UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 001-37351

National Storage Affiliates Trust
(Exact name of Registrant as specified in its charter)

Maryland	**46-5053858**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

5200 DTC Parkway
Suite 200
Greenwood Village, Colorado 80111
(Address of principal executive offices) (Zip code)

(720) 630-2600

(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☒	Accelerated Filer ☐
Non-accelerated Filer ☐	Smaller Reporting Company ☐
	Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

As of August 6, 2018, 56,524,670 common shares of beneficial interest, $0.01 par value per share, were outstanding.

NATIONAL STORAGE AFFILIATES TRUST

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

NATIONAL STORAGE AFFILIATES TRUST
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share amounts)
(Unaudited)

	June 30, 2018	December 31, 2017
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	$ 2,460,555	$ 2,266,730
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	1,190,318	995,243
Commitments and contingencies (Note 11)		
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	821,165	841,023
Noncontrolling interests	449,072	430,464
Total equity	1,270,237	1,271,487
Total liabilities and equity	$ 2,460,555	$ 2,266,730

See notes to condensed consolidated financial statements.

NATIONAL STORAGE AFFILIATES TRUST
CONDENSED 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	79,723	64,341	156,216	125,904
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	56,033	45,008	110,933	90,621
Income from operations	23,690	19,333	45,283	35,283
OTHER (EXPENSE) INCOME				
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)
Non-operating expense	—	(14)	(84)	(66)
(Loss) gain on sale of self storage properties	(83)	5,637	391	5,637
Other expense	(10,605)	(3,469)	(20,082)	(11,921)
Income before income taxes	13,085	15,864	25,201	23,362
Income tax expense	(44)	(288)	(187)	(605)
Net income	13,041	15,576	25,014	22,757
Net income attributable to noncontrolling interests	(7,150)	(13,209)	(8,663)	(19,835)
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	$ 3,304	$ 2,367	$ 11,176	$ 2,922
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
Dividends declared per common share	$ 0.29	$ 0.26	$ 0.57	$ 0.50

See notes to condensed consolidated financial statements.

NATIONAL STORAGE AFFILIATES TRUST
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(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
Other comprehensive income (loss)				
Unrealized gain (loss) on derivative contracts	4,665	(3,852)	13,655	(2,239)
Reclassification of other comprehensive (income) loss to interest expense	(281)	760	(232)	1,530
Other comprehensive income (loss)	4,384	(3,092)	13,423	(709)
Comprehensive income	17,425	12,484	38,437	22,048
Comprehensive income attributable to noncontrolling interests	(8,834)	(11,992)	(13,838)	(19,578)
Comprehensive income attributable to National Storage Affiliates Trust	$ 8,591	$ 492	$ 24,599	$ 2,470

See notes to condensed consolidated financial statements.

NATIONAL STORAGE AFFILIATES TRUST
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(dollars in thousands, except share amounts)
(Unaudited)

	Preferred Shares		Common Shares		Additional Paid-in Capital	Distributions In Excess Of Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total Equity
	Number	Amount	Number	Amount					
Balances, December 31, 2017	6,900,000	$ 172,500	50,284,934	$ 503	$ 711,467	$ (55,729)	$ 12,282	$ 430,464	$ 1,271,487
OP equity issued for property acquisitions:									
Series A-1 preferred units, OP units and subordinated performance units, net of offering costs	—	—	—	—	—	—	—	22,403	22,403
Redemptions of OP units	—	—	246,582	2	3,226	—	87	(3,315)	—
Effect of changes in ownership for consolidated entities	—	—	—	—	(13,498)	—	(406)	13,904	—
Issuance of OP units	—	—	—	—	—	—	—	5	5
Equity-based compensation expense	—	—	—	—	136	—	—	1,650	1,786
Issuance of restricted common shares	—	—	12,311	—	—	—	—	—	—
Vesting and forfeitures of restricted common shares, net	—	—	(4,252)	—	(75)	—	—	—	(75)
Reduction in receivables from partners of the operating partnership	—	—	—	—	—	—	—	347	347
Preferred share dividends	—	—	—	—	—	(5,175)	—	—	(5,175)
Common share dividends	—	—	—	—	—	(28,754)	—	—	(28,754)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(30,224)	(30,224)
Other comprehensive income	—	—	—	—	—	—	8,248	5,175	13,423
Net income	—	—	—	—	—	16,351	—	8,663	25,014
Balances, June 30, 2018	6,900,000	$ 172,500	50,539,575	$ 505	$ 701,256	$ (73,307)	$ 20,211	$ 449,072	$ 1,270,237

See notes to condensed consolidated financial statements.

NATIONAL STORAGE AFFILIATES TRUST
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(Unaudited)

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 25,014	$ 22,757
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	43,757	36,483
Amortization of debt issuance costs	1,219	1,059
Amortization of debt discount and premium, net	(744)	(791)
Gain on sale of self storage properties	(391)	(5,637)
Equity-based compensation expense	1,786	1,923
Equity in (earnings) losses of unconsolidated real estate venture	(48)	1,550
Distributions from unconsolidated real estate venture	2,806	2,417
Change in assets and liabilities, net of effects of self storage property acquisitions:		
Other assets	(916)	(3,312)
Accounts payable and accrued liabilities	1,863	(649)
Deferred revenue	(61)	(256)
Net Cash Provided by Operating Activities	74,285	55,544
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of self storage properties	(162,322)	(86,945)
Capital expenditures	(10,126)	(7,085)
Investments in and advances to unconsolidated real estate venture	(2,390)	(12,647)
Distributions from unconsolidated real estate venture	—	250
Deposits and advances for self storage property and other acquisitions	(18,286)	(565)
Expenditures for corporate furniture, equipment and other	(81)	(157)
Proceeds from sale of self storage properties	5,259	15,342
Net Cash Used In Investing Activities	(187,946)	(91,807)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of subordinated performance units	—	7,000
Borrowings under debt financings	438,500	310,500
Receipts for OP unit subscriptions	606	567
Principal payments under debt financings	(252,417)	(218,762)
Payment of dividends to common shareholders	(28,754)	(22,073)
Distributions to preferred shareholders	(5,175)	—
Distributions to noncontrolling interests	(29,918)	(26,866)
Debt issuance costs	(1,829)	(1,346)
Equity offering costs	(231)	(549)
Net Cash Provided By Financing Activities	120,782	48,471
Increase in Cash, Cash Equivalents and Restricted Cash	7,121	12,208
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of period	16,407	15,337
End of period	$ 23,528	$ 27,545

	2018	2017
Supplemental Cash Flow Information		
Cash paid for interest	$ 18,981	$ 15,061

See notes to condensed consolidated financial statements.

1. ORGANIZATION AND NATURE OF OPERATIONS

National Storage Affiliates Trust was organized in the state of Maryland on May 16, 2013 and is a fully integrated, self-administered and self-managed real estate investment trust focused on the self storage sector. As used herein, "NSA," the "Company," "we," "our," and "us" refers to National Storage Affiliates Trust and its consolidated subsidiaries, except where the context indicates otherwise. The Company has elected and believes it has qualified as a real estate investment trust ("REIT") for U.S. federal income tax purposes commencing with its taxable year ending December 31, 2015.

Through its controlling interest as the sole general partner of NSA OP, LP (its "operating partnership"), a Delaware limited partnership formed on February 13, 2013, the Company is focused on the ownership, operation, and acquisition of self storage properties located within the top 100 metropolitan statistical areas in the United States. Pursuant to the Agreement of Limited Partnership (as amended, the "LP Agreement") of its operating partnership, the Company's operating partnership is authorized to issue preferred units, Class A Units ("OP units"), different series of Class B Units ("subordinated performance units"), and Long-Term Incentive Plan Units ("LTIP units"). The Company also owns certain of its self storage properties through other consolidated limited partnership subsidiaries of its operating partnership, which the Company refers to as "DownREIT partnerships." The DownREIT partnerships issue equity ownership interests that are intended to be economically equivalent to the Company's OP units ("DownREIT OP units") and subordinated performance units ("DownREIT subordinated performance units").

The Company owned 479 consolidated self storage properties in 26 states with approximately 29.0 million rentable square feet in approximately 230,000 storage units as of June 30, 2018. These properties are managed with local operational focus and expertise by the Company and its participating regional operators ("PROs"). These PROs are SecurCare Self Storage, Inc. and its controlled affiliates ("SecurCare"), Kevin Howard Real Estate Inc., d/b/a Northwest Self Storage and its controlled affiliates ("Northwest"), Optivest Properties LLC and its controlled affiliates ("Optivest"), Guardian Storage Centers LLC and its controlled affiliates ("Guardian"), Move It Self Storage and its controlled affiliates ("Move It"), Arizona Mini Storage Management Company d/b/a Storage Solutions and its controlled affiliates ("Storage Solutions"), Hide-Away Storage Services, Inc. and its controlled affiliates ("Hide-Away") and an affiliate of Shader Brothers Corporation d/b/a Personal Mini Storage ("Personal Mini") of Orlando, Florida.

As of June 30, 2018, the Company also managed through its iStorage property management platform an additional portfolio of 72 unconsolidated properties owned by the Company's unconsolidated real estate venture (the "2016 Joint Venture"). These properties contain approximately 5.0 million rentable square feet, configured in approximately 40,000 storage units and located across 13 states. The Company owns a 25% equity interest in the 2016 Joint Venture.

As of June 30, 2018, in total, the Company operated and held ownership interests in 551 self storage properties located across 29 states with approximately 34.0 million rentable square feet in approximately 270,000 storage units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("GAAP") and have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Accordingly, certain information and footnote disclosures required by GAAP for complete financial statements have been condensed or omitted in accordance with such rules and regulations. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the condensed consolidated financial statements have been included. The Company's results of operations for the quarterly period ended June 30, 2018 are not necessarily indicative of the results to be expected for the full year or any other future period.

Principles of Consolidation

The Company's financial statements include the accounts of its operating partnership and its controlled subsidiaries. All significant intercompany balances and transactions have been eliminated in the consolidation of entities.

When the Company obtains an economic interest in an entity, the Company evaluates the entity to determine if the entity is deemed a variable interest entity ("VIE"), and if the Company is deemed to be the primary beneficiary, in accordance with authoritative guidance issued on the consolidation of VIEs. When an entity is not deemed to be a VIE, the Company considers the provisions of additional guidance to determine whether the general partner controls a limited partnership or similar entity when the limited partners have certain rights. The Company consolidates all entities that are VIEs and of which the Company is deemed to be the primary beneficiary. The Company has determined that its operating partnership is a VIE. The sole significant asset of National Storage Affiliates Trust is its investment in its operating partnership, and consequently, substantially all of the Company's assets and liabilities represent those assets and liabilities of its operating partnership.

As of June 30, 2018 and December 31, 2017, the Company's operating partnership was the primary beneficiary of, and therefore consolidated, 21 DownREIT partnerships that are considered VIEs, which owned 34 self storage properties. The net book value of the real estate owned by these VIEs was $244.1 million and $248.0 million as of June 30, 2018 and December 31, 2017, respectively. For the DownREIT partnerships which are subject to fixed rate mortgages payable, the carrying value of such fixed rate mortgages payable held by these VIEs was $139.4 million and $140.3 million as of June 30, 2018 and December 31, 2017, respectively. The creditors of the consolidated VIEs do not have recourse to the Company's general credit.

Revenue Recognition

Rental revenue

Rental revenue consists of space rentals and related fees. Management has determined that all of the Company's leases are operating leases. Substantially all leases may be terminated on a month-to-month basis and rental income is recognized ratably over the lease term using the straight-line method. Rents received in advance are deferred and recognized on a straight-line basis over the related lease term associated with the prepayment. Promotional discounts and other incentives are recognized as a reduction to rental income over the applicable lease term.

Other property-related revenue

Other property-related revenue consists of ancillary revenues such as tenant insurance and/or tenant warranty protection-related access fees and sales of storage supplies which are recognized in the period earned.

The Company and certain of the Company's PROs have tenant insurance- and/or tenant warranty protection plan-related arrangements with insurance companies and the Company's tenants. During the three months ended June 30, 2018 and 2017, the Company recognized $1.8 million and $1.4 million, respectively, of tenant insurance and tenant warranty protection plan revenues and during the six months ended June 30, 2018 and 2017, the Company recognized $3.5 million and $2.8 million, respectively, of tenant insurance and tenant warranty protection plan revenues.

The Company sells boxes, packing supplies, locks and other retail merchandise at its properties. During the three months ended June 30, 2018 and 2017, the Company recognized retail sales of $0.4 million and $0.3 million, respectively, and during the six months ended June 30, 2018 and 2017, the Company recognized retail sales of $0.8 million and $0.6 million, respectively.

Management fees and other revenue

Management fees and other revenue consist of property management fees, call center fees, platform fees, acquisition fees, and a portion of tenant warranty protection proceeds that the Company earns for managing and operating its 2016 Joint Venture.

The property management fees are equal to 6% of monthly gross revenues and net sales revenues from the 2016 Joint Venture assets, the call center fees are equal to 1% of monthly gross revenues and net sales revenues from the 2016 Joint Venture assets, and the platform fees are equal to $1,250 per month per 2016 Joint Venture property. The Company provides supervisory and administrative property management services, centralized call center services, and technology platform and revenue management services to the 2016 Joint Venture properties. During the three months ended June 30, 2018 and 2017, the Company recognized property management fees, call center fees and platform fees of $1.4 million and $1.2 million, respectively, and during the six months ended June 30, 2018 and 2017, the Company recognized property management fees, call center fees and platform fees of $2.7 million and $2.3 million, respectively.

For acquisition fees, the Company provides sourcing, underwriting and administration services to the 2016 Joint Venture. The 2016 Joint Venture paid the Company a $4.1 million acquisition fee equal to 0.65% of the gross capitalization (including debt and equity) of the original 66-property 2016 Joint Venture portfolio (the "Initial JV Portfolio") in 2016, at the time of the Initial JV Portfolio acquisition. This fee may be refundable to the 2016 Joint Venture, on a prorated basis, if the Company is removed as the 2016 Joint Venture managing member during the initial four year life of the 2016 Joint Venture and as such, the Company's performance obligation for this acquisition fee is satisfied over this period. As of June 30, 2018 and December 31, 2017, the Company had deferred revenue related to the Initial JV Portfolio acquisition fee of $2.3 million and $2.8 million, respectively. The Company also earns acquisition fees for properties acquired by the 2016 Joint Venture subsequent to the Initial JV Portfolio. These fees are based on a percentage of the gross capitalization of the acquired assets determined by the 2016 Joint Venture members, and are generally earned when the 2016 Joint Venture obtains title and control of the acquired property. During the three months ended June 30, 2018 and 2017, the Company recognized acquisition fees of $0.3 million and $0.6 million, respectively, and during the six months ended June 30, 2018 and 2017, the Company recognized acquisition fees of $0.6 million and $0.9 million, respectively.

An affiliate of the Company provides tenant warranty protection to tenants at the 2016 Joint Venture properties in exchange for 50% of all proceeds from the tenant warranty protection program at each 2016 Joint Venture property. During the three months ended June 30, 2018 and 2017, the Company recognized $0.5 million and $0.5 million, respectively, of revenue related to these activities and during the six months ended June 30, 2018 and 2017, the Company recognized $1.0 million and $1.0 million, respectively, of revenue related to these activities.

Gain on sale of self storage properties

The Company recognizes gains from disposition of facilities only upon closing in accordance with the guidance on sales of nonfinancial assets. Profit on real estate sold is recognized upon closing when all, or substantially all, of the promised consideration has been received and is nonrefundable and the Company has transferred control of the facilities to the purchaser.

Investments in Unconsolidated Real Estate Venture

The Company’s investment in its unconsolidated real estate venture is recorded under the equity method of accounting in the accompanying condensed consolidated financial statements. Under the equity method, the Company’s investment in unconsolidated real estate venture is stated at cost and adjusted for the Company’s share of net earnings or losses and reduced by distributions. Equity in earnings (losses) is recognized based on the Company’s ownership interest in the earnings (losses) of the unconsolidated real estate venture. The Company follows the "nature of the distribution approach" for classification of distributions from its unconsolidated real estate venture in its condensed consolidated statements of cash flows. Under this approach, distributions are reported on the basis of the nature of the activity or activities that generated the distributions as either a return on investment, which are classified as operating cash flows, or a return of investment (e.g., proceeds from the unconsolidated real estate venture’s sale of assets) which are reported as investing cash flows.

Noncontrolling Interests

All of the limited partner equity interests in the operating partnership not held by the Company are reflected as noncontrolling interests. Noncontrolling interests also include ownership interests in DownREIT partnerships held by entities other than the operating partnership or its subsidiaries. In the condensed consolidated statements of operations, the Company allocates net income (loss) attributable to noncontrolling interests to arrive at net income (loss) attributable to National Storage Affiliates Trust.

For transactions that result in changes to the Company's ownership interest in its operating partnership, the carrying amount of noncontrolling interests is adjusted to reflect such changes. The difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is reflected as an adjustment to additional paid-in capital on the condensed consolidated balance sheets.

Allocation of Net Income (Loss)

The distribution rights and priorities set forth in the operating partnership's LP Agreement differ from what is reflected by the underlying percentage ownership interests of the unitholders. Accordingly, the Company allocates GAAP income (loss) utilizing the hypothetical liquidation at book value ("HLBV") method, in which the Company allocates income or loss based on the change in each unitholders' claim on the net assets of its operating partnership at period end after adjusting for any distributions or contributions made during such period. The HLBV method is commonly applied to equity investments where cash distribution percentages vary at different points in time and are not directly linked to an equity holder's ownership percentage.

The HLBV method is a balance sheet-focused approach to income (loss) allocation. A calculation is prepared at each balance sheet date to determine the amount that unitholders would receive if the operating partnership were to liquidate all of its assets (at GAAP net book value) and distribute the resulting proceeds to its creditors and unitholders based on the contractually defined liquidation priorities. The difference between the calculated liquidation distribution amounts at the beginning and the end of the reporting period, after adjusting for capital contributions and distributions, is used to derive each unitholder's share of the income (loss) for the period. Due to the stated liquidation priorities and because the HLBV method incorporates non-cash items such as depreciation expense, in any given period, income or loss may be allocated disproportionately to unitholders as compared to their respective ownership percentage in the operating partnership, and net income (loss) attributable to National Storage Affiliates Trust could be more or less net income than actual cash distributions received and more or less income or loss than what may be received in the event of an actual liquidation. Additionally, the HLBV method could result in net income (or net loss) attributable to National Storage Affiliates Trust during a period when the Company reports consolidated net loss (or net income), or net income (or net loss) attributable to National Storage Affiliates Trust in excess of the Company's consolidated net income (or net loss). The computations of basic and diluted earnings (loss) per share may be materially affected by these disproportionate income (loss) allocations, resulting in volatile fluctuations of basic and diluted earnings (loss) per share.

Other Comprehensive Income (Loss)

The Company has cash flow hedge derivative instruments that are measured at fair value with unrealized gains or losses recognized in other comprehensive income (loss) with a corresponding adjustment to accumulated other comprehensive income within equity, as discussed further in Note 12. Under the HLBV method of allocating income (loss) discussed above, a calculation is prepared at each balance sheet date by applying the HLBV method including, and excluding, the assets and liabilities resulting from the Company's cash flow hedge derivative instruments to determine comprehensive income (loss) attributable to National Storage Affiliates Trust. As a result of the distribution rights and priorities set forth in the operating partnership's LP Agreement, in any given period, other comprehensive income (loss) may be allocated disproportionately to unitholders as compared to their respective ownership percentage in the operating partnership and as compared to their respective allocation of net income (loss).

Restricted Cash

The Company's restricted cash consists of escrowed funds deposited with financial institutions for real estate taxes, insurance and other reserves for capital improvements in accordance with the Company's loan agreements and like-kind exchange proceeds.

Assets held for sale

The Company classifies properties as held for sale when certain criteria are met. At such time, the properties, including significant assets and liabilities that are expected to be transferred as part of a sale transaction, are presented separately on the condensed consolidated balance sheet at the lower of carrying value or estimated fair value less costs to sell and depreciation is no longer recognized. As of December 31, 2017 the Company had one self storage property classified as held for sale. The results of operations for the self storage property classified as held for sale are reflected within income from operations in the Company's condensed consolidated statements of operations.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The Company adopted ASU 2014-09 effective January 1, 2018, and concluded that its adoption of ASU 2014-09 had no material effect on its condensed consolidated financial statements as most of the Company's revenue is derived from lease contracts, which are excluded from the scope of the new guidance. For the Company’s other property-related revenue and management fees and other revenue subject to the new guidance, the Company performed an evaluation which included identifying its performance obligations and when such performance obligations are satisfied. Based on this evaluation, the Company determined that there was no material change in the timing or pattern of recognition of revenue for these activities as compared to the application of previous revenue recognition guidance.

In February 2016, the FASB issued ASU 2016-02, Leases, which amends the existing guidance for accounting for leases, including requiring lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases and lessees to recognize most leases on-balance sheet as lease liabilities with corresponding right-of-use assets. ASU 2016-02 initially required a modified retrospective approach, with entities applying the new guidance at the beginning of the earliest period presented in the financial statements in which they first apply the new standard, with certain elective transition relief. In July 2018, the FASB issued ASU 2018-11, Leases - Targeted Improvements, which allows entities the option to apply the new standard at adoption date with a cumulative-effect adjustment in the period of adoption. The Company will adopt ASU 2016-02 and ASU 2018-11 effective January 1, 2019. The Company is evaluating the effect that ASU 2016-02 and ASU 2018-11 will have on its operating leases, condensed consolidated financial statements and related disclosures. The Company expects ASU 2016-02 and ASU 2018-11 to primarily impact its accounting for its non-cancelable leasehold interest agreements in which it is the lessee.

3. NONCONTROLLING INTERESTS

Noncontrolling Interests

All of the limited partner equity interests in the Company's operating partnership not held by the Company are reflected as noncontrolling interests. Noncontrolling interests also include ownership interests in DownREIT partnerships held by entities other than the Company's operating partnership. NSA is the general partner of its operating partnership and is authorized to cause its operating partnership to issue additional partner interests, including OP units and subordinated performance units, at such prices and on such other terms as it determines in its sole discretion.

As of June 30, 2018 and December 31, 2017, units reflecting noncontrolling interests consisted of the following:

	June 30, 2018	December 31, 2017
Series A-1 preferred units	316,103	—
OP units	28,961,458	26,719,607
Subordinated performance units	10,663,892	11,604,738
LTIP units	940,597	771,396
DownREIT units		
DownREIT OP units	1,834,786	1,834,786
DownREIT subordinated performance units	4,386,999	4,386,999
Total	47,103,835	45,317,526

Series A-1 Preferred Units

The 6.000% Series A-1 Cumulative Redeemable Preferred Units ("Series A-1 preferred units") rank senior to OP units and subordinated performance units in the Company's operating partnership with respect to distributions and liquidation. The Series A-1 preferred units have a stated value of $25.00 per unit and receive distributions at an annual rate of 6.000%. These distributions are cumulative. The Series A-1 preferred units are redeemable at the option of the holder after the first anniversary of the date of issuance, which redemption obligations may be satisfied at the Company’s option in cash in an amount equal to the market value of an equivalent number of the Company's 6.000% Series A cumulative redeemable preferred shares of beneficial interest ("Series A preferred shares") or the issuance of Series A preferred shares on a one-for-one basis, subject to adjustments. The increase in Series A-1 preferred units outstanding from December 31, 2017 to June 30, 2018 was due to the issuance of Series A-1 preferred units in connection with the acquisition of self storage properties during the first quarter of 2018.

OP Units and DownREIT OP units

OP units in the Company's operating partnership are redeemable for cash or, at the Company's option, exchangeable for the Company's common shares of beneficial interest, $0.01 par value per share ("common shares") on a one-for-one basis, and DownREIT OP units are redeemable for cash or, at the Company's option, exchangeable for OP units in its operating partnership on a one-for-one basis, subject to certain adjustments in each case. The OP unitholders are generally not entitled to elect redemption until one year after the issuance of the OP units. The holders of DownREIT OP units are generally not entitled to elect redemption until five years after the date of the contributor's initial contribution.

The increase in OP Units outstanding from December 31, 2017 to June 30, 2018 was due to the issuance of 2,024,170 OP units related to the voluntary conversions of 997,074 subordinated performance units (as discussed further below) and the issuance of 464,263 OP units in connection with the acquisition of self storage properties, partially offset by the redemption of 246,582 OP units for common shares.

Subordinated Performance Units and DownREIT Subordinated Performance Units

Subordinated performance units may also, under certain circumstances, be convertible into OP units which are exchangeable for common shares as described above, and DownREIT subordinated performance units may, under certain circumstances, be exchangeable for subordinated performance units on a one-for-one basis. Subordinated performance units are only convertible into OP units after a two year lock-out period and then generally (i) at the holder's election only upon the achievement of certain performance thresholds relating to the properties to which such subordinated performance units relate or (ii) at the Company's election upon a retirement event of a PRO that holds such subordinated performance units or upon certain qualifying terminations. The holders of DownREIT subordinated performance units are generally not entitled to elect redemption until at least five years after the date of the contributor's initial contribution.

Following such lock-out period, a holder of subordinated performance units in the Company's operating partnership may elect a voluntary conversion one time each year prior to December 1st to convert a pre-determined portion of such subordinated performance units into OP units in the Company's operating partnership, with such conversion effective January 1st of the following year, with each subordinated performance unit being converted into the number of OP units determined by dividing the average cash available for distribution, or CAD, per unit on the series of specific subordinated performance units over the one-year period prior to conversion by 110% of the CAD per unit on the OP units determined over the same period. CAD per unit on the series of specific subordinated performance units and OP units is determined by the Company based generally upon the application of the provisions of the LP Agreement applicable to the distributions of operating cash flow and capital transactions proceeds.

The decrease in subordinated performance units outstanding from December 31, 2017 to June 30, 2018 was due to the voluntary conversion of 997,074 subordinated performance units into 2,024,170 OP units partially offset by the issuance of 56,228 subordinated performance units for co-investment by certain of the Company's PROs in connection with the acquisition of self storage properties.

LTIP Units

LTIP units are a special class of partnership interest in the Company's operating partnership that allow the holder to participate in the ordinary and liquidating distributions received by holders of the OP units (subject to the achievement of specified levels of profitability by the Company's operating partnership or the achievement of certain events). LTIP units may also, under certain circumstances, be convertible into OP units on a one-for-one basis, which are then exchangeable for common shares as described above.

The increase in LTIP units outstanding from December 31, 2017 to June 30, 2018 was due to the issuance of compensatory LTIP units to employees and trustees.

4. SELF STORAGE PROPERTIES

Self storage properties are summarized as follows (dollars in thousands):

	June 30, 2018	December 31, 2017
Land	$ 559,182	$ 528,304
Buildings and improvements	1,910,322	1,741,459
Furniture and equipment	5,713	5,470
Total 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

Depreciation expense related to self storage properties amounted to $18.9 million and $14.3 million during the three months ended June 30, 2018 and 2017, respectively, and $36.9 million and $28.4 million during the six months ended June 30, 2018 and 2017, respectively.

5. INVESTMENT IN UNCONSOLIDATED REAL ESTATE VENTURE

As of June 30, 2018, the Company's 2016 Joint Venture owned and operated a portfolio of 72 properties containing approximately 5.0 million rentable square feet, configured in approximately 40,000 storage units and located across 13 states. The 2016 Joint Venture acquired one self storage property for $9.5 million during the six months ended June 30, 2018. The 2016 Joint Venture financed the self storage property acquisition with capital contributions from the 2016 Joint Venture members, of which the Company contributed $2.4 million for its 25% proportionate share.

The following table presents the condensed financial position of the 2016 Joint Venture as of June 30, 2018 and December 31, 2017 (in thousands):

	June 30, 2018	December 31, 2017
ASSETS		
Self storage properties, net	$ 655,989	$ 655,973
Other assets	8,217	8,397
Total assets	$ 664,206	$ 664,370
LIABILITIES AND EQUITY		
Debt financing	$ 317,522	$ 317,359
Other liabilities	5,916	4,855
Equity	340,768	342,156
Total liabilities and equity	$ 664,206	$ 664,370

The following table presents the condensed operating information of the 2016 Joint Venture for the three and six months ended June 30, 2018 and 2017 (in thousands):

	Three Months Ended June 30,	
	2018	2017
Total revenue	$ 15,196	$ 13,059
Property operating expenses	5,000	4,432
Net operating income	10,196	8,627
Supervisory, administrative and other expenses	(1,072)	(941)
Depreciation and amortization	(5,527)	(7,676)
Interest expense	(2,928)	(2,802)
Acquisition and other expenses	(275)	(267)
Net income (loss)	$ 394	$ (3,059)

	Six Months Ended June 30,	
	2018	2017
Total revenue	$ 30,002	$ 25,566
Property operating expenses	10,293	8,500
Net operating income	19,709	17,066
Supervisory, administrative and other expenses	(2,129)	(1,839)
Depreciation and amortization	(11,034)	(15,165)
Interest expense	(5,827)	(5,628)
Acquisition and other expenses	(537)	(633)
Net income (loss)	$ 182	$ (6,199)

6. SELF STORAGE PROPERTY ACQUISITIONS AND DISPOSITIONS

Acquisitions

The Company acquired 37 self storage properties and an expansion project at an existing property with an estimated fair value of $198.7 million during the six months ended June 30, 2018. Of these acquisitions, one self storage property and an expansion project at an existing property with an estimated fair value of $7.4 million were acquired by the Company from its PROs. The 37 self storage property acquisitions were accounted for as asset acquisitions and accordingly, $1.1 million of acquisition costs related to the acquisitions were capitalized as part of the basis of the acquired properties. The Company recognized the estimated fair value of the acquired assets and assumed liabilities on the respective dates of such acquisitions. The Company allocated the total purchase price to the estimated fair value of tangible and intangible assets acquired, and liabilities assumed. The Company allocated a portion of the purchase price to identifiable intangible assets consisting of customer in-place leases which were recorded at estimated fair value of $4.8 million, resulting in a total fair value of $193.9 million allocated to real estate.

The following table summarizes the investment in self storage property acquisitions completed by the Company during the six months ended June 30, 2018 (dollars in thousands):

Acquisitions Closed During the Three Months Ended:	Number of Properties	Summary of Investment				
		Cash and Acquisition Costs	Value of OP Equity[(1)]	Mortgages Assumed	Other Liabilities	Total
March 31, 2018	25	$ 105,135	$ 22,403	$ 7,581	$ 670	$ 135,789
June 30, 2018	12	62,470	—	—	467	62,937
Total	37	$ 167,605	$ 22,403	$ 7,581	$ 1,137	$ 198,726

(1) Value of OP equity represents the fair value of Series A-1 preferred units, OP units, subordinated performance units and LTIP units.

Dispositions

During the six months ended June 30, 2018, the Company sold to unrelated third parties two self storage properties, one of which was classified as held for sale as of December 31, 2017. The gross sales price was $5.5 million and the Company recognized $0.4 million of gains on the sales.

7. OTHER ASSETS

Other assets consist of the following (dollars in thousands):

	June 30, 2018	December 31, 2017
Customer in-place leases, net of accumulated amortization of $7,711 and $3,914, respectively	$ 5,064	$ 6,590
Receivables:		
Trade, net	2,481	2,274
PROs and other affiliates	1,245	979
Receivable from unconsolidated real estate venture	1,421	1,200
Property acquisition and other deposits	18,286	5,050
Interest rate swaps	25,856	12,414
Prepaid expenses and other	4,111	3,949
Corporate furniture, equipment and other, net	1,341	1,444
Trade name	3,200	3,200
Management contract, net of accumulated amortization of $1,210 and $856, respectively	9,411	9,765
Goodwill	5,750	5,750
Total	$ 78,166	$ 52,615

Amortization expense related to customer in-place leases amounted to $3.3 million and $3.2 million for the three months ended June 30, 2018 and 2017, respectively, and $6.3 million and $7.5 million during the six months ended June 30, 2018 and 2017, respectively. Amortization expense related to the management contract amounted to $0.2 million and $0.2 million for the three months ended June 30, 2018 and 2017, respectively, and $0.4 million and $0.4 million for the six months ended June 30, 2018 and 2017, respectively.

8. DEBT FINANCING

The Company's outstanding debt as of June 30, 2018 and December 31, 2017 is summarized as follows (dollars in thousands):

	Interest Rate(1)	June 30, 2018	December 31, 2017
Credit Facility:			
Revolving line of credit	3.49%	$ 80,125	$ 88,500
Term loan A	2.91%	235,000	235,000
Term loan B	2.94%	155,000	155,000
Term loan C	3.71%	105,000	105,000
Term loan D	3.79%	125,000	—
Term loan facility	2.95%	175,000	100,000
Fixed rate mortgages payable	4.17%	273,335	271,491
Total principal		1,148,460	954,991
Unamortized debt issuance costs and debt premium, net		1,329	3,106
Total debt		$ 1,149,789	$ 958,097

(1) Represents the effective interest rate as of June 30, 2018. Effective interest rate incorporates the stated rate plus the impact of interest rate cash flow hedges and discount and premium amortization, if applicable. For the revolving line of credit, the effective interest rate excludes fees for unused borrowings.

Credit Facility Increase

On January 29, 2018, pursuant to a full exercise by the Company's operating partnership of its remaining expansion option and a partial exercise of its Additional Expansion Option (defined below) under its credit agreement dated as of May 6, 2016, the Company's operating partnership, as borrower, certain of its subsidiaries that are party to the credit agreement, as subsidiary guarantors, and the Company entered into a third increase agreement and amendment (the "Increase Agreement") with a syndicated group of lenders to increase the total borrowing capacity under the Company's credit agreement by adding an additional tranche D term loan facility in an aggregate outstanding principal amount of $125.0 million, for a total credit agreement of over $1.0 billion consisting of the following components: (i) a $400.0 million revolving line of credit (the "Revolver"), (ii) a tranche A term loan facility (the "Term Loan A"), which provides for a total borrowing commitment of up to $235.0 million, (iii) a tranche B term loan facility (the "Term Loan B"), which provides for a total borrowing commitment of up to $155.0 million, (iv) a tranche C term loan facility (the "Term Loan C"), which provides for a total borrowing commitment of up to $105.0 million and (iv) a tranche D term loan facility (the "Term Loan D" and together with the Revolver, the Term Loan A, Term Loan B and Term Loan C, the "credit facility"), which provides for a total borrowing commitment of up to $125.0 million. The Company renewed its expansion option under the credit facility to permit an additional $300.0 million of revolving commitments and/or term loans (the "Additional Expansion Option"), which was partially exercised in the amount of $20.0 million in connection with the Term Loan D. If exercised in full, the Additional Expansion Option would provide for a total borrowing capacity under the credit facility of $1.3 billion.

The Term Loan D matures on January 29, 2023. It is not subject to any scheduled reduction or amortization payment prior to maturity. Interest rates applicable to loans under the Term Loan D are determined based on a 1, 2, 3 or 6 month LIBOR period (as elected by the Company at the beginning of any applicable interest period) plus an applicable margin, or a base rate, determined by the greatest of the Key Bank prime rate, the federal funds rate plus 0.50% or one month LIBOR plus 1.00%, plus an applicable margin. The applicable margins for the Term Loan D are leverage based and range from 1.30% to 1.85% for LIBOR loans and 0.30% to 0.85% for base rate loans; provided that after such time as the Company achieves an investment grade rating from at least two rating agencies, the Company may elect (but is not required to elect) that the Term Loan D is subject to the rating based on applicable margins ranging from 0.90% to 1.75% for LIBOR Loans and 0.00% to 0.75% for base rate loans. The Term Loan D may be prepaid at any time without penalty.

Other than the increases and amendments related to the Term Loan D and the Additional Expansion Option described above, the Increase Agreement did not impact or amend the credit facility's previously disclosed terms, including its covenants, events of default, or terms of payment. For a summary of the Company's financial covenants and additional detail regarding the Company's credit facility, term loan facility, and fixed rate mortgages payable, please see Note 8 to the Company's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission.

As of June 30, 2018, the Company had outstanding letters of credit totaling $4.7 million and would have had the capacity to borrow remaining Revolver commitments of $315.2 million while remaining in compliance with the credit facility's financial covenants. At June 30, 2018, the Company was in compliance with all such covenants.

Term Loan B Reprice

On May 31, 2018, the Company, under its credit agreement dated as of May 6, 2016, the Company's operating partnership, as borrower, and certain of its subsidiaries that are party to the credit agreement, as subsidiary guarantors, entered into a fourth amendment with a syndicated group of lenders to reduce the applicable margins for borrowings under the Term Loan B. The amended applicable margins for LIBOR loans range from 1.30% to 1.70% and for base rate loans range from 0.30% to 0.70%; provided that after such time as the Company achieves an investment grade rating from at least two rating agencies, the Company may elect (but is not required to elect) that the Term Loan B is subject to the rating based on applicable margins ranging from 0.90% to 1.75% for LIBOR Loans and 0.00% to 0.75% for base rate loans. Other than the reduction in the applicable margins for borrowings under the Term Loan B described above, the fourth amendment did not impact or amend the credit facility's previously disclosed terms, including its covenants, events of default, or terms of payment.

Term Loan Facility Increase and Reprice

On June 5, 2018, the Company's operating partnership and the Company entered into the Second Amendment (the "Second Amendment") to the Credit Agreement, dated as of June 30, 2016, by and among the Company's operating partnership, as borrower, certain of its subsidiaries that are party thereto, as subsidiary guarantors, the Company, Capital One, National Association, as administrative agent, and the other lenders party thereto. Under the Second Amendment, the Company's operating partnership, among other things, partially exercised its existing $100.0 million expansion option in an aggregate amount equal to $75.0 million, increasing the aggregate amount outstanding under the term loan facility (the "Term Loan Facility") to $175.0 million. The Company also increased the remaining expansion option by $200.0 million, for a total expansion option of $225.0 million. If the remaining expansion option is exercised in full, the total expansion option would provide for a total borrowing capacity under the Term Loan Facility in an aggregate amount of $400.0 million.

In addition, the Second Amendment reduces the applicable margin for borrowings under the Term Loan Facility. The amended applicable margins for LIBOR loans range from 1.30% to 1.70% and for base rate loans range from 0.30% to 0.70%; provided that after such time as the Company achieves an investment grade rating from at least two rating agencies, the Company may elect (but is not required to elect) that the Term Loan Facility is subject to the rating based on applicable margins ranging from 0.90% to 1.75% for LIBOR loans and 0.00% to 0.75% for base rate loans. The covenants, events of default, and terms of payment under the Term Loan Facility are otherwise unchanged.

Future Debt Obligations

Based on existing debt agreements in effect as of June 30, 2018, the scheduled principal and maturity payments for the Company's outstanding borrowings are presented in the table below (in thousands):

Year Ending December 31,	Scheduled Principal and Maturity Payments	Amortization of Premium and Unamortized Debt Issuance Costs	Total
Remainder of 2018	$ 5,197	$ (115)	$ 5,082
2019	5,128	(253)	4,875
2020	119,522	(605)	118,917
2021	242,603	(684)	241,919
2022	159,205	(308)	158,897
2023	377,049	73	377,122
Thereafter	239,756	3,221	242,977
	$ 1,148,460	$ 1,329	$ 1,149,789

9. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings (loss) per common share for the three and six months ended June 30, 2018 and 2017, (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Earnings (loss) per common share - basic and diluted				
Numerator				
Net income	$ 13,041	$ 15,576	$ 25,014	$ 22,757
Net income attributable to noncontrolling interests	(7,150)	(13,209)	(8,663)	(19,835)
Net income attributable to National Storage Affiliates Trust	5,891	2,367	16,351	2,922
Distributions to preferred shareholders	(2,587)	—	(5,175)	—
Distributed and undistributed earnings allocated to participating securities	(7)	(7)	(14)	(13)
Net income attributable to common shareholders - basic	3,297	2,360	11,162	2,909
Effect of assumed conversion of dilutive securities	—	—	8,356	—
Net income attributable to common shareholders - diluted	$ 3,297	$ 2,360	$ 19,518	$ 2,909
Denominator				
Weighted average shares outstanding - basic	50,486	44,223	50,393	43,814
Effect of dilutive securities:				
Weighted average OP units outstanding	—	—	29,060	—
Weighted average DownREIT OP unit equivalents outstanding	—	—	1,835	—
Weighted average LTIP units outstanding	—	—	323	—
Weighted average subordinated performance units and DownREIT subordinated performance unit equivalents	—	—	18,881	—
Weighted average shares outstanding - diluted	50,486	44,223	100,492	43,814
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

As discussed in Note 2, the Company allocates GAAP income (loss) utilizing the HLBV method, in which the Company allocates income or loss based on the change in each unitholders' claim on the net assets of its operating partnership at period end after adjusting for any distributions or contributions made during such period. Due to the stated liquidation priorities and because the HLBV method incorporates non-cash items such as depreciation expense, in any given period, income or loss may be allocated disproportionately to National Storage Affiliates Trust and noncontrolling interests, resulting in volatile fluctuations of basic and diluted earnings (loss) per share.

Outstanding equity interests of the operating partnership and DownREIT partnerships are considered potential common shares for purposes of calculating diluted earnings (loss) per share as the unitholders may, through the exercise of redemption rights, obtain common shares, subject to various restrictions. Basic earnings per share is calculated based on the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by further adjusting for the dilutive impact using the treasury stock method for unvested LTIP units subject to a service condition outstanding during the period and the if-converted method for any convertible securities outstanding during the period.

Generally, following certain lock-out periods, OP units in the operating partnership are redeemable for cash or, at the Company's option, exchangeable for common shares on a one-for-one basis, subject to certain adjustments and DownREIT OP units are redeemable for cash or, at the Company's option, exchangeable for OP units in the operating partnership on a one-for-one basis, subject to certain adjustments in each case.

LTIP units may also, under certain circumstances, be convertible into OP units on a one-for-one basis, which are then exchangeable for common shares as described above. Certain LTIP units vested prior to or upon the completion of the Company's initial public offering and certain LTIP units have vested upon the satisfaction of a service condition or will vest upon the satisfaction of future service and market conditions. Vested LTIP units and unvested LTIP units that vest based on a service or market condition are allocated income or loss in a similar manner as OP units. Unvested LTIP units subject to a service or market condition are evaluated for dilution using the treasury stock method. For the three and six months ended June 30, 2018, 383,712 unvested LTIP units that vest based on a service or market condition are excluded from the calculation of diluted earnings (loss) per share as they are not dilutive to earnings (loss) per share. In addition, certain LTIP units vest upon the future acquisition of properties sourced by PROs. For the three and six months ended June 30, 2018, 224,000 unvested LTIP units that vest upon the future acquisition of properties are excluded from the calculation of diluted earnings (loss) per share because the contingency for the units to vest has not been attained as of the end of the reported periods.

Subordinated performance units may also, under certain circumstances, be convertible into OP units which are exchangeable for common shares as described above, and DownREIT subordinated performance units may, under certain circumstances, be exchangeable for subordinated performance units on a one-for-one basis. Subordinated performance units are only convertible into OP units, after a two year lock-out period and then generally (i) at the holder's election only upon the achievement of certain performance thresholds relating to the properties to which such subordinated performance units relate or (ii) at the Company's election upon a retirement event of a PRO that holds such subordinated performance units or upon certain qualifying terminations. Although subordinated performance units may only be convertible after a two year lock-out period, the Company assumes a hypothetical conversion of each subordinated performance unit (including each DownREIT subordinated performance unit) into OP units (with subsequently assumed redemption into common shares) for the purposes of calculating diluted weighted average common shares. This hypothetical conversion is calculated using historical financial information, and as a result, is not necessarily indicative of the results of operations, cash flows or financial position of the Company upon expiration of the two-year lock out period on conversions.

For the three months ended June 30, 2018 and 2017, and the six months ended June 30, 2017, potential common shares totaling 50.6 million, 50.3 million and 50.2 million, respectively, related to OP units, DownREIT OP units, subordinated performance units and DownREIT subordinated performance units have been excluded from the calculation of diluted earnings (loss) per share as they are not dilutive to earnings (loss) per share.

Participating securities, which consist of unvested restricted common shares, receive dividends equal to those received by common shares. The effect of participating securities for the periods presented above is calculated using the two-class method of allocating distributed and undistributed earnings.

10. RELATED PARTY TRANSACTIONS

Supervisory and Administrative Fees

The Company has entered into asset management agreements with the PROs to provide leasing, operating, supervisory and administrative services related to the Company's self storage properties. The asset management agreements generally provide for fees ranging from 5% to 6% of gross revenue for the managed self storage properties. During the three months ended June 30, 2018 and 2017, the Company incurred $4.2 million and $3.5 million, respectively, for supervisory and administrative fees to the PROs and during the six months ended June 30, 2018 and 2017, the Company incurred $8.2 million and $6.8 million, respectively, for supervisory and administrative fees to the PROs. Such fees are included in general and administrative expenses in the accompanying condensed consolidated statements of operations.

Payroll Services

The employees responsible for operation of the self storage properties are generally employees of the PROs who charge the Company for the costs associated with the respective employees. For the three months ended June 30, 2018 and 2017, the Company incurred $7.2 million and $5.9 million, respectively, for payroll and related costs reimbursable to these PROs and for the six months ended June 30, 2018 and 2017, the Company incurred $14.5 million and $11.7 million, respectively, for payroll and related costs reimbursable to these PROs. Such costs are included in property operating expenses in the accompanying condensed consolidated statements of operations.

Due Diligence Costs

During the three months ended June 30, 2018 and 2017, the Company incurred $0.1 million and $0.2 million, respectively, of expenses payable to certain PROs related to self storage property acquisitions sourced by the PROs and during the six months ended June 30, 2018 and 2017, the Company incurred $0.3 million and $0.3 million, respectively, of expenses payable to certain PROs related to self storage property acquisitions sourced by the PROs. These expenses, which are based on the volume of transactions sourced by the PROs, are intended to reimburse the PROs for due diligence costs incurred in the sourcing and underwriting process. These due diligence costs are capitalized as part of the basis of the acquired self storage properties.

Self Storage Property Acquisitions

During the six months ended June 30, 2018, the operating partnership issued 11,490 subordinated performance units to an affiliate of Personal Mini (the Company's chairman and chief executive officer, Arlen D. Nordhagen, has a noncontrolling minority ownership interest in this affiliate of Personal Mini), for $0.3 million of co-investment related to the acquisition of a self storage property from an unrelated third party.

11. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is subject to litigation, claims, and assessments that may arise in the ordinary course of its business activities. Such matters include contractual matters, employment related issues, and regulatory proceedings. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters will not have a material adverse effect on the Company's financial position, results of operations, or liquidity.

12. FAIR VALUE MEASUREMENTS

Recurring Fair Value Measurements

The Company sometimes limits its exposure to interest rate fluctuations by entering into interest rate swap agreements. The interest rate swap agreements moderate the Company's exposure to interest rate risk by effectively converting the interest on variable rate debt to a fixed rate. The Company measures its interest rate swap derivatives at fair value on a recurring basis. The changes in the fair value of derivatives designated and that qualify as cash flow hedges are recorded in accumulated other comprehensive income (loss) and are subsequently reclassified into earnings in the period that the hedged transaction affects earnings.

Information regarding the Company's interest rate swaps measured at fair value, which are classified within Level 2 of the GAAP fair value hierarchy, is presented below (dollars in thousands):

Fair value at December 31, 2016	$	8,159
Swap ineffectiveness		6
Losses on interest rate swaps reclassified into interest expense from accumulated other comprehensive income		1,530
Unrealized losses on interest rate swaps included in accumulated other comprehensive income		(2,239)
Fair value at June 30, 2017	$	7,456

Fair value at December 31, 2017	$	12,414
Gains on interest rate swaps reclassified into interest expense from accumulated other comprehensive income		(232)
Unrealized gains on interest rate swaps included in accumulated other comprehensive income		13,655
Fair value at June 30, 2018	$	25,837

As of June 30, 2018 and December 31, 2017, the Company had outstanding interest rate swaps with aggregate notional amounts of $720.0 million and $595.0 million, respectively, designated as cash flow hedges. As of June 30, 2018, the Company's swaps had a weighted average remaining term of approximately 4.4 years. The fair value of these swaps are presented within accounts payable and accrued liabilities and other assets in the Company's balance sheets, and the Company recognizes any changes in the fair value as an adjustment of accumulated other comprehensive income (loss) within equity. If the forward rates at June 30, 2018 remain constant, the Company estimates that during the next 12 months, the Company would reclassify into earnings approximately $4.5 million of the unrealized gains included in accumulated other comprehensive income (loss). If market interest rates are above the 1.77% weighted average fixed rate under these interest rate swaps, the Company benefits from net cash payments due from its swap counterparties.

There were no transfers between levels of the three-tier fair value measurement hierarchy during the six months ended June 30, 2018 and 2017. For financial assets and liabilities that utilize Level 2 inputs, the Company utilizes both direct and indirect observable price quotes, including LIBOR yield curves. The Company uses valuation techniques for Level 2 financial assets and liabilities which include LIBOR yield curves at the reporting date as well as assessing counterparty credit risk. Counterparties to these contracts are highly rated financial institutions. Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with the Company's derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by the Company and the counterparties. As of June 30, 2018, the Company determined that the effect of credit valuation adjustments on the overall valuation of its derivative positions are not significant to the overall valuation of its derivatives. Therefore, the Company has determined that its derivative valuations are appropriately classified in Level 2 of the fair value hierarchy.

Fair Value Disclosures

The carrying values of cash and cash equivalents, restricted cash, trade receivables, and accounts payable and accrued liabilities reflected in the balance sheets at June 30, 2018 and December 31, 2017, approximate fair value due to the short term nature of these financial assets and liabilities. The carrying value of variable rate debt financing reflected in the balance sheets at June 30, 2018 and December 31, 2017 approximates fair value as the changes in their associated interest rates reflect the current market and credit risk is similar to when the loans were originally obtained.

The combined principal balance of the Company's fixed rate mortgages payable was approximately $273.3 million as of June 30, 2018 with a fair value of approximately $279.1 million (categorized within Level 2 of the fair value hierarchy). In determining the fair value, the Company estimated a weighted average market interest rate of approximately 4.39%, compared to the weighted average contractual interest rate of 4.85%. The combined principal balance of the Company's fixed rate mortgages was approximately $271.5 million as of December 31, 2017 with a fair value of approximately $282.6 million. In determining the fair value as of December 31, 2017, the Company estimated a weighted average market interest rate of approximately 4.04%, compared to the weighted average contractual interest rate of 4.87%.

13. SUBSEQUENT EVENTS

2018 Joint Venture

On July 6, 2018, a wholly owned subsidiary of the Company (the "NSA Member") entered into a limited liability company agreement (the "JV Agreement") of NSA HHF JV, LLC (the "2018 Joint Venture") with an affiliate of Heitman America Real Estate REIT LLC (the "JV Investor" and, together with the NSA Member, the "Members"). The JV Agreement contemplates that the 2018 Joint Venture will acquire from Simply Self Storage, which is a portfolio company of a private real estate fund managed by Brookfield Asset Management, two REITs that own a portfolio of self storage properties (the "Portfolio") for an aggregate purchase price of approximately $1.325 billion (the "Acquisition"). The Portfolio consists of 112 self storage properties containing approximately 8.7 million rentable square feet, configured in over 68,000 storage units and located across 17 states and Puerto Rico.

The closing of the Acquisition by the 2018 Joint Venture, which is subject to the satisfaction of a number of closing conditions, is expected during the third quarter of 2018. Following the closing, the Company expects to rebrand the majority of the Portfolio under its iStorage brand, and the Company's iStorage management platform will operate the properties.

Under the terms of the JV Agreement, the Company has committed approximately $160.8 million to the 2018 Joint Venture in exchange for a 25% ownership interest. The JV Investor has completed the arrangements for all of the co-investment capital necessary to commit approximately $482.3 million to the 2018 Joint Venture in exchange for the remaining 75% ownership interest necessary to complete the Acquisition.

These capital commitments include each Member's pro rata share of $6.0 million in estimated capital expenditures and $19.0 million in estimated transaction expenses. The Company has committed an additional $64.0 million capital contribution to the 2018 Joint Venture to acquire the six self storage properties in the Portfolio located in Puerto Rico and a single self storage property in the Portfolio located in Ohio (the "Distribution Properties"), which will be distributed by the 2018 Joint Venture to the Company immediately following the closing of the Acquisition in redemption of the interest associated with such additional capital contribution. The 105 properties from the Portfolio that will remain in the 2018 Joint Venture post-closing contain approximately 8.1 million rentable square feet configured in approximately 63,000 storage units.

As of August 6, 2018, the NSA Member had contributed $34.1 million to the 2018 Joint Venture to fund a portion of the $53.0 million non-refundable cash deposit that was made by the 2018 Joint Venture in connection with the Acquisition.

The 2018 Joint Venture has signed a non-binding term sheet with two institutional lenders to provide approximately $643.0 million in secured debt financing to the 2018 Joint Venture, which if obtained, would be used by the 2018 Joint Venture to fund the balance of the purchase price for the Acquisition. The term sheet contemplates that the interest-only financing would carry an interest rate of 4.34% per annum and have a maturity of 10 years. The debt financing would be secured by a first mortgage lien on each self storage property held by the 2018 Joint Venture, except for the Distribution Properties. Although the Company expects the 2018 Joint Venture's debt financing to be agreed 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 Acquisition will actually be arranged on the above terms or at all.

A subsidiary of the Company will act as the non-member manager of the 2018 Joint Venture (the "NSA Manager"). The NSA Manager will direct, manage and control the day-to-day operations and affairs of the 2018 Joint Venture. Certain decisions involving the business of the 2018 Joint Venture and its subsidiaries, including, among others, the approval of annual budgets, sales and acquisitions of properties, financings and certain actions relating to bankruptcy matters, require the approval of both the NSA Member and the JV Investor. The Company expects that the 2018 Joint Venture will not be consolidated in the financial statements of the Company, however, the Company does not expect to finalize its consolidation analysis until the closing of the Acquisition.

The 2018 Joint Venture will pay certain customary fees to the NSA Manager and its affiliates for managing and operating the properties, including a monthly property management fee equal to 6% of monthly gross revenues and net sales revenues from the 2018 Joint Venture assets, a monthly platform fee equal to $1,250 per property, an acquisition fee equal to $4.0 million, of which one-fourth is earned each year over the first four years of the 2018 Joint Venture, with an additional fee determined on a sliding scale for future acquisitions, and a development management fee for any development projects undertaken by the 2018 Joint Venture equal to 3% of construction costs (excluding "soft costs"). In addition, the 2018 Joint Venture will reimburse NSA Manager and its affiliates for costs associated with the integration and transfer of the properties in the Portfolio in an amount equal to $2.0 million. An affiliate of the NSA Manager will provide tenant warranty protection or tenant insurance to tenants at the 2018 Joint Venture properties in exchange for 50% of all proceeds from such tenant warranty protection or tenant insurance program at each 2018 Joint Venture property.

Common Share Offering

On July 13, 2018, the Company closed a follow-on offering of 5,900,000 of its common shares at an offering price of $29.86 per share. The Company received aggregate net proceeds from the offering of approximately $175.7 million after deducting estimated expenses associated with the offering. The Company used the net proceeds from the offering to repay all borrowings outstanding under its Revolver, and the Company expects to use the remaining net proceeds from the offering, together with amounts it expects to redraw from its Revolver, to make capital contributions to the 2018 Joint Venture.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

We make forward-looking statements in this report that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. When we use the words "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "may," or similar expressions, we intend to identify forward-looking statements.

The forward-looking statements contained in this report reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions, and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement.

Statements regarding the following subjects, among others, may be forward-looking:

- *market trends in our industry, interest rates, the debt and lending markets or the general economy;*
- *our business and investment strategy;*
- *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 acquisition;*
- *our relationships with, and our ability and timing to attract additional, PROs;*
- *our ability to effectively align the interests of our PROs with us and our shareholders;*
- *the integration of our PROs and their managed portfolios into the Company, including into our financial and operational reporting infrastructure and internal control framework;*
- *our operating performance and projected operating results, including our ability to achieve market rents and occupancy levels, reduce operating expenditures and increase the sale of ancillary products and services;*
- *our ability to access additional off-market acquisitions;*
- *actions and initiatives of the U.S. federal, state and local government and changes to U.S. federal, state and local government policies and the execution and impact of these actions, initiatives and policies;*
- *the state of the U.S. economy generally or in specific geographic regions, states or municipalities;*
- *economic trends and economic recoveries;*
- *our ability to obtain and maintain financing arrangements on favorable terms;*
- *general volatility of the securities markets in which we participate;*
- *changes in the value of our assets;*
- *projected capital expenditures;*
- *the impact of technology on our products, operations, and business;*
- *the implementation of our technology and best practices programs (including our ability to effectively implement our integrated Internet marketing strategy);*
- *changes in interest rates and the degree to which our hedging strategies may or may not protect us from interest rate volatility;*
- *impact of and changes in governmental regulations, tax law and rates, accounting guidance and similar matters;*
- *our ability to continue to qualify and maintain our qualification as a REIT for U.S. federal income tax purposes;*

- *availability of qualified personnel;*
- *the timing of conversions of subordinated performance units in our operating partnership and subsidiaries of our operating partnership into OP units in our operating partnership, the conversion ratio in effect at such time and the impact of such convertibility on our diluted earnings (loss) per share;*
- *the risks of investing through joint ventures, including whether the anticipated benefits from a joint venture are realized or may take longer to realize than expected;*
- *estimates relating to our ability to make distributions to our shareholders in the future; and*
- *our understanding of our competition.*

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. Forward-looking statements are not predictions of future events. These beliefs, assumptions, and expectations can change as a result of many possible events or factors, not all of which are known to us. Readers should carefully review our financial statements and the notes thereto, as well as the sections entitled "Business," "Risk Factors," "Properties," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," described in the Company's Annual Report on Form 10-K filed with the SEC on February 27, 2018 (the "Annual Report"), and the other documents we file from time to time with the Securities and Exchange Commission. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

National Storage Affiliates Trust is a fully integrated, self-administered and self-managed real estate investment trust organized in the state of Maryland on May 16, 2013. We have elected and believe we have qualified to be taxed as a REIT commencing with our taxable year ended December 31, 2015. We serve as the sole general partner of our operating partnership, a Delaware limited partnership formed on February 13, 2013 to conduct our business, which is focused on the ownership, operation, and acquisition of self storage properties located within the top 100 metropolitan statistical areas throughout the United States.

Our chairman and chief executive officer, Arlen D. Nordhagen, co-founded SecurCare Self Storage, Inc. in 1988 to invest in and manage self storage properties. While growing SecurCare to over 150 self storage properties, Mr. Nordhagen recognized a market opportunity for a differentiated public self storage REIT that would leverage the benefits of national scale by integrating multiple experienced regional self storage operators with local operational focus and expertise. We believe that his vision, which is the foundation of the Company, aligns the interests of our participating regional operators ("PROs"), with those of our public shareholders by allowing our PROs to participate alongside our shareholders in our financial performance and the performance of our PROs' managed portfolios. This structure offers our PROs a unique opportunity to serve as regional property managers for their managed portfolios and directly participate in the potential upside of those properties while simultaneously diversifying their investment to include a broader portfolio of self storage properties.

Our Structure

Our structure promotes operator accountability as subordinated performance units issued to our PROs in exchange for the contribution of their properties are entitled to distributions only after those properties satisfy minimum performance thresholds. In the event of a material reduction in operating cash flow, distributions on our subordinated performance units will be reduced before or disproportionately to distributions on our common shares held by our common shareholders. In addition, we expect our PROs will generally co-invest subordinated equity in the form of subordinated performance units in each acquisition that they source, and the value of these subordinated performance units will fluctuate with the performance of their managed portfolios. Therefore, our PROs are incentivized to select acquisitions that are expected to exceed minimum performance thresholds, thereby increasing the value of their subordinated equity stake. We expect that our shareholders will benefit from the higher levels of property performance that our PROs are incentivized to deliver.

Our PROs

The Company had eight PROs as of June 30, 2018: SecurCare, Northwest, Optivest, Guardian, Move It, Storage Solutions, Hide Away and Personal Mini. We seek to further expand our platform by continuing to recruit additional established self storage operators, while integrating our operations through the implementation of centralized initiatives, including management information systems, revenue enhancement, and cost optimization programs. Our national platform allows us to capture cost savings by eliminating redundancies and utilizing economies of scale across the property management platforms of our PROs while also providing greater access to lower-cost capital.

Our Consolidated Properties

We seek to own properties that are well located in high quality sub-markets with highly accessible street access and attractive supply and demand characteristics, providing our properties with strong and stable cash flows that are less sensitive to the fluctuations of the general economy. Many of these markets have multiple barriers to entry against increased supply, including zoning restrictions against new construction and new construction costs that we believe are higher than our properties' fair market value.

As of June 30, 2018, we owned a geographically diversified portfolio of 479 self storage properties, located in 26 states, comprising approximately 29.0 million rentable square feet, configured in approximately 230,000 storage units. Of these properties, 244 were acquired by us from our PROs and 235 were acquired by us from third-party sellers.

During the six months ended June 30, 2018, we acquired 37 self storage properties and an expansion project at an existing property for $198.7 million, comprising approximately 1.9 million rentable square feet, configured in approximately 16,500 storage units. Of these acquisitions, one was acquired by us from a PRO and 36 were acquired by us from third-party sellers.

During the six months ended June 30, 2018, we sold to unrelated third parties two self storage properties for $5.5 million, comprising approximately 0.1 million rentable square feet, configured in approximately 1,500 storage units.

Our 2016 Joint Venture

We seek to opportunistically partner with institutional funds and other institutional investors to acquire attractive portfolios utilizing a promoted return structure. We believe there is significant opportunity for continued external growth by partnering with institutional investors seeking to deploy capital in the self storage industry.

As of June 30, 2018, our 2016 Joint Venture, in which we have a 25% ownership interest, owned and operated a portfolio of 72 properties containing approximately 5.0 million rentable square feet, configured in approximately 40,000 storage units and located across 13 states.

During the six months ended June 30, 2018, our 2016 Joint Venture acquired one self storage property for $9.5 million, comprising approximately 0.1 million rentable square feet, configured in approximately 500 storage units.

Our Property Management Platform

Through our property management platform, we direct, manage and control the day-to-day operations and affairs of certain consolidated properties and our 2016 Joint Venture. We earn certain customary fees for managing and operating the 2016 Joint Venture properties and we provide tenant warranty protection to tenants at the 2016 Joint Venture properties in exchange for half of all proceeds from the tenant warranty protection program at each 2016 Joint Venture property.

Results of Operations

When reviewing our results of operations it is important to consider the timing of acquisition activity. We acquired 37 self storage properties during the six months ended June 30, 2018 and 65 self storage properties during the year ended December 31, 2017. As a result of these and other factors, we do not believe that our historical results of operations discussed and analyzed below are comparable or necessarily indicative of our future results of operations or cash flows.

To help analyze the operating performance of our self storage properties, we also discuss and analyze operating results relating to our same store portfolio. Our same store portfolio is defined as those properties owned and operated since the first day of the earliest year presented, excluding any properties sold, expected to be sold or subject to significant changes such as expansions or casualty events which cause the portfolio's year-over-year operating results to no longer be comparable. As of June 30, 2018, our same store portfolio consisted of 376 self storage properties.

The following discussion and analysis of the results of our operations and financial condition should be read in conjunction with the accompanying condensed consolidated financial statements in Item 1. Certain figures, such as interest rates and other percentages, included in this section have been rounded for ease of presentation. Percentage figures included in this section have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this section may vary slightly from those obtained by performing the same calculations using the figures in our condensed consolidated financial statements or in the associated text. Certain other amounts that appear in this section may similarly not sum due to rounding.

Three Months Ended June 30, 2018 compared to the Three Months Ended June 30, 2017

Net income was $13.0 million for the three months ended June 30, 2018, compared to $15.6 million for the three months ended June 30, 2017, reflecting a decrease of $2.6 million. The decrease was primarily due to a decrease in gain on sale of self storage properties, increases in depreciation and amortization, interest expense and general and administrative expenses, offset by an increase in net operating income ("NOI") resulting from an additional 87 self storage properties acquired between July 1, 2017 and June 30, 2018 and same store NOI growth. For a description of NOI, see "*Non-GAAP Financial measures – NOI*".

The following table illustrates the changes in rental revenue, other property-related revenue, management fees and other revenue, property operating expenses, and other expenses for the three months ended June 30, 2018 compared to the three months ended June 30, 2017 (dollars in thousands):

	Three Months Ended June 30,		
	2018	**2017**	**Change**
Rental revenue			
Same store portfolio	$ 60,314	$ 58,202	$ 2,112
Non-same store portfolio	14,705	1,952	12,753
Total rental revenue	75,019	60,154	14,865
Other property-related revenue			
Same store portfolio	2,040	1,973	67
Non-same store portfolio	509	72	437
Total other property-related revenue	2,549	2,045	504
Property operating expenses			
Same store portfolio	19,486	19,026	460
Non-same store portfolio	5,698	777	4,921
Total property operating expenses	25,184	19,803	5,381
Net operating income			
Same store portfolio	42,868	41,149	1,719
Non-same store portfolio	9,516	1,247	8,269
Total net operating income	52,384	42,396	9,988
Management fees and other revenue	2,155	2,142	13
General and administrative expenses	(8,460)	(7,405)	(1,055)
Depreciation and amortization	(22,389)	(17,800)	(4,589)
Income from operations	23,690	19,333	4,357
Other (expense) income			
Interest expense	(10,472)	(8,160)	(2,312)
Equity in earnings (losses) of unconsolidated real estate venture	100	(765)	865
Acquisition costs	(150)	(167)	17
Non-operating expense	—	(14)	14
(Loss) gain on sale of self storage properties	(83)	5,637	(5,720)
Other expense	(10,605)	(3,469)	(7,136)
Income before income taxes	13,085	15,864	(2,779)

	Three Months Ended June 30,		
	2018	2017	Change
Income tax expense	(44)	(288)	244
Net income	13,041	15,576	(2,535)
Net income attributable to noncontrolling interests	(7,150)	(13,209)	6,059
Net income attributable to National Storage Affiliates Trust	5,891	2,367	3,524
Distributions to preferred shareholders	(2,587)	—	(2,587)
Net income attributable to common shareholders	$ 3,304	$ 2,367	$ 937

Total Revenue

Our total revenue increased by $15.4 million, or 23.9%, for the three months ended June 30, 2018, as compared to the three months ended June 30, 2017. This increase was primarily attributable to incremental revenue from 87 self storage properties acquired between July 1, 2017 and June 30, 2018 and regular rental increases for in-place tenants. Average total portfolio occupancy decreased from 89.4% for the six months ended June 30, 2017 to 88.9% for the six months ended June 30, 2018. Average occupancy is calculated based on the average of the month-end occupancy immediately preceding the period presented and the month-end occupancies included in the respective period presented.

Rental Revenue

Rental revenue increased by $14.9 million, or 24.7%, for the three months ended June 30, 2018, as compared to the three months ended June 30, 2017. The increase in rental revenue was due to a $12.8 million increase in non-same store rental revenue which was primarily attributable to incremental rental revenue of $11.2 million from 75 self storage properties acquired between July 1, 2017 and March 31, 2018, and $0.6 million from 12 self storage properties acquired during the three months ended June 30, 2018. Same store portfolio rental revenues increased $2.1 million, or 3.6%, due to a 3.1% increase, from $11.43 to $11.79, in same store rental revenue divided by average occupied square feet ("rental revenue per occupied square foot"), driven primarily by increased contractual lease rates and fees.

Other Property-Related Revenue

Other property-related revenue represents ancillary income from our self storage properties, such as tenant insurance-related access fees and commissions and sales of storage supplies. Other property-related revenue increased by $0.5 million, or 24.6%, for the three months ended June 30, 2018, as compared to the three months ended June 30, 2017. This increase primarily resulted from a $0.4 million increase in non-same store other property-related revenue which was primarily attributable to incremental other property-related revenue of $0.4 million from 75 self storage properties acquired between July 1, 2017 and March 31, 2018.

Property Operating Expenses

Property operating expenses were $25.2 million for the three months ended June 30, 2018 compared to $19.8 million for the three months ended June 30, 2017, an increase of $5.4 million, or 27.2%. This increase resulted from a $4.9 million increase in non-same store property operating expenses that was primarily attributable to incremental property operating expenses of $4.4 million from 75 self storage properties acquired between July 1, 2017 and March 31, 2018, and $0.3 million from 12 self storage properties acquired during the three months ended June 30, 2018. In addition, same store portfolio property operating expenses increased $0.5 million, or 2.4%, primarily due to increases in personnel expenses and property taxes.

General and Administrative Expenses

General and administrative expenses increased $1.1 million, or 14.2%, for the three months ended June 30, 2018, compared to the three months ended June 30, 2017. This increase was attributable to increases in supervisory and administrative fees charged by our PROs of $0.7 million primarily as a result of incremental fees related to the 87 properties we acquired from July 1, 2017 to June 30, 2018, salaries and benefits of $0.2 million and costs related to our property management platform of $0.1 million.

Depreciation and Amortization

Depreciation and amortization increased $4.6 million, or 25.8%, for the three months ended June 30, 2018, compared to the three months ended June 30, 2017. This increase was primarily attributable to incremental depreciation expense related to the self storage properties we acquired subsequent to July 1, 2017. In addition, amortization of customer in-place leases increased from $3.2 million for the three months ended June 30, 2017 to $3.3 million for the three months ended June 30, 2018.

Interest Expense

Interest expense increased $2.3 million, or 28.3%, for the three months ended June 30, 2018, compared to the three months ended June 30, 2017. The increase in interest expense was primarily attributable to higher interest rates on the Revolver, a new Term Loan D borrowing during the three months ended March 31, 2018 and a $84.9 million secured debt financing we entered into during August 2017, partially offset by lower outstanding borrowings under the Revolver for the three months ended June 30, 2018 compared to the three months ended June 30, 2017.

Equity In Earnings (Losses) Of Unconsolidated Real Estate Venture

Equity in earnings (losses) of unconsolidated real estate venture represents our share of earnings and losses earned through our 25% ownership interest in the 2016 Joint Venture. During the three months ended June 30, 2018, we recorded $0.1 million of equity in earnings from our 2016 Joint Venture compared to $0.8 million of losses for the three months ended June 30, 2017. The increase in equity in earnings was primarily the result of decreases in amortization of customer in-place leases recorded by our 2016 Joint Venture during the three months ended June 30, 2018 compared to the three months ended June 30, 2017.

(Loss) Gain On Sale of Self Storage Properties

Loss on sale of self storage properties was $0.1 million for the three months ended June 30, 2018, compared to a gain on sale of self storage properties of $5.6 million for three months ended June 30, 2017. During the three months ended June 30, 2018, we sold one self storage property to an unrelated third party for gross proceeds of $3.3 million and during the three months ended June 30, 2017 we sold two self storage properties to unrelated third parties for gross proceeds of $10.3 million.

Net Income Attributable to Noncontrolling Interests

As discussed in Note 2 in Item 1, we allocate GAAP income (loss) utilizing the HLBV method, in which we allocate income or loss based on the change in each unitholders' claim on the net assets of our operating partnership at period end after adjusting for any distributions or contributions made during such period.

Due to the stated liquidation priorities and because the HLBV method incorporates non-cash items such as depreciation expense, in any given period, income or loss may be allocated disproportionately to noncontrolling interests. Net income attributable to noncontrolling interests was $7.2 million for the three months ended June 30, 2018, compared to $13.2 million for the three months ended June 30, 2017.

Six Months Ended June 30, 2018 compared to the Six Months Ended June 30, 2017

Net income was $25.0 million for the six months ended June 30, 2018, compared to $22.8 million for the six months ended June 30, 2017, an increase of $2.2 million. The increase was primarily due to an increase in NOI resulting from an additional 87 self storage properties we acquired between July 1, 2017 and June 30, 2018, and same store NOI growth, partially offset by a decrease in gains from the sale of self storage properties and increases in depreciation and amortization, interest expense and general and administrative expenses.

The following table illustrates the changes in rental revenue, other property-related revenue, management fees and other revenue, property operating expenses, and other expenses for the six months ended June 30, 2018 compared to the six months ended June 30, 2017 (dollars in thousands):

	Six Months Ended June 30,		
	2018	2017	Change
Rental revenue			
Same store portfolio	$ 119,218	$ 114,764	$ 4,454
Non-Same store portfolio	27,812	3,234	24,578

	Six Months Ended June 30,		
	2018	2017	Change
Total rental revenue	147,030	117,998	29,032
Other property-related revenue			
Same store portfolio	4,002	3,814	188
Non-Same store portfolio	868	112	756
Total other property-related revenue	4,870	3,926	944
Property operating expenses			
Same store portfolio	39,476	38,257	1,219
Non-Same store portfolio	10,934	1,295	9,639
Total property operating expenses	50,410	39,552	10,858
Net operating income			
Same store portfolio	83,744	80,321	3,423
Non-same store portfolio	17,746	2,051	15,695
Total net operating income	101,490	82,372	19,118
Management fees and other revenue	4,316	3,980	336
General and administrative expenses	(16,766)	(14,586)	(2,180)
Depreciation and amortization	(43,757)	(36,483)	(7,274)
Income from operations	45,283	35,283	10,000
Other (expense) income			
Interest expense	(20,107)	(15,631)	(4,476)
Equity in earnings (losses) of unconsolidated real estate venture	48	(1,550)	1,598
Acquisition costs	(330)	(311)	(19)
Non-operating expense	(84)	(66)	(18)
Gain on sale of self storage properties	391	5,637	(5,246)
Other expense	(20,082)	(11,921)	(8,161)
Income before income taxes	25,201	23,362	1,839
Income tax expense	(187)	(605)	418
Net income	25,014	22,757	2,257
Net income attributable to noncontrolling interests	(8,663)	(19,835)	11,172
Net income attributable to National Storage Affiliates Trust	16,351	2,922	13,429
Distributions to preferred shareholders	(5,175)	—	(5,175)
Net income attributable to common shareholders	$ 11,176	$ 2,922	$ 8,254

Total Revenue

Our total revenue increased by $30.3 million, or 24.1%, for the six months ended June 30, 2018, as compared to the six months ended June 30, 2017. This increase was primarily attributable to incremental rental revenue from 87 self storage properties we acquired between July 1, 2017 and June 30, 2018, increased market rates and fees and regular rental increases for in-place tenants. Average total portfolio occupancy decreased from 88.9% for the six months ended June 30, 2017 to 88.1% for the six months ended June 30, 2018.

Rental Revenue

Rental revenue increased by $29.0 million, or 24.6%, for the six months ended June 30, 2018, as compared to the six months ended June 30, 2017. The increase in rental revenue was primarily due to a $24.6 million increase in non-same store rental revenue which was attributable to incremental rental revenue of $15.3 million from 50 self storage properties acquired between July 1, 2017 and December 31, 2017, and $6.7 million from 37 self storage properties acquired during the six months ended June 30, 2018. Same store portfolio rental revenues increased $4.5 million, or

3.9%, due to a 3.9% increase, from $11.33 to $11.77, in same store rental revenue per occupied square foot, driven primarily by a combination of increased contractual lease rates and fees.

Other Property-Related Revenue

Other property-related revenue represents ancillary income from our self storage properties, such as tenant insurance-related access fees and commissions and sales of storage supplies. Other property-related revenue increased by $0.9 million, or 24.0%, for the six months ended June 30, 2018, as compared to the six months ended June 30, 2017. This increase primarily resulted from a $0.8 million increase in non-same store other property-related revenue which was attributable to incremental other property-related revenue of $0.6 million from 50 self storage properties acquired between July 1, 2017 and December 31, 2017, and $0.1 million from 37 self storage properties acquired during the six months ended June 30, 2018.

Management Fees and Other Revenue

Management and other fees, which are primarily related to managing and operating the 2016 Joint Venture, were $4.3 million for the six months ended June 30, 2018, compared to $4.0 million for the six months ended June 30, 2017, an increase of $0.3 million, or 8.4%. This increase was primarily attributable to incremental fees earned from six self storage properties acquired by the 2016 Joint Venture between April 1, 2017 and June 30, 2018.

Property Operating Expenses

Property operating expenses increased $10.9 million, or 27.5%, for the six months ended June 30, 2018 compared to the six months ended June 30, 2017. This increase resulted from a $9.6 million increase in non-same store property operating expenses attributable to incremental property operating expenses of $6.3 million from 50 self storage properties acquired between July 1, 2017 and December 31, 2017, and $2.4 million from 37 self storage properties acquired during the six months ended June 30, 2018. In addition, same store portfolio property operating expenses increased $1.2 million, or 3.2%, due to increases in property taxes, advertising costs and personnel and related costs.

General and Administrative Expenses

General and administrative expenses increased $2.2 million, or 14.9%, for the six months ended June 30, 2018, compared to the six months ended June 30, 2017. This increase was attributable to increases in supervisory and administrative fees charged by our PROs of $1.4 million primarily as a result of incremental fees related to the 87 properties we acquired from July 1, 2017 to June 30, 2018, salaries and benefits of $0.4 million and costs related to our property management platform of $0.3 million.

Depreciation and Amortization

Depreciation and amortization increased $7.3 million, or 19.9%, for the six months ended June 30, 2018, compared to the six months ended June 30, 2017. This increase was primarily attributable to incremental depreciation expense related to the self storage properties we acquired subsequent to July 1, 2017. This increase was partially offset by a decrease in amortization of customer in-place leases from $7.5 million for the six months ended June 30, 2017 to $6.3 million for the six months ended June 30, 2018.

Interest Expense

Interest expense increased $4.5 million, or 28.6%, for the six months ended June 30, 2018, compared to the six months ended June 30, 2017. The increase in interest expense was primarily due to higher interest rates on the Revolver, a new term loan D borrowing, $75.0 million of additional Term Loan Facility borrowings during the six months ended June 30, 2018 and a $84.9 million secured debt financing we entered into during August 2017, partially offset by lower outstanding borrowings under the Revolver during the six months ended June 30, 2018 compared to the six months ended June 30, 2017.

Equity In Earnings (Losses) Of Unconsolidated Real Estate Venture

Equity in earnings (losses) of unconsolidated real estate venture represents our share of earnings and losses earned through our 25% ownership interest in the 2016 Joint Venture. During the six months ended June 30, 2018, we recorded less than $0.1 million of equity in earnings from our 2016 Joint Venture compared to $1.6 million of equity in losses for the six months ended June 30, 2017. This was primarily the result of decreases in amortization of customer in-place leases recorded by our 2016 Joint Venture during the six months ended June 30, 2018 compared to the six months ended June 30, 2017.

Gain On Sale of Self Storage Properties

Gain on on sale of self storage properties was $0.4 million for the six months ended June 30, 2018, compared to $5.6 million for six months ended June 30, 2017. During the six months ended June 30, 2018, we sold two self storage properties to unrelated third parties for gross proceeds of $5.5 million and during the six months ended June 30, 2017 we sold three self storage properties to unrelated third parties for gross proceeds of $15.6 million.

Net Loss Attributable to Noncontrolling Interests

As discussed in Note 2 in Item 1, we allocate GAAP income (loss) utilizing the HLBV method, in which we allocate income or loss based on the change in each unitholders' claim on the net assets of our operating partnership at period end after adjusting for any distributions or contributions made during such period.

Due to the stated liquidation priorities and because the HLBV method incorporates non-cash items such as depreciation expense, in any given period, income or loss may be allocated disproportionately to noncontrolling interests. Net income attributable to noncontrolling interests was $8.7 million for the six months ended June 30, 2018, compared to $19.8 million for the six months ended June 30, 2017.

Non-GAAP Financial Measures

FFO and Core FFO

Funds from operations, or FFO, is a widely used performance measure for real estate companies and is provided here as a supplemental measure of our operating performance. The April 2002 National Policy Bulletin of NAREIT, which we refer to as the White Paper, as amended, defines FFO as net income (loss) (as determined under GAAP), excluding gains (or losses) from sales of real estate and related impairment charges, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. We include amortization of customer in-place leases in real estate depreciation and amortization in the calculation of FFO because we believe the amortization of customer in-place leases is analogous to real estate depreciation, as the value of such intangibles is inextricably connected to the real estate acquired. Distributions declared on subordinated performance units and DownREIT subordinated performance units represent our allocation of FFO to noncontrolling interests held by subordinated performance unitholders and DownREIT subordinated performance unitholders. For purposes of calculating FFO attributable to common shareholders, OP unitholders and LTIP unitholders, we exclude distributions declared on subordinated performance units, DownREIT subordinated performance units, preferred shares and preferred units. We define Core FFO as FFO, as further adjusted to eliminate the impact of certain items that we do not consider indicative of our core operating performance. These further adjustments consist of acquisition costs, organizational and offering costs, gains on debt forgiveness, gains (losses) on early extinguishment of debt and after adjustments for unconsolidated partnerships and joint ventures.

Management uses FFO and Core FFO as key performance indicators in evaluating the operations of our properties. Given the nature of our business as a real estate owner and operator, we consider FFO and Core FFO as key supplemental measures of our operating performance that are not specifically defined by GAAP. We believe that FFO and Core FFO are useful to management and investors as a starting point in measuring our operational performance because FFO and Core FFO exclude various items included in net income (loss) that do not relate to or are not indicative of our operating performance such as gains (or losses) from sales of self storage properties and depreciation, which can make periodic and peer analyses of operating performance more difficult. Our computation of FFO and Core FFO may not be comparable to FFO reported by other REITs or real estate companies.

FFO and Core FFO should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP, such as total revenues, operating income and net income (loss). FFO and Core FFO do not represent cash generated from operating activities determined in accordance with GAAP and are not a measure of liquidity or an indicator of our ability to make cash distributions. We believe that to further understand our performance, FFO and Core FFO should be compared with our reported net income (loss) and considered in addition to cash flows computed in accordance with GAAP, as presented in our condensed consolidated financial statements.

The following table presents a reconciliation of net income (loss) to FFO and Core FFO for the three and six months ended June 30, 2018 and 2017 (in thousands, except per share and unit amounts):

	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 (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 our 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[1] in the following table 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.

The following table presents a reconciliation of earnings (loss) per share - diluted to FFO and Core FFO per share and unit for the three and six months ended June 30, 2018 and 2017:

	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[(1)]	(0.03)	(0.02)	0.05	(0.02)
Impact of GAAP accounting for noncontrolling interests, two-class method and treasury stock method[(2)]	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 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**

(1) Adjustment accounts for the difference between the weighted average number of shares used to calculate diluted earnings per share and the weighted average number of shares used to calculate FFO and Core FFO per share and unit. Diluted earnings per share is calculated using the two-class method for the company's restricted common shares and the treasury stock method for certain unvested LTIP units, and assumes the conversion of vested LTIP units into OP units on a one-for-one basis and the hypothetical conversion of subordinated performance units, and DownREIT subordinated performance units into OP units, even though such units may only be convertible into OP units (i) after a lock-out period and (ii) upon certain events or conditions. For additional information about the conversion of subordinated performance units, DownREIT subordinated performance units and LTIP units into OP units, see Note 9 in Item 1. The computation of weighted average shares and units for FFO and Core FFO per share and unit includes all restricted common shares and LTIP units that participate in distributions and excludes all subordinated performance units and DownREIT subordinated performance units because their effect has been accounted for through the allocation of FFO to the related unitholders based on distributions declared.

(2) Represents the effect of adjusting the numerator to consolidated net income (loss) prior to GAAP allocations for noncontrolling interests, after deducting preferred share and unit distributions, and before the application of the two-class method and treasury stock method, as described in footnote[(1)].

NOI

We define NOI as net income (loss), as determined under GAAP, plus general and administrative expenses, depreciation and amortization, interest expense, loss on early extinguishment of debt, equity in earnings (losses) of unconsolidated real estate ventures, acquisition costs, organizational and offering expenses, income tax expense, impairment of long-lived assets, losses on the sale of properties and non-operating expense and by subtracting management fees and other revenue, gains on sale of properties, debt forgiveness, and non-operating income. NOI is not a measure of performance calculated in accordance with GAAP.

We believe NOI is useful to investors in evaluating our operating performance because:

- NOI is one of the primary measures used by our management and our PROs to evaluate the economic productivity of our properties, including our ability to lease our properties, increase pricing and occupancy and control our property operating expenses;
- NOI is widely used in the real estate industry and the self storage industry to measure the performance and value of real estate assets without regard to various items included in net income that do not relate to or are not indicative of operating performance, such as depreciation and amortization, which can vary depending upon accounting methods, the book value of assets, and the impact of our capital structure; and

- We believe NOI helps our investors to meaningfully compare the results of our operating performance from period to period by removing the impact of our capital structure (primarily interest expense on our outstanding indebtedness) and depreciation of the cost basis of our assets from our operating results.

There are material limitations to using a non-GAAP measure such as NOI, including the difficulty associated with comparing results among more than one company and the inability to analyze certain significant items, including depreciation and interest expense, that directly affect our net income (loss). We compensate for these limitations by considering the economic effect of the excluded expense items independently as well as in connection with our analysis of net income (loss). NOI should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP, such as total revenues, income from operations and net loss.

The following table presents a reconciliation of net income (loss) to NOI for the three and six months ended June 30, 2018 and 2017 (dollars in thousands):

	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**

Our consolidated NOI shown in the table above does not include our proportionate share of the 2016 Joint Venture's net operating income. For additional information about our 2016 Joint Venture see Note 5 to the condensed consolidated financial statements in Item 1.

EBITDA and Adjusted EBITDA

We define EBITDA as net income (loss), as determined under GAAP, plus interest expense, loss on early extinguishment of debt, income taxes, depreciation and amortization expense and the Company's share of unconsolidated real estate venture depreciation and amortization. We define Adjusted EBITDA as EBITDA plus acquisition costs, the Company's share of unconsolidated real estate venture acquisition costs, organizational and offering expenses, equity-based compensation expense, losses on sale of properties, and impairment of long-lived assets; and by subtracting gains on sale of properties and debt forgiveness. These further adjustments eliminate the impact of items that we do not consider indicative of our core operating performance. In evaluating EBITDA and Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

We present EBITDA and Adjusted EBITDA because we believe they assist investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. EBITDA and Adjusted EBITDA have limitations as an analytical tool. Some of these limitations are:

- EBITDA and Adjusted EBITDA do not reflect our cash expenditures, or future requirements, for capital expenditures, contractual commitments or working capital needs;

- EBITDA and Adjusted EBITDA do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debts;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements;
- Adjusted EBITDA excludes equity-based compensation expense, which is and will remain a key element of our overall long-term incentive compensation package, although we exclude it as an expense when evaluating our ongoing operating performance for a particular period;
- EBITDA and Adjusted EBITDA do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and
- other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

We compensate for these limitations by considering the economic effect of the excluded expense items independently as well as in connection with our analysis of net income (loss). EBITDA and Adjusted EBITDA should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP, such as total revenues, income from operations, and net income (loss).

The following table presents a reconciliation of net income (loss) to EBITDA and Adjusted EBITDA for the three and six months ended June 30, 2018 and 2017 (dollars in thousands):

	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:				
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 our consolidated statements of operations.

Liquidity and Capital Resources

Liquidity Overview

Liquidity is the ability to meet present and future financial obligations. Our primary source of liquidity is cash flow from our operations. Additional sources are proceeds from equity and debt offerings, and debt financings including borrowings under the credit facility and Term Loan Facility.

Our short-term liquidity requirements consist primarily of property operating expenses, property acquisitions, capital expenditures, general and administrative expenses and principal and interest on our outstanding indebtedness. A further short-term liquidity requirement relates to distributions to our common and preferred shareholders and holders of preferred units, OP units, subordinated performance units, DownREIT OP units and DownREIT subordinated performance units. We expect to fund short-term liquidity requirements from our operating cash flow, cash on hand and borrowings under our credit facility.

Our long-term liquidity needs consist primarily of the repayment of debt, property acquisitions, and capital expenditures. We acquire properties through the use of cash, preferred units, OP units and subordinated performance units in our operating partnership or DownREIT partnerships. We expect to meet our long-term liquidity requirements with operating cash flow, cash on hand, secured and unsecured indebtedness, and the issuance of equity and debt securities.

The availability of credit and its related effect on the overall economy may affect our liquidity and future financing activities, both through changes in interest rates and access to financing. Currently, interest rates are low compared to historical levels and many lenders are active in the market. We believe that, as a publicly-traded REIT, we will have access to multiple sources of capital to fund our long-term liquidity requirements, including the incurrence of additional debt and the issuance of debt and additional equity securities. However, we cannot assure you that this will be the case.

Cash Flows

At June 30, 2018, we had \$16.4 million in cash and cash equivalents and \$7.1 million of restricted cash, an increase in cash and cash equivalents of \$3.1 million and an increase in restricted cash of \$4.1 million from December 31, 2017. Restricted cash primarily consists of like-kind exchange proceeds from the sale of a self storage property and escrowed funds deposited with financial institutions for real estate taxes, insurance, and other reserves for capital improvements in accordance with our loan agreements. The following discussion relates to changes in cash due to operating, investing, and financing activities, which are presented in our condensed consolidated statements of cash flows included in Item 1 of this report.

Operating Activities

Cash provided by our operating activities was \$74.3 million for the six months ended June 30, 2018 compared to \$55.5 million for the six months ended June 30, 2017, an increase of \$18.8 million. Our operating cash flow increased primarily due to the 50 self storage properties that were acquired between July 1, 2017 and December 31, 2017 that generated cash flow for the entire six months ended June 30, 2018, and an additional 37 self storage properties acquired during the six months ended June 30, 2018. Because these 87 self storage properties were acquired after June 30, 2017, our operating results for the six months ended June 30, 2017 were not impacted by them. The increase in our operating cash flows was partially offset by higher cash payments for general and administrative expenses and interest expense.

Investing Activities

Cash used in investing activities was \$187.9 million for the six months ended June 30, 2018 compared to \$91.8 million for the six months ended June 30, 2017. The primary uses of cash for the six months ended June 30, 2018 were for our acquisition of 37 self storage properties and an expansion project at an existing property for cash consideration of \$162.3 million, capital expenditures of \$10.1 million, investments in our 2016 Joint Venture of \$2.4 million and deposits for potential acquisitions of \$18.3 million partially offset by \$5.3 million of proceeds from the sale of two self storage properties. The primary uses of cash for the six months ended June 30, 2017 were for our acquisition of 15 self storage properties for cash consideration of \$86.9 million, capital expenditures of \$7.1 million, investments in our 2016 Joint Venture of \$12.6 million and deposits for potential acquisitions of \$0.6 million partially offset by \$15.3 million of proceeds from the sale of three self storage properties.

Capital expenditures totaled \$10.1 million and \$7.1 million during the six months ended June 30, 2018 and 2017, respectively. We generally fund post-acquisition capital additions from cash provided by operating activities.

We categorize our capital expenditures broadly into three primary categories:

- recurring capital expenditures, which represent the portion of capital expenditures that are deemed to replace the consumed portion of acquired capital assets and extend their useful life;
- revenue enhancing capital expenditures, which represent the portion of capital expenditures that are made to enhance the revenue and value of an asset from its original purchase condition; and
- acquisitions capital expenditures, which represent the portion of capital expenditures capitalized during the current period that were identified and underwritten prior to a property's acquisition.

A summary of the capital expenditures for these categories, along with a reconciliation of the total for these categories to the capital expenditures reported in the accompanying condensed consolidated statements of cash flows for the six months ended June 30, 2018 and 2017, are presented below (dollars in thousands):

	Six Months Ended June 30,	
	2018	2017
Recurring capital expenditures	$ 2,435	$ 1,811
Revenue enhancing capital expenditures	2,675	314
Acquisitions capital expenditures	4,749	4,726
Total capital expenditures	9,859	6,851
Change in accrued capital spending	267	234
Capital expenditures per statement of cash flows	$ 10,126	$ 7,085

Financing Activities

Cash provided by our financing activities was $120.8 million for the six months ended June 30, 2018 compared to $48.5 million for the six months ended June 30, 2017. Our sources of financing cash flows for the six months ended June 30, 2018 primarily consisted of $438.5 million of borrowings under our credit facility and term loan facility. Our primary uses of financing cash flows for the six months ended June 30, 2018 were for principal payments on existing debt of $252.4 million (which included $246.9 million of principal repayments under the Revolver, $3.1 million of fixed rate mortgage principal payoffs and $2.4 million of scheduled fixed rate mortgage principal payments), distributions to noncontrolling interests of $29.9 million, distributions to common shareholders of $28.8 million and distributions to preferred shareholders of $5.2 million. Our sources of financing cash flows for the six months ended June 30, 2017 primarily consisted of $310.5 million of borrowings under our credit facility and $7.0 million of proceeds from the issuance of 300,043 subordinated performance units to an affiliate of Personal Mini. Our primary uses of financing cash flows for the six months ended June 30, 2017 were for principal payments on existing debt of $218.8 million (which included $206.0 million of principal repayments under the Revolver, $10.4 million of fixed rate mortgage principal payoffs and $2.3 million of scheduled fixed rate mortgage principal payments), distributions to noncontrolling interests of $26.9 million and distributions to common shareholders of $22.1 million.

Credit Facility and Term Loan Facility

As discussed in Note 8 to the consolidated financial statements in Item 1, on January 29, 2018, we entered into an increase agreement and amendment with a syndicated group of lenders to increase the total borrowing capacity under our credit facility by adding a five-year Term Loan D to the credit facility in an aggregate outstanding principal amount of $125.0 million, for a total credit facility of over $1.0 billion. We have an expansion option under the credit facility, which, if exercised in full, would provide for a total credit facility of $1.3 billion.

As of June 30, 2018, our credit facility provided for total borrowings of over $1.0 billion, consisting of five components: (i) a Revolver which provides for a total borrowing commitment up to $400.0 million, whereby we may borrow, repay and re-borrow amounts under the Revolver, (ii) a $235.0 million Term Loan A, (iii) a $155.0 million Term Loan B, (iv) a $105.0 million Term Loan C and (v) a $125.0 million Term Loan D. The Revolver matures in May 2020; provided that we may elect to extend the maturity to May 2021 by paying an extension fee of 0.15% of the total borrowing commitment thereunder at the time of extension and meeting other customary conditions with respect to compliance. The Term Loan A matures in May 2021, the Term Loan B matures in May 2022, the Term Loan C matures in February 2024 and the Term Loan D matures in January 2023. The Revolver, Term Loan A, Term Loan B, Term Loan C and Term Loan D are not subject to any scheduled reduction or amortization payments prior to maturity.

As of June 30, 2018, $80.1 million was outstanding under the Revolver with an effective interest rate of 3.49%. As of June 30, 2018, after taking into account $4.7 million in outstanding letters of credit, we would have had the capacity to borrow remaining Revolver commitments of $315.2 million while remaining in compliance with the credit facility's financial covenants.

As discussed in Note 8 to the consolidated financial statements in Item 1, we entered into an increase agreement for our Term Loan Facility to partially exercise our existing $100.0 million expansion option in an aggregate amount equal to $75.0 million, increasing the aggregate amount outstanding to $175.0 million. We also increased the remaining expansion option by $200.0 million, for a total expansion option of $225.0 million. If the remaining expansion option is exercised in full, the total expansion option would provide for a total borrowing capacity under our Term Loan Facility of $400.0 million.

As of June 30, 2018, $175.0 million was outstanding under the Term Loan Facility, which matures in June 2023, with an effective interest rate of 2.95%.

During the six months ended June 30, 2018, we entered into the Third Amendment and Release of Parent Guaranty to our credit facility which released National Storage Affiliates Trust from its guarantee of the obligations of the operating partnership under the credit facility, and placed restrictions on its ability to incur additional indebtedness, including guaranteeing indebtedness of any other person or entity, subject to certain limited exceptions. In addition, we entered into the First Amendment and Release of Parent Guaranty to our Term Loan Facility which released National Storage Affiliates Trust from its guarantee of the obligations of the operating partnership under the Term Loan Facility, and placed restrictions on its ability to incur additional indebtedness, including guaranteeing indebtedness of any other person or entity, subject to certain limited exceptions.

For a summary of our financial covenants and additional detail regarding our credit facility and Term Loan Facility please see Note 8 to the Company's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Equity Transactions

Issuance of Common Shares

During the six months ended June 30, 2018, after receiving notices of redemption from certain OP unitholders, we elected to issue 246,582 common shares to such holders in exchange for 246,582 OP units in satisfaction of the operating partnership's redemption obligations.

Issuance of OP Equity

In connection with the 37 properties acquired during the six months ended June 30, 2018, $22.4 million of OP equity was issued (consisting of 464,263 OP units, 316,103 Series A-1 preferred units and 56,228 subordinated performance units).

During the six months ended June 30, 2018, the Company issued 2,024,170 OP units upon conversion of 997,074 subordinated performance units as further described under "Subordinated Performance Units and DownREIT Subordinated Performance Units" in Note 3 in Item 1 of this Quarterly Report.

Dividends and Distributions

On May 23, 2018, our board of trustees declared a cash dividend and distribution, respectively, of $0.29 per common share and OP unit to shareholders and OP unitholders of record as of June 15, 2018. On May 23, 2018, our board of trustees also declared cash distributions of $0.375 per Series A Preferred Share and Series A-1 Preferred Unit to shareholders and unitholders of record as of June 15, 2018. On June 14, 2018, our board of trustees declared cash distributions of $6.5 million, in aggregate, to subordinated performance unitholders of record as of June 15, 2018. Such dividends and distributions were paid on June 29, 2018.

Cash Distributions from our Operating Partnership

Under the LP Agreement of our operating partnership, to the extent that we, as the general partner of our operating partnership, determine to make distributions to the partners of our operating partnership out of the operating cash flow or capital transaction proceeds generated by a real property portfolio managed by one of our PROs, the holders of the series of subordinated performance units that relate to such portfolio are entitled to share in such distributions. Under the LP Agreement of our operating partnership, operating cash flow with respect to a portfolio of properties managed by one of our PROs is generally an amount determined by us, as general partner, of our operating partnership equal to the excess of property revenues over property related expenses from that portfolio. In general, property revenue from the portfolio includes:

(i) all receipts, including rents and other operating revenues;

(ii) any incentive, financing, break-up and other fees paid to us by third parties;

(iii) amounts released from previously set aside reserves; and

(iv) any other amounts received by us, which we allocate to the particular portfolio of properties.

In general, property-related expenses include all direct expenses related to the operation of the properties in that portfolio, including real property taxes, insurance, property-level general and administrative expenses, employee costs, utilities, property marketing expense, property maintenance and property reserves and other expenses incurred at the property level. In addition, other expenses incurred by our operating partnership will also be allocated by us, as general partner, to the property portfolio and will be included in the property-related expenses of that portfolio. Examples of such other expenses include:

(i) corporate-level general and administrative expenses;

(ii) out-of-pocket costs, expenses and fees of our operating partnership, whether or not capitalized;

(iii) the costs and expenses of organizing and operating our operating partnership;

(iv) amounts paid or due in respect of any loan or other indebtedness of our operating partnership during such period;

(v) extraordinary expenses of our operating partnership not previously or otherwise deducted under item (ii) above;

(vi) any third-party costs and expenses associated with identifying, analyzing, and presenting a proposed property to us and/or our operating partnership; and

(vii) reserves to meet anticipated operating expenditures, debt service or other liabilities, as determined by us.

To the extent that we, as the general partner of our operating partnership, determine to make distributions to the partners of our operating partnership out of the operating cash flow of a real property portfolio managed by one of our PROs, operating cash flow from a property portfolio is required to be allocated to OP unitholders and to the holders of series of subordinated performance units that relate to such property portfolio as follows:

First, an amount is allocated to OP unitholders in order to provide OP unitholders (together with any prior allocations of capital transaction proceeds) with a cumulative preferred allocation on the unreturned capital contributions attributed to the OP units in respect of such property portfolio. The preferred allocation for all of our existing portfolios is 6%. As of June 30, 2018, our operating partnership had an aggregate of $1,321.4 million of unreturned capital contributions with respect to common shareholders and OP unitholders, with respect to the various property portfolios.

Second, an amount is allocated to the holders of the series of subordinated performance units relating to such property portfolio in order to provide such holders with an allocation (together with prior distributions of capital transaction proceeds) on their unreturned capital contributions. Although the subordinated allocation for the subordinated performance units is non-cumulative from period to period, if the operating cash flow from a property portfolio related to a series of subordinated performance units is sufficient, in the judgment of the general partner (with the approval of a majority of our independent trustees), to fund distributions to the holders of such series of subordinated performance units, but we, as the general partner of our operating partnership, decline to make distributions to such holders, the amount available but not paid as distributions will be added to the subordinated allocation corresponding to such series of subordinated performance units. The subordinated allocation for the outstanding subordinated performance units is 6%. As of June 30, 2018, an aggregate of $140.1 million of unreturned capital contributions has been allocated to the various series of subordinated performance units.

Thereafter, any additional operating cash flow is allocated to OP unitholders and the applicable series of subordinated performance units equally.

Following the allocation described above, we as the general partner of our operating partnership, will generally cause our operating partnership to distribute the amounts allocated to the relevant series of subordinated performance units to the holders of such series of subordinated performance units. We, as the general partner, may cause our operating partnership to distribute the amounts allocated to OP unitholders or may cause our operating partnership to retain such amounts to be used by our operating partnership for any purpose. Any operating cash flow that is attributable to amounts retained by our operating partnership pursuant to the preceding sentence will generally be available to be allocated as an additional capital contribution to the various property portfolios.

The foregoing description of the allocation of operating cash flow between the OP unitholders and subordinated performance unitholders is used for purposes of determining distributions to holders of subordinated performance units but does not necessarily represent the operating cash flow that will be distributed to OP unitholders (or paid as dividends to holders of our common shares). Any distribution of operating cash flow allocated to the OP unitholders will be made at our discretion (and paid as dividends to holders of our common shares at the discretion of our board of trustees).

Under the LP Agreement of our operating partnership, capital transactions are transactions that are outside the ordinary course of our operating partnership's business, involve the sale, exchange, other disposition, or refinancing of any property, and are designated as capital transactions by us, as the general partner. To the extent the general partner determines to distribute capital transaction proceeds, the proceeds from capital transactions involving a particular property portfolio are required to be allocated to OP unitholders and to the series of subordinated performance units that relate to such property portfolio as follows:

First, an amount determined by us, as the general partner, of such capital transaction proceeds is allocated to OP unitholders in order to provide OP unitholders (together with any prior allocations of operating cash flow) with a cumulative preferred allocation on the unreturned capital contributions attributed to the OP unitholders in respect of such property portfolio that relate to such capital transaction plus an additional amount equal to such unreturned capital contributions.

Second, an amount determined by us, as the general partner, is allocated to the holders of the series of subordinated performance units relating to such property portfolio in order to provide such holders with a non-cumulative subordinated allocation on the unreturned capital contributions made by such holders in respect of such property portfolio that relate to such capital transaction plus an additional amount equal to such unreturned capital contributions.

The preferred allocation and subordinated allocation with respect to capital transaction proceeds for each portfolio is equal to the preferred allocation and subordinated allocation for distributions of operating cash flow with respect to that portfolio.

Thereafter, any additional capital transaction proceeds are allocated to OP unitholders and the applicable series of subordinated performance units equally.

Following the allocation described above, we, as the general partner of our operating partnership, will generally cause our operating partnership to distribute the amounts allocated to the relevant series of subordinated performance units to the holders of such series of subordinated performance units. We, as general partner of our operating partnership, may cause our operating partnership to distribute the amounts allocated to the OP unitholders or may cause our operating partnership to retain such amounts to be used by our operating partnership for any purpose. Any capital transaction proceeds that are attributable to amounts retained by our operating partnership pursuant to the preceding sentence will generally be available to be allocated as an additional capital contribution to the various property portfolios.

The foregoing allocation of capital transaction proceeds between the OP unitholders and subordinated performance unitholders is used for purposes of determining distributions to holders of subordinated performance units but does not necessarily represent the capital transaction proceeds that will be distributed to OP unitholders (or paid as dividends to holders of our common shares). Any distribution of capital transaction proceeds allocated to the OP unitholders will be made at our discretion (and paid as dividends to holders of our common shares at the discretion of our board of trustees).

Allocation of Capital Contributions

We, as the general partner of our operating partnership, in our discretion, have the right to increase or decrease, as appropriate, the amount of capital contributions allocated to our operating partnership in general and to each series of subordinated performance units to reflect capital expenditures made by our operating partnership in respect of each portfolio, the sale or refinancing of all or a portion of the properties comprising the portfolio, the distribution of capital transaction proceeds by our operating partnership, the retention by our operating partnership of cash for working capital purposes and other events impacting the amount of capital contributions allocated to the holders. In addition, to avoid conflicts of interests, any decision by us to increase or decrease allocations of capital contributions must also be approved by a majority of our independent trustees.

Off-Balance Sheet Arrangements

Except as disclosed in the notes to our financial statements, as of June 30, 2018, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purposes entities, which typically are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Further, except as disclosed in the notes to our financial statements, as of June 30, 2018, we have not guaranteed any obligations of unconsolidated entities nor made any commitments to provide funding to any such entities that creates any material exposure to any financing, liquidity, market or credit risk.

Seasonality

The self storage business is subject to minor seasonal fluctuations. A greater portion of revenues and profits are realized from May through September. Historically, our highest level of occupancy has typically been in July, while our lowest level of occupancy has typically been in February. Results for any quarter may not be indicative of the results that may be achieved for the full fiscal year.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk refers to the risk of loss from adverse changes in market prices and interest rates. Our future income, cash flows, and fair values of financial instruments are dependent upon prevailing market interest rates. The primary market risk to which we believe we are exposed is interest rate risk. Interest rate risk is highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, and other factors beyond our control. We use interest rate swaps to moderate our exposure to interest rate risk by effectively converting the interest on variable rate debt to a fixed rate. We make limited use of other derivative financial instruments and we do not use them for trading or other speculative purposes.

As of June 30, 2018, we had $155.1 million of debt subject to variable interest rates (excluding variable-rate debt subject to interest rate swaps). If one-month LIBOR were to increase or decrease by 100 basis points, the increase or decrease in interest expense on the variable-rate debt (excluding variable-rate debt subject to interest rate swaps) would decrease or increase future earnings and cash flows by approximately $1.6 million annually.

Interest rate risk amounts were determined by considering the impact of hypothetical interest rates on our financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur. Further, in the event of a change of that magnitude, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our financial structure.

ITEM 4. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's chief executive officer and chief financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this report, are effective.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in our periodic reports.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

We are not currently subject to any legal proceedings that we consider to be material.

ITEM 1A. Risk Factors

For a discussion of our potential risks and uncertainties, see the Company's Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on February 27, 2018 under the heading Item 1A. "Risk Factors" beginning on page 15, which is accessible on the SEC's website at www.sec.gov. During the six months ended June 30, 2018, there have been no material changes to such risk factors disclosed in our Annual Report on Form 10-K filed with the SEC on February 27, 2018.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

During the three months ended June 30, 2018, the Company, in its capacity as general partner of its operating partnership, caused the operating partnership to issue 101,248 common shares to satisfy redemption requests from certain limited partners.

As of August 6, 2018, other than those OP units held by the Company, after reflecting the transactions described herein, 31,651,746 OP units of its operating partnership were outstanding (including 940,597 outstanding LTIP units in the operating partnership and 1,834,786 outstanding OP units ("DownREIT OP units") in certain consolidated subsidiaries of the operating partnership, which are convertible into, or exchangeable for, OP units on a one-for-basis, subject to certain conditions). These issuances were exempt from registration under Section 4(a)(2) of the Securities Act of 1933, as amended.

Use of Proceeds

Not applicable.

Issuer Purchases of Equity Securities

Not applicable.

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

Not applicable.

ITEM 6. Exhibits

The following exhibits are filed with this report:

Exhibit Number	Exhibit Description
3.1	Articles of Amendment and Restatement of National Storage Affiliates Trust (Exhibit 3.1 to the Quarterly Report on Form 10-Q, filed with the SEC on June 5, 2015, is incorporated herein by this reference)
3.2	Second Amended and Restated Bylaws of National Storage Affiliates Trust (Exhibit 3.1 to the Current Report on Form 8-K, filed with the SEC on April 3, 2018, is incorporated herein by this reference)
3.3	Articles Supplementary designating the Series A Preferred Shares of National Storage Affiliates Trust (Exhibit 3.3 to the Form 8-A, filed with the SEC on October 10, 2017, is incorporated herein by this reference)
3.4	Articles Supplementary designating the Series A Preferred Shares of National Storage Affiliates Trust (Exhibit 3.4 to the Form S-3ASR, filed with the SEC on March 14, 2018, is incorporated herein by this reference)
4.1	Specimen Common Share Certificate of National Storage Affiliates Trust (Exhibit 4.1 to the Registration Statement on Form S-11/A filed with the SEC on April 20, 2015, is incorporated by reference)
10.1*	Third Amendment to Credit Agreement and Release of Parent Guaranty, dated as of April 16, 2018, by and among NSA OP, LP, as Borrower, certain of its subsidiaries party thereto as Subsidiary Guarantors, certain existing lenders party thereto from time to time, National Storage Affiliates Trust, and KeyBank National Association, as the Administrative Agent, and the financial institutions which are party to the Credit Agreement, as lenders
10.2*	Fourth Amendment to Credit Agreement, dated as of May 31, 2018, by and among NSA OP, LP, as Borrower, certain of its subsidiaries party thereto as Subsidiary Guarantors, certain existing lenders party thereto from time to time, National Storage Affiliates Trust, and KeyBank National Association, as the Administrative Agent, and the financial institutions which are a party to the Credit Agreement, as lenders
10.3*	Credit Agreement, dated as of June 30, 2016, by and among NSA OP, LP, as Borrower, the lenders from time to time party hereto, and Capital One, National Association, as Administrative Agent, and joined in for certain purposes by certain Subsidiaries of the Borrower and National Storage Affiliates Trust, with Capital One, National Association, Regions Bank and U.S. Bank National Association, as Co-Bookrunners and Co-Lead Arrangers, and Regions Bank and U.S. Bank National Association, as Syndication Agents
10.4*	First Amendment to Credit Agreement and Release of Parent Guaranty, dated as of April 16, 2018, by and among NSA OP, LP, as Borrower, certain Subsidiaries of the Borrower party as Guarantors, National Storage Affiliates Trust, certain existing lenders party thereto, and Capital One, National Association, as Administrative Agent for the Lenders
10.5*	Second Amendment to Credit Agreement, dated as of June 5, 2018, by and among NSA OP, LP, as Borrower, certain Subsidiaries of the Borrower party as Guarantors, National Storage Affiliates Trust, certain existing lenders party thereto, the additional lender parties thereto providing a new commitment pursuant to the terms thereof, and Capital One, National Association, as Administrative Agent for the Lenders
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	XBRL (Extensible Business Reporting Language). The following materials from NSA's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018, tagged in XBRL: ((i) condensed consolidated balance sheets; (ii) condensed consolidated statements of operations; (iii) condensed consolidated statements of comprehensive income (loss); (iv) condensed consolidated statement of changes in equity; (v) condensed consolidated statements of cash flows; and (vi) notes to condensed consolidated financial statements.

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

National Storage Affiliates Trust

By: /s/ ARLEN D. NORDHAGEN

Arlen D. Nordhagen
chairman of the board of trustees
and chief executive officer
(principal executive officer)

By: /s/ TAMARA D. FISCHER

Tamara D. Fischer
president and chief financial officer
(principal financial officer)

Date: August 7, 2018