

August 1, 2019



National Storage Affiliates Trust Reports Second Quarter 2019 Results

GREENWOOD VILLAGE, Colo.--(BUSINESS WIRE)-- National Storage Affiliates Trust ("NSA" or the "Company") (NYSE: NSA) today reported the Company's second quarter 2019 results.

Second Quarter 2019 Highlights

- Reported net income of \$17.7 million for the second quarter of 2019, an increase of 36.0% compared to the second quarter of 2018. Reported loss per share of \$0.19 for the second quarter of 2019, primarily relating to the HLBV method for allocating net income among the various classes of equity.
- Reported core funds from operations ("Core FFO") of \$34.3 million, or \$0.38 per share for the second quarter of 2019, an increase of 11.8% per share compared to the second quarter of 2018.
- Achieved same store net operating income ("NOI") growth of 5.5% for the second quarter of 2019 compared to the same period in 2018, driven by a 4.7% increase in same store total revenues and a 2.8% increase in same store property operating expenses.
- Acquired 24 wholly-owned self storage properties for \$185.3 million during the second quarter of 2019. Consideration for these acquisitions included the issuance of approximately \$15.5 million of OP equity.
- Received approximately \$116 million of gross proceeds from the sale of 2.4 million Common Shares of Beneficial Interest ("common shares") and 1.8 million 6.000% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest ("Series A preferred shares") under the Company's at the market ("ATM") program during the second quarter of 2019.
- Entered into an agreement with a lender for a \$100 million term loan which matures in ten years and has an effective interest rate of 4.27%, after taking into account the effect of interest rate swaps for the term of the loan.
- Increased the second quarter 2019 dividend to \$0.32 per common share, which is the eighth common share dividend increase since the Company's IPO in the second quarter of 2015.
- Announced an executive management transition whereby the Company's Board of Trustees has elevated Arlen Nordhagen, Chairman, Chief Executive Officer and

founder, to Executive Chairman and Tamara Fischer will be appointed Chief Executive Officer, in addition to her current role as President, effective January 1, 2020. It is expected that she will join the Board of Trustees on the same date. The Board further announced the appointment of Brandon Togashi to Executive Vice President and Chief Financial Officer effective January 1, 2020.

Highlights Subsequent to the End of the Second Quarter

- Entered into an agreement to issue \$100.0 million of 3.98% senior unsecured notes due August 30, 2029 and \$50.0 million of 4.08% senior unsecured notes due August 30, 2031 in a private placement.
- Entered into an agreement with lenders to extend maturities and increase the total borrowing capacity under the Company's credit facility by \$255.0 million for a total credit facility of \$1.275 billion.

Arlen Nordhagen, Chairman and Chief Executive Officer, commented, "We are very pleased with our 2019 results to-date, which demonstrate the benefits of our PRO platform and distinguish NSA from our peers. The robust 5.5% same store NOI growth in the second quarter combined with the healthy acquisition volume of approximately \$185 million drove another double digit quarterly increase in Core FFO per share."

Tamara Fischer, President and Chief Financial Officer, added, "We've taken a number of steps recently to further strengthen our balance sheet, which position us well for future acquisition opportunities. Specifically, since quarter-end, we amended our credit facility, increasing our borrowing capacity, extending the maturities, and enhancing the terms in line with the current market. We also priced our inaugural private placement in the debt capital markets, a \$150 million transaction that will close in the third quarter and further extend our average debt maturity. After giving effect to these transactions, our \$500 million line of credit will be undrawn and available to fund our external growth strategy."

Ms. Fischer continued, "We're especially encouraged by our results during the first half of 2019. Accordingly, we've increased our full-year 2019 guidance for Core FFO per share and same store growth assumptions."

Financial Results

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Growth	2019	2018	Growth
Net income	\$ 17,733	\$ 13,041	36.0%	\$ 30,673	\$ 25,014	22.6%
Funds From Operations ("FFO")⁽¹⁾	\$ 33,978	\$ 27,416	23.9%	\$ 66,558	\$ 53,094	25.4%
Add back acquisition costs	305	150	103.3%	462	330	40.0%
Core FFO⁽¹⁾	\$ 34,283	\$ 27,566	24.4%	\$ 67,020	\$ 53,424	25.4%
Earnings (loss) per share - basic	\$ (0.19)	\$ 0.07	(371.4)%	\$ (0.11)	\$ 0.22	(150.0)%

Earnings (loss) per share - diluted	\$ (0.19)	\$ 0.07	(371.4)%	\$ (0.11)	\$ 0.19	(157.9)%
FFO per share and unit⁽¹⁾	\$ 0.38	\$ 0.33	15.2%	\$ 0.74	\$ 0.65	13.8%
Core FFO per share and unit⁽¹⁾	\$ 0.38	\$ 0.34	11.8%	\$ 0.75	\$ 0.65	15.4%

(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 \$4.7 million for the second quarter of 2019 and increased \$5.7 million for the six months ended June 30, 2019 ("year-to-date") as compared to the same periods in 2018. These increases were the result of additional NOI generated primarily from 76 wholly-owned self storage properties acquired between July 1, 2018 and June 30, 2019, same store NOI growth and gain on sale of self storage properties, partially offset by increases in interest expense, depreciation and amortization, general and administrative expenses and GAAP losses from the Company's unconsolidated real estate ventures.

The increases in FFO and Core FFO for the second quarter of 2019 and year-to-date were primarily the result of incremental NOI from properties acquired between July 1, 2018 and June 30, 2019, same store NOI growth, and incremental FFO from the Company's unconsolidated real estate ventures, partially offset by higher interest expense, general and administrative expenses and increases in distributions to subordinated performance unitholders.

Same Store Operating Results (439 Stores)

(\$ in thousands, except per square foot data)	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Growth	2019	2018	Growth
Total revenues	\$74,061	\$70,770	4.7%	\$146,370	\$139,745	4.7%
Property operating expenses	22,053	21,462	2.8%	44,336	43,547	1.8%
Net Operating Income (NOI)	\$52,008	\$49,308	5.5%	\$102,034	\$ 96,198	6.1%
NOI Margin	70.2%	69.7%	0.5%	69.7%	68.8%	0.9%
Average Occupancy	89.6%	89.2%	0.4%	88.7%	88.3%	0.4%
Average Annualized Rental Revenue Per Occupied Square Foot	\$ 11.81	\$ 11.38	3.8%	\$ 11.82	\$ 11.36	4.0%

Year-over-year same store total revenues increased 4.7% for the second quarter of 2019 and year-to-date as compared to the same periods in 2018. The increases were driven primarily by a 3.8% increase in average annualized rental revenue per occupied square foot for the second quarter of 2019 and a 4.0% increase in average annualized rental revenue per occupied square foot year-to-date combined with a 40 basis point increase in average occupancy in both periods. Markets that generated above portfolio average same store total revenue growth include: Atlanta, Indianapolis, and Las Vegas. Markets that generated below portfolio average same store total revenue growth include: Portland, Dallas and Phoenix.

Year-over-year same store property operating expenses increased 2.8% for the second quarter of 2019 and 1.8% year-to-date as compared to the same periods in 2018. These increases primarily resulted from increases in property taxes and repairs and maintenance expenses partially offset by decreases in insurance costs.

Investment Activity

NSA acquired 24 wholly-owned self storage properties located across eight states consisting of approximately 1.8 million rentable square feet configured in approximately 12,300 storage units during the second quarter of 2019. Total consideration for these acquisitions of \$185.3 million included approximately \$168.4 million of net cash, the issuance of approximately \$4.7 million of OP units, \$6.2 million of subordinated performance units, \$4.6 million of Series A-1 preferred units and the assumption of approximately \$1.4 million of other working capital liabilities.

Balance Sheet

During the second quarter of 2019, NSA entered into an agreement with a lender for a \$100 million unsecured term loan. The term loan matures in ten years and has an effective interest rate of 4.27%, after taking into account the effect of interest rate swaps for the term of the loan. NSA used the proceeds from the term loan to repay outstanding amounts under its revolving line of credit.

During the second quarter of 2019, NSA issued 2,375,000 common shares at an average offering price of \$30.06 per share and 1,785,680 Series A preferred shares at an average offering price of \$24.84 per share under the Company's ATM program for gross proceeds of approximately \$116 million. NSA used the proceeds from the issuances to repay outstanding amounts under its revolving line of credit.

On July 29, 2019, NSA entered into agreements with a syndicated group of lenders to amend its credit facility, increasing the total capacity by \$255.0 million for a total credit facility of \$1.275 billion (the "amended credit facility"), which included an additional \$100 million of revolving line of credit capacity and \$155.0 million of additional term loan borrowings. The agreement also reduced the spread for the revolving line of credit by 10 basis points and the weighted average interest rate of the credit facility's term loan borrowings by 7 basis points, after taking into account the effect of interest rate swaps.

The Company's amended credit facility consists of the following components: (i) a revolving line of credit that matures in January 2024 that provides for a total borrowing commitment up to \$500.0 million, (ii) a \$125.0 million Term Loan A that matures in January 2023, (iii) a \$250.0 million Term Loan B that matures in July 2024, (iv) a \$225.0 million Term Loan C that

matures in January 2025, and (v) a \$175.0 million Term Loan D that matures in July 2026. The Company has an expansion option under the credit facility, which if exercised in full, would provide for a total borrowing capacity under the credit facility of \$1.750 billion. Additional details of the amended credit facility will be provided in the Company's second quarter Form 10-Q.

On July 30, 2019, the Company's operating partnership entered into an agreement to issue \$100.0 million of 3.98% senior unsecured notes due August 30, 2029 and \$50.0 million of 4.08% senior unsecured notes due August 30, 2031 (the "Senior Unsecured Notes") in a private placement to certain institutional accredited investors. The funding of the Senior Unsecured Notes is expected to occur on August 30, 2019, subject to customary closing conditions.

Investment Grade Rating

During the second quarter of 2019, Kroll Bond Rating Agency ("KBRA") assigned an issuer rating of BBB with Stable Outlook to NSA OP, LP, NSA's operating partnership. KBRA has also assigned a BBB- rating to the Company's outstanding Series A preferred shares. Subsequent to the end of the second quarter, KBRA assigned a rating of BBB with Stable Outlook to NSA's Senior Unsecured Notes.

Common Share Dividends

On May 22, 2019, NSA's Board of Trustees declared a quarterly cash dividend of \$0.32 per common share, which was paid on June 28, 2019 to shareholders of record as of June 14, 2019. The second quarter 2019 dividend represents an annualized dividend rate of \$1.28, a 10.3% increase from the second quarter 2018 dividend rate and a 6.7% increase from the first quarter 2019 dividend rate.

2019 Guidance

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

	Current Ranges for Full Year 2019		Prior Ranges for Full Year 2019	
	Low	High	Low	High
Core FFO per share ⁽¹⁾	\$1.51	\$1.54	\$1.48	\$1.52
Same store operations (439 stores)				
Total revenue growth	3.5%	4.0%	2.5%	3.5%
Property operating expenses growth	2.75%	3.25%	2.5%	3.5%
NOI growth	3.5%	4.5%	2.5%	3.5%
General and administrative expenses (as a percent of revenue)	11.0%	12.0%	11.0%	12.0%
General and administrative expenses (excluding equity-based compensation)	10.0%	10.5%	10.0%	10.5%

Equity-based compensation	1.0%	1.5%	1.0%	1.5%
Management fees and other revenue, in millions	\$20.0	\$21.0	\$20.0	\$21.0
Core FFO from unconsolidated real estate ventures, in millions	\$15.0	\$16.0	\$15.0	\$16.0
Subordinated performance unit distributions, in millions	\$33.0	\$35.0	\$32.0	\$34.0
Wholly-owned acquisitions, in millions	\$400.0	\$500.0	\$300.0	\$500.0
Joint venture acquisitions, in millions	\$20.0	\$100.0	\$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:

	Current Ranges for Full Year 2019		Prior Ranges for Full Year 2019	
	Low	High	Low	High
Earnings (loss) per share - diluted	\$(0.20)	\$(0.10)	\$ 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	0.79	0.70	0.44	0.36
Add real estate depreciation and amortization, including NSA's share of unconsolidated venture real estate depreciation and amortization	1.30	1.34	1.29	1.33
Subtract gain on sale of self storage properties	(0.03)	(0.03)	—	—
FFO attributable to subordinated unitholders	(0.36)	(0.38)	(0.36)	(0.38)
Add acquisition costs and NSA's share of unconsolidated real estate venture acquisition costs	0.01	0.01	0.01	0.01
Core FFO per share and unit	\$ 1.51	\$ 1.54	\$ 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 August 1, 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 presentations 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 Friday, August 2, 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: Friday, August 2, 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: 13692161

A replay of the call will be available for one week through Friday, August 9, 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 Bank of America Merrill Lynch Global Real Estate Conference 2019 on September 10 – 11, 2019 in New York, New York, the BMO 14th Annual Real Estate Conference on September 17 – 18, 2019 in Chicago, Illinois and the Evercore 5th Annual Storage Symposium on September 25, 2019 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. As of June 30, 2019, the Company held ownership interests in and operated 729 self storage properties located in 35 states and Puerto Rico with approximately 46.5 million rentable square feet. NSA is one of the largest owners and operators of self storage properties among public and private companies in the United States. 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 Ended June 30, 2019		Six Months Ended June 30, 2019	
	2019	2018	2019	2018
REVENUE				
Rental revenue	\$ 87,175	\$ 75,019	\$ 170,030	\$ 147,030
Other property-related revenue	3,128	2,549	5,952	4,870
Management fees and other revenue	5,116	2,155	10,009	4,316
Total revenue	95,419	79,723	185,991	156,216

OPERATING EXPENSES

Property operating expenses	27,190	25,184	53,647	50,410
General and administrative expenses	11,170	8,460	21,936	16,766
Depreciation and amortization	25,829	22,389	50,178	43,757
Total operating expenses	64,189	56,033	125,761	110,933

OTHER (EXPENSE) INCOME

Interest expense	(13,947)	(10,472)	(27,158)	(20,107)
Equity in (losses) earnings of unconsolidated real estate ventures	(1,646)	100	(3,748)	48
Acquisition costs	(305)	(150)	(462)	(330)
Non-operating expense	(169)	—	(267)	(84)
Gain (loss) on sale of self storage properties	2,814	(83)	2,814	391
Other expense	(13,253)	(10,605)	(28,821)	(20,082)
Income before income taxes	17,977	13,085	31,409	25,201
Income tax expense	(244)	(44)	(736)	(187)
Net income	17,733	13,041	30,673	25,014
Net income attributable to noncontrolling interests	(25,389)	(7,150)	(30,918)	(8,663)
Net (loss) income attributable to National Storage Affiliates Trust	(7,656)	5,891	(245)	16,351
Distributions to preferred shareholders	(3,257)	(2,587)	(5,845)	(5,175)
Net (loss) income attributable to common shareholders	\$ (10,913)	\$ 3,304	\$ (6,090)	\$ 11,176

Earnings (loss) per share - basic	<u>\$ (0.19)</u>	<u>\$ 0.07</u>	<u>\$ (0.11)</u>	<u>\$ 0.22</u>
Earnings (loss) per share - diluted	<u>\$ (0.19)</u>	<u>\$ 0.07</u>	<u>\$ (0.11)</u>	<u>\$ 0.19</u>
Weighted average shares outstanding - basic	<u>57,543</u>	<u>50,486</u>	<u>57,101</u>	<u>50,393</u>
Weighted average shares outstanding - diluted	<u>57,543</u>	<u>50,486</u>	<u>57,101</u>	<u>100,492</u>

National Storage Affiliates Trust
Consolidated Balance Sheets

(dollars in thousands, except per share amounts)
(unaudited)

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
ASSETS		
Real estate		
Self storage properties	\$3,015,549	\$ 2,637,723
Less accumulated depreciation	<u>(289,886)</u>	<u>(246,261)</u>
Self storage properties, net	2,725,663	2,391,462
Cash and cash equivalents	15,255	13,181
Restricted cash	4,498	3,182
Debt issuance costs, net	810	1,260
Investment in unconsolidated real estate ventures	233,295	245,125
Other assets, net	59,363	75,053
Operating lease right-of-use assets	22,971	—
Total assets	<u>\$3,061,855</u>	<u>\$ 2,729,263</u>
LIABILITIES AND EQUITY		
Liabilities		
Debt financing	\$1,469,647	\$ 1,278,102
Accounts payable and accrued liabilities	53,054	33,130
Operating lease liabilities	24,152	—
Deferred revenue	16,218	15,732
Total liabilities	<u>1,563,071</u>	<u>1,326,964</u>
Equity		

Preferred shares of beneficial interest, par value \$0.01 per share. 50,000,000 authorized, 8,685,680 and 6,900,000 issued and outstanding at June 30, 2019 and December 31, 2018, respectively, at liquidation preference	217,142	172,500
Common shares of beneficial interest, par value \$0.01 per share. 250,000,000 shares authorized, 59,296,969 and 56,654,009 shares issued and outstanding at June 30, 2019 and December 31, 2018, respectively	593	567
Additional paid-in capital	901,499	844,276
Distributions in excess of earnings	(156,192)	(114,122)
Accumulated other comprehensive (loss) income	(5,466)	13,618
Total shareholders' equity	957,576	916,839
Noncontrolling interests	541,208	485,460
Total equity	1,498,784	1,402,299
Total liabilities and equity	<u>\$3,061,855</u>	<u>\$ 2,729,263</u>

Reconciliation of Net Income to FFO and Core FFO

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

	Three Months Ended June 30,		Six Months Ended June 30, 2019	
	2019	2018	2019	2018
Net income	\$ 17,733	\$ 13,041	\$ 30,673	\$ 25,014
Add (subtract):				
Real estate depreciation and amortization	25,510	22,093	49,537	43,168
Company's share of unconsolidated real estate venture real estate depreciation and amortization	5,472	1,378	10,929	2,755
(Gain) loss on sale of self storage properties	(2,814)	83	(2,814)	(391)

Company's share of unconsolidated real estate venture loss on sale of properties	—	—	202	—
Distributions to preferred shareholders and unitholders	(3,461)	(2,706)	(6,214)	(5,395)
FFO attributable to subordinated performance unitholders ⁽¹⁾	(8,462)	(6,473)	(15,755)	(12,057)
FFO attributable to common shareholders, OP unitholders, and LTIP unitholders	33,978	27,416	66,558	53,094
Add:				
Acquisition costs	305	150	462	330
Core FFO attributable to common shareholders, OP unitholders, and LTIP unitholders	\$ 34,283	\$ 27,566	\$ 67,020	\$ 53,424
Weighted average shares and units outstanding - FFO and Core FFO:⁽²⁾				
Weighted average shares outstanding - basic	57,543	50,486	57,101	50,393
Weighted average restricted common shares outstanding	29	30	29	30
Weighted average OP units outstanding	30,213	28,985	30,081	29,059
Weighted average DownREIT OP unit equivalents outstanding	1,848	1,835	1,848	1,835
Weighted average LTIP units outstanding	537	687	641	676

**Total weighted
average shares
and units
outstanding - FFO
and Core FFO**

90,170

82,023

89,700

81,993

**FFO per share and
unit**

\$ 0.38 \$ 0.33 \$ 0.74 \$ 0.65

**Core FFO per share
and unit**

\$ 0.38 \$ 0.34 \$ 0.75 \$ 0.65

(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 June 30,		Six Months Ended June 30, 2019	
	2019	2018	2019	2018
Earnings (loss) per share - diluted	\$ (0.19)	\$ 0.07	\$ (0.11)	\$ 0.19
Impact of the difference in weighted average number of shares ⁽³⁾	0.07	(0.03)	0.04	0.05

Impact of GAAP accounting for noncontrolling interests, two-class method and treasury stock method ⁽⁴⁾	0.28	0.08	0.35	—
Add real estate depreciation and amortization	0.28	0.27	0.55	0.53
Add Company's share of unconsolidated real estate venture real estate depreciation and amortization	0.06	0.02	0.12	0.03
Subtract gain on sale of self storage properties	(0.03)	—	(0.03)	—
FFO attributable to subordinated performance unitholders	(0.09)	(0.08)	(0.18)	(0.15)
FFO per share and unit	0.38	0.33	0.74	0.65
Add acquisition costs	—	0.01	0.01	—
Core FFO per share and unit	\$ 0.38	\$ 0.34	\$ 0.75	\$ 0.65

- (1) 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.
- (2) 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 June 30,		Six Months Ended June 30, 2019	
	2019	2018	2019	2018
Net income	\$ 17,733	\$ 13,041	\$ 30,673	\$ 25,014
(Subtract) add:				
Management fees and other revenue	(5,116)	(2,155)	(10,009)	(4,316)
General and administrative expenses	11,170	8,460	21,936	16,766
Depreciation and amortization	25,829	22,389	50,178	43,757
Interest expense	13,947	10,472	27,158	20,107
Equity in losses (earnings) of unconsolidated real estate ventures	1,646	(100)	3,748	(48)
Acquisition costs	305	150	462	330
Income tax expense	244	44	736	187

(Gain) loss on sale of self storage properties	(2,814)	83	(2,814)	(391)
Non-operating expense	169	—	267	84
Net Operating Income	\$ 63,113	\$ 52,384	\$ 122,335	\$ 101,490

EBITDA and Adjusted EBITDA

(dollars in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30, 2019	
	2019	2018	2019	2018
Net income	\$ 17,733	\$ 13,041	\$ 30,673	\$ 25,014
Add:				
Depreciation and amortization	25,829	22,389	50,178	43,757
Company's share of unconsolidated real estate venture depreciation and amortization	5,472	1,378	10,929	2,755
Interest expense	13,947	10,472	27,158	20,107
Income tax expense	244	44	736	187
EBITDA	63,225	47,324	119,674	91,820
Add (subtract):				
Acquisition costs	305	150	462	330
(Gain) loss on sale of self storage properties	(2,814)	83	(2,814)	(391)
Company's share of unconsolidated real estate venture loss on sale of properties	—	—	202	—
Equity-based compensation expense	1,108	919	2,220	1,786
Adjusted EBITDA	\$ 61,824	\$ 48,476	\$ 119,744	\$ 93,545

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