authorized, 6,900,000 issued and outstanding at March 31, 2018 and December 31, 2017, at liquidation preference	172,500	172,500
Common shares of beneficial interest, par value \$0.01 per share. 250,000,000 shares authorized, 50,438,731 and 50,284,934 shares issued and outstanding at March 31, 2018 and December 31, 2017, respectively	504	503
Additional paid-in capital	700,762	711,467
Distributions in excess of earnings	(61,956)	(55,729)
Accumulated other comprehensive income	17,485	12,282
Total shareholders' equity	<u>829,295</u>	<u>841,023</u>
Noncontrolling interests	455,393	430,464
Total equity	<u>1,284,688</u>	<u>1,271,487</u>
Total liabilities and equity	<u>\$2,391,909</u>	<u>\$2,266,730</u>

Reconciliation of Net Income to FFO and Core FFO

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

	Three Months Ended March 31,	
	2018	2017
Net income	\$ 11,973	\$ 7,181
Add (subtract):		
Real estate depreciation and amortization	21,075	18,243
Company's share of unconsolidated real estate venture real estate depreciation and amortization	1,377	1,872
Gain on sale of self storage properties	(474)	—
Distributions to preferred shareholders and unitholders	(2,689)	—
FFO attributable to subordinated performance unitholders ⁽¹⁾	(5,584)	(6,141)
FFO attributable to common shareholders, OP unitholders, and LTIP unitholders	25,678	21,155
Add:		
Acquisition costs	180	144
Company's share of unconsolidated real estate venture acquisition costs	—	19
Core FFO attributable to common shareholders, OP unitholders, and LTIP unitholders	\$ 25,858	\$ 21,318
Weighted average shares and units outstanding - FFO and Core FFO:⁽²⁾		
Weighted average shares outstanding - basic	50,299	43,401
Weighted average restricted common shares outstanding	30	17
Weighted average OP units outstanding	29,135	25,959
Weighted average DownREIT OP unit equivalents outstanding	1,835	1,835
Weighted average LTIP units outstanding	665	1,468
Total weighted average shares and units outstanding - FFO and Core FFO	81,964	72,680
FFO per share and unit	\$ 0.31	\$ 0.29
Core FFO per share and unit	\$ 0.32	\$ 0.29

(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(3) 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 March 31,	
	2018	2017
Earnings (loss) per share - diluted	\$ 0.09	\$ 0.01
Impact of the difference in weighted average number of shares ⁽³⁾	0.02	(0.01)
Impact of GAAP accounting for noncontrolling interests, two-class method and treasury stock method ⁽⁴⁾	—	0.09
Add real estate depreciation and amortization	0.26	0.25
Add Company's share of unconsolidated real estate venture real estate depreciation and amortization	0.02	0.03
Subtract gain on sale of self storage properties	(0.01)	—
FFO attributable to subordinated performance unitholders	(0.07)	(0.08)
FFO per share and unit	0.31	0.29
Add acquisition costs and Company's share of unconsolidated real estate venture acquisition costs	0.01	—
Core FFO per share and unit	\$ 0.32	\$ 0.29

- (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 and the treasury stock method for certain unvested LTIP units, and assumes the conversion of vested LTIP units into OP units on a one-for-one basis and the hypothetical conversion of subordinated performance units, and DownREIT subordinated performance 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, after deducting preferred share and unit distributions, and before 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 March 31,	
	2018	2017
Net income	\$ 11,973	\$ 7,181
(Subtract) add:		
Management fees and other revenue	(2,161)	(1,838)
General and administrative expenses	8,306	7,181
Depreciation and amortization	21,368	18,683
Interest expense	9,635	7,471
Equity in losses of unconsolidated real estate venture	52	785
Acquisition costs	180	144
Income tax expense	143	317
Gain on sale of self storage properties	(474)	—
Non-operating expense	84	52
Net Operating Income	\$ 49,106	\$ 39,976

EBITDA and Adjusted EBITDA

(dollars in thousands) (unaudited)

	Three Months Ended March 31,	
	2018	2017
Net income	\$ 11,973	\$ 7,181
Add:		
Depreciation and amortization	21,368	18,683
Company's share of unconsolidated real estate venture depreciation and amortization	1,377	1,872
Interest expense	9,635	7,471
Income tax expense	143	317
EBITDA	44,496	35,524
Add (subtract):		
Acquisition costs	180	144
Company's share of unconsolidated real estate venture acquisition costs	—	19
Gain on sale of self storage properties	(474)	—
Equity-based compensation expense ⁽¹⁾	867	983
Adjusted EBITDA	\$ 45,069	\$ 36,670

Equity-based compensation expense is a non-cash item that is included in general and administrative

(1) expenses in NSA's consolidated statements of operations.

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National Storage Affiliates Trust

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