

February 25, 2019



National Storage Affiliates Trust Reports 2018 Fourth Quarter and Full Year Results

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

Fourth Quarter 2018 Highlights

- Reported loss per share of \$0.16 for the fourth quarter of 2018.
- Reported core funds from operations ("Core FFO") of \$0.37 per share for the fourth quarter of 2018, an increase of 15.6% compared to the fourth quarter of 2017.
- Achieved same store net operating income ("NOI") growth of 5.3% for the fourth quarter of 2018 compared to the same period in 2017, driven by a 4.2% increase in same store total revenues and a 2.0% increase in same store property operating expenses.
- Acquired seven wholly-owned self storage properties for \$51.4 million during the fourth quarter of 2018.

Full Year 2018 Highlights

- Reported earnings per share of \$0.07 for full year 2018.
- Reported Core FFO of \$1.38 per share for full year 2018, an increase of 11.3% compared to full year 2017.
- Achieved same store NOI growth of 4.7% for full year 2018 compared to full year 2017, driven by a 4.0% increase in same store total revenues and a 2.6% increase in same store property operating expenses.
- Acquired 57 wholly-owned self storage properties for \$356.6 million and invested in 106 joint venture properties valued at \$1.3 billion during full year 2018.
- Completed an offering of 5,900,000 common shares resulting in net proceeds of approximately \$176 million.
- Added Southern Self Storage of Palm Beach Gardens, Florida as NSA's ninth Participating Regional Operator ("PRO"), with first properties contributed in January 2019.

Highlights Subsequent to Year-End

- Entered into definitive agreements to add Moove In Self Storage of York, Pennsylvania

as NSA's tenth PRO.

- Acquired 23 wholly-owned self storage properties for approximately \$147.0 million.

Arlen Nordhagen, Chairman and Chief Executive Officer, commented, "2018 was a banner year for the growth of NSA and our iStorage brand, with the formation of our 2018 Joint Venture and our investment in nearly \$1.7 billion of self storage properties. We're excited to carry this momentum into 2019 as we have closed on the addition of our previously announced ninth PRO, Southern Self Storage, and entered into agreements to add our tenth PRO, Moove In Self Storage. Moove In is led by John Gilliland, a past Chairman of the national Self Storage Association, and his team brings decades of valuable experience in the northeastern U.S. self storage market to NSA."

Financial Results

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

	Three Months Ended December 31,			Year Ended December 31,		
	2018	2017	Growth	2018	2017	Growth
Net income	<u>\$ 14,483</u>	<u>\$ 12,015</u>	<u>20.5%</u>	<u>\$ 56,326</u>	<u>\$45,998</u>	<u>22.5%</u>
Funds From Operations ("FFO")⁽¹⁾	<u>\$ 32,201</u>	<u>\$ 23,482</u>	<u>37.1%</u>	<u>\$116,378</u>	<u>\$90,584</u>	<u>28.5%</u>
Add back acquisition costs and NSA's share of unconsolidated real estate venture acquisition costs	<u>192</u>	<u>143</u>	<u>34.3%</u>	<u>663</u>	<u>615</u>	<u>7.8%</u>
Core FFO⁽¹⁾	<u>\$ 32,393</u>	<u>\$ 23,625</u>	<u>37.1%</u>	<u>\$117,041</u>	<u>\$91,199</u>	<u>28.3%</u>
Earnings (loss) per share - basic and diluted	<u>\$ (0.16)</u>	<u>\$ (0.08)</u>	<u>100.0%</u>	<u>\$ 0.07</u>	<u>\$ 0.01</u>	<u>600.0%</u>
FFO per share and unit⁽¹⁾	<u>\$ 0.37</u>	<u>\$ 0.31</u>	<u>19.4%</u>	<u>\$ 1.37</u>	<u>\$ 1.23</u>	<u>11.4%</u>
Core FFO per share and unit⁽¹⁾	<u>\$ 0.37</u>	<u>\$ 0.32</u>	<u>15.6%</u>	<u>\$ 1.38</u>	<u>\$ 1.24</u>	<u>11.3%</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.

Net income increased \$2.5 million for the fourth quarter of 2018 and increased \$10.3 million for full year 2018 as compared to the same periods in 2017. The increase was primarily the result of incremental NOI generated from 57 wholly-owned self storage properties acquired during full year 2018 and same store NOI growth, partially offset by increases in depreciation and amortization and interest expense.

The increases in FFO and Core FFO for the fourth quarter of 2018 and full year 2018 were primarily the result of incremental NOI from properties acquired during full year 2018, same store NOI growth, and incremental FFO from the Company's unconsolidated real estate ventures, partially offset by higher interest expense and the payment of dividends on preferred shares.

Same Store Operating Results (376 Properties)

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

	Three Months Ended December 31,			Year Ended December 31,		
	2018	2017	Growth	2018	2017	Growth
Total revenues	\$ 63,951	\$ 61,356	4.2%	\$251,811	\$242,074	4.0%
Property operating expenses	19,878	19,484	2.0%	79,591	77,576	2.6%
Net Operating Income (NOI)	\$ 44,073	\$ 41,872	5.3%	\$172,220	\$164,498	4.7%
NOI Margin	68.9%	68.2%	0.7%	68.4%	68.0%	0.4%
Average Occupancy	88.4%	88.9%	(0.5)%	89.0%	89.2%	(0.2)%
Average Annualized Rental Revenue Per Occupied Square Foot	\$ 12.28	\$ 11.76	4.4%	\$ 12.02	\$ 11.55	4.1%

Year-over-year same store total revenues increased 4.2% for the fourth quarter of 2018 and 4.0% for full year 2018 as compared to the same periods in 2017. The increase in the fourth quarter of 2018 was driven primarily by a 4.4% increase in average annualized rental revenue per occupied square foot partially offset by a 50 basis point decrease in average occupancy. The full year 2018 increase resulted primarily from a 4.1% increase in average annualized rental revenue per occupied square foot partially offset by a 20 basis point decrease in average occupancy.

Year-over-year same store property operating expenses increased 2.0% for the fourth quarter of 2018 and 2.6% for full year 2018 as compared to the same periods in 2017. These increases primarily resulted from increases in property taxes, personnel costs and repairs and maintenance expenses.

Investment Activity

NSA acquired seven wholly-owned self storage properties located in four states consisting of approximately 0.4 million rentable square feet configured in approximately 3,000 storage units during the fourth quarter of 2018. Consideration for these acquisitions included approximately \$49.2 million of net cash, the issuance of approximately \$2.0 million of OP equity and the assumption of approximately \$0.2 million of other working capital liabilities.

During the year ended December 31, 2018, NSA formed the 2018 Joint Venture, in which the Company has a 25% ownership interest, with an affiliate of Heitman America Real Estate REIT LLC. In September 2018, the 2018 Joint Venture completed the acquisition of a portfolio of 112 self storage properties located across 17 states and Puerto Rico, consisting of over 8 million rentable square feet configured in over 68,000 storage units for an aggregate purchase price of approximately \$1.325 billion. Immediately following the closing of the acquisition, the 2018 Joint Venture distributed the six self storage properties in the portfolio located in Puerto Rico and a single self storage property located in Ohio to NSA.

Including the seven self storage properties acquired by NSA from the 2018 Joint Venture discussed above, during the full year 2018, NSA invested \$356.6 million in the acquisition of 57 wholly-owned self storage properties located in 13 states and Puerto Rico consisting of approximately 3.2 million rentable square feet configured in approximately 28,000 storage units.

During the year ended December 31, 2018, NSA's 2016 Joint Venture invested in three self storage properties and an expansion project at an existing property for \$28.5 million, comprising approximately 0.2 million rentable square feet, configured in approximately 1,300 storage units.

Subsequent to December 31, 2018, NSA acquired 23 wholly-owned self storage properties located in six states consisting of approximately 1.3 million rentable square feet configured in approximately 11,000 storage units for approximately \$147.0 million. Consideration for these acquisitions included approximately \$122.9 million of net cash, the issuance of approximately \$23.7 million of OP units, subordinated performance units and Series A-1 preferred units and the assumption of approximately \$0.4 million of other working capital liabilities.

In addition, in February 2019, NSA entered into definitive agreements to add Moove In Self Storage of York, Pennsylvania as NSA's tenth PRO. Moove In currently owns 19 self storage properties and operates a total of 23 self storage properties under the Moove In Self Storage brand in Pennsylvania, Maryland, New Jersey, and New York. Upon closing, Moove In intends to contribute six self storage properties to NSA as part of the initial contribution transaction, and Moove In's remaining properties will be added to NSA's captive pipeline. The Company expects the initial contribution transaction and related closing documentation, including the entry into a facilities portfolio management agreement, to close during the first quarter of 2019, subject to customary closing conditions.

Balance Sheet

NSA entered into an agreement with a lender for a new \$75 million term loan during the fourth quarter of 2018. The term loan matures in ten years and has an effective interest rate

of 4.62%. NSA used the proceeds from the term loan to repay outstanding amounts under its revolving line of credit.

Common Share Dividends

On February 21, 2019, NSA's Board of Trustees declared a quarterly cash dividend of \$0.30 per common share, which will be paid on March 29, 2019 to shareholders of record as of March 15, 2019.

2019 Guidance

Tamara Fischer, President and Chief Financial Officer, commented, "Our same store pool in 2019 will increase by 63 stores for a total of 439 stores. These newly added stores are geographically diversified across 19 states and we anticipate these stores to have a relatively neutral impact on our projected 2019 same store revenue growth. In addition, we've already acquired or have under contract to acquire an additional 30 wholly-owned self storage properties for approximately \$190 million during the first quarter of 2019, reflecting our continued commitment to our growth initiatives as we begin 2019."

The following table outlines NSA's FFO guidance estimates and related assumptions for the year ended December 31, 2019:

	Ranges for Full Year 2019	
	Low	High
Core FFO per share ⁽¹⁾	\$1.48	\$1.52
Same store operations (439 stores)		
Total revenue growth	2.5%	3.5%
Property operating expenses growth	2.5%	3.5%
NOI growth	2.5%	3.5%
General and administrative expenses (as a percent of revenue)	11.0%	12.0%
General and administrative expenses (excluding equity-based compensation)	10.0%	10.5%
Equity-based compensation	1.0%	1.5%
Management fees and other revenue, in millions	\$20.0	\$21.0
Core FFO from unconsolidated real estate venture, in millions	\$15.0	\$16.0
Subordinated performance unit distributions, in millions	\$32.0	\$34.0
Wholly-owned acquisitions, in millions	\$300.0	\$500.0
Joint venture acquisitions, in millions	\$20.0	\$100.0

(1) The following table provides a reconciliation of the range of estimated earnings (loss) per share - diluted to estimated Core FFO per share and unit:

	Ranges for Full Year 2019	
	Low	High
Earnings (loss) per share - diluted	\$ 0.10	\$ 0.20
Impact of the difference in weighted average number of shares and GAAP accounting for noncontrolling interests, two-class method and treasury stock method	0.44	0.36
Add real estate depreciation and amortization, including NSA's share of unconsolidated venture real estate depreciation and amortization	1.29	1.33
FFO attributable to subordinated unitholders	(0.36)	(0.38)
Add acquisition costs and NSA's share of unconsolidated real estate venture acquisition costs	0.01	0.01
Core FFO per share and unit	\$ 1.48	\$ 1.52

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 February 25, 2019.

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 Monday, February 25, 2019 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: Monday, February 25, 2019, 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: 13686870

A replay of the call will be available for one week through Monday, March 4, 2019. 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 2019 Wells Fargo Real Estate Forum on February 27, 2019 in New York, New York and in Citi's 2019 Global Property CEO Conference on March 4 – 6, 2019 in Hollywood, Florida.

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 698 self storage properties located in 34 states and Puerto Rico with approximately 44.3 million rentable square feet. NSA is one of the largest owners and operators 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; the acquisition of properties, including those under contract, our ability to execute on our acquisition pipeline; the timing of acquisitions under contract; and the Company's guidance estimates for the year ended December 31, 2019. 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		Year Ended	
	Ended December 31,		December 31,	
	2018	2017	2018	2017
REVENUE				
Rental revenue	\$ 81,826	\$ 69,101	\$308,403	\$251,814
Other property-related revenue	2,626	2,184	10,183	8,255
Management fees and other revenue	4,846	2,083	12,310	8,061
Total revenue	<u>89,298</u>	<u>73,368</u>	<u>330,896</u>	<u>268,130</u>
OPERATING EXPENSES				
Property operating expenses	26,913	23,285	103,875	84,455
General and administrative expenses	10,606	7,994	36,220	30,060
Depreciation and amortization	22,921	20,169	89,147	75,115
Total operating expenses	<u>60,440</u>	<u>51,448</u>	<u>229,242</u>	<u>189,630</u>
Income from operations	28,858	21,920	101,654	78,500
OTHER (EXPENSE) INCOME				
Interest expense	(11,961)	(9,280)	(42,724)	(34,068)
Equity in losses of unconsolidated real estate ventures	(1,713)	(79)	(1,423)	(2,339)
Acquisition costs	(192)	(143)	(663)	(593)
Non-operating (expense) income	(160)	17	(91)	(58)
(Loss) gain on sale of self storage properties	—	(28)	391	5,715
Other expense	<u>(14,026)</u>	<u>(9,513)</u>	<u>(44,510)</u>	<u>(31,343)</u>
Income before income taxes	14,832	12,407	57,144	47,157
Income tax expense	<u>(349)</u>	<u>(392)</u>	<u>(818)</u>	<u>(1,159)</u>

Net income	14,483	12,015	56,326	45,998
Net income attributable to noncontrolling interests	<u>(21,119)</u>	<u>(13,247)</u>	<u>(42,217)</u>	<u>(43,037)</u>
Net (loss) income attributable to National Storage Affiliates Trust	(6,636)	(1,232)	14,109	2,961
Distributions to preferred shareholders	<u>(2,587)</u>	<u>(2,300)</u>	<u>(10,350)</u>	<u>(2,300)</u>
Net (loss) income attributable to common shareholders	<u>\$ (9,223)</u>	<u>\$ (3,532)</u>	<u>\$ 3,759</u>	<u>\$ 661</u>
Earnings (loss) per share - basic and diluted	<u>\$ (0.16)</u>	<u>\$ (0.08)</u>	<u>\$ 0.07</u>	<u>\$ 0.01</u>
Weighted average shares outstanding - basic and diluted	<u>56,571</u>	<u>45,775</u>	<u>53,293</u>	<u>44,423</u>

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

	December 31,	
	2018	2017
ASSETS		
Real estate		
Self storage properties	\$2,637,723	\$2,275,233
Less accumulated depreciation	<u>(246,261)</u>	<u>(170,358)</u>
Self storage properties, net	2,391,462	2,104,875
Cash and cash equivalents	13,181	13,366
Restricted cash	3,182	3,041
Debt issuance costs, net	1,260	2,185
Investment in unconsolidated real estate ventures	245,125	89,093
Other assets, net	75,053	52,615
Assets held for sale	—	1,555
Total assets	<u>\$2,729,263</u>	<u>\$2,266,730</u>
LIABILITIES AND EQUITY		
Liabilities		
Debt financing	\$1,278,102	\$ 958,097
Accounts payable and accrued liabilities	33,130	24,459
Deferred revenue	<u>15,732</u>	<u>12,687</u>
Total liabilities	1,326,964	995,243
Equity		

Preferred shares of beneficial interest, par value \$0.01 per share. 50,000,000 authorized, 6,900,000 issued and outstanding at December 31, 2018 and 2017, at liquidation preference	172,500	172,500
Common shares of beneficial interest, par value \$0.01 per share. 250,000,000 shares authorized, 56,654,009 and 50,284,934 shares issued and outstanding at December 31, 2018 and 2017, respectively	567	503
Additional paid-in capital	844,276	711,467
Distributions in excess of earnings	(114,122)	(55,729)
Accumulated other comprehensive income	13,618	12,282
Total shareholders' equity	916,839	841,023
Noncontrolling interests	485,460	430,464
Total equity	1,402,299	1,271,487
Total liabilities and equity	<u>\$2,729,263</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 December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Net income	\$ 14,483	\$ 12,015	\$ 56,326	\$45,998
Add (subtract):				
Real estate depreciation and amortization	22,606	19,896	87,938	73,669
Company's share of unconsolidated real estate venture real estate depreciation and amortization	5,524	1,464	10,233	7,296
Loss (gain) on sale of self storage properties	—	28	(391)	(5,715)
Company's share of unconsolidated real estate venture loss on sale of properties	—	—	205	—
Distributions to preferred shareholders and unitholders	(2,716)	(2,300)	(10,822)	(2,300)
FFO attributable to subordinated performance unitholders ⁽¹⁾	(7,696)	(7,621)	(27,111)	(28,364)
FFO attributable to common shareholders, OP unitholders, and LTIP unitholders	32,201	23,482	116,378	90,584
Add:				
Acquisition costs	192	143	663	593
Company's share of unconsolidated real estate venture acquisition costs	—	—	—	22

Core FFO attributable to common shareholders, OP unitholders, and LTIP unitholders

\$ 32,393 \$ 23,625 \$117,041 \$91,199

Weighted average shares and units outstanding - FFO and Core FFO:⁽²⁾

Weighted average shares outstanding - basic	56,571	45,775	53,293	44,423
Weighted average restricted common shares outstanding	28	27	29	25
Weighted average OP units outstanding	28,881	26,549	28,977	26,126
Weighted average DownREIT OP unit equivalents outstanding	1,835	1,835	1,835	1,835
Weighted average LTIP units outstanding	708	547	694	957
Total weighted average shares and units outstanding - FFO and Core FFO	<u>88,023</u>	<u>74,733</u>	<u>84,828</u>	<u>73,366</u>

FFO per share and unit	\$ 0.37	\$ 0.31	\$ 1.37	\$ 1.23
Core FFO per share and unit	\$ 0.37	\$ 0.32	\$ 1.38	\$ 1.24

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

	Three Months Ended December 31,		Year Ended December 31,
	2018	2017	2018
Earnings (loss) per share - diluted	\$ (0.16)	\$ (0.08)	\$0.07
Impact of the difference in weighted average number of shares ⁽³⁾	0.06	0.02	(0.03)

Impact of GAAP accounting for noncontrolling interests, two-class method and treasury stock method ⁽⁴⁾	0.24	0.18	0.49
Add real estate depreciation and amortization	0.26	0.27	1.04
Add Company's share of unconsolidated real estate venture real estate depreciation and amortization	0.06	0.02	0.12
Subtract gain on sale of self storage properties	—	—	—
FFO attributable to subordinated performance unitholders	(0.09)	(0.10)	(0.32)
FFO per share and unit	0.37	0.31	1.37
Add acquisition costs and Company's share of unconsolidated real estate venture acquisition costs	—	0.01	0.01
Core FFO per share and unit	\$ 0.37	\$ 0.32	\$1.38

- (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 December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Net income	\$ 14,483	\$ 12,015	\$ 56,326	\$ 45,998
(Subtract) add:				
Management fees and other revenue	(4,846)	(2,083)	(12,310)	(8,061)

General and administrative expenses	10,606	7,994	36,220	30,060
Depreciation and amortization	22,921	20,169	89,147	75,115
Interest expense	11,961	9,280	42,724	34,068
Equity in losses of unconsolidated real estate ventures	1,713	79	1,423	2,339
Acquisition costs	192	143	663	593
Income tax expense	349	392	818	1,159
Loss (gain) on sale of self storage properties	—	28	(391)	(5,715)
Non-operating expense (income)	160	(17)	91	58
Net Operating Income	\$ 57,539	\$ 48,000	\$214,711	\$175,614

EBITDA and Adjusted EBITDA
(dollars in thousands) (unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Net income	\$14,483	\$12,015	\$ 56,326	\$ 45,998
Add:				
Depreciation and amortization	22,921	20,169	89,147	75,115
Company's share of unconsolidated real estate venture depreciation and amortization	5,524	1,464	10,233	7,296
Interest expense	11,961	9,280	42,724	34,068
Income tax expense	349	392	818	1,159
EBITDA	55,238	43,320	199,248	163,636
Add (subtract):				
Acquisition costs	192	143	663	593
Company's share of unconsolidated real estate venture acquisition costs	—	—	—	22
Loss (gain) on sale of self storage properties	—	28	(391)	(5,715)
Company's share of unconsolidated real estate venture loss on sale of properties	—	—	205	—
Equity-based compensation expense	1,029	920	3,837	3,764
Adjusted EBITDA	\$56,459	\$44,411	\$203,562	\$162,300

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