

August 6, 2018



National Storage Affiliates Trust Reports Second Quarter 2018 Results; Earnings Per Share Increases \$0.02; Core FFO per Share Increases 9.7%, Same Store NOI Increases 4.2%, Acquired 12 Self Storage Properties

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

Second Quarter 2018 Highlights

- Earnings per share was \$0.07 for the second quarter of 2018, an increase of \$0.02 compared to \$0.05 for the second quarter of 2017.
- Core funds from operations ("Core FFO") was \$0.34 per share for the second quarter of 2018, an increase of 9.7% compared to \$0.31 per share for the second quarter of 2017.
- Same store net operating income ("NOI") was \$42.9 million for the second quarter of 2018, an increase of 4.2% compared to \$41.1 million for the second quarter of 2017, driven by a 3.6% increase in same store total revenues and a 2.4% increase in same store property operating expenses.
- Acquired 12 wholly-owned self storage properties for \$62.9 million during the second quarter of 2018.

Highlights Subsequent to the End of the Second Quarter

- NSA formed a new joint venture (the "2018 Joint Venture") slated to acquire a \$1.325 billion portfolio of 112 self storage properties from Simply Self Storage, a portfolio company of a private real estate fund managed by Brookfield Asset Management.
- The 112 property portfolio contains approximately 8.7 million rentable square feet, configured in over 68,000 storage units and is located across 17 states and Puerto Rico.
- Completed an offering of 5,900,000 common shares resulting in net proceeds of approximately \$176 million.

Arlen Nordhagen, Chairman and Chief Executive Officer, commented, "2018 is shaping up to be another exceptional year for NSA. We were very excited to announce the recent formation of our second joint venture to acquire a 112 property portfolio for over \$1.3 billion. This portfolio will expand NSA's geographic footprint into five new states and Puerto Rico and will provide another source of fee income by leveraging our property management platform to operate the newly acquired properties under our existing iStorage brand. Upon closing, this acquisition will represent one of the largest M&A transactions in the history of the self storage industry. To match the funding required for this acquisition, we also completed a successful common share offering in July, raising the proceeds for our investment in the new joint venture and providing the flexibility to continue to execute on our growth strategy."

Tamara Fischer, President and Chief Financial Officer, added, "Our second quarter capital investment of nearly \$63 million added another 12 properties and half a million square feet of rentable space to our wholly-owned portfolio. The continued growth in the size of our portfolio combined with solid second quarter NOI results delivered year-over-year Core FFO per share growth of 9.7%."

"As expected, the second quarter delivered slower same store results because of a very difficult comparative quarter in 2017, but we were pleased with the combination of good rate increases and a moderate uptick in occupancy. With these results and continued same store expense moderation, we expect to finish the year with same store results consistent with our 2018 guidance."

Financial Results

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

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|--|-----------------------------|------------------|----------------|---------------------------|-----------------|---------------|
| | 2018 | 2017 | Growth | 2018 | 2017 | Growth |
| Net income | <u>\$ 13,041</u> | <u>\$ 15,576</u> | <u>(16.3)%</u> | <u>\$25,014</u> | <u>\$22,757</u> | <u>9.9%</u> |
| Funds From Operations ("FFO")⁽¹⁾ | <u>\$ 27,416</u> | <u>\$ 22,297</u> | <u>23.0%</u> | <u>\$53,094</u> | <u>\$43,452</u> | <u>22.2%</u> |
| Add back acquisition costs and NSA's share of unconsolidated real estate venture acquisition costs | 150 | 169 | (11.2)% | 330 | 332 | (0.6)% |
| Core FFO⁽¹⁾ | <u>\$ 27,566</u> | <u>\$ 22,466</u> | <u>22.7%</u> | <u>\$53,424</u> | <u>\$43,784</u> | <u>22.0%</u> |
| Earnings (loss) per share - basic | <u>\$ 0.07</u> | <u>\$ 0.05</u> | <u>40.0%</u> | <u>\$ 0.22</u> | <u>\$ 0.07</u> | <u>214.3%</u> |
| Earnings (loss) per share - diluted | <u>\$ 0.07</u> | <u>\$ 0.05</u> | <u>40.0%</u> | <u>\$ 0.19</u> | <u>\$ 0.07</u> | <u>171.4%</u> |
| FFO per share and unit⁽¹⁾ | <u>\$ 0.33</u> | <u>\$ 0.31</u> | <u>6.5%</u> | <u>\$ 0.65</u> | <u>\$ 0.60</u> | <u>8.3%</u> |
| Core FFO per share and unit⁽¹⁾ | <u>\$ 0.34</u> | <u>\$ 0.31</u> | <u>9.7%</u> | <u>\$ 0.65</u> | <u>\$ 0.60</u> | <u>8.3%</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 decreased \$2.5 million for the second quarter of 2018 and increased \$2.3 million year-to-date as compared to the same periods in 2017. The decrease in net income for the second quarter of 2018 resulted from a reduction in gains on the sale of properties. Excluding the effect of gains (losses) on the sales of properties, second quarter 2018 and year-to-date net income increased primarily as a result of incremental NOI generated from

87 self storage properties acquired between July 1, 2017 and June 30, 2018 and same store NOI growth, partially offset by increases in depreciation and amortization and interest expense.

Second quarter 2018 basic and diluted earnings per share increased \$0.02 per share and year-to-date basic and diluted earnings per share increased \$0.15 and \$0.12, respectively. The increases in basic and diluted earnings per share resulted from decreases in net income attributable to noncontrolling interests for the second quarter of 2018 and year-to-date as compared to the same periods in 2017, due to 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."

Second quarter 2018 FFO per share increased 6.5% and Core FFO per share increased 9.7%, and both year-to date FFO and Core FFO per share increased 8.3%. The increases in FFO and Core FFO were primarily the result of incremental NOI from 87 self storage properties acquired between July 1, 2017 and June 30, 2018 and same store NOI growth, 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.

Same Store Operating Results (376 Properties)

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

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|-----------------------------|-----------------|-------------|---------------------------|------------------|-------------|
| | 2018 | 2017 | Growth | 2018 | 2017 | Growth |
| Total rental and other property-related revenue | \$62,354 | \$60,175 | 3.6% | \$123,220 | \$118,578 | 3.9% |
| Property operating expenses | 19,486 | 19,026 | 2.4% | 39,476 | 38,257 | 3.2% |
| Net Operating Income (NOI) | \$42,868 | \$41,149 | 4.2% | \$ 83,744 | \$ 80,321 | 4.3% |
| NOI Margin | 68.7% | 68.4% | 0.3% | 68.0% | 67.7% | 0.3% |
| Average Occupancy | 89.8% | 89.6% | 0.2% | 89.0% | 89.0% | — |
| Average Annualized Rental Revenue Per Occupied Square Foot | \$ 11.79 | \$ 11.43 | 3.1% | \$ 11.77 | \$ 11.33 | 3.9% |

Year-over-year same store total revenues increased 3.6% for the second quarter of 2018 and 3.9% year-to-date. The increases were driven primarily by a 3.1% increase in average annualized rental revenue per occupied square foot for the second quarter of 2018 and a 3.9% increase in average annualized rental revenue per occupied square foot year-to-date. Additionally, second quarter 2018 average occupancy increased 20 basis points while year-to-date average occupancy remained flat at 89.0%.

Year-over-year same store property operating expenses increased 2.4% for the second quarter of 2018 and 3.2% year-to-date. These increases primarily resulted from increases in property taxes, personnel costs and advertising.

Investment Activity

During the second quarter of 2018, NSA invested \$62.9 million in the acquisition of 12 consolidated self storage properties and an expansion project at an existing property located in six states, consisting of over 0.5 million rentable square feet configured in approximately 4,500 storage units. Consideration for these acquisitions included approximately \$62.5 million of net cash and the assumption of \$0.4 million of other working capital liabilities.

Subsequent to June 30, 2018, NSA formed the 2018 Joint Venture to acquire a portfolio of 112 self storage properties located across 17 states and Puerto Rico, consisting of approximately 8.7 million rentable square feet configured in over 68,000 storage units for an aggregate purchase price of approximately \$1.325 billion (the "2018 JV Acquisition"). The closing of the 2018 JV Acquisition is expected to occur during the third quarter of 2018 pending the satisfaction of a number of customary closing conditions. Following the closing of the 2018 JV Acquisition, NSA expects to rebrand the majority of the self storage properties acquired by the 2018 Joint Venture under its iStorage brand and NSA's iStorage management platform will operate the properties. NSA also expects the 2018 Joint Venture will spin-out to the Company six self storage properties located in Puerto Rico and a single self storage property located in Ohio acquired as part of the 2018 JV Acquisition immediately following the closing of the transaction.

An affiliate of Heitman America Real Estate REIT LLC, NSA's partner in the 2018 Joint Venture (the "JV Investor"), is currently targeting to fund approximately \$482.3 million in exchange for a 75% ownership interest in the 2018 Joint Venture. NSA expects to make approximately \$160.8 million in capital contributions to the 2018 Joint Venture, inclusive of amounts already contributed, in exchange for the remaining 25% ownership interest. NSA has also committed an additional \$64.0 million of capital contributions to the 2018 Joint Venture to acquire the six self storage properties located in Puerto Rico and a single self storage property located in Ohio.

The 2018 Joint Venture has signed a non-binding term sheet with two institutional lenders to provide approximately \$643.0 million in 10-year interest-only secured debt financing carrying an interest rate of 4.34% per annum, to be used by the 2018 Joint Venture to fund a portion of the purchase price for the 2018 JV Acquisition. Although NSA expects this debt financing to be obtained and agreed to as outlined in the term sheet, the term sheet does not represent a binding commitment, and there can be no assurance that the debt financing needed by the 2018 Joint Venture to complete the 2018 JV Acquisition will actually be arranged on the above terms or at all.

Additional information about the 2018 Joint Venture and the 2018 JV Acquisition will be available on NSA's website at www.nationalstorageaffiliates.com under Investor Relations > Corporate Presentations.

Capitalization Activity

On May 31, 2018, NSA entered into an agreement with a syndicated group of lenders to reduce the applicable margins on its \$155.0 million tranche B term loan from a range of LIBOR plus 1.60% to 2.15% to LIBOR plus 1.30% to 1.70%.

On June 5, 2018, NSA entered into an agreement with lenders to increase the total borrowing capacity under its term loan facility by \$75.0 million for a total term loan facility of \$175.0 million. NSA also increased the term loan facility's remaining expansion option by \$200.0 million, for a total expansion option of \$225.0 million. If the Company exercises its remaining expansion option in full, the total expansion option would provide for a total borrowing capacity under the term loan facility of \$400.0 million. Additionally, the agreement also reduced the applicable margins on the term loan facility from a range of LIBOR plus 1.75% to 2.35% to LIBOR plus 1.30% to 1.70%.

In addition, NSA completed an offering of 5,900,000 common shares subsequent to June 30, 2018. The shares were issued at a price of \$29.86 per share, resulting in net proceeds of approximately \$176 million. The Company used a portion of the proceeds from this offering to repay all of the borrowings outstanding under its revolving line of credit and expects to use the additional proceeds, together with amounts it expects to redraw from its revolving line of credit, to make capital contributions to the 2018 Joint Venture.

Common Share Dividends

On May 23, 2018, NSA's Board of Trustees declared a quarterly cash dividend of \$0.29 per common share, which was paid on June 29, 2018 to shareholders of record as of June 15, 2018. This was the sixth common share dividend increase since the Company's IPO in the second quarter 2015, and represents an annualized dividend rate of \$1.16, an 11.5% increase over the second quarter 2017 annualized dividend rate of \$1.04 per share.

2018 Guidance

Although NSA expects certain assumptions included in its previously provided guidance to be affected by the formation of the 2018 Joint Venture, the dilution due to equity issuance in July and the expected closing of the 2018 JV Acquisition, NSA reaffirms its previously provided guidance estimate for Core FFO per share 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 August 6, 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 Tuesday, August 7,

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: Tuesday, August 7, 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 Tuesday, August 14, 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 BMO 13th Annual Real Estate Conference on September 20 - 21, 2018 in Chicago, Illinois.

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 552 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 those under contract to be acquired by the 2018 Joint Venture and our ability to execute on our acquisition pipeline, the timing of the closing of the portfolio under contract by the 2018 Joint Venture and the timing of other acquisitions under contract; the timing and ability of the 2018 Joint Venture to secure the debt financing required by the 2018 Joint Venture to complete the 2018 JV Acquisition on the terms outlined herein or at all; 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 June 30, | | Six Months Ended June 30, | |
|---|------------------------------------|-----------------|----------------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| REVENUE | | | | |
| Rental revenue | \$ 75,019 | \$ 60,154 | \$ 147,030 | \$ 117,998 |
| Other property-related revenue | 2,549 | 2,045 | 4,870 | 3,926 |
| Management fees and other revenue | 2,155 | 2,142 | 4,316 | 3,980 |
| Total revenue | <u>79,723</u> | <u>64,341</u> | <u>156,216</u> | <u>125,904</u> |
| OPERATING EXPENSES | | | | |
| Property operating expenses | 25,184 | 19,803 | 50,410 | 39,552 |
| General and administrative expenses | 8,460 | 7,405 | 16,766 | 14,586 |
| Depreciation and amortization | 22,389 | 17,800 | 43,757 | 36,483 |
| Total operating expenses | <u>56,033</u> | <u>45,008</u> | <u>110,933</u> | <u>90,621</u> |
| Income from operations | 23,690 | 19,333 | 45,283 | 35,283 |
| OTHER (EXPENSE) INCOME | | | | |
| Interest expense | (10,472) | (8,160) | (20,107) | (15,631) |
| | 100 | (765) | 48 | (1,550) |
| Equity in earnings (losses) of unconsolidated real estate venture | | | | |
| Acquisition costs | (150) | (167) | (330) | (311) |
| Non-operating expense | — | (14) | (84) | (66) |
| (Loss) gain on sale of self storage properties | (83) | 5,637 | 391 | 5,637 |
| Other expense | <u>(10,605)</u> | <u>(3,469)</u> | <u>(20,082)</u> | <u>(11,921)</u> |
| Income before income taxes | 13,085 | 15,864 | 25,201 | 23,362 |
| Income tax expense | (44) | (288) | (187) | (605) |
| Net income | <u>13,041</u> | <u>15,576</u> | <u>25,014</u> | <u>22,757</u> |
| Net income attributable to noncontrolling interests | <u>(7,150)</u> | <u>(13,209)</u> | <u>(8,663)</u> | <u>(19,835)</u> |
| Net income attributable to National Storage Affiliates Trust | 5,891 | 2,367 | 16,351 | 2,922 |
| Distributions to preferred shareholders | (2,587) | — | (5,175) | — |
| Net income attributable to common shareholders | <u>\$ 3,304</u> | <u>\$ 2,367</u> | <u>\$ 11,176</u> | <u>\$ 2,922</u> |

| | | | | |
|---|---------|---------|---------|---------|
| Earnings (loss) per share - basic | \$ 0.07 | \$ 0.05 | \$ 0.22 | \$ 0.07 |
| Earnings (loss) per share - diluted | \$ 0.07 | \$ 0.05 | \$ 0.19 | \$ 0.07 |
| Weighted average shares outstanding - basic | 50,486 | 44,223 | 50,393 | 43,814 |
| Weighted average shares outstanding - diluted | 50,486 | 44,223 | 100,492 | 43,814 |

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

| | <u>June 30,</u> <u>2018</u> | <u>December 31,</u> <u>2017</u> |
|---|--------------------------------|------------------------------------|
| ASSETS | | |
| Real estate | | |
| Self storage properties | \$2,475,217 | \$ 2,275,233 |
| Less accumulated depreciation | (206,827) | (170,358) |
| Self storage properties, net | 2,268,390 | 2,104,875 |
| Cash and cash equivalents | 16,419 | 13,366 |
| Restricted cash | 7,109 | 3,041 |
| Debt issuance costs, net | 1,746 | 2,185 |
| Investment in unconsolidated real estate venture | 88,725 | 89,093 |
| Other assets, net | 78,166 | 52,615 |
| Assets held for sale | — | 1,555 |
| Total assets | <u>\$2,460,555</u> | <u>\$ 2,266,730</u> |
| LIABILITIES AND EQUITY | | |
| Liabilities | | |
| Debt financing | \$1,149,789 | \$ 958,097 |
| Accounts payable and accrued liabilities | 26,983 | 24,459 |
| Deferred revenue | 13,546 | 12,687 |
| Total liabilities | <u>1,190,318</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 June 30, 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, 50,539,575 and 50,284,934 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively | 505 | 503 |
| Additional paid-in capital | 701,256 | 711,467 |
| Distributions in excess of earnings | (73,307) | (55,729) |
| Accumulated other comprehensive income | 20,211 | 12,282 |
| Total shareholders' equity | <u>821,165</u> | <u>841,023</u> |
| Noncontrolling interests | 449,072 | 430,464 |
| Total equity | <u>1,270,237</u> | <u>1,271,487</u> |
| Total liabilities and equity | <u>\$2,460,555</u> | <u>\$ 2,266,730</u> |

Reconciliation of Net Income to FFO and Core FFO
(in thousands, except per share and unit amounts) (unaudited)

| | <u>Three Months Ended June 30,</u> | | <u>Six Months Ended June 30,</u> | |
|---|------------------------------------|------------------|----------------------------------|------------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Net income | \$ 13,041 | \$ 15,576 | \$ 25,014 | \$ 22,757 |
| Add (subtract): | | | | |
| Real estate depreciation and amortization | 22,093 | 17,343 | 43,168 | 35,586 |
| Company's share of unconsolidated real estate venture real estate depreciation and amortization | 1,378 | 1,918 | 2,755 | 3,790 |

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Loss (gain) on sale of self storage properties | 83 | (5,637) | (391) | (5,637) |
| Distributions to preferred shareholders and unitholders | (2,706) | — | (5,395) | — |
| FFO attributable to subordinated performance unitholders ⁽¹⁾ | (6,473) | (6,903) | (12,057) | (13,044) |
| FFO attributable to common shareholders, OP unitholders, and LTIP unitholders | 27,416 | 22,297 | 53,094 | 43,452 |
| Add: | | | | |
| Acquisition costs | 150 | 167 | 330 | 311 |
| Company's share of unconsolidated real estate venture acquisition costs | — | 2 | — | 21 |
| Core FFO attributable to common shareholders, OP unitholders, and LTIP unitholders | \$ 27,566 | \$ 22,466 | \$ 53,424 | \$ 43,784 |
| Weighted average shares and units outstanding - FFO and Core FFO:⁽²⁾ | | | | |
| Weighted average shares outstanding - basic | 50,486 | 44,223 | 50,393 | 43,814 |
| Weighted average restricted common shares outstanding | 30 | 27 | 30 | 22 |
| Weighted average OP units outstanding | 28,985 | 25,628 | 29,059 | 25,793 |
| Weighted average DownREIT OP unit equivalents outstanding | 1,835 | 1,835 | 1,835 | 1,835 |
| Weighted average LTIP units outstanding | 687 | 1,224 | 676 | 1,345 |
| Total weighted average shares and units outstanding - FFO and Core FFO | 82,023 | 72,937 | 81,993 | 72,809 |
| FFO per share and unit | \$ 0.33 | \$ 0.31 | \$ 0.65 | \$ 0.60 |
| Core FFO per share and unit | \$ 0.34 | \$ 0.31 | \$ 0.65 | \$ 0.60 |

(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, | |
|---|-----------------------------|----------------|---------------------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Earnings (loss) per share - diluted | \$ 0.07 | \$ 0.05 | \$ 0.19 | \$ 0.07 |
| Impact of the difference in weighted average number of shares ⁽³⁾ | (0.03) | (0.02) | 0.05 | (0.02) |
| Impact of GAAP accounting for noncontrolling interests, two-class method and treasury stock method ⁽⁴⁾ | 0.08 | 0.18 | — | 0.27 |
| Add real estate depreciation and amortization | 0.27 | 0.24 | 0.53 | 0.49 |
| Add Company's share of unconsolidated real estate venture real estate depreciation and amortization | 0.02 | 0.03 | 0.03 | 0.05 |
| Subtract gain on sale of self storage properties | — | (0.08) | — | (0.08) |
| FFO attributable to subordinated performance unitholders | (0.08) | (0.09) | (0.15) | (0.18) |
| FFO per share and unit | 0.33 | 0.31 | 0.65 | 0.60 |
| Add acquisition costs and Company's share of unconsolidated real estate venture acquisition costs | 0.01 | — | — | — |
| Core FFO per share and unit | \$ 0.34 | \$ 0.31 | \$ 0.65 | \$ 0.60 |

- (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 June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|------------------|---------------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income | \$ 13,041 | \$ 15,576 | \$ 25,014 | \$ 22,757 |
| (Subtract) add: | | | | |
| Management fees and other revenue | (2,155) | (2,142) | (4,316) | (3,980) |
| General and administrative expenses | 8,460 | 7,405 | 16,766 | 14,586 |
| Depreciation and amortization | 22,389 | 17,800 | 43,757 | 36,483 |
| Interest expense | 10,472 | 8,160 | 20,107 | 15,631 |
| Equity in (earnings) losses of unconsolidated real estate venture | (100) | 765 | (48) | 1,550 |
| Acquisition costs | 150 | 167 | 330 | 311 |
| Income tax expense | 44 | 288 | 187 | 605 |
| Loss (gain) on sale of self storage properties | 83 | (5,637) | (391) | (5,637) |
| Non-operating expense | — | 14 | 84 | 66 |
| Net Operating Income | \$ 52,384 | \$ 42,396 | \$ 101,490 | \$ 82,372 |

EBITDA and Adjusted EBITDA

(dollars in thousands) (unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|------------------|---------------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income | \$ 13,041 | \$ 15,576 | \$ 25,014 | \$ 22,757 |
| Add: | | | | |
| Depreciation and amortization | 22,389 | 17,800 | 43,757 | 36,483 |
| Company's share of unconsolidated real estate venture depreciation and amortization | 1,378 | 1,918 | 2,755 | 3,790 |
| Interest expense | 10,472 | 8,160 | 20,107 | 15,631 |
| Income tax expense | 44 | 288 | 187 | 605 |
| EBITDA | 47,324 | 43,742 | 91,820 | 79,266 |
| Add (subtract): | | | | |
| Acquisition costs | 150 | 167 | 330 | 311 |
| Company's share of unconsolidated real estate venture acquisition costs | — | 2 | — | 21 |
| Loss (gain) on sale of self storage properties | 83 | (5,637) | (391) | (5,637) |
| Equity-based compensation expense ⁽¹⁾ | 919 | 940 | 1,786 | 1,923 |
| Adjusted EBITDA | \$ 48,476 | \$ 39,214 | \$ 93,545 | \$ 75,884 |

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

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National Storage Affiliates Trust

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