STOR-AGE CONTINUES OUTPERFORMING JSE INDICES WITH HEALTHY DIVIDEND

Highlights

- Total dividend up 5.03% to 112.05 cents per share
- Rental income and net property income up 29.7% and 34.1%, respectively
- Like-for-like rental income up 6.5% SA and 5.0% UK
- Closing total occupancy of 83.8%
- Total portfolio occupancy up 22 100m²
- Investment property value up 13.3% to R7.0 billion
- Acquisition of Flexi Store in December 2019 – five-property portfolio in the UK
- LTV ratio of 30.1% at year end – 79.1% hedged on a net debt basis
- First-time inclusion in JSE SA Listed Property Index (September 2019)

JSE REIT Stor-Age, South Africa's leading and largest self storage property fund, continued outperforming sector and JSE indices for the year to March 2020, with robust results and a 5% higher dividend of R1.12 per share reflecting the resilience of the self storage product. Despite the negative impacts of the Covid-19 pandemic and ensuing national risk measures, in the two months since year end the group has collected over 93% and 98% of rentals due in SA and the UK, respectively. With a strong show of support from the investment community, the company raised R250 million in a significantly oversubscribed bookbuild in May 2020.

Comments CEO Gavin Lucas: "Stor-Age's operational performance in both geographies remained strong against a backdrop of economic uncertainty. Our intensified operational focus and discipline at property level, supported by our digital marketing capabilities, generated ongoing occupancy and revenue growth. We believe that our hands-on management involvement is a key competitive driver of the group's performance."

Stor-Age has maintained an uninterrupted dividend trajectory since listing in November 2015. Lucas explains: "Assuming an investor invested R100 on our listing day, at Friday,19 June 2020 and provided the full pre-tax dividends had been reinvested, the investment would be worth R196.75, compared to the same investment in the JSE All Share Index (ALSI) now worth R123.20, or in the SA Property Index (SAPY) now worth R60.69." He attributes Stor-Age's competitive strength to disciplined portfolio management and single-sector specialisation in line with a directioned and adaptable growth strategy.

Since listing, the number of properties in the total portfolio has risen from 24 to 71, with GLA almost quadrupling to 448 200m² and property value increasing from R1.3 billion to R7.0 billion.

SA occupancy closed at 85% for the year in review, while the UK closed at 78.8%. Total property revenue grew 32% to R698.8 million, including organic and acquisitive growth. The closing SA rental rate was up 6%, and on a like-for-like basis (excluding acquisitions and new store openings) SA rental income increased by 6.5%. According to Lucas, "The like-for-like growth is pleasing given that local residential and commercial tenants remain under increasing financial strain in the prevailing landscape".

Operationally, the SA portfolio achieved a number of successes. The new Craighall property opened in August 2019 and the group broke ground in Tygervalley and Cresta, with both new properties planned to cater for separate receipting and dispatch areas to accommodate rising demand from commercial users. Stor-Age also concluded a JV with Garden Cities for development of a new property in Sunningdale, Cape Town. Lucas says the Sunningdale development will complement the existing Table View property for a strong group presence in the fast-developing west coast region.

The SA portfolio closed at 365 400m² GLA, up by 7 800m² year-on-year, as a result of the opening of Craighall and expansion at existing properties.

In the UK like-for-like rental income grew 5%, driven mainly by average occupancy growth of 4.5%. The portfolio closed at 82 800m² GLA, up 25.3% year-on-year due to the acquisition of the five-property Flexi Store portfolio in December 2019. The portfolio, which added 16 700m², had previously been trading under licence of the Storage King brand. Lucas adds: "The Flexi Store portfolio boasts a number of well-located self storage properties which complement our existing stores in the UK.” Excluding the acquisition, the UK closing occupancy was 3% higher at 81%.

During the period Stor-Age successfully launched a comprehensive third-party management product in the UK. The product enables Stor-Age to leverage its existing platform and infrastructure to generate a new revenue stream by supporting smaller operators in the UK who lack the benefits of scale, while at the same time exposing a natural acquisitions pipeline in the region. The company also entered into a development JV with a UK-based private equity property group to co-develop new high-profile properties in London and the South East.

Stor-Age continues to boast a healthy balance sheet. Lucas says that gearing (LTV) of 30.1% is both within the group’s intended LTV range of 25-35%, and further, at the low end of the industry benchmark. He adds that this 30.1% calculation was before taking into account the positive impact of the R250 million new equity raised post year end.

Lucas points out that in cognizance of the group’s sustainability in these unprecedented times, Stor-Age acted quickly to offer complimentary storage space to a number of relief and government-based entities including the Western Cape Government, Community Chest and the National Health Service (NHS) in the UK. “We continue to support these authorities, charities and NGOs by offering the use of our properties to support relief efforts.”

Looking ahead, he says that Stor-Age has entered the prevailing economic downcycle from a position of strength and should continue to benefit from a high-quality property portfolio, well-managed balance sheet and resilient product. He is both optimistic and pragmatic. “The Covid-19 pandemic has caused uncertainty and disruption, exacerbated in SA by sovereign credit downgrades and a deepening recession. However, self storage is uniquely-positioned to support life-changing events that lead to fundamental shifts in how consumers behave and how businesses operate, whether that be downscaling, the adoption of work-from-home due to the forced change in the commercial office sector or the increase in demand of e-commerce.”

Supporting his viewpoint, demand levels for self storage at the group in SA and the UK in May and June month-to-date are in line with pre-lockdown expectations and to add, ahead of the same period last year in both countries. He concludes that Stor-Age will continue to pursue selective growth opportunities in both markets, with acquisitions and new developments remaining a priority.

Given the uncertainty around the enduring impacts of Covid-19, Stor-Age has responsibly elected not to provide a formal distribution guidance for the year ahead.

The share closed on Friday at R14.50.

Ends.

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Notes:
Stor-Age is South Africa’s only specialist self storage REIT on the JSE. The fast-growing self storage sector is a niche sub-sector of the broader commercial property market. Stor-Age’s portfolio is differentiated by its properties’ high visibility to passing traffic, easy access off busy arterial routes and proximity to middle to upper income suburbs.

Stor-Age also owns the 6th largest UK self storage brand – Storage King. Approximately 40% of Stor-Age's portfolio of property assets by value is located in the UK.

The portfolio across SA and the UK comprises 79 properties (71 trading, 8 new developments), covering a GLA of c. 448 200m². The portfolio is concentrated in the four major South African cities - Johannesburg, Cape Town, Pretoria and Durban (50 properties), with the UK portfolio having a bias towards the East and South East of England (21 properties).

In addition to the 71 properties trading under the Stor-Age and Storage King brands, a further 7 properties trade under licence of the Storage King brand in the UK, bringing the total number of properties trading under the Storage King brand to 28. Stor-Age earns licensing fees on these properties.