STOR-AGE OUTPERFORMS SECTOR TO POST CONTINUED GROWTH

Highlights

- **Dividend up 9.1% to 51.30 cps**
- **SA rental income and net property operating income up 17.4% and 14.2%, including like-for-like growth of 9.4% and 9.8% respectively**
- **Strong operating performance in UK business**
- **Acquisition of All-Store and completion of new Bryanston property**
- **Development of Craighall (Johannesburg) underway**
- **Acquisition of Managed Portfolio (12 properties) completed post period – investment property valued at R5.3 billion**

JSE self storage specialist REIT, Stor-Age, continued to demonstrate the resilience of its business model with 9.1% dividend growth for the six months to September 2018, to 51.30 cents per share, in a tough macro landscape. This exceptional performance outstripped the JSE property sector in which dividend growth has been severely curtailed. The REIT's strong trading results were driven by ongoing organic growth combined with further expansion in South Africa (SA), and a solid operating performance in the United Kingdom (UK).

CEO Gavin Lucas says Stor-Age's growth trajectory is attributable to persistent focus on outperformance in its key focus areas, including revenue management, developments and acquisitions. In this light portfolio occupancy closed 72 400m² up on September 2017 and total property revenue almost doubled to R225.8 million.

Operating profit grew by 86% to R166 million. On a like-for-like basis (excluding Storage King and other SA acquisitions) rental income increased by 9.4%, driven by a 0.7% increase in average occupancy levels and an 8.7% increase in the average rental rate. Excluding acquisitions, the closing rental rate grew by 8.7% to R93.5/m².

Lucas highlights that Stor-Age's proven ability to acquire and integrate acquisitions and to successfully execute asset management initiatives to enhance its properties, are key competitive advantages, particularly in the downcycle. "We successfully completed the acquisition of the Managed Portfolio in the period, bringing on board an additional R1.12 billion portfolio, while the new Bryanston store was opened - R1 million under budget - and the Craighall development got underway," he says.

The acquisition of the All-Store property, located in Cape Town's northern suburbs, was completed in April for R52 million and added 5 500m² GLA to Stor-Age's local portfolio. The Managed Portfolio (which Stor-Age previously managed but did not own) added another 86 300m² GLA. Nine of the 12 properties are high quality 'big-box' type stores and six operate at mature occupancy levels. Lucas says management is extremely pleased with the acquisition given that it has been a long-stated intention of the REIT and that the portfolio offers promising growth opportunities, while streamlining the ownership structure. Over the 12 months to June 2018 the Managed Portfolio's occupancy and average rental rate increased significantly.

Lucas adds that paying particularly close attention to the company's balance sheet structure remains a priority. Two initiatives in this regard started in the period and were completed successfully in October 2018, namely a significant debt restructuring in SA and the UK and an oversubscribed R400 million equity capital raise.

The UK portfolio delivered a strong operational performance, with occupancy increasing by 4 000m² year-on-year and like-for-like occupancy by 1 300m².

“The UK self storage industry experiences a more marked degree of seasonality, with occupancy peaking in the spring and summer months,” says Lucas. “Accordingly, we anticipate some occupancy loss to come through over the UK winter months but remain on track to meet our full year expectations.” Storage King contributed R64.0 million (c. 40%) to the group’s total net property operating income.

Looking ahead he remains cautious but positive. “We do not expect the SA economy to show significant signs of improvement in the short-term. However, we believe Stor-Age will continue to demonstrate its resilience through the downcycle.”

Lucas concludes that management is confident of Stor-Age’s growth strategy and strong operating platforms that will continue driving attractive and sustainable earnings growth. Stor-Age has confirmed that it expects 9 – 10% distribution growth for the full year to March 2019.

The share closed yesterday at R12.32.

Ends.

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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 portfolio across South Africa and the United Kingdom comprises 73 properties (63 trading and 10 new developments), covering a GLA of c.414 000 m². The portfolio is concentrated in the four major South African cities - Johannesburg, Cape Town, Pretoria and Durban (49 properties), with the United Kingdom portfolio having a bias towards the East and South-East of England (14 properties).

In addition to the 63 properties trading under the Stor-Age and Storage King brands, 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.