



National Storage Affiliates Trust Reports Fourth Quarter and Full Year 2017 Results

Full Year Net Income Increases \$21.1 million

Core FFO per Share Increases 10.7%, Same Store NOI Increases 7.5%, Acquired 65 Self Storage Properties

Provides Full-Year 2018 Guidance

GREENWOOD VILLAGE, Colo.--(BUSINESS WIRE)-- National Storage Affiliates Trust ("NSA" or the "Company") (NYSE: NSA) today reported the Company's fourth quarter and full year 2017 results.

Fourth Quarter 2017 Highlights

- Net income was \$12.0 million for the fourth quarter of 2017, an increase of \$5.9 million compared to \$6.1 million for the fourth quarter of 2016.
- Core funds from operations ("Core FFO") was \$23.6 million, or \$0.32 per share, for the fourth quarter of 2017, an increase of 6.7% per share compared to \$20.0 million, or \$0.30 per share, for the fourth quarter of 2016.
- Same store net operating income ("NOI") was \$30.0 million for the fourth quarter of 2017, an increase of 5.8% compared to \$28.4 million for the fourth quarter of 2016, driven by a 5.0% increase in same store total revenues and a 3.3% increase in same store property operating expenses.
- Acquired 31 wholly-owned self storage properties for \$201.0 million and one joint venture property for \$9.4 million during the fourth quarter of 2017.
- Received approximately \$319 million of gross proceeds from the sale of 6.9 million of 6.000% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest and 5.75 million of Common Shares of Beneficial Interest ("common shares") during the fourth quarter of 2017.

Full Year 2017 Highlights

- Net income was \$46.0 million for full year 2017, an increase of \$21.1 million compared to \$24.9 million for the full year 2016.
- Core FFO was \$91.2 million, or \$1.24 per share, for full year 2017, an increase of 10.7% per share compared to \$65.5 million, or \$1.12 per share, for full year 2016.
- Same store NOI was \$118.3 million for full year 2017, an increase of 7.5% compared to \$110.1 million for full year 2016, driven by a 5.7% increase in same store total revenues and a 1.9% increase in same store property operating expenses.
- Acquired 65 wholly-owned self storage properties for \$426.8 million and five joint venture properties totaling \$59.3 million during 2017.

Arlen Nordhagen, Chief Executive Officer and Chairman, commented, "2017 was another fantastic year for NSA. We grew our portfolio by adding 65 wholly-owned self storage properties and an additional five properties through our joint venture. We leveraged our revenue management platform to increase rental rates across many of our markets, driving strong revenue growth over last year. During the fourth quarter, we completed both preferred share and common share offerings, followed by an expansion of our credit facility during January 2018. These transactions provide us with the financial flexibility to continue to execute our growth strategy as we begin 2018, which we kicked off by acquiring an additional 18 properties during January and February."

Financial Results

(\$ in thousands, except per share and unit data) **Three Months Ended December 31, Year Ended December 31,**

	2017	2016	Growth	2017	2016	Growth
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Net income	<u>\$ 12,015</u>	<u>\$ 6,075</u>	<u>97.8%</u>	<u>\$45,998</u>	<u>\$24,866</u>	<u>85.0%</u>
Funds From Operations ("FFO")⁽¹⁾	<u>\$ 23,482</u>	<u>\$ 17,198</u>	<u>36.5%</u>	<u>\$90,584</u>	<u>\$57,776</u>	<u>56.8%</u>
Add back acquisition costs, NSA's share of unconsolidated real estate venture acquisition costs and loss on early extinguishment of debt	143	2,819	(94.9)%	615	7,688	(92.0)%
Core FFO⁽¹⁾	<u>\$ 23,625</u>	<u>\$ 20,017</u>	<u>18.0%</u>	<u>\$91,199</u>	<u>\$65,464</u>	<u>39.3%</u>
Earnings (loss) per share - basic	<u>\$ (0.08)</u>	<u>\$ 0.22</u>	<u>(136.4)%</u>	<u>\$ 0.01</u>	<u>\$ 0.60</u>	<u>(98.3)%</u>
Earnings (loss) per share - diluted	<u>\$ (0.08)</u>	<u>\$ 0.07</u>	<u>(214.3)%</u>	<u>\$ 0.01</u>	<u>\$ 0.31</u>	<u>(96.8)%</u>
FFO per share and unit⁽¹⁾	<u>\$ 0.31</u>	<u>\$ 0.26</u>	<u>19.2%</u>	<u>\$ 1.23</u>	<u>\$ 0.99</u>	<u>24.2%</u>
Core FFO per share and unit⁽¹⁾	<u>\$ 0.32</u>	<u>\$ 0.30</u>	<u>6.7%</u>	<u>\$ 1.24</u>	<u>\$ 1.12</u>	<u>10.7%</u>

(1) Non-GAAP financial measures, including FFO, Core FFO and NOI, are reconciled to their most directly comparable GAAP measure and defined (together with other words and phrases used herein) in the Schedules to this press release and in the supplemental financial information.

Fourth Quarter 2017

Fourth quarter 2017 net income increased \$5.9 million, driven primarily by incremental NOI generated from 65 self storage properties acquired during 2017 and same store NOI growth, partially offset by increases in depreciation and amortization and interest expense.

Fourth quarter 2017 basic earnings per share decreased \$0.30 per share and diluted earnings per share decreased \$0.15 per share. In addition to the items affecting net income described above, the comparison of earnings per share amounts between periods is affected by 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."

Fourth quarter 2017 FFO per share increased 19.2% and Core FFO per share increased 6.7%. The increases in FFO and Core FFO were primarily the result of \$5.9 million of incremental NOI from 65 self storage properties acquired during 2017 and same store NOI growth of \$1.6 million, partially offset by higher interest expense and the payment of dividends on preferred shares issued during the fourth quarter to fund the Company's growth.

Full Year 2017

Full year 2017 net income increased \$21.1 million, driven primarily by additional NOI generated from non-same store self storage properties acquired during 2017 and 2016, same store NOI growth, increases in management fees and other revenue, gains from the sale of self storage properties and decreases in acquisition costs, partially offset by increases in depreciation and amortization, interest expense and general and administrative expenses.

Full year 2017 basic earnings per share decreased \$0.59 per share and diluted earnings per share decreased \$0.30 per share. In addition to the items affecting net income described above, the comparison of earnings per share amounts between periods is affected by the allocation of net income to noncontrolling interests pursuant to GAAP.

Full year 2017 FFO per share increased 24.2% and Core FFO per share increased 10.7%. The increases in FFO and Core FFO were primarily the result of \$35.4 million of incremental NOI from non-same store properties acquired in 2017 and 2016, same store NOI growth of \$8.2 million and a \$6.3 million increase in management fees and other revenue partially offset by increases of \$10.0 million of interest expense, \$8.5 million of general and administrative expenses and \$5.5 million of distributions to subordinated performance unitholders.

Total Consolidated Portfolio Operating Results

(\$ in thousands, except per square foot data)	Three Months Ended December 31,			Year Ended December 31,		
	2017	2016	Growth	2017	2016	Growth
Total rental and other property-related revenue	\$ 71,285	\$ 57,355	24.3%	\$260,069	\$197,237	31.9%

Property operating expenses	<u>23,285</u>	<u>18,734</u>	<u>24.3%</u>	<u>84,455</u>	<u>64,798</u>	<u>30.3%</u>
Net Operating Income (NOI)	\$ 48,000	\$ 38,621	24.3%	\$175,614	\$132,439	32.6%
Average Occupancy	88.2%	89.1%	(0.9)%	88.9%	89.7%	(0.8)%
Average Annualized Rental Revenue Per Occupied Square Foot						
	\$ 11.64	\$ 11.28	3.2%	\$ 11.52	\$ 11.00	4.7%

Fourth Quarter 2017

Fourth quarter 2017 total rental and other property-related revenue increased 24.3%, driven by \$9.4 million of incremental revenues from 65 self storage properties acquired during 2017 and a \$2.1 million increase in same store total revenues.

Fourth quarter 2017 total property operating expenses increased 24.3% resulting from \$3.6 million of incremental property operating expenses generated by 65 self storage properties acquired during 2017, and an increase of \$0.4 million in same store property operating expenses.

Total consolidated portfolio NOI was \$48.0 million for the fourth quarter of 2017, an increase of 24.3% compared to NOI of \$38.6 million for the fourth quarter of 2016.

Full Year 2017

Total rental and other property-related revenue was \$260.1 million for full year 2017, an increase of 31.9% compared to \$197.2 million for full year 2016. The increase primarily resulted from incremental revenues of \$15.5 million from 65 self storage properties acquired during 2017, \$38.7 million from 107 self storage properties acquired during 2016 and a \$9.2 million increase in same store total revenues.

Total property operating expenses were \$84.5 million for full year 2017, an increase of 30.3% compared to \$64.8 million for full year 2016. The increase primarily resulted from incremental expenses of \$5.7 million from 65 self storage properties acquired during 2017, \$13.1 million from 107 self storage properties acquired during 2016 and a \$1.0 million increase in same store property operating expenses.

Total consolidated portfolio NOI was \$175.6 million for full year 2017, an increase of 32.6% compared to NOI of \$132.4 million for full year 2016.

NSA's consolidated portfolio included 444 self storage properties, approximately 27.2 million rentable square feet, with period-end occupancy of 87.3% as of December 31, 2017.

Same Store Operating Results (277 Properties)

(\$ in thousands, except per square foot data)	Three Months Ended December 31,			Year Ended December 31,		
	2017	2016	Growth	2017	2016	Growth
Total rental and other property-related revenue	\$ 43,339	\$ 41,269	5.0%	\$171,326	\$162,109	5.7%
Property operating expenses	13,332	12,900	3.3%	53,045	52,034	1.9%
Net Operating Income (NOI)	\$ 30,007	\$ 28,369	5.8%	\$118,281	\$110,075	7.5%
NOI Margin	69.2%	68.7%	0.5%	69.0%	67.9%	1.1%
Average Occupancy	89.0%	89.3%	(0.3)%	89.6%	89.9%	(0.3)%
Average Annualized Rental Revenue Per Occupied Square Foot						
	\$ 11.88	\$ 11.29	5.2%	\$ 11.66	\$ 11.02	5.8%

Fourth Quarter 2017

Year-over-year, fourth quarter 2017 same store total revenues increased 5.0%, driven by a 5.2% increase in average annualized rental revenue per occupied square foot partially offset by a 30 basis point decrease in average occupancy. Same store property operating expenses were \$13.3 million for the fourth quarter of 2017, an increase

of 3.3% compared to \$12.9 million for the fourth quarter of 2016 driven primarily by increases in property taxes, personnel costs and advertising.

Full Year 2017

Year-over-year, full year 2017 same store total revenues increased 5.7%, driven by a 5.8% increase in average annualized rental revenue per occupied square foot partially offset by a 30 basis point decrease in average occupancy. Same store property operating expenses were \$53.0 million for the full year 2017, an increase of 1.9% compared to \$52.0 million for the full year 2016 driven primarily by increases in property taxes and repairs and maintenance expenses.

Investment Activity

Fourth Quarter 2017

During the fourth quarter of 2017, NSA invested \$201.0 million in the acquisition of 31 consolidated self storage properties located in 10 states, encompassing approximately 2.0 million rentable square feet configured in approximately 15,000 storage units.

NSA's unconsolidated real estate venture invested \$9.4 million in the acquisition of one self storage property located in California, encompassing 0.1 million rentable square feet configured in over 400 storage units. NSA owns a 25% interest in its unconsolidated real estate venture and contributed approximately \$2.4 million to the venture to fund the acquisition.

Full Year 2017

For the full year of 2017, NSA invested \$426.8 million in the acquisition of 65 consolidated self storage properties located in 19 states, encompassing approximately 4.2 million rentable square feet configured in approximately 32,000 storage units.

NSA's unconsolidated real estate venture invested \$59.3 million in the acquisition of five self storage properties located in California and Delaware, encompassing 0.4 million rentable square feet configured in over 3,500 storage units. NSA owns a 25% interest in its unconsolidated real estate venture and contributed approximately \$14.9 million to the venture to fund the acquisitions.

Subsequent to December 31, 2017, NSA acquired 18 additional consolidated self storage properties located in four states, for a total investment of approximately \$101.8 million encompassing approximately 1.1 million rentable square feet configured in approximately 9,700 storage units. NSA's unconsolidated real estate venture also invested approximately \$9.3 million in a self storage property encompassing approximately 0.1 million rentable square feet configured in approximately 500 storage units.

Balance Sheet

In October 2017, NSA completed its underwritten public offering of 6,900,000 of its 6.000% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest ("Series A Preferred Shares"), including 900,000 Series A Preferred Shares sold upon the exercise in full by the underwriters of their option to purchase additional Series A Preferred Shares, resulting in gross proceeds of approximately \$173 million. Generally, the Series A Preferred Shares become redeemable by the Company beginning in October 2022 for a cash redemption price of \$25.00 per share.

In December 2017, NSA completed an underwritten public offering of 5,750,000 common shares, including 750,000 common shares sold upon the exercise in full by the underwriters of their option to purchase additional common shares. The shares were issued at \$25.50 per share, resulting in gross proceeds of approximately \$147 million.

NSA used the proceeds from the offerings to repay amounts outstanding under its revolving line of credit.

On January 29, 2018, NSA entered into an increase agreement and amendment with a syndicated group of lenders to increase the total borrowing capacity under the Company's credit facility by \$125.0 million for a total credit facility of over \$1.0 billion, which included entry into a new \$125.0 million five-year term loan tranche. NSA has an expansion option under the credit facility, which, if exercised in full, would provide for a total credit facility of \$1.3 billion.

Common Share Dividends

On February 22, 2018, NSA's Board of Trustees declared a quarterly cash dividend of \$0.28 per common share, which will be paid on March 29, 2018 to shareholders of record as of March 15, 2018.

2018 Guidance

The following tables outline NSA's guidance estimates for the year ended December 31, 2018:

	Ranges for Full Year 2018	
	Low	High
Same store operations (376 stores)		
Total rental and other property-related revenue growth	4.0%	5.0%
Property operating expenses growth	3.0%	4.0%
NOI growth	4.0%	5.5%
General and administrative expenses (as a percent of revenue)	10.0%	11.5%
General and administrative expenses (excluding equity-based compensation)	9.0%	10.0%
Equity-based compensation	1.0%	1.5%
Management fees and other revenue, in millions	\$8.0	\$9.0
Core FFO from unconsolidated real estate venture, in millions	\$5.0	\$6.0
Subordinated performance unit distributions, in millions	\$27.0	\$29.5
Wholly-owned acquisitions, in millions	\$250.0	\$400.0
Joint venture acquisitions, in millions	\$50.0	\$100.0
Core FFO per share ⁽¹⁾	\$1.33	\$1.37

⁽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 2018	
	Low	High
Earnings (loss) per share - diluted	\$ (0.03)	\$ 0.05
Impact of the difference in weighted average number of shares and GAAP accounting for noncontrolling interests, two-class method and treasury stock method	0.60	0.54
Add real estate depreciation and amortization, including NSA's share of unconsolidated venture real estate depreciation and amortization	1.10	1.14
Subtract gain on sale of self storage properties	(0.01)	(0.01)
FFO attributable to subordinated performance unitholders	(0.33)	(0.35)
Core FFO per share and unit	\$ 1.33	\$ 1.37

Supplemental Financial Information

The full text of this earnings release and supplemental financial information, including certain financial information referenced in this release, are available on NSA's website at <http://ir.nationalstorageaffiliates.com/quarterly-reporting> and as exhibit 99.1 to the Company's Form 8-K furnished to the SEC on February 26, 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 Monday, February 26, 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: Monday, February 26, 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 Monday, March 5, 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 Wells Fargo Securities 21st Annual Real Estate Securities Conference in New York, New York on February 28 - March 1, 2018, and in the Citi 2018 Global Property CEO Conference on March 4 - 7, 2018 in Hollywood, Florida.

About National Storage Affiliates Trust

National Storage Affiliates Trust is a Maryland real estate investment trust focused on the ownership, operation and acquisition of self storage properties located within the top 100 metropolitan statistical areas throughout the United States. The Company currently holds ownership interests in and operates 533 self storage properties located in 29 states with approximately 33 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 the timing of acquisitions. 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		Year Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
REVENUE				
Rental revenue	\$ 69,101	\$ 55,630	\$251,814	\$191,178
Other property-related revenue	2,184	1,725	8,255	6,059
Management fees and other revenue	2,083	1,809	8,061	1,809
Total revenue	<u>73,368</u>	<u>59,164</u>	<u>268,130</u>	<u>199,046</u>
OPERATING EXPENSES				
Property operating expenses	23,285	18,734	84,455	64,798
General and administrative expenses	7,994	7,097	30,060	21,528
Depreciation and amortization	20,169	16,765	75,115	55,064
Total operating expenses	<u>51,448</u>	<u>42,596</u>	<u>189,630</u>	<u>141,390</u>
Income from operations	21,920	16,568	78,500	57,656
OTHER (EXPENSE) INCOME				
Interest expense	(9,280)	(7,059)	(34,068)	(24,109)
Loss on early extinguishment of debt	—	—	—	(136)
Equity in losses of unconsolidated real estate venture	(79)	(1,484)	(2,339)	(1,484)
Acquisition costs	(143)	(1,813)	(593)	(6,546)
Non-operating income (expense)	17	(70)	(58)	(147)
(Loss) gain on sale of self storage properties	(28)	—	5,715	—
Other expense	<u>(9,513)</u>	<u>(10,426)</u>	<u>(31,343)</u>	<u>(32,422)</u>
Income before income taxes	12,407	6,142	47,157	25,234
Income tax expense	(392)	(67)	(1,159)	(368)
Net income	<u>12,015</u>	<u>6,075</u>	<u>45,998</u>	<u>24,866</u>
Net (income) loss attributable to noncontrolling interests	<u>(13,247)</u>	<u>2,321</u>	<u>(43,037)</u>	<u>(6,901)</u>
Net (loss) income attributable to National Storage Affiliates Trust	(1,232)	8,396	2,961	17,965
Distributions to preferred shareholders	<u>(2,300)</u>	<u>—</u>	<u>(2,300)</u>	<u>—</u>
Net (loss) income attributable to common shareholders	<u>\$ (3,532)</u>	<u>\$ 8,396</u>	<u>\$ 661</u>	<u>\$ 17,965</u>
Earnings (loss) per share - basic	<u>\$ (0.08)</u>	<u>\$ 0.22</u>	<u>\$ 0.01</u>	<u>\$ 0.60</u>
Earnings (loss) per share - diluted	<u>\$ (0.08)</u>	<u>\$ 0.07</u>	<u>\$ 0.01</u>	<u>\$ 0.31</u>
Weighted average shares outstanding - basic	<u>45,775</u>	<u>38,235</u>	<u>44,423</u>	<u>29,887</u>
Weighted average shares outstanding - diluted	<u>45,775</u>	<u>88,460</u>	<u>44,423</u>	<u>78,747</u>

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

December 31,

	<u>2017</u>	<u>2016</u>
ASSETS		
Real estate		
Self storage properties	\$2,275,233	\$1,844,336
Less accumulated depreciation	(170,358)	(110,803)
Self storage properties, net	<u>2,104,875</u>	<u>1,733,533</u>
Cash and cash equivalents	13,366	12,570
Restricted cash	3,041	2,767
Debt issuance costs, net	2,185	3,069
Investment in unconsolidated real estate venture	89,093	81,486
Other assets, net	52,615	44,730
Assets held for sale	1,555	13,937
Total assets	<u>\$2,266,730</u>	<u>\$1,892,092</u>
LIABILITIES AND EQUITY		
Liabilities		
Debt financing	\$ 958,097	\$ 878,954
Accounts payable and accrued liabilities	24,459	21,616
Deferred revenue	12,687	12,454
Total liabilities	<u>995,243</u>	<u>913,024</u>
Equity		
Preferred shares of beneficial interest, par value \$0.01 per share. 50,000,000 authorized, 6,900,000 issued and outstanding at December 31, 2017, at liquidation preference	172,500	—
Common shares of beneficial interest, par value \$0.01 per share. 250,000,000 shares authorized, 50,284,934 and 43,110,362 shares issued and outstanding at December 31, 2017 and 2016, respectively	503	431
Additional paid-in capital	711,467	576,365
Distributions in excess of earnings	(55,729)	(8,719)
Accumulated other comprehensive income	12,282	9,025
Total shareholders' equity	<u>841,023</u>	<u>577,102</u>
Noncontrolling interests	430,464	401,966
Total equity	<u>1,271,487</u>	<u>979,068</u>
Total liabilities and equity	<u>\$2,266,730</u>	<u>\$1,892,092</u>

Reconciliation of Net Income to FFO and Core FFO

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

	<u>Three Months Ended</u>		<u>Year Ended</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net income	\$ 12,015	\$ 6,075	\$45,998	\$24,866
Add (subtract):				
Real estate depreciation and amortization	19,896	16,362	73,669	54,193
Company's share of unconsolidated real estate venture real estate depreciation and amortization	1,464	1,559	7,296	1,559
Loss (gain) on sale of self storage properties	28	—	(5,715)	—
Distributions to preferred shareholders	(2,300)	—	(2,300)	—
FFO attributable to subordinated performance unitholders ⁽¹⁾	<u>(7,621)</u>	<u>(6,798)</u>	<u>(28,364)</u>	<u>(22,842)</u>
FFO attributable to common shareholders, OP unitholders, and LTIP unitholders	23,482	17,198	90,584	57,776
Add:				
Acquisition costs	143	1,813	593	6,546
Company's share of unconsolidated real estate venture acquisition				

Loss on early extinguishment of debt	=	1,006	22	1,098	
Core FFO attributable to common shareholders, OP unitholders, and LTIP unitholders		\$ 23,625	\$ 20,017	\$91,199	\$65,464

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

Weighted average shares outstanding - basic	45,775	38,235	44,423	29,887
Weighted average restricted common shares outstanding	27	19	25	18
Weighted average OP units outstanding	26,549	25,771	26,126	24,262
Weighted average DownREIT OP unit equivalents outstanding	1,835	1,835	1,835	1,835
Weighted average LTIP units outstanding	547	1,286	957	2,212
Total weighted average shares and units outstanding - FFO and Core FFO	74,733	67,146	73,366	58,214

FFO per share and unit	\$ 0.31	\$ 0.26	\$ 1.23	\$ 0.99
Core FFO per share and unit	\$ 0.32	\$ 0.30	\$ 1.24	\$ 1.12

- (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		Year Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Earnings (loss) per share - diluted	\$ (0.08)	\$ 0.07	\$0.01	\$ 0.31
Impact of the difference in weighted average number of shares ⁽³⁾	0.02	0.03	—	0.11
Impact of GAAP accounting for noncontrolling interests, two-class method and treasury stock method ⁽⁴⁾	0.18	—	0.59	—
Add real estate depreciation and amortization	0.27	0.24	1.00	0.93
Add Company's share of unconsolidated real estate venture real estate depreciation and amortization	0.02	0.02	0.10	0.03
Subtract gain on sale of self storage properties	—	—	(0.08)	—
FFO attributable to subordinated performance unitholders	(0.10)	(0.10)	(0.39)	(0.39)
FFO per share and unit	0.31	0.26	1.23	0.99
Add acquisition costs, Company's share of unconsolidated real estate venture acquisition costs, and loss on early extinguishment of debt	0.01	0.04	0.01	0.13
Core FFO per share and unit	\$ 0.32	\$ 0.30	\$1.24	\$ 1.12

- (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, the treasury stock method for certain unvested LTIP units, and includes the assumption of a hypothetical conversion of subordinated performance units, DownREIT subordinated performance units and LTIP 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 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		Year Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
Net income	\$ 12,015	\$ 6,075	\$ 45,998	\$ 24,866
(Subtract) add:				
Management fees and other revenue	(2,083)	(1,809)	(8,061)	(1,809)
General and administrative expenses	7,994	7,097	30,060	21,528
Depreciation and amortization	20,169	16,765	75,115	55,064
Interest expense	9,280	7,059	34,068	24,109
Equity in losses of unconsolidated real estate venture	79	1,484	2,339	1,484
Loss on early extinguishment of debt	—	—	—	136
Acquisition costs	143	1,813	593	6,546
Income tax expense	392	67	1,159	368
Loss (gain) on sale of self storage properties	28	—	(5,715)	—
Non-operating (income) expense	(17)	70	58	147
Net Operating Income	\$ 48,000	\$ 38,621	\$175,614	\$132,439

EBITDA and Adjusted EBITDA

(dollars in thousands) (unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
Net income	\$ 12,015	\$ 6,075	\$ 45,998	\$ 24,866
Add:				
Depreciation and amortization	20,169	16,765	75,115	55,064
Company's share of unconsolidated real estate venture depreciation and amortization	1,464	1,559	7,296	1,559
Interest expense	9,280	7,059	34,068	24,109
Income tax expense	392	67	1,159	368
Loss on early extinguishment of debt	—	—	—	136
EBITDA	43,320	31,525	163,636	106,102
Add (subtract):				
Acquisition costs	143	1,813	593	6,546
Company's share of unconsolidated real estate venture acquisition costs	—	1,006	22	1,006
Loss (gain) on sale of self storage properties	28	—	(5,715)	—
Equity-based compensation expense ⁽¹⁾	920	684	3,764	2,597
Adjusted EBITDA	\$ 44,411	\$ 35,028	\$162,300	\$116,251

- (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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