

STOR-AGE ENTERS UK MARKET WITH R1.3 BILLION RAND ACQUISITION

JSE REIT Stor-Age, the leading and only listed self storage property fund in South Africa, will shortly enter the UK self storage market with an estimated R1.3 billion acquisition of the region's sixth largest self storage operator, Storage King. The acquisition is in line with Stor-Age's stated strategy of targeting international self storage markets with attractive growth potential to complement its ongoing success in the South African market. The Storage King transaction is expected to conclude in October 2017.

Stor-Age CEO Gavin Lucas says Storage King represents an excellent entry point into the UK market and springboard for future off-shore expansion. "Storage King offers established critical mass through a high quality portfolio, proven local expertise and a track record in self storage with consistent earnings growth, especially over the last three years. This provides us with a strong and scalable platform, with in-place management, for future growth and expansion."

The REIT will settle the c. £77.13 million purchase price (c. R1.3 billion) through an optimal mix of equity and debt at Stor-Age's election. Stor-Age has negotiated for a refinanced £25 million debt facility in Storage King, which will effectively see Stor-Age pay a purchase price of c. £53 million (c. R887 million) for 97.3% of the issued shares in Storage King (with the balance of the shares being acquired by management of Storage King on the same terms).

The Storage King portfolio currently comprises 13 well-located properties throughout England with a bias towards the South East and East, and an average occupancy of 78% (c.542 000 square feet ("sqf")* of gross lettable area ("GLA")). On full fit-out, the GLA will increase to c. 577 000 sqf. A further 12 properties trade under license of the Storage King brand in the UK, generating license and management fees. This makes 25 properties in total under the Storage King brand at present. Storage King also exclusively owns the Storage King brand rights for the whole of Europe and further, has in place a pipeline of third party acquisition opportunities.

The specialist and experienced Storage King management team will remain in place and co-invested with 2.7% alongside Stor-Age going forward.

Explaining the UK as the REIT's first port of international departure, Lucas says: "Self storage is a growth sector globally, not only in emerging markets but also in the first world. The UK self storage market is a significant growth opportunity - it offers a more robust macro environment but with a relative undersupply of self storage compared to the US and Australia, and a language, culture and regulatory system familiar to us in South Africa. Even approaching Brexit, self storage remains an attractive investment in the UK due to the proven resilience of the sector."

Of the timing of the acquisition, he says now is opportune given the imminent exit of Storage King's private equity shareholder, Cabot Square Capital. He says: "Our strong relationship with management for a number of years, together with Cabot's intended exit in 2017/8, has seen us position the group as far back as 2014 to take advantage of the opportunity now."

He emphasises that notwithstanding the positive impact of Stor-Age's entry into the UK, Stor-Age remains a South African group with a primary focus on the local market. "Post the acquisition, Stor-Age's portfolio will remain approximately two-thirds South African in

terms of value but with added growth potential for group earnings and a Rand-hedge for a significant portion thereof.”

Lucas concludes that the two groups’ shared niche focus on self storage and operational and management synergies will enable Stor-Age to extract maximum growth from the UK platform, while continuing to deliver on its earnings growth into the medium term.

Since listing the REIT has consistently exceeded the distribution forecasts in its listing prospectus.

The share closed yesterday at R11.60.

Ends.

** Square feet (sqf) can be converted to square metres (m²) at an approximate rate of 1:0.093*

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Note:

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.

The portfolio comprises 49 properties (44 trading and five new developments), with the trading portfolio covering approximately 300 000m² of GLA, concentrated in the four major cities - Johannesburg, Cape Town, Pretoria and Durban. The Listed Portfolio comprises 31 properties.

The remaining 18 properties represent a c. R1.3 billion pipeline for Stor-Age under its Managed Portfolio. The group has a pre-emptive right of acquisition over the Managed Portfolio and in the interim earns ongoing licencing, asset management and property management fees. Of the 18 properties, 13 are currently trading and the balance of five are either under construction or in planning.