

May 2, 2019



National Storage Affiliates Trust Reports First Quarter 2019 Results

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

First Quarter 2019 Highlights

- Reported earnings per share of \$0.08 for the first quarter of 2019.
- Reported core funds from operations ("Core FFO") of \$0.37 per share for the first quarter of 2019, an increase of 15.6% compared to the first quarter of 2018.
- Achieved same store net operating income ("NOI") growth of 6.7% for the first quarter of 2019 compared to the same period in 2018, driven by a 4.8% increase in same store total revenues and a 0.9% increase in same store property operating expenses.
- Acquired 32 wholly-owned self storage properties for \$194.6 million during the first quarter of 2019. Consideration for these acquisitions included the issuance of approximately \$33.4 million of OP equity.
- Added Southern Self Storage of Palm Beach Gardens, Florida as NSA's ninth Participating Regional Operator ("PRO") and Moove In Self Storage of York, Pennsylvania as NSA's tenth PRO.

Highlights Subsequent to Quarter-End

- NSA's operating partnership was assigned an investment grade issuer rating of BBB with Stable Outlook by Kroll Bond Rating Agency ("KBRA").
- Entered into an agreement with a lender for a new \$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.

Arlen Nordhagen, Chairman and Chief Executive Officer, commented, "We are very proud of our solid operating performance during the first quarter, which along with the acquisition of nearly \$200 million of wholly-owned self storage properties, highlights the unique benefits of our PRO platform. This robust growth benefited from the previously announced addition of our two new PROs, Southern and Moove In, as we continue to broaden our geographic footprint and leverage the local expertise of our PROs across the U.S."

Tamara Fischer, President and Chief Financial Officer, commented, "Our first quarter results were excellent on both the revenue and expense front. The 63 stores added to the same store pool at the beginning of this year had a positive impact on both our same store

revenues and NOI for the quarter, while our continued focus on sharpening our operating efficiencies and commitment to controlling operating expenses helped to maximize same store NOI growth. We are encouraged by our first quarter results and trends subsequent to quarter-end, especially in light of increasing supply pressure. At present, however, we are maintaining our full-year same store NOI growth and Core FFO per share guidance for 2019 until after we get further along in the peak spring and summer leasing season."

Ms. Fischer further commented, "We're pleased to present an enhanced supplemental financial reporting package which includes, among other things, additional detail related to our same store portfolio by metropolitan statistical area ("MSA") and summarized same store operating data for the trailing five quarters."

Financial Results

(\$ in thousands, except per share and unit data)	Three Months Ended March 31,		
	2019	2018	Growth
Net income	\$ 12,940	\$ 11,973	8.1%
Funds From Operations ("FFO")⁽¹⁾	\$ 32,580	\$ 25,678	26.9%
Add back acquisition costs	157	180	(12.8)%
Core FFO⁽¹⁾	\$ 32,737	\$ 25,858	26.6%
Earnings (loss) per share - basic	\$ 0.08	\$ 0.16	(50.0)%
Earnings (loss) per share - diluted	\$ 0.08	\$ 0.09	(11.1)%
FFO per share and unit⁽¹⁾	\$ 0.37	\$ 0.31	19.4%
Core FFO per share and unit⁽¹⁾	\$ 0.37	\$ 0.32	15.6%

(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 \$1.0 million for the first quarter of 2019 as compared to the same period in 2018. The increase was the result of \$10.1 million of additional NOI generated primarily from both 64 wholly-owned self storage properties acquired between April 1, 2018 and March 31, 2019 and same store NOI growth, 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 first quarter of 2019 were primarily the result of incremental NOI from properties acquired between April 1, 2018 and March 31, 2019, same store NOI growth, and incremental FFO from the Company's unconsolidated real estate ventures, partially offset by higher interest expense and increases in distributions to subordinated performance unitholders.

Same Store Operating Results (439 Stores)

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

	Three Months Ended March 31,		
	2019	2018	Growth
Total revenues	\$ 72,309	\$ 68,975	4.8%
Property operating expenses	22,283	22,085	0.9%
Net Operating Income (NOI)	\$ 50,026	\$ 46,890	6.7%
NOI Margin	69.2%	68.0%	1.2%
Average Occupancy	87.7%	87.3%	0.4%
Average Annualized Rental Revenue Per Occupied Square Foot	\$ 11.82	\$ 11.36	4.0%

Year-over-year same store total revenues increased 4.8% for the first quarter of 2019 as compared to the same period in 2018. The increase was driven by a 4.0% increase in average annualized rental revenue per occupied square foot and a 40 basis point increase in average occupancy.

Year-over-year same store property operating expenses increased 0.9% for the first quarter of 2019 as compared to the same period in 2018. These increases primarily resulted from increases in property taxes and repairs and maintenance expenses partially offset by decreases in insurance costs.

Year-over-year same store property NOI increased 6.7% for the first quarter of 2019 as compared to the same period in 2018. Markets that generated above portfolio average same store NOI growth include: Riverside, Atlanta, Indianapolis and Las Vegas. Markets that generated below portfolio average same store NOI growth include: Portland, Dallas, Oklahoma City and Phoenix.

Investment Activity

NSA acquired 32 wholly-owned self storage properties located across 10 states consisting of approximately 1.7 million rentable square feet configured in approximately 15,000 storage units during the first quarter of 2019. Consideration for these acquisitions included approximately \$160.5 million of net cash, the issuance of approximately \$5.1 million of OP units, \$24.4 million of subordinated performance units, \$3.9 million of Series A-1 preferred units and the assumption of approximately \$0.7 million of other working capital liabilities.

Balance Sheet

NSA adopted the new lease accounting standard at the beginning of 2019, which requires the Company to recognize most leases for which it is the lessee on balance sheet as lease liabilities with corresponding right-of-use assets. As of March 31, 2019, NSA recorded operating lease liabilities of \$24.2 million with corresponding operating lease right-of-use assets of \$23.1 million, primarily related to leasehold interests in land.

Subsequent to March 31, 2019, NSA entered into an agreement with a lender for a new \$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.

Investment Grade Rating

Subsequent to March 31, 2019, 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 perpetual preferred shares.

Common Share Dividends

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

2019 Guidance

NSA reaffirms its previously provided 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 May 2, 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, May 3, 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, May 3, 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: 13689772

A replay of the call will be available for one week through Friday, May 10, 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 REITweek 2019 Investor Conference on June 4 – 6, 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. The Company currently holds ownership interests in and operates 709 self storage properties located in 35 states and Puerto Rico with approximately 44.9 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 March 31,	
	2019	2018
REVENUE		
Rental revenue	\$ 82,855	\$ 72,011
Other property-related revenue	2,824	2,321
Management fees and other revenue	4,893	2,161
Total revenue	<u>90,572</u>	<u>76,493</u>
OPERATING EXPENSES		
Property operating expenses	26,457	25,226
General and administrative expenses	10,766	8,306
Depreciation and amortization	24,349	21,368
Total operating expenses	<u>61,572</u>	<u>54,900</u>
OTHER (EXPENSE) INCOME		
Interest expense	(13,211)	(9,635)
Equity in losses of unconsolidated real estate ventures	(2,102)	(52)
Acquisition costs	(157)	(180)
Non-operating expense	(98)	(84)
Gain on sale of self storage properties	—	474
Other expense	<u>(15,568)</u>	<u>(9,477)</u>
Income before income taxes	13,432	12,116
Income tax expense	(492)	(143)
Net income	<u>12,940</u>	<u>11,973</u>

Net income attributable to noncontrolling interests	(5,529)	(1,513)
Net income attributable to National Storage Affiliates Trust	7,411	10,460
Distributions to preferred shareholders	(2,588)	(2,588)
Net income attributable to common shareholders	<u>\$ 4,823</u>	<u>\$ 7,872</u>
Earnings (loss) per share - basic	<u>\$ 0.08</u>	<u>\$ 0.16</u>
Earnings (loss) per share - diluted	<u>\$ 0.08</u>	<u>\$ 0.09</u>
Weighted average shares outstanding - basic	<u>56,655</u>	<u>50,299</u>
Weighted average shares outstanding - diluted	<u>56,655</u>	<u>99,935</u>

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

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
ASSETS		
Real estate		
Self storage properties	\$ 2,832,745	\$ 2,637,723
Less accumulated depreciation	(267,796)	(246,261)
Self storage properties, net	2,564,949	2,391,462
Cash and cash equivalents	15,878	13,181
Restricted cash	3,545	3,182
Debt issuance costs, net	1,017	1,260
Investment in unconsolidated real estate ventures	238,606	245,125
Other assets, net	48,926	75,053
Operating lease right-of-use assets	23,110	—
Total assets	<u>\$ 2,896,031</u>	<u>\$ 2,729,263</u>
LIABILITIES AND EQUITY		
Liabilities		
Debt financing	\$ 1,414,926	\$ 1,278,102
Accounts payable and accrued liabilities	37,682	33,130
Operating lease liabilities	24,166	—
Deferred revenue	16,069	15,732
Total liabilities	<u>1,492,843</u>	<u>1,326,964</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, 2019 and December 31, 2018, at liquidation preference	172,500	172,500
Common shares of beneficial interest, par value \$0.01 per share. 250,000,000 shares authorized, 56,698,686 and 56,654,009 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	567	567
Additional paid-in capital	839,162	844,276
Distributions in excess of earnings	(126,309)	(114,122)
Accumulated other comprehensive income	7,526	13,618
Total shareholders' equity	893,446	916,839
Noncontrolling interests	509,742	485,460
Total equity	1,403,188	1,402,299
Total liabilities and equity	<u>\$ 2,896,031</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 March 31,	
	2019	2018
Net income	\$ 12,940	\$ 11,973
Add (subtract):		
Real estate depreciation and amortization	24,027	21,075
Company's share of unconsolidated real estate venture real estate depreciation and amortization	5,457	1,377
Gain on sale of self storage properties	—	(474)
Company's share of unconsolidated real estate venture loss on sale of properties	202	—
Distributions to preferred shareholders and unitholders	(2,753)	(2,689)
FFO attributable to subordinated performance unitholders ⁽¹⁾	(7,293)	(5,584)
FFO attributable to common shareholders, OP unitholders, and LTIP unitholders	32,580	25,678
Add:		
Acquisition costs	157	180
Core FFO attributable to common shareholders, OP unitholders, and LTIP unitholders	\$ 32,737	\$ 25,858
Weighted average shares and units outstanding - FFO and Core FFO:⁽²⁾		
Weighted average shares outstanding - basic	56,655	50,299

Weighted average restricted common shares outstanding	30	30
Weighted average OP units outstanding	29,948	29,135
Weighted average DownREIT OP unit equivalents outstanding	1,848	1,835
Weighted average LTIP units outstanding	747	665
Total weighted average shares and units outstanding - FFO and Core FFO	89,228	81,964
FFO per share and unit	\$ 0.37	\$ 0.31
Core FFO per share and unit	\$ 0.37	\$ 0.32

(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,	
	2019	2018
Earnings (loss) per share - diluted	\$ 0.08	\$ 0.09
Impact of the difference in weighted average number of shares ⁽³⁾	(0.03)	0.02
Impact of GAAP accounting for noncontrolling interests, two-class method and treasury stock method ⁽⁴⁾	0.07	—
Add real estate depreciation and amortization	0.27	0.26
Add Company's share of unconsolidated real estate venture real estate depreciation and amortization	0.06	0.02
Subtract gain on sale of self storage properties	—	(0.01)

FFO attributable to subordinated performance unitholders	(0.08)	(0.07)
FFO per share and unit	0.37	0.31
Add acquisition costs	—	0.01
Core FFO per share and unit	\$ 0.37	\$ 0.32

- (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,	
	2019	2018
Net income	\$ 12,940	\$ 11,973
(Subtract) add:		
Management fees and other revenue	(4,893)	(2,161)
General and administrative expenses	10,766	8,306
Depreciation and amortization	24,349	21,368
Interest expense	13,211	9,635
Equity in losses of unconsolidated real estate ventures	2,102	52
Acquisition costs	157	180
Income tax expense	492	143
Gain on sale of self storage properties	—	(474)
Non-operating expense	98	84

Net Operating Income**\$ 59,222** **\$ 49,106****EBITDA and Adjusted EBITDA**

	Three Months Ended March 31,	
	2019	2018
Net income	\$ 12,940	\$ 11,973
Add:		
Depreciation and amortization	24,349	21,368
Company's share of unconsolidated real estate venture depreciation and amortization	5,457	1,377
Interest expense	13,211	9,635
Income tax expense	492	143
EBITDA	56,449	44,496
Add (subtract):		
Acquisition costs	157	180
Gain on sale of self storage properties	—	(474)
Company's share of unconsolidated real estate venture loss on sale of properties	202	—
Equity-based compensation expense	1,112	867
Adjusted EBITDA	\$ 57,920	\$ 45,069

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Source: National Storage Affiliates Trust