STOR-AGE CONTINUES TO OUTPERFORM ECONOMY AND SECTOR

Highlights

- Total dividend up 11.1% to 97.83 cps
- Distributable earnings up 118% to R286 million
- Like-for-like growth in rental income and net property operating income of 10.6% and 11.8%, respectively
- Investment property valued at R3.85 billion up 87%
- Conservative gearing of 16%
- Successful local and UK acquisitions and new development properties
- Oversubscribed equity raise of R1.3 billion in October 2017

South Africa's largest self storage group, Stor-Age, continued to demonstrate the strength of its sector specialisation and resilient product when declaring a dividend of 98 cents for the year to March 2018, up 11.1% year-on-year and continuing an unbroken dividend growth trend since listing in November 2015. Stor-Age's ongoing double-digit growth in investor returns outperformed the local economy and JSE property sector where many peers are under strain. The total listed portfolio is valued at R3.9 billion. The REIT ended the year on a R3.9 billion market capitalisation reflecting an approximate 300% increase since its debut.

Stor-Age CEO Gavin Lucas says the significant increases in property revenue and operating profit of 86.1% and 86.5% respectively, are "excellent when considering the prevailing tough macro environment and challenged local property sector". He points out that while the group has been on the acquisition trail locally and into the UK, a significant portion of earnings growth continues to be derived from the existing portfolio.

Rental income grew whether measured organically or including the year's acquisitions. On a like-for-like basis rental income increased 10.6% due to a higher average occupancy coupled with an 8.8% increase in the average rental rate. Purely organic drivers delivered a 9.2% increase in the closing rental rate of the South African portfolio which Lucas emphasises is an exceptional achievement in the current macro-economic landscape.

In the year Stor-Age broke ground at two new properties in Bryanston and Craighall under its "Certificate of Practical Completion" structure[1] and continued with the ongoing expansion at certain existing stores. The group further successfully concluded three acquisitions, taking the total number of significant acquisitions to five in 18 months. "These acquisitions have demonstrated not only our ability to identify and then close value-add transactions but also our ability to integrate newly acquired trading stores seamlessly onto our operating platform," says Lucas.

Storage RSA, acquired just before the previous year end for R475 million, performed in line with expectations and a year later is fully integrated into the Stor-Age platform. Unit Self Storage in Cape Town and StorTown in Durban added approximately 28 000m² GLA with the former already rebranded and bedded down. Storage King in the UK, the group's first international foray, is performing in line with expectations for the first quarter of FY2019.

Post year end Stor-Age has announced the further acquisition of All-Store in Cape Town's northern suburbs. At a cost of R52 million, All-Store offers 5 500 m² GLA with an additional 1 600 m² already under development. The property also offers significant additional development bulk.

Of the group's international expansion in the year Lucas says: "Not only has Stor-Age debuted successfully into the growing UK self storage market, but via a proven operation with an on-the-ground self storage team and a scalable platform for further offshore expansion." The UK portfolio delivered year-on-year growth in net self storage rental income of 9%, including like-for-like organic growth of 6.2% to March 2018. Since the acquisition Stor-Age has bedded down a medium term growth strategy for Storage King aligned to the group's overall five-year strategy to 2020. The annual growth target is between 3 and 5 new properties and to this end Stor-Age has identified six specific geographical areas and over 50 operator targets therein. Lucas explains that the greater maturity of the UK self storage market relative to South Africa offers significant opportunity for meaningful expansion through consolidation.

Notwithstanding the ongoing acquisition push, Stor-Age's gearing remains conservative at only 16%. The Storage King acquisition in the UK and the local StorTown acquisition were funded by a heavily oversubscribed book-build in October 2017 that raised R1.3 billion. "The eager take-up of investment in the group reflects the market's confidence in our business strategy, acquisitions to date and healthy growth prospects," says Lucas.

Looking ahead Stor-Age will remain a primarily South Africa-focussed business with a targeted 30%-40% UK exposure envisaged in the medium term. Lucas says that while the local economy shows some signs of improved consumer and business sentiment, this is yet to translate into meaningful activity and tough conditions are not expected to alleviate anytime soon. "However, irrespective of the macro conditions, we have in place a robust balance sheet with low gearing enabling the group to continue pursuing earnings-enhancing opportunities. When coupled with our large, quality property portfolio and sophisticated operational platform, this should enable Stor-Age to continue delivering sustainable distribution growth."

Lucas has told the market Stor-Age expects 9-10% distributions growth for the year ahead to March 2019.

Note 1: The CPC structure is a mechanism for development and lease-up risk that results in the risk and reward of ownership passing to Stor-Age only on 'practical' completion of the development.

Ends.

Issued by: **Jacques de Bie / Michele Mackey**
jdebie@singular.co.za / michele@singular.co.za
+27 10 003 0700 OR
082 691 5384 / 082 497 9827

On behalf of: **Stor-Age Property REIT Limited**
CEO, Gavin Lucas

Website: www.stor-age.co.za
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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.

Stor-Age made a strategic entry into the UK self storage market in November 2017 and now owns the 6th largest UK self storage brand – Storage King.

The combined portfolio across South Africa and the United Kingdom comprises 73 properties (63 trading and 10 new developments). The trading portfolio covers more than 407 000 m² GLA and is concentrated in the four major South African cities - Johannesburg, Cape Town, Pretoria and Durban, with the United Kingdom portfolio having a bias towards the East and South-East of England. The Listed Portfolio comprises 50 properties (SA: 36 and UK:14).

The unlisted Managed Portfolio comprises 13 properties representing a c. R1 billion pipeline for Stor-Age. The group has a pre-emptive right of acquisition over the unlisted Managed Portfolio and in the interim earns ongoing licencing, asset management and property management fees. The balance of 10 properties are either under construction or in planning.

In addition to the 63 properties trading under the Stor-Age and Storage King brands (Stor-Age: 49; Storage King: 14), a further 12 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 26. Stor-Age earns licensing fees on these properties.