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CEO'S REPORT

31 March 2017 marks the first full year for Stor-Age trading publicly as a JSE-listed REIT following the previous decade of trading privately. Stor-Age's listing brought a low-risk, income paying specialist REIT to market.

We are pleased to report another set of attractive results reflecting our disciplined execution of the strategy and the ongoing management of our portfolio.

We added to our track record of developing new properties and acquiring and integrating trading stores seamlessly into our portfolio this year by expanding our Gardens and Durbanville properties; acquiring Storage RSA; and opening three new high-profile Big Box properties in our Managed Portfolio.

Since opening our first property in 2006, our entrepreneurial management team with its in-depth understanding of the property and self storage markets has proven an ability to manage and grow the business in different markets and varying economic cycles.

OUR PERFORMANCE

Our total shareholder distribution of R131.1 million translated into a distribution per share of 88.05 cents, representing 10% annualised growth compared to the prior period's 30.07 cents (four-and-a-half-month trading period to March 2016). The distribution growth was supported by the 12.7% closing rental rate growth to R86 per m^2, and an increase in occupied space of 37 700 m^2.

The business remains highly resilient, driven by self storage sector fundamentals. Need will motivate demand whether in a healthy economic environment or the current constrained one. People continue going through life-changing events and businesses still require space on a flexible basis, whether for upscaling or downscaling.

We remain at the forefront of the sector in South Africa as the top self storage operator by lettable area, number of properties, number of tenants, value, and an exceptional geographic footprint.

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> *Our property growth strategy, while aggressive in its targets, is tempered with a commitment to high-quality self storage assets.*

GROWING OUR PROPERTY PORTFOLIO

Self storage is the built environment's response to society's needs, and is an exciting growth sector, not just in South Africa and similar emerging markets, but across first-world markets such as the US, Australia and the UK.

SOUTH AFRICA

Stor-Age seeks investment opportunities where we can achieve strong market penetration, leverage and further benefit from our economies of scale, enjoy limited competition and produce high operating margins. Our property growth strategy, while aggressive in its targets, is tempered with a commitment to high-quality self storage assets. We believe that, in focusing on assembling a portfolio at the quality end of the spectrum, we will not compromise the sustainability of our business by chasing short-term growth targets.

Our plan sees us growing through a combination of acquisitions of existing self storage properties from third parties (directly into Stor-Age) and developing new self storage properties.

Driven by the acquisition of Storage RSA, our investment property increased by R680 million to R2.050 billion this year. The location and quality of the Storage RSA properties, coupled with a strong employee complement and attractive brand, presented an opportunity to both grow and strengthen the Stor-Age business immeasurably and represented a rare acquisition opportunity in the South African self storage market.

> The Storage RSA acquisition will contribute significantly to our strategy of creating attractive and sustainable long-term returns for our shareholders.

The R475 million portfolio comprised six trading stores with excellent property fundamentals, including prime locations and with high-quality buildings, and one development site in Bryanston with town planning approvals. The Storage RSA acquisition has enlarged our high-quality and defensive portfolio of prime self storage assets and will contribute significantly to our strategy of creating attractive and sustainable long-term returns for our shareholders.

While our growth in the medium to long term will continue to come through both acquisitions and developments; in the short term, we envisage continuing to grow the portfolio with high-quality complementary asset acquisitions.

Given the limited supply of prime self storage properties in our primary urban and suburban target nodes, we will continue to focus our efforts on developing new self storage properties in the medium to long term.

INTERNATIONAL

Since 2007, we have spent time in the more developed self storage markets in the US, Australia and the UK. These markets help inform our South African business plan. Our insight is strengthened by our extensive peer networks of medium to large scale self storage operators in these markets.

As self storage is a young market, even in these first world countries, we are confident that an opportunity to enter one or more of these markets may arise in the short to medium term.

OUR PEOPLE

Our strong performance for the year was in large part attributable to the efforts of our loyal, dedicated and high-calibre employees. Our people are critical to our strategic objectives. Our distinct non-hierarchical structure, with fully accessible management, endeavours to reward everyone for their contribution to our success.

Our people and our sophisticated, decentralised platform are two key drivers of our long-term success. During the year, we rolled out a new e-Learning program which will streamline communication between our head office and store-based employees to continue knowledge transfer and business and service development.

We are fortunate to have an exceptional team of highly committed and passionate individuals who work to build on the legacy of the family business that lies at the heart of our company.

OUTLOOK

Our current five-year growth plan, now in its second year, sets broad targets to 2020 but, more importantly, details the strategic plan of 'how' and 'where' we intend on executing high-quality acquisitions and new developments in order to continue to strengthen and grow our asset base.

With the benefit of a core product that continues displaying its recession-resilience, and a healthy, conservatively geared and hedged balance sheet, Stor-Age is well positioned to continue withstanding the tough economic trading conditions prevailing in South Africa.

Delivering our second set of attractive results in a sector which continues to grow, Stor-Age is well positioned to move forward in a sustainable manner. We remain excited about the future of Stor-Age and believe in the sustainable growth potential of our business.

Gavin Lucas
CEO
13 June 2017

"Stor-Age is well positioned to continue withstanding the tough economic trading conditions prevailing in South Africa."


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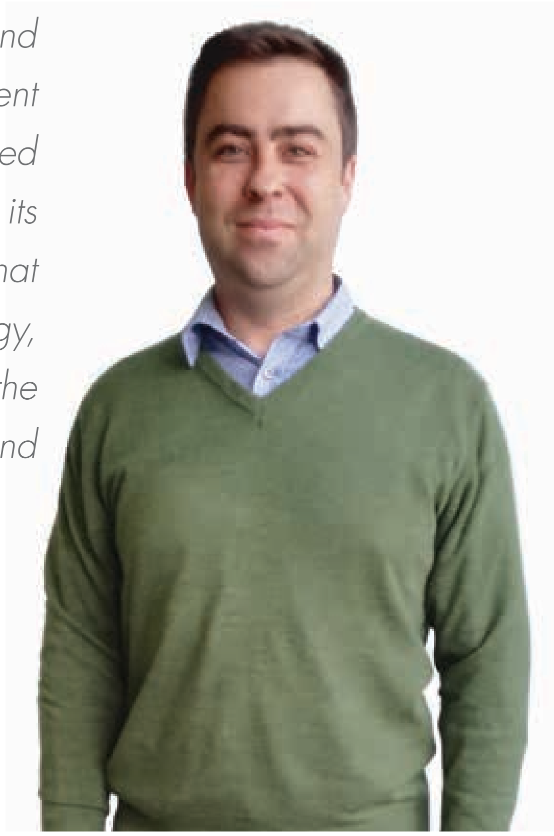
MEET SCHALK

“… Stor-Age had a clear vision and direction from day one. Its current growth has therefore been anticipated and catered for in the design of its systems. This foresight, and the fact that Stor-Age embraces the use of technology, ensures that the systems that support the company’s strategy remain relevant and sustainable …”



Schalk joined Stor-Age in 2009 as a financial controller in the finance team and also took on the responsibility of coordinating the IT function. In 2014 he was promoted to ICT Manager, leading the team responsible for maintaining and developing IT infrastructure systems and technology solutions.

Schalk Lesch
ICT Manager

FINANCIAL REVIEW

These results represent the group's first full 12-month reporting period since listing. The previous report covered the four-and-a-half month period between listing and the 2016 financial year end. The trading results of Storage RSA are included in the group results for the one-month period from the effective date of acquisition to year end.

A self storage unit is rented to a customer on a month-to-month basis with a minimum one-month term. The rental agreement continues indefinitely until the customer provides notice of termination.

Self storage is a dynamic business – in any month, customers move in and out, resulting in changes in occupancy and the average rental rate. The churn rate – the percentage of customers moving out each month – is approximately 5 – 6% and although this may vary between properties, it is generally consistent across the portfolio.

FINANCIAL RESULTS

Revenue and headline earnings for the year amounted to R180.4 million and R113.4 million respectively. The table below summarises Stor-Age's underlying results of operations for the 12-month period compared to the forecast set out in the prospectus.

Property revenue comprises rental income and other income.

Rental income is a function of occupancy – the amount of space let to individual customers – and the rental rate charged for each unit. Rental income for the year amounted to R158.8 million. Excluding the Storage RSA portfolio, rental income was R155.1 million.

The total GLA in the Listed Portfolio at year end was 227 800 m² (2016: 181 300 m²). The 46 500 m² growth in GLA relates to the Storage RSA acquisition (41 800 m²) and the build-out GLA in the existing portfolio of 4 700 m².

Total occupancy grew by 37 700 m² over the year acquisitively (Storage RSA: 33 700 m²) and organically (like-for-like portfolio 4 000 m²) to close at 193 400 m² (85%) at year end (2016: 155 700 m² (86%)). All properties in the Storage RSA portfolio are trading at mature occupancy levels save for Durbanville, a newly opened lease-up property of 7 800 m² GLA which began trading in July 2016. Durbanville is performing in line with expectation and, at year end, was 35% occupied.

	Actual Year end 31 March 2017 R'000	Forecast Year end 31 March 2017 R'000
Property revenue	**166 663**	**159 437**
Rental income	158 801	155 691
Other property income	7 862	3 746
Direct property costs	(38 348)	(36 834)
Net property operating income	**128 315**	**122 603**
Other revenue	13 748	16 617
Administration expenses	(24 995)	(25 540)
Operating profit	**117 068**	**113 680**
Interest income	13 026	9 509
Interest expense	(15 769)	(30 025)
Profit before non-cash adjustments*	**114 325**	**93 164**
Dividend per share (cents)	**88.05**	**84.88**

* *Excludes fair value adjustments, gain on bargain purchase, depreciation, amortisation, interest and taxation.*

We take a balanced approach to revenue management, and our occupancy growth was accompanied by an increase in our closing rental rate of 12.7% to R86 per m^2 and like-for-like growth in our achieved average rental rate throughout the period of 9.4%.

Other property income comprises licence fees relating to the opening of new stores in the Managed Portfolio (R3 million) and ancillary income such as the sale of merchandise (e.g. packaging materials and padlocks), administration fees, late fees and other sundry income.

Other revenue comprises property management and asset management fees charged on the Managed Portfolio; and acquisition and development fees charged on the development of new self storage properties. These fees for the year were in line with expectations and the underlying performance of the Managed Portfolio.

Direct property costs comprise mainly store-based employee salaries, rates, utilities, a full allocation of marketing spend and other property-related costs such as insurance, maintenance, IT and communications at a property level. The cost-to-income ratio (direct operating costs as a percentage of property revenue) is 23.4%.

Administrative expenses relate mainly to support function costs for IT, finance, HR, property management, professional fees and directors' remuneration. These costs are broadly in line with forecast expenditure. We remain focused on managing our cost base tightly to enable revenue growth that translates into earnings growth.

The Company has adopted DPS (dividend per share) as its measure for trading statements.

CAPITAL STRUCTURE

Our financing policy is to fund our current needs through a mix of debt, equity and cash flow to allow the company to expand the portfolio and achieve our strategic growth objectives. The group has term loan facilities of R650 million available with Nedbank. The respective maturities of the various facilities range from November 2017 to November 2020 and accrue interest at an average margin of 1.5% below prime. Further details are set out in note 13 of the annual financial statements.

At 31 March 2017 the group's total gross borrowings amounted to R252.7 million (2016: R129 million) with 79% (2016: 78%) subject to fixed rates as set out above, and total undrawn borrowing facilities of R397.3 million (2016: R521 million). On a net-debt basis, 82% (2016: 84%) of the group's borrowings were subject to fixed rates.

The board's policy is to fix approximately 80% of borrowings. The effective interest rate at year end was 9.36% (2016: 9.39%).

In February 2017, Stor-Age raised R400 million through an accelerated book build by placing 37 million ordinary shares at R10.81 per share. At this level, the book build was oversubscribed, and the proceeds were used to fund the Storage RSA acquisition and reduce associated debt. The development costs for the expansion of our existing Gardens and Durbanville properties of R41 million, as well the acquisition of the Bryanston vacant land of R17.4 million, were funded from our debt facilities.

We maintain a conservative capital structure with net debt at R244.6 million at 31 March 2017 (2016: R119.2 million) and a gearing ratio of 11.9% (2016: 8.7%).

Net asset value per share was R10.68 (2016: R9.90) and net tangible asset value per share was R10.21 (2016: R9.31).

INVESTMENT PROPERTIES

Investment property increased from R1.371 billion at 31 March 2016 to R2.050 billion at year end. The increase related mainly to acquisition of Storage RSA (R475 million), the expansion at Gardens and Durbanville (R41 million) and the acquisition of the Bryanston development opportunity (R17 million). The fair value adjustment to investment properties was R127 million.

The group's policy is to annually have one-third of its properties valued by an independent, external valuer and the remaining properties valued by the board, using the same methodology as the external valuer. In line with this policy, 10 of the 30 properties in the group were valued by Mills Fitchet Magnus Penny (a registered valuer) at 31 March 2017. Further details of the basis of valuation are set out in note 3 of the annual financial statements and a summary of the portfolio is set out on pages 123 to 127.