



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")

**TERMS ANNOUNCEMENT IN RESPECT OF THE ACQUISITION OF STORAGE RSA, UPDATE
IN RESPECT OF THE SOMERSET WEST TRANSACTION AND WITHDRAWAL OF
CAUTIONARY ANNOUNCEMENT**

1. INTRODUCTION

Further to the announcements released by the Company on 22 September 2016 and 22 November 2016, the board of directors of Stor-Age ("the Board") is pleased to advise shareholders that Stor-Age, Storage RSA Investments Proprietary Limited ("Storage RSA") and the existing shareholders of Storage RSA ("the Existing Shareholders") have now agreed the definitive terms of the transaction in terms of which Stor-Age (through its wholly-owned subsidiary, Roeland Street Investments Proprietary Limited ("RSI")) will, through a combination of a subscription for new shares and an acquisition of the remaining shares in Storage RSA, acquire the entire issued share capital of Storage RSA, together with the shareholders' loan claims against Storage RSA ("the Storage RSA Transaction").

Furthermore, the Board has made significant progress with respect to the proposed acquisition by Stor-Age of 100% of the shares in, and shareholders' loan claims against, Units 1-4 Somerset West Business Park Proprietary Limited ("Somerset West") ("the Somerset West Transaction").

The Storage RSA Transaction and the Somerset West Transaction (collectively, "the Transactions") are not inter-conditional, are distinct and separable and are not required to be aggregated for JSE Listings Requirements purposes.

2. RATIONALE

The Transactions are in line with Stor-Age's strategy of pursuing value-added acquisitions and strengthening the group's position as a premium South African self storage brand.

The Transactions represent a rare opportunity for Stor-Age to acquire high-quality self storage properties in prime locations, providing Stor-Age with scale from both a balance sheet and trading perspective.

Implementation of the Storage RSA Transaction will provide Stor-Age with the ability to increase its trading portfolio through the acquisition of an additional 39 869m² of gross lettable area from five trading stores, together with access to a development opportunity in Bryanston, in respect of which town planning approvals are already in place.

The Somerset West Transaction will provide Stor-Age with an additional trading store, operated under the Storage RSA brand name (under license from Storage RSA), with a gross lettable area of 5 500m².

The Transactions are expected to be yield neutral for the first 12 months post the effective date and thereafter are expected to be yield accretive.

3. ADDITIONAL INFORMATION ON THE STORAGE RSA TRANSACTION

The Storage RSA Transaction is categorised as a category 2 transaction in terms of the JSE Listings Requirements and accordingly the following information is disclosed in terms of the JSE Listings Requirements.

3.1. ABOUT STORAGE RSA

The Storage RSA group holds a well-defined self storage portfolio comprising seven high-quality properties, four of which are located in the Western Cape with the remaining three being located in Gauteng.

3.2. EFFECTIVE DATE

The effective date of the Storage RSA Transaction (“Effective Date”) will be the later of 1 February 2017 and the first day of the month that immediately follows the month in which all the conditions precedent thereto (as set out in paragraph 3.6 below) are fulfilled and/or (where possible) waived (“Fulfilment Date”) save only in the event that the Fulfilment Date occurs after 1 February 2017 but before 27 February 2017, in which event the Effective Date will be 27 February 2017.

3.3. CONSIDERATION

The net effect of the Storage RSA Transaction will be that RSI will –

- (a) subscribe for 99.99% of the shares in Storage RSA for an aggregate total consideration of R278 225 530 (“Share Subscription Consideration”);
- (b) acquire the remaining 0.01% of the shares in Storage RSA from the Existing Shareholders for R1 000 (“Share Acquisition Purchase Price”); and
- (c) acquire the shareholders’ loans owing by Storage RSA to the Existing Shareholders for an aggregate consideration of R10 541 593 (“Loan Purchase Price”).

The Share Subscription Consideration and the Loan Purchase Price shall be settled by Stor-Age in cash, which cash shall be raised by way of a vendor consideration placement of Stor-Age shares (“Consideration Shares”) with interested investors.

Adjustment mechanisms have been agreed between Stor-Age, RSI and the Existing Shareholders to the extent that the estimated working capital balance and third-party debt attributable to Storage RSA on the Effective Date differs to the actual working capital balance and third-party debt (as applicable) attributable to Storage RSA on the Effective Date. Any such adjustment shall be settled by the respective party in cash. The adjustment payable by RSI in respect of the Storage RSA Transaction shall however be subject to a maximum of R5 000 000.

The Storage RSA Transaction shall be structured as follows:

- (a) Immediately prior to the Effective Date, Storage RSA shall declare, but not pay, a distribution to the Existing Shareholders only in the amount of R272 566 942 (“the Pre-Closing Distribution”), calculated as follows –
 - (i) the Share Subscription Consideration;

- (ii) less an amount of R5 657 589, representing an amount owing to associates of certain Existing Shareholders on the Effective Date as a consequence of the change of control of the Company, inclusive of taxation; and
- (iii) less an amount of R1 000.
- (b) On the Effective Date, RSI shall subscribe for 598 850 109 shares in Storage RSA (representing 99.99% of the share capital of Storage RSA immediately thereafter) for the Share Subscription Consideration;
- (c) The Share Subscription Consideration shall be applied by Storage RSA, in part, to settle the Pre-Closing Distribution; and
- (d) Immediately thereafter, RSI shall acquire –
 - (iv) the remaining 0.01% of the shares in Storage RSA (being 59 891 shares) from the Existing Shareholders for the Share Acquisition Purchase Price, thereby increasing RSI's shareholding in Storage RSA to 100%; and
 - (v) the shareholders' loan claims owing by Storage RSA to the Existing Shareholders for the Loan Purchase Price.

3.4. INFORMATION RELATING TO THE PROPERTIES ACQUIRED PURSUANT TO THE STORAGE RSA TRANSACTION

The table below provides additional information relating to the properties to be acquired pursuant to the Storage RSA Transaction:

	Bryanston	Constantia Kloof	Durbanville	Midrand	Somerset Mall	Stellenbosch
Location	2 Cross Street, Bryanston	17 JG Strydom Road, Weltevredenpark	2-8 Plein Street, Durbanville	65 Freight Road, Louwardia Ext 13, Centurion	24 Ou Paardevlei Rd, Somerset West	7 George Blake Street and 6 Stoffel Smit Street, Plankenburg, Stellenbosch,
Rentable area (m²)	Not applicable – vacant land	8 499	7 809	8 404	8 675	6 482
Valuation (note 1) R'000	R15 500	R95 000	R86 000	R83 000	R90 000	R65 500

Note 1 - No independent valuation has been performed on the Storage RSA properties. The value attributed to the Storage RSA properties (as at 21 September 2016, being the date of signature of the Memorandum of Understanding between the parties) has been derived by the directors of Stor-Age using the capitalisation of rental method.

The aggregate weighted average rental per square metre of all the properties acquired pursuant to the Storage RSA Transaction is R105.74.

3.5. FINANCIAL INFORMATION

The value of the net assets that are the subject of the Storage RSA Transaction is R155 845 687 and the net profits after tax attributable to the net assets that are the subject thereof is R29 333 370 based on the consolidated audited annual financial statements of Storage RSA for the financial year ended 29 February 2016.

3.6. CONDITIONS PRECEDENT

The Storage RSA Transaction is conditional upon the fulfilment or, where applicable, waiver, of certain conditions precedent, including –

- (a) the approval by the Existing Shareholders of a special resolution as contemplated in section 41(3) of the Companies Act, 2008 (“the Act”) authorising the issue of the Subscription Shares to RSI;
- (b) the approval of the Storage RSA Transaction by the third-party debt providers to Storage RSA, to the extent required;
- (c) filing of the amended Memorandum of Incorporation (“MOI”) of Storage RSA in the manner prescribed in the Act in order to, *inter alia*, increase the authorised share capital of Storage RSA;
- (d) the approval by the relevant regulatory authorities (including the Competition Authorities);
- (e) confirmation by Stor-Age that it has successfully placed the Consideration Shares by way of a vendor consideration placement for an amount not exceeding the aggregate of the Share Subscription Consideration and the Loan Purchase Price; and
- (f) approval by the JSE of the listing of the Consideration Shares.

Given that the Storage RSA Transaction is a category two transaction in terms of the JSE Listings Requirements, the transaction is not subject to approval by the shareholders of Stor-Age.

3.7. VENDORS’ INFORMATION

The registered names of the Existing Shareholders (being the vendors to the Storage RSA Transaction) are set out below:

- (a) Ademfair Proprietary Limited;
- (b) Camdeboo Rally Proprietary Limited;
- (c) Deltahof Proprietary Limited;
- (d) GAJ Property Investments Proprietary Limited;
- (e) IBC Investment Co Proprietary Limited;
- (f) Newlinox Proprietary Limited;
- (g) Rainbow Beach Trading 137 Proprietary Limited; and
- (h) Somerzee Beleggings Proprietary Limited.

3.8. MEMORANDUM OF INCORPORATION

Stor-Age undertakes to ensure that nothing contained in the MOI of Storage RSA (or any of its subsidiaries) will frustrate Stor-Age in any way from compliance with its obligations in terms of the JSE Listings Requirements or relieve Stor-Age from compliance with the JSE Listings Requirements.

4. FURTHER INFORMATION IN RESPECT OF THE SOMERSET WEST TRANSACTION

The Somerset West Transaction is not categorised in terms of the JSE Listings Requirements and accordingly the following information is disclosed on a voluntary basis and for information purposes only.

4.1. ABOUT SOMERSET WEST

Somerset West owns a single trading store located in Somerset West, Western Cape, with a gross lettable area of 5 500m², which is currently operated under the Storage RSA brand name (under license from Storage RSA).

4.2. EFFECTIVE DATE

It is expected that the Somerset West Transaction will be effective on 1 February 2017.

4.3. CONSIDERATION

Through a combination of a subscription for new shares and an acquisition of the remaining shares in Somerset West, Stor-Age, through its wholly-opened subsidiary, RSI, will acquire the entire issued share capital of Somerset West together with the shareholders' loan claims against Somerset West, for an aggregate total consideration of approximately R40 000 000.

It is envisaged that the purchase consideration payable in respect of the Somerset West Transaction will be settled utilising existing debt facilities in Stor-Age and/or through a vendor consideration placement.

4.4. CONDITIONS PRECEDENT

The Somerset West Transaction remains subject to a number of conditions precedent, including the conclusion by the parties thereto of formal agreements.

Given that the Somerset West Transaction is not categorised in terms of the JSE Listings Requirements, the transaction is not subject to approval by the shareholders of Stor-Age.

5. WITHDRAWAL OF THE CAUTIONARY ANNOUNCEMENT

As a consequence of the announcement of the salient terms and conditions in respect of the Storage RSA Transaction, the cautionary announcement is hereby withdrawn. Accordingly, shareholders are no longer required to exercise caution when dealing in the securities of the Company.

Cape Town
12 December 2016

Corporate Advisor and Sponsor



Competition Law Advisor

BAKER & MCKENZIE

Baker & McKenzie

Legal advisor to Stor-Age



Cliffe Dekker Hofmeyr Inc