SA'S FIRST SELF-STORAGE REIT TO LIST ON JSE

South Africa's largest *self-storage* property fund, Stor-Age Property REIT Limited ("Stor-Age"), is set to list on the JSE in November as the first REIT of its kind on the exchange. The decade-old group will list an initial R1.3 billion portfolio of quality, well-located self-storage properties and is forecasting above-average distribution growth in the medium term. The niche REIT is following in the footsteps of international self-storage peers who have consistently outperformed the listed property sectors of the US, UK and Australia in recent years.

Stor-Age was founded in 2005 by the Lucas family, who today remains the core of the executive management team and will continue to hold around 30% of the company post listing.

The share offer comprises two parts reaching both institutions and private investors. Stor-Age is looking to raise around R700 million from institutional investors and has set aside another R15 million for staff, customers and suppliers. The company is targeting a market capitalisation of around R1.2 billion on listing. The price per share will be finalised post the institutional bookbuild.

CEO Gavin Lucas is confident that Stor-Age's differentiators and strong market fundamentals bode well for take-up of the offers. "The majority of our listing portfolio assets are considered 'Mature', meaning over 80% tenancy. This stabilises our portfolio, minimises investor risk and provides visibility of earnings." He adds that these are quality self-storage properties differentiated by high visibility to passing traffic, easy access off busy arterial routes and proximity to middle to upper income suburbs. "This is in contrast to local peers with facilities in far-out industrial areas."

The strength of the Stor-Age brand has translated into a 'sticky' tenant base and an exceptional digital presence. "We boast the second highest social media following of all self-storage businesses globally and more than half of our enquiries come organically off the web," adds Lucas.

He explains that the niche market is recession-resilient given that self-storage is a "need-based requirement" which prevails in any economic cycle. "Domestic users of self-storage are driven by a change in circumstance or lifestyle - upscaling or downscaling. Similarly, SMEs require affordable and flexible storage space when growing or downsizing."

Lucas' market optimism is borne out by independent research indicating that core demand drivers are set to escalate. "These include an age of rampant consumerism as quite simply, 'we acquire more stuff than ever before'; added to space-limited security living trends and urban crowding as well as the emerging black middle class in South Africa. Also the upcoming generation opting for hassle-free living - rentals - as long as possible." He adds that the digital age is birthing start-up SMEs and online retailers for whom adaptable storage options are similarly becoming critical.

Going forward Lucas says: "Our experienced focus on occupancy, revenue management and cash flow will drive sustainable distribution growth." He explains: the group is looking to unlock organic growth through rental escalations, increasing occupancy, improving the unit mix and expanding existing properties. Stor-Age will further look to expand its national footprint either by third-party acquisitions or through the R1 billion+ pipeline over which the group has a pre-emptive right of acquisition. Lucas adds that Stor-Age's sophisticated revenue management model will be key to optimising the revenue streams from rentals as well as licencing, asset management and operator fees.

He points out that not only will Stor-Age lead the way in listing this type of REIT in South Africa, but replicating its business model will be difficult for followers. “Ten years in the business as a functional operator has taught us some harsh lessons and how to overcome these. Challenges include the protracted town planning process, limited access to bank finance and new storage facilities being speculative as they cannot be pre-tenanted. Our greatest advantage in hurdling these obstacles is ten years of proven specialist know-how, networks and profitability, supported by our critical mass and the unique location of our properties.”

Lucas concludes that the Stor-Age board recognises the current market volatility and will reschedule the listing should markets not be conducive to it. “Listing Stor-Age is a choice, not a necessity, and we will always act in the best interests of the company.” Notwithstanding, he remains confident that this is the appropriate time in the group’s journey to list.

“We have accumulated ten years as a profitable, respected operator with proven performance, and given the extraordinary prospects of this asset class, now is opportune to offer local investors first-time exposure to the growing, recession-resilient niche self-storage asset class through an established low-risk vehicle.”

Ends.

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Note: About the portfolio

The listing portfolio of 24 properties covers approximately 181 500 m^2 GLA concentrated in the four major cities - Johannesburg, Pretoria, Cape Town and Durban. It boasts 84% occupancy on average with long-run occupancy targeted at 90%. Stor-Age targets 10% rental escalations a year.

Stor-Age has in place a R1 billion+ pipeline of 19 properties over which it has a pre-emptive right of acquisition. Stor-Age earns ongoing licencing, asset management and property management fees from the pipeline properties, which are housed in a separate company. Of the 19 properties, eight are currently trading and the balance of 11 is either under construction or in planning.