STOR-AGE CLOSES R500 MILLION ACQUISITION

JSE self storage REIT, Stor-Age, today announced that it had raised R400 million in a significantly oversubscribed book build to fund its milestone acquisition of Storage RSA ("RSA"), one of the country's largest private self storage operators. The acquisition includes the purchase of the niche Somerset West facility operated under RSA brand licence. The 7 new properties, valued at c.R475 million in total, will add around 43 000m² to Stor-Age's portfolio in Gauteng and Cape Town and one development opportunity.

Following implementation of this capital raise, all conditions to the RSA transaction will have been fulfilled and the acquisition is set to become effective on 28 February 2017. In terms of the book build 37 million new shares will be issued at R10,81 a share, a 2.5% discount to the 30 day volume-weighted average price on the day before the book build began. The shares will be entitled to the year-end final dividend.

Stor-Age CEO Gavin Lucas says the RSA transaction represents the rare opportunity to buy a high quality, multi property self storage portfolio comprising investment grade sites in sought-after locations. "It is exciting to have found and secured local self storage properties that complement the location, scale and quality of Stor-Age's existing portfolio." He says the move is in line with the strategy to consolidate the group's position through value-add acquisitions in a fragmented industry, and reflects the strategic peer relationships built over the last decade.

RSA's five trading properties boast strong metrics with an average rental rate of R105 per square metre and average occupancies at 95%. Town planning is already in hand for the development opportunity in Bryanston, Johannesburg, which ideally neighbours the suburb's Virgin Active gym. The Somerset West facility is well located with high visibility from the adjacent national highway and offers a boutique wine storage facility.

"The acquisition will bulk up our balance sheet in addition to our trading footprint," Lucas says. Post-acquisition gearing will remain below 15%, although Lucas is targeting gearing of 25-35% over the medium to long term. Approximately 80% of the group's external debt is currently fixed. The surplus R70 million raised in the book build, after settling the R330 million purchase price for RSA, will be applied to reduce debt and fund future growth opportunities.

The REIT plans ahead in five-year cycles with a focus on developing new properties and buying existing self storage sites in specific cities and suburbs in South Africa. Stor-Age is targeting an average of 4-6 new stores every year until 2020 when the current planning cycle ends. Lucas says that quality remains the key criterion for acquisitions and "Stor-Age will not consider diluting quality for the sake of short term growth".

At last results - interims to September 2016 - Stor-Age reported strong growth in occupancies and rental rates with distributions 6% higher than the listing forecast. Looking to the upcoming year-end in March 2017, Lucas reaffirms distributions at 10% higher year-on-year. He concludes: "Should the current macro environment prevail with no new economic headwinds, we expect to meet our double-digit growth forecast given that the niche self storage sub-sector's fundamentals remain robust. Self storage is a recession-resilient niche sector built on need, which continues unabated throughout different economic cycles."

The REIT's share has outperformed the SAPY since listing on the JSE in November 2015 and closed Friday at R11,26.

Ends.

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Share code: **SSS**
JSE sector: **Speciality REITs**

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 the properties' high visibility to passing traffic, easy access off busy arterial routes and proximity to middle to upper income suburbs.

The portfolio of 36 Stor-Age branded and managed properties cover approximately 275 000 m² of gross lettable area concentrated in the four major cities - Johannesburg, Pretoria, Cape Town and Durban.

Stor-Age has in place an approximate R1.25 billion pipeline of 18 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 18 properties, 12 are currently trading and the balance of six are either under construction or in planning.