



INVESTOR MEMORANDUM
Paarl Mini Storage

Investment Disclaimer

This memorandum does not purport to represent financial advice of any kind and is presented as a marketing and information memorandum.

Prospective investors are strongly advised to obtain independent financial advice in relation to the investment opportunities identified in this memorandum.

That Storage Place hereby specifically indemnifies itself against any claims of whatsoever nature arising from representations contained in this memorandum.

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Annexure 1: Projected Annual Facility Operating Budget For First Year of Operation

Investment Opportunity

That Storage Place is an investment opportunity aimed at the expert investor who desires the following:

- 1 A meaningful sized exposure to Self Storage without the risk and exposure issues related to land acquisition approvals, planning, construction and management
- 2 Entry point of investment aligned with Developer cost
- 3 Upside benefits of capital growth, strong cashflows, excellent yield growth

THIS INVESTMENT CAN BE SUMMARIZED AS FOLLOWS:

- 3 Stand alone blocks consisting of 66 to 70 individual Self Storage Units each
- Sectional Title Ownership
- Fully Managed Investment
- Well situated alongside the N1 Highway opposite the Paarl Mall Shopping Centre and at the gateway to the large residential development and secure estates within the Winelands Valley
- Transfer expected to be October 2010

Development Features

- 441 Self Storage Units spread over seven individual blocks on 19 105m² of land on the fringe of the N1 Highway opposite the new Paarl Mall
- Units range in size from 16m² to 32m²
- Developer retains more than 50% of the total units
- All units are placed in a Rental Pool that is fully managed by the Managing Agent
- The Rental Pool ensures that Developer and Investor interests are aligned with the equal sharing of rewards and risks

Key Facility Characteristics

- Extremely Safe and Secure
- 24/7 on site security and access control
- Electrified perimeter fencing
- Full monitoring and surveillance of facility through modern CCTV cameras and dedicated control room
- Located adjacent to a residential area providing peace of mind and acceptable environment for safe access

Unit Specifications

- Entire facility is designed and built to the highest quality specifications
- All units are constructed out of cement blocks
- Concrete finished floor area
- Roller Shutter doors for easy access

Location



- Situated adjacent the N1 highway opposite the R450,000,000 Paarl Mall Shopping Centre
- Easy access to passing traffic and well situated adjacent to a residential node
- Positioned alongside traditional self storage demand drivers:
 - High density townhouse development and residential estates in the surrounding area; Boschenmeer, Val de Vie and Pearl Valley
 - Well developed economy – office, retail and industrial nodes in the immediate vicinity
 - Key Homeowners Association rules that limit the storage of boats, trailers, caravans and third cars on residential estates

WINELANDS VALLEY SOCIAL ECONOMIC INFORMATION AT A GLANCE

(Source: Drakenstein Municipality)

- Self Storage is a service based industry which operates in an immediate local catchment area within a range of 25km, on average, depending on population densities.
- Critical to the success of this self storage facility is the fact that The Winelands Valley is undergoing tremendous growth in residential developments underpinned by the demand for a secure lifestyle.
- Currently there are more than 3,000 houses on secure estates in the Completed to Planning Phase – the fact that residential estates do not allow for boats, caravans, trailers and third cars to be kept on an estate is an added demand driver for quality Self Storage facilities.

- The Drakenstein Local Municipality currently has a population in excess of 190,000 residents.
- The area has 67 secondary and primary schools, boasting some of the most prestigious schools in the Western Cape amongst them Paarl Boys High, Paarl Gym and La Rochelle.

Overview of Self Storage

Self Storage is a property linked service business aimed at generating strong cash flows from many small tenants.

The Key Differential in Self Storage over traditional real estate investment lies in the structure: income is generated via business operations underpinned by rental income, as opposed to a more traditional real estate vehicle where rental is received directly from tenants.

The basic business model operates as follows –

- Operators charge a fee for the use of an individual storage unit for an unfixed period/ongoing period of time rather than a set lease.
- The lessee of the space has access rights, ownership and responsibility of the stored goods and enters into an agreement with the management company.
- In the event of default there is usually a provision that after a set period of arrears the operator may force entry to a lessee's lock up space and take possession, selling the goods contained to recover expenses with any net proceeds being returned to the lessee. This tends to minimize default.

Key Fundamentals of the Self Storage business are:

- Demand is driven by the broad demographics relating to movements in population growth and density, transience relating to shifting employment trends as well as household changes.
- Trends in the amount of storage space within dwellings also contributes to demand – the cost of using costly residential space for storage or expensive business premises, forces people to look for cheaper, more efficient options.
- Leases are generally month to month, requiring proactive leasing strategies and dynamic, fluid pricing models.
- Highly sensitive to service quality provided by Management Company and quality of customer experience.
- Generating consumer awareness of Self Storage as a service is a key demand driver.
- Traditional customer base of Residential (60-70%) and Small Business (30-40%) of revenues.

Evolution of Self Storage

The self storage industry is believed to have started in England in the 1800's when British Banking institutions were asked to safeguard valuables for clients embarking on extended voyages.

It is believed that the self storage industry first hit the USA in Texas in the mid 1960's with a first generation self storage facility referred to as a "do it yourself" self storage facility.

Shortly thereafter self storage quickly spread to the West Coast and throughout the US. Since then the Self Storage Industry has gone through an evolution encompassing not only physical attributes of the facilities, but also the underlying methodology of how these facilities are operated as a business.

In South African terms, storage facilities have evolved from being poorly located in industrial areas, inadequately sized along with functional obsolescence to highly visible, state of the art facilities that are architecturally pleasing.

From a business perspective the initial “do it yourself model” has evolved to an increased service offer including storage related merchandise, truck rental to assist with storage goods and new showroom style management offices – which is clearly where **That Storage Place** finds itself positioned.

INDUSTRY FACTS AND INFORMATION RELATING TO THE SELF STORAGE INDUSTRY FROM THE USA MARKET – WHILE OF INTEREST DOES POINT TO GROWTH AND TRENDS IN A MARKET SUCH AS SOUTH AFRICA:

(Copyright Self Storage Association Industry Fact Sheet (1/08))

- There are now 51,500 primary self storage facilities in the USA
- Nearly 1 in 10 households currently rent a self storage unit which has increased from 1 in 17 since 1995 – a 65% increase in the last 12 years
- Primary Self Storage revenues for 2007 were approximately \$20.1 billion
- The total market capitalization of the entire US Self Storage Industry is well in excess of \$220 billion
- Total Self Storage rentable space in the US is estimated to be 2.194 billion square feet as of (Q4-2007) an area well over 3 times the size of Manhattan Island (NY)

Investment Rationale

Although Self Storage is a service based industry, it has many longer term, more traditional real estate advantages.

Investors have an exposure to the following upside:

- Increasing land values
- Increasing Self Storage Unit values due to rising building costs
- Increasing capital values and yield strengthening as the facility matures
- Long term income and capital growth

Self Storage - A Resilient Investment

Self Storage appears to be a resilient investment if not completely recession proof, producing steady returns in the difficult economic conditions that are currently being experienced.

Occupancy levels (based on thorough in-depth local market research) have remained robust which conforms to the trend that vacancy levels tend to be inelastic to broader economic conditions. This could in the short term be at the expense of rental growth levels.

Anecdotal evidence from Self Storage Operators suggests that times of economic turmoil can also have a positive effect on storage facilities through:

- Homeowners downsizing, some of the younger population being forced out of the rental market back into the family home with both resulting in a sudden requirement for storage space
- Businesses closing down or downscaling resulting in an increased demand for storage facilities perhaps until better economic conditions allow for renewed business growth

Over the longer term Self Storage as an asset class has proven itself to be capable of generating returns in excess of the inflation rate.

Mature storage facilities within the industry typically operate at occupancy levels between 85% and 95%.

Development Appraisal

That Storage Place has been designed to the latest International Self Storage unit specifications and will be arranged over 7 individual stand alone blocks strictly adhering to local planning guidelines and within the guidelines of a thorough Environmental Impact Assessment Study.



The site is situated on 19 105 m² and is well located on the fringe of a residential area bordering the N1 Highway and in close proximity to the new Paarl Mall Shopping Centre.

The site is accessed via an off-ramp off the N1 which leads directly back over the N1 Highway to New Eskdale Road where the facility is located.

The development is made up of 441 Self Storage Units structured over seven individual blocks each holding from 51 - 70 individual units.

Please see page 11 for floor plans of the various blocks on offer for investment.

The Self Storage units and the facility will be finished to the highest and latest international specifications for modern Self Storage facilities.

This includes secure:

- Electrified fencing
- Wall mounted security cameras
- Modern and high tech control room for monitoring site activity
- Controlled access system
- Easy moving roller shutter door unit access
- Wide spacing between blocks for easy access and turning circles
- Well located cleaning and wash bays for boats, trailers and offroad vehicles

Development Company

Prescient Property was formed in 2004, as an independent property investment company, to invest in physical as well as listed property. In 2002 Prescient Property acquired Prescient Investment's Corporate Offices at the Terraces, Steenberg Office Park, Tokai. Prescient Property entered into one of the first empowerment transactions with a listed property company in 2005 when they established an empowerment company known as Ngatana Property Investment (Pty) Ltd, acquiring a 12% stake in Spearhead Property Holdings Ltd, which is now Redefine. In 2006 the Prescient Property Unit Trust was launched and a year later **The Prescient Ink Property Fund** was established.

The Prescient Ink Property Fund currently has over R125 million in funds under management, invested into a diversified and balanced property portfolio comprising Residential, Commercial, Industrial, Retirement and Specialised investments. The Fund through The Mountainside Investment Trust is developing **That Storage Place** in Paarl. Prescient Property will manage the construction and implementation of **That Storage Place** and once complete a new and separate Management Company will come into existence to oversee the marketing, management and running of the facility for the Body Corporate.

A fixed price construction contract has been signed and agreed to with Stellenbosch-based Remy Construction, who commenced construction of the Facility at the beginning of September 2009. A full team of professionals were appointed to the project in February 2009 to provide a full suite of expertise for all aspects of the design, implementation and integrity of the facility. Debt funding for the project was successfully secured by The Mountainside Investment Trust with Imperial Bank on 11 September 2009, providing a less than 50% gearing for the project.

Facility Management - Managing Agent

The Managing Agent of **That Storage Place** will be appointed by the Trustees of the Body Corporate which will come into existence upon registration of transfer.

This Managing Agent will be responsible for the following:

- Complete oversight of the Storage Facility as well as asset management
- Strategic guidance and marketing as well as over site of the implementation of the marketing plans
- All administrative functions relating to the management of the rental pool units including contracting with renting parties, collection and all administration relating to rental units, payment of monthly and annual expenses
- Financial reporting to the Sectional Title Unit Holders, including the collection and submission of the net rentals due to Block Owners
- Maintaining and managing the website of That Storage Place

The Managing Agent will charge a fee to the block owners of 7.5% of gross revenue. This fee will be deducted from the rentals received from the letting of the Storage Units.

The Managing Agent will also collect the Sectional Title Levies on behalf of the Body Corporate for the payment of common expenses including rates, taxes, refuse removal, sewerage, security costs, repairs and maintenance, accounting, insurance, electricity, water, staff and bank charges.

The Managing Agent will be responsible for generating awareness of **That Storage Place** on an ongoing basis and will treat this as a key driver in creating a dynamic and competitive advantage. Because leases are largely month to month, a high level of proactive strategies and dynamic fluid pricing models are required to make a facility a success. To this end regular sales drives will form a key part of the plan to maximize occupancy.

Research in Australia has shown that 40% of non-Self Storage users are not aware of a Self Storage business in their immediate vicinity – therefore maximizing consumer awareness of **That Storage Place** as a product in the key catchment areas is of vital importance. (Australian Storage Demand Survey Conducted in 2008)

Costs and Investment Return

COSTS

No other costs apart from Management Fees and Operating Levies will be charged against the net income.

The Monthly Net Income will be derived using the following formula:

Total Income (excluding VAT) from rentals received **plus** Income derived from the sale of packaging materials and ancillary items.

Less Managing Agent's Fee of 7.5%

Less Sectional Title Operating Levy of R6.50/m²

Net income available for distribution to unit holders

The net income will be distributed quarterly in arrears based on the ratio of square metres owned over total rentable square metre area multiplied by the net income as specified in the Rental Pool Agreement.

INVESTMENT RETURNS

The following assumptions have been used in this table:

(All prices are net of VAT)

- 1 Rental income escalates at 5% pa
- 2 Expenses/Levies escalates at 6% pa
- 3 Levies are charged at an initial R6.50/sqm escalating at 6%
- 4 Parking Bay income escalates at 6%
- 5 Purchase Price per Square Metre is based on R4,600 per m² + VAT
- 6 Initial Rentals are based on a net of VAT Rate of:
 - 18m² units at R52/m²
 - 16m² units at R55/m²
 - 32m² units at R48/m²

For an investor who does not require mortgage finance, the property will be cashflow positive and generate income over 5 years as illustrated below:

Block E

Comprising 1264m²: 56 x 18m² units | 4 x 16m² units | 6 x 32m² units

PURCHASE PRICE R 5,815 000 + VAT	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Rental Income	R 781 824,00	R 820 915,20	R 861 960,96	R 905 059,01	R 950 311,96
Materials Income	R 46 909,44	R 49 254,91	R 51 717,66	R 54 303,54	R 57 018,72
Parking Income	R 22 044,00	R 23 366,64	R 24 768,64	R 26 254,76	R 27 830,04
Total Income (100%)	R 850 777,44	R 893 536,75	R 938 447,26	R 985 617,31	R 1 035 160,72
Occupancy	30%	55%	80%	90%	95%
Total Income Available	R 255 233,23	R 491 445,21	R 750 757,80	R 887 055,57	R 983 402,68
7.5% Managing Agent fee	R -19 142,49	R -36 858,39	R -56 306,84	R -66 529,17	R -73 755,20
Levy Charge	R -98 592,00	R -104 507,52	R -110 777,97	R -117 424,65	R -124 470,13
Net Income	R 137 498,74	R 350 079,30	R 583 673,00	R 703 101,76	R 785 177,35
Yield on Purchase Price	2,4%	6,0%	10,0%	12,1%	13,5%
Rental Guarantee	9%	9,54%			
Total Net Income Guaranteed	R 523 350,00	R 554 751,00			

Block F

Comprising 1300m²: 58 x 18m² units | 4 x 16m² units | 6 x 32m² units

PURCHASE PRICE R 5,980 000 + VAT	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Rental Income	R 804 288,00	R 844 502,40	R 886 727,52	R 931 063,90	R 977 617,09
Materials Income	R 48 257,28	R 50 670,14	R 53 203,65	R 55 863,83	R 58 657,03
Parking Income	R 22 670,76	R 24 031,01	R 25 472,87	R 27 001,24	R 28 621,31
Total Income (100%)	R 875 216,04	R 919 203,55	R 965 404,04	R 1 013 928,97	R 1 064 895,43
Occupancy	30%	55%	80%	90%	95%
Total Income Available	R 262 564,81	R 505 561,95	R 772 323,23	R 912 536,07	R 1 011 650,66
7.5% Managing Agent	R -19 692,36	R -37 917,15	R -57 924,24	R -68 440,21	R -75 873,80
Levy Charge	R -101 400,00	R -107 484,00	R -113 933,04	R -120 769,02	R -128 015,16
Net Income	R 141 472,45	R 360 160,81	R 600 465,95	R 723 326,84	R 807 761,69
Yield on Purchase Price	2,4%	6,0%	10,0%	12,1%	13,5%
Rental Guarantee	9%	9,54%			
Total Net Income Guaranteed	R 538 200,00	R 570 492,00			

Block G

Comprising 1336m²: 60 x 18m² units | 4 x 16m² units | 6 x 32m² units

PURCHASE PRICE R 6,155 000 + VAT	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Rental Income	R 826 752,00	R 868 089,60	R 911 494,08	R 957 068,78	R 1 004 922,22
Materials Income	R 49 605,12	R 52 085,38	R 54 689,64	R 57 424,13	R 60 295,33
Parking Income	R 23 298,56	R 24 696,47	R 26 178,26	R 27 748,96	R 29 413,90
Total Income (100%)	R 899 655,68	R 944 871,45	R 992 361,99	R 1 042 241,87	R 1 094 631,45
Occupancy	30%	55%	80%	90%	95%
Total Income Available	R 269 896,70	R 519 679,30	R 793 889,59	R 938 017,68	R 1 039 899,88
7.5% Management Fee	R -20 242,25	R -38 975,95	R -59 541,72	R -70 351,33	R -77 992,49
Levy Charge	R -104 208,00	R -110 460,48	R -117 088,11	R -124 113,40	R -131 560,20
Net Income	R 145 446,45	R 370 242,87	R 617 259,76	R 743 552,96	R 830 347,19
Yield on Purchase Price	2,4%	6,0%	10,0%	12,1%	13,5%
Rental Guarantee	9%	9,54%			
Total Net Income Guaranteed	R 553 950,00	R 587 187,00			

Purchase Process

Once an Investor has decided that he would like to take advantage of this unique investment opportunity the following needs to take place:

- 1 Deed of Sale is signed.
- 2 10% Deposit is paid into Attorney Trust Account or Purchasers can make use of the Deposit Advantage Product included in the sales documentation.
- 3 Mortgage Bond financing is put in place if required.
- 4 Bank Guarantees are issued for the difference between bond and capital value of the purchase price.
- 5 Transaction is completed and all funds transferred between buyer and seller upon registration and transfer in the Deeds Office.

To obtain a copy of the Deed of Sale document and the Rental Pool Agreement document, please visit our website www.thatstorageplace.co.za and download a PDF version from our Investors page.

Pricing and Available Investment Units

The Developer has decided to release three of the seven available Self Storage Blocks comprising of the following:



7 Reasons to Invest

- 1 Unique ground level investment opportunity of a substantial nature in Self Storage
- 2 Direct Investment without the risk of development cycle and construction
- 3 Excellent upside in terms of income growth, capital growth, purchase price based on developer cost
- 4 Opportunity to participate in emerging industry and property investment asset class
- 5 Financially sound developer and committed property manager with aligned interests
- 6 Ideal opportunity for strong cash flow generation with lower risk when compared to other Commercial Investment Property Opportunities
- 7 Two Year Rental Guarantee of 9% in the first year escalating by 6% for year two

Annexure 1

PROJECTED ANNUAL FACILITY OPERATING BUDGET FOR FIRST YEAR OF OPERATION

ITEM	AMOUNT
Body Corporate Auditing	R 6,000
Bank Charges	R 6,000
Cleaning Materials	R 3,600
Electricity + Water	R 7,200
General Maintenance	R 12,000
Insurance	R 30,000
Advertising & Marketing	R 120,000
Office Supplies & Expenses	R 24,000
Rates and Taxes	R 168,000
Security	R 120,000
Gardening Service	R 9,000
On Site Office Attendant	R 78,000
Maintenance & Site Manager	R 60,000
Sundries	R 12,000
TOTAL	R 655,800