FEDESSA European Self Storage Annual Survey

2017

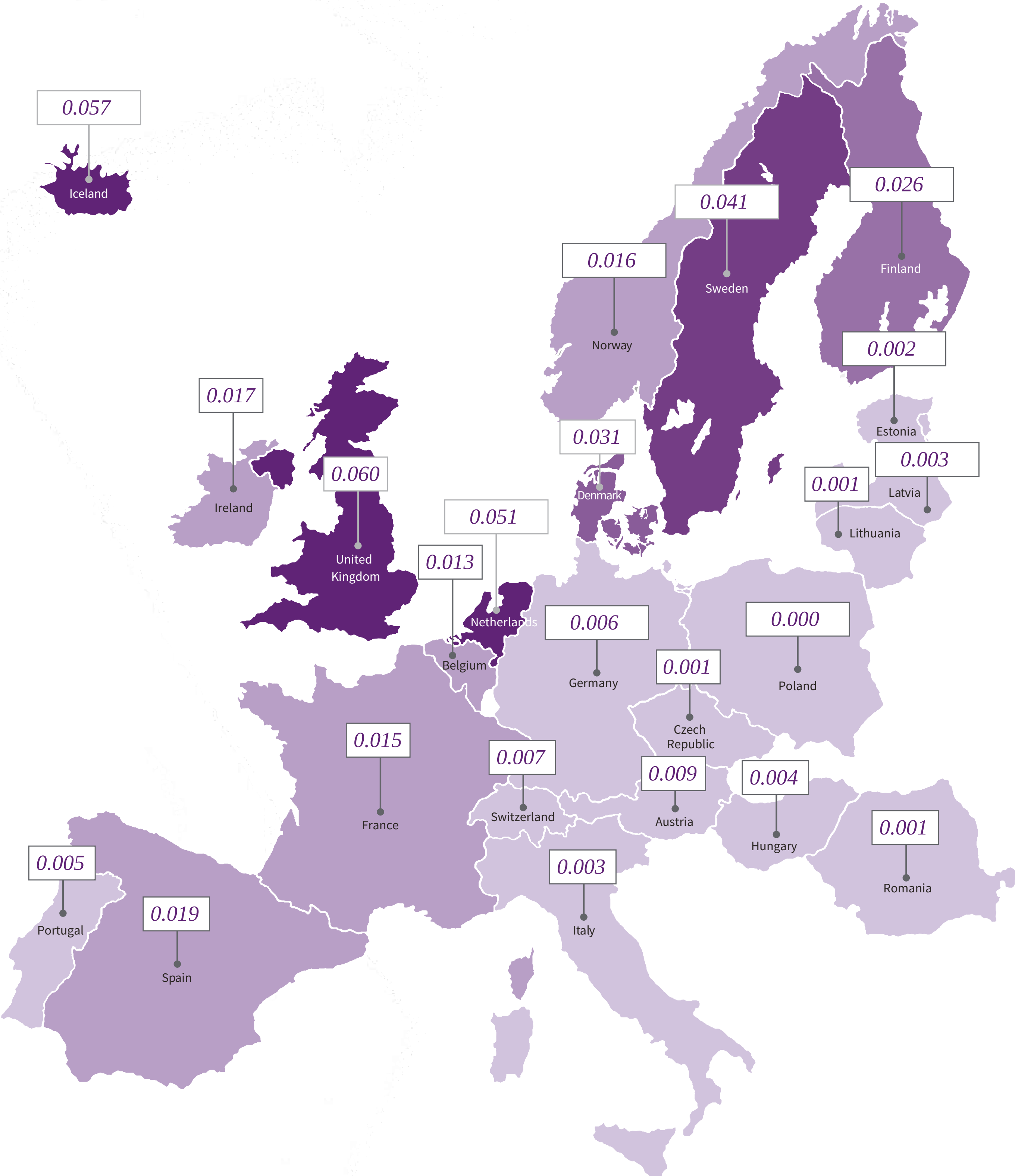
JLL Achieve Ambitions

FEDERATION OF EUROPEAN SELF STORAGE ASSOCIATIONS

2017
Floor area per capita heat map

European key

- 0 – 0.010 square metres
- 0.011 – 0.020 square metres
- 0.021 – 0.030 square metres
- 0.031 – 0.040 square metres
- 0.041 – 0.050 square metres
- 0.051 – 0.060 square metres



To see full statistics for each country please visit jll.co.uk/selfstorage or fedessa.org

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Introduction

This is the sixth consecutive annual survey carried out by the Federation of European Self Storage Associations (FEDESSA) amongst its member associations and their member companies. Following the success of the reports in 2015 and 2016, this is the third year that it has been produced by JLL.

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.

There are now over 3,200 facilities across Europe providing over 8.7 million square metres of space. Markets such as the UK and the Netherlands have been established for more than 20 years and continue to offer more than 0.05 square metres of space per capita, compared to other countries where the sector is younger and the amount of available space per capita is much lower.

JLL and FEDESSA have received responses from operators in 16 countries who operate around 750 facilities, which total just under a quarter of the total market. Responses to the Self Storage Association UK's (SSA UK) Annual Industry Report 2017 have been added to this report where appropriate.

We are very grateful to the many members who took the time to contribute to the survey. The responses from France were statistically limited so we have excluded the results at country level.

A map has again been produced showing the floor area per capita, with an online interactive map that provides more detailed information. The map is available on both the FEDESSA and JLL websites.

We hope that you find this report helpful and informative and welcome feedback from operators, owners, suppliers or other readers of the report so that we can continue to expand the results in future years.

Rennie Schafer
Chief Executive Officer – FEDESSA

Ollie Saunders
Lead Director – Self Storage, JLL

October 2017

Executive summary

In 2017, Europe has 3,247 self storage facilities totalling 8,700,000 square metres of space

44% of facilities are situated in the UK, with over 85% of the total number of facilities located across six countries

The average amount of storage per capita is 0.018 square metres, with the UK, the Netherlands and Iceland having three times this level

The average size of a facility is 3,773 square metres, although they range in size from less than 2,000 square metres to 6,000+ square metres

The average rent is €258 per square metre per annum and average occupancy has increased slightly from 80% to 81% over the last year

The European market remains highly fragmented, with the ten largest brands across Europe representing only 22% of the total number of facilities, but under 39% of the total space

There have been around €350m of transactions over the last 12 months

Three out of four operators expect 2017 to be a more profitable year than 2016

Operators who confirmed that they are looking to expand anticipate growth of 467 facilities in the next three years from their existing 1,188 facilities, representing an increase of 39% in these portfolios or a Compound Annual Growth Rate (CAGR) of 11.7% per annum

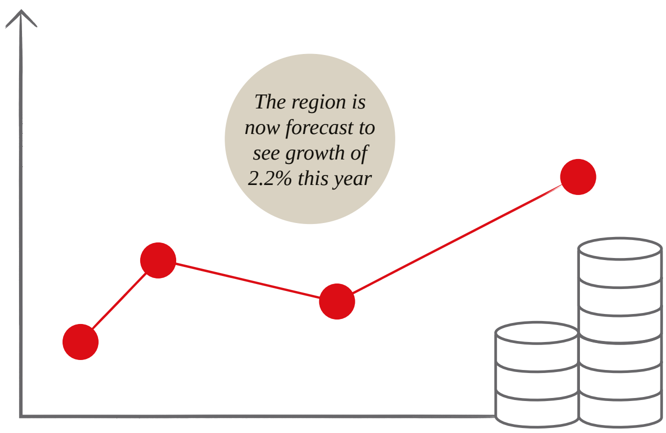
For the first time we asked operators what sustainability initiatives they have introduced to their facilities. 8% of operators have solar panels installed

Economic overview

The first six months of 2017 has seen further consolidation in the global economic recovery.

A broadly based upturn has been reflected in sentiment, activity and trade and has occurred in spite of a further rise in US interest rates. At the start of the year, there were concerns about political headwinds in the developed world, though these risks now appear to be receding.

Elections in Holland and France delivered defeats for populist parties, while the inconclusive UK election resulted in weak minority rule, with increased uncertainty about the approach to Brexit.

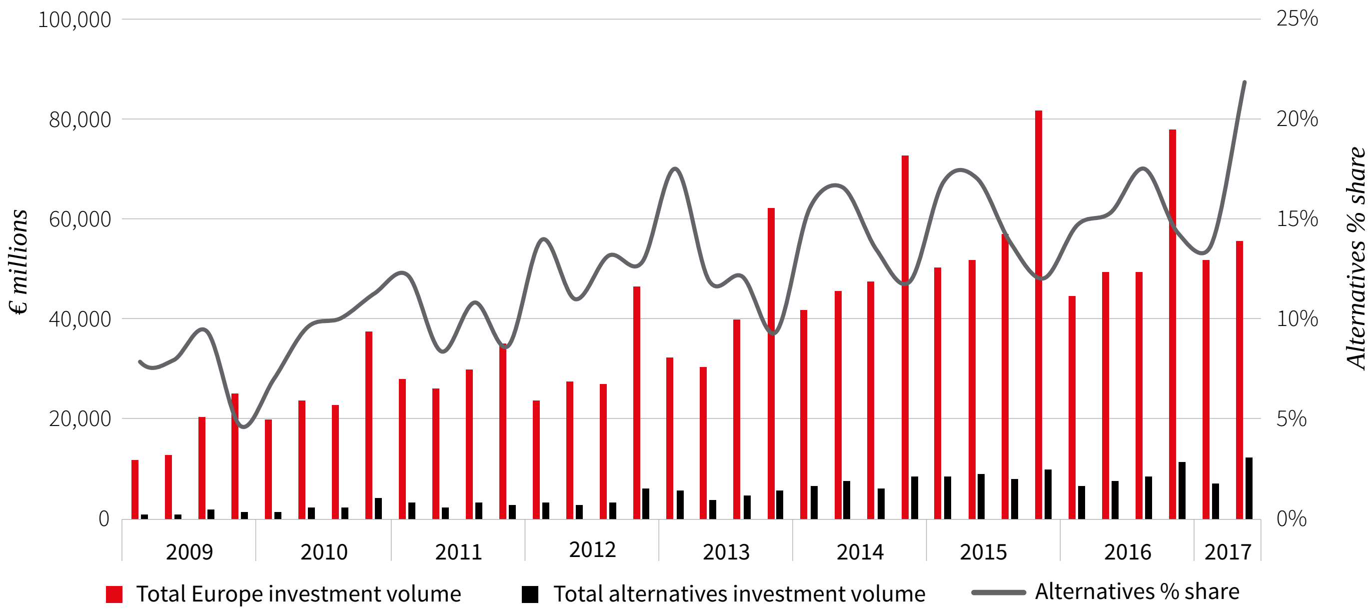


The Eurozone has seen a steady improvement in economic conditions, reflected in upgrades to the outlook. The region is now forecast to see growth of 2.2% this year, the strongest since 2007, with only a modest deceleration in prospect thereafter. Although European Union (EU) inflation rates have risen, there is limited evidence of any pass through to wages and the European Central Bank (ECB) is expected to leave interest rates on hold for the next two years at least.

The European economic recovery presents important global upside. In the core, activity has been supported by solid domestic demand and flourishing job growth. German Gross Domestic Product (GDP) increases are expected to top out at 2% in the current year, while lagging France sees further improvement into 2018 to 1.5%. Elsewhere, activity is led by Spain and Ireland. Outside the Eurozone the UK is set to slow marginally, although the dip is less severe than feared and growth of 1.6% is predicted for this year and 1.0% in 2018[1].

Renewed momentum in the global economy has provided impetus to real estate markets. Geopolitics continue to temper investor sentiment, along with the prospects of further US monetary tightening. Despite this, inflows have held up even with yields at cyclical lows. Global rental and capital growth are expected to remain positive, while investment volumes are expected to be in line with last year.

Figure 1 – European investment volumes



Source: JLL

[1] OECD Economic Outlook, June 2017

Real estate overview

The global self storage market

Self storage is now an established sector across the globe. Operators, private equity and institutional investors are actively seeking new opportunities in emerging markets, which are underpinned by the core drivers of urbanisation and business growth.

Asia is an emerging market with the potential to have a major impact on the sector in years to come. Hong Kong and Singapore are already established markets in their own right, but are still significantly undersupplied when compared to more established markets.

However, large opportunities lie in countries such as China, India, Malaysia and Japan, where the major structural undersupply of self storage facilities (less than 0.002 square metres of lettable floor area per capita) is offset by huge potential demand. Together, these four countries alone have a population 2.7 times the size of that of Europe and the USA combined.

The market in many of these countries remains in its infancy. High population growth and urbanisation will necessitate the need for self storage, as living spaces shrink and incomes grow in what is already one of the most densely populated parts of the world.

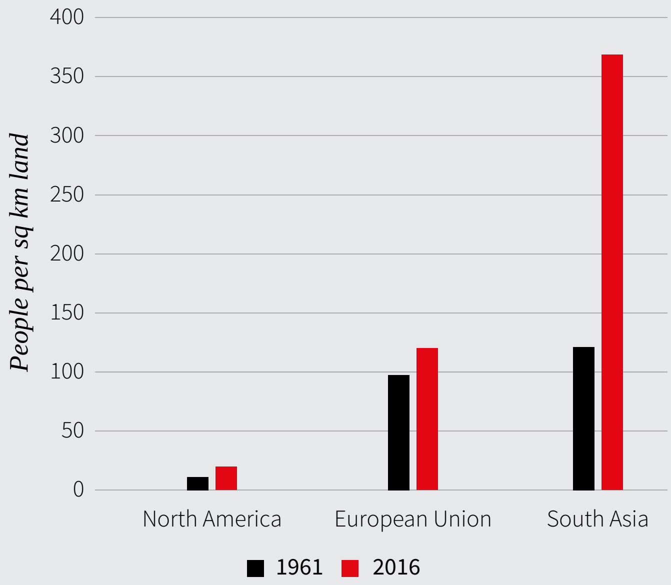
Australia and New Zealand have the second most established self storage markets, after the USA. While storage levels per capita are still well below those in the USA, there are signs that these markets are reaching a level of maturity with more consolidation and a slowing of growth.

There is a rapidly emerging market in Latin America, with both local operators and US investors opening new facilities and raising awareness of the product.

Figure 2 – Number of facilities

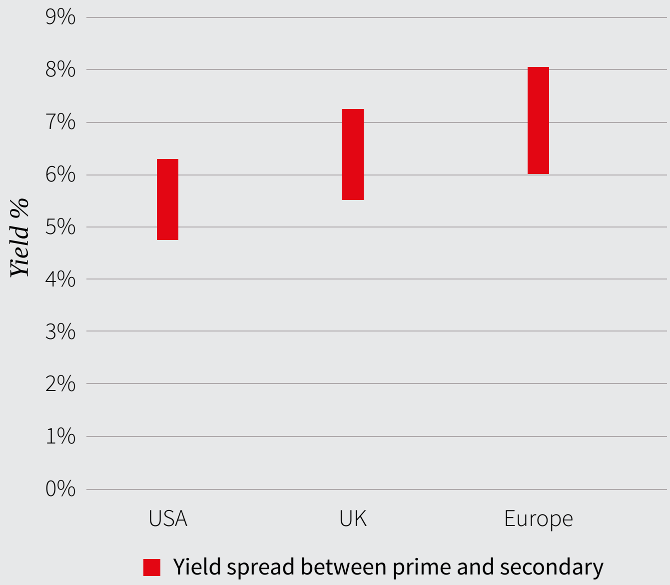
Source: SSA Asia

Figure 3 – Population density



Source: World Bank

Figure 4 – Yield spread



Source: JLL

At the other end of the spectrum, the United States is still by far the largest market in the sector, with 285 million square metres in 2017, yet a 28% increase in the amount of floor space in the last four years alone means that there are increased concerns about the market overheating in some states.

The fact that the market is performing well with continued yield compression has helped underpin the domestic market, although US equity is actively seeking new opportunities abroad. 2018 is likely to see the flow of capital continue as investors seek attractive risk adjusted returns for the right product in less established markets, as demonstrated by the Big Box purchase in late 2016.

There is still a significant yield gap between the USA and European assets, which is expected to narrow as the market continues to mature. The spread between prime and secondary assets in the UK and Europe is also significantly wider than the 125 basis points in the USA. These will narrow with better management as portfolios increase in size and platforms become more established.

Europe in context

While oversupply is a pressing issue in the US market, increased competition for land is limiting the pace of growth in the sector in most key European markets. In 2017, the amount of available floor space in Europe increased by 942,178 square metres (10.8% of total supply), taking the total market size to above 8.7 million square metres. However, to put this into some degree of context, the US market added 10.2 million square metres in 2017 alone.

In the ten largest European markets, only Spain, Belgium and the UK saw an increase in floor space greater than the European average. Those below this rate were only able to deliver an additional 170,000 square metres between them. These were predominantly the northern and western countries in the continent, where living costs and demand for housing tend to be higher.

Although the UK managed to add more than 455,000 square metres in 2017 (11.5% of total supply), finding new development opportunities for the main operators remains a major challenge in the key London and South East market. Most of the growth in the market has been concentrated in the regional markets and around smaller towns.

While there are a number of new sites being developed in the prime market, it is still significantly easier for operators to purchase an established platform.

A number of European platforms are expanding rapidly, either by purchasing competitors within the sector, or developing new facilities. MyPlace with 45 facilities in Germany, Austria and Switzerland, plans to have a facility accessible within 10 minutes travel for every customer across its core regions. Pelican originally started in Denmark in 2009 and has nine facilities in the Copenhagen and North Zealand region, but has since expanded with 15 facilities in Finland and 11 in Sweden. Similarly, Norwegian OK Minilager purchased the remaining City Self Storage portfolio in Sweden and Denmark in Q3 2016, following the sale of the Spanish element to Bluespace in Q3 2015.

97%
electronic access

24 hours
19%

Technology

61% of European operators now have the ability to reserve self storage facilities on their website, and most operators now have established web and mobile websites, as well as a number of apps to facilitate bookings and arrange for the delivery of boxes. However, the next wave of technology use is going beyond a basic online presence and becoming an integral feature of the management and use of the facility. We are now starting to see the limited implementation of automation in business models for a number of leading European operators.

> *"Industry is driving change but customers' changing demands will drive innovation."*
>
> *Rennie Schafer, FEDESSA*

Automation in self storage not only enhances the consumer experience, but also impacts on staff and running costs, with the benefits already being shown in annual results. As this year's survey highlights, 97% of facilities have a form of electronic access, while the average facility has 1.6 full-time staff on site. Despite this, the proportion of facilities where all customers are able to access their unit 24 hours a day is just 19%. This is often a conscious decision by management, as they see opportunities for illegal activities in self storage with 24 hour access and limited requirements of their customers to be accessing their units in the early hours of the morning. What is becoming more common are stores offering 24 hour access to those customers that have a genuine need for it.

A small but growing number of facilities in the sector are fully automated. The key components for this to work include good lighting, closed circuit cameras and electronic entry systems. In the USA there have been some pilot stores developed using advanced technology and design such as self service delivery systems. These bring each customer's storage unit to a ground floor loading area to make it easier for customers to load and access their unit. It also reduces corridor space within the building, increasing the lettable area.

Operators will still require an option for human or face to face contact. However, the sector can learn from other tech reliant consumer industries such as retailing and gambling, who have reduced the number of customer facing employees but maintained customer service levels through call centres and online chat capability.

> *"We are moving towards an automated system where customers can rent, manage and access their storage space as easily as possible."*
>
> *Alex Wingate, Urban Locker Self Storage*

> *"Our technology platform and hardware is unique to the industry globally, with one feature being that the customer is dealing with life size video streaming of the remote staff member to provide a seamless consumer engagement experience."*
>
> *Paul Fahey, EasyBox Self Storage Italy*

Institutional interest

2017 has seen another landmark reached for the self storage sector following the acquisition of Big Box Self Storage for more than £100 million in October last year by US investor StorageMart. In August 2017, Schroder UK Real Estate Fund's (SREF) purchase of The Self Storage Company was the first instance of an institutional investor directly entering the sector and taking an active management role. This was shortly followed by South Africa's Stor-Age's acquisition of Storage King, and more recently, the acquisition of Alligator Self Storage by Safestore.

The Self Storage Company purchase covers five existing prime assets in Greater London covering 23,000 square metres, with plans to expand the portfolio through development and further acquisitions. This reflects the main challenge for the sector moving forward, which is providing suitable scale for wider institutional involvement.

Compared to other alternative markets such as healthcare and student housing, there are only a small number of self storage portfolios in excess of €500 million which institutional investors would ideally prefer. Private equity players, which have been much more active in the market to date, focus primarily at the €20 – €100 million level, which provides an initial platform for them to develop and grow.

The sector is continuing to undergo significant structural change as the first generation entrepreneurs and family run businesses provide plenty of opportunities for new money looking to gain a foothold in the market. The increase in private equity and institutional funds looking at the opportunities provided by self storage across Europe will help expedite this process.

Investors need to take a medium to long term view on building new platforms. Development constraints in many of the larger markets mean that it takes time to develop and let new space. Any expansion plans need to be gradual and include a degree of mergers and acquisitions with established let assets to support growth.

The wider use of technology in the sector is helping to improve yield management. This is then impacting pricing structures and improving retailing. EBITDA growth is being driven by increased consumer awareness in the market, both at a brand and sector level, and economic growth. This is particularly the case for the larger platforms who can provide greater economies of scale from reduced cost bases, the use of an internet platform and cheaper conversion costs per customer than the smaller operators.

"There is real appetite from investors who love self storage as an asset type. The challenge is getting scale with good operators, but the opportunity is new ways to develop buildings by imbedding technology and mixed uses in urban areas – which will generate attractive returns for the smart investor."

Ollie Saunders, JLL

"The industry is becoming more appealing to institutional lenders; the weakening of the pound and euro against most foreign currencies is also creating interest from foreign investors."

Rennie Schafer, FEDESSA

European drivers of self storage

The key drivers of the self storage market in Europe and other markets, are lifestyle changes such as people moving house, urbanisation and new business formation. The four ds – divorce, debt, downsizing and death – have often been attributed as the fundamental reasons behind moving home, but this fails to take into account the full picture.

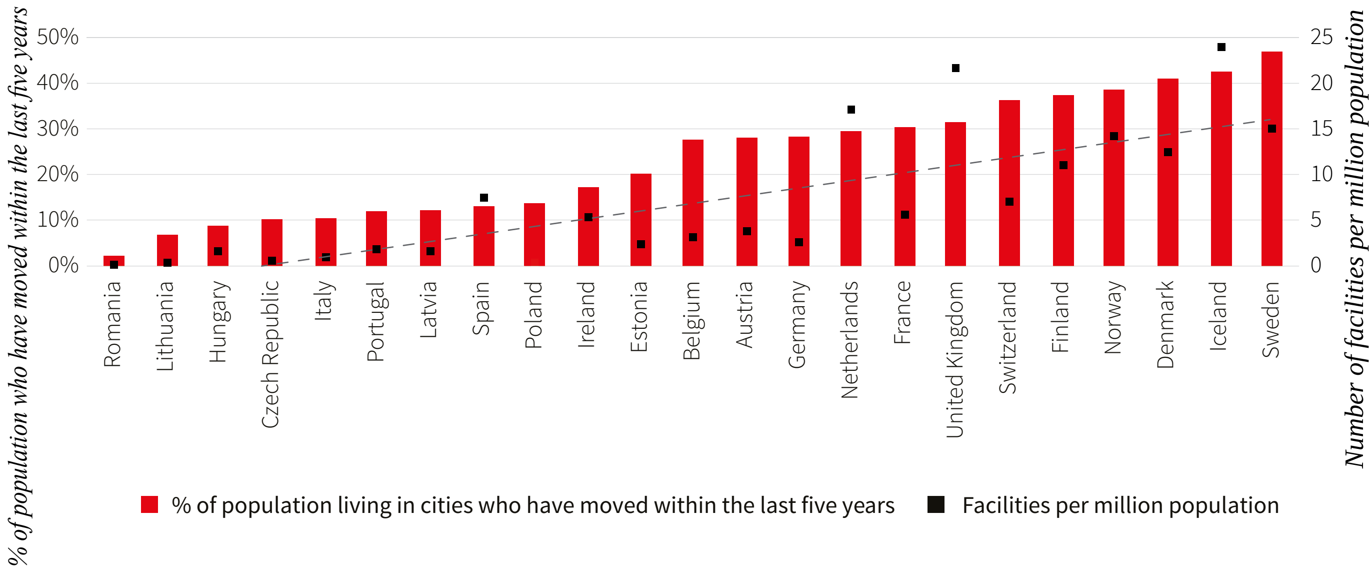
Home improvements and extensions are a key component of self storage demand; people add value to their properties as they are restricted from buying a larger home due to prohibitive house prices. In markets where renting is more prevalent, households are more restricted in where they can store their possessions and relocate more frequently. Increased social mobility, the increase in students studying overseas and freedom of movement across the EU have also helped to generate demand for self storage.

The countries where households have a higher propensity to move, the Nordics in particular, also happen to be where the self storage market is dominated by domestic users. The higher frequency of moving house is underpinned by high levels of private renting, with more than 30% of all households in this category. Markets where there are a greater number of business users (such as Poland, Ireland, the UK and Spain) also tend to be those where households move less frequently.

"People like to live in cities more than before, with younger people wanting to be in dynamic areas and older people can get better healthcare. People are also now living in smaller spaces."

Eric Stubbé, ALLSAFE Mini Opslag

Figure 5 – Share of population living in cities that have moved within the last five years



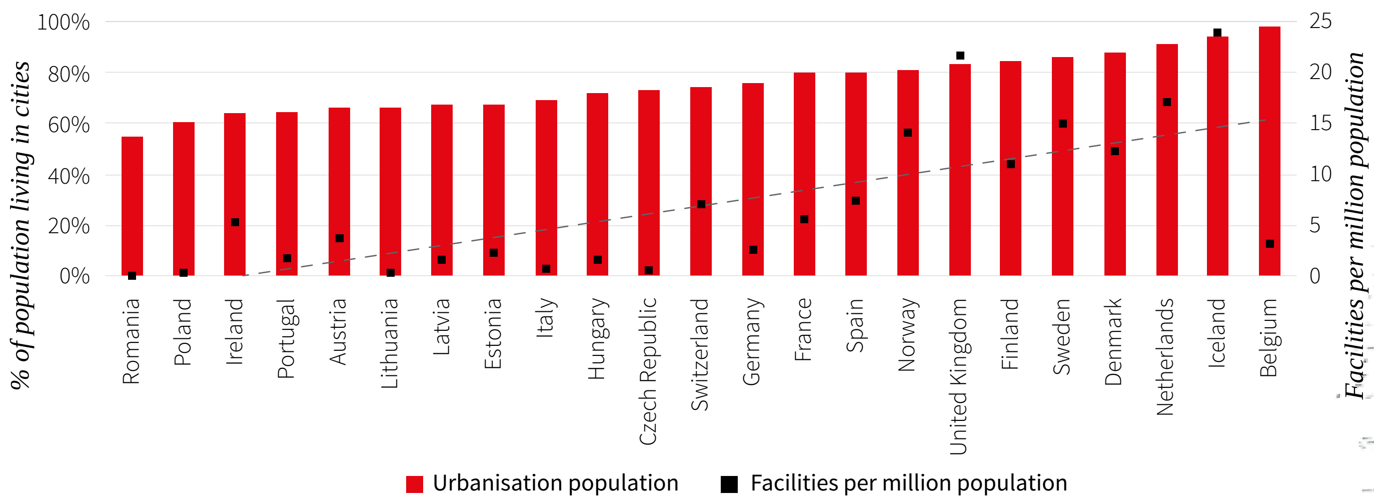
Source: FEDESSA / Eurostat

Self storage use from business is a prominent component of the sector, accounting for 27% of the market in Europe in 2017 in terms of space. Across Europe, the latest data shows that 2.6 million new business enterprises are created each year, with 44% still active after five years[2]. The improving economic outlook will help support further increases in new business creation.

One of the main reasons that self storage appeals to investors is the fact that it is more dependent upon a broad range of demand drivers such as demographics, population mobility, number of SMEs and urbanisation.

Over the course of the next decade, there will be a further 16.5 million people living in European cities. With average house sizes decreasing, and new types of housing such as co-living and student accommodation becoming increasingly prevalent across European markets, the imbalance between self storage supply and potential demand is set to increase further.

Figure 6 – Urbanisation



Source: FEDESSA / United Nations

[2] Eurostat Business Demography Statistics (November 2016)

Key deals

After a number of larger portfolio sales in 2016, there has been a good level of transactional activity in 2017 for single assets and smaller portfolios. The last year has seen over £250m of transactions in the UK alone, from new sources of capital from the US, as well as the first institution directly investing in the sector.

The key transactions are:

- Safestore acquired 12 stores in the UK operating as Alligator Self Storage in September 2017 for £56 million
- Acquisition of Storage King in the UK by Stor-Age, a listed self storage REIT based in South Africa in September 2017. The purchase price was £77.13m for 13 properties predominantly located in the South East and East of England. There are a further 12 properties that are licenced to use the Storage King brand, which will remain in place along with the management team
- Three assets operated by Jumbo Self Storage in the Stoke-on-Trent and Nottingham areas of the UK were acquired by a subsidiary of the Ready Steady Store group in August 2017 in a deal that was transacted by JLL
- Schroder UK Real Estate Fund completed the acquisition of The Self Storage Company in August 2017. The portfolio consists of five prime assets in the London area and is the first time that an institution has directly invested in the sector. JLL acted on behalf of The Self Storage Company
- Storage Giant acquired a single freehold site in Bicester in the UK in July 2017 for a price of around £3m, expanding their number of facilities in the UK to nine
- Three QuickStore properties in Exeter, Plymouth and Torquay located in the South West of England were acquired by Armadillo in April 2017 for a purchase price of £4.75m
- W1 Self Storage in London was acquired by Vanguard Self Storage in Q1 2017, a leasehold property located in a basement car park which had only been open for one year
- In January 2017, Shurgard acquired Box Stockage, a single facility in Paris, France
- Storage King acquired the freehold of Chester Self Storage in the UK in November 2017, increasing their number of branded facilities in the UK to 25
- Lagerbox acquired three leasehold assets in Hannover, Germany in November 2016 from Secur, which were previously managed by Shurgard
- Big Box Self Storage, a portfolio of 15 facilities in the south east of England was sold to StorageMart for in excess of £100m. JLL acted for the vendor in a transaction which closed in October 2016, in the largest self storage deal to date in the UK
- The remaining 25 City Self Storage sites in Denmark, Norway and Sweden were acquired by OK Minilager in September 2016.

"We are looking for new developments everywhere, with different solutions to enter smaller cities."

Christian Lohmann, First Elephant

Industry overview

Number of facilities

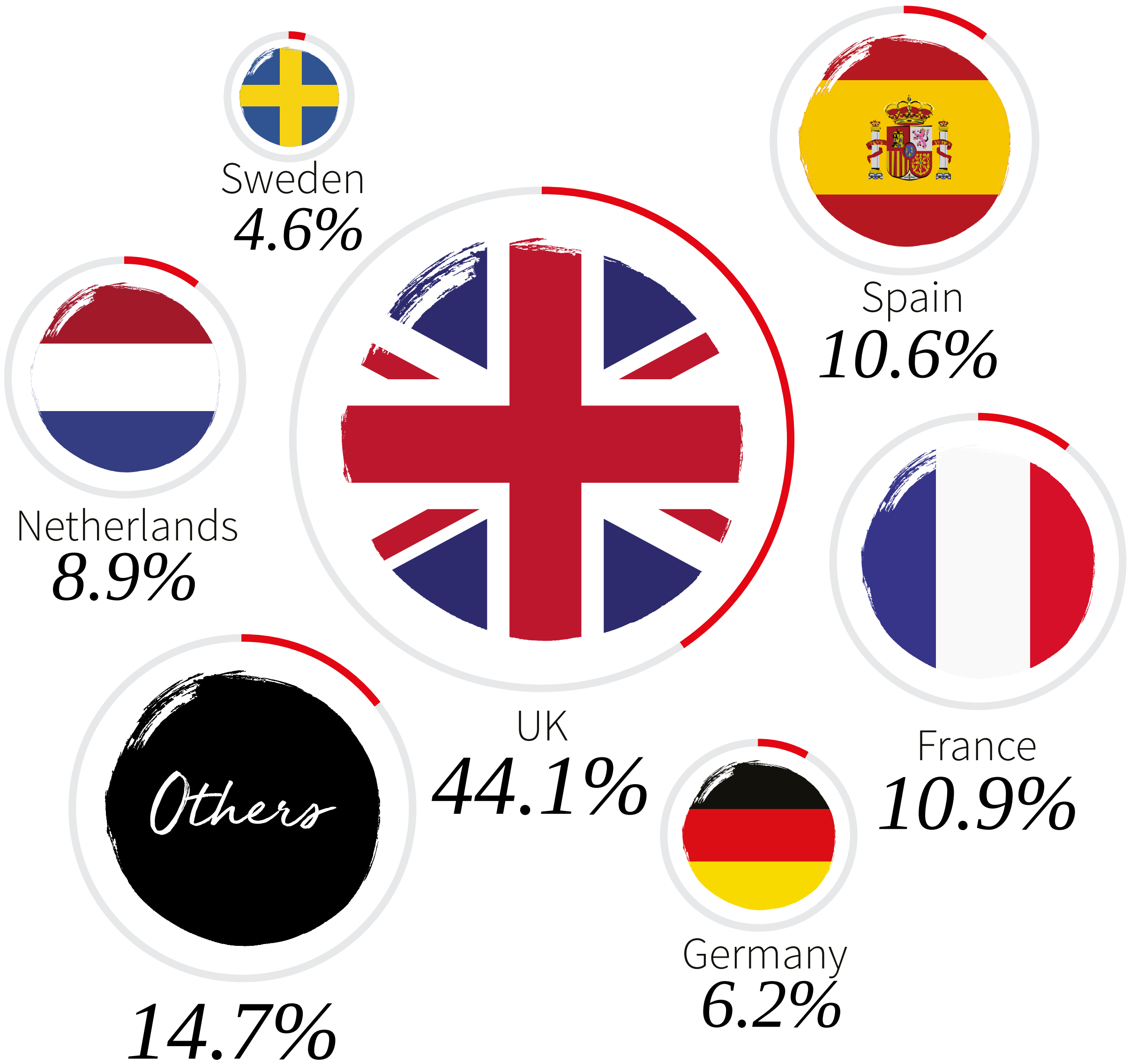
The self storage industry has continued to grow in Europe during 2016 / 17. We estimate that there are now 3,247 facilities, which is an increase of 18% on the number in 2016, or an additional 501 facilities. The number of facilities has increased by 25% since 2015 and there is now over 8.7 million square metres of self storage space.

Measuring the exact number of self storage facilities and the space is challenging. There are conflicts in the definition of self storage, for example some countries include container storage and others do not. There are also a growing number of small self storage businesses, often co-sharing sites with other developments on rural land. Every year more research is put into determining the size of the industry and improved data does account for some of the year-on-year changes.

All countries have increased or maintained the same supply of space since the last survey. Six countries have 85% of the total number of facilities in Europe. The UK market is the largest with 44% of the total number of European facilities, followed by France, Spain, the Netherlands, Germany and then Sweden.

> *"Spain is seeing general growth, and consumer spending is increasing which is always good for self storage."*
>
> *Javier Arambarri, Eurotrasteros*

Figure 7 – Percentage share of the total number of facilities in Europe

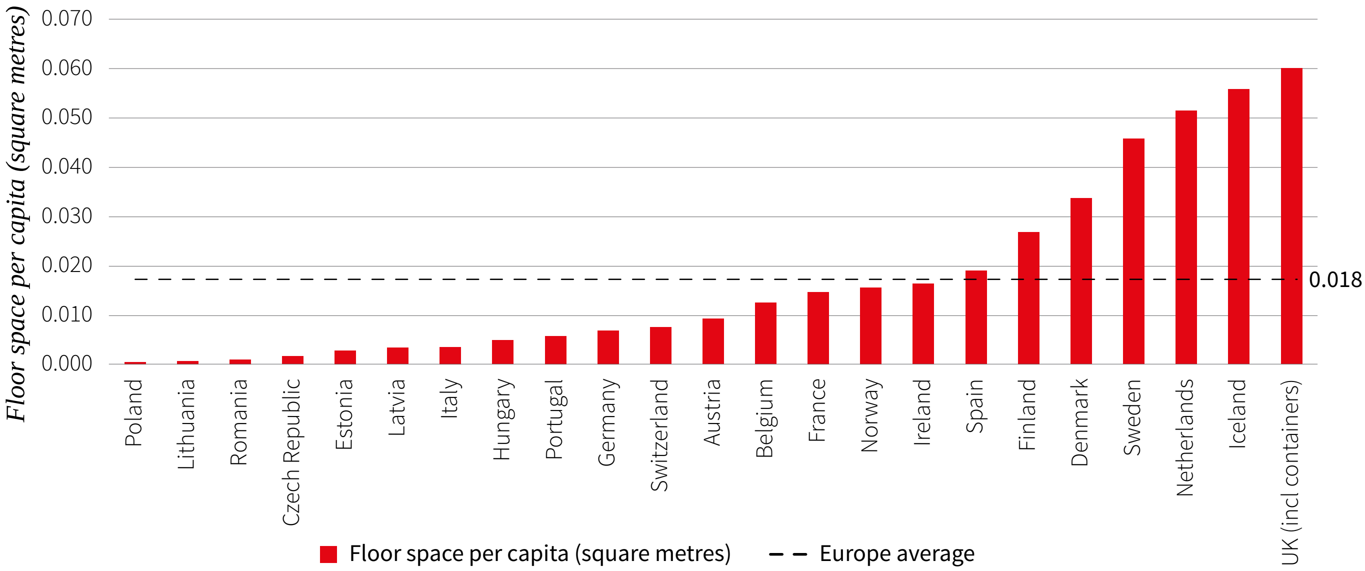


Source: FEDESSA / JLL

Floor area per capita

The amount of self storage available per person is greatest in the UK, with Iceland and the Netherlands following closely behind. All three countries have around three times more space than the European average, which is 0.018 square metres per capita. These figures are consistent with those seen last year, which suggest that when compared with the more mature markets in the USA and Australia, which have 0.878 square metres and 0.170 square metres per capita respectively, there are still opportunities for growth. However, it is unlikely that the amount of self storage space per person will come close to the same levels as that of the USA, given a number of factors including the availability, price of land and social factors.

Figure 8 – Floor area per capita



Source: FEDESSA / JLL

Figure 9 – Total available space 2017

UK incl containers
Current Lettable Area
3,948,378 square metres

France
Current Lettable Area
975,000 square metres

Spain
Current Lettable Area
890,000 square metres

Netherlands
Current Lettable Area
865,000 square metres

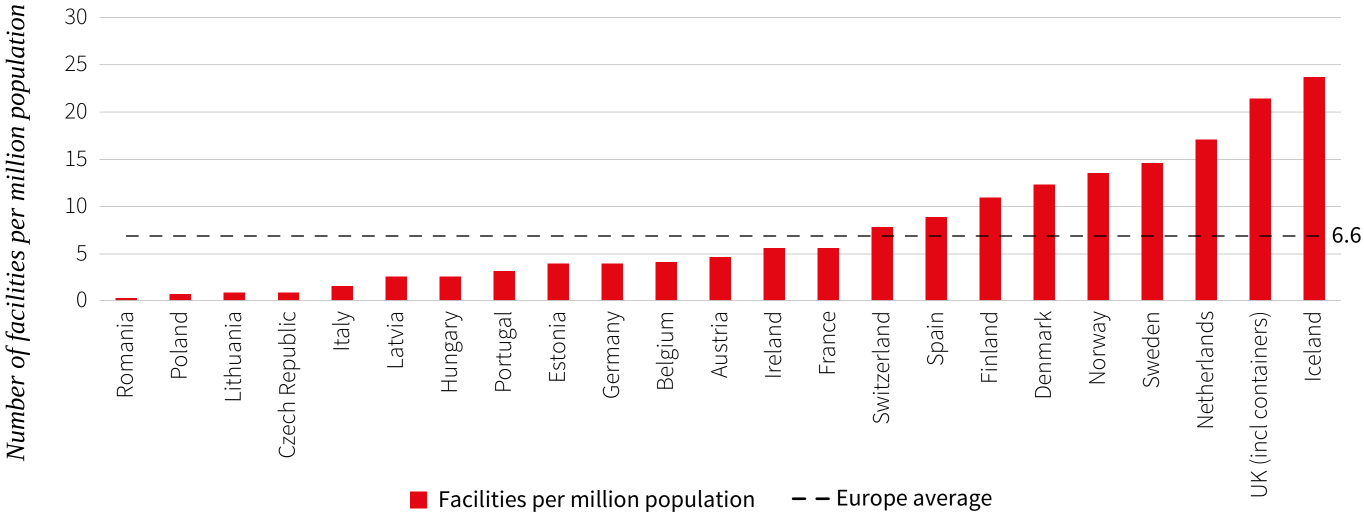
Germany
Current Lettable Area
509,000 square metres

Sweden
Current Lettable Area
410,000 square metres

Source: FEDESSA / JLL

> *"The boom of German self storage will start now."*
> *Christian Lohmann, First Elephant*

Figure 10 – Number of facilities per million population



Source: FEDESSA / JLL

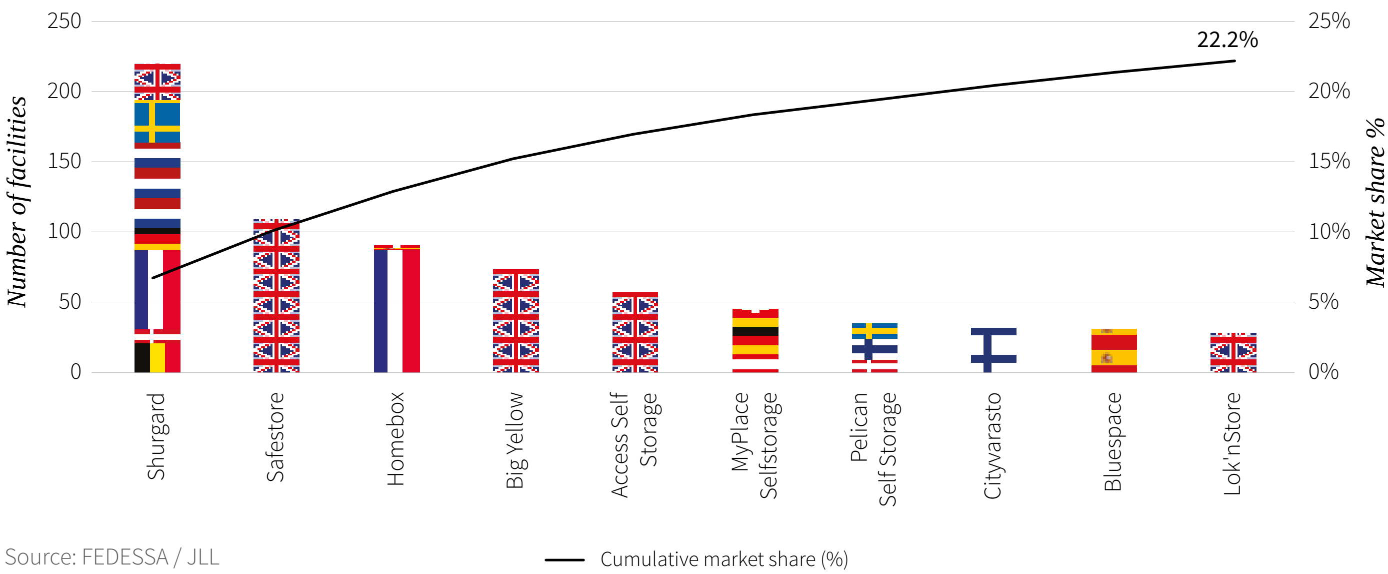
European operators

The market in Europe remains highly fragmented, with the largest portfolio representing only 6.8% of total number of facilities or 12.7% of the total space. Figures 11 and 12 show the ten largest self storage brands, who represent just over 22% of the total number of facilities, but in terms of space the top ten brands represent under 39% of the total square metres of self storage space in Europe.

While the largest operators have a smaller share of the total market, when this is compared with the amount of space that they have, the market share is significantly higher, which suggests that these operators have larger facilities.

This data is as at 31 March 2017.

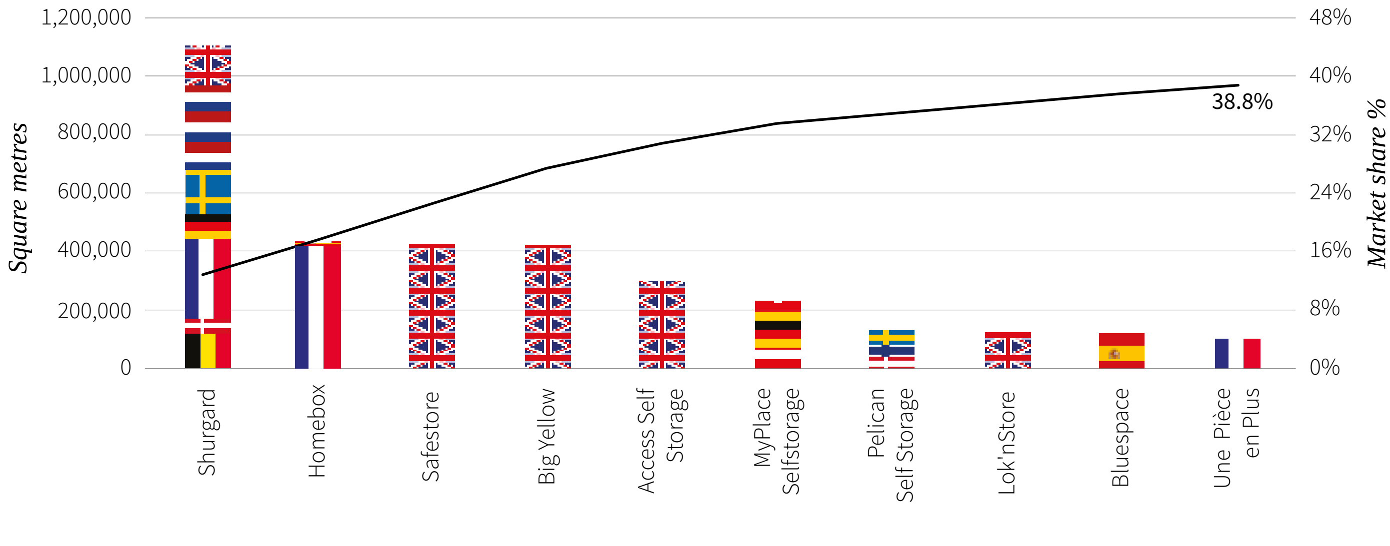
Figure 11 – Ten largest self storage brands in Europe by number of facilities



Source: FEDESSA / JLL

> *"Challenges facing the industry are still awareness, land availability and planning approval."*
> *Rennie Schafer, FEDESSA*

Figure 12 – Ten largest self storage brands in Europe by square metres



Source: FEDESSA / JLL

*Size of Safestore, Big Yellow and Une Pièce en Plus have been taken from their annual reports. Homebox has been estimated using their number of facilities and the average size of facilities in their given countries.

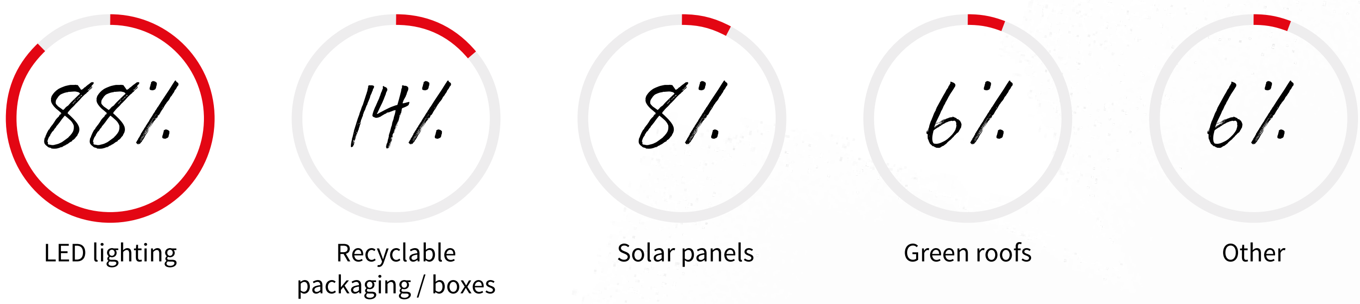
> *"We can see further potential in smaller cities by developing smaller facilities which will provide 1,500 square metres rentable area."*
>
> *Christian Lohmann, First Elephant*

Sustainability

For the first time, we asked operators what sustainability initiatives they have introduced to their facilities to determine whether this is a priority. The results show that 88% of operators have LED lighting, while other sustainability initiatives are not yet as common in self storage facilities. Given increasing global awareness of sustainability and some governments introducing regulations specifically targeting minimum sustainable standards, it will be interesting to see whether these initiatives increase in the future.

Germany, Denmark and Sweden are leading the way in alternative sustainability initiatives. In Germany, four different operators have installed green roofs on their facilities and three different operators have installed solar panels.

Figure 13 – Sustainability



Source: FEDESSA / JLL

Less Mess Storage, Bemowo Warsaw

"We are always thinking of a higher purpose, for example our properties can be used as noise reduction barriers between apartment properties and highways, we have installed smart lighting to save energy and we are continuously working with optimizing the construction process to minimize environmental effects and material waste."

Michael Fogelberg, 24Storage

"The southern façade of the building is covered with solar panels which, to my eye, looks spectacular, like a huge mirror. The roof is also covered with solar panels and this, combined with the latest ground heat exchanger technology and ventilation systems – the first time this has ever been done for a commercial building globally as far as we are aware – is expected to bring our net energy consumption to zero in the summer and save at least 60% of energy costs in the winter."

Guy Pinsent, Less Mess Storage

Survey results

The survey results are a snapshot of the industry as at 31 March 2017 based on the data provided by operators representing a quarter of the industry, and provides a good overview of the market. The sample size has been increased from last year.

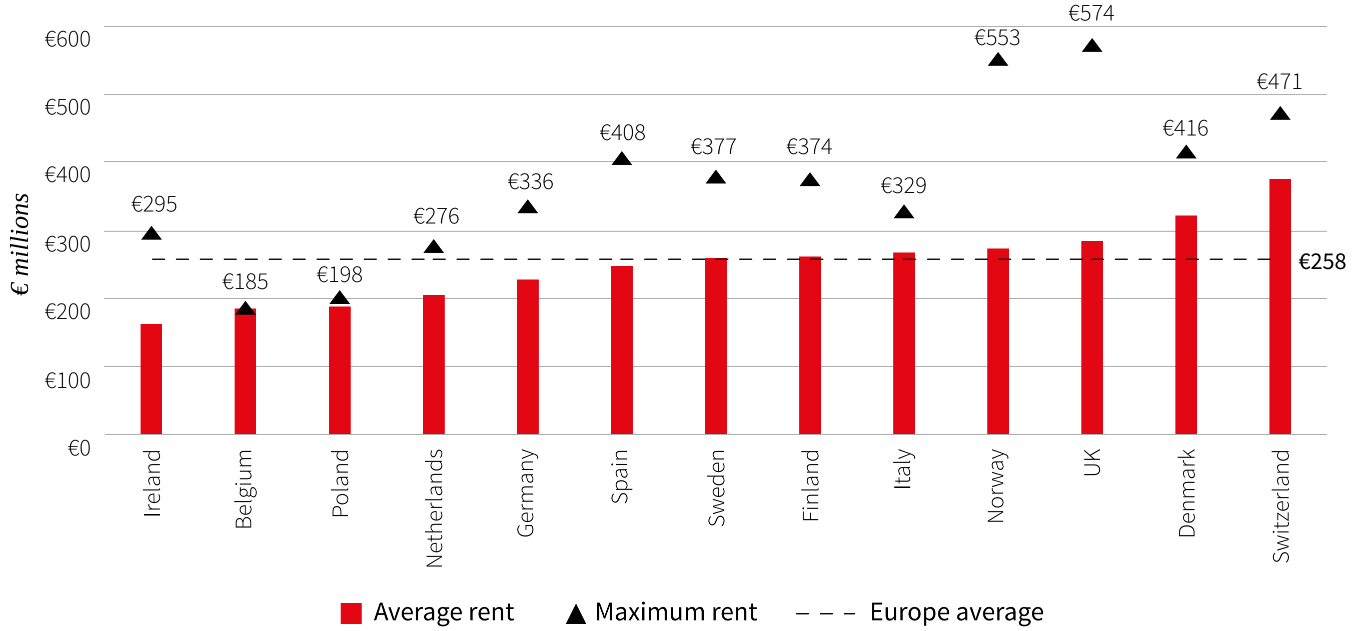
Average rents per square metre per annum

This year we asked companies to confirm the average annual rent received as at 31 March 2017. The average across Europe is €258 per square metre, which is a slight increase from €255 last year.

There was a relatively wide range of responses in some countries, reflecting the differences between prime modern facilities in major metropolitan areas, with second generation facilities in secondary locations.

The graph below shows the average rent from the survey in each country, as well as the highest rent reported in each country. The highest rent achieved is in the UK at €574 per square metre per annum, while the highest average rent is in Switzerland at nearly €375 per square metre per annum. The UK and Switzerland have both had historically high rents over the last two years.

Figure 14 – Average rents per square metre per annum



Source: FEDESSA / JLL / SSA UK

> *"Diversity in the industry will mean more budget operators in secondary locations."*
>
> *Rennie Schafer, FEDESSA*

> *"Business is good. There is traction in our seven countries and Europe (excluding the UK) is benefitting from improving macro-economics."*
>
> *Marc Oursin, Shurgard*

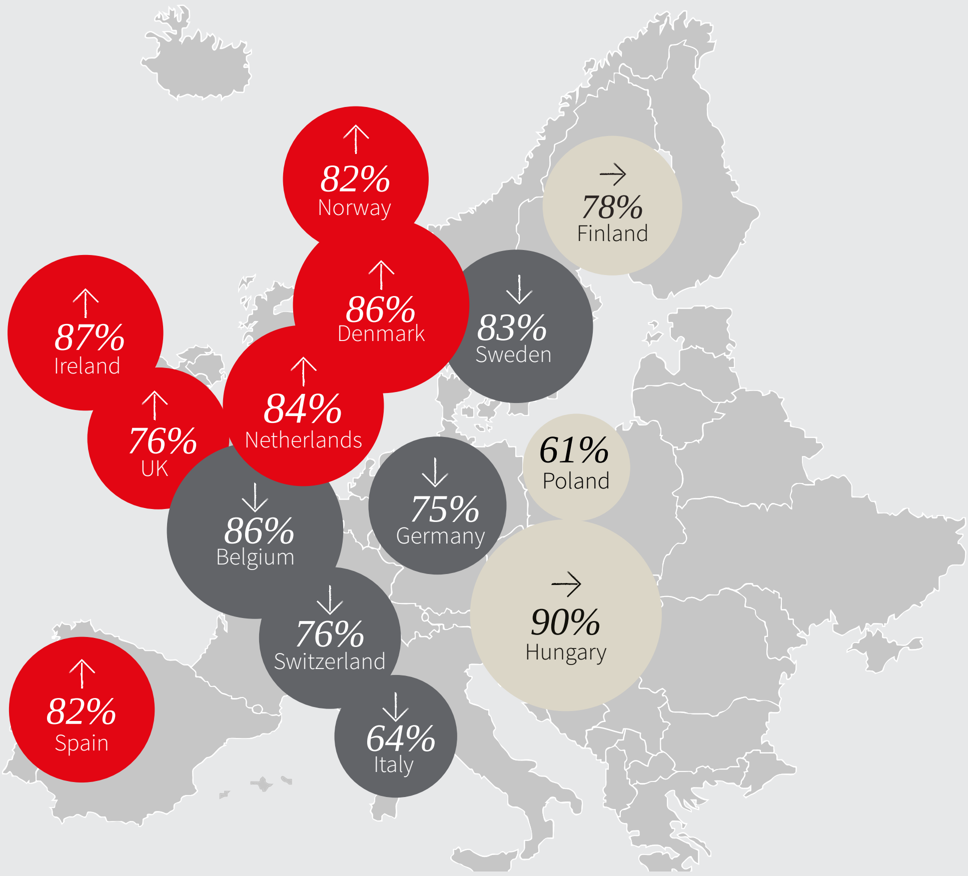
Occupancy levels

This year, the average occupancy in Europe was 81% compared to 80% last year and 78% in 2015. Hungary and Ireland reported the highest occupancy levels at 90% and 87% respectively. Hungary is a very small developing market and this figure indicates existing sites filling up before further expansion, while Ireland has a number of sites with substantial expansion opportunities within their existing buildings.

The largest percentage increase was seen in Spain, which saw a 14% increase in occupancy, closely followed by Ireland (9%) and Denmark (7%). Ireland and Denmark have not added any new facilities between 2016 and 2017, showing that these markets have had limited growth over the past 12 months. This indicates that existing sites are filling up, with no new sites adding to the supply. Spain had a low occupancy rate in 2016 due to significant expansion, and the occupancy is increasing now these new sites are starting to fill up.

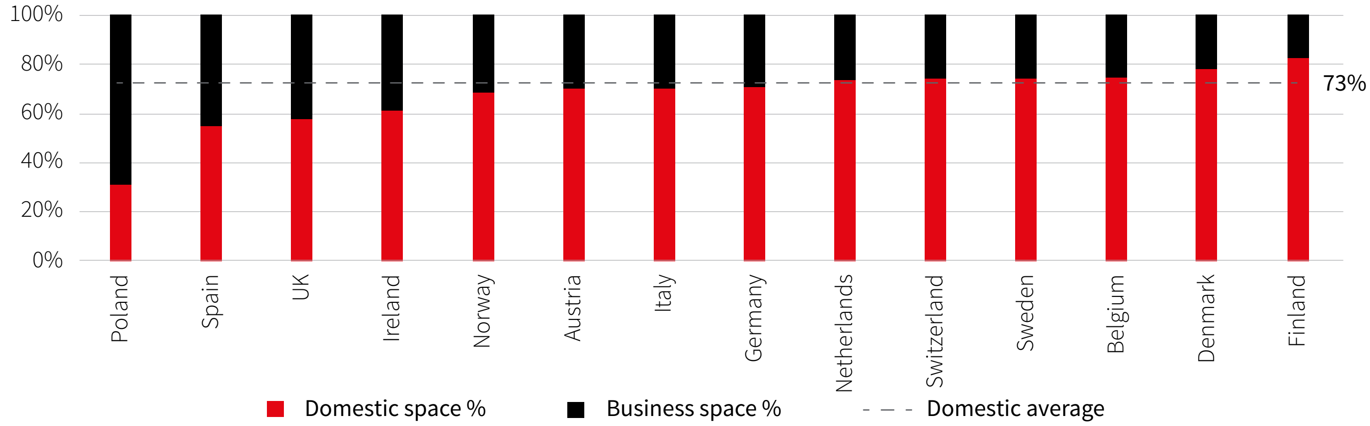
Care must be taken when considering average occupancy rates as there are many contributing factors, particularly in developing markets. When new space is added to a market through expansion or new sites, this will lower the average occupancy as the new space takes time to fill up and meet optimal levels. The smaller the market, the more impact these new sites will have on the average occupancy.
When a market is more mature it will have a larger number of sites, with relatively stable occupancy levels and the average for the industry will be more settled. Optimal occupancy for a mature self storage business is usually considered to be 85% – 90%, which allows the business to continue to offer space to customers and maximise the yield. Addition of new space to a market will reduce the average below the mature level for the market.

Figure 15 – Average occupancy levels and change since 2016



Source: FEDESSA / JLL / SSA UK

Figure 16 – Business / Domestic split – by area



Source: FEDESSA / JLL / SSA UK

Business / Domestic split – by area

The survey responses this year show that the European average for space occupied by business customers has fallen, meaning that domestic customers now occupy 73% of space by floor area, a substantial increase on 67% last year. This shift generally reflects a stronger housing market, as while business customers tend to stay for longer periods, they are usually in larger units with lower rents per square metre.

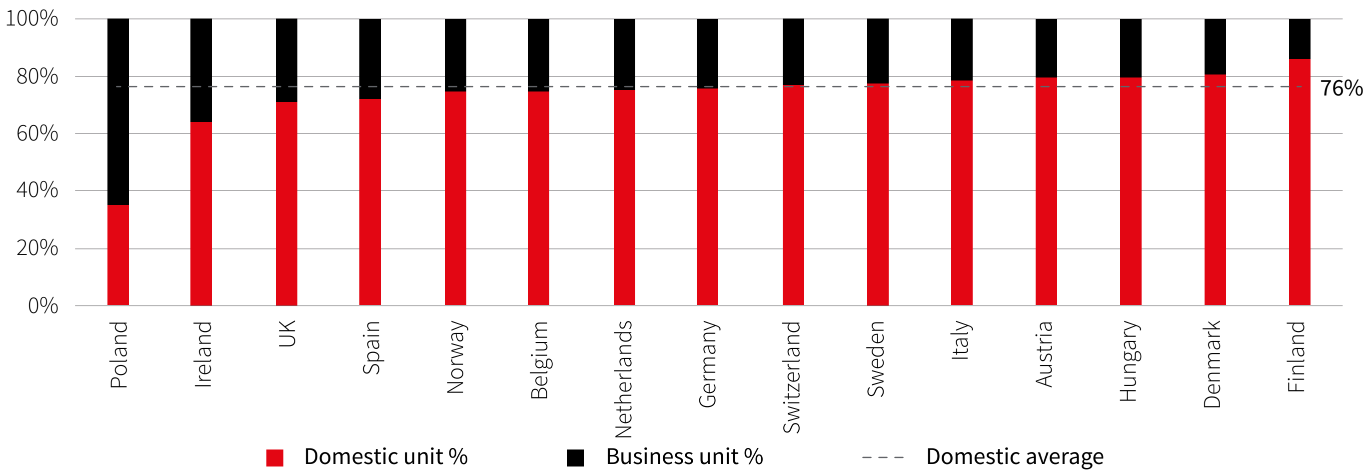
There are variances across Europe; for instance domestic customers in Finland, Denmark and Belgium constitute at least 75% of space by area, whereas Poland, Spain and the UK have a far higher percentage of space dedicated to business customers.

> *"Secondary locations have a higher percentage of commercial customers."*
>
> *Christian Lohmann, First Elephant*

Business / Domestic split – by units

When these figures are compared with the number of units occupied by business users (as opposed to the amount of space) the results show that in all countries, the percentage of the space that the business users occupy is greater than the percentage of the number of units. 24% of units are occupied by business customers but they occupy 27% of space on average across Europe.

Figure 17 – Business / Domestic split – by units



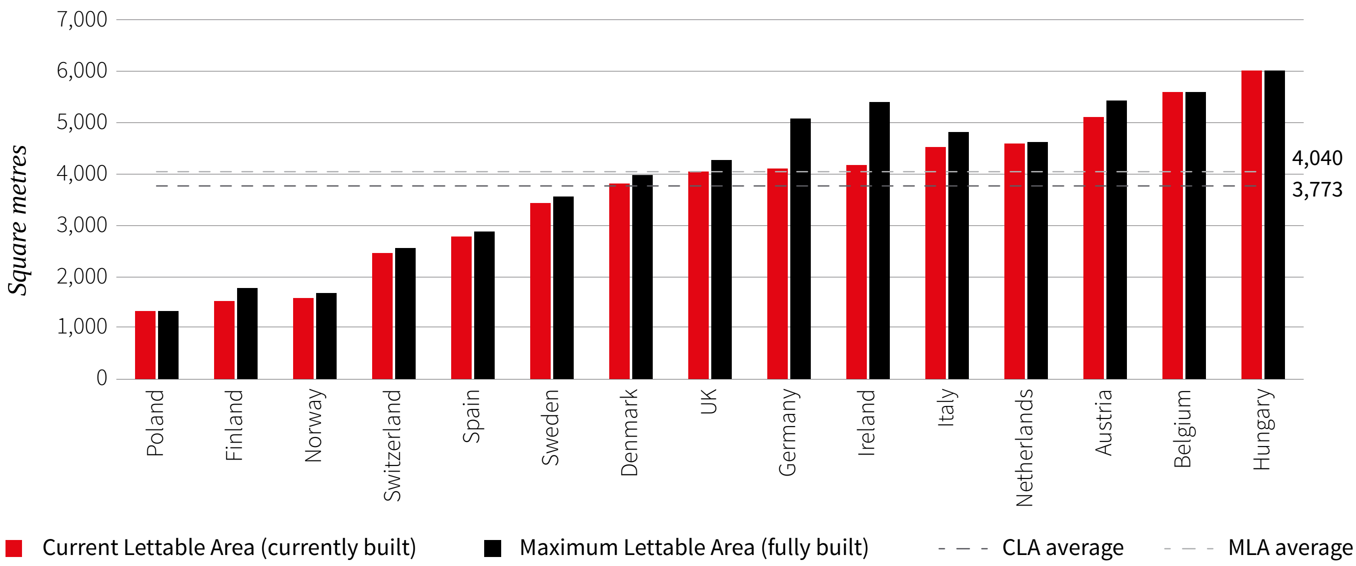
Source: FEDESSA / JLL / SSA UK

> *"Approximately 10-15% of our customers are commercial operators."*
>
> *Michael Fogelberg, 24Storage*

Average facility sizes

When comparing the average Current Lettable Area (CLA) and average Maximum Lettable Area (MLA) by country, the survey results show that most facilities are sized between 2,000 and 6,000 square metres, with the average size of a facility now 3,773 square metres CLA, a slight increase from 3,756 square metres last year. The difference between CLA and MLA demonstrates expected expansion potential in existing facilities.*

Figure 18 – Average Current Lettable Areas and Maximum Lettable Areas



Source: FEDESSA / JLL / SSA UK

> *"Sites in Spain tend to be smaller than in Europe – change of use is not always allowed and planning can be difficult."*
>
> *Javier Arambarri, Eurotrasteros*

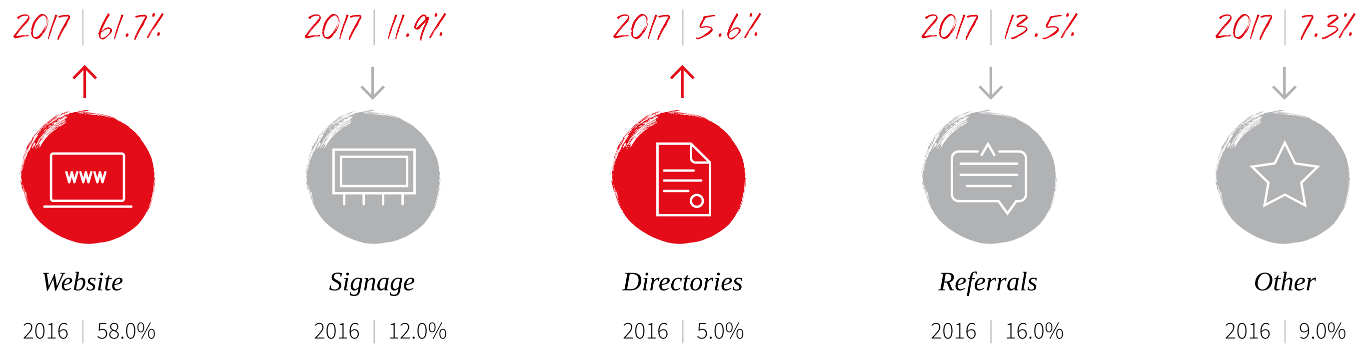
Source of enquiries

The survey results this year show that websites and the internet again account for the majority of enquiries, with 62% of enquiries across Europe (excluding the UK) in 2017 generated online. This is an increase from 58% last year, and highlights the growing importance of the internet in generating enquiries.

Surprisingly, directories have also shown a slight increase year on year, showing that traditional methods for generating enquiries are not yet obsolete.

* CLA is the total area of the individual units which are fitted out today, while MLA is the estimated total area of the individual units when the facility is fully fitted out, based on the existing buildings prepared for self storage development.

Figure 19 – Source of enquiries



Source: FEDESSA / JLL

> *"Roughly 85% of enquiries come from online and 90% of those via google."*
>
> *Alex Wingate, Urban Locker Self Storage*

Online pricing

The majority of operators have their prices online and many operators now provide the ability to make reservations on their website in some form. On average 76% of operators across Europe had prices on websites, whilst 61% of operators had the ability to reserve online.

Operators take a number of different views on providing prices online and the ability to reserve rooms online – some operators still want potential customers to call them, or to visit the site so that the benefits of self storage can be better articulated, particularly where a large proportion of their customer base are first time users of self storage. Other operators want to provide full transparency on pricing and to secure sales via their online platforms.

> *"The most important way that people find self storage is online; most people start their search on the internet."*
>
> *Eric Stubbé, ALLSAFE Mini Opslag*

Figure 20 – Facilities with prices online and the ability to make reservations via website

Source: FEDESSA / JLL

The UK is excluded from figure 20 as the ability to make reservations online was not collected in the SSA UK survey.

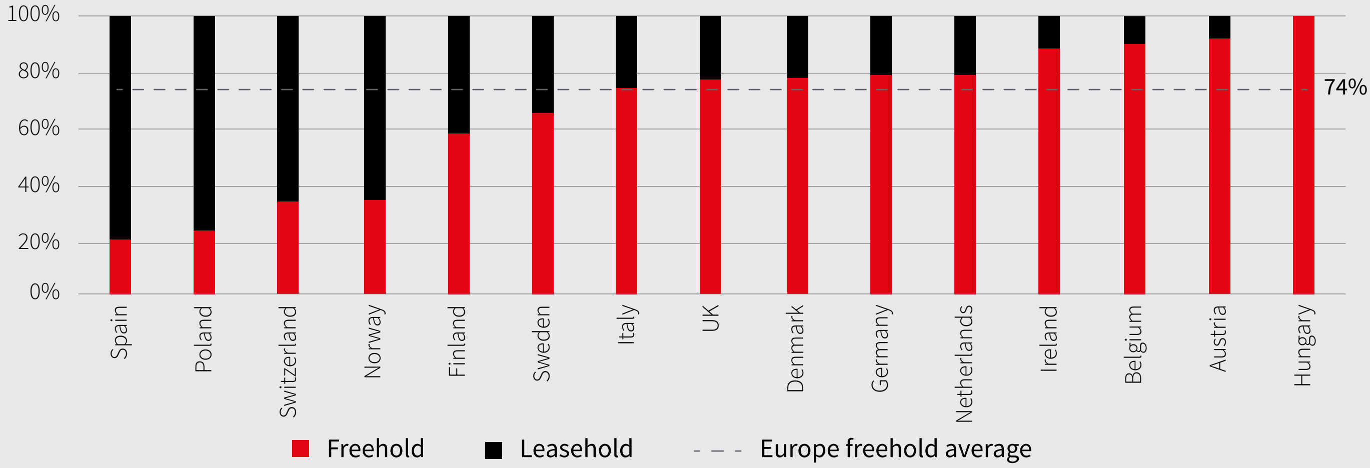
> *"I think we are now in the phase where no web visibility equals no business."*
>
> *Marc Oursin, Shurgard*

Tenure

The self storage business model has a range of tenures, from those which are owner occupied freehold businesses, to management contracts, where no ownership of the underlying real estate exists.

In the survey the tenure type differs quite considerably by country; ranging between Spain and Poland where over 75% in the survey were held leasehold; to Hungary, Austria and Belgium where more than 90% are held freehold. The average freehold ownership across Europe is 74%, the same as last year. Based on discussions at various industry forums and statements by prominent industry participants, the preference would be to develop freehold sites where possible, which obviously adds the appreciation of the property to the business. However, availability of land or capital do not always allow this and the self storage model has proven to work effectively under a leasehold model when established correctly. It will be interesting to see if over time more operators consider leasehold properties to gain access to areas where freehold property is simply not available.

Figure 21 – Split between tenure



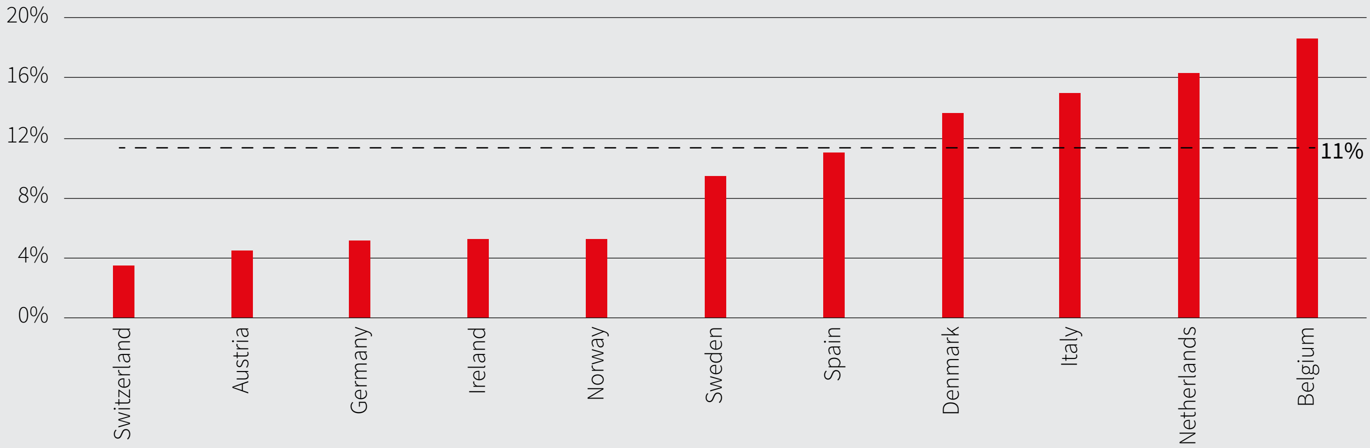
Source: FEDESSA / JLL / SSA UK

Ancillary income

We asked operators about the level of income generated from sales of insurance and retail products, such as boxes and packaging materials.

Whilst the average across Europe is 11%, an increase from 10% last year, there are some large variances with the range between 4% and 19%. These additional sources of income can be at a high margin for operators. The difference in range is more typically a result of the operator placing a higher focus on selling these ancillary services, both to storage customers and in terms of packaging materials, to other non storage related customers. There is also some variation in the prices operators charge for these services, again often reflecting the owners' focus on this side of the business. There is definitely potential for operators at the low end of this scale to improve their profit margins by putting more emphasis on this side of their business.

Figure 22 – Income from ancillary sales



Source: FEDESSA / JLL

The UK is excluded from the income from ancillary sales as this data was not collected in the SSA UK survey.

"People do buy lots of padlocks and packaging, and we see more people buying these on the internet."

Eric Stubbé, ALLSAFE Mini Opslag

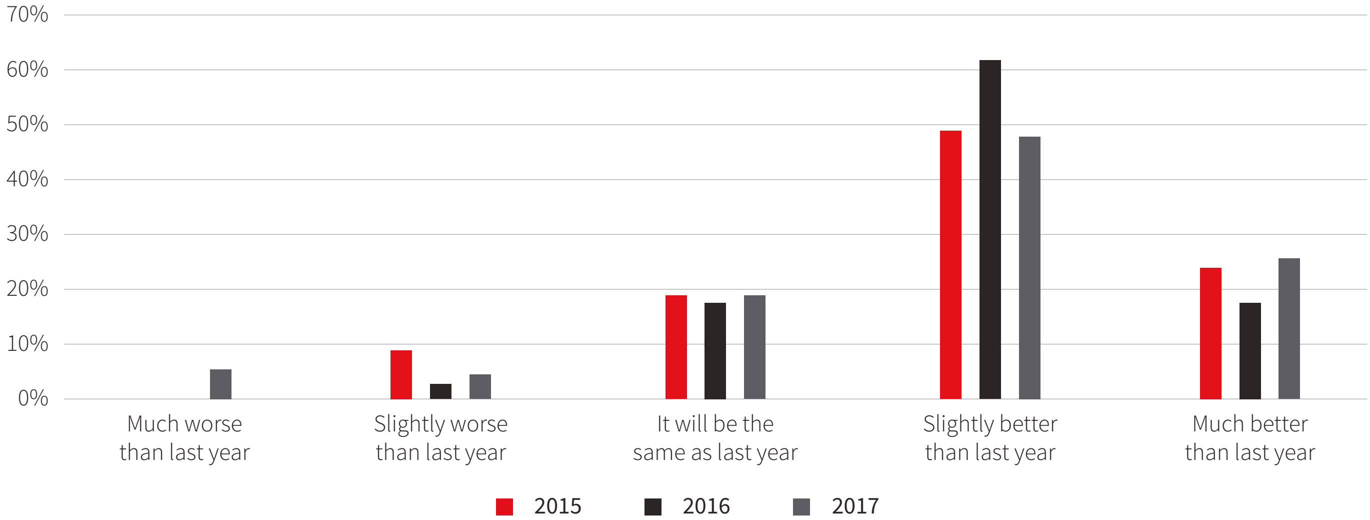
Outlook

Operators were asked how they viewed the outlook for the self storage market over the next 12 months.

Profitability

72% of respondents felt that 2017 would be a better year for increasing profitability, slightly down from 79% in 2016. Optimism may be lower due to significant political uncertainty seen throughout 2017, which included the French, Netherlands and the UK general elections. This may explain the contradistinctive nature of the results, with more respondents expecting a 'much worse year' and a 'much better year'.

Figure 23 – Profitability outlook

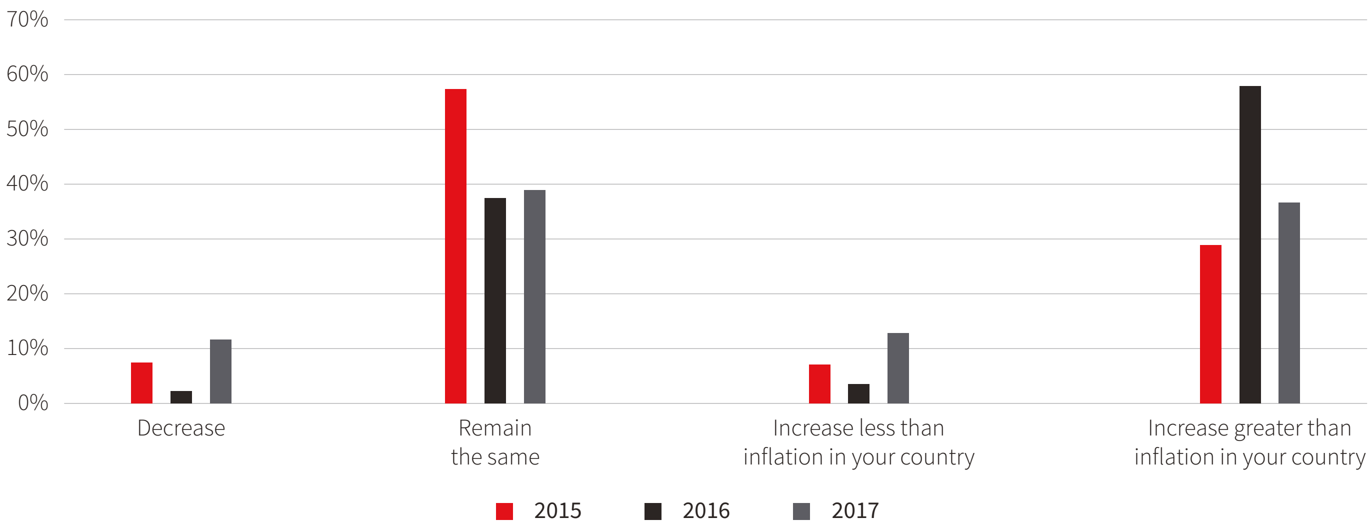


Source: FEDESSA / JLL / SSA UK

Rental growth

Operators are far less confident this year about rental growth, with a total of 50% of respondents expecting there to be increases, compared to 62% in 2016. Just over a third of respondents were expecting rents to remain the same in 2017, and 11% were expecting rental rates to decrease over the next 12 months.

Figure 24 – Rental growth



Source: FEDESSA / JLL

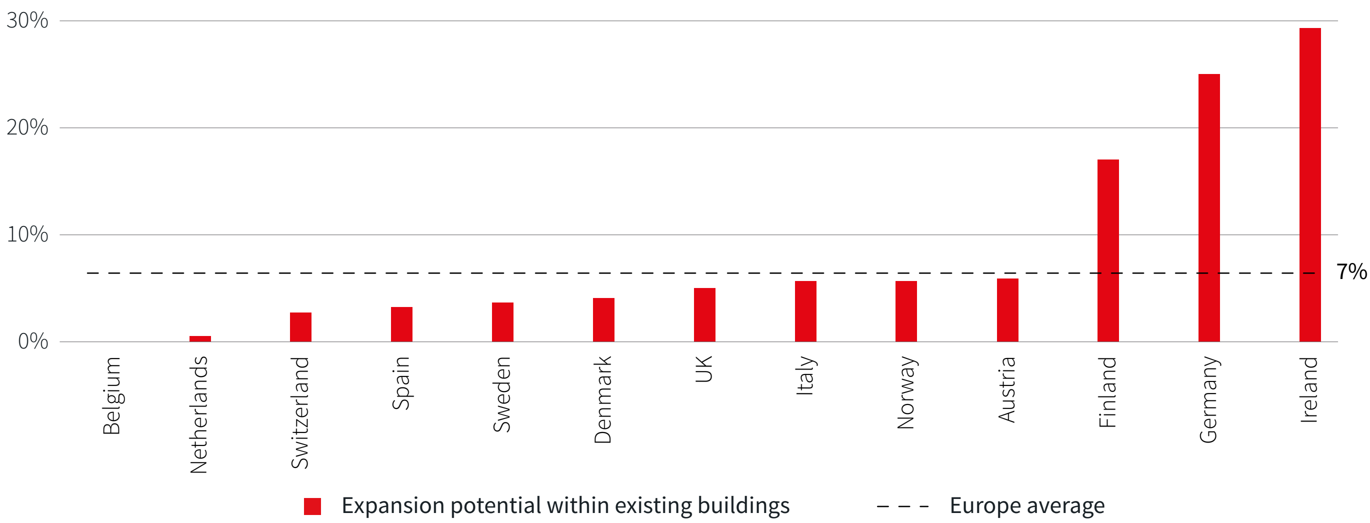
"We have seen rental growth due to the level of demand versus supply."
Marc Oursin, Shurgard

Expansion

On average, the European operators have the ability to expand the amount of available space (CLA) by 7% within their existing buildings, a slight increase on 6% last year.

Ireland, Germany and Finland have the greatest expansion potential as a percentage of each individual market, with Ireland having nearly 30% expansion potential within their existing buildings.

Figure 25 – Expansion potential within existing buildings



Source: FEDESSA / JLL / SSA UK

The number of new facilities opening around Europe each year is once again increasing.

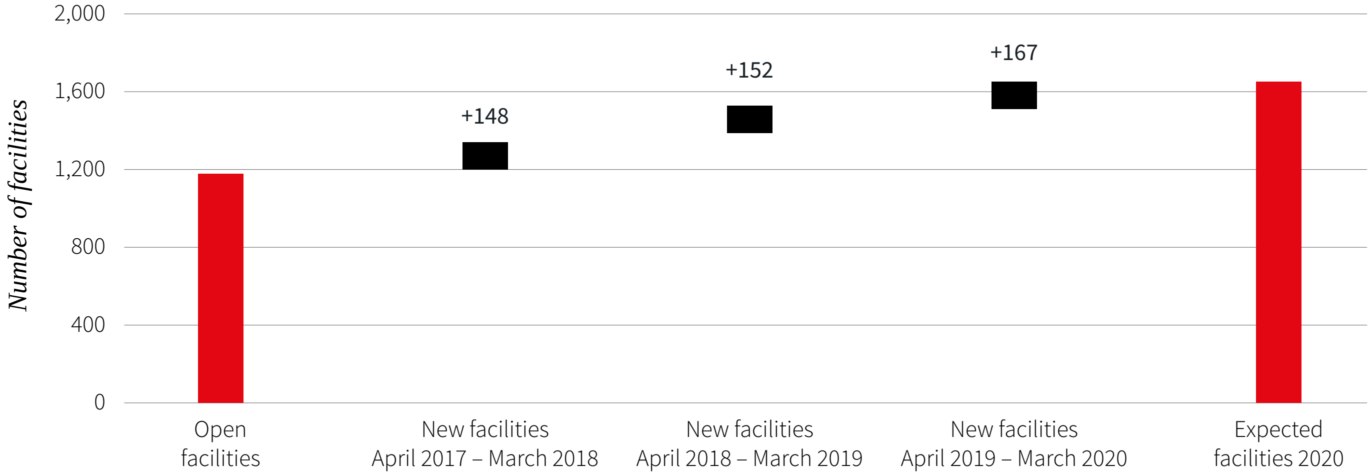
The survey asked how many new facilities operators were planning on opening over the next three years. Responses were collated from operators, who currently have 1,188 facilities between them. These operators are predicting that they will increase the number of facilities by 467 in the next three years to provide a total number of facilities of 1,655, which equates to an increase of 39% in those portfolios, or Compound Annual Growth Rate (CAGR) of 11.7% per annum.

Care must be taken when considering these results, as historically operators have been overly optimistic on their views about opening new sites. Over the past three years since this question has been added to the survey, the actual growth has always fallen well below the intended expansion levels. However, solid growth remains in the market and operators' intentions to expand underlines their confidence in the market and anticipated continued performance in the future and the difficulties of finding suitable sites.

"Our plan is to operate and manage 50 sites by the end of 2020 - we are in expansion mode."

Christian Lohmann, First Elephant

Figure 26 – New openings



Source: FEDESSA / JLL / SSA UK

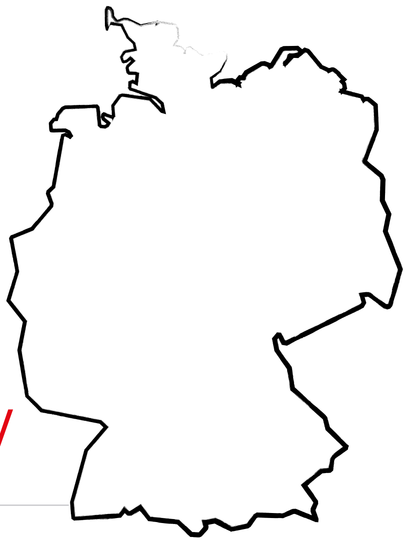
"We are expanding rapidly and keep increasing our number of facilities. Our future target is to open four to five facilities every year."

Michael Fogelberg, 24Storage

Roving focus

This year, we have included a roving focus on different locations to provide further insight into the sector in each country, to provide information on the history of the sector, dominant players, market awareness and the barriers to entry.

Germany



The market in Germany is relatively young when compared to the Nordics and the UK, but has seen some significant growth as operators and investors have seen a strong level of customer demand, with the major operators demonstrating that the business model works. The largest operators in Germany are MyPlace (30), Lagerbox (18), Shurgard (16), and First Elephant Self Storage (13), who represent just under 40% of the total number of facilities.

The major operators have a strong presence in the six largest German cities, but there are relatively high barriers to entry along with rising land prices. We estimate that there are now 202 facilities, which shows an increase of 32 new facilities from 2016 (a 19% increase) and a strong level of growth. The number of facilities per million population equates to 2.5, which is low when compared to similar countries, and is well below the European average of 6.6 per million population, demonstrating further growth potential and new operators are now focusing developments in mid sized cities where the major operators have a limited presence.

German debt providers are beginning to accept self storage as an asset class, albeit knowledge of the sector is relatively limited and can make financing difficult, particularly for new entrants. Construction costs are also rising as well as the price of land, while from a user perspective, market awareness of the product is still lower than in other countries.

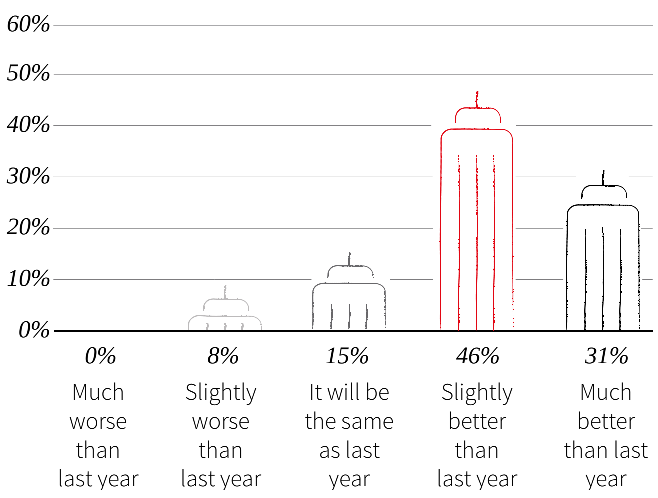
However, German operators are leading the way with sustainability initiatives, including incorporating green roofs and solar panels on their buildings.

The most recent transactions in Germany were the sale of three leasehold assets operated by Secur in Hannover in 2016, which were previously managed by Shurgard and were acquired by Lagerbox, adding a further 17,000 square metres of space to the portfolio. The sale of Secur Self Storage took place in 2014 of five freehold assets in Berlin and Hamburg, which were acquired by Shurgard.

"Growth can break the 20% mark – there is potential for an additional 300 facilities in Germany."

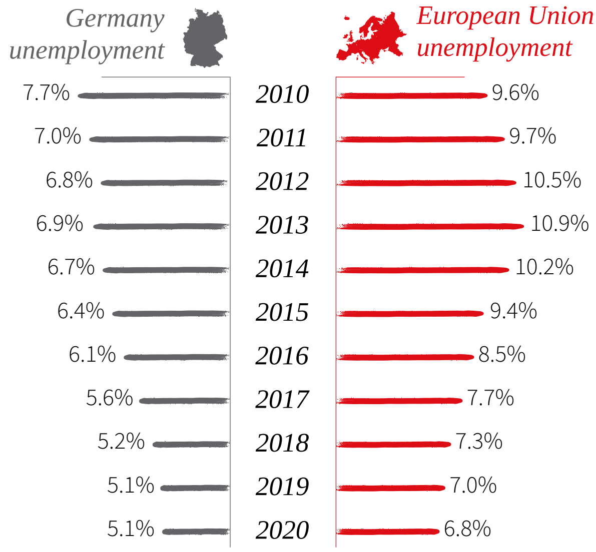
Christian Lohmann, First Elephant

Figure 27 – Profitability outlook



Source: FEDESSA / JLL / Oxford Economics

Figure 28 – Germany unemployment



Source: Oxford Economics

Spain

Spain is a far more fragmented market than other countries in Europe, with the combined number of facilities of the four largest operators (Bluespace (31), Necesito un Trastero (18), Trasteros M2 (10) and Box Infiniti (8)) only representing 19% of the total market. Facilities are generally located around the major cities, with a significant number of new openings over the last few years – there have been 135 new facilities opened since 2014, which is the second largest increase in Europe. While the self storage market in Spain is the third largest in Europe in terms of space, there is still room for growth, as the average number of facilities per million population is some way behind the more established markets in the UK, the Nordics and the Netherlands.

GDP and employment growth in Spain has been very strong throughout 2017, with GDP forecast to grow by 3.1% this year and unemployment to fall to 17.3%. This increase in job creation, mixed with relatively low inflation has led to a surge in consumer spending as disposable incomes begin to rise and occupancy levels also reflect this, showing a large uplift over the last year.

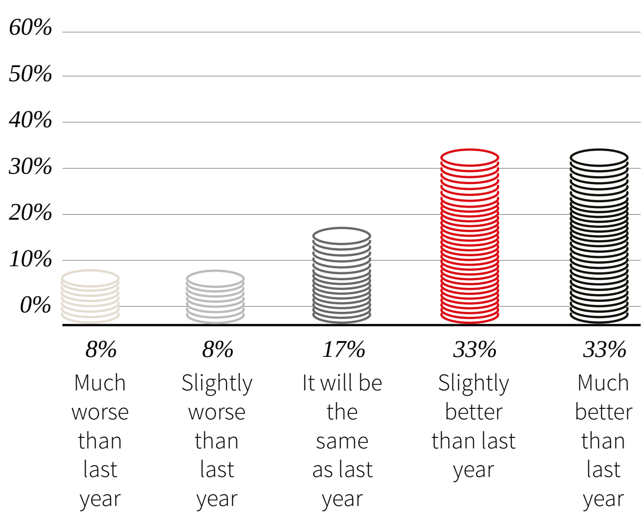
Barriers to entry include significant competition in the major cities, along with caution and hesitancy from lenders to new operators. Bureaucracy also remains a challenge in Spain, with changes of use and planning applications difficult or time consuming to obtain, leading to relatively small facilities being developed compared to the rest of Europe. Consumers are still very much focused on the customer experience, with the ability to reserve online being one of the lowest in Europe and prominent, roadside locations key to operational success.

City Self Storage was sold to Bluespace in Q3 2016, following Fremont's investment into the sector in Q1 2015.

"Spain is always later out of a recession, around two years behind everyone else!"

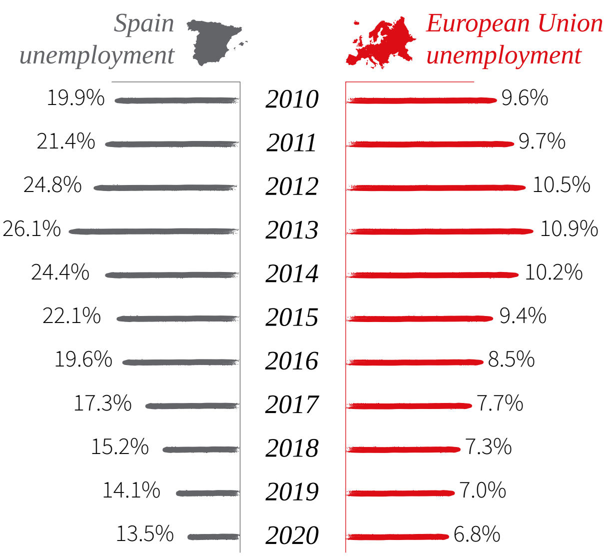
Javier Arambarri, Eurotrasteros

Figure 29 – Profitability outlook

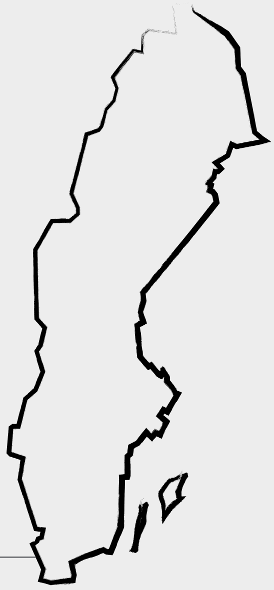


Source: FEDESSA / JLL / Oxford Economics

Figure 30 – Spain unemployment



Source: Oxford Economics



Sweden

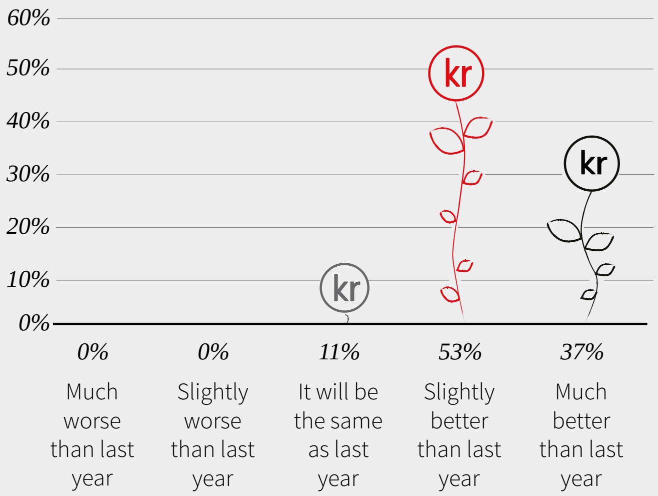
The Swedish market is one of the more mature markets in Europe, with significant levels of investment in recent years. The largest operators are Shurgard (30), 24Storage (12), Pelican (11) and City Self Storage (6), who have been able to grow their platforms through new developments and / or consolidation. Together these four operators represent just under 40% of the total number of facilities.

The majority of self storage facilities are generally based around Stockholm and Gothenburg and other cities to the south of Sweden, with 148 facilities in the country, an increase of 16% from 2016. Urbanisation means that more people are moving towards the cities in the south. In 2017 86% of the Swedish population were living in cities and 47% of Swedish people living in cities moved home within the last five years (the highest in Europe), however this means competition for suitable land and buildings is fierce.

The Swedish economy is very strong, with GDP growth forecast to be 3.5% in 2017 and high levels of disposable income. Conditions for investment are positive, with a mixture of low inflation and very low interest rates and there are a number of startups available with money to invest.

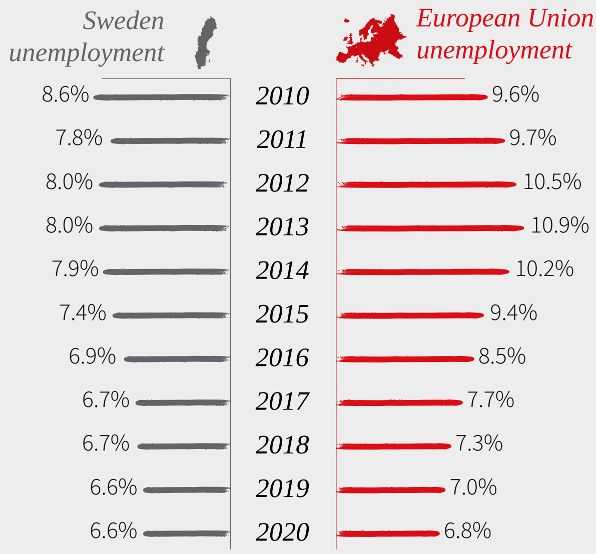
> *"Stockholm is known for having a lot of startups and good investment money. Earlier this year we raised SEK 250m to be used in further expansion."*
>
> *Michael Fogelberg, 24Storage*

Figure 31 – Profitability outlook



Source: FEDESSA / JLL / Oxford Economics

Figure 32 – Sweden unemployment



Source: Oxford Economics

Additional information

Membership of FEDESSA

The following associations are current members of FEDESSA:

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

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
- Real estate overview: Research provided by JLL research team
- Industry overview: Collected by each member association and consolidated by FEDESSA
- 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 from online survey responses of FEDESSA members
- European supply data: Information consolidated by FEDESSA

Interviewees

- Javier Arambarri, Eurotrasteros
- Paul Fahey, EasyBox Self Storage Italy
- Michael Fogelberg, 24Storage
- Christian Lohmann, First Elephant Self Storage GmbH
- Marc Oursin, Shurgard
- Guy Pinsent, Less Mess Storage
- Rennie Schafer, FEDESSA
- Eric Stubbé, ALLSAFE Mini Opslag
- Alex Wingate, Urban Locker Self Storage

European supply data

	Population			Estimated number of facilities		
Country	**2016**	**2017 (UN)**		**2016**	**2017**	
Austria	8,569,633	8,735,453	▲	30	32	▲
Belgium	11,138,000	11,429,336	▲	30	36	▲
Czech Republic	10,554,000	10,618,303	▲	3	5	▲
Denmark	5,695,000	5,733,551	▲	71	71	▶
Estonia	1,306,000	1,309,632	▲	2	3	▲
Finland	5,534,000	5,523,231	▼	59	60	▲
France	64,711,000	64,979,548	▲	340	355	▲
Germany	81,277,000	82,114,224	▲	170	202	▲
Hungary	9,823,000	9,721,559	▼	13	15	▲
Iceland	332,000	335,025	▲	6	8	▲
Ireland	4,705,000	4,761,657	▲	25	25	▶
Italy	59,860,000	59,359,900	▼	46	50	▲
Latvia	1,943,000	1,949,670	▲	2	3	▲
Lithuania	2,824,000	2,890,297	▲	1	1	▶
Netherlands	16,989,000	17,035,938	▲	284	289	▲
Norway	5,282,000	5,305,383	▲	72	75	▲
Poland	38,627,000	38,170,712	▼	10	13	▲
Portugal	10,303,000	10,329,506	▲	16	18	▲
Romania	19,339,000	19,679,306	▲	1	2	▲
Spain	46,041,000	46,354,321	▲	313	345	▲
Sweden	9,868,000	9,910,701	▲	128	148	▲
Switzerland	8,405,000	8,476,005	▲	47	59	▲
UK (incl containers)	65,158,000	66,181,585	▲	1,077	1,432	▲
Europe in total	488,283,633	490,904,843	▲	2,746	3,247	▲
US	324,000,000	324,459,463	▲	51,000	54,100	▲
Australia*	23,850,000	24,450,561	▲	1,300	1,300	▶

Current Lettable Area (square metres)			Floor space per capita (square metres)			Facilities per million population		
2016	2017		2016	2017		2016	2017	
78,000	82,000	▲	0.009	0.009	▶	3.5	3.7	▲
130,000	151,000	▲	0.012	0.013	▲	2.7	3.1	▲
11,000	14,000	▲	0.001	0.001	▶	0.3	0.5	▲
176,000	180,000	▲	0.031	0.031	▶	12.5	12.4	▼
2,000	3,000	▲	0.002	0.002	▶	1.5	2.3	▲
130,000	142,000	▲	0.023	0.026	▲	10.7	10.9	▲
930,000	975,000	▲	0.014	0.015	▲	5.3	5.5	▲
463,000	509,000	▲	0.006	0.006	▶	2.1	2.5	▲
35,000	39,000	▲	0.004	0.004	▶	1.3	1.5	▲
15,000	19,000	▲	0.045	0.057	▲	18.1	23.9	▲
80,000	81,000	▲	0.017	0.017	▶	5.3	5.3	▶
163,000	170,000	▲	0.003	0.003	▶	0.8	0.8	▶
5,000	5,300	▲	0.003	0.003	▶	1.0	1.5	▲
1,500	1,500	▶	0.001	0.001	▶	0.4	0.3	▼
849,000	865,000	▲	0.050	0.051	▲	16.7	17.0	▲
84,000	87,000	▲	0.016	0.016	▶	13.6	14.1	▲
10,500	13,500	▲	0.000	0.000	▶	0.3	0.3	▶
49,500	55,000	▲	0.005	0.005	▶	1.6	1.7	▲
12,500	15,000	▲	0.001	0.001	▶	0.1	0.1	▶
640,000	890,000	▲	0.014	0.019	▲	6.8	7.4	▲
370,000	410,000	▲	0.037	0.041	▲	13.0	14.9	▲
48,000	62,500	▲	0.006	0.007	▲	5.6	7.0	▲
3,493,000	3,948,378	▲	0.054	0.060	▲	16.5	21.6	▲
7,776,000	8,718,178	▲	0.016	0.018	▲	5.6	6.6	▲
274,807,000	285,000,000	▲	0.848	0.878	▲	157.4	166.7	▲
4,050,000	4,050,000	▶	0.170	0.166	▼	54.5	53.2	▼

Source: FEDESSA/JLL/United Nations

* There has been no updated data on the size of the Australian market published over the last 12 months, so the most recently published data has been used

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