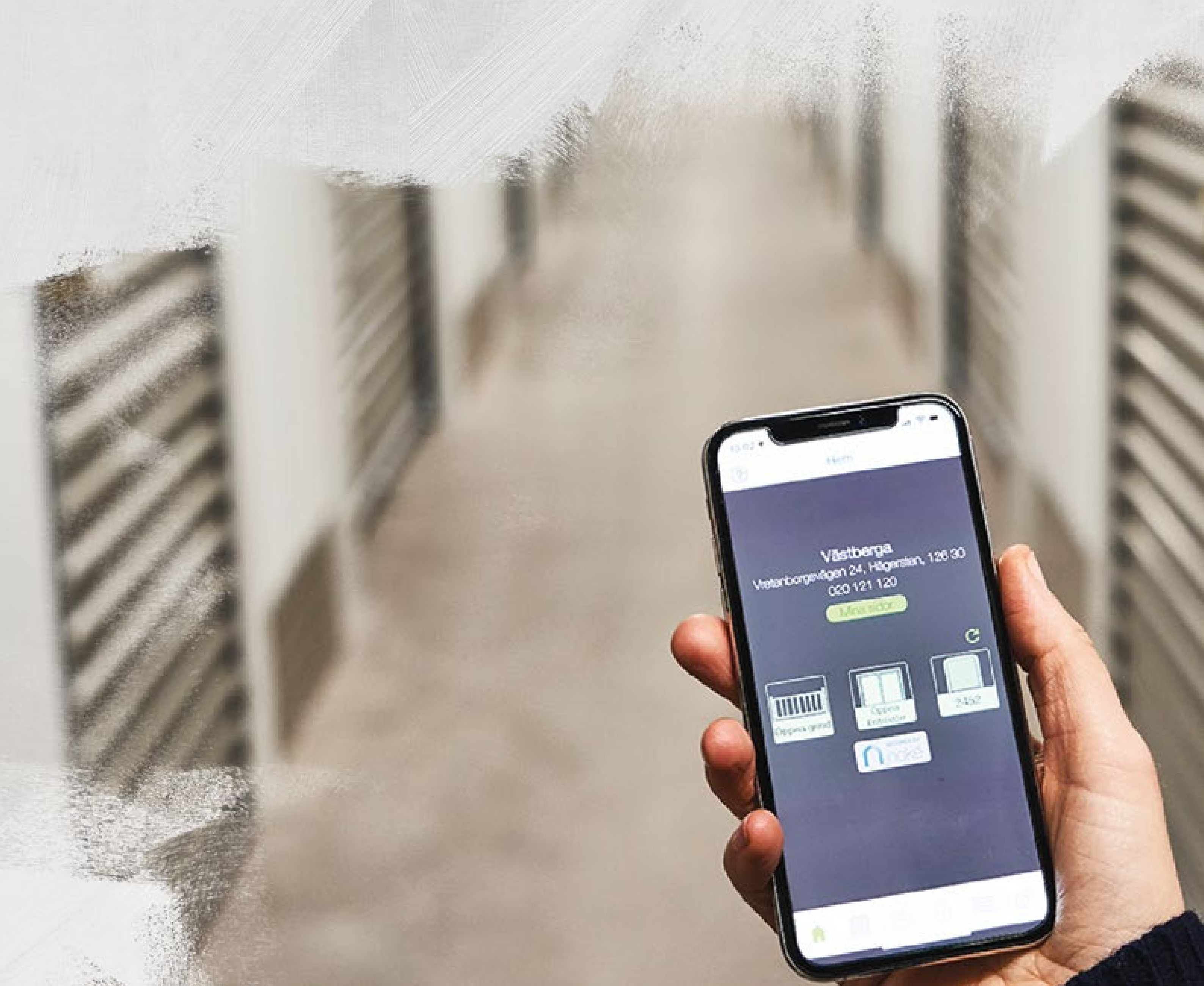
FEDESSA
European Self Storage
Annual Survey 2019



Introduction

This is the eighth annual survey carried out by the Federation of European Self Storage Associations (FEDESSA) amongst its member associations and their member operators. The report has been produced jointly with JLL for the fifth consecutive year.

The survey provides a valuable insight into the industry across Europe. It is aimed at helping investors, funders and operators in this growing and dynamic market.

The latest data shows that there are 4,290 facilities across Europe, providing over 9.9 million square metres of self storage space. The six biggest markets in Europe, where self storage has been established for almost two decades, hold 85% of the market share of available floor space. Whilst these markets continue to grow, we are seeing rapid growth in some of the less established markets.

JLL and FEDESSA received a record number of responses this year from operators in 17 countries across Europe who operate over 800 facilities or 2,400,000 square metres of lettable space, which covers over a quarter of the total market. Responses to the Self Storage Association UK's (SSA UK) Annual Industry Report 2019 have been added to this report where appropriate. We are very grateful to the members who took the time to contribute to this year's survey.

We hope that you find this report informative and we welcome feedback from our readers of the report so that we can continue to improve the report in future years.

Rennie Schafer
Chief Executive Officer
FEDESSA

Ollie Saunders
Lead Director
European Self Storage, JLL

Executive summary

In 2019 there are
4,290
self storage facilities offering
9.9m
square metres of space in Europe

The top ten operators in Europe represent
25%
of the number of facilities and
40%
of the total available space

80%
of facilities in Europe are located in **six** countries

The average rent in Europe is
€259
per square metre per annum and **average occupancy is 79%**

31%
of the facilities in our dataset had occupancy levels of between **85-90%**

97%
of facilities have electronic access control and a third now offer 24 hour access, a significant increase from **19%** in 2017

Operators were slightly more cautious than last year, however three out of four operators are still **expecting 2019 to be a more profitable year than 2018**

There are **68** facilities under construction, **52 in the planning process stage** and **100 speculative** within the survey sample

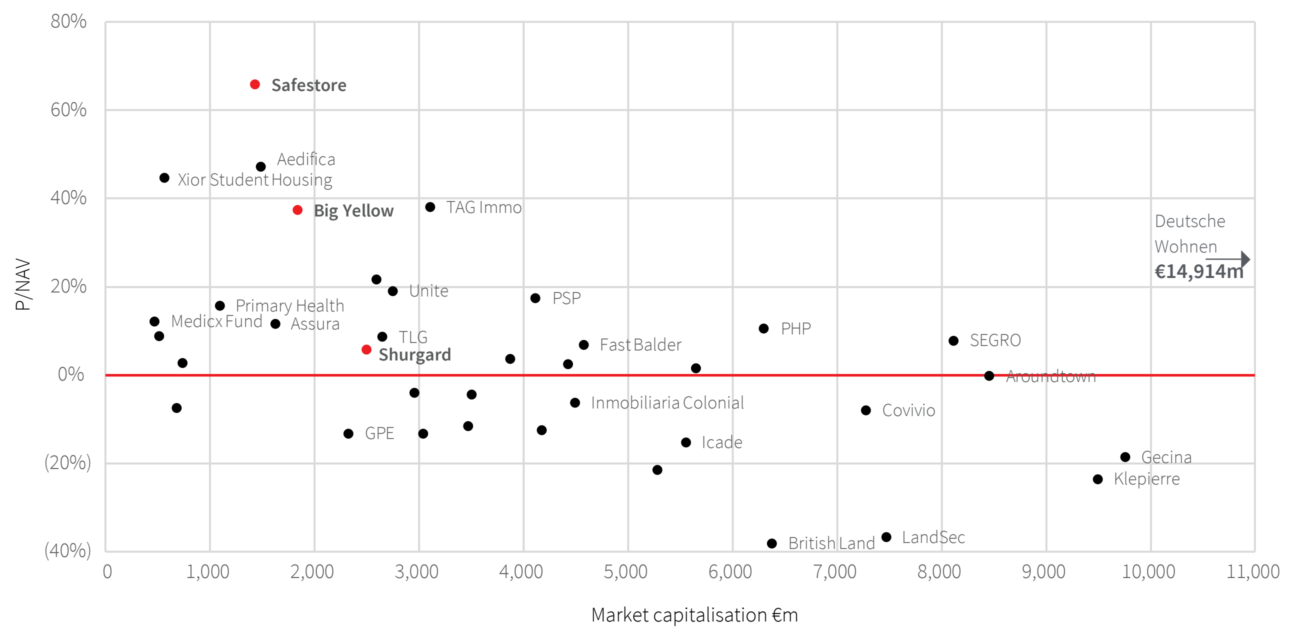
Staff numbers per facility are falling. There are now an average of **1.43 full time staff per facility compared to 1.77 in 2015**

Macro overview

GDP growth in the Eurozone picked up in the first quarter of 2019, at 0.4% (double the growth seen in 2018), but still remains at a slow pace weighed down by threats of protectionism, tariffs, Brexit and a global economic slowdown.

This economic uncertainty has impacted the big European REITs, particularly REITs with a large retail portfolio. Alternative REITs on the other hand proved the sector's counter-cyclical qualities with positive performances. Self storage was the outstanding performer with an average premium to net asset value (NAV) of 30.7% as of May 2019.

Figure 1 – European REIT performance



Sector	Self storage	Healthcare	Industrial	Student housing	Residential	Mixed	Office	Retail
May 2019	P/NAV 30.7%	P/NAV 22.5%	P/NAV 22.9%	P/NAV 12.7%	P/NAV 1.1%	P/NAV (7.0%)	P/NAV (10.6%)	P/NAV (34.1%)

Source: Nareit

We have seen a growing interest in direct Alternative real estate investment with €1 in every €7 in 2018 being invested in sectors such as student housing, healthcare and self storage, commonly know as Alternatives. Whilst investors tend to consider the defensive and counter-cyclical qualities of the sector, good supply/demand dynamics and exposure to demographic change are now regarded as important reasons to invest in Alternatives.

Figure 2 – Reasons to invest in Alternatives

76%
Good supply/
demand dynamics

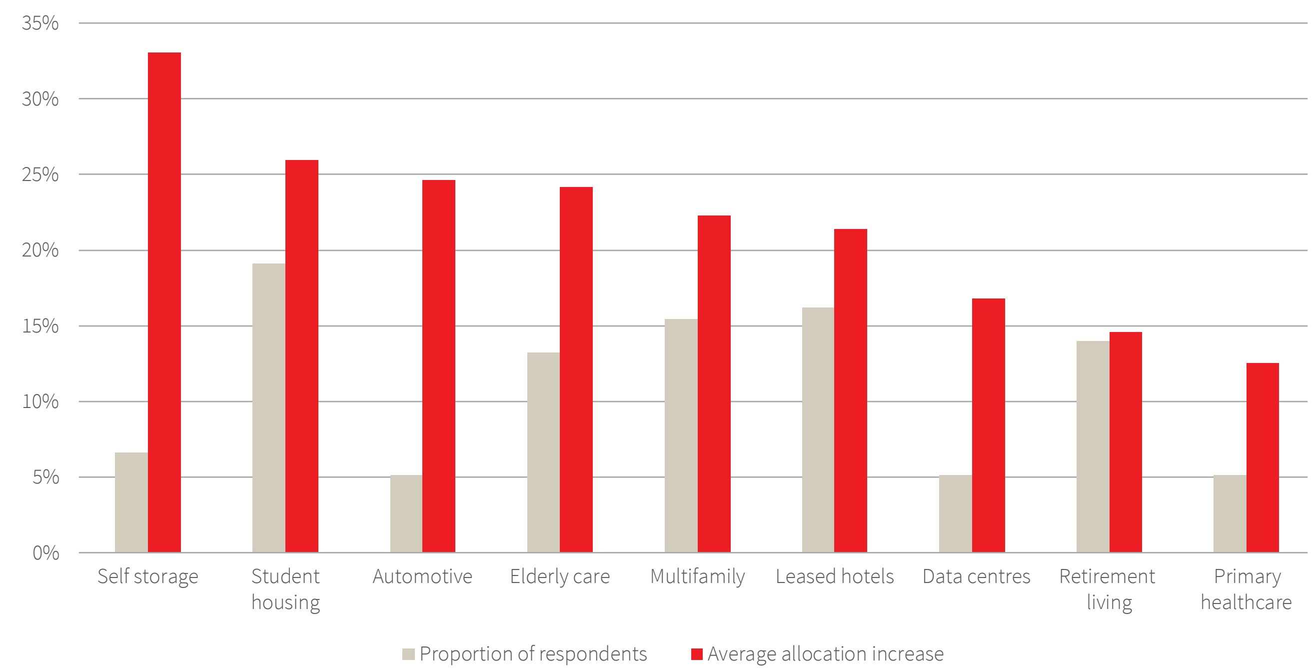
55%
Exposure to structural/
demographic change

50%
Defensive nature/
counter cyclical

Source: JLL investor survey

In the recent JLL investors survey, 7% of respondents had exposure to the self storage market, but 33% wanted to increase their exposure to the sector.

Figure 3 – Average allocation increase



Source: JLL investor survey


SureStore, United Kingdom

"In the last 12 months, we have seen a step change in the amount of interest in the self storage sector from an increasingly diverse set of investors who are looking to access the market in a number of different ways. From funding development, to entering joint ventures and direct acquisition, the market remains active but sometimes frustrated by the lack of stock and entrepreneurial operators looking to expand"

Ollie Saunders, JLL

Key deals

In the 12 months to September 2019, there were more than €250 million of transactions in the self storage market. As well as direct investment in self storage real estate assets, we also saw investors access the market though the creation of joint ventures and forward commitments. The direct level of acquisitions was slightly below the previous years, showing the lack of suitable assets in the market.

Significant transactions include:

- The Self Storage Group ASA acquired Eurobox Minilager in Norway in January 2019 for 320 million NOK. Eurobox Minilager operated four prime facilities in Norway of which three are freehold properties. The acquisition of Eurobox brings the total facilities owned by The Self Storage Group ASA to 106 facilities across Scandinavia. The deal represented an EBITDA multiple of around 26. The portfolio consisted of a total of 10,800 square metres.
- Metric Capital Partners entered into joint venture agreements with two operators in the UK and Germany with a view to materially grow these two portfolios.
- Legal and General entered the UK market by acquiring three new build SureStore facilities in a sale and manage back deal.
- Safestore and Carlyle European Real Estate fund formed a joint venture to acquire M3 Self-Storage who had six facilities in The Netherlands.
- Armadillo acquired Rent A Space in Liverpool.
- Storage King, operating in the UK and owned by Stor-age, a listed REIT on the Johannesburg Stock Exchange, bought two independent operators in the first quarter of 2019. Viking Self Storage in Bedford was acquired for £12.3 million and Storage Pod in Weybridge was acquired for £11.49 million. The property has an MLA of 54,000 square feet.
- Storage Pod in Weybridge was acquired for £11.49 million.
- Ready Steady Store acquired Self Store It, which totalled over 17,000 square metres in seven facilities.
- Lok'nStore structured a sale and manage back of their facility in Crayford, and also acquired the Box Room in Southampton.
- ABC Self Storage was sold to Shurgard in October 2018. The three freehold facilities in London (Camden, Southwark and Wandsworth) totalled 11,300 square metres for around £50 million.
- Safestore acquired a self storage facility in Heathrow from Rockpool Investments for £6.5 million.
- Harbinger Investments acquired the five facility portfolio of The Store Room.
- In April 2019 Singapore's largest real estate developer, CapitaLand, sold its developer's interest in its self storage subsidiary, StorHub for US $136 million. StorHub operates 12 storage facilities; 11 in Singapore and one in Shanghai. It is understood that CapitaLand acquired the majority stake in StorHub for $39.2 million in 2010.

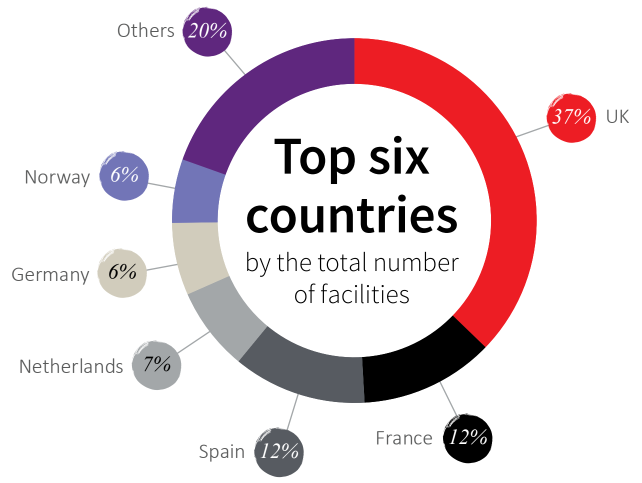
Storage King, United Kingdom

Industry overview

The self storage industry in Europe has grown rapidly over the last decade. We estimate that there are now 4,290 facilities providing over 9.9 million square metres of self storage space.

Estimating the exact growth of the industry can be challenging as a proportion of the year on year changes can be attributed to improved data collection. Also, some countries include container facilities in their definition of self storage while others do not.

Figure 4 - Top six countries market share by number of facilities



Source: FEDESSA/JLL

Top six

85% 2017

82% 2018

80% 2019

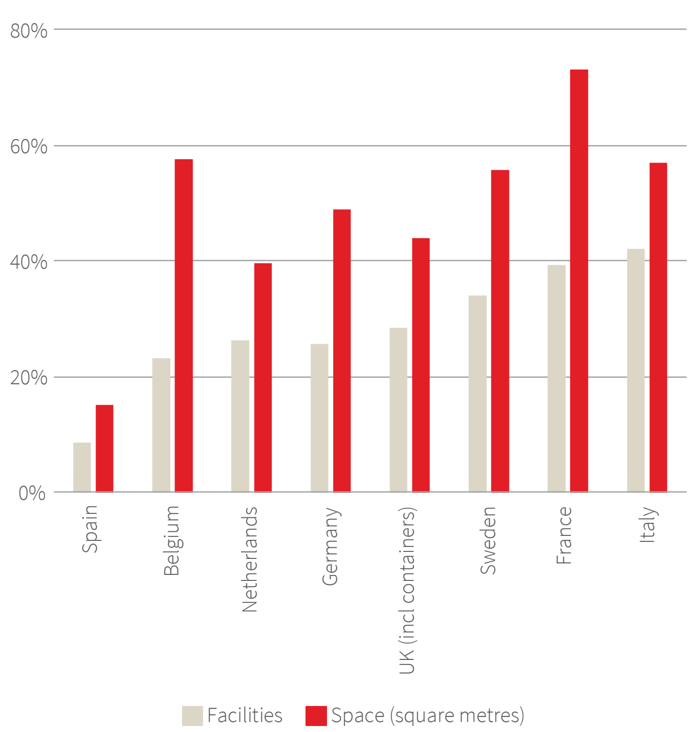
Six countries have 80% of the total number of facilities in Europe, and 85% of the total floor space. This market share of the top six has been gradually decreasing as self storage grows in the less established markets.

Market share of the largest operators

The self storage industry in Europe is fragmented with most facilities owned and operated by smaller independent operators. Major operators, who we have defined as having 10 or more facilities, occupy less than 50% of the total number of facilities in the established countries in Europe. However, as major operators tend to have larger facilities they account for more than 50% of the storage space in many markets.

What is noticeable in these countries is an absence of mid tier operators who occupy four to nine facilities. Even in the established UK market, recent consolidation has widened the gap between small and major operators.

Figure 5 - Market share of the largest operators (10 or more facilities)



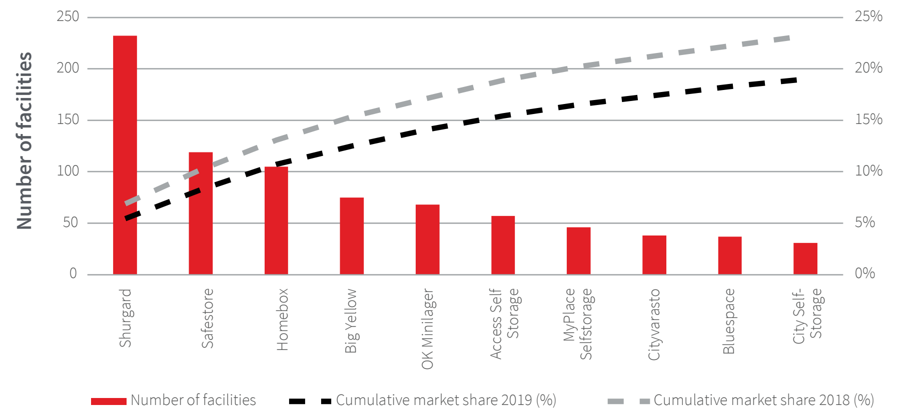
Source: FEDESSA/JLL

The largest operator in Europe is Shurgard who currently (as at May 2019) occupy 232 facilities. This represents 5.5% of the total number of facilities in Europe and 11.9% of the available floor space.

The largest operators generally have larger facilities, this is highlighted by the fact that the 10 largest self storage brands represent 19.0% of the total number of facilities but 35.4% of the total available space.

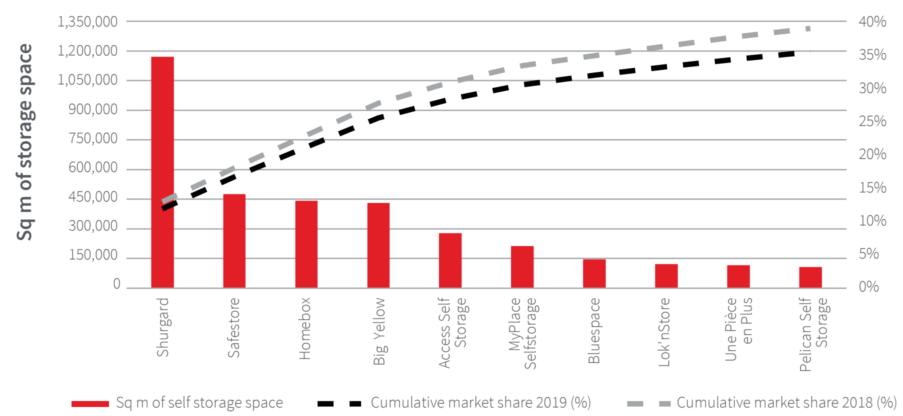
When compared to last year's figures we have seen that the market share of the top 10 brands has dropped. Even though all of the larger operators have been expanding their portfolios, the overall market has grown rapidly with independent operators adding more facilities and collectively more space.

Figure 6 - Market share based on number of facilities by brand



Source: FEDESSA/JLL

Figure 7 - Market share based on square metre space by brand

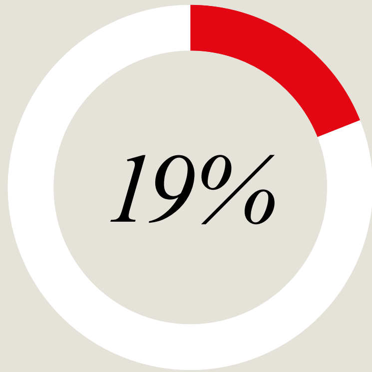


Source: FEDESSA/JLL

10

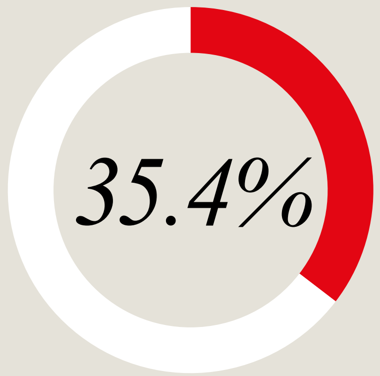
largest self storage brands

=



of the total number of facilities

or



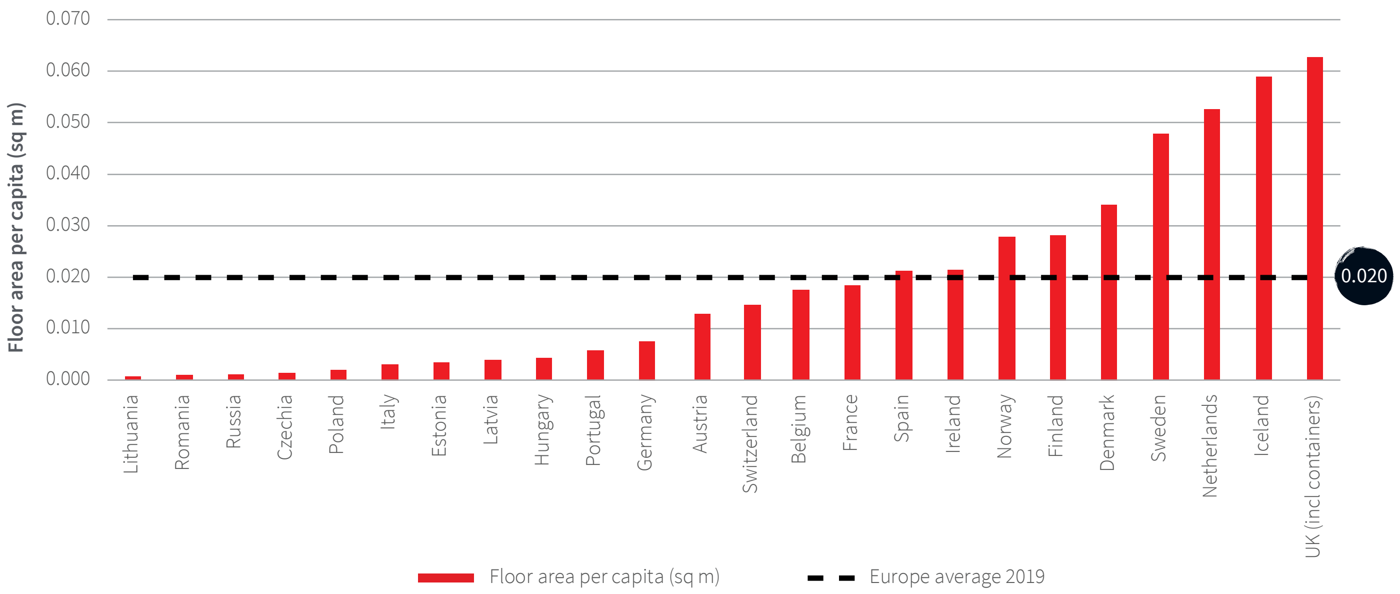
of the total square metres of self storage space

Floor area per capita

The UK has the greatest amount of available self storage space per person, closely followed by Iceland and the Netherlands. This graph highlights that there is still significant room for growth in countries that already have a sizeable self storage market, such as France, Belgium, Austria and Germany who are all below the European floor space per capita average.

However, Germany has seen some of the biggest growth in supply over the last three years, increasing by around 50% of space. It is interesting to note that the five Nordic countries are all in the top seven along with the UK which is the most mature market, and the Netherlands which was also early to adopt self storage.

Figure 8 - Floor area per capita

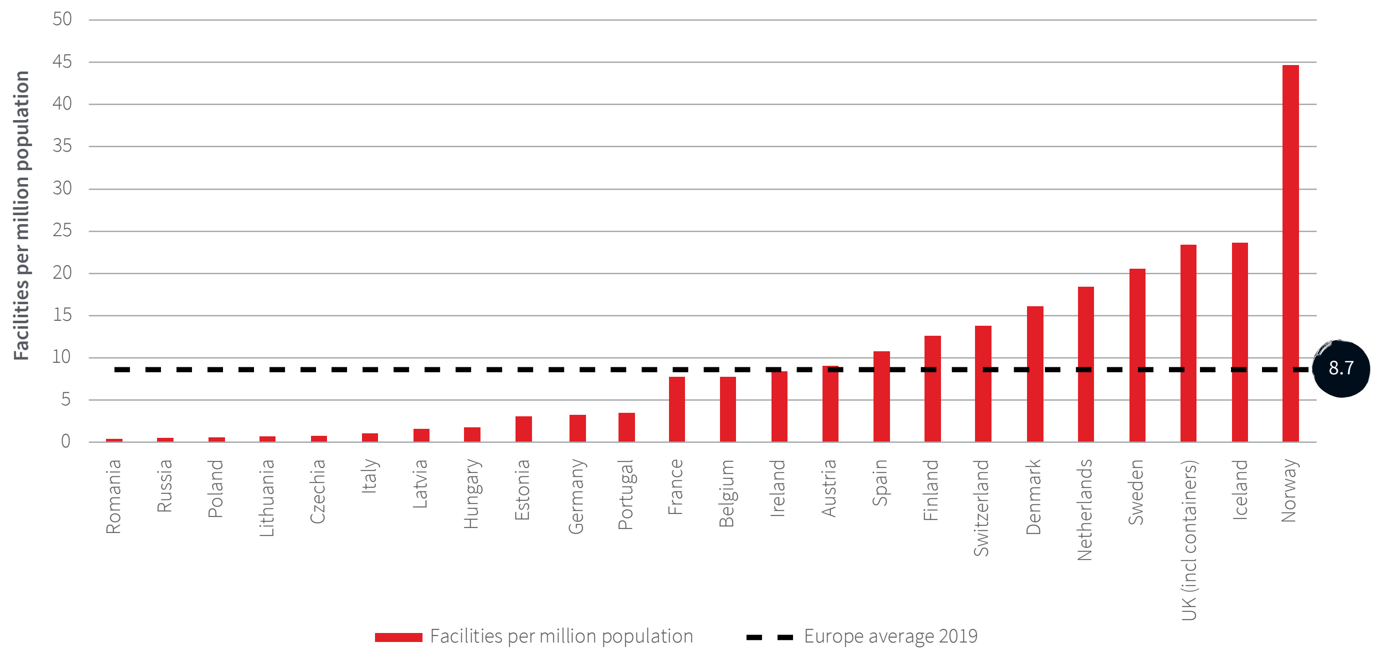


Source: FEDESSA/JLL

Number of facilities per million population

The number of facilities per million population tends to be higher in the Scandanavian countries where they have a greater number of smaller facilities. Norway leads the way with 44.6 facilities for every one million people, but has the lowest average facility size. The average across Europe is 8.7 per million population.

Figure 9 - Number of facilities per million population



Source: FEDESSA/JLL

5 Nordic countries are in the top **7** in terms of self storage floor space per capita

"Germany continues to remain a market that is undersupplied, and with key cities having limited or no competition. Whilst the property market is making land values prohibitively high in certain areas, we are finding local experience is enabling us to find opportunities to develop with our capital partners"

Matthias Ihle, Selbstlagerbox

60%
LED lighting

60%
Passive infrared detection

4%
Solar panels

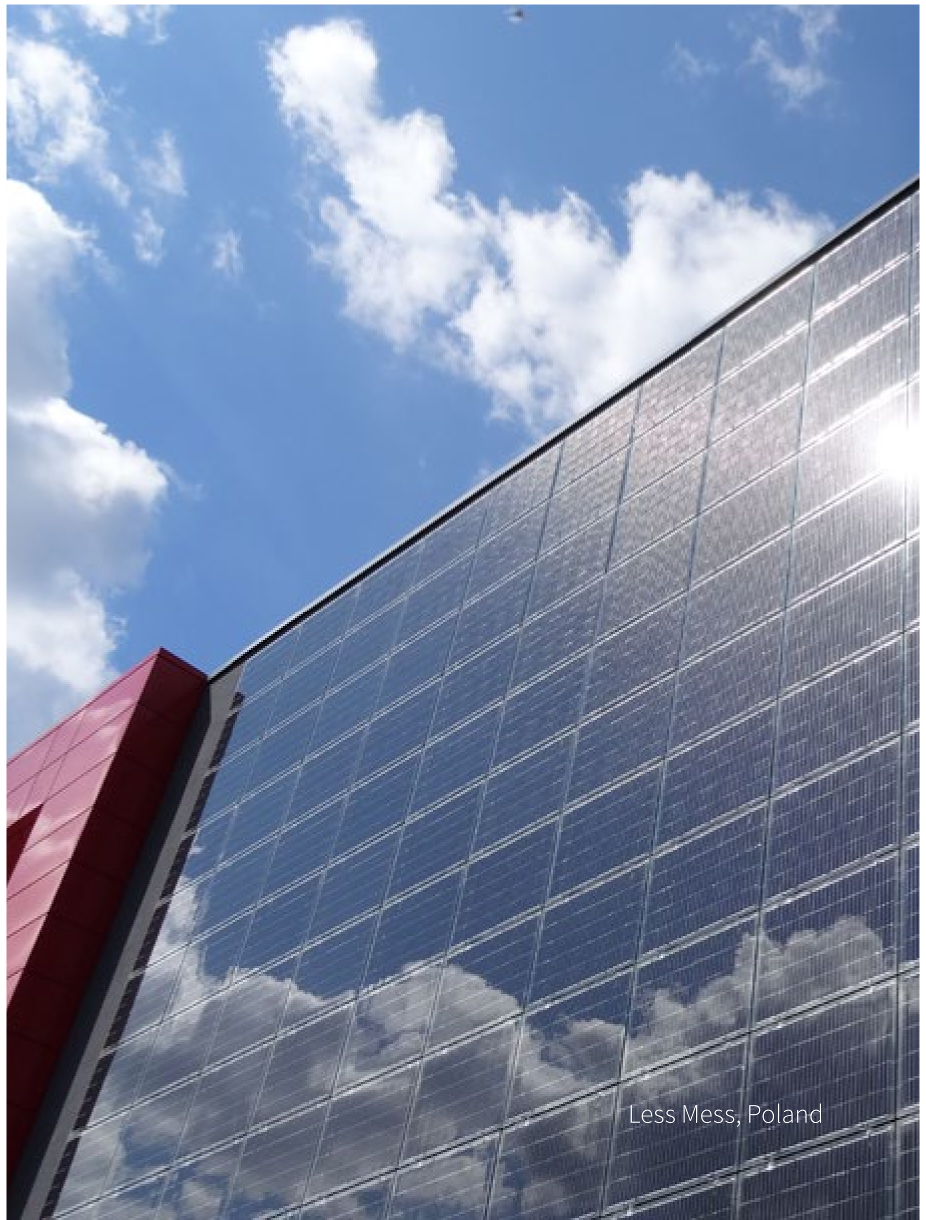
2%
Green roofs

Source: FEDESSA/JLL

Sustainability

The Energy Performance of Buildings Directive (EPBD) requires that all new buildings must be Nearly Zero-Energy Buildings (NZEB) as of 31 December 2020 in the European Union. A NZEB is defined as a very high energy performance building that uses renewable sources for the low amount of energy required.

We have seen new self storage facilities embrace sustainable practices before the directive takes effect, with a growing number of solar panels and green roofs. Most new facilities will have LED lighting and motion sensor technology installed as standard, and we are seeing self storage operators retro fitting their portfolio, as part of their Corporate Social Responsibility (CSR).


Less Mess, Poland

Survey results

Based on the data provided by over 100 operators, covering over 2.4 million square metres of self storage space, we are able provide a good overview of the industry in Europe as at 31 March 2019.

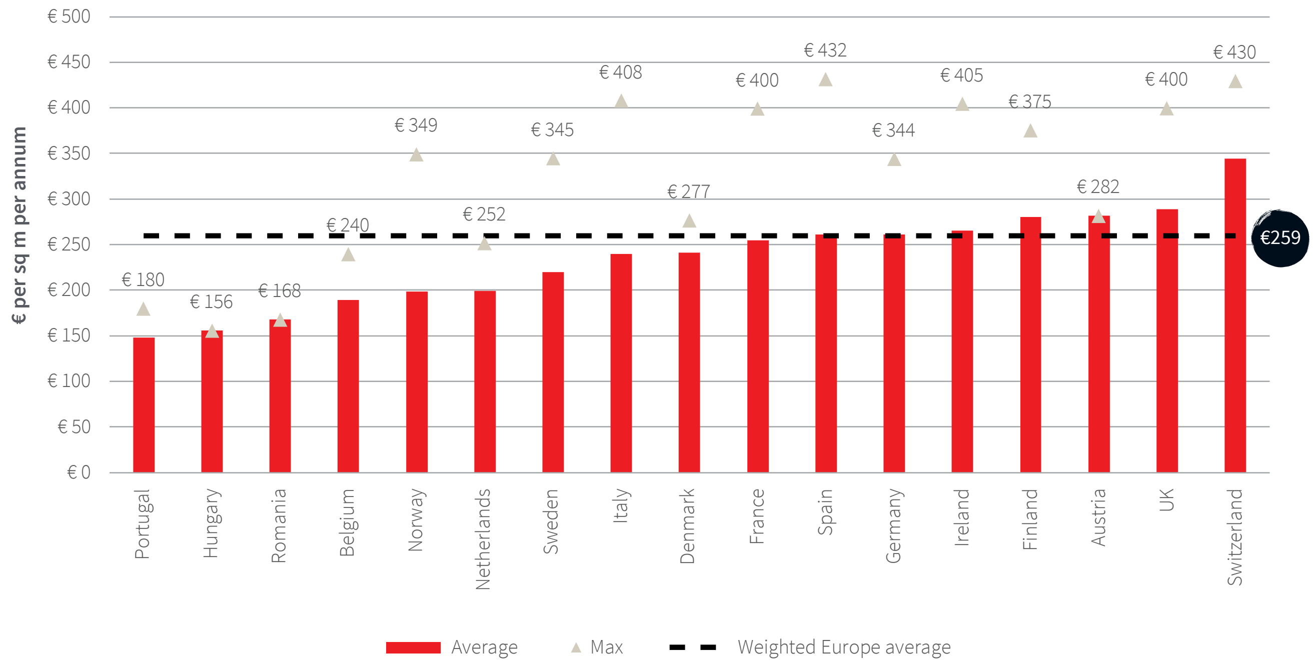
Countries where the sample size was relatively small like Hungary, Romania and Czechia have been excluded from some of the country by country comparisons, but the data still feeds into the European averages.

Average rents per square metre per annum

The weighted average rent across Europe was €259 per square metre per annum. The like for like average is €264 per square metre which is a marginal increase on €262 last year. Our 2018 survey did highlight that the majority of operators expected rental rates to remain the same, and we see from our data that there has not been a dramatic change in rents for 2019, although the data does show some variances with each country.

Capital cities will generally earn more than regional areas. Paris and London in particular can earn up to 40% more than regional areas. Prime facilities will also return more than facilities being run as secondary businesses in less prominent locations.

Figure 10 - Average rents



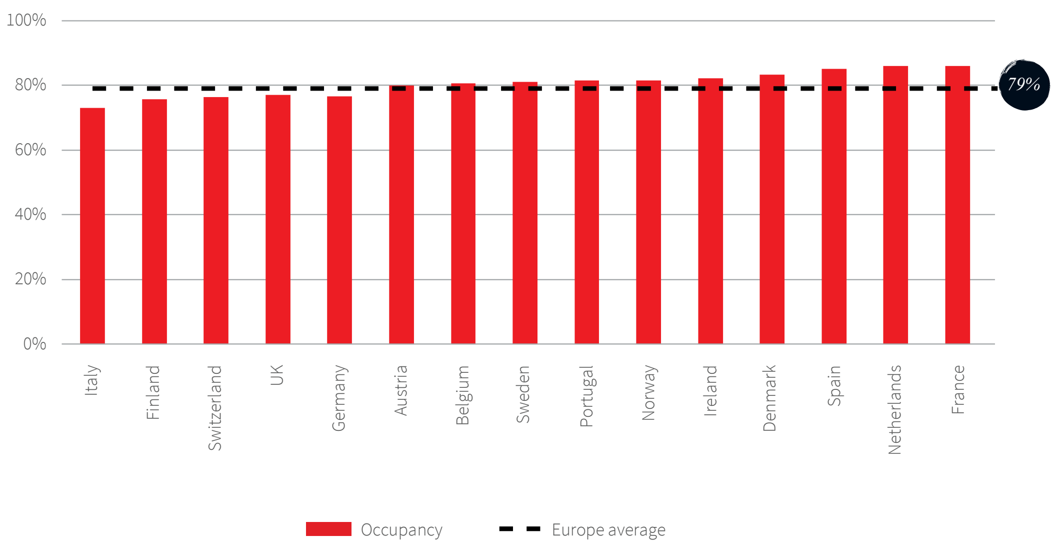
Source: FEDESSA/JLL/SSA UK

Occupancy

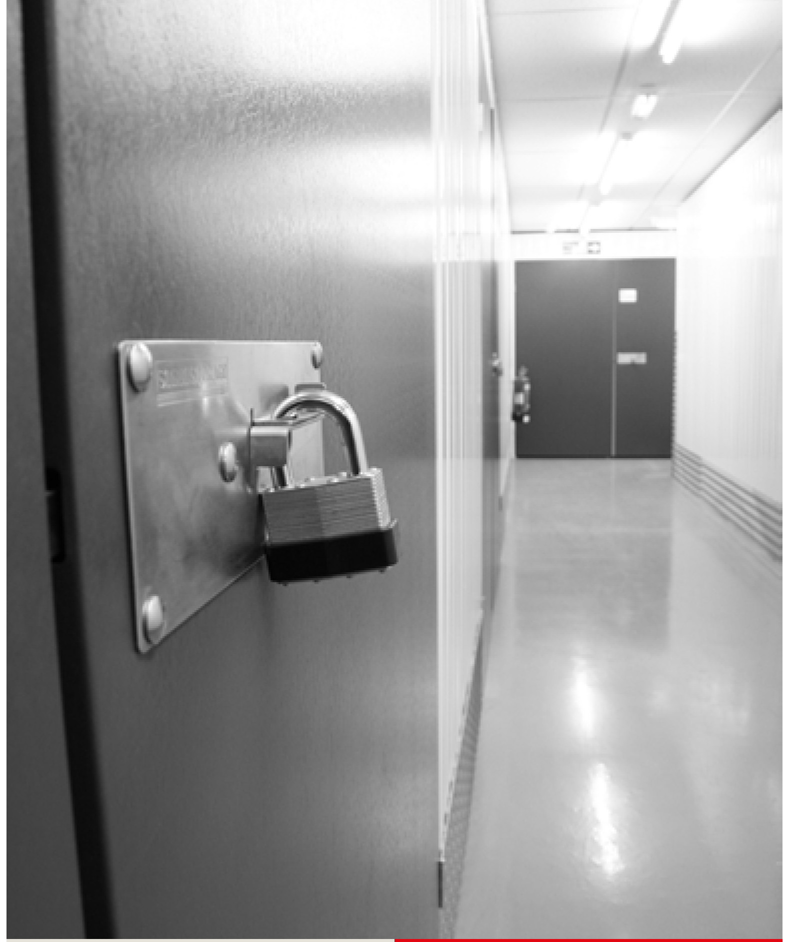
The average occupancy across Europe saw a one percentage point increase from 78% in 2018 to 79%. The largest occupancy increases were seen in Austria, Italy and Germany.

We should take care when comparing occupancy rates in isolation as there are a number of contributing factors that influence occupancy. New facilities tend to have lower occupancy rates as they typically take three to five years to reach maturity. Finland and Switzerland for example have a considerable number of newer facilities, with the mean average age being around five years.

Figure 11 - Average occupancy levels 2019



Source: FEDESSA/JLL/SSA UK



Austria had an

11%

increase in occupancy

Optimal occupancy for a mature metropolitan facility is

85%-90%

France once again had the joint highest average occupancy at

86%

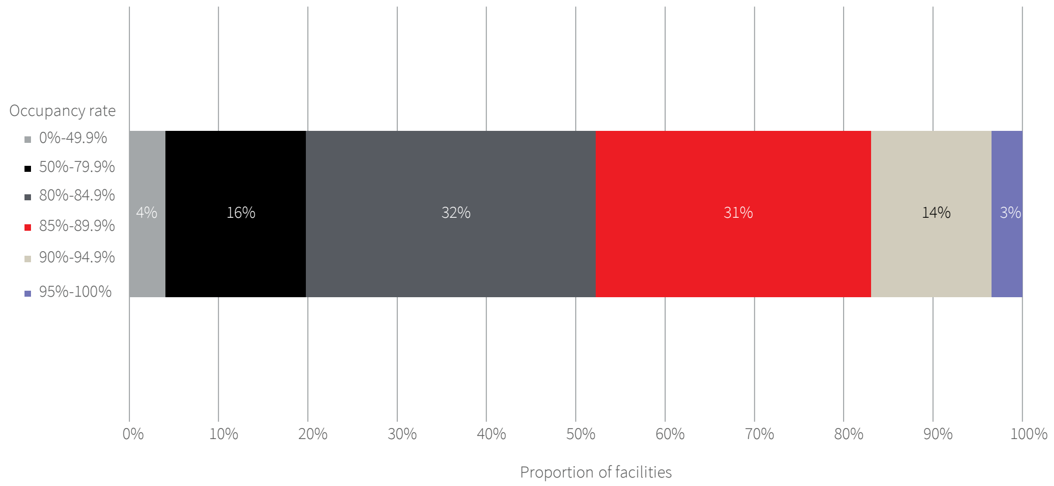
Nearly one third of the facilities in the survey had occupancy of between

85%-90%

Optimal occupancy for a mature self storage facility located in a major metropolitan area is usually considered between 85%-90%. This allows the business to continue to offer space to customers and maximise the yield for the business. 31% of the facilities in our survey were within this sweet spot.

It should also be noted that often self storage businesses are fitted out in stages, sometimes one floor at a time. The next stage will often be fitted out when existing occupancy reaches around 70-80% keeping the occupancy for the facility lower than optimal until the final stage is completed.

Figure 12 - Breakdown of occupancy rates



Source: FEDESSA/JLL

"We are developing modern institutional quality facilities in key markets in the Midlands, and are finding the trading performance consistently beats our business plan both in terms of the rents we can achieve and the speed to fill them. Will some of the older facilities start facing both physical and economic obsolescence?"

Andy Wood, SureStore and Storage Boost

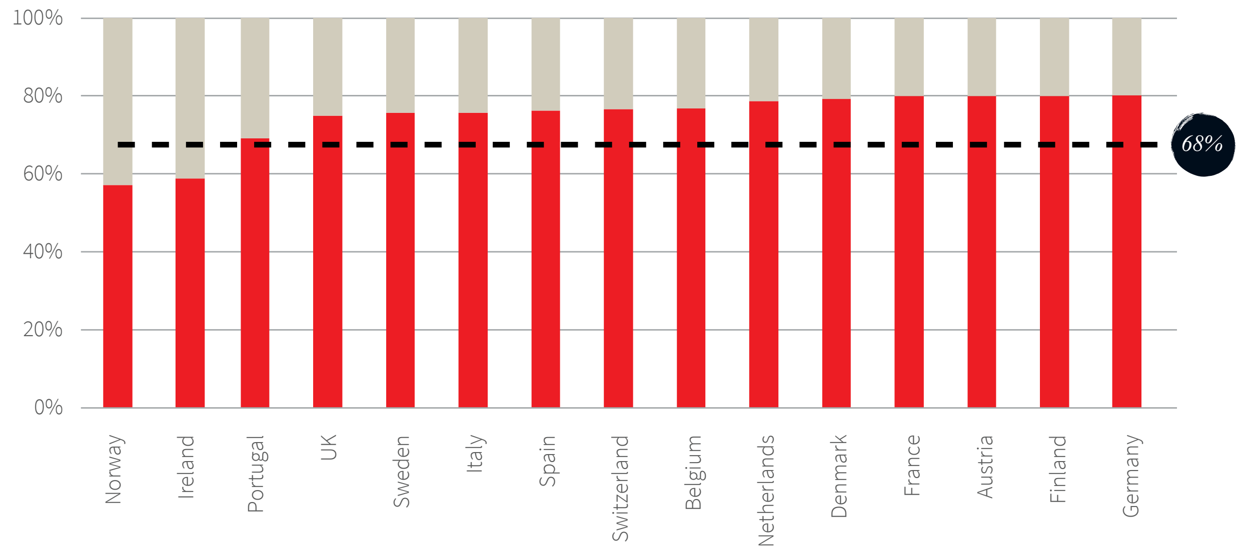
Business / domestic split by area and units

The European average of occupied space by business customers has increased from 27% in 2018 to 32% in our latest survey. We have seen a trend over the last three years of business customers taking a greater percentage of floor area.

The majority of business customers are small start-ups, for them self storage offers a flexible solution for office space, storage and distribution of goods, without the need for lengthy leases. Operators are now catering more for business customers offering free Wi-Fi, meeting rooms, mailboxes and courier services. The benefits for operators are business customers tend to stay for longer periods of time than domestic customers, giving a stable source of income.

Business customers occupy a greater percentage of space and a fewer number of units. On average business customers occupy 24% of the number of units, preferring the larger units which do have a lower yield per square metre than smaller units.

Figure 13 - Business/domestic split by self storage space



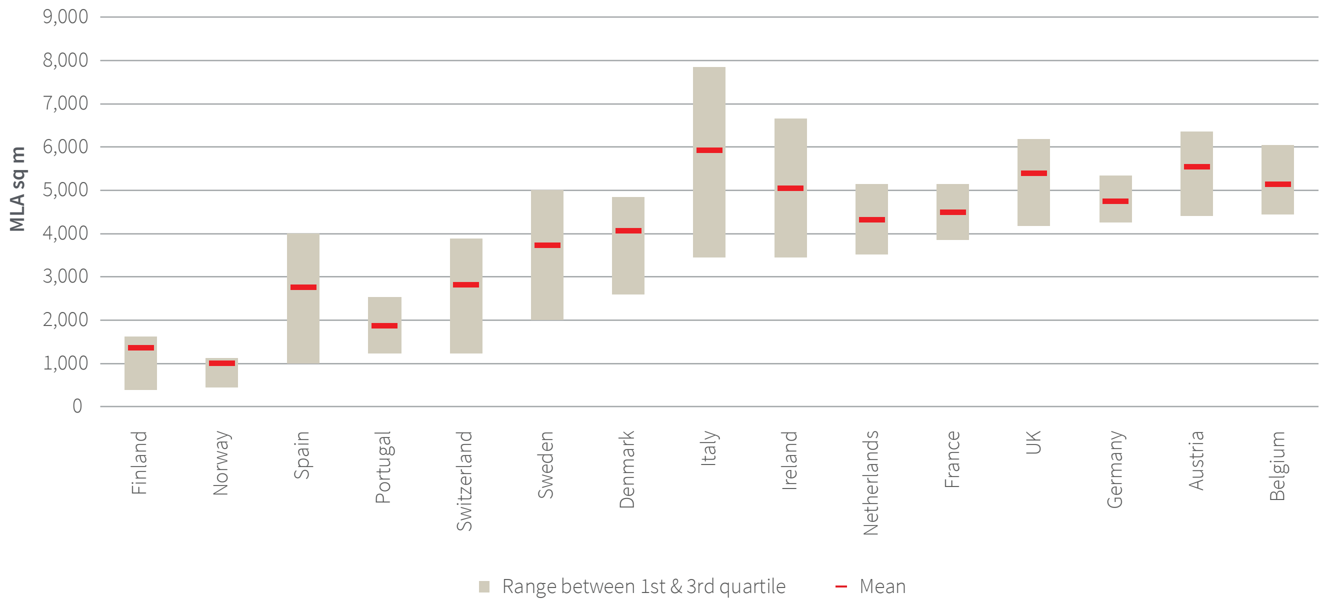
Source: FEDESSA/JLL

Average facility sizes

The comparison between facility sizes in Europe is extremely broad. This comes down to a number of factors; location, operator, Business/domestic customer split, cost of land, size of the country's market etc.

Norway has a high concentration of small facilities with a large proportion of container storage, as a result they have the smallest average facility size in Europe at 1,094 square metres maximum lettable area (MLA). Italy on the other hand, has an average facility size of 5,921 square metres. They have a number of mature facilities with fewer smaller independent facilities to lower the average size. Italy also has the greatest range between quartiles indicating the range of facility sizes in the country.

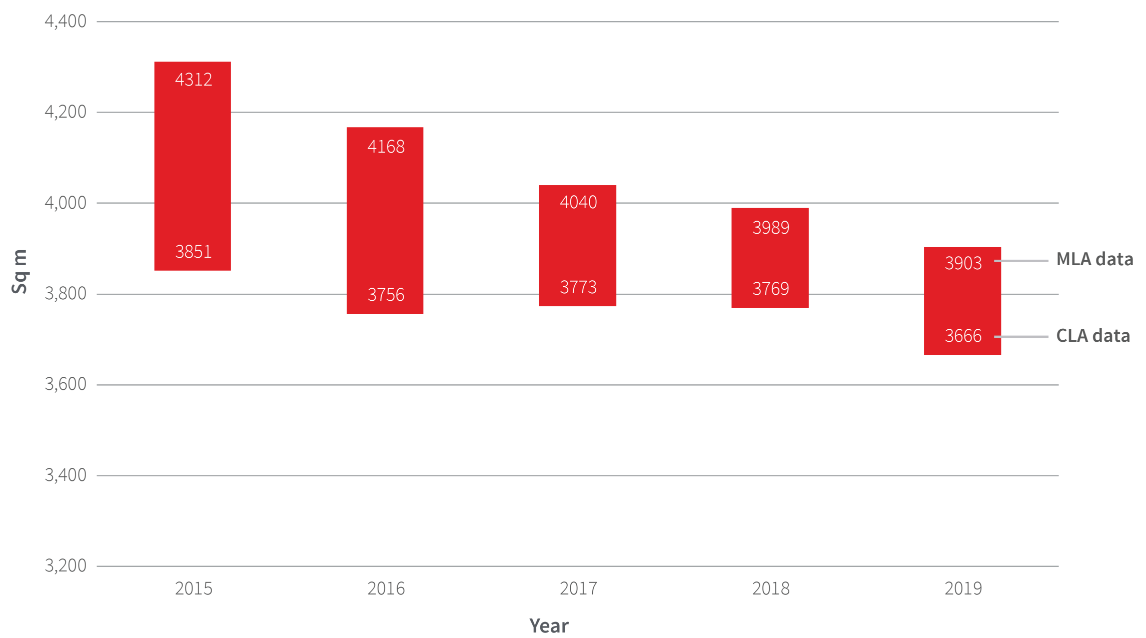
Figure 14 - Average facility size (MLA)



Source: FEDESSA/JLL

Looking at the average size of facilities over the last five years it appears that the average current lettable area (CLA) and MLA in Europe has been gradually falling and the gap between CLA and MLA diminishing. It is worth noting that the average CLA dataset of our survey has increased significantly over this time, skewing like for like comparisons. If we compare the average age of facility by MLA we do see that facilities being built now tend to be smaller but in more urban locations. The average MLA for facilities built pre-2010 was 4,508 square metres, facilities built from 2010 to the present are 2,558 square metres on average. When we consider portfolios of the larger operators, we see the trend for 'mega' facilities seems to be abating and generally their new developments are smaller than those being built 10 years ago. This could be due to operational and yield reasons, or simply as land for these larger facilities is becoming harder to find.

Figure 15 - Average European self storage size

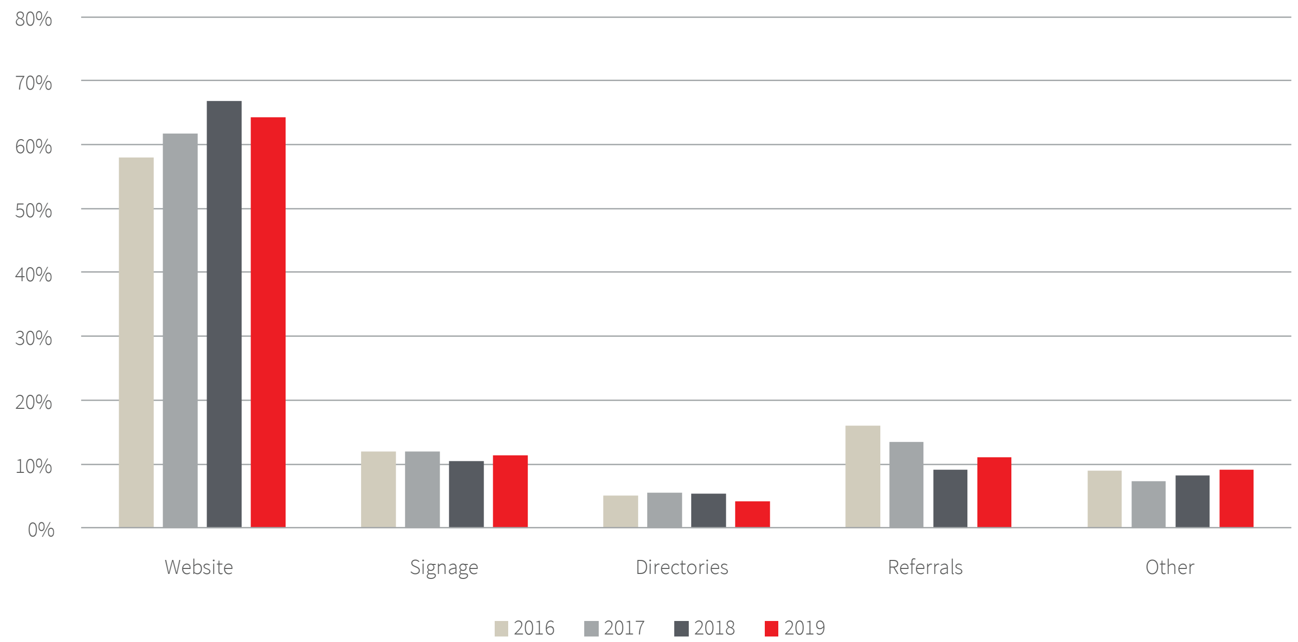


Source: FEDESSA/JLL/SSA UK

Source of enquiries

For the first time in the FEDESSA survey we saw enquiries generated via websites fall, from 67% last year to 64%. We saw the proportion of enquires increase in referrals, other and signage. Many operators are embracing social media as a medium for generating enquires, with operators either offering incentives for customers to refer their online followers or encouraging customers to follow their social media pages by periodically posting offer codes. It is also possible that some operators are not considering social media enquiries as web based and are categorising them as other.

Figure 16 - Source of enquiries



Source: FEDESSA/JLL/SSA UK

Across Europe there is the potential to increase the amount of storage space by 6.1% within the existing buildings

Number of enquiries via websites has increased by 11% over the last four years

Online pricing

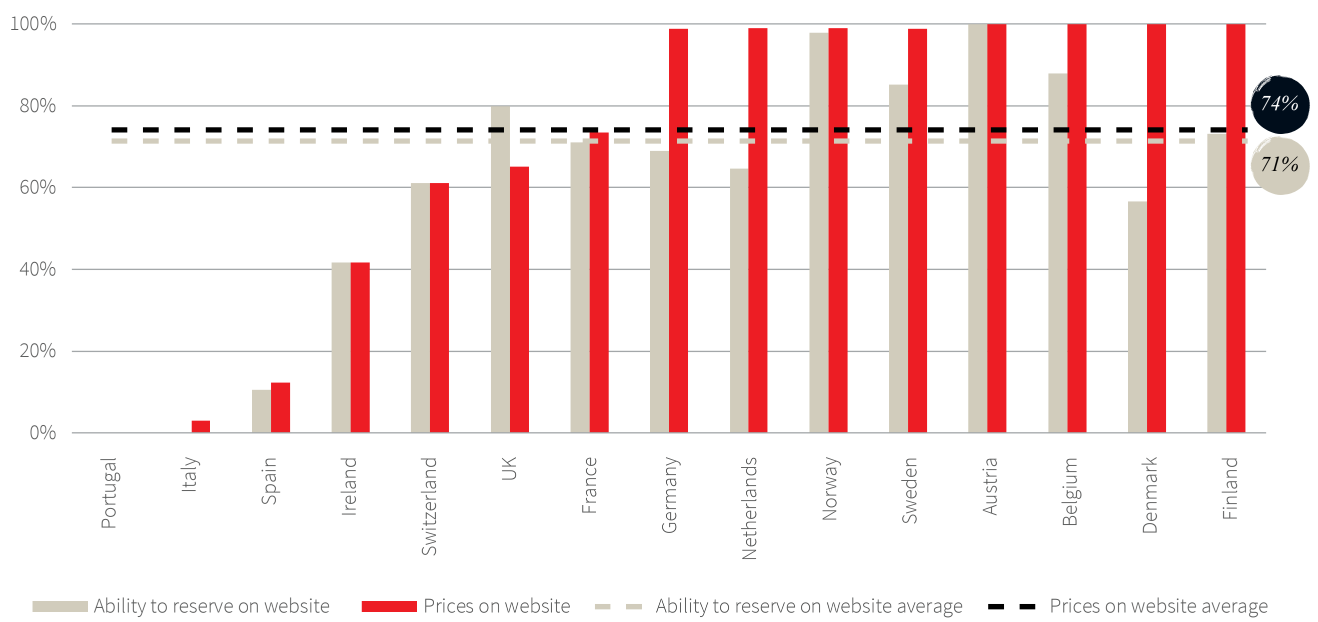
The majority of operators post their prices online with a growing number of operators now providing the ability to reserve their unit online.

Operators tend to have different views on reserving units online, with some encouraging customers to either phone or visit the facility. This enables operators to fully explain what size facility would be best for the customer and offer additional add on services. However, online platforms have become more advanced with self storage websites offering live chat customer service, and storage size estimators.

74% of facilities post their storage prices online, and 71% had the ability to reserve via their website. Whilst most large operators have sophisticated websites and are more likely to display their prices online, some independent operators are developing their websites to offer similar functionality.

We have seen these numbers increase over time as operators become more transparent in terms of pricing, possibly with a view to attracting the younger generation who are far more likely to want to research, reserve and manage their unit online.

Figure 17 - Prices online and ability to reserve via the website



Source: FEDESSA/JLL/SSA UK

"It will be interesting to see how the industry adapts to emerging technology like unmanned stores and Bluetooth access control"

Rennie Schafer, FEDESSA

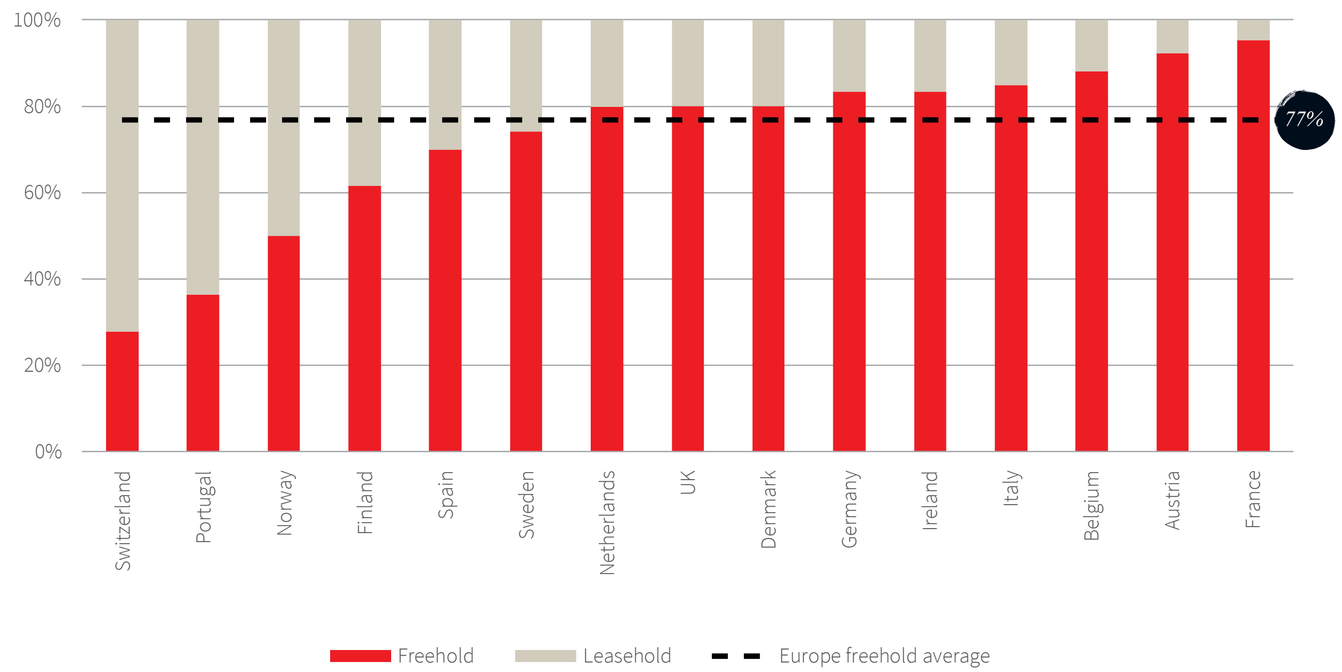
Tenure

There are a range of different tenures within the self storage business model, from owner occupied freehold business to management contracts.

There is a preference towards freehold ownership in Europe, with 77% of facilities on average owned by the operator. This is high compared to other asset classes such as hotels and care homes. Tenure has stayed at the same level to last year, but has been gradually increasing from previous years.

Development of freehold assets enable operators to find more favourable debt terms, however due to the availability and cost of land, particularly in metropolitan areas, this is not always viable. It is worth tracking to see if this trend will change over time, as operators consider leasehold properties or management contracts.

Figure 18 - Split between tenure



Source: FEDESSA/JLL/SSA UK

Average income from ancillary income was *11% in 2019*

"Whilst the industry has historically been focused on freehold ownership, over the next five years we expect to see a material increase in management contracts as operators seek to increase their footprints in prime locations and players look to dominate the market"

Ollie Saunders, JLL

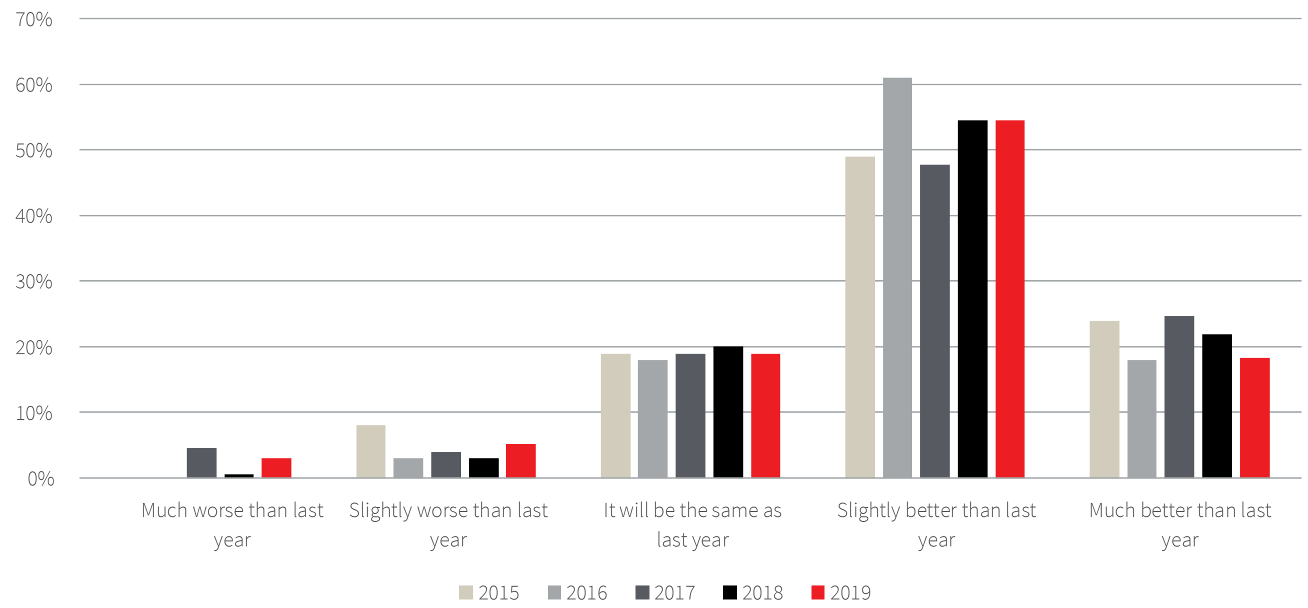
Outlook

We asked operators their views on profitability and rental rates over the next 12 months. The survey was conducted between March and May 2019.

Profitability

73% of respondents felt that profitability would increase in 2019, slightly more pessimistic than 76% in 2018. We had the Belgian, Danish and Spanish general elections all between April and June 2019, which added a level of political uncertainty noticeable in the data. One sixth of operators highlighted economic or political instability as the biggest threat to the industry. However considering uncertainty in both domestic and global politics and economies, to have over 70% of businesses predicting continuing growth in profits is very good. Few other industries in the current climate would match this.

Figure 19 - Profitability outlook

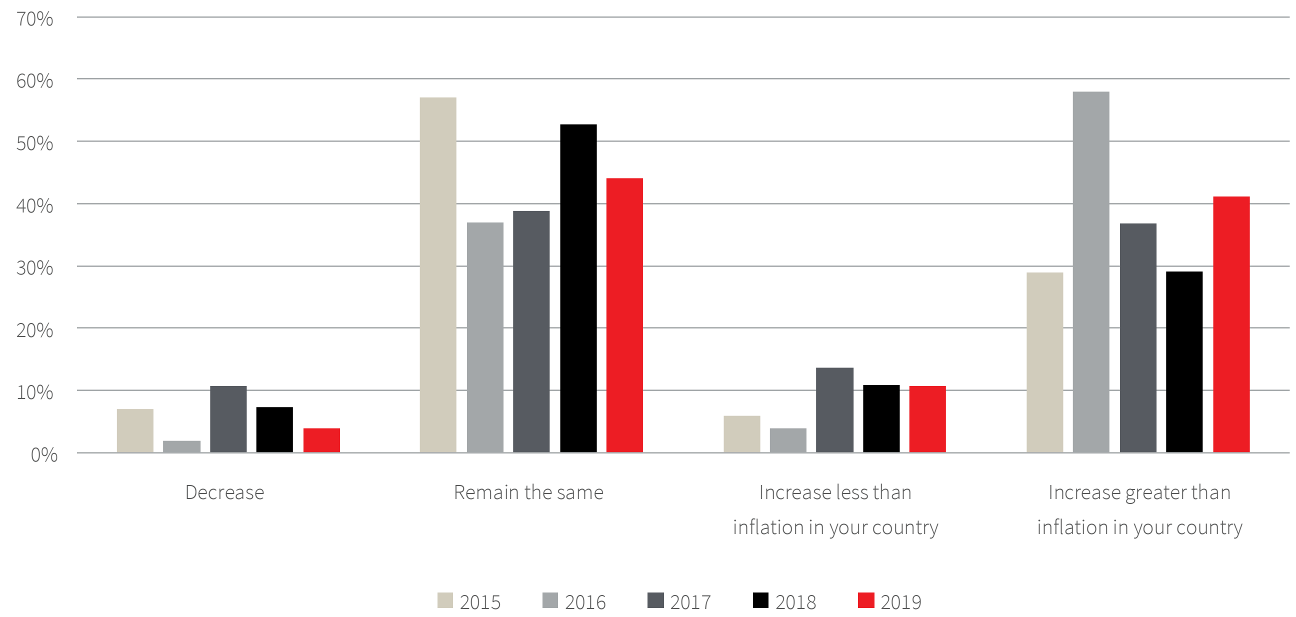


Source: FEDESSA/JLL/SSA UK

Rental growth

Interestingly operators were far more confident in regards to rental growth with 52% predicting an increase compared to 40% last year. Only 4% of operators were expecting a decrease in rental rates over the next 12 months, which is very optimistic compared to historic years.

Figure 20 - Rental growth



Source: FEDESSA/JLL

"Trasteros is performing well. We have developed a strong reputation in our market with a strong ethos on customer service and carefully selecting our new locations. We think we can double the business in the next few years which is going to keep us all busy!"

Alberto Serrano Rivas, Trasteros Plus

"The self storage industry in Europe has seen significant rental growth, over the last five years, underpinned by a growing level of demand versus supply and an increasing quality of the product and services available to customers. Rental growth this year remained relatively flat, however we have seen more supply added to the market"

Daniel Thorpe, JLL

Development pipeline

In our previous surveys we asked operators how many facilities they intend to open over the next three years. We have however found that the number of facilities opened has always been well below the intended or planned facilities. Although this highlights the confidence operators have in the market, it shows the difficulties in finding and securing planning for future facilities.

This year, in order to get a clear indication of how many new facilities are in the development pipeline, we asked operators the number of facilities under construction, awaiting planning permission and speculative.

Purely from the sample group, we found there were 68 new facilities currently under construction, 8% of the total facilities surveyed, and a further 52 in the planning permission stages of development. This figure is slightly below the 136 facilities operators had planned to open between 2019 and 2020 in our last survey but a more accurate indication of how many facilities we can expect. The 100 speculative facilities, almost twice as many as in planning, again demonstrates the optimism of the industry. This data only reflects the sample group and there will be operators that did not complete the survey that also have facilities in various stages of development or planning.

Figure 21 - Development pipeline

Source: FEDESSA/JLL

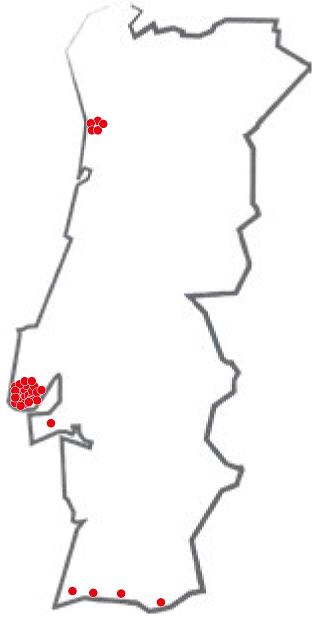
"Consolidation of the market looks like it's continuing with the major operators having funding to expand their portfolio, but decreasing numbers of properties available for development"

Rennie Schafer, FEDESSA

Pelican Self Storage, Finland

Roving focus

This year we have included a roving focus on Portugal and the USA to provide insights into those markets.



Portugal

Portugal is one of Europe's youngest self storage markets.

Portugal is a rapidly urbanising country, despite more than one-third of the population still living in rural areas. The latest trend also shows that population is growing as net immigration increases. The overall population density is 110.6 people per square kilometre which is higher than Spain with only 91.4 people per square kilometre.

Short term GDP growth is forecast at 1.7% for 2019 and 1.4% in 2020. Economic activity remains strong in Portugal, despite a broader Europe-wide slowdown. This has been largely driven by increased household spending, strong wage growth and unemployment at a 14-year low.

Improved economic conditions has led to healthy increases in the property market. Property prices saw a 6.1% year-on-year increase in 2018 according to The Instituto Nacional De Estatistica (INE), with Porto seeing the highest increase of 15.6%.

The Algarve region is proving popular and many analysts expect this to have high potential for further economic growth in the coming years with house prices in this region expected to rise.

There are 36 existing facilities which are predominately located in Lisbon, Faro and Porto. This equates to only 3.5 facilities per million inhabitants, which is 40% of the European average and 32% of the level in neighbouring Spain.

Portugal has 0.006 square metres per person compared to 0.021 in Spain and 0.028 in France.

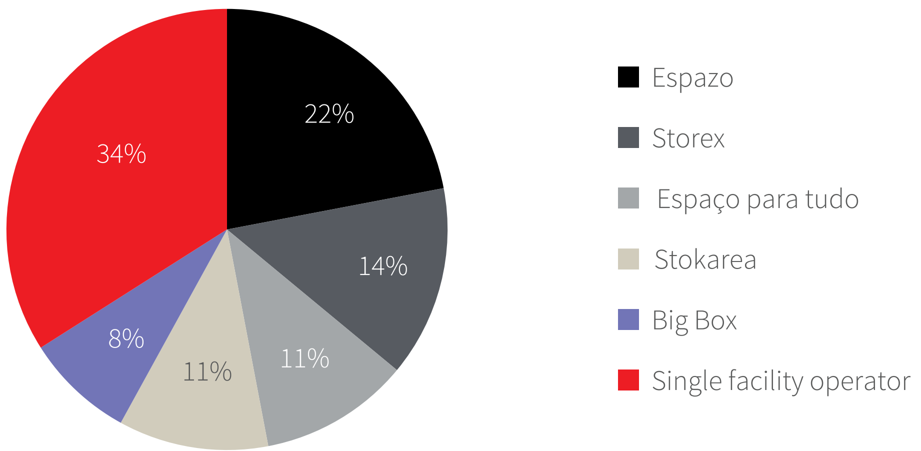
The first store opened in 1998 and today there are 17 operators, with the largest, Espazo, having eight facilities. There are only five operators with more than one facility.

Portugal currently has the lowest average rent in Europe at below €150 per square metre per annum, and a high proportion of small, leasehold facilities compared to the more mature self storage markets – which is typical for an emerging market as operators start in nascent markets.

Bluespace, who is the largest operator in Spain, will be entering the country in 2019 with a plan to open at least three facilities in Lisbon with future growth planned in both the capital and other cities.

Portugal really is just at the beginning of their self storage development, and progress by existing operators and new entrants such as Bluespace and other developers means that it is a market to watch in coming years.

Figure 22 - Market share of operators as a percentage of total facilities



Source: FEDESSA/JLL

USA

The self storage market in the USA is the most mature in the world, with more than 54,000 facilities, which equates to 166 facilities per million inhabitants compared to 8.7 in Europe.

Whilst nearly a fifth of all facilities are operated by the six largest players, the next 10% are owned by 100 operators and 73% of all facilities are 'mom' and 'pop' independent operators.

Average rents across the USA are only $12 per square foot, however nearly one in 10 homeowners have a permanent self storage unit.

Total spending on construction in the sector is nearly $3.5 billion, and in June 2019 self storage made up 3.5% of total private construction in the US.

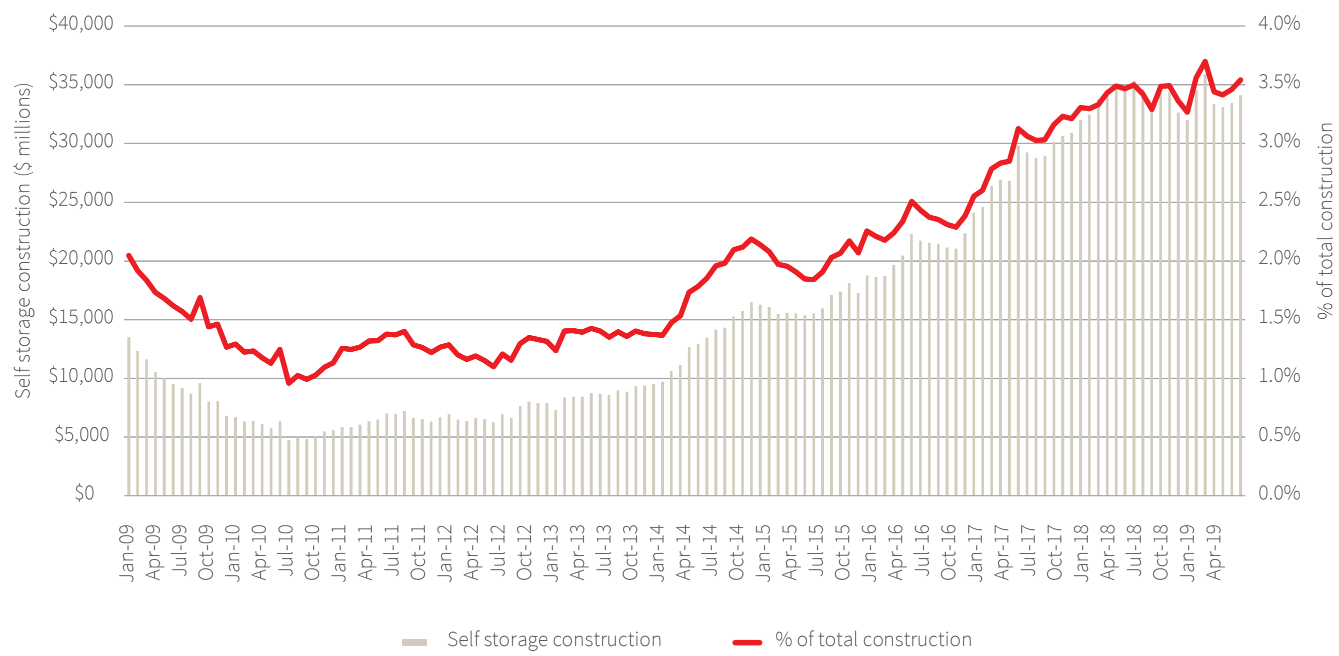
Revenue across the national REITs increased last year by 2.5% with average occupancy at more than 90%. The REITs are growing through strategic acquisitions as well as third party management contracts, as the operators seek to benefit from the economies of scale.

The market has experienced a development boom in recent years and whilst new supply is beginning to slow, new competition from these facilities has impacted rental growth in many markets. Street rates are under some downward pressure in various US markets and some development projects are being cancelled.

All the listed REITs are growing net operating income (NOI) positively despite the headwinds.

Public Storage is the largest self storage REIT in the USA, with more than 2,100 facilities, which is close to half the size of the entire European market. In the first quarter of 2019 they acquired 12 facilities and had a further 10 under contract the following quarter, bringing a total value of nearly $200 million. Furthermore, they are budgeting for close to three million sq ft of expansion in their existing facilities.

Figure 23 – USA self storage construction



Source: US Census Bureau

Future trends in the self storage industry

An online presence

There has been a material change in the way in which customers research, purchase and interact with the products and services they buy over the last decade. This has been notable in the self storage industry, where operators are increasing the focus of their marketing efforts to digital marketing and generating the majority of their enquiries through their online presence. Although customers can become aware of self storage sites through a variety of traditional and online advertising, customers are increasingly choosing their first point of contact through digital means.

Despite this, the shift towards greater pricing transparency and online booking has been fairly slow in the self storage industry relative to other markets. Many operators prefer to encourage customers to phone or visit the facility, which has proven to be a successful method in the past. It is anticipated that along with the ever-changing customer base more operators will adapt to the customer's preference for digital interaction with live chats, online booking and account management, size estimators, and access to units via smart phones. This is key to targeting the younger generation who are far more likely to search, reserve and access their storage unit via their mobile device.

A key to success will be the streamlining of the digital process to make the customer experience easier. It also implies adopting software that can confirm identity and credit checks, fast, without detracting from the user experience.

Combine and conquer - consolidation of the self storage market

The self storage market in Europe is highly fragmented. The industry is largely made up of independent operators with less than five facilities. As the industry matures and the need for sophisticated software and marketing systems increases we expect the market to further consolidate, as operators seek sufficient scale to be able to invest in these new technologies.

The benefits of a larger platform for self storage operators will be a reduction in admin costs, financial leverage and the ability to invest in new technology to increase efficiency.

Major operators are getting a growing advantage in online marketing. Spreading their resources across multiple facilities gives them better buying power and more dynamic management of this key area of marketing.

However, self storage remains a very localised business and independent operators can compete with the major players if they are run well, particularly if they focus on local marketing, good customer service and have a strong sales team.

A rise in industrial rents; an opportunity for self storage

Industrial rents, in both city and out of town warehouses, and logistic hubs have been increasing rapidly over the last few years in Europe. In particular, we have seen rents in the UK and Germany increase by over 10% in the last 12 months. This has been driven by an increase in demand from online retailers, and last mile delivery hubs, and a lack of supply across the major cities in Europe. Major retailers are responding to the growing demand of consumers willing to spend more to have an expedited delivery service. This has led to the take up of smaller regional warehouses acting as fulfilment centres.

This provides an opportunity for operators, as more e-commerce retailers look to self storage as a more flexible solution already embedded within or close to urban centres. For operators it is a chance to diversify their customer base, with business customers typically taking larger space. Business customers also tend to occupy units for longer periods of time. The benefit for the business customer is greater flexibility in increasing or decreasing space, and no lengthy contracts which can be costly to break.

Many e-commerce start-ups also require flexible office space which provides a further opportunity for operators to offer such services and diversify their income streams. This also ties in with the next trend of flexible space and mixed-use schemes.

The 'mixed-use' revolution will open up new opportunities for self storage

Growing urban populations, changing living dynamics and a highly competitive development market has led to growth in mixed use schemes. A mixed-use development is defined as a development that has three or more significant revenue producing uses. This in the past was often a residential or office development with retail units on the ground floor. We are seeing a greater diversity in the mix of uses with any combination of residential, hotels, leisure, retail, co-working, and self storage.

Combining self storage with a mixed-use scheme lowers development costs and maximises the use of land. With the cost of land rising, this can open up previously out of reach opportunities for self storage in major metropolitan areas where land prices are at a premium.

Property owners are also starting to take note of self storage and flexible space offering as their occupier demand changes. Falling rents in retail and offices moving more to a short term 'flex basis' make self storage a more attractive investment. Structural changes in the retail landscape which has caused out of town retail property values to fall is opening exciting development opportunities for self storage. Existing failing retail properties could be converted into flexible space (self storage and office) offerings in combination with a smaller retail offering.

New ways for investors to access the market

One of the biggest barriers to entry for institutional capital has been the lack of scale in the self storage industry. Development of a sizeable portfolio of high-quality facilities in good locations take time. The industry is starting to benefit from the division of labour as professional self storage developers and operators establish themselves which allow for the creation of turn-key developments, sale and manage back schemes and joint ventures.

This allows investors to get exposure to the industry across different brands and geographies.

Lok'nStore, United Kingdom

European supply data

	Population		Estimated number of facilities		Current lettable area (sq m)		Floor space per capita (sq m)		Facilities per million population	
Country	**2019 (UN)**	**YoY change**	**2019**	**YoY change**	**2019**	**YoY change**	**2019**	**YoY change**	**2019**	**YoY change**
Austria	8,955,102	▲	81	▲	115,000	▲	0.013	▲	9.0	▲
Belgium	11,539,328	▲	90	▲	203,000	▲	0.018	▲	7.8	▲
Czechia	10,689,209	▲	8	▲	15,000	▲	0.001	►	0.7	▲
Denmark	5,771,876	▲	93	▲	197,000	▲	0.034	►	16.1	▲
Estonia	1,325,648	▲	4	▲	4,500	▲	0.003	▲	3.0	▲
Finland	5,532,156	▼	70	▲	156,000	▲	0.028	►	12.7	▲
France	65,129,728	▼	505	▲	1,200,000	▲	0.018	►	7.8	▲
Germany	83,517,045	▲	273	▲	630,000	▲	0.008	▲	3.3	▲
Hungary	9,684,679	▼	17	▲	42,000	▲	0.004	►	1.8	▲
Iceland	339,031	▲	8	▲	20,000	▲	0.059	▲	23.6	▲
Ireland	4,882,495	▲	41	▲	104,469	▲	0.021	▲	8.4	▲
Italy	60,550,075	▲	64	▲	185,000	▲	0.003	►	1.1	▲
Latvia	1,906,743	▼	3	►	7,500	►	0.004	►	1.6	►
Lithuania	2,759,627	▼	2	▲	2,000	▲	0.001	►	0.7	▲
Netherlands	17,097,130	▲	315	▲	900,000	▲	0.053	▲	18.4	▲
Norway	5,378,857	▲	240	▲	150,000	▲	0.028	▲	44.6	▲
Poland	37,887,768	▼	21	▲	72,000	▲	0.002	▲	0.6	▲
Portugal	10,226,187	▼	36	▲	59,000	▲	0.006	▲	3.5	▲
Romania	19,364,557	▼	7	▲	19,000	▲	0.001	►	0.4	▲
Russia	145,872,256	▲	70	▲	165,000	▲	0.001	►	0.5	▲
Spain	46,736,776	▲	504	▲	990,000	▲	0.021	▲	10.8	▲
Sweden	10,036,379	▲	206	▲	480,000	▲	0.048	▲	20.5	▲
Switzerland	8,591,365	▲	120	▲	120,000	▲	0.014	▲	14.0	▲
United Kingdom (incl containers)	67,530,172	▲	1582	▲	4,236,300	▲	0.063	▲	23.4	▲

Storage Boost, United Kingdom

Annexx, France

Additional information

Membership of FEDESSA

The following associations are current members of FEDESSA:

- AESS - Asociación Española de Self Storage - Spain
- AIS - Associazione Imprese di Self Storage - Italy
- Asociace Self-Storage - The Czech Republic
- Belgian Self Storage Association ASBL
- CISS - La Chambre Interprofessionnelle du Selfstockage - France
- Irish Self Storage Association
- Pienvarastoyhdistys ry - Finland
- Netherlands Self-Storage Association
- Norwegian Self Storage Association
- Self Storage Association Sweden
- Self Storage Association Denmark
- Self Storage Association United Kingdom
- Ukrainian Self Storage Association
- Verband Deutscher Selfstorage Unternehmen e.V. - Germany
- 3SA - Swiss Self-Storage Association

Methodology

An online survey was sent to operators in each country by FEDESSA and JLL. Data was requested at both company and facility level to gain as much comprehensive information as possible. Some associations exclude certain operators, for example those who only provide containerised storage.

JLL collated the results and conducted operator interviews, with data provided from the following sources:

- Economic overview: Research provided by JLL research team
- Key deals: Information collated by JLL
- Industry overview: Collected by each member association and consolidated by FEDESSA with analysis by JLL
- Survey results: Collected and consolidated by JLL from online survey responses of FEDESSA members. Number of sites verified from operator responses and on operator websites
- Outlook: Collected and consolidated by JLL from online survey responses of FEDESSA members
- Roving focus: Collected and consolidated by JLL and FEDESSA
- European supply data: Information consolidated by FEDESSA

Interviewees

- **Matthias Ihle**, Selbstlagerbox
- **Ollie Saunders**, JLL
- **Rennie Schafer,** FEDESSA
- **Alberto Serrano Rivas**, Trasteros Plus
- **Daniel Thorpe,** JLL
- **Andy Wood**, Storage Boost

SelbstLagerBox, Germany

Contacts

FEDESSA

Rennie Schafer
Chief Executive Officer
+44 (0)1270 623150
rschafer@fedessa.org

Paola Barraza
Membership Services Officer
+32 (0)472 94 33 24
pbarraza@fedessa.org

fedessa.org

JLL

Ollie Saunders
Lead Director
+44 (0)20 7087 5843
ollie.saunders@eu.jll.com

Daniel Thorpe
Senior Research Analyst
+44 (0)20 7087 5765
daniel.thorpe@eu.jll.com

Elena Zanlorenzi
JLL Italy
+39 33 5171 2614
elena.zanlorenzi@eu.jll.com

Patrik Lofvenberg
JLL Sweden
+46 (0)703 985 346
patrik.lofvenberg@eu.jll.com

Tom Caines
Transactions
+44 (0)20 7087 5860
tom.caines@eu.jll.com

Philip Muspratt
Data Analyst
+44 (0)20 7087 5284
philip.muspratt@eu.jll.com

Frank Rambow
JLL Germany
+49 (0)21 130 06745
frank.rambow@eu.jll.com

Nick Wride
JLL Spain
+34 934 453 368
nick.wride@eu.jll.com

Izeldi Loots
Valuation and Advisory
+44 (0)20 7087 5824
izeldi.loots@eu.jll.com

Paul Cooper
JLL France
+33 (0)1 53 75 86 88
paul.cooper@eu.jll.com

jll.co.uk/selfstorage