Stor-Age Property REIT Limited
Incorporated in the Republic of South Africa

Registration number 2015/168454/06
Share code: SSS ISIN ZAE000208963
(Approved as a REIT by the JSE)

("Stor-Age" or the "**Company")**

ACQUISITION OF MANAGED PORTFOLIO

1. INTRODUCTION

The board of directors of Stor-Age (the **"Board"**) is pleased to announce that Stor-Age has entered into sales of shares agreements for the acquisition of 100% of the issued share capital of both Roeland Street Investments 2 (RF) Proprietary Limited (**"RSI 2"**) and Roeland Street Investments 3 (RF) Proprietary Limited (**"RSI 3"**) (collectively, the **"Acquisition"**) for an aggregate purchase consideration of R58.0 million (the "**Purchase Consideration**") as follows:

Entity	**Sellers**	**Purchase consideration**
RSI 2	Acucap Investments Proprietary Limited (**"Acucap"**) (being a wholly owned subsidiary of Growthpoint Properties Limited), Stor-Age Property Holdings Proprietary Limited (**"SPH"**), and The Fairstore Trust (collectively the **"RSI 2 Sellers"**)	R43.5 million
RSI 3	Acucap and SPH (collectively the **"RSI 3 Sellers"**)	R14.5 million
Total		**R58.0 million**

RSI 2 and RSI 3 collectively own 12 purpose-built self storage properties located in Cape Town, Johannesburg, Durban, Port Elizabeth and Pretoria which are currently operated and managed by Stor-Age (the **"Managed Portfolio"**).

2. RATIONALE

Stor-Age listed on the JSE in November 2015. The objective of the founders and promoters at the time of the listing was to bring to market a highly specialised, low-risk, income paying self storage REIT.

The development of new self storage properties is subject to both development risk and lease-up risk. The lease-up risk in the self storage sector is the result of no pre-letting of space prior to completion of a development. Once a new self storage property is developed and ready to start trading, the period of time to reach a stabilised mature occupancy is significant with lead times ranging from three to five years. In the short to medium term, properties in the lease-up phase would have a dilutionary impact on distributions.

In preparation for the listing, eight properties which were still in the lease-up phase with an average portfolio occupancy of approximately 40%, were transferred to RSI 2. On listing, these properties had not yet achieved occupancy levels which would have met Stor-Age's objective of delivering an attractive, stable income return to shareholders. A further three properties were developed in RSI 2 in 2016 and another one property was developed in RSI 3 in 2017. The properties in RSI 2 and RSI 3 were both branded and managed as Stor-Age properties. Stor-Age also had a pre-emptive right to acquire the properties from both RSI 2 and RSI 3.

The Managed Portfolio comprises –

- gross lettable area (**"GLA"**) of c. 86 300m², increasing to c. 88 000m² on a fully fitted-out basis;
- an aggregated fair value of R1.12 billion (based on the Effective Date as set out below);
- current occupancy of 73% on a full fitted-out basis; and
- an average rental rate of R103/m²

The Acquisition is in line with Stor-Age's stated intention of acquiring the Managed Portfolio and its strategy of further consolidating its market leading position in the South African market.

Post conclusion of the Acquisition, the value of Stor-Age's investment property portfolio will increase to approximately R5.0 billion with a c. 70:30 geographical percentage split, by value, between South Africa and the United Kingdom. The GLA in the South African portfolio will increase to 353 000m² with an overall occupancy level of 83% and an average rental rate of R95/m².

3. TERMS OF THE ACQUISITION

3.1 The effective date of the Acquisition will be the fifth business day after the date on which the conditions precedent, as set out in paragraph 4 below, are fulfilled or waived, as the case may be, which is expected to occur on or about 1 October 2018 (the "**Effective Date**").

3.2 The Acquisition constitutes a single indivisible transaction.

3.3 The RSI 2 Sellers and RSI 3 Sellers will, in aggregate, pay an upfront rental amount of R44.5 million to be held in an escrow account ("**Rental Escrow Amount**") on the Effective Date. For a period of 36 months post the Effective Date ("**Rental Escrow Period**"), with the first period ending 31 March 2019 and thereafter for every six month period, Stor-Age shall be entitled to an amount calculated as the difference between the agreed lease rental, as set out in the sales of shares agreements, and the actual rental received in respect of the Acquisition, subject to a maximum aggregate amount of the Rental Escrow Amount.

3.4 Any balance of the Rental Escrow Amount that remains in escrow after the expiry of the Rental Escrow Period shall be paid to the RSI 2 Sellers and the RSI 3 Sellers, pro rata to their respective contributions.

3.5 The Purchase Consideration is based on the estimated net asset value of RSI 2 and RSI 3 at the Effective Date (which includes, *inter alia*, investment property of approximately R1.12 billion, debt funding of approximately R1.07 billion and the net present value of the Rental Escrow Amount).

3.6 The Purchase Consideration will be settled in cash, being funded from Stor-Age's existing debt facilities on the Effective Date. Stor-Age will also consider refinancing all, or a part there, of the existing debt funding of RSI 2 and RSI 3 from Stor-Age's existing debt facilities and / or through the issue of new equity capital should market conditions and timing be favourable.

3.7 The RSI 2 Sellers and RSI 3 Sellers have provided warranties and indemnities to Stor-Age that are standard for a transaction of this nature.

3.8 In accordance with paragraph 10.21 to Schedule 10 of the JSE Listings Requirements, Stor-Age will ensure that no provisions contained in the Memorandum of Incorporation of either RSI 2 or RSI 3 will frustrate the Company in any way from compliance with its obligations in terms of the JSE Listings Requirements.

4. CONDITIONS PRECEDENT

The Acquisition remains subject to the fulfilment or waiver, as the case may be, of the following conditions by no later than 30 September 2018:

4.1 the RSI 2 Sellers and RSI 3 Sellers obtaining all necessary approvals and consents as may be required, including but not limited to the approval of the board of directors and trustees, as the case may be;

4.2 the RSI 2 Sellers and RSI 3 Sellers having been released from the existing guarantees and sureties provided in respect of the RSI 2 and RSI 3 debt funding facilities; and

4.3 Stor-Age obtaining approval from the Competition Authorities.

5. PROPERTY SPECIFIC INFORMATION

Details of the Managed Portfolio are set out in the tables below:

RSI 2

Property name	**Physical address**	**GLA (m^2)**	**Weighted average rental rate (R/m^2)**	**Valuation at 31 March 2018 (R million)**
Berea	23 Calder Road, Berea, Durban	8 160	98.6	90.0
Brooklyn	Corner Jan Shoba and Justice Mahomed, Pretoria	7 450	116.0	89.3
Claremont	Corner of Main Road and Brooke Street, Claremont, Cape Town	8 214	147.4	154.0
Edenvale	60 Civin Drive, Germiston, Johannesburg	8 637	119.0	121.0
Irene	Corner of 24th Street and 40th Ave, Irene, Pretoria	5 033	53.0	31.0
Mooikloof	738 Blesbok Street, Pretoria East	5 525	62.3	36.0
Mount Edgecombe	33 Flanders Drive, Blackburn, Durban	8 947	104.2	105.1
Silver Lakes	Six Fountains Boulevard, off Solomon Mahlangu Drive, Pretoria	8 687	91.6	89.2
Somerset West	Corner Forsyth Road and De Beers Avenue, Somerset West, Cape Town	5 507	103.8	47.0
Sunninghill	4 Kikuyu Road, Sunninghill, Johannesburg	7 816	122.2	114.5
Westering	85 Warbler Road, Westering, Port Elizabeth	6 826	78.3	58.2
Total		**80 802**	**102.4**	**935.3**

RSI 3

Property name	**Physical address**	**GLA (m^2)**	**Weighted average rental rate (R/m^2)**	**Valuation at 31 March 2018 (R million)**
Randburg	225 Braam Fisher Drive, Randburg, Johannesburg	7 214	110.00	93.2

Notes

1. The GLA reflected in the above tables is based on the fully fitted-out GLA of 88 016m^2 for RSI 2 and RSI 3. The current fitted-out GLA of RSI 2 and RSI 3 is 86 294m^2. The remaining GLA of 1 722m^2 will be fitted out once pre-determined occupancy hurdles have been achieved at the relevant properties.

2. All properties comprising the Managed Portfolio are classified as self storage and are held on a freehold basis with the exception of the Somerset West property, which is a long leasehold property with 20 years remaining on the lease.

3. All properties comprising the Managed Portfolio were independently valued by Mills Fitchet Magnus Penny Proprietary Limited (the **"Independent Property Valuer"**) as at 31 March 2018 (the "**Independent Property Valuation**"), who are registered as professional valuers in terms of the Property Valuers Profession Act, No 47 of 2000. The valuation methodology adopted for the properties comprising the Managed Portfolio is consistent with the methodology used for the valuation of Stor-Age's properties as at 31 March 2018. As Stor-Age is acquiring all of the issued share capital of both RSI 2 and RSI 3, no purchase price per property can be ascribed.

4. The Board (excluding the Related Directors noted in paragraph 7 below) have attributed a property valuation of R1.12 billion to the Managed Portfolio at the Effective Date ("**Effective Date Valuation**"). The difference between the Independent Property Valuation and the Effective Date Valuation is as a result of, *inter alia*, a fair value adjustment to the Managed Portfolio equating to 4.0% from 31 March 2018 to the Effective Date, and the inclusion of the net present value of the Rental Escrow Amount. With respect to the valuation of the Managed Portfolio by the Board, it is noted that the Board is neither independent nor registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No.47 of 2000.

6. FINANCIAL INFORMATION

Set out below is the forecast revenue, operating profit, net profit after tax and earnings available for distribution in respect of the Acquisition (the **"Forecast"**) for the 6 months ending 31 March 2019 and the year ending 31 March 2020 (the **"Forecast Period"**).

The Forecast has been prepared on the assumption that the Acquisition is effective on 1 October 2018.

The Forecast, including the assumptions on which it is based and the financial information from which it has been prepared, is the responsibility of the directors of the Company. The Forecast has not been reviewed or reported on by independent reporting accountants.

The Forecast presented in the table below has been prepared in accordance with the Company's accounting policies, which are in compliance with International Financial Reporting Standards.

	Forecast for the 6 months ended 31 March 2019 R'000	Forecast for the year ending 31 March 2020 R'000
Revenue	62 844	133 694
Operating profit	43 939	94 237
Finance costs	(33 370)	(66 689)
Earnings available for distribution	10 569	27 548

The Forecast incorporates the following material assumptions in respect of revenue and operating costs:

1. The Forecast is based on information derived from management accounts, budgets and lease agreements of the Managed Portfolio.
2. Analysis of contractual nature of rental income and the Rental Escrow Amount:

	Forecast for the 6 months ended 31 March 2019	Forecast for the year ending 31 March 2020
% contracted rental income	16.7	-
% near contracted rental income	71.6	54.6
% uncontracted rental income	11.7	45.4
Total	**100.0**	**100.0**
Rental Escrow Amount utilised (R'000)	8 213	22 303

3. The lease agreements are month-to-month and may be terminated by a tenant on providing two weeks' notice. In determining the Forecast, management has assumed that the properties exhibit similar levels of tenant churn and has made an estimate of the forecast lease-up period based on historical performance and experience from similar properties.
4. No fair value adjustment is recognised in the Forecast Period.
5. There are no unforeseen economic factors that will affect the ability of tenants to meet their commitments in terms of existing lease agreements. The Forecast assumes bad debts of 0.5% of rental income, consistent with the current levels of bad debt write offs.
6. The Forecast assumes a loan-to-value ratio of 30.0% throughout the Forecast Period. The effective interest rate on debt funding assumed in the Forecast is 9.10%, being the Company's current effective interest rate on its South African debt funding.

7. SMALL RELATED PARTY TRANSACTION

In terms of the JSE Listings Requirements, the following parties are classified as related parties (collectively, the **"Related Parties"**) in respect of the Acquisition –

- SPH is 100% owned by Stor-Age Property Holdings Trust (**"SPH Trust"**). Gavin Lucas, Stephen Lucas and Steven Horton (being executive directors of Stor-Age) are directors of SPH and trustees and ultimate beneficiaries of the SPH Trust; and
- Graham Blackshaw (being a non-executive director of Stor-Age) is a trustee and beneficiary of The Fairstore Trust.

Each of Gavin Lucas, Stephen Lucas, Steven Horton and Graham Blackshaw (collectively, the "**Related Directors**") recused themselves from the deliberations of the Board in determining whether or not to proceed with the Acquisition and were not involved in any aspects of obtaining the fairness opinion prepared by PSG Capital as set out below.

The Purchase Consideration comprises 1.56% of Stor-Age's market capitalisation as at 6 September 2018 and as such, the Acquisition is classified as a small related party transaction in terms of section 10.7 of the JSE Listings Requirements. On the basis set out above, the Acquisition does not require the approval of Stor-Age shareholders.

PSG Capital, an independent expert acceptable to the JSE, has concluded that the terms of the Acquisition are fair insofar as shareholders of Stor-Age, other than the Related Parties and their associates, are concerned.

Based on the Independent Property Valuation and having had regard to the fairness opinion prepared by PSG Capital, the Board (excluding the Related Directors) is of the opinion that the Acquisition is fair insofar as Stor-Age shareholders, other than the Related Parties and their associates, are concerned.

The JSE has been provided with a summary of the sworn valuation of the Managed Portfolio by the Independent Property Valuer, as well as the fairness opinion prepared by PSG Capital. Copies of the valuation report prepared by the Independent Property Valuer, as well as the fairness opinion prepared by PSG capital, are available for inspection at the registered office of Stor-Age during normal business hours for a period of 28 days from the date of this announcement.

8. DIVIDEND GUIDANCE

The dividend guidance for the year ending 31 March 2019 provided in the Provisional Summarised Consolidated Annual Financial Results for the year ended 31 March 2018, published on SENS on 12 June 2018, remains unchanged.

Johannesburg
10 September 2018

Financial Advisor and Transaction Sponsor
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