

May 11, 2020



National Storage Affiliates Trust Reports First Quarter 2020 Results

GREENWOOD VILLAGE, Colo.--(BUSINESS WIRE)-- National Storage Affiliates Trust ("NSA" or the "Company") (NYSE: NSA) today reported the Company's first quarter 2020 results.

First Quarter 2020 Highlights

- Reported net income of \$15.8 million for the first quarter of 2020, an increase of 21.8% compared to the first quarter of 2019. Reported diluted earnings per share of \$0.06 for the first quarter of 2020, primarily relating to the HLBV method for allocating net income among the various classes of equity.
- Reported core funds from operations ("Core FFO") of \$37.1 million, or \$0.40 per share for the first quarter of 2020, an increase of 8.1% per share compared to the first quarter of 2019.
- Achieved same store net operating income ("NOI") growth of 3.5% for the first quarter of 2020 compared to the same period in 2019, driven by a 3.0% increase in same store total revenues partially offset by a 2.1% increase in same store property operating expenses.
- Acquired 36 wholly-owned self storage properties for \$222.8 million and two joint venture properties totaling \$12.1 million during the first quarter of 2020. Capital sources for the acquisition activity included the issuance of approximately \$7.2 million of OP equity and \$4.5 million of common equity raised under the Company's at the market, or ATM, program at a combined weighted average price of \$32.79 per share/unit, as well as borrowings under the Company's revolving line of credit.
- Closed on the previously announced merger and internalization of the management platform of the Company's largest PRO, SecurCare, on March 31, 2020.

Highlights Subsequent to Quarter-End

- Effective April 1, 2020, Dave Cramer, previously president and chief executive officer of SecurCare, was appointed Executive Vice President and Chief Operating Officer of NSA.
- On April 28, 2020, Kroll Bond Rating Agency affirmed the investment grade issuer rating of BBB for NSA's operating partnership.
- The Company currently has \$129.7 million available for issuance under its ATM program and approximately \$300 million of unused capacity on its revolving line of credit.

Tamara Fischer, President and Chief Executive Officer, commented, "We are very pleased with our first quarter results, and the completion of the internalization of SecurCare as originally scheduled despite the unprecedented economic environment. The impact of the COVID-19 pandemic has focused our efforts on the health and safety of our employees and customers. While social distancing guidelines have resulted in reduced move-in and move-out activity across our portfolio, our offices remain open for customer service through our no-contact leasing procedures. Our business overall remains stable, and we are working with our customers who are suffering economic hardship to help them through this time, resulting in cash collections of approximately 98% of normal levels in April. The downside protection built into our unique PRO structure and our conservative balance sheet leave us well positioned to weather these turbulent economic times with strong cash flow as well as excellent availability on our line of credit, with less than \$40 million of debt maturing from now through 2022."

NSA's Executive Chairman Arlen Nordhagen noted, "I've lived through three previous recessions in the self storage business, and our properties have weathered those storms very well. Overall, the self storage sector has historically proven to be very resilient and less affected than many other real estate sectors during economic downturns, and we think this will be no exception. The benefits of our PRO structure and our limited exposure to the largest metropolitan cities should serve us particularly well through the economic crisis created by the COVID-19 pandemic. On the other hand, the speed and magnitude of the economic stress affecting our customers and communities is unlike anything we have ever seen, and the current environment has required an unprecedented change in consumer behavior. Throughout this turbulent time, we remain committed to our core values of integrity, accountability, compassion and humility as we do our very best for NSA's customers, employees and investors."

COVID-19 Update

Given the state of emergency and "stay at home" mandates across a majority of the states where NSA operates self storage facilities, the associated unprecedented decline in economic activity and significant spike in unemployment, the Company's business has been impacted as follows:

- The Company's stores are open despite state of emergency declarations and stay at home orders, as storage is considered an essential business.
- Same store move-in volume decreased approximately 28% in April, compared to the same period in 2019.
- Same store move-out volume decreased approximately 28% in April, compared to the same period in 2019.
- Same store period-end occupancy was 87.1% as of April 30, 2020, which was unchanged compared to March 31, 2020 and a decrease of approximately 140 basis points compared to April 30, 2019.
- There are state level restrictions on price increases, auctions and implementation of late fees under many state of emergency orders; the Company is abiding by all state and local restrictions and has temporarily suspended in-place customer rent increases.

2020 Guidance

Given the heightened level of uncertainty in the Company's operations due to the

unprecedented growth in unemployment combined with a lack of clarity as to when the COVID-19 pandemic will materially subside, the Company is withdrawing its full-year 2020 guidance, which was included in its February 24, 2020 earnings release. The Company will evaluate reinstating 2020 guidance as it gains greater clarity regarding the aforementioned items.

Financial Results

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

	Three Months Ended March 31,		
	2020	2019	Growth
Net income	\$ 15,763	\$ 12,940	21.8 %
Funds From Operations ("FFO")⁽¹⁾	\$ 36,278	\$ 32,580	11.4 %
Add back acquisition costs	833	157	430.6 %
Core FFO⁽¹⁾	\$ 37,111	\$ 32,737	13.4 %
Earnings (loss) per share - basic and diluted	\$ 0.06	\$ 0.08	(25.0)%
FFO per share and unit⁽¹⁾	\$ 0.39	\$ 0.37	5.4 %
Core FFO per share and unit⁽¹⁾	\$ 0.40	\$ 0.37	8.1 %

(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 \$2.8 million for the first quarter of 2020 as compared to the same period in 2019. The increase primarily resulted from additional NOI generated from the 73 wholly-owned self storage properties acquired between April 1, 2019 and March 31, 2020 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 first quarter of 2020 were primarily the result of incremental NOI from properties acquired between April 1, 2019 and March 31, 2020 and same store NOI growth, partially offset by higher interest expense and increases in distributions to subordinated performance unitholders.

Same Store Operating Results (500 Stores)

	Three Months Ended March 31,		
	2020	2019	Growth
(\$ in thousands, except per square foot data)			
Total revenues	\$84,516	\$82,018	3.0 %
Property operating expenses	25,738	25,219	2.1 %

Net Operating Income (NOI)	\$58,778	\$56,799	3.5 %
NOI Margin	69.5%	69.3%	0.2 %
Average Occupancy	87.2%	87.5%	(0.3)%
Average Annualized Rental Revenue Per Occupied Square Foot	\$ 12.34	\$ 11.98	3.0 %

Year-over-year same store total revenues increased 3.0% for the first quarter of 2020 as compared to the same period in 2019. The increase was driven primarily by a 3.0% increase in average annualized rental revenue per occupied square foot partially offset by a 30 basis point decrease in average occupancy. Markets which generated above portfolio average same store total revenue growth include: Riverside-San Bernardino, Atlanta, and Las Vegas. Markets which generated below portfolio average same store total revenue growth include: Portland, Dallas and Los Angeles.

Year-over-year same store property operating expenses increased 2.1% for the first quarter of 2020 as compared to the same period in 2019. The increase primarily resulted from increases in personnel costs, partially offset by decreases in utilities expenses.

Investment Activity

On March 31, 2020, NSA closed on the previously announced merger and internalization of SecurCare, the Company's largest PRO. As part of the internalization, NSA offered employment to most of SecurCare's employees to continue managing SecurCare's managed portfolio under the brand SecurCare as members of NSA's existing property management platform. As a result of the merger, NSA will no longer pay any fees or reimbursements to SecurCare and distributions on the series of subordinated performance units related to SecurCare's managed portfolio were discontinued.

In connection with the merger and the concurrent merger of DLAN Corporation, NSA issued a total of 8,105,192 common shares to the former shareholders of SecurCare and DLAN Corporation. NSA subsequently retired 1,118,193 OP units and DownREIT OP units and 2,001,441 subordinated performance units that had been held by SecurCare and DLAN Corporation.

In addition to the mergers, NSA acquired 36 wholly-owned self storage properties located across seven states consisting of approximately 1.8 million rentable square feet configured in approximately 13,600 storage units during the first quarter of 2020. Total consideration for these acquisitions of \$222.8 million included approximately \$214.6 million of net cash, the issuance of approximately \$5.4 million of OP units, \$0.8 million of subordinated performance units, \$1.0 million of LTIP units and the assumption of approximately \$1.0 million of other working capital liabilities.

During the first quarter of 2020, NSA's 2016 Joint Venture invested in two self storage properties for \$12.1 million, comprising less than 0.1 million rentable square feet, configured in approximately 500 storage units.

Common Share Dividends

On February 20, 2020, NSA's Board of Trustees declared a quarterly cash dividend of \$0.33 per common share, which was paid on March 31, 2020 to shareholders of record as of March 13, 2020.

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 11, 2020.

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 1:00 pm Eastern Time on Tuesday, May 12, 2020 to discuss its first quarter 2020 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, May 12, 2020, 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 Tuesday, May 19, 2020. A replay of the webcast will be available for 30 days on NSA's website at www.nationalstorageaffiliates.com.

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 March 31, 2020, the Company held ownership interests in and operated 780 self storage properties located in 35 states and Puerto Rico with approximately 48.9 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 and our ability to execute on our acquisition pipeline; the timing of acquisitions under contract; the internalization of retiring participating regional operators ("PROs") into the Company; the negative impacts from the continued spread of COVID-19 on the economy, the self storage industry, the broader financial markets, the Company's financial condition, results of operations and cash flows and the ability of the Company's tenants to pay rent; and the Company's guidance estimates for the year ended December 31, 2020. For a further list and description of such risks and uncertainties, see the Company's most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-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,	
	2020	2019
REVENUE		
Rental revenue	\$ 95,402	\$ 82,855
Other property-related revenue	3,371	2,824
Management fees and other revenue	5,449	4,893
Total revenue	<u>104,222</u>	<u>90,572</u>
OPERATING EXPENSES		
Property operating expenses	30,592	26,457
General and administrative expenses	11,094	10,380
Depreciation and amortization	29,105	24,349
Other	389	386
Total operating expenses	<u>71,180</u>	<u>61,572</u>
OTHER (EXPENSE) INCOME		
Interest expense	(15,628)	(13,211)
Equity in losses of unconsolidated real estate ventures	(340)	(2,102)
Acquisition costs	(833)	(157)
Non-operating expense	(192)	(98)
Other expense	<u>(16,993)</u>	<u>(15,568)</u>
Income before income taxes	16,049	13,432
Income tax expense	(286)	(492)
Net income	<u>15,763</u>	<u>12,940</u>
Net income attributable to noncontrolling interests	<u>(9,115)</u>	<u>(5,529)</u>
Net income attributable to National Storage Affiliates Trust	6,648	7,411
Distributions to preferred shareholders	<u>(3,273)</u>	<u>(2,588)</u>
Net income attributable to common shareholders	<u>\$ 3,375</u>	<u>\$ 4,823</u>
Earnings (loss) per share - basic and diluted	<u>\$ 0.06</u>	<u>\$ 0.08</u>
Weighted average shares outstanding - basic and diluted	<u>59,798</u>	<u>56,655</u>

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

	March 31, 2020	December 31, 2019
ASSETS		
Real estate		
Self storage properties	\$3,314,849	\$ 3,091,719
Less accumulated depreciation	(363,527)	(337,822)
Self storage properties, net	2,951,322	2,753,897
Cash and cash equivalents	18,689	20,558
Restricted cash	3,997	3,718
Debt issuance costs, net	3,067	3,264
Investment in unconsolidated real estate ventures	213,497	214,061
Other assets, net	64,503	65,441
Operating lease right-of-use assets	23,798	23,306
Total assets	\$3,278,873	\$ 3,084,245
LIABILITIES AND EQUITY		
Liabilities		
Debt financing	\$1,731,669	\$ 1,534,047
Accounts payable and accrued liabilities	40,127	37,966
Interest rate swap liabilities	84,703	19,943
Operating lease liabilities	25,243	24,665
Deferred revenue	16,076	15,523
Total liabilities	1,897,818	1,632,144
Equity		
Preferred shares of beneficial interest, par value \$0.01 per share. 50,000,000 authorized, 8,732,719 and 8,727,119 issued and outstanding at March 31, 2020 and December 31, 2019, respectively, at liquidation preference	218,318	218,178
Common shares of beneficial interest, par value \$0.01 per share. 250,000,000 shares authorized, 68,027,212 and 59,659,108 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively	680	597
Additional paid-in capital	970,786	905,763
Distributions in excess of earnings	(213,447)	(197,075)
Accumulated other comprehensive loss	(52,855)	(7,833)
Total shareholders' equity	923,482	919,630
Noncontrolling interests	457,573	532,471
Total equity	1,381,055	1,452,101

\$3,278,873 \$ 3,084,245

Total liabilities and equity

Reconciliation of Net Income to FFO and Core FFO

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

	Three Months Ended March 31,	
	2020	2019
Net income	\$ 15,763	\$ 12,940
Add (subtract):		
Real estate depreciation and amortization	28,764	24,027
Company's share of unconsolidated real estate venture real estate depreciation and amortization	3,787	5,457
Company's share of unconsolidated real estate venture loss on sale of properties	—	202
Mark-to-market changes in value on equity securities	142	—
Distributions to preferred shareholders and unitholders	(3,514)	(2,753)
FFO attributable to subordinated performance unitholders ⁽¹⁾	(8,664)	(7,293)
FFO attributable to common shareholders, OP unitholders, and LTIP unitholders	36,278	32,580
Add:		
Acquisition costs	833	157
Core FFO attributable to common shareholders, OP unitholders, and LTIP unitholders	\$ 37,111	\$ 32,737
Weighted average shares and units outstanding - FFO and Core FFO:⁽²⁾		
Weighted average shares outstanding - basic	59,798	56,655
Weighted average restricted common shares outstanding	23	30
Weighted average OP units outstanding	30,709	29,948
Weighted average DownREIT OP unit equivalents outstanding	1,849	1,848
Weighted average LTIP units outstanding	617	747
Total weighted average shares and units outstanding - FFO and Core FFO	92,996	89,228
FFO per share and unit	\$ 0.39	\$ 0.37
Core FFO per share and unit	\$ 0.40	\$ 0.37

(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,	
	2020	2019
Earnings (loss) per share - diluted	\$ 0.06	\$ 0.08
Impact of the difference in weighted average number of shares ⁽³⁾	(0.02)	(0.03)
Impact of GAAP accounting for noncontrolling interest, two-class method and treasury stock method ⁽⁴⁾	0.09	0.07
Add real estate depreciation and amortization	0.31	0.27
Add Company's share of unconsolidated real estate venture real estate depreciation and amortization	0.04	0.06
FFO attributable to subordinated performance unitholders	(0.09)	(0.08)
FFO per share and unit	0.39	0.37
Add acquisition costs	0.01	—
Core FFO per share and unit	\$ 0.40	\$ 0.37

(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,	
	2020	2019
Net income	\$ 15,763	\$ 12,940
(Subtract) add:		
Management fees and other revenue	(5,449)	(4,893)
General and administrative expenses	11,094	10,380
Other	389	386
Depreciation and amortization	29,105	24,349
Interest expense	15,628	13,211
Equity in losses of unconsolidated real estate ventures	340	2,102
Acquisition costs	833	157
Income tax expense	286	492
Non-operating expense	192	98
Net Operating Income	\$ 68,181	\$ 59,222

EBITDA and Adjusted EBITDA

(dollars in thousands) (unaudited)

	Three Months Ended March 31,	
	2020	2019
Net income	\$ 15,763	\$ 12,940
Add:		
Depreciation and amortization	29,105	24,349
Company's share of unconsolidated real estate venture depreciation and amortization	3,787	5,457
Interest expense	15,628	13,211
Income tax expense	286	492
EBITDA	64,569	56,449
Add (subtract):		
Acquisition costs	833	157
Company's share of unconsolidated real estate venture loss on sale of properties	—	202
Equity-based compensation expense	774	1,112
Adjusted EBITDA	\$ 66,176	\$ 57,920

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National Storage Affiliates Trust

Investor/Media Relations

George Hoglund, CFA

Vice President - Investor Relations

720.630.2160

ghoglund@nsareit.net

Source: National Storage Affiliates Trust