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The Self Storage Association UK Annual Survey 2014

Contents

Introduction

This is the eighth consecutive annual survey carried out by the Self Storage Association UK among its members, and the fourth report based on their responses that has been produced with Deloitte Real Estate. Survey responses this year were returned by 79 separate companies covering 403 self storage facilities. This sample represents over 40% of the self storage facilities in the country, and over 60% of total storage space. Responses to questions in the survey related to company and facility positions at 31 December 2013.

The survey respondents do vary slightly from year to year so data cannot be compared on a true like-for-like basis. However, for certain data we have analysed the results only from those respondents that have completed the survey year on year so that an accurate comparison can be made.

Whilst the core questions in the survey remain static, allowing us to identify long-term trends, small variations are made each year to improve our analysis of the market. This year the question on expansion intentions has been split to differentiate between expansion through the development of new space and expansion through acquiring competitors' existing facilities.

The other significant addition this year is the inclusion of the results of a YouGov survey carried out among the public. This provides a counterbalance to the operators' survey, and makes the report a more rounded view of the current state of the industry. We intend to repeat this survey regularly, which will allow us to measure the change in public perceptions of self storage. As in previous reports, we have also inserted quotes from operators, which have been taken from a number of interviews carried out by Deloitte Real Estate with both large and small companies.

We hope that you find the report interesting. We would welcome any feedback from SSA UK members or other readers, in particular on the additional content included this year.

Finally, we would like to thank the members of the SSA UK who responded so promptly to the survey this year and Deloitte's Real Estate Insight team for helping interpret the survey data and for producing the report. We would also like to thank Safestore and Big Yellow Self Storage for the financial support to enable us to undertake the YouGov survey in this study.

Rennie Schafer
CEO, Self Storage Association UK

Ollie Saunders
Partner, Deloitte Real Estate

April 2014

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Key survey findings

There was an expectation by many that the introduction of VAT across the self storage industry in October 2012 would make a significant impact on the profitability of the industry. Now, with over 12 months of data since then, we can see that the industry has fared better than many expected and the end of 2013 saw self storage businesses in a much more optimistic mood. Most operators have seen occupancy levels as well as headline rents rise, although the widespread use of incentives has meant a small fall in net billed rates. Private customers are returning to self storage, driven by a recovering housing market across the country, and an increasing number of operators are planning to expand.

- Average occupancy has risen from 68% to 71%. All regions saw an improvement except the South West region
- 79% of respondents expect an improvement in profits this year, and 87% expect rents for new customers to rise in 2014
- The average net billed room rate fell slightly from £19.96 to £19.61 per sq ft per annum, as 54% of facilities reported increased incentives being offered to new customers
- The proportion of space rented by private customers rose to 60% (with 40% taken by businesses). Last year's figure was 58% suggesting that the recovery in the housing market is driving demand
- Among smaller companies, average turnover was up 7.5%, an increase on the 4% recorded last year
- 13 new facilities opened among the 79 responding companies during 2013 (18 opened in 2012); this growth is predominately outside London; 19 new facilities are expected to open in 2014, and 26 in 2015
- Only 38% of the adult population knows 'at least a reasonable amount about self storage services'
- Only 3% of adults surveyed across the UK had used self storage in the past 12 months, rising to 6% in London
- 39% of the adult population can think of one or more self storage businesses in their local area
- The cost of self storage is unknown or underestimated by the majority of the public

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The self storage industry

Over the last year, the SSA UK has increased its efforts to measure the full size of the industry in the UK. As a consequence, its estimate of the number of facilities has risen to include many more single-site operators – particularly container facilities. We currently estimate that the UK industry is made up of approximately 975 self storage facilities, of which 141 are purely container operations, providing 34.4 million sq ft of storage space in total. This equates to an average of 0.5 sq ft of storage space per person in the UK (based on a population of 63 million). In comparison, the latest figure from the US is 7.3 sq ft per person (2013 demand study), from Australasia is 1.4 sq ft per person (2012 Almanac) and for Europe excluding the UK is 0.12 sq ft per person (FEDESSA report 2013).

There has been growth in the industry over the past 12 months both in terms of additional space and new facilities opening, however this has largely been outside London where there have been very few new facilities opened in the last three years. Since 2011, Big Yellow has opened three in London, all on land it had acquired some years earlier, Safestore has opened two and two other smaller independent facilities opened. In addition to this, two large facilities in London have closed and another is due to close this year. This will take over 150,000 sq ft of capacity out of the London market. While there has been some organic growth within existing facilities, this has not offset the space lost through these closures. Over the next 12 months there are a number of facilities due to open, primarily inner London car park conversions and one or two additional sites for the major brands.

Outside London there have been more facility openings and expansions, particularly in the north. There is also an increasing number of container storage operators opening and expanding in regional and outer metropolitan areas. Interestingly none of the three major operators, Big Yellow, Safestore or Access opened any new facilities in 2013. It is estimated that the total self storage space available in the UK grew by 4% in 2013.

We estimate that the total turnover of the industry in 2013 was £385 million among approximately 420 operators. In all, these firms employed over 2,000 staff (full time equivalents).

339 self storage facilities in the UK are held by large operators which represents 35% of the total number (see table on page 5). Large operators are defined as those managing 10 or more facilities.

The self storage market has to some extent mirrored the increased activity in the wider property sector over the last year. It continues to generate transactional evidence and there are signs of increased confidence in the market which are feeding through into investor sentiment and appetite. Four transactions which took place recently are:

- The owners of Lock & Leave acquired a self storage facility in Canterbury providing 18,000 sq ft MLA, which was operated by an independent Storage King franchisee. The transaction completed in early 2013 and Deloitte Real Estate acted for the vendor.

- Cabot Square, the owners of Storage King, acquired the freehold interest in December 2013 of the Capital Self Storage facility in Derby, which provides 56,000 sq ft MLA.

- Big Box Self Storage acquired the leasehold interest in the former Alligator facility in Brighton, which provides 30,757 sq ft MLA. The transaction completed in early 2014 and Deloitte Real Estate acted for the vendor.

• Safestore sold its c.150,000 sq ft self storage facility in Whitechapel in east London to London and Quadrant Housing Trust (L&Q) for a total cash consideration of £41m. This was more than £14m over the 3.5 acre site's book value. The site will be redeveloped for residential use and the self storage facility closed. Deloitte Real Estate acted for the vendor.

Image © AHMM

Corporate activity

Big Yellow

Over the last 12 months, Big Yellow announced:

• that its new 70,000 sq ft MLA Gypsy Corner facility on the A40 in west London opened as planned on 1 April 2014;

• it had commenced detailed design works on its proposed Enfield facility, and expects construction to start in June 2014;

• an equity raising of £35.8 million (net) in January 2013 through the placing of 10 million shares.

Safestore

During the course of 2013 Safestore completed a number of measures to rebalance the capital structure of the Group including:

• a reduction in debt following the disposal of its Whitechapel site for £41.1m, which completed in November 2013 (see above);

• the placing of up to 18,594,987 new ordinary shares, the proceeds of which were used to further pay down debt;

• the renegotiation of the Group's banking arrangements, extending the debt maturity a further two years (to June 2018) and reducing the bank margins payable.

As a result of these measures Safestore's Group loan to value ratio fell from c.50% to c.40%.

Safestore's conversion to REIT status was completed on 1 April 2013, and Frederic Vecchioli replaced Peter Gowers as chief executive officer in September 2013.

Lok'nStore

Lok'nStore, the AIM listed operator, has had an eventful year and announced:

• the acquisition of a site in Longwell Green, Bristol. The 0.9 acre site is next to a busy retail park and has planning permission to build a 50,000 sq ft self storage facility;

• the opening of its new, purpose-built 60,000 sq ft Maidenhead facility in February 2014;

• its new joint venture facility at Aldershot, which will provide 48,000 sq ft of storage space, will be opening in late 2014.

Once the Aldershot facility is opened, Lok'nStore will have a total of 25 operating centres.

Access Self Storage

Access completed a comprehensive refinancing of its 57-strong property portfolio with five lenders in 2013.

Big Box

Early in 2014 Big Box completed the acquisition of the Alligator Self Storage facility in Brighton (see above). This followed the acquisition, early in 2013, of the Absolute Self Storage facility in Worthing.

Big Box now has a total of 14 facilities across the south east of England.

VAT

From 1 October 2012 the government required VAT to be charged at 20% on all self storage transactions. Prior to this only a small number of businesses had been charging VAT on the use of their self storage units. The approach many operators took in implementing this change was initially to 'share' the cost of the VAT. For example they only increased prices by 10% for the VAT charge, absorbing the remainder themselves. This meant that when the 2013 survey was completed, three months later, the full effect was not reflected in the results. With the 2014 survey, 15 months have passed and the full effects of the introduction of VAT can now be measured. The data indicates that compared to pre-VAT levels in 2012, occupancy across the UK has increased by one percentage point (70% to 71%), while average net billed rate (excluding VAT) has fallen from £21.06 per sq ft per annum in 2011 to £19.61 in 2013 (down 7%).

Over the two-year period there will have been other factors influencing this data other than the introduction of VAT, particularly given the continuing challenging economic conditions. However these results show that while many industry commentators predicted the introduction of VAT would have a large impact, in reality the industry has weathered the introduction of VAT quite well. This reinforces the notion that in most cases self storage is a need, not a discretionary spend. While customers may shop around for a good price, when faced with a significant price increase across the industry few customers moved their goods out. So occupancy rates have been maintained, however businesses have been reluctant to increase their net prices and in some cases appear still to be absorbing some of the 20% VAT increase, demonstrated in the decrease in the average net billed rate.

Major locations in the UK: rentable storage space per person (including container storage but excluding removals)

City	Space available (sq ft)	Population	Sq ft per person
London	8,590,000	8,300,000	1.03
Birmingham (within motorways)	443,000	992,000	0.47
Glasgow	436,000	910,000	0.48
Leeds (metro area)	470,000	810,000	0.58
Manchester (within M60 excluding Stockport)	536,000	635,000	0.84
Liverpool (metro area)	340,000	590,000	0.58
Bristol (metro area)	435,000	587,000	0.74
Sheffield	239,000	512,000	0.47
Edinburgh	452,000	450,000	1.00
Cardiff	234,000	324,000	0.72

The large operators

Operator	No. of facilities	Ownership
Safestore	97	Listed on London Stock Exchange and a UK REIT
Big Yellow	67	Listed on London Stock Exchange and a UK REIT
Access Self Storage	55	Privately owned
Storage King	24	Privately owned, with a mix of licensed and directly owned facilities
Lok'nStore	24	Listed on AIM – one new facility being developed, opening in 2014
Shurgard	22	Subsidiary of Shurgard Self Storage Europe, which is a joint venture between Public Storage (a US REIT) and New York Common
Alligator	14	Privately owned
Big Box	14	Privately owned
Space Maker	12	Managed by Safestore
Armadillo	10	Managed by Big Yellow
TOTAL	339	

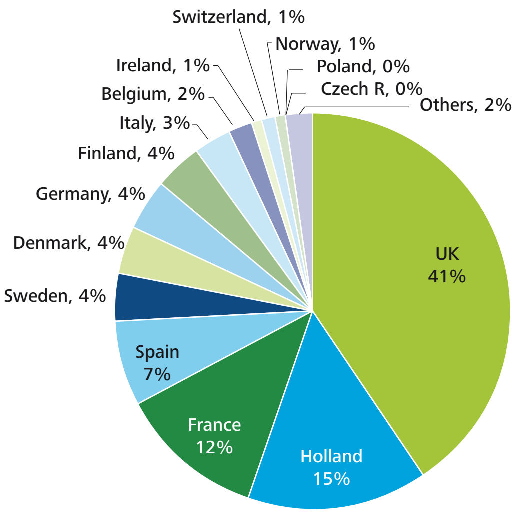
The European self storage market

FEDESSA has estimated the size of the European self storage market with data from individual European self storage associations and their memberships. The statistics show the maturing of the more established markets in northern Europe, with the Netherlands having the highest amount of rentable space per head of population at 0.76 sq ft, and nearly 16 facilities per million population. The UK – which has until now been viewed as being the most mature market in Europe – has slipped to fourth place when considered on a storage space per capita basis.

The total number of self storage facilities now exceeds 2,000 across Europe, with over 750,000 customers and a total of 86 million sq ft of space – the equivalent of 940 times the size of the playing area of Wembley Stadium.

The UK remains the largest by total floor area – with more than 34.8 million sq ft of rentable space which equates to 41% of the floorspace available in Europe. This is followed by the Netherlands, with 12.8 million sq ft, France with 10 million sq ft and Spain with 5.7 million sq ft.

Storage space across Europe



Storage space across Europe

Country	Population	Number of facilities	Total rentable sq ft	Sq ft per person	Storage facilities per million population
Austria	8,420,047	30	1,259,388	0.15	3.6
Belgium	10,771,720	29	1,741,830	0.16	2.7
Czech Republic	10,505,291	3	108,953	0.01	0.3
Denmark	5,604,953	85	3,740,275	0.67	15.2
Estonia	1,320,657	1	10,764	0.01	0.8
Finland	5,394,113	85	3,080,603	0.57	15.8
France	63,854,642	245	10,031,833	0.16	3.8
Germany	81,767,140	86	3,609,320	0.04	1.1
Hungary	9,927,150	1	64,584	0.01	0.1
Ireland	4,668,409	25	906,060	0.19	5.4
Italy	61,379,361	45	2,196,179	0.04	0.7
Latvia	2,212,161	2	53,820	0.02	0.9
Norway	4,962,447	36	882,734	0.18	7.3
Poland	38,243,128	6	163,075	0.00	0.2
Portugal	10,742,092	16	473,616	0.04	1.5
Romania	21,311,519	2	86,112	0.00	0.1
Spain	47,072,870	167	5,709,139	0.12	3.5
Sweden	9,476,348	90	3,837,258	0.40	9.5
Switzerland	7,739,108	15	452,572	0.06	1.9
The Netherlands	16,807,782	264	12,790,474	0.76	15.7
UK	63,220,315	830	34,843,068	0.55	13.1
Totals	485,401,253	2,063	86,041,657	0.18	4.3

Source: FEDESSA survey carried out December 2013

Economy

UK growth rebounds

By the end of 2013, the UK had climbed close to the top of the league table of economic performers in Europe. Over the second half of the year accelerating growth was accompanied by falling inflation and rapidly expanding employment, and, whilst the recovering economy remains largely reliant on consumer spending, it is finding a wider base to build on. Output grew by 1.9% over 2013 as a whole, and recent positive consumer sentiment and business surveys suggest further growth ahead.

But with its bullish forecast that UK growth will accelerate to 3.4% this year, the Bank of England is also betting on an upturn in business investment. There are solid grounds to believe that this will materialise, in fact the Q4 GDP breakdown showed it is already rising. Capacity utilisation is running at its highest level in 25 years among small and medium-sized companies according to the CBI and, at today's low borrowing rates, returns on corporate investment are likely to be attractive.

Amongst the largest businesses, investment this year is seen as the primary focus for 35% of firms surveyed in Deloitte's *UK Futures: a launch pad for growth* report, whilst 63% will make it a focus in 2015. Productivity levels in the UK, which dropped sharply during the recession as employment numbers were to some degree protected, now need to rise. This will provide the key to a sustained expansion both in earnings and in investment.

Economic output is expected to be more evenly spread across the UK regions in 2014. Oxford Economics forecasts that all regions will see at least 2% growth in gross value added (GVA), and all regions – with the exception of London – will achieve an improvement in output (Figure 1). Despite this, the best-performing regions make up the familiar list of southern and eastern areas, and Oxford Economics expects this broad pattern to continue over the decade ahead. Growth will be driven by the professional service sector, over-represented in the south east of the country, while continuing public sector cuts will have a greater effect on employment in the midlands and northern regions.

Consumers remain resilient under pressure…

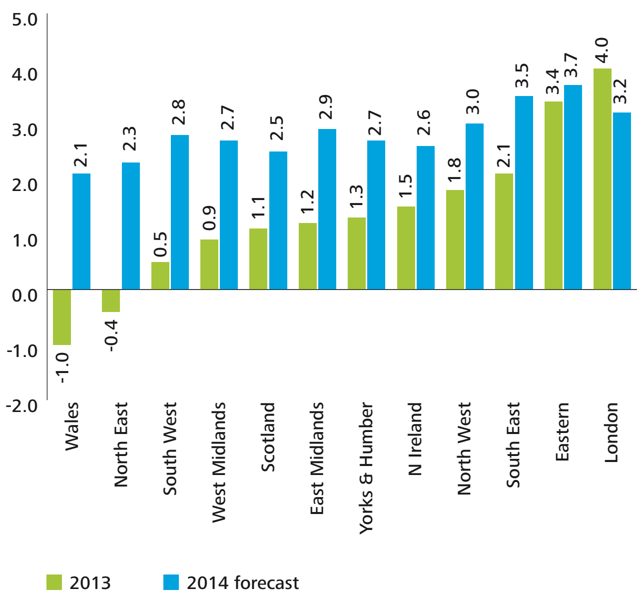
Consumer spending was surprisingly strong last year. Compensation for payment protection insurance mis-selling provided a one-off cash boost, while lower savings rates and increased borrowing were other drivers of increased spending, albeit unsustainable in the long run. The Q1 2014 *Deloitte Consumer Tracker* saw an improvement in confidence levels following a dip at the end of last year, but there are still headwinds facing the consumer. However, the Q4 report showed that spending patterns are selective: some big-ticket categories such as going out, clothing and electrical items have seen pressure easing, while at the same time budgets for groceries remain squeezed. The proportion of consumers planning a major purchase in Q4 2013 showed a clear rise from the year before across all categories, including buying a property and moving to a larger property.

Also, this year we expect to see earnings growth move ahead of inflation for the first time in five years, and this will allow consumer spending – which accounts for 60% of the economy – to continue to contribute to growth, albeit at a more subdued level.

…as the housing market recovers

Since April 2013, activity in the housing market has picked up pace. The monthly volume of transactions, which has been hovering around the 70 – 80,000 level for the last three years, moved back over the 100,000 level in December (Figure 2). Increased demand for mortgages has come principally from first-time buyers rather than re-mortgagors. For these people, continued low interest rates have brought a rise in the loan-to–income ratios offered by lenders, which has boosted their purchasing power. As a result, the number of mortgage approvals for house purchase in January reached almost 77,000, the highest since late 2007. While these are promising figures that show the market is recovering, they remain below the long term (30 year) average of 90,000.

Figure 1. Regional GVA growth (% year on year)



Source: Oxford Economics

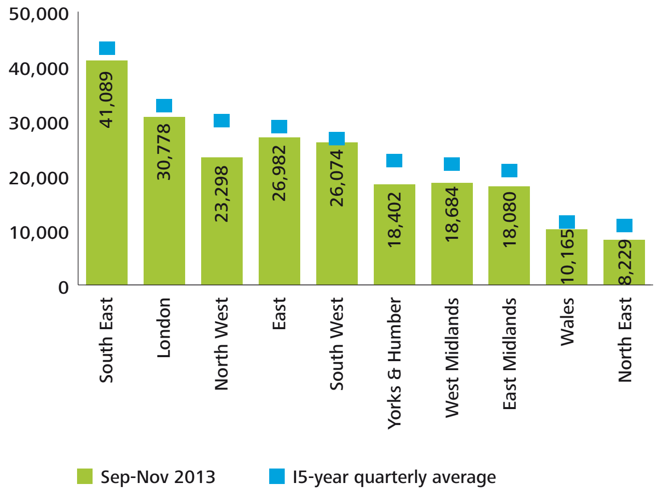
"We have seen a huge increase in enquiries since January, which will drive profits later in the year. The pent-up demand from house movers is finally being released."

Mike Wilson, Smart Storage

Figure 2. Housing market transactions volumes (UK, seasonally adjusted, monthly)

Source: HMRC

Figure 3. Regional housing transaction volumes



Source: Land Registry

"We have had growth in the number of enquiries and increased levels of activity in the last six months. But there is still significant capacity in the market and it will take several years before it is absorbed."

Frederic Vecchioli, Safestore

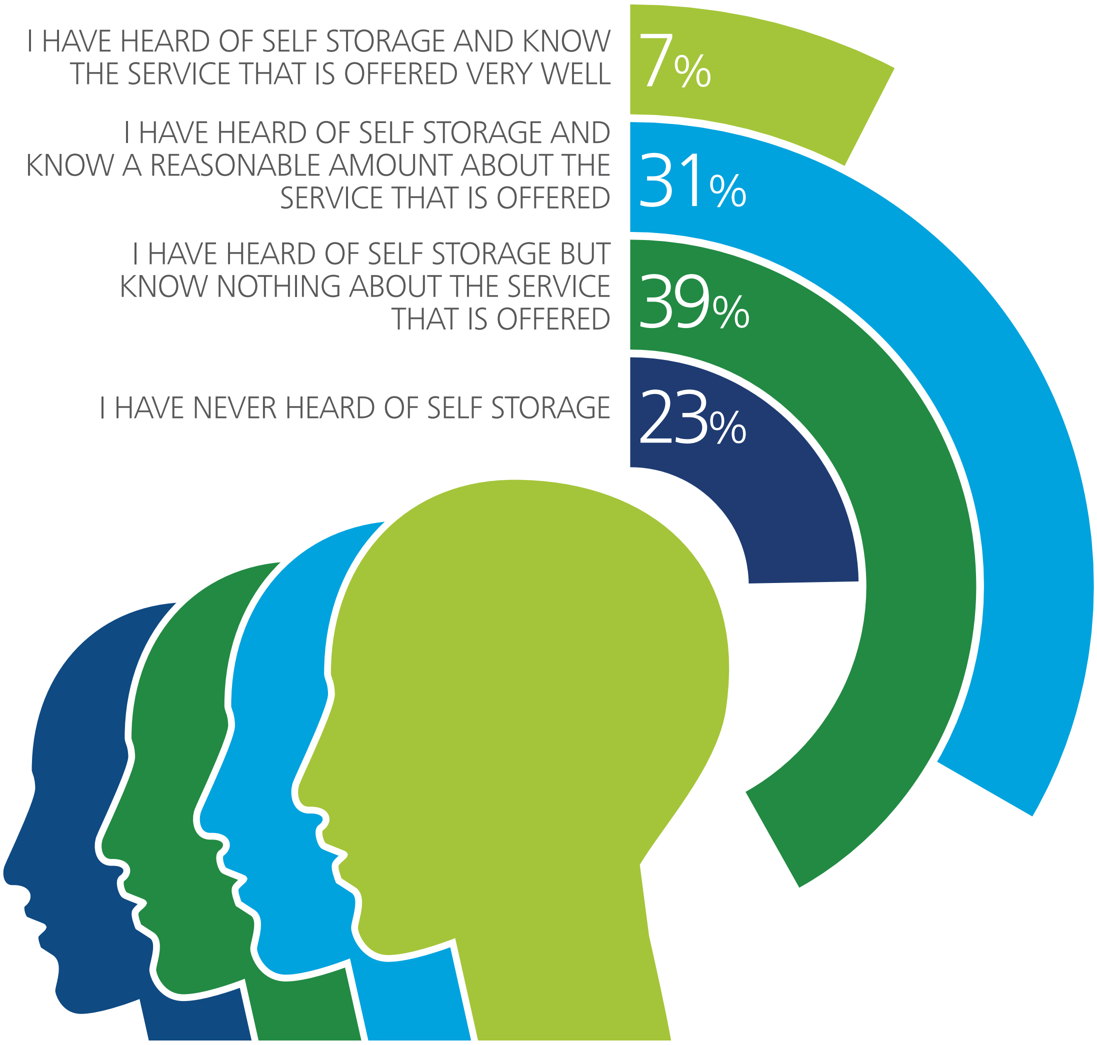
Lettings market eases

Although housing sales activity has picked up strongly, demand from tenants fell away over the second half of 2013. The RICS reported that national tenant demand in Q4 last year fell to a ten-year low, and the first quarter of 2014 saw the same level continue. At the same time landlord instructions have also shrunk, with the result that the supply and demand in the rented sector has become more evenly balanced.

Public survey

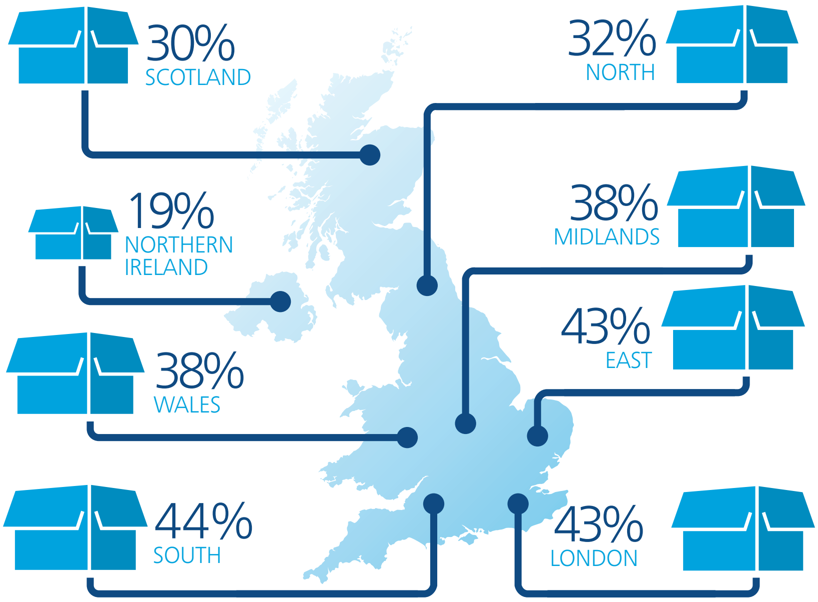
In addition to its member survey, this year the SSA UK also commissioned YouGov plc to conduct a survey among its UK panel of over 350,000 individuals who have agreed to take part in surveys. The questions were designed to measure the level of awareness and perceptions of the self storage industry. The survey was carried out online between 24 and 27 January 2014 among a total sample of 2,138 adults. The respondents were selected and the data weighted to be representative of all UK adults (aged 18+). The key findings from this survey are highlighted with commentary on the following pages, with the remaining results in the reference section.

WHICH OF THESE BEST APPLIES TO YOU?



This data clearly illustrates that awareness and understanding of self storage as a product within the general public is still low. Not surprisingly there was greater awareness in the London area where there is a higher presence of self storage businesses and where major companies have conducted mass media marketing including TV, radio and billboards.

I HAVE HEARD OF SELF STORAGE AND KNOW AT LEAST A REASONABLE AMOUNT ABOUT SERVICE THAT IS OFFERED



The number of people that know at least a reasonable amount about the service is likely to be closely aligned with those that have used self storage in some way in the past. It is interesting to note the variation between regions – comprehensive awareness in Northern Ireland is less than half of that of London, and in the North and Scotland is well below the national average. Increasing public awareness of the benefits of self storage is likely to also increase demand.

I DON'T HAVE ANYTHING I'D PUT INTO SELF STORAGE
44% AGREE

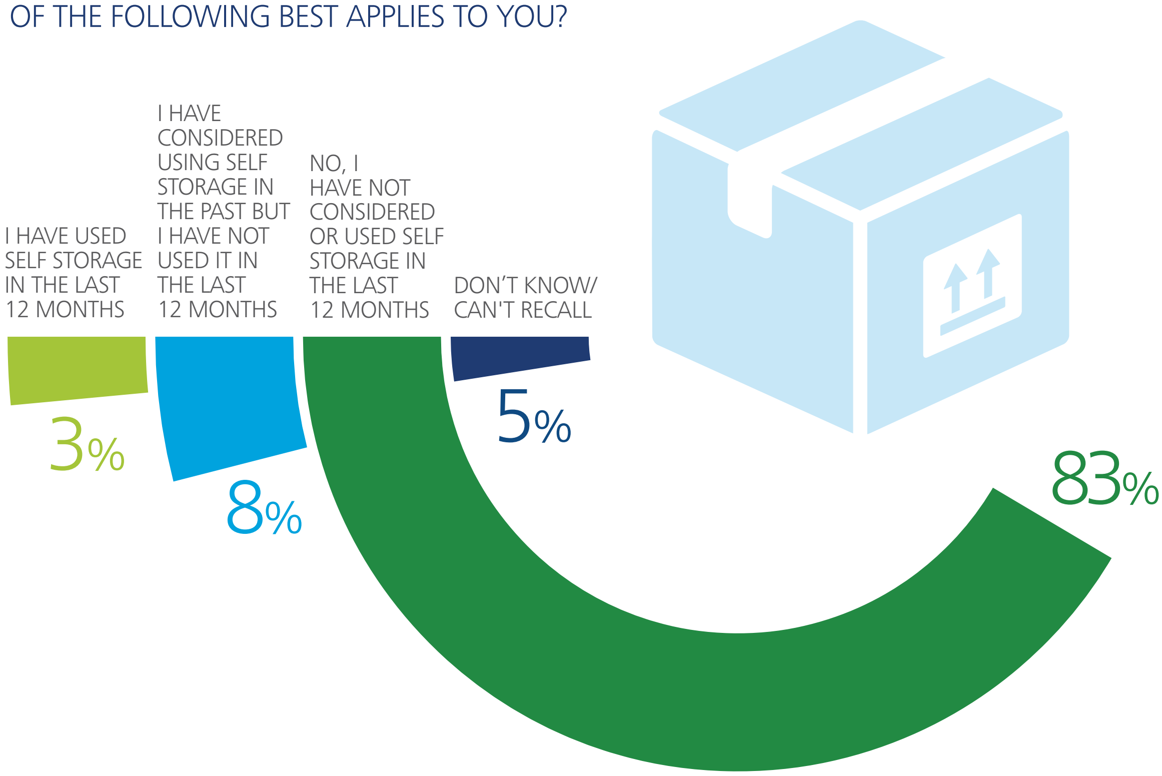
I'D IMAGINE THAT IT WOULD BE EXPENSIVE TO STORE THINGS IN SELF STORAGE
33% AGREE

The lack of understanding of the self storage product and its cost by consumers, and the general low awareness, suggest that operators should be educating the public on the benefits of self storage through their marketing, rather than running straight branding exercises. The failure of the majority of people surveyed to indicate they understand the basic principles of self storage such as exclusive possession, multiple unit sizes and flexible contracts should provide guidance to the industry as its marketing matures (see Figure 34 in the Reference Section for full details of the responses to this question).

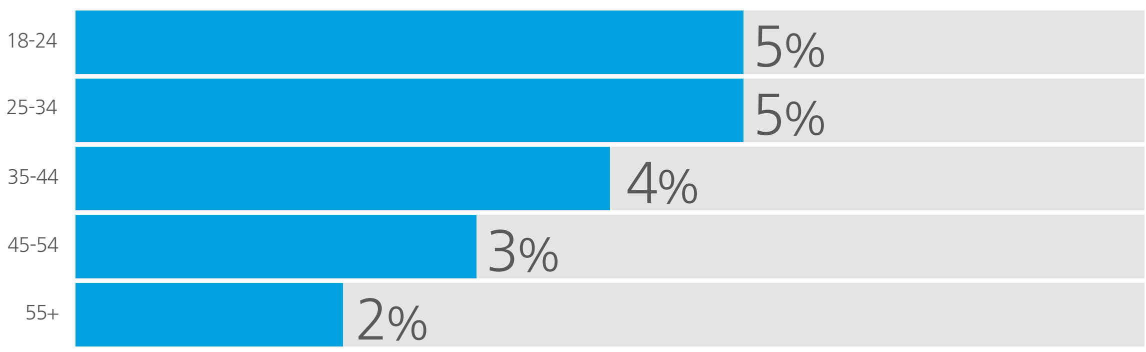
ONLY I CAN ACCESS MY GOODS IN SELF STORAGE, NOT THE STORE STAFF
35% AGREE

SELF STORAGE CONTRACTS ARE FLEXIBLE FROM 1 MONTH TO 12 MONTHS AND LONGER
37% AGREE

THINKING ABOUT THE PAST 12 MONTHS, WHICH OF THE FOLLOWING BEST APPLIES TO YOU?

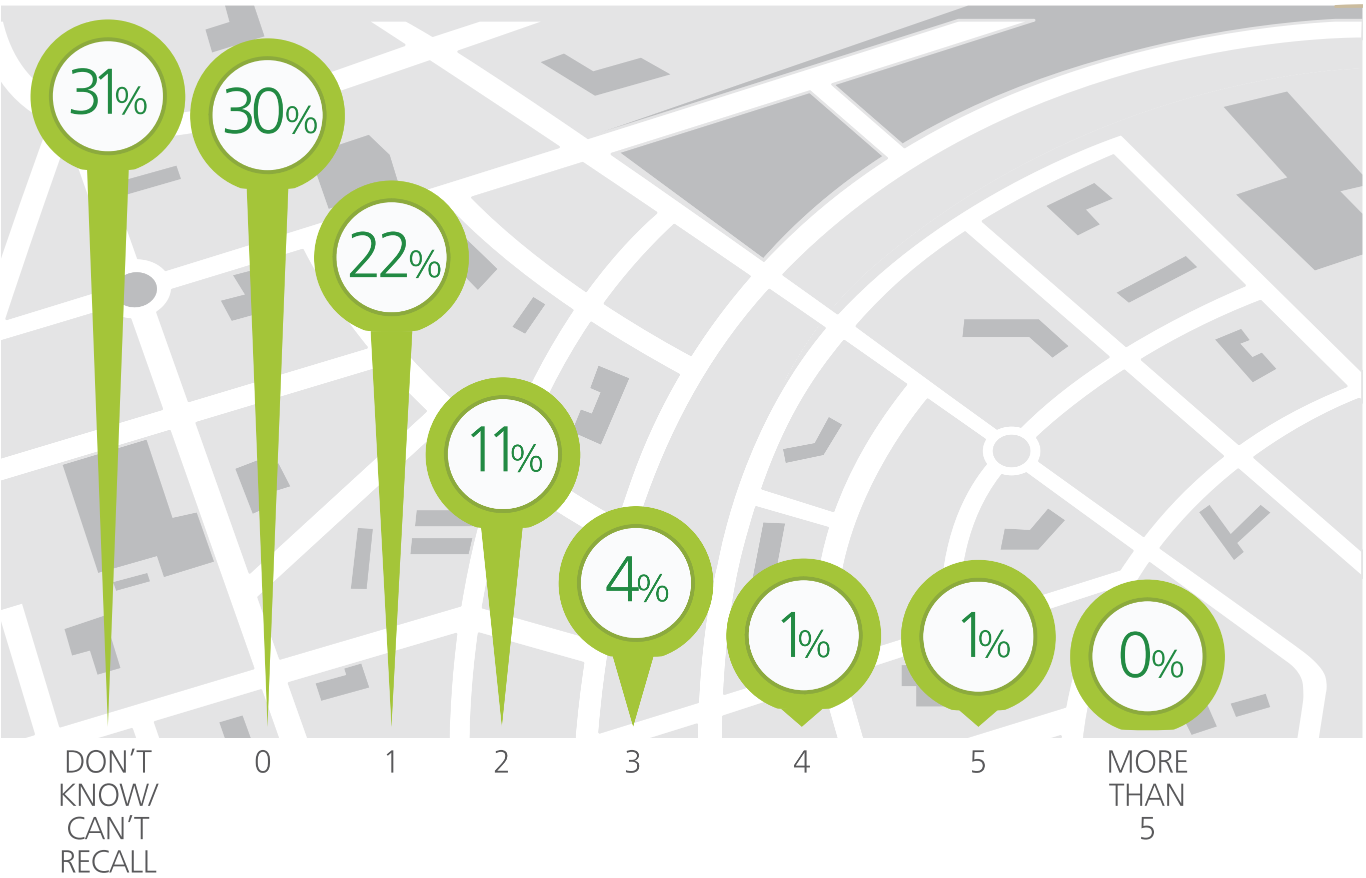


I HAVE USED SELF STORAGE IN THE LAST 12 MONTHS, BY AGE



Looking at this data broken down by age of respondents, it is clear that the 18-34 year olds are more likely to have goods to put into storage than other age groups, and the 55+ age group are the least likely. This is further reflected when considering those that answered they had used self storage in the last 12 months, of which 26% were 18-24, 26% also in the 25-34 age group but only 11% in the over 55s. However, further analysis of the data and discussions with operators suggest that a significant portion of the 18-24 year old market is made up of students who store in locations near to their university, college or other place of study. Locations that are not near higher education facilities are likely to show a lower proportion of under 24 year old storers than this average. This data should provide some guidance to self storage operators on which age demographic to pitch their marketing messages to.

HOW MANY SELF STORAGE BUSINESSES CAN YOU THINK OF IN YOUR LOCAL AREA?

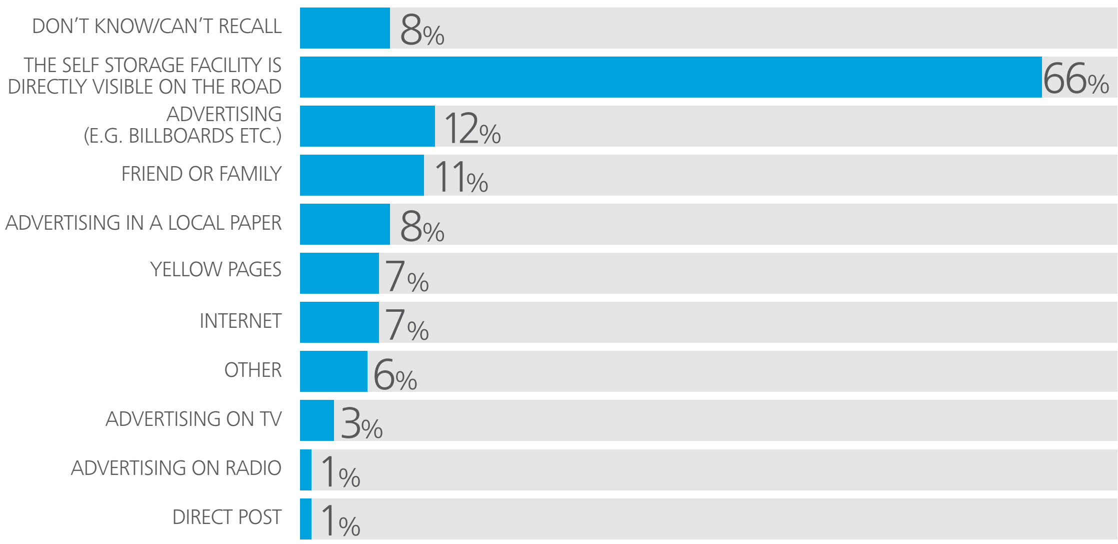


Given the prevalence of self storage businesses across the UK and particularly in London that often occupy high profile locations, it is surprising that only 39% of respondents knew of at least one self storage business in their local area. Even in London only 55% of people could think of one or more local facilities. Self storage is not an impulse purchase – you must have a need to use the product before you start shopping for it. This data further supports the potential for increased awareness of the industry within the public.

> "New stores should never compromise on visibility – they must be near customers on a main road or a well-known suburban road. The visibility of the store is your bill board and continues to reinforce your brand recognition 24/7."

James Gibson, Big Yellow

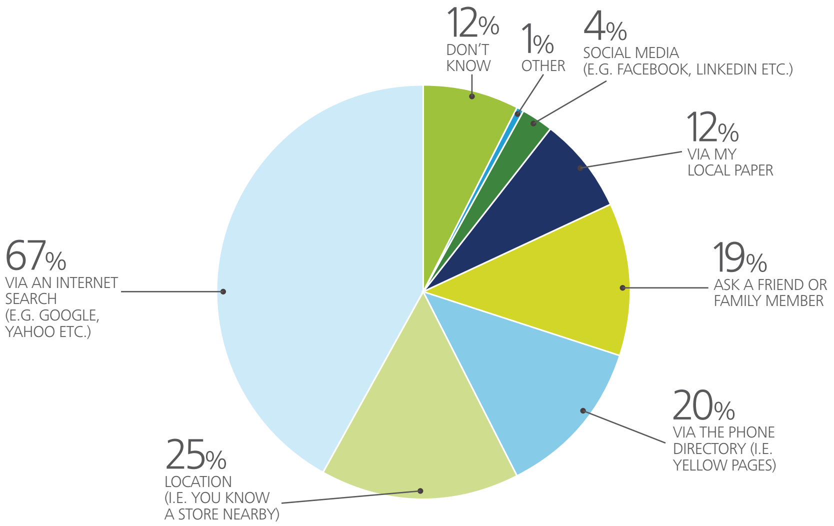
WHICH OF THE FOLLOWING WAYS MADE YOU AWARE OF THE SELF STORAGE FACILITIES IN YOUR LOCAL AREA?



In general, the industry has invested heavily in high profile sites and highly visible buildings and signage which appears valid given this is clearly the largest influence of awareness among those that knew of a local self storage business. Of the remaining options billboards, local papers and phone directories also polled well as would generally be expected. The strong showing for 'friends or family' shows the importance of good customer relations and referral marketing to this industry. More people were aware of their local self storage facility through word-of-mouth or social communication than most traditional marketing methods. As more people use self storage it is reasonable to assume that this will increase.

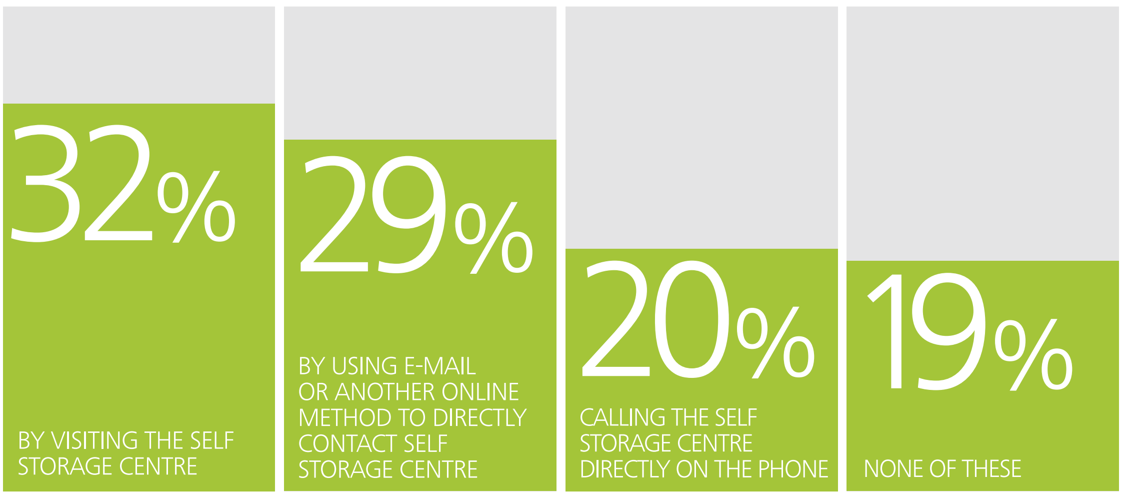
> "High visibility on the internet is essential. It requires size, skills and budget to be consistently on the top position both for organic and sponsored links."
>
> **Frederic Vecchioli,** Safestore

IN WHICH WAYS DO YOU THINK YOU WOULD FIND A SELF STORAGE FACILITY TO CONTACT?



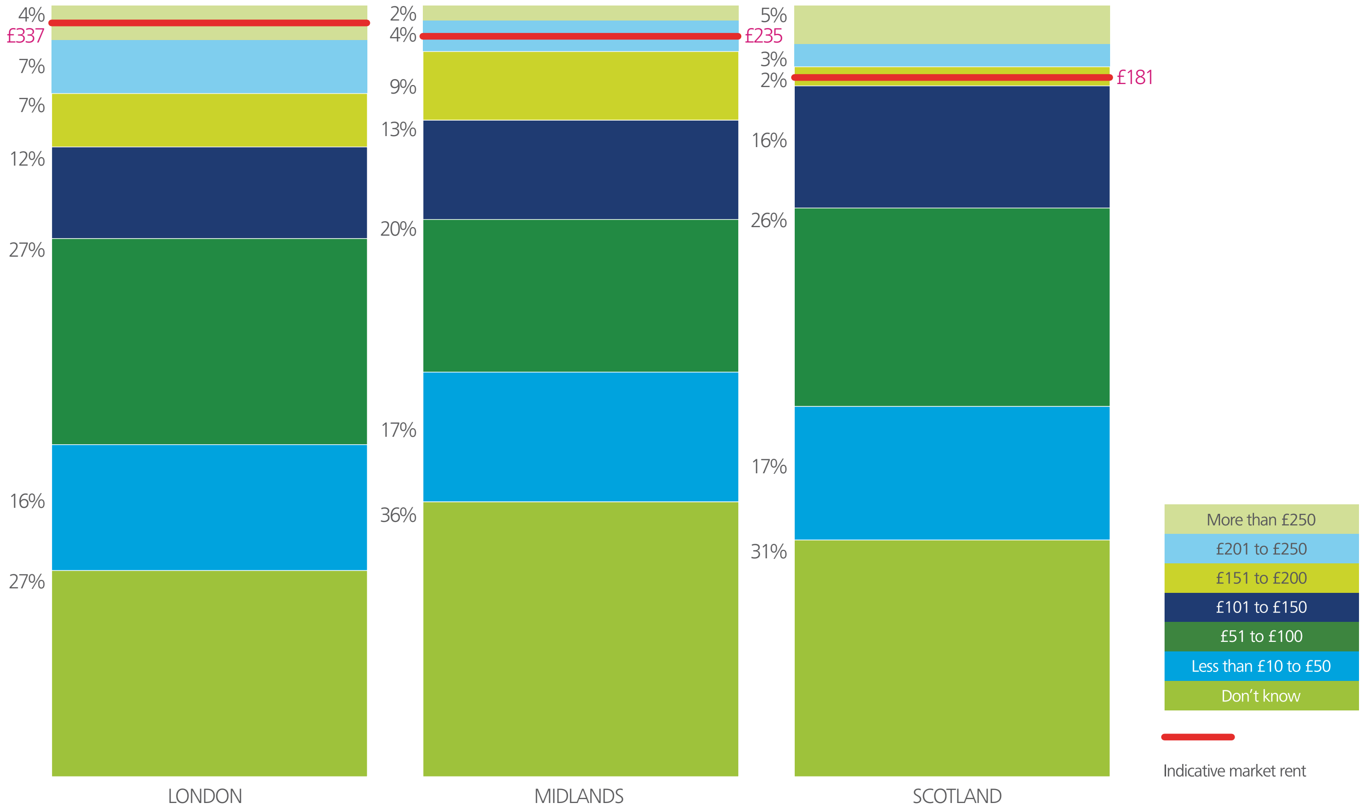
It is not surprising that 67% of people suggested they would use the internet to identify a self storage facility to contact, possibly a lower figure than might be expected, particularly given this was an online survey among internet users. Also notable is the low ranking of social media, which may suggest that for self storage social media is not as large an influence on purchase decisions as for other products. Once again friends and family polled well (19%), supporting the importance of referral marketing.

WHICH ONE OF THE FOLLOWING WAYS DO YOU THINK YOU WOULD MOST PREFER TO CONTACT A SELF STORAGE FACILITY?



When it comes to contacting the facility the majority of respondents said they would prefer to visit. Caution needs to be taken when evaluating this data as only one choice could be selected and this is their preferred method. In practical terms a customer may not be able to visit all the storage centres they are interested in so may phone or email them initially to then choose which one they will visit. Regardless, this shows the importance of the walk-in customer, which self storage staff need to be effective in converting. It is also interesting to note that email was a preferred method to phone calls; self storage businesses need to be managing their email enquiries as effectively as their phone enquiries.

INCLUDING VAT, APPROXIMATELY HOW MUCH DO YOU THINK IT WOULD COST PER MONTH TO RENT A SELF STORAGE UNIT CAPABLE OF STORING THE CONTENTS OF A 2 BEDROOM HOUSE OR FLAT (90 SQUARE FEET) IN YOUR LOCAL AREA?



This chart has two clear messages. Firstly that even among those with some knowledge of the service, around a third have little idea of the cost, and secondly, that among the rest the majority severely under-estimate the cost. The regional results are perhaps a little surprising: one would have expected respondents in London to have the highest level of price awareness.

Further results from the public survey are shown in the Reference Section near the end of the report.

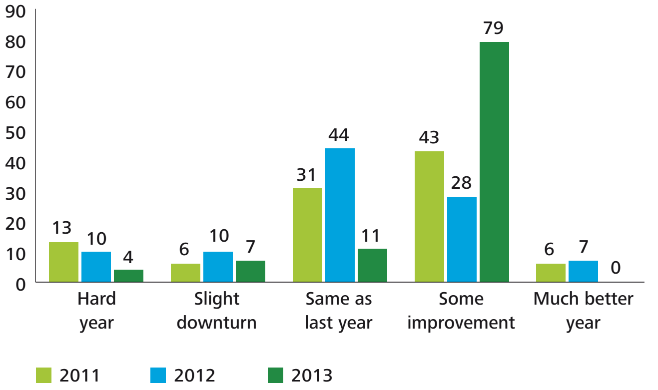
> "The industry is becoming commoditised: the first question anyone asks is 'How much will it cost?'"

Mark Smith, Self Storage Tameside

Outlook

Self storage operators overwhelmingly expect to see an improvement in profits over 2014, according to the survey results. This represents a marked rise in optimism: 79% of operators are forecasting 'some improvement' or a 'much better year', against 35% in last year's survey.

Figure 4. How optimistic are you about profits during the year ahead? (%)



Source: Deloitte/SSA UK

At the end of 2012, some operators were still going through the process of passing on the full increase in VAT on rentals that was made mandatory in October 2012, and this will have affected their outlook for 2013. This improvement may therefore be a combination of getting that process behind them – without occupancy levels falling significantly – as well as an expectation that the general economy will pick up.

"We have removed all the automatic 'move-in' hooks and are generally quoting rack rate or just below depending on supply. Surprisingly, our conversion rate has gone up!"

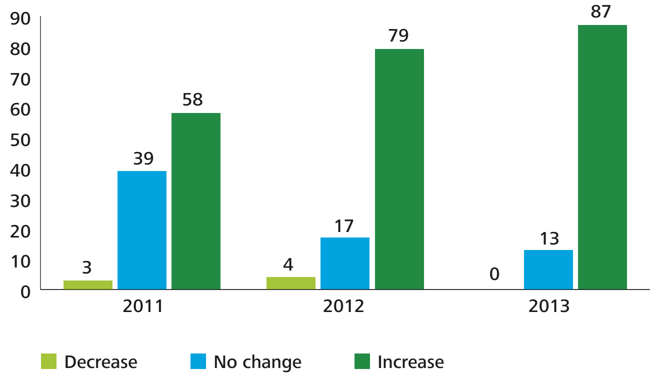
Mike Wilson, Smart Storage

An even higher proportion of operators this year are confident that their rental rates for new customers will rise during the year ahead – 87% against 79% last year.

"We are more optimistic this year. We have an eye on building the business and believe those plans are now realisable."

Nick Poole, Fort Locks Self Storage

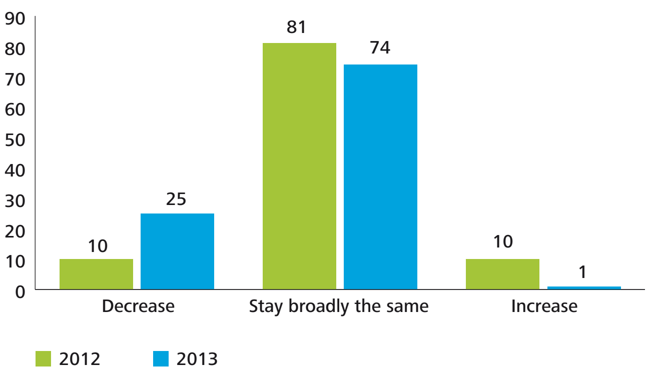
Figure 5. Expectations for empty room rates over the year ahead (%)



Source: Deloitte/SSA UK

In last year's survey, 81% of facilities expected to be able to hold levels of incentives broadly stable over 2013. In fact, the latest results show that only 14% were able to do so, and that 54% of locations increased their incentives. However, a substantial 32% of facilities were able to reduce their introductory offers last year, and 25% are expecting to be able to do so over the year ahead. So the level of discounts and promotions remains a key area of importance.

Figure 6. Expectations for incentives over the year ahead (% of respondents)

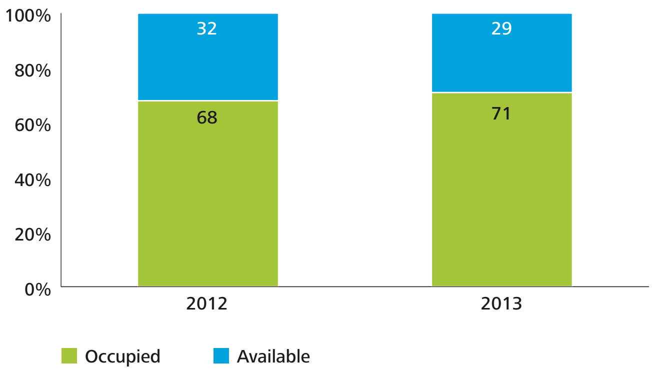


Source: Deloitte/SSA UK

Occupancy

The overall occupancy rate, measured across facilities that have been trading for more than six years, has risen to 71% from 68% last year. Like-for-like data from only those firms that reported results for the last two years shows mature facility occupancy levels static at 71%. The increase in occupancy has been achieved at the cost of a slight fall in net room rates.

Figure 7. Occupancy at 31 Dec within mature facilities (those open for over six years)



Source: Deloitte/SSA UK

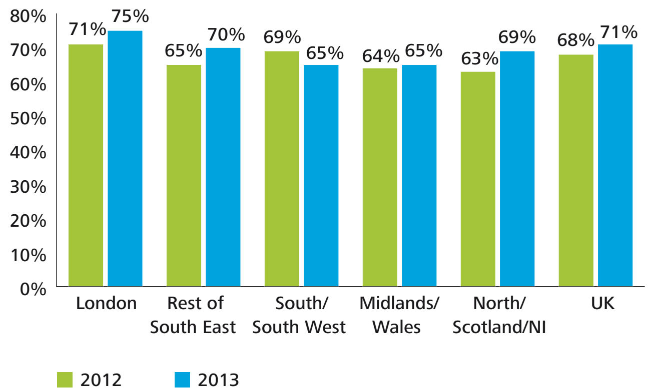
All but one region saw an improvement in occupancy, with the North/Scotland/N Ireland showing the largest rise, an uplift of over six percentage points from 63% to 69%. This was closely followed by the South East region and London, which remains the region with the highest occupancy level, now up to 75%. Of the 398 facilities that reported on their occupied space, 38% have an occupancy level of 75% or above, a significant improvement on the 25% in last year's report.

These figures show that despite gains in occupancy over the past 12 months, the vast majority of facilities are trading well below what would be considered optimal occupancy for a self storage business. An average self storage site with a reasonable mix of unit sizes would be aiming to trade at an occupancy level of 85%. This figure is often quoted as an indication that a site has become 'mature'. The UK market is trading below these figures even considering the older facilities that have had no expansion over the past few years. Those that are reaching occupancy of over 85% tend to be either small (less than 150 units), in a particularly good location, or are gaining occupancy through discounting and are pricing their product more aggressively.

> "Rather than put prices up we build more units. We have always had a high occupancy rate."

Mark Smith, Self Storage Tameside

Figure 8. Occupied space by region, within mature facilities



Source: Deloitte/SSA UK

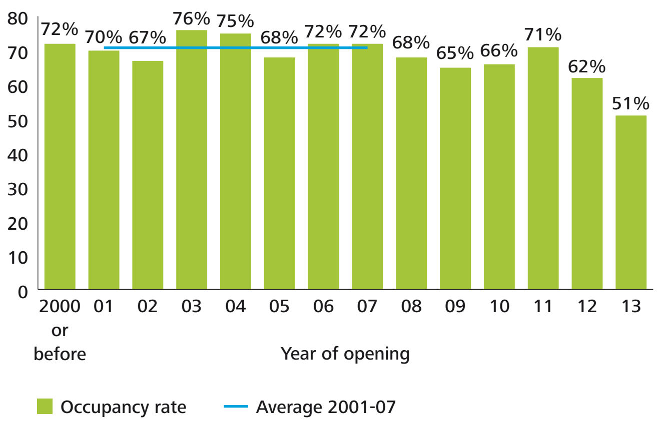
> "There are no clear differences between growth rates in London and the regions. Growth in areas is usually due to specific characteristics of a store and its team."

Frederic Vecchioli, Safestore

Figure 9, showing the average occupancy rate of facilities by year of opening, is also a cause for encouragement, with recently opened facilities recording significantly higher occupancy levels. The figures suggest that a new facility can reach an occupancy rate of over 70% within its first phase, typically three years, following which typically further space is fitted out, which again takes three or four years to reach the long-term average occupancy level.

However, care must be taken when comparing year-on-year data as facilities opened in 2013 could be smaller and therefore require less time to fill up.

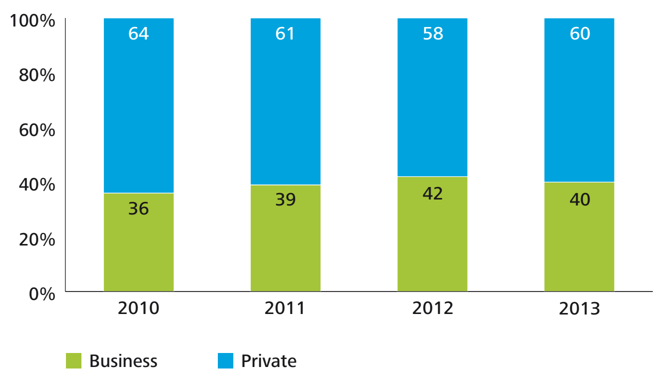
Figure 9. Occupancy rate by year opened (% of maximum lettable space)



Source: Deloitte/SSA UK

Over the last three years, we have seen business customers gradually increasing their share of space taken. This year's results have shown a slight reverse to this trend: 60% of space let is taken by private customers, up from 58% last year. This suggests the return of the domestic customer is underway – driven by the recovering housing market – and operator comments back this up. In terms of the number of customers, private renters form 70% of the total across the board, as on average businesses take more space.

Figure 10. Tenant split by type (% of floorspace)



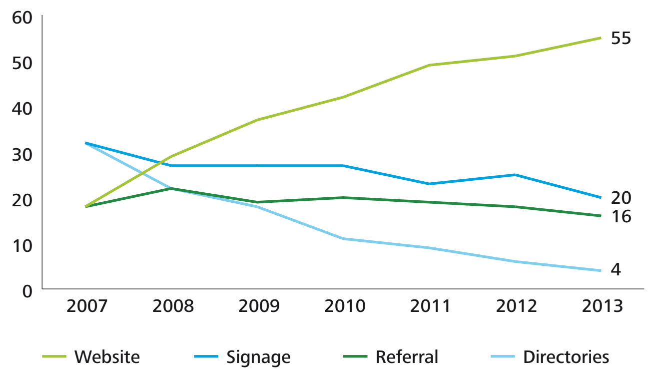
Source: Deloitte/SSA UK

"Confidence is definitely up – we've had a very strong start to the year, with demand mainly from householders."

Nick Poole, Fort Locks Self Storage

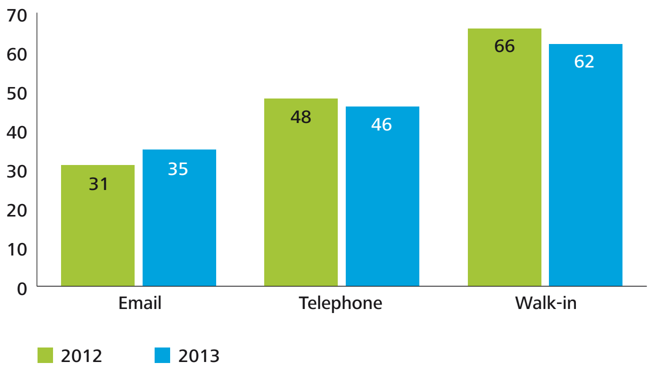
The source of enquiries is now dominated by the internet. However, evidence from the YouGov customer survey suggests that prominent storage location and signage is often the initial driver of the internet search, or guides the search terms used. For large operators (with 10 or more facilities) the proportion coming via the web is higher at 63%, but even for single-site operators the figure is 53% on average. Directories have fallen from being one of the most significant sources of enquiries in 2007 to now being largely insignificant. This must cause operators to question their spending on this medium, particularly when considering the public survey shows similar findings on where people expect to look for a self storage business.

Figure 11. Source of enquiries %



The average conversion rate for emailed enquiries has risen this year, while those for both telephone and walk-in enquiries have fallen slightly. This suggests that operators have increased their efforts to find ways to close a deal initiated by email, while customers are becoming more knowledgeable and a personal visit no longer produces a sure-fire letting. The change in email conversions could also be due to customers being more focused in their email enquiries, contacting two or three stores via the web rather than five or six. Also, traditionally self storage facilities have not recorded all enquiries from their web sites as carefully as they have walk-in or phone enquiries, and this could lead to a higher reported conversion rate than is actually occurring.

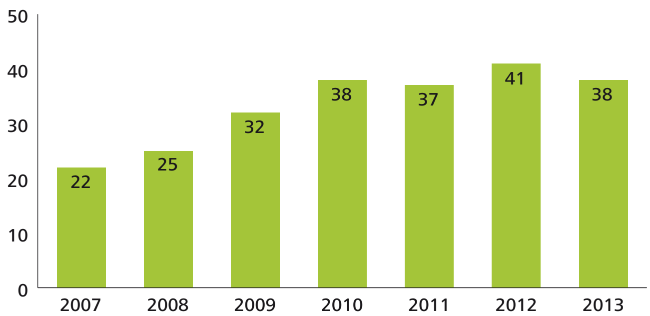
Figure 12. Average conversion rate by enquiry type (%)



The average length of stay among all customers who terminated their contract during 2013 was 38 weeks. This is a slight fall from last year's figure, which could have been caused by the increased proportion of private customers this year. The average rental period for private customers was 29 weeks (down from 31 last year) while for business customers the average is 61 weeks.

Care must be taken when considering these results, as long-term customers who have not moved out in the 12-month period are not counted. Private customers tend to fall into one of two types: long-term, staying two years or more, or short-term, staying less than nine months.

Figure 13. Average stay – all customers (weeks)

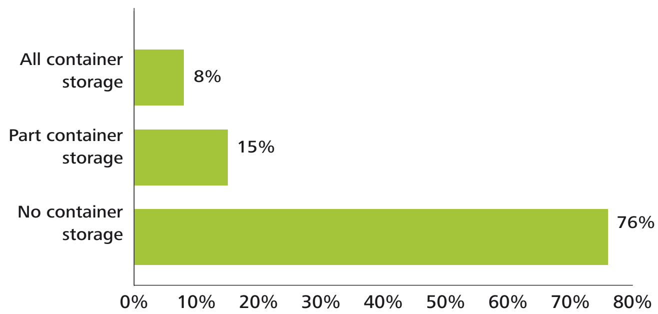


Container storage

Container-only storage facilities offer self storage primarily in shipping containers. These may be placed outside in yards, sometimes stacked two high with access platforms surrounding them, or located inside existing or purpose- built structures to provide more protection to customers and their goods when loading and unloading. We estimate that just under 15% of the estimated 975 sites in the UK are predominately container storage, but that these account for less than 7% of the total space.

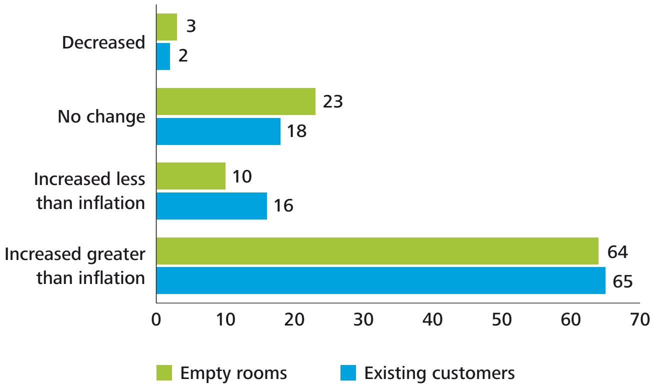
Within the survey results 34 sites, or 8%, are purely container facilities, while a further 15% provide some container storage. Among these pure container sites, the average net billed rate has risen from £8.43 last year to £12.40, and occupancy is up from 71% to 77%. The average size of a container-only site based on the survey sample is just over 25,000 sq ft, although they range from 20 containers or less up to large sites with over 200 shipping containers on them. However, it must be noted that this is not a like-for-like comparison with last year's data.

Figure 14. Do you have container storage? (% of respondents)



Rental rates and revenue

Figure 15. Change in asking rates since last year (% of respondents)



Headline room rates for existing customers have increased over the last year at 81% of sites in the survey, while for empty rooms, 74% of sites raised their prices. In contrast, just 3% of locations saw asking rates fall for empty rooms.

Meanwhile, 54% of facilities have reported an increase in incentives over 2013, and in consequence, the average net billed room rate across all respondents fell by just under 2% between December 2012 and December 2013, leaving the headline figure at £19.61 per sq ft per annum.

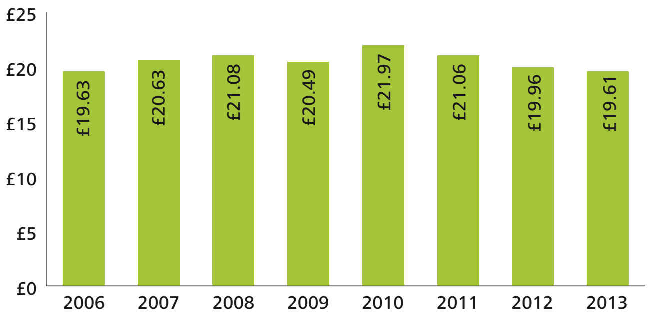
Using data only from the 68 companies that responded both in 2012 and 2013, the like-for-like net billed room rate movement is smaller: a 1.3% fall from £20.25 in December 2012 to £19.98 in December 2013.

As explained earlier in this document, the introduction of VAT in October 2012 has impacted this data. In December 2012 only 3 months had passed since the introduction of VAT and many operators were still phasing this change in and had not passed the full VAT cost onto their customers. The impact of this change has continued throughout 2013. It is likely that new customers are paying more while existing customers are bringing down the average due to this phased implementation of the VAT increases.

"We saw a drift in rent levels down by about 2% to 3% to March 2013 – but we reported growth of 4.4% between March and December 2013 in our Q3 update, and we believe rental growth prospects continue to improve."

Jimmy Gibson, Big Yellow

Figure 16. Average net billed room rate, £ per sq ft per annum

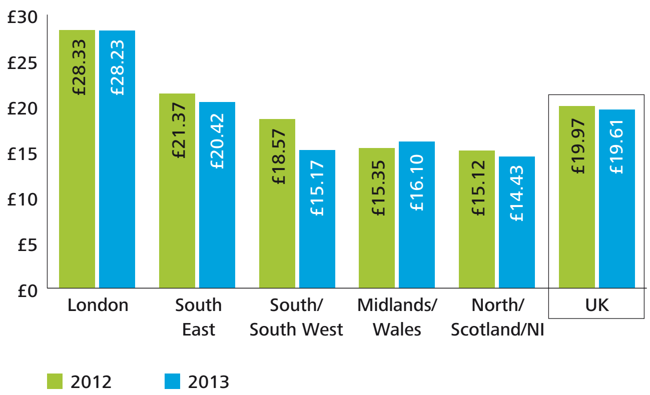


"Rental rates are beginning to grow and they are now going in the right direction but they are nowhere near the levels we saw in 2011."

Frederic Vecchioli, Safestore

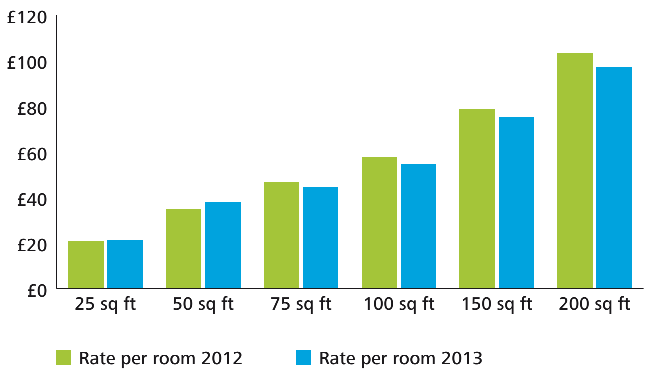
This movement has not been experienced equally across the regions: net rates in London have been virtually static; they have risen among facilities in the Midlands and Wales; and have seen a sharp fall in the South West region.

Figure 17. Net average billed rent by region (£ per sq ft per annum)



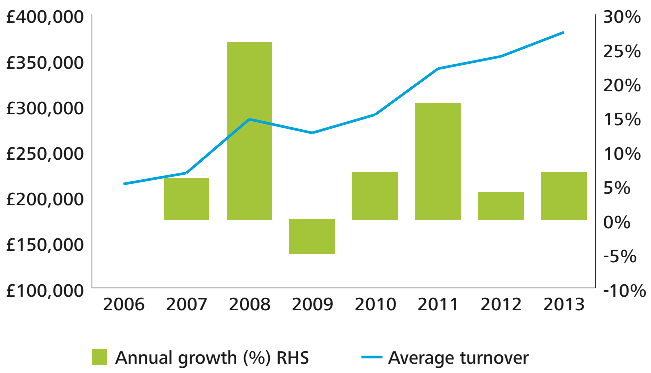
From the data returned for rents across a range of room sizes, we can see that operators have been able to increase rates on smaller rooms but not on larger units. Asking rents on a 50 sq ft room rose 10% to £37.91 per week, while on the largest size measured, 200 sq ft, asking rents came down 9% to £97.19. This is consistent with an increasing number of residential customers who traditionally take smaller units than commercial customers.

Figure 18. Average asking rent by room size (£ per week exc VAT)



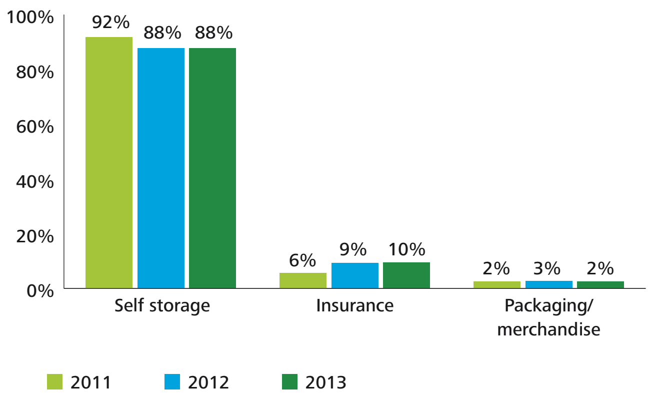
Among the 51 companies that reported a total turnover figure of less than £1 million in 2013, the average turnover rose 7.5% to £380,400, a pick-up from the 4% increase reported last year.

Figure 19. Average self storage turnover among companies below £1m turnover



Looking at the make-up of turnover suggests that the trend towards diversification is continuing. Self storage rents make up 88% of turnover, down from 92% two years ago. Income from insurance continues to take a larger share of the revenue stream, now contributing 10% of turnover.

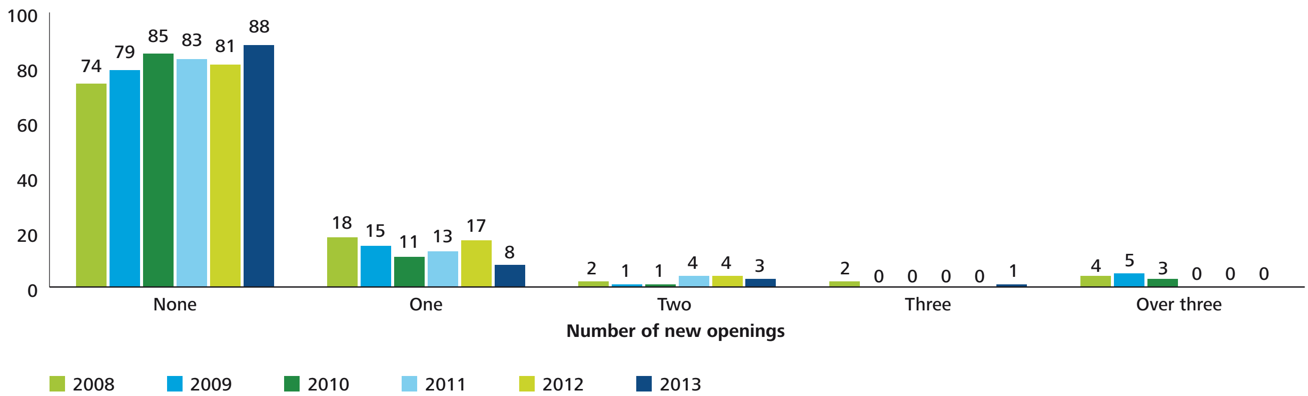
Figure 20. Turnover by source (%, all respondents)



Expansion

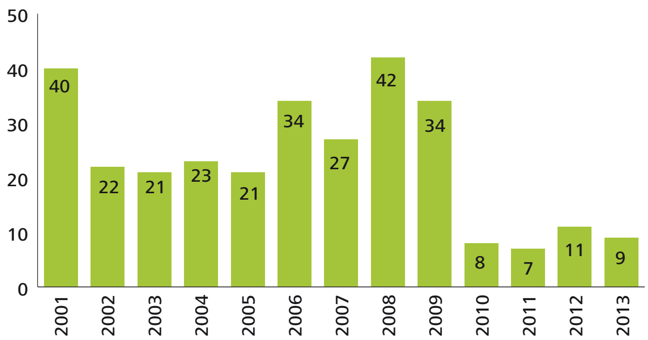
As forecast in last year's results and interviews, 2013 saw little expansionary activity among operators. 88% of respondents opened no new facilities during the year, and only 17 opened across the 79 firms that responded to the survey. None of these were inside the M25.

Figure 21. Companies opening new facilities (%)



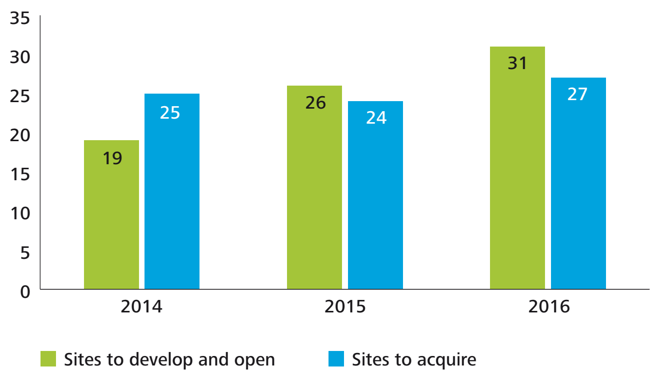
Looking at the opening years of the 403 sites in the survey, the fall-off in activity after 2009 becomes clear. Once committed schemes at the time of the financial crisis had been completed, new openings fell to a low level, and have only shown a very modest rise since.

Figure 22. All facilities: year opened



A new question in the survey this year made a distinction between intentions to develop new sites and plans to acquire facilities that are already trading. The results show a steadily growing appetite for development over the next three years, while demand for acquisitions remains broadly stable. This represents an intention to expand by less than 5% in 2014 (ie 19 facilities among the 403 in the survey). The market also saw self storage sites being sold for alternative use, for example Safestore's sale of its facility at Whitechapel in London for residential development, and the redevelopment of the Access facility in Shepherd's Bush in west London for office occupation.

Figure 23. Intentions – site openings and acquisitions (responses from 79 companies)



"Supply is restricted in key metropolitan centres and awareness is still relatively low – that's why stores in these locations are such a great business."

James Gibson, Big Yellow

"Our focus is on filling our stores – if there are acquisitions which represent a good deal for the seller and enables Safestore to create value with good quality stores, then we shall be opportunity driven."

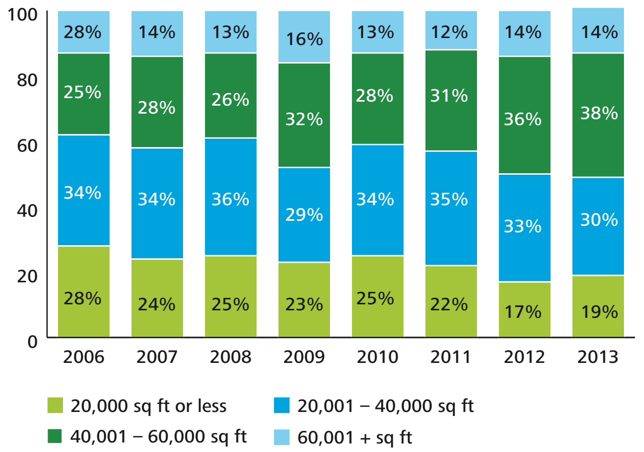
Frederic Vecchioli, Safestore

"We are exploring a new funding strategy with the aim of expanding our portfolio."

Mike Wilson, Smart Storage

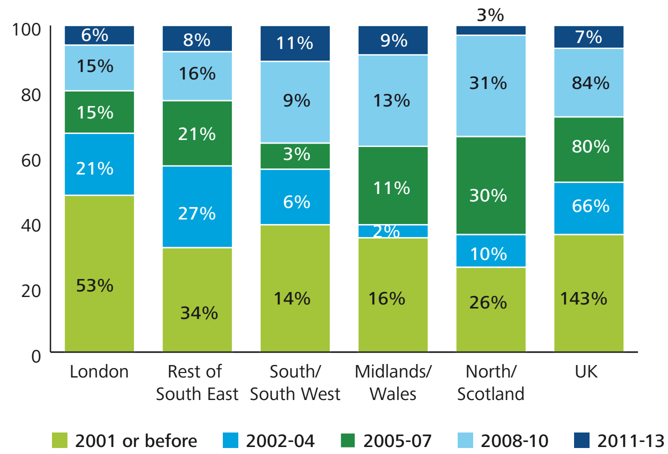
Reference section

Figure 24. Spread of facilities by size (%)



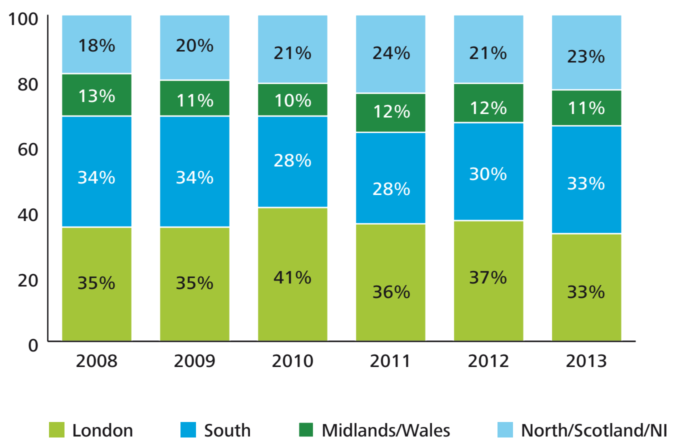
Source: Deloitte/SSA UK

Figure 27. Regional split of stock by opening date



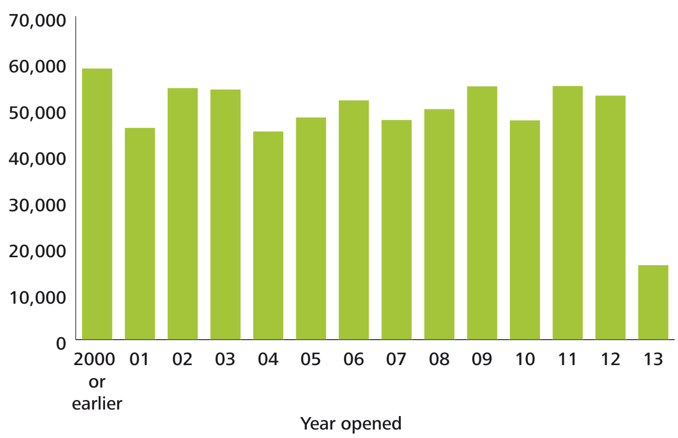
Source: Deloitte/SSA UK

Figure 25. Regional spread of floorspace (%)



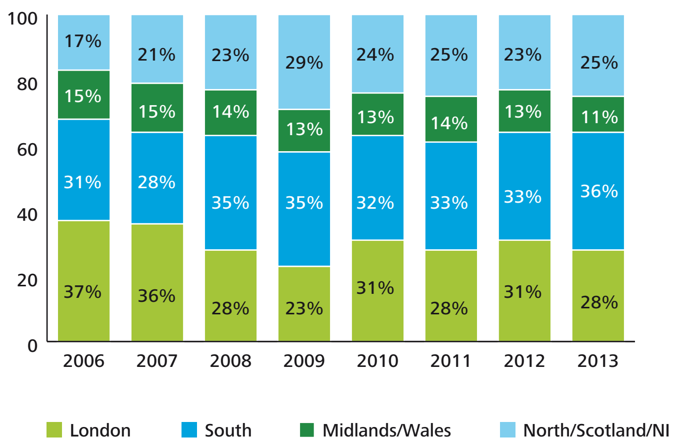
Source: Deloitte/SSA UK

Figure 28. Purpose-built facilities – average size by year opened (sq ft)



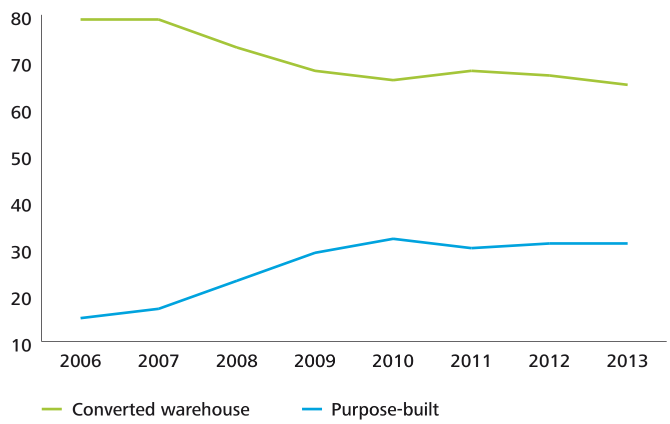
Source: Deloitte/SSA UK

Figure 26. Spread of facilities by region



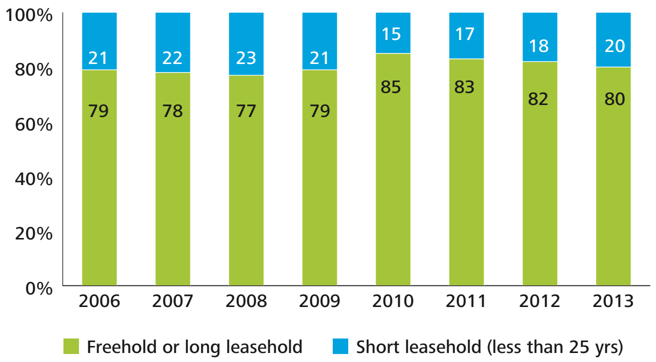
Source: Deloitte/SSA UK

Figure 29. Type of facility over time (%)



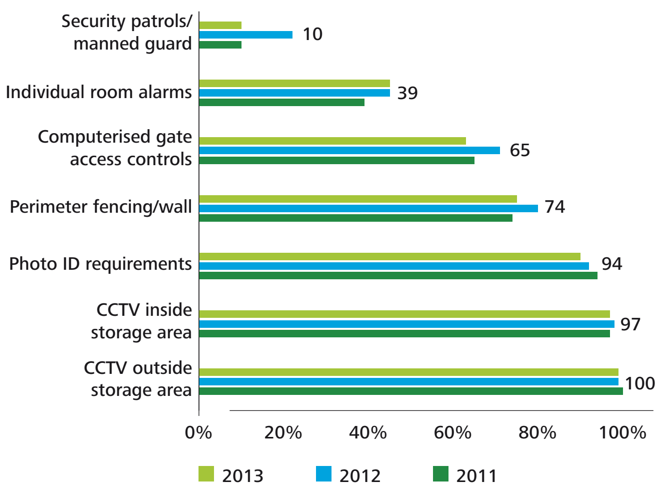
Source: Deloitte/SSA UK

Figure 30. Ownership type – % split over time



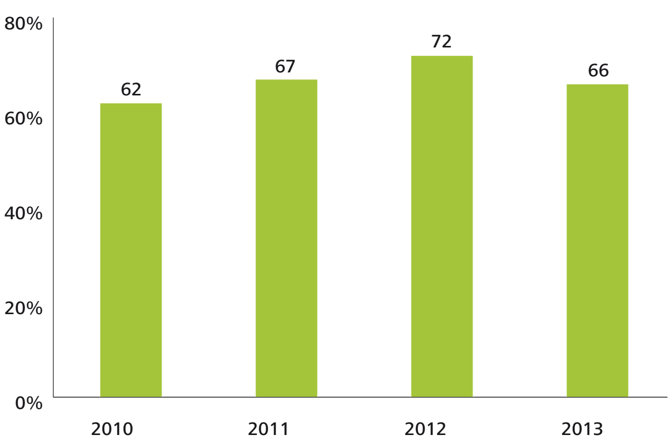
Source: Deloitte/SSA UK

Figure 31. Security features (% of facilities)



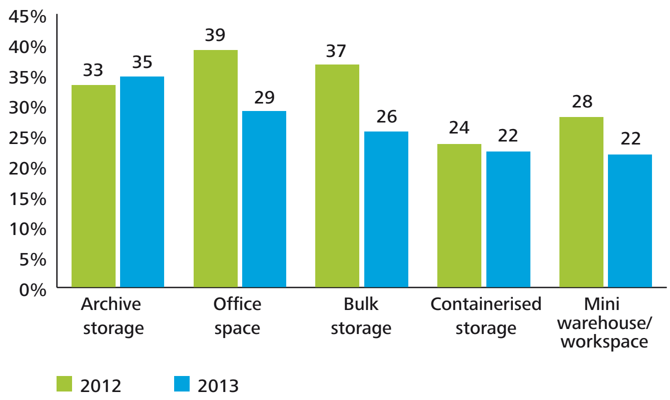
Source: Deloitte/SSA UK

Figure 32. % of facilities offering 24-hour access



Source: Deloitte/SSA UK

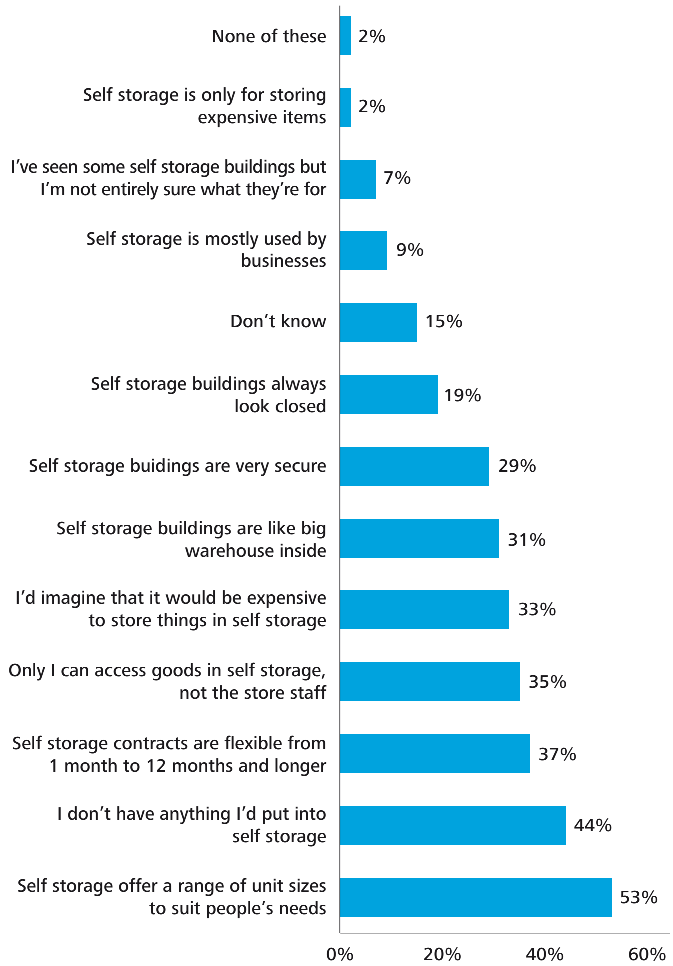
Figure 33. Other services offered (% of facilities)



Source: Deloitte/SSA UK

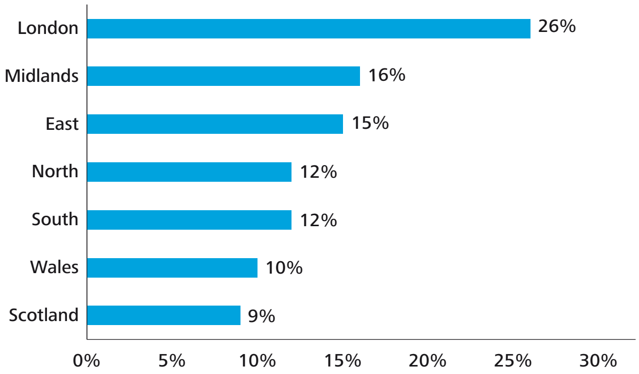
Public survey – additional results

Figure 34. Which, if any, of the following statements would you say you agree with? (Please tick all that apply)



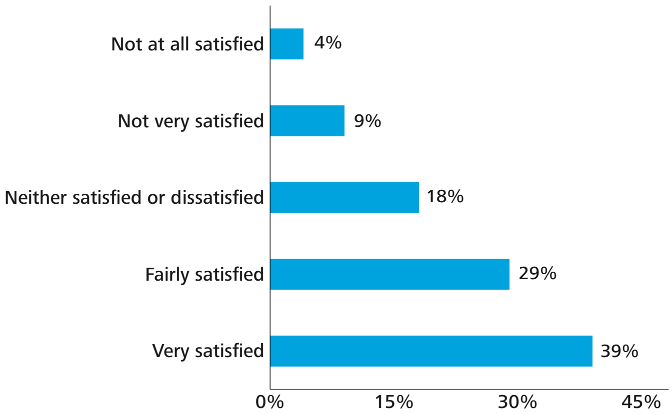
Source: Deloitte/SSA UK

Figure 35. Those who have used self storage in the last 12 months, by region



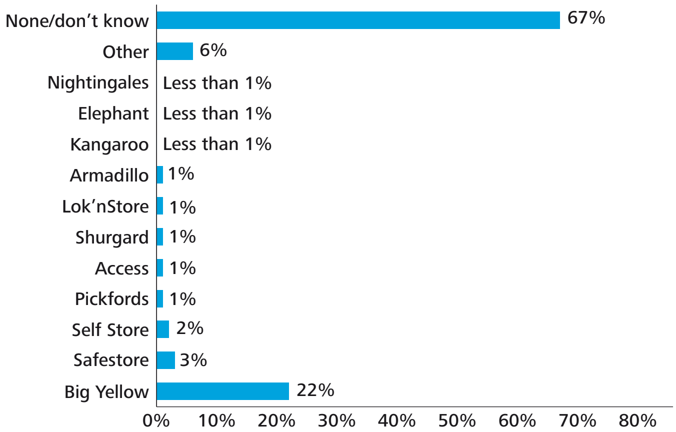
Source: Deloitte/SSA UK

Figure 36. Thinking about the last time you used a self storage company... How satisfied or dissatisfied would you say you were with the service you received? (Asked of those who have used self storage)



Source: Deloitte/SSA UK

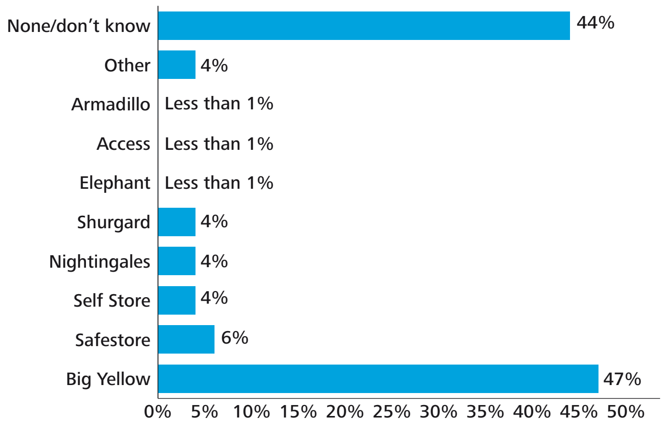
Figure 37. Which, if any, self storage brands can you think of? (Open question, unprompted)



Note: Self Store is not in fact a self storage brand, however as it polled higher than some brands it has been included.

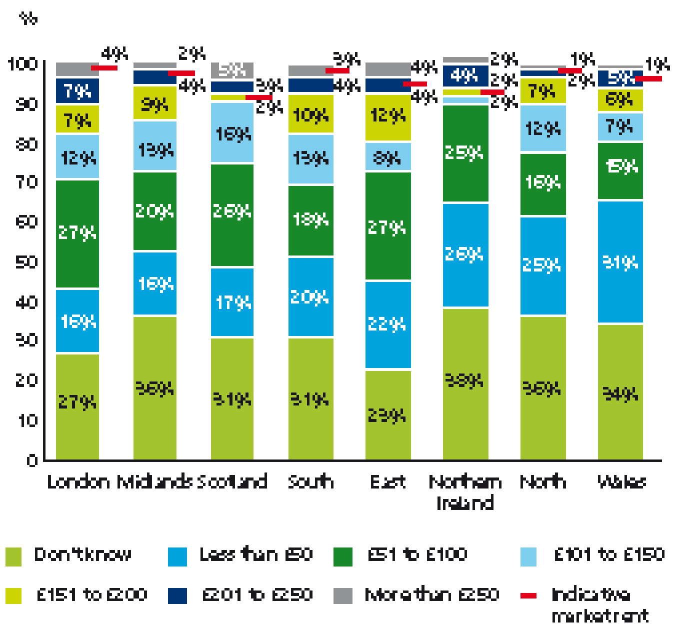
Source: Deloitte/SSA UK

Figure 38. Which, if any, self storage brands can you think of? London respondents only



Source: Deloitte/SSA UK

Figure 39. Including VAT, approximately how much do you think it would cost per month to rent a self storage unit capable of storing the contents of a 2 bedroom house or flat (30 square feet) in your local area?



Survey data and contributors

79 separate companies contributed to the survey this year, providing data on 403 self storage facilities, and a total of 16 million sq ft of storage space. The survey responses were collected during January and February 2014.

The following regional groups have been used for recent data:

- London (inside the M25);
- Rest of the South East;
- South West;
- Midlands & Wales; and
- North, Scotland & N Ireland.

When comparing data across longer periods, the following four regions have been used:

- London (inside the M25);
- South (South, South East, South West, excluding London);
- Midlands & Wales; and
- North, Scotland & N Ireland.

Contributors

The following companies took part in the survey this year and have agreed to be identified:

1st Storage Centres
A Space Station
Adams Selfstore
Admirals Yard Self Storage
Armadillo Self Storage
Attic Self Storage
Avondale Self Storage
Barn Store
Big Box Self Storage
Big Storage
Big Yellow Self Storage
Black Hole Storage
Cambridge Self-Service Storage
Dash Self Store
Derbyshire Self Storage
Easistore
Easy Access Self Storage
Evans Easystore
FlexiSpace
Greenbox Storage
HomeStore
House & Stock
House-It
Keepsafe Storage Centre
Kingston Business Centre Ashton Self Store
Lock & Leave
Lock N Store
Lok'nStore
Luker Bros
Megastorage
Meon Springs Self Storage
Merthyr Self Storage
Newton Self Storage
Quickstore Storage
Ready Steady Store
RL Staley & Sons t/a Thornbury Self Storage
Rugeley Self Storage
Safestore
Self Storage Tameside
Shurgard UK
Smart Storage
Space Maker
Squarefoot Self Storage
Stock N Lock Self Storage
Storage King
Strongroom Self Storage
The Space Place Self Storage (Telford)
The Space Place Self Storage (Leicester)
The Storage Place
The Storage Pod
Viking Self Storage
Your Space Self Storage

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