Stor-Age Outperforms On Maiden Results

Highlights

- **Oversubscribed, highly successful JSE listing in November 2015**
- **Maiden results ahead of forecasts**
- **Self storage sector fundamentals driving attractive growth in distributions**
- **Recession-resilient business model and product**
- **Healthy conservative balance sheet**
- **Positive group and sector growth prospects**

JSE newcomer Stor-Age - South Africa's largest self storage property fund - today posted maiden annual results outperforming its pre-listing forecasts and reflecting its recession-resilient business model and product. For the 4.5 months since listing to March 2016 ("the period") distributions to shareholders totalled R39 million, translating into a distribution per share of 30 cents at 4.7% ahead of forecast.

On the back of strong demand, evidenced through 11% annualised escalations and growth in portfolio occupancy to 86%, rental income of R54.9 million came in 3% higher than forecast.

Gearing has been prudently managed. At listing borrowings were conservatively reduced and at year-end gearing stood at 8.7%. Of the net debt of R119 million, 84% is fixed for a further period of two years and eight months. An additional R521 million is available for drawdown with Nedbank.

CEO Gavin Lucas says constant demand for self storage is the key driver of the REIT's commendable results. "Self storage is a 'needs based' product and the need prevails in any economic cycle. In both good and tough times people go through life changing events and require flexibility, for instance when performing renovations at home or moving. Likewise businesses always require flexible space options – whether they are upscaling or downscaling." He adds that current lifestyle trends are further boosting demand such as security-conscious living in smaller spaces in apartment blocks, complexes or retirement villages. In South Africa specifically, the emerging black middle class is another key driver of demand.

Occupancies across the portfolio increased by 3 900 m² in the 4.5 months from listing with the facilities boasting over 14 300 tenants at year-end. Lucas points out that the robust enquiry levels, which reached an all-time high in the last quarter of 2015, demonstrate that self storage sector fundamentals are attractive. "While the global benchmark for a mature portfolio is 80%+ occupancy, we remain intent on improving our overall portfolio occupancy to 90% which we believe is optimal."

The rental rate per square metre increased from R72.60 at listing to R76.30 at year-end, representing an annualised increase of 11.4%.

Stor-Age is currently busy with four new high quality developments in Sunninghill, Essexwold, Randburg (all in Johannesburg) and Berea (Durban), which are set to further raise brand awareness and entrench it as the South African market leader. The buildings are designed to complement the existing built environment and will be modern, multi-storey and purpose-built. "These and other developments reflect our commitment to building a portfolio of high quality self storage assets," says Lucas. "We have always operated at the quality end of the market and will not grow for the sake of growth alone." Lucas believes this strategy will ensure that the business model is highly defensive over the medium to long term as more competition comes into the market.

Lucas says Stor-Age's performance follows the outperformance trend of self storage REITs globally. "In first world markets such as Australia, the UK and the US, self storage REITs have consistently outperformed property sector indices and ranked at the top end of their respective markets." He adds that despite this performance benchmark, self storage is still a developing market in first world countries and an unexplored market with explosive growth potential in emerging economies. Stor-Age is the first listed self storage property REIT on any emerging market exchange in the world.

Talking strategy he says the listing was a significant milestone and achieved a major goal of the group's founders: "Stor-Age's listing on the JSE brought to market a low-risk income paying specialist REIT and successfully introduced a new property sector asset class in South Africa." Going forward Stor-Age plans to grow in the short term through new developments and expansion and in the medium term via a combination of these and acquisitions of existing self storage properties from third parties.

5 500 m² of GLA expansion is currently underway at the existing Gardens and Durbanville properties, which on completion will immediately increase the portfolio's net asset value. The R44 million development costs will be funded from existing debt facilities. Regarding acquisitions, Lucas says the group has established strong relationships with identified peers with a view to acquiring their portfolios. "Given our focus on quality, our scale and our leadership of the market in South Africa, finding appropriate acquisitions is challenging." Outside of Stor-Age, there has been little high quality self storage development over the last ten years and the company is the only local self storage provider with a national footprint.

Looking ahead Lucas remains confident that Stor-Age is well positioned to weather the economic headwinds in South Africa and global market volatility. "Our oversubscribed listing last year raised over R1 billion in equity capital, we have a portfolio of outstanding quality self storage assets, a healthy conservative balance sheet, we posted an attractive set of maiden results and operate in an under-supplied growth sector. These positive factors will continue to drive growth." The group expects annualised dividend growth of 10% for the year ahead to March 2017.

Ends.

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Note: About the portfolio

The portfolio of 33 Stor-Age branded and managed properties covers approximately 245 000 m² of GLA concentrated in the four major cities - Johannesburg, Pretoria, Cape Town and Durban.

Stor-Age has in place a c. R1.3 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, nine are currently trading and the balance of 10 is either under construction or in planning.