

INTRODUCING STOR-AGE

Stor-Age is the largest and most recognisable self storage property fund and brand in South Africa, as well as the first and only self storage REIT listed on any emerging market bourse following our successful debut on the JSE in November 2015. Our highly specialised property fund is focused on the fast growing self storage sector, a niche sub-sector of the broader commercial property market.

The establishment and listing of Stor-Age brought together:

- Property owning and fund management businesses held equally by Growthpoint, Faircape and Stor-Age Property Holdings; and the
- Operations business – Stor-Age Self Storage

Stor-Age seeks to develop, acquire and manage high quality self storage properties where it will achieve strong market penetration, benefit from economies of scale and produce favourable operating margins.

Our activities encompass the entire value chain across acquisition, development, ownership and management.

Our more than R2 billion portfolio comprises 33 self storage properties across South Africa. Stor-Age owns and operates 24 of these properties representing 181 342 m² of GLA and R1.4 billion in value ("Listing Portfolio"). The balance representing 54 919 m² of GLA makes up the unlisted portfolio ("Managed Portfolio") on which Stor-Age receives property and asset management fees. Collectively, Stor-Age manages over 14 000 individual leases.

The REIT is managed internally.

THE SOUTH AFRICAN SELF STORAGE INDUSTRY LEADER

Leading and largest self storage property fund in South Africa

High quality self storage properties

Outstanding locations with high barriers to entry

Economies of scale

High visibility buildings and easy access off arterials

Business model based on global best practice

Secured pipeline of development assets

Industry leading operations and digital platform

Favourable operating margins

Decade long track record of successfully developing, tenanting and operating self storage assets

INTRODUCING STOR-AGE (continued)

OUR VISION

To be the best self storage business in the world.
Not necessarily the biggest but certainly the best.

OUR MISSION

To rent space. We excel at renting space and it's what we are experts at.

OUR SUCCESS DRIVERS

- Diversified tenant risk (14 000 + customers)
 - Presence in South Africa's main metropolitan centres – Johannesburg, Pretoria, Cape Town and Durban
 - High barriers to entry
 - Market leading brand
 - Our people – committed and passionate
 - Average length of stay – 20 months
 - Favourable operating margins
 - Growing demand and awareness
 - Low obsolescence and ongoing maintenance capex
 - Strong cash flow
 - Attractive earnings growth
 - Low bad debt record (< 0.5% of revenue)
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HIGHLIGHTS



Rental rate per m²
(4.5 months)

R76.3
at year end

an 11.5% annualised increase from R72.6 as disclosed in the prospectus



Occupancy
(4.5 months)

86%

an increase of 3 923 m² from listing



Distributable earnings
(4.5 months)

R38.906m

ahead of listing forecast by 23%



Distribution
(4.5 months)

30.07 cents

outperformance of 5%



Headline earnings per share
(4.5 months)

29.93 cents

outperformance of 4%



Total value of property assets

R1.4 billion



Total number of properties

33

24 properties in the Listing Portfolio and 9 in the Managed Portfolio



Gearing

8.7%

of property assets



Total GLA

236 000 m²

under management



Customer satisfaction rating

95%

1 700+ responses since listing



Total number of enquiries

17 000+

Trading portfolio



Total number of tenants

14 000+

Trading portfolio



Pipeline

R1.2 billion+

19 properties



CHAIRMAN'S LETTER OF WELCOME

I am pleased to write my inaugural report for Stor-Age, the first self storage REIT to list on the JSE and indeed, in any emerging market. The trend towards specialist real estate funds has been more evident globally than in South Africa, despite compelling evidence that specialist REITs consistently outperform their diversified peers.

For these reasons the listing of Stor-Age, albeit with an initially modest market capitalisation, reflects an important development in our local REIT sector. As a specialist asset class in the early stages of development in South Africa, self storage offers unique growth prospects which the management team intends to harness in order to deliver strong and sustainable growth in returns.

A TRACK RECORD OF DELIVERY

Self storage is a real estate business with a significant operational overlay and therefore demands a highly specialised operations platform to successfully manage the business, particularly if the intention is to create meaningful scale and retain a position of market leadership.

Although new to the public arena, the seasoned executive team has established a track record of delivery since the founding of the business ten years ago. The business model is based on global best practice and strong networks with leading first world market peers, which is evidenced by a decade of successfully acquiring, developing, leasing and operating self storage assets.

CREATING VALUE

The remarkable growth of Stor-Age over the past decade has highlighted one of the notable features of the self storage business model, namely the low correlation between customer demand and the general economic cycle. Residential and commercial customers make use of the product due to a 'need' that arises in both strong and weak markets. Globally self storage has demonstrated resilience in economic downturns while also responding well to periods of strong GDP growth.

“ The same social and built-environment trends that are propelling self storage in South Africa are also at play in the UK, Europe and Australia... ”

TIMELINE



CHAIRMAN'S LETTER (continued)

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Self storage benefits from higher gross rental margins and a lower operating cost structure than traditional REITs, with relatively modest ongoing capital requirements. Over the long-run and seen in the context of growing customer demand, this should translate into favourable risk-adjusted returns.

GLOBAL MARKETS

Although self storage has a long track record in certain first world markets, particularly in the US (global leader), there are other developed countries where the industry is less mature. As management seeks to grow the fund, its opportunities are therefore not limited to South Africa or even to only emerging markets. The same social and built-environment trends that are propelling self storage in South Africa are also at play in the UK, Europe and Australia, and the board has encouraged management to continue deepening its networks in these markets where many of the self storage businesses are still privately owned.

There are around 60 000 self storage properties worldwide with over 80% of these situated in the US. Despite the 2008 financial crisis, the US industry continued to grow and last year saw \$2.5 billion of acquisitions supported by around \$1.15 billion in equity capital raisings and \$1.1 billion of public debt issuance, with substantially more being accessed via existing credit lines, term loans and the CMBS market.

The US and other developed economies such as the UK and Australia all have their own well-established market leaders in self storage. National Storage was the first such listing on the Australian Stock Exchange in December 2013. Listed at an 8% premium to NAV, in its latest annual results to June 2015 it delivered a return of 39% to rank as the top Australian REIT on a total shareholder return basis (the A-REIT index averaged 20%). Similarly in the UK, Big Yellow delivered an average shareholder return of 15.2% per annum over the 15 years since listing in 2000. This compares favourably to the 7.8% per annum for the FTSE Real Estate Index and 4.8% per annum for the FTSE All Share index over the same period.

These results show the extent to which self storage has historically outperformed the broader property sector over a sustained period, trading at tighter implied yields and higher price-to-NAV premiums. According to the National Association of REITs, the US self storage REIT sector has only generated negative returns in three of the last 22 years to 2015, delivering shareholder returns of 20% or more in 11 of the years and 30% or more in seven. For the 15 years to 2014, self storage was the top performing REIT sector, having delivered average annual returns of 20%, 18% and 24% for the 15-year, 10-year and 5-year periods, respectively.

FINANCIAL PERFORMANCE

Against a background of a consistently strong performance by this asset class globally, Stor-Age has made a promising transition from a private to a public fund and outperformed expectations for the 4.5 month reporting period to March 2016. The distribution per share of 30.07 cents came in ahead of the listing forecast in the prospectus by 4.7%. Distributable earnings were R38.9 million, exceeding the listing forecast by R7.4 million (23%).

Bank debt of R129 million was in place at year end, with net debt of R119 million representing 8.7% of gross property assets of R1.37 billion. Of this debt, an average of 84% is fixed for a further period of just under three years and as debt levels grow with future acquisition activity, the company will maintain this conservative hedging profile.

OUTLOOK AND THANKS

I'd like to congratulate the management team and senior staff on a successful result for the company's first reporting period. Gavin Lucas, our CEO, has shown visionary and entrepreneurial leadership, and he has been well supported by Stephen Lucas and Steven Horton in building a business with an excellent portfolio, a robust and sophisticated operational platform and a pipeline of exciting acquisition opportunities.

Thanks also to my fellow non-executive directors who have brought their formidable experience to bear on the strategic direction and governance of the company.

Stor-Age has a clear vision and well-articulated strategy that aims to deliver attractive and sustainable returns to shareholders, to increase the scale of the business and to retain its position of market leadership. We look forward to realising these goals over the coming years and establishing Stor-Age as a valuable player in the South African listed property industry.



Paul Theodosiou
Chairman

13 June 2016

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