



## OUR BUSINESS

WHAT WE DO  
GROWTH STRATEGY

# OUR BUSINESS

## WHAT WE DO

Our Trading Portfolio comprises 43 self storage properties across South Africa.

Stor-Age owns and operates 31 of these properties, covering 233 000 m<sup>2</sup> GLA – our Listed Portfolio. Stor-Age's other 12 properties cover 67 000 m<sup>2</sup> GLA, and make up our Managed Portfolio from which we receive property and asset management fees. Stor-Age holds a pre-emptive right to acquire all properties in the Managed Portfolio, representing a significant growth pipeline. We manage over 18 500 individual leases with a churn rate of 5 – 6% per month and over 1 100 new tenants moving in each month.

We continue improving our operating platform and infrastructure to maximise revenue, reduce costs and ultimately deliver enhanced returns. At a property level, our people and the high-quality, secure and convenient space attract and retain a diverse customer base.

### STOR-AGE AT OUR CORE

Put simply, Stor-Age exists because we solve people's and business' space problems.

We aim to actualise within a number of dimensions simultaneously for maximum value creation. Stor-Age aims for purpose and profit; continuity and change; freedom to innovate; and responsibility. We strive to respect our colleagues, our customers, ourselves and the organisation, which is greater than the sum of its parts.

Our four Core Values guide and inspire every single thought, action and decision: Excellence, Sustainability, Relevance and Integrity.

### SOPHISTICATED OPERATIONS PLATFORM

We have invested significantly in developing a sophisticated and scalable management platform to provide centralised services and support across the portfolio. This offers economies of scale and cost efficiencies.

Our web-based tenant management system provides real-time information on the operating and financial performance of each property. The system also has a unique built-in client relationship management (CRM) tool which allows all enquiries to be logged and tracked (until closed) and management to remotely monitor employees' efforts in this process. Every month, more than 4 400 enquiries are recorded and followed up on.

Pricing is dynamic and varies according to unit size, demand, the stage of lease-up, and location. In Stor-Age's Big Box properties, the internal space can be reconfigured to produce variations of unit sizes in order to meet the demand profile and optimise the revenue streams from the property.

Operationally, Stor-Age consists of two elements: systems and people. Our approach to each is summarised below.

1

#### Systems including processes, controls and responsibilities

- Defined in operating standards across the business to ensure consistency
- Increasing use of technology and automation for continuous improvement

2

#### People

- Strategic focus from inception
- Significant emphasis on recruiting the right people and training, developing and managing them to achieve their highest potential
- New e-learning platform rolled out across business
- Incentivise out-performance

## WHAT WE DO (continued)

### BRAND STRENGTH

Developing Stor-Age into the leading South African self storage brand has been a key strategic objective since inception. Our focus on the location, visibility and quality of our properties, underpinned by excellent customer service and a leading online platform, has successfully achieved this.

Our brand is firmly positioned at the quality end of the market, and is well defined and differentiated.

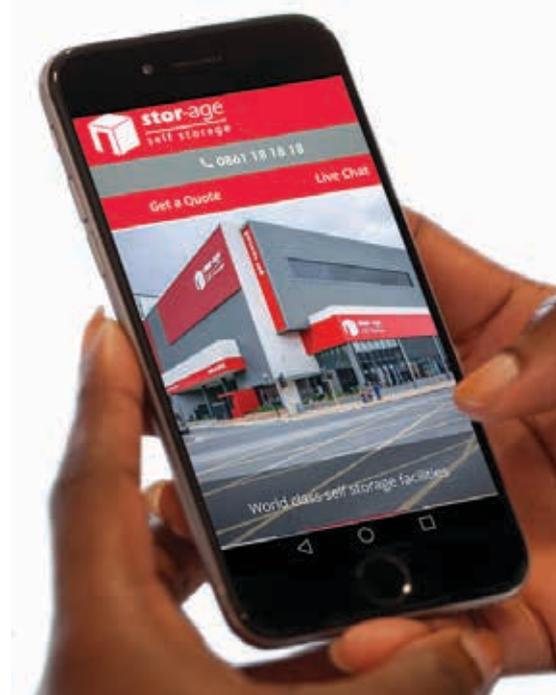
Our brand strategy is founded on big branding at properties in high-visibility locations on key arterials in densely populated residential suburbs with adjacent commercial and business corridors. Stor-Age's Big Box properties are especially impactful in this regard.

Our effective and innovative internet technology and digital marketing have enhanced our brand reach and raised the barrier to entry to competition, given the innate complexity and cost of online sales.

### SALES, MARKETING AND E-COMMERCE

We have embraced the digital age and regard our online platform (management and tenant) as a key competitive differentiator.

We see digital as enabling a cohesive, previously unavailable, brand experience by creating unique and specific touch points based on where the customer is located and which specific online search term is used.



Our search engine optimisation (SEO) results maintain our leading ranking for the most popular and searched terms by using both paid for and organic listings.

In January 2017, we launched our new interactive website, which is gaining traction and encouraging web prospects to enter our 'digital sales funnel' and convert into a sale. More than 40% of total web enquiries originate



from smartphones and tablets. Taking this into account, our new website is designed to be simple and uncluttered.

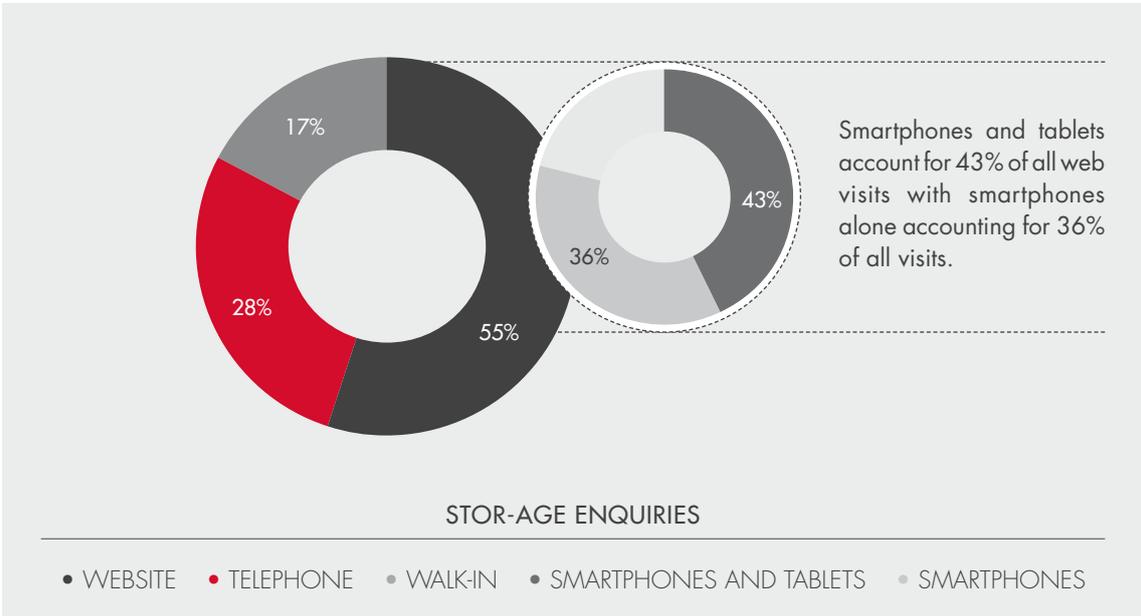
Our e-commerce platform encompasses an online reservation system and real-time pricing model which allow our online customers to seamlessly transition from obtaining a quote to moving in. This has improved the user experience and reduced move-in time for improved productivity.

With regards to marketing, we continued executing our IDEA campaign in the year. This is predicated on simple ideas about storage space in order to educate consumers on the convenience and benefits of the product. The ongoing roll-out across all marketing mediums is supported by a number of larger regional and store based activations.

Social media remains a key marketing and CRM medium for the group. We are mainly active on Facebook (66 000+ followers, ranking us as the third highest followed self storage business in the world) and Twitter, but also on Instagram, Pinterest, LinkedIn, Google Plus and YouTube. Through specific Call-To-Action buttons, we are able to engage with our customers in real time. Our well-established, active, online brand personality and presence plays a crucial role in maintaining Stor-Age as the top of mind choice for a space solution.

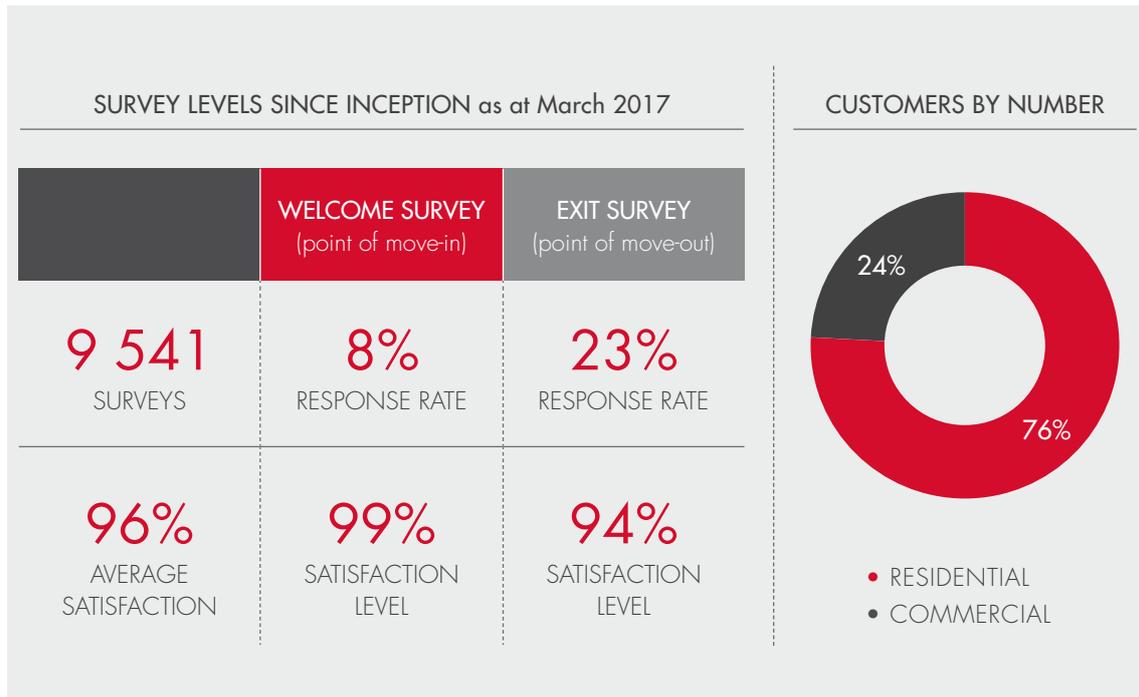
We further use our social media presence to support community projects, such as The Color Run South Africa and the Santa Shoebox Project. Refer to the social sustainability section on pages 44 to 45 for more detail on our corporate social investment.

The Stor-Age website – whether accessed by desktop, tablet or smartphone – accounts for 55% of all enquiries. The telephone accounts for 28% of enquiries as the first point of contact and walk-in enquiries, where we have had no previous contact with a customer, accounts for 17%.



## WHAT WE DO (continued)

We measure customer service standards through a programme of mystery shoppers and customer satisfaction surveys using our in-house 'My Experience Surveys' portal.



### OUR PEOPLE

Stor-Age has a flat operational structure that recognises that our operations employees are pivotal to achieving our strategic objectives, including driving occupancy, revenue and cash flow growth in the portfolio.

To foster a partnership culture within the business, management spends significant time at each property and is accessible to all employees. Our learning, development and training programme delivered both online and in person, develops both core and soft skills to promote individual advancement, and our performance management system supports this through regular appraisals and feedback sessions.

### OUR PROPERTY

Our portfolio is predominantly purpose built with a national footprint. The 49 properties are split between 43 trading properties and six new developments in our pipeline. Our 43 trading properties will offer an estimated 320 000 m<sup>2</sup> GLA once fully fitted-out, and provide for a further 20 000 m<sup>2</sup> of approved development bulk. Our pipeline of six new properties offers further developable GLA of 39 000 m<sup>2</sup> on full build-out.

In defining our property strategy in South Africa, we identified the four main cities on which to focus and then the specific suburbs (including arterial routes) where we would like to establish a presence. This is not a restrictive or instructive strategy, but rather a guide that supports our full business growth strategy.

# 49

Our portfolio comprises 49 properties (31 in the Listed Portfolio, 12 in the Managed Portfolio and 6 in the pipeline)

#### TRADING PORTFOLIO:

43 properties  
R2.96bn  
300 000 m<sup>2</sup>  
18 500+ tenants

#### LISTED PORTFOLIO:

31 properties  
R2.1bn  
233 000 m<sup>2</sup>  
15 000+ tenants

#### MANAGED PORTFOLIO:

12 properties  
c. R860m  
67 000 m<sup>2</sup>  
3 500+ tenants

#### PIPELINE:

6 properties  
c. R465m  
39 000 m<sup>2</sup>



## MAINTAINING OUR PROPERTIES

As a customer-facing real estate business, it is paramount to maintain the quality of our assets by investing in a rolling programme of preventative maintenance, store cleaning and the repair and replacement of essential equipment.

We have a dedicated intranet for operational employees to log maintenance requests. Our national facilities manager manages property maintenance with the assistance of facilities management teams in each city in conjunction with store operations and area managers.

## CYBER SECURITY

We have noted the global increase of ransomware and other cyber security attacks. During the year a number of enhancements have been made to the layered network security systems in order to strengthen defences.

We have chosen reputable, specialist service providers as business partners to ensure continued cyber security measures are maintained at the highest level. Together with a cloud based approach for essential services, our Information Communication and Technology (ICT) objectives of avoiding redundancy, enhancing security and ensuring continuity, remain strategic priorities.

Users (both internal and external) are continuously monitored to ensure the most effective use of resources and to limit the opportunity to breach the company's cyber defences.

Our strategy, suppliers and network design are reviewed on a regular basis in order to stay abreast of leading best practice and remain relevant in the use of technology.

## GROWTH STRATEGY

We conduct our strategic growth planning in five-year cycles. We are in the second year of our cycle ending 2020. We intend to grow the portfolio and enhance performance and investor returns by:

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**extracting organic growth** through active revenue management, developing additional GLA and optimising the unit mix at the properties

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**leveraging our tenant management software platform** to unlock value, drive cost efficiencies and entrench our competitive advantage

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**pursuing acquisitions** in a fragmented industry, and consolidating our position as the leading and largest self storage brand in the South African market

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**actively managing and growing licensing, asset management and operator fee income** from the development and ongoing management of the Managed Portfolio and pipeline

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**managing financial risk** through prudent capital management policies

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The strategy seeks to entrench Stor-Age as the market leader and largest self storage property fund and brand in South Africa:

- Largest store footprint
- Quality stores – high-profile locations, urban, urban-edge, and suburban
- Visible, convenient and accessible
- The benchmark for modern urban self storage development

To inform and optimise our strategy, we undertook four major research projects in 2015 focused on: supply levels; anticipated demand; customer profiling; and consumer demographics – the latter specifically to understand the emergence of the black middle class and its positive impact on the consumer profile.

Based on our research, we believe there is sufficient demand to develop a 60+ property portfolio across South Africa's major cities, subject to there being no further significant deterioration in the economic outlook over the medium term.

## DEVELOPING AND ACQUIRING PROPERTIES

### DEVELOPMENTS

Stor-Age develops investment-grade self storage properties in visible, convenient and accessible locations where there are favourable demographics and where suitable acquisitions are not available. The decision is based on the cost of development versus the cost of acquisition, the demographic market analysis and the existence of barriers to entry. Our model for rolling out new properties and expanding existing ones is well developed with clearly defined key success criteria.

The expansion of our existing Gardens and Durbanville properties in the year will add approximately 5 500 m<sup>2</sup> GLA on full fit-out.

During the year, we opened three new high-profile Big Box self storage properties in the Managed Portfolio. The new properties, in Sunninghill and Essexwold

(Gillooly's Interchange) in Johannesburg and Berea (Durban) offer a combined 24 500 m<sup>2</sup> GLA on full fit-out.

### ACQUISITIONS OF EXISTING SELF STORAGE PROPERTIES

As reflected by our successful acquisitions since listing, Stor-Age is well positioned to take advantage of value-add acquisition opportunities. Our ability to close transactions and integrate trading stores seamlessly onto the Stor-Age operating platform was demonstrated during the year by our acquisition of Storage RSA, the third largest self storage operator in the country, followed just after year end by the acquisition of single-property operator, Unit Self Storage, in Cape Town.

The R475 million Storage RSA acquisition in February 2017 brought six trading stores on board, offering over 41 800 m<sup>2</sup> GLA across the Western Cape and Johannesburg. The portfolio also included a development opportunity of 4 800 m<sup>2</sup> GLA in Bryanston for which we have town planning approvals.

Unit Self Storage was added in May 2017 with its single property offering 5 300 m<sup>2</sup> GLA over two levels.

In June 2017, the group announced that it had entered into a memorandum of understanding to acquire the Durban-based multi-store operator, StorTown. StorTown trades from four locations and offers c. 22 000 m<sup>2</sup> GLA.

### BARRIERS TO ENTRY AND DEFENSIVE NATURE

The barriers to new supply in key target nodes are significant. Because the industry historically centred in industrial or urban-edge areas, there is limited premium grade self storage assets in prime urban and suburban nodes, where population density and average household income are key.

Town planning presents a major challenge with long lead times required to gain planning consents. This in addition to the long lease-up period required to reach stabilised occupancy at new stores is a significant barrier to entry and contributes to the defensive nature of the portfolio.



## MEET BERNICE

“ ... Being part of a company that lives out its values has been my inspiration for contributing to the growth and success of Stor-Age. Values drive us in all aspects of our lives, they define us as people, not only as a business. In my experience as an employee of Stor-Age, our values have provided the foundation which has underpinned the success of our company and its people ... ”



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Bernice joined Stor-Age as a Store Operations Manager in Boksburg and within a year was appointed as a Senior Operations Manager. Currently managing one of Stor-Age's recently opened Big Box properties in Sunninghill, her responsibilities also include training new store based employees and providing support to the Learning, Development and Training team based at head office.

**Bernice Human**  
Senior Operations Manager

Our brand has been positioned at the quality end of the market and is well defined, distinctive and differentiated...

