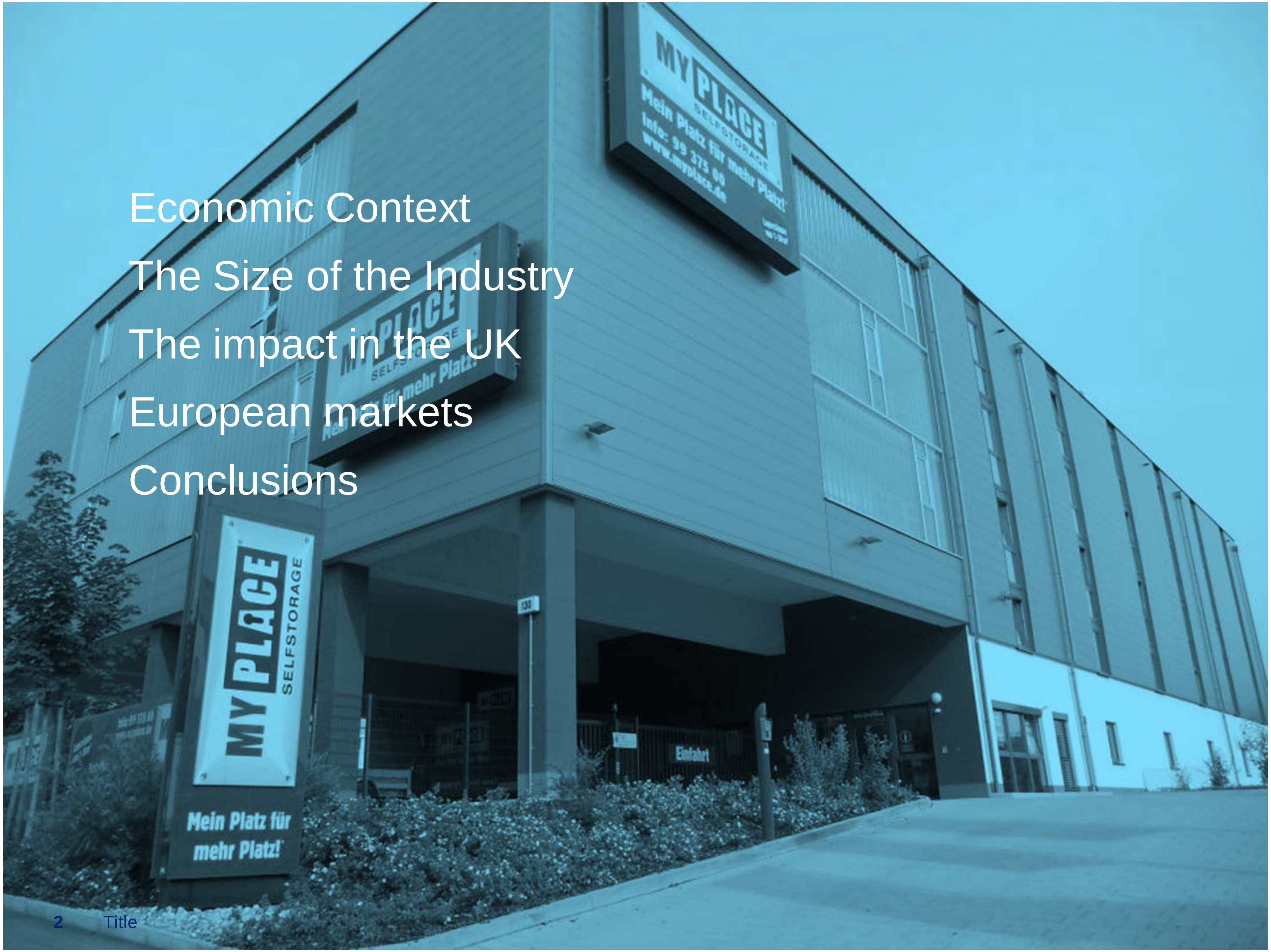
Drivers Jonas Deloitte.

An overview of Self Storage in Europe
The impact of recession

European Self Storage Conference,
Budapest 2012



Economic Context

The Size of the Industry

The impact in the UK

European markets

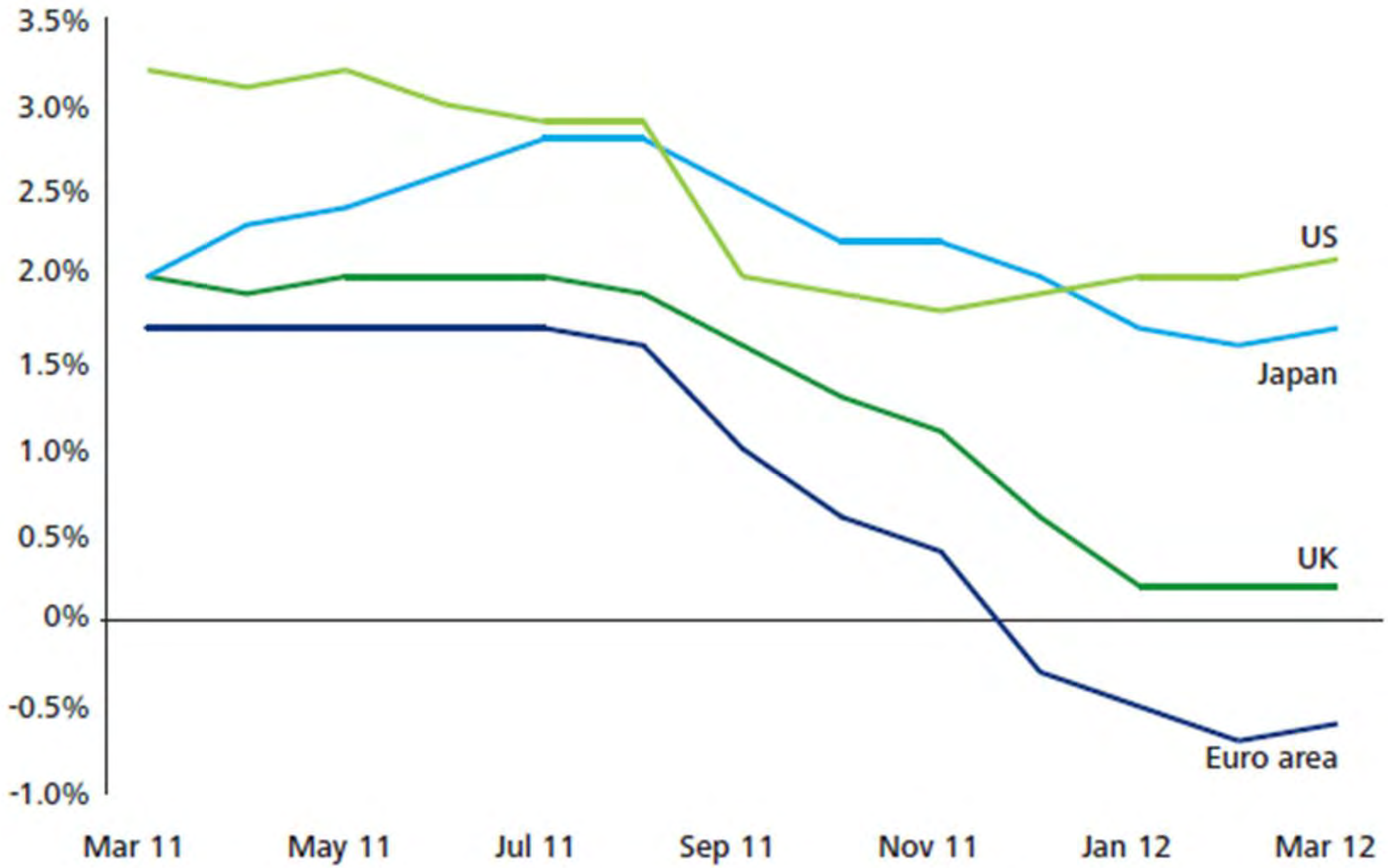
Conclusions

Eurozone outlook continues to be grim

- Eurozone crisis getting worse
- Eurozone GDP stagnated in Q1 of 2012
- GDP is 0.1% below Q1 of 2011
- Unemployment lingers at 11.2% - the highest in the history of the Eurozone
- Risk premium for bonds : lack of debt

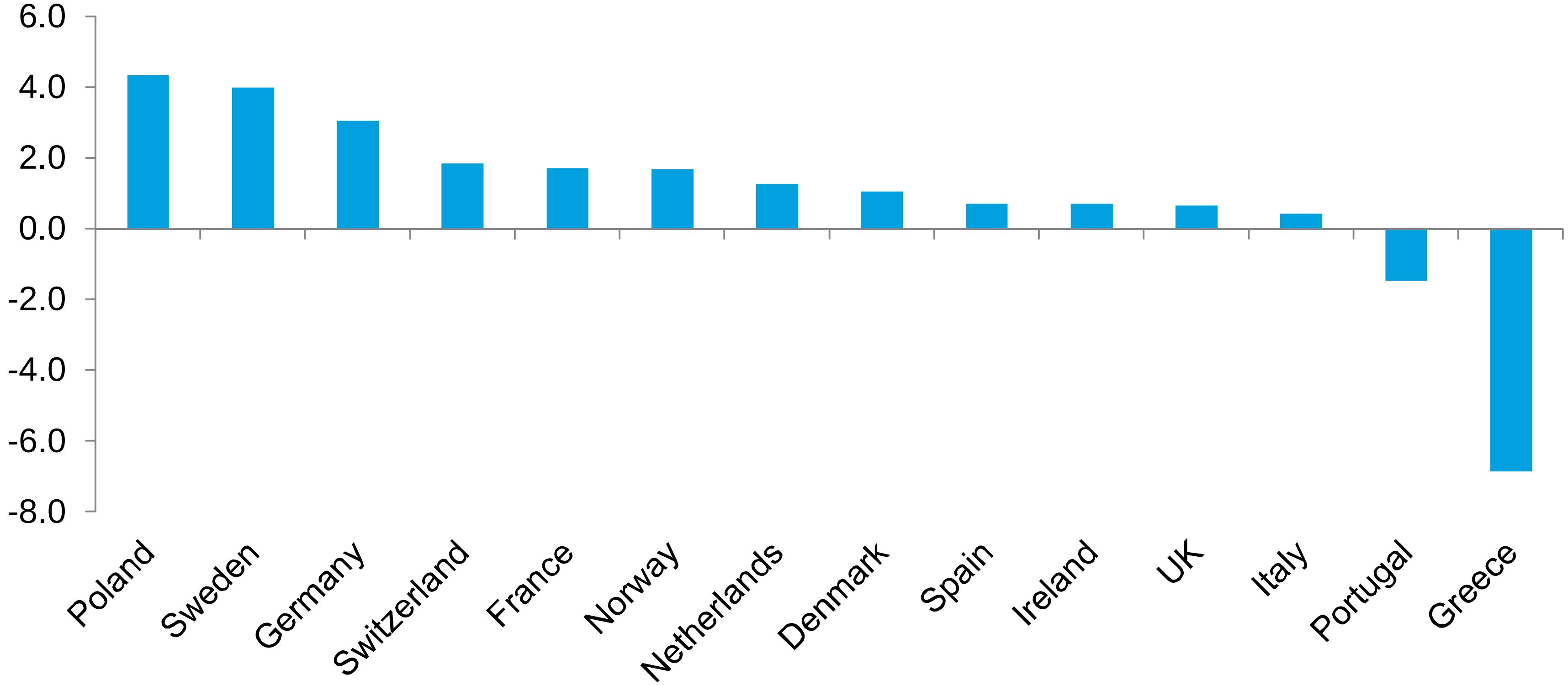
Significant growth downgrades

Consensus growth forecasts for 2012



Source: Consensus forecasts from The Economist

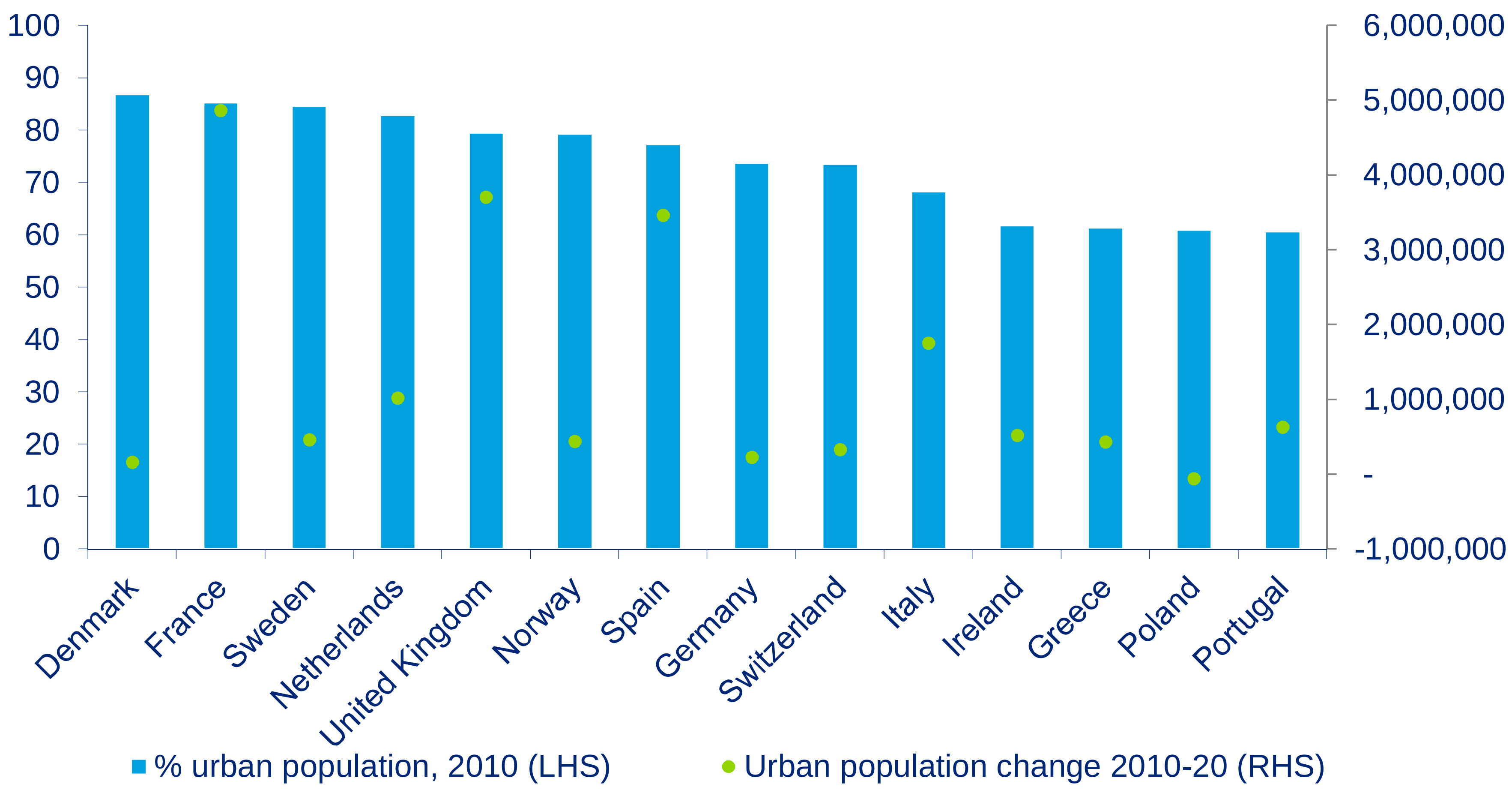
GDP, % growth 2011



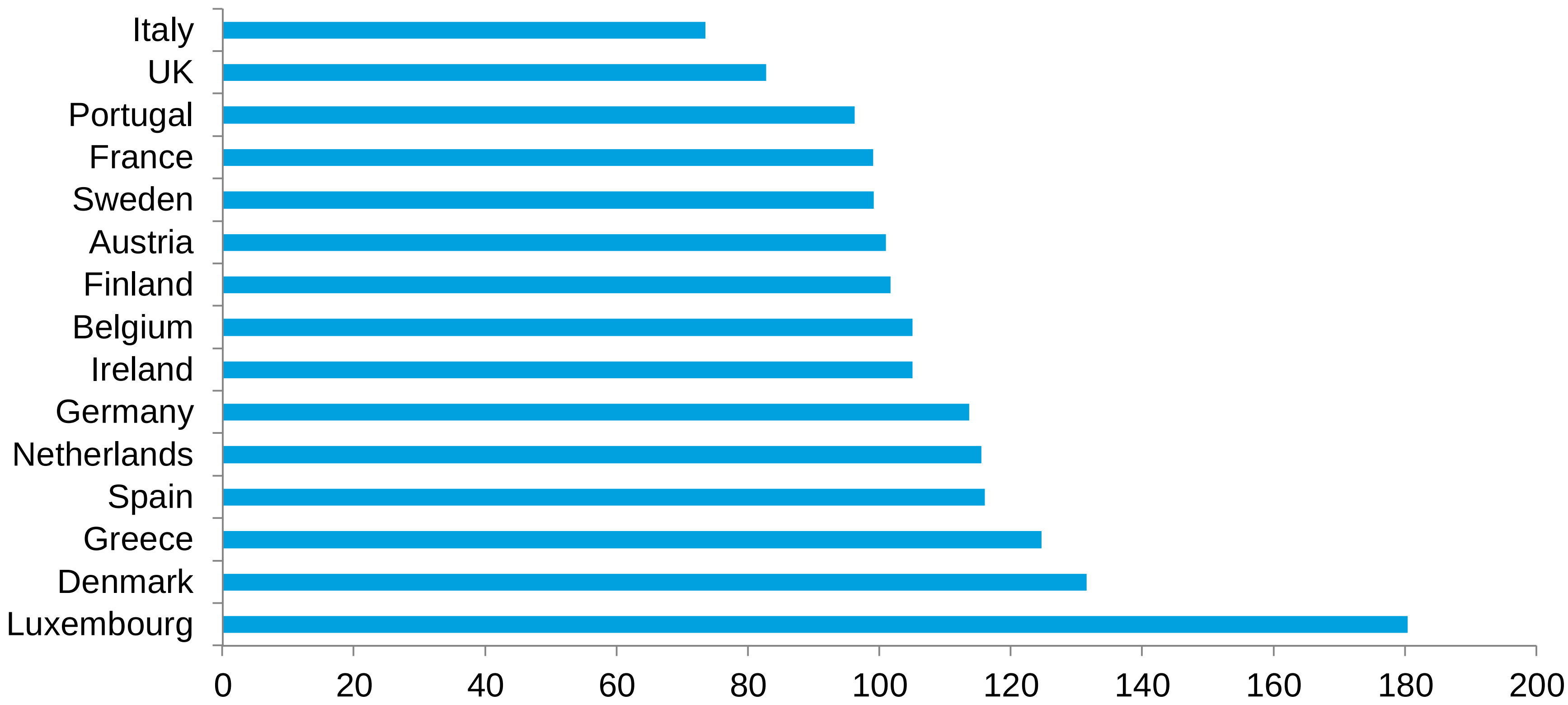
Source: Source: IMF WEO Database / Thomson Reuters Datastream (2012)

Urbanisation trends

Source: UN Population database



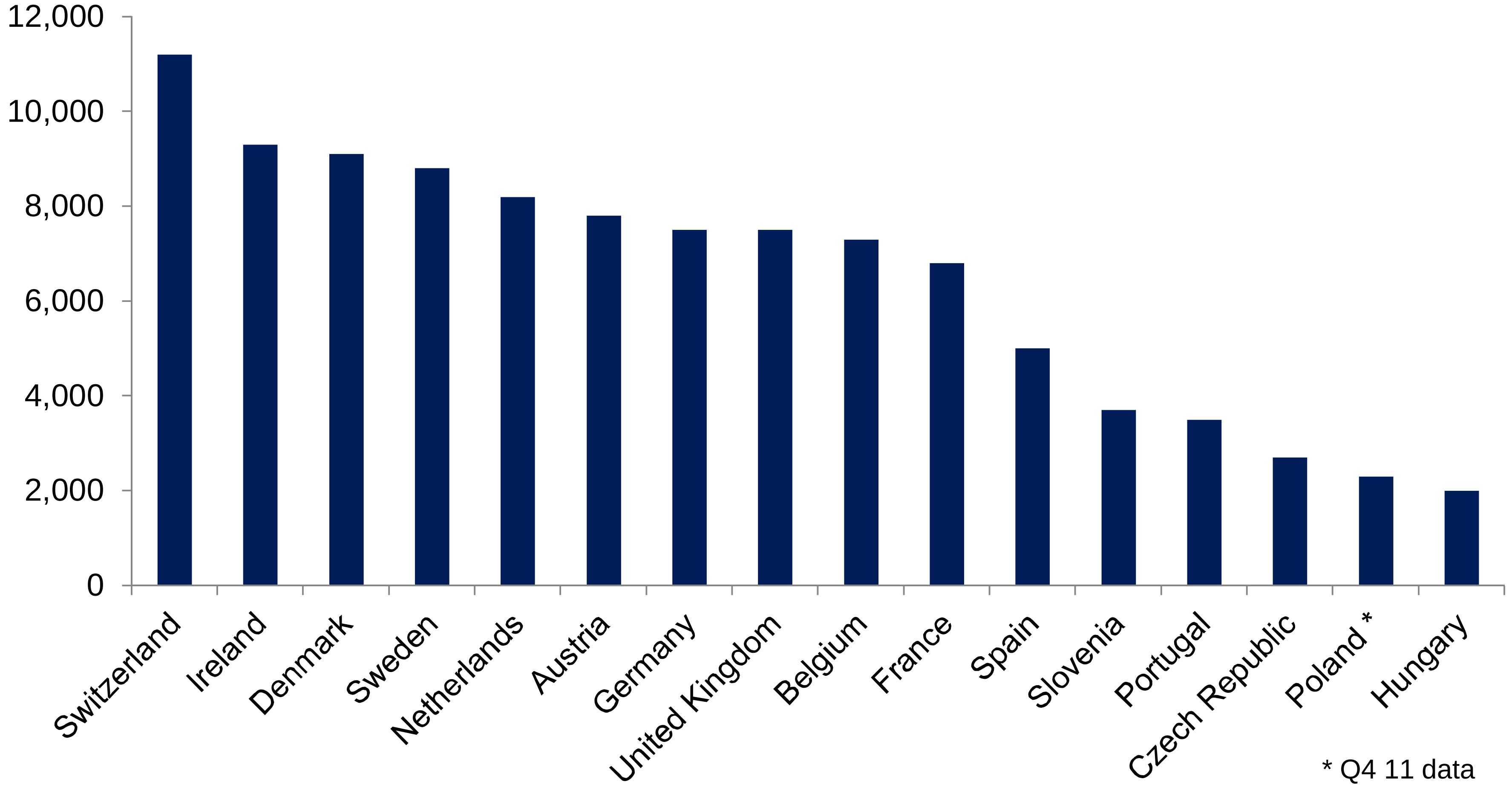
Average floor space for new dwellings (m^2)



Source: Housing Statistics for the EU 2010

Disposable income, € per inhabitant per annum

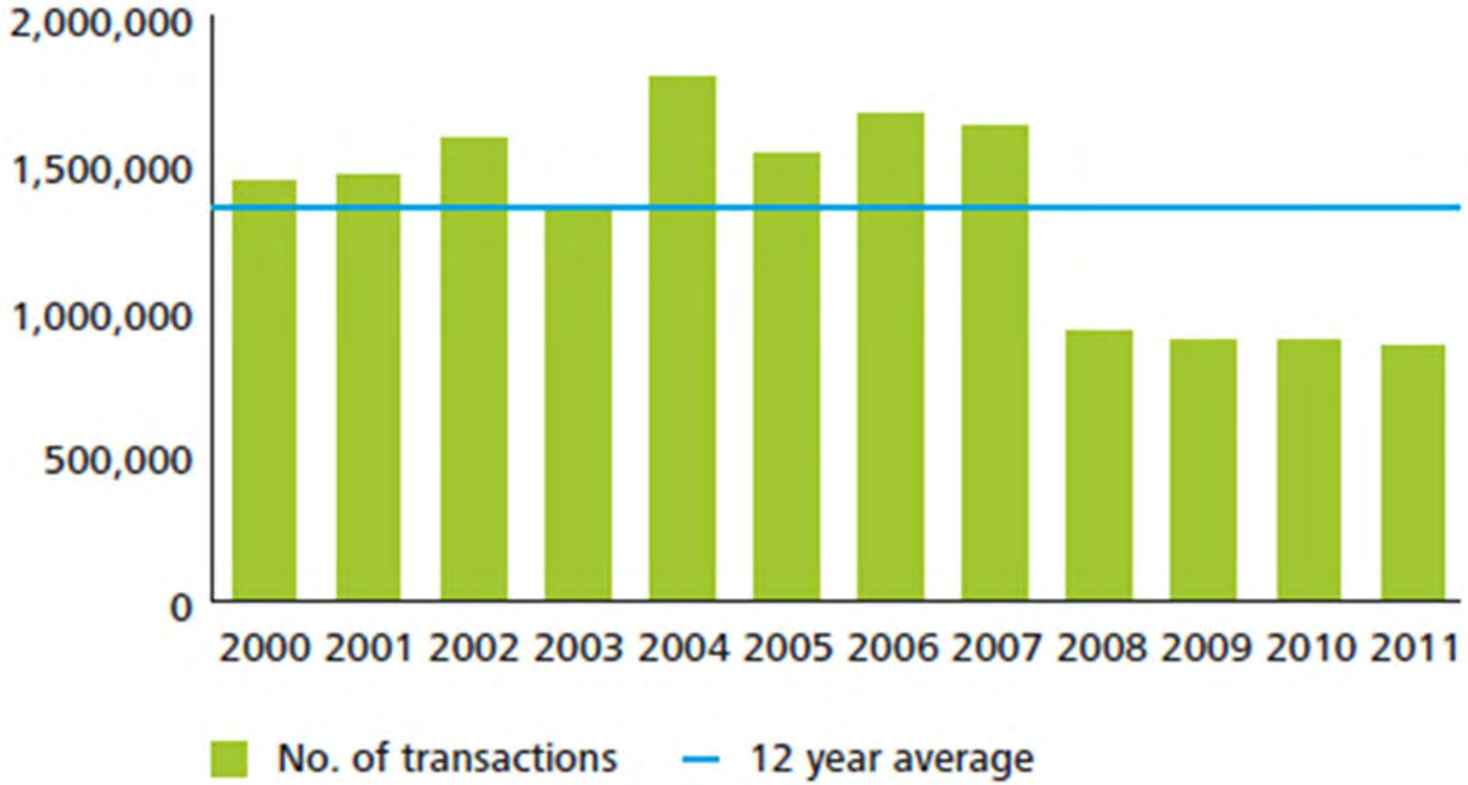
Q1 2012 Source: Eurostat



* Q4 11 data

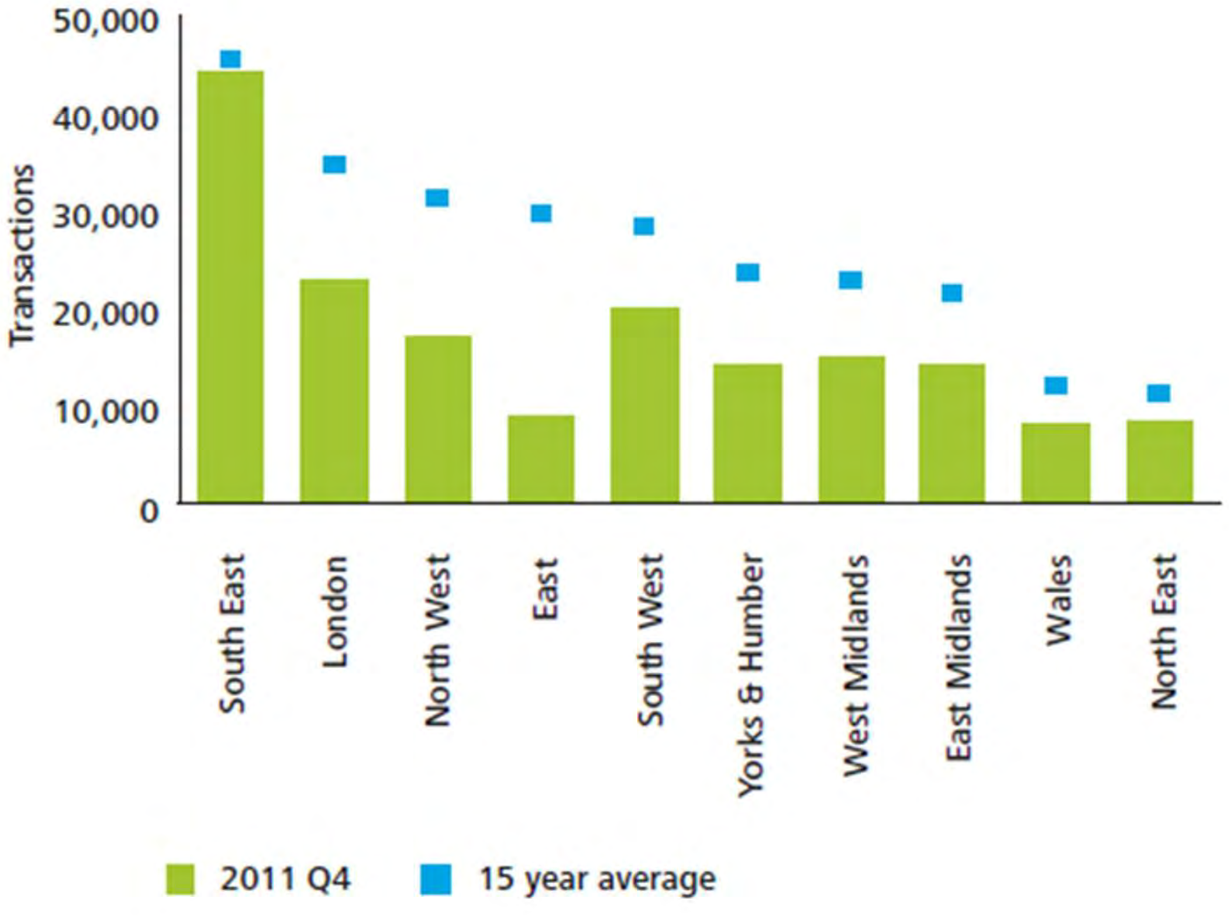
Residential transactions remain moribund

Figure 4. Housing market transaction volumes (England & Wales)



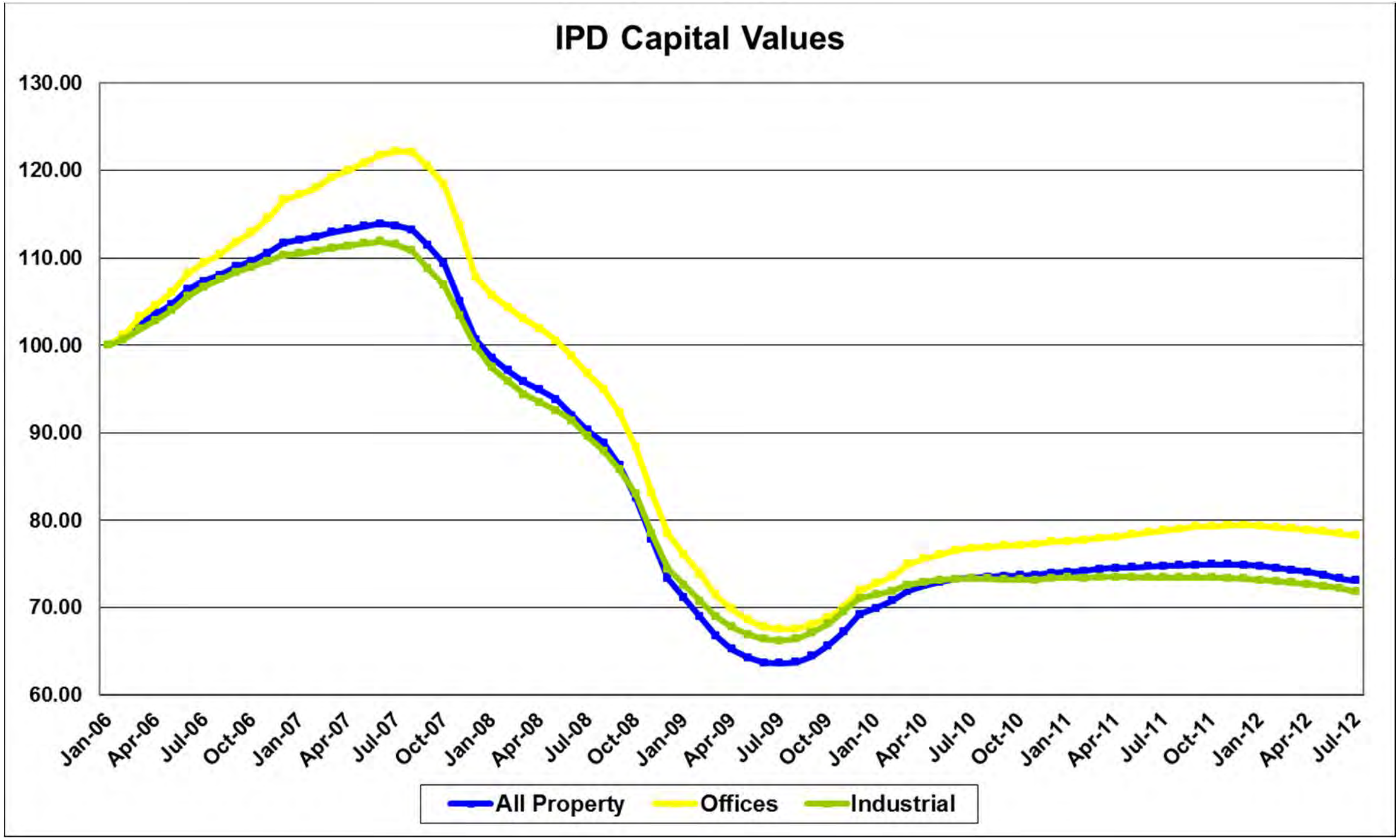
Although the South East is fairing better than most

Figure 5. Regional housing transaction volumes



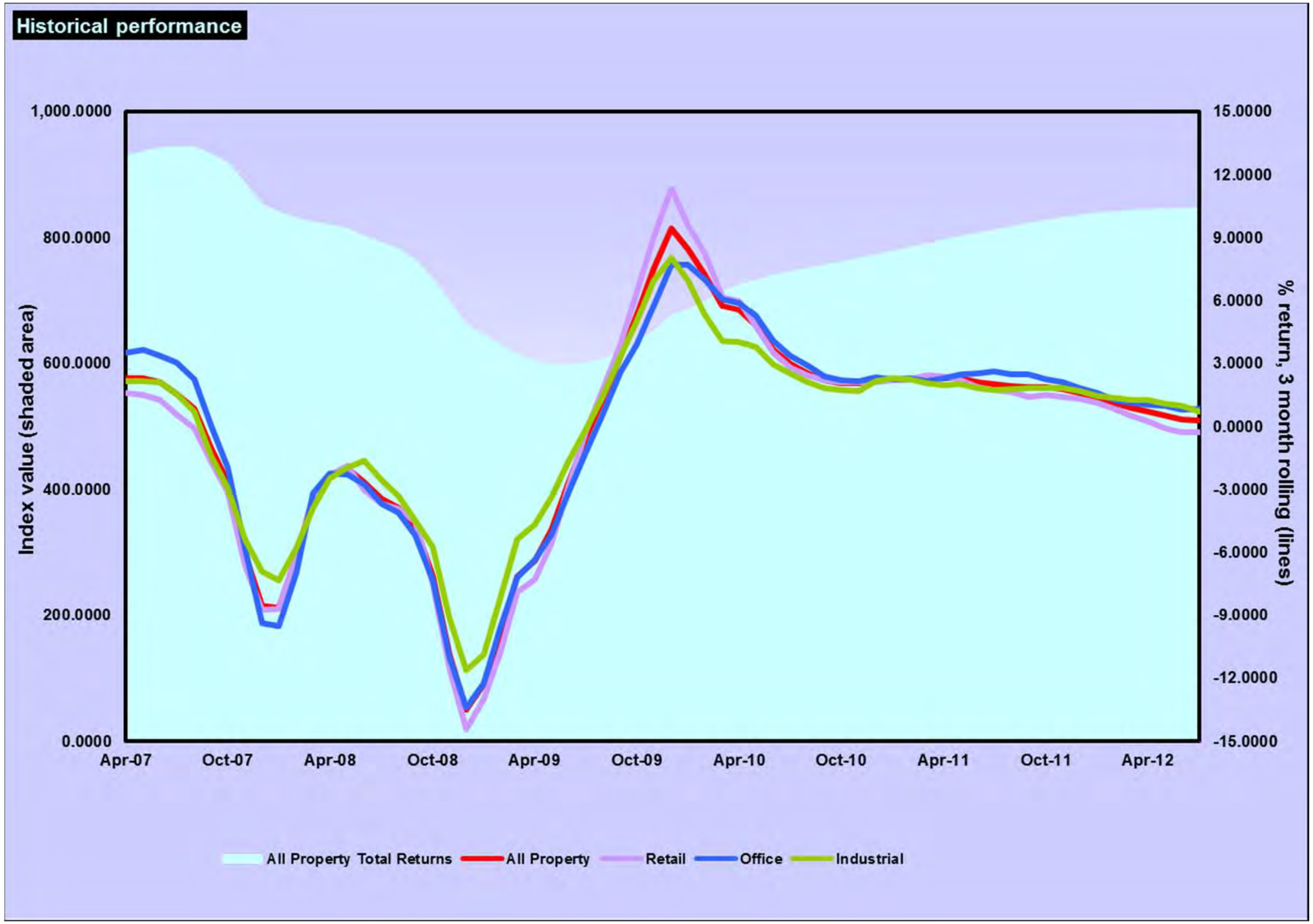
Source: DCLG

UK Commercial Property Market – Bumping Along The Bottom…



Source: Investment Property Databank

UK Commercial Property – Almost Back to the “Point of No Returns…”



Source: Investment Property Databank

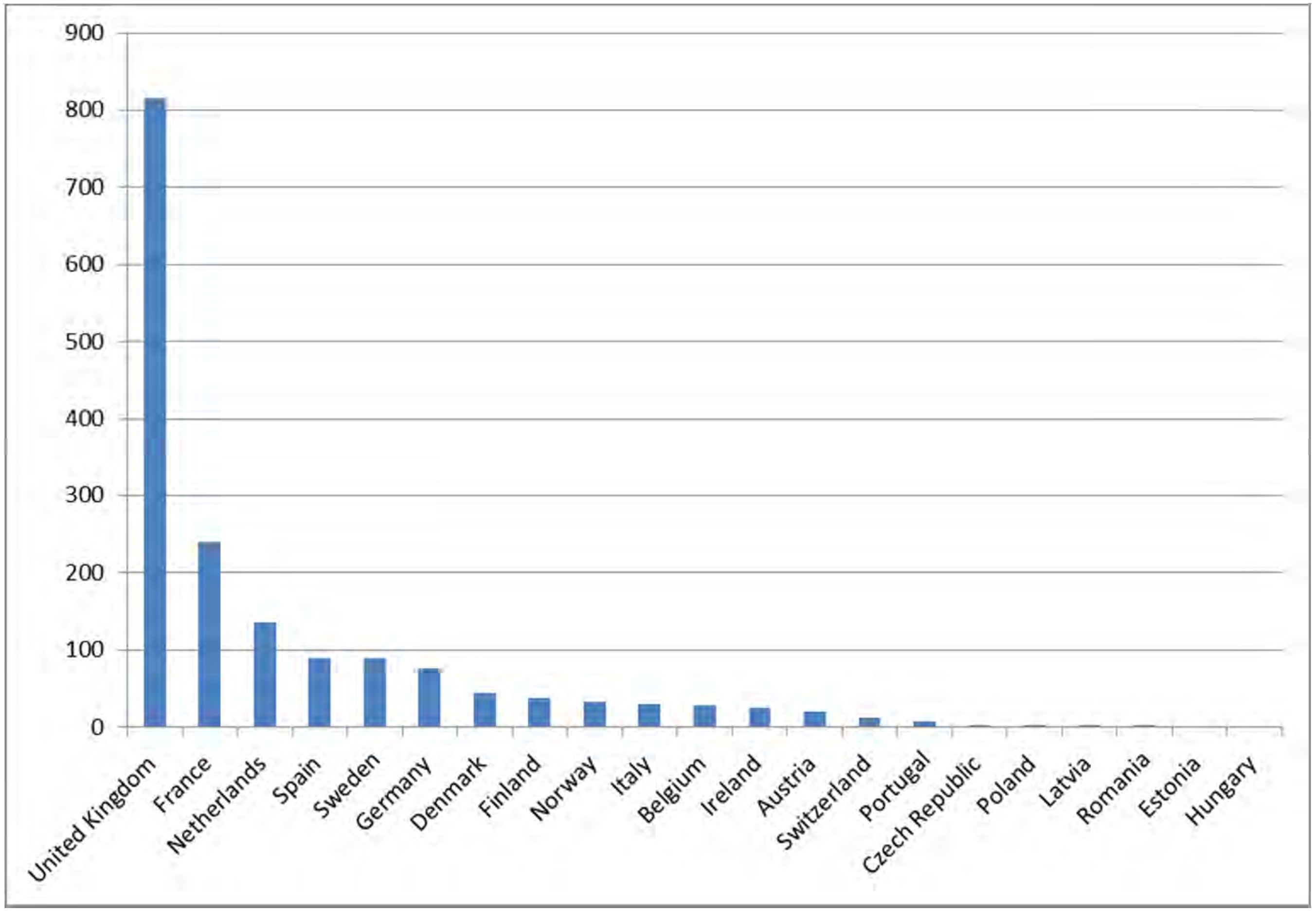
The size of the industry

The UK is the largest and most mature market in Europe

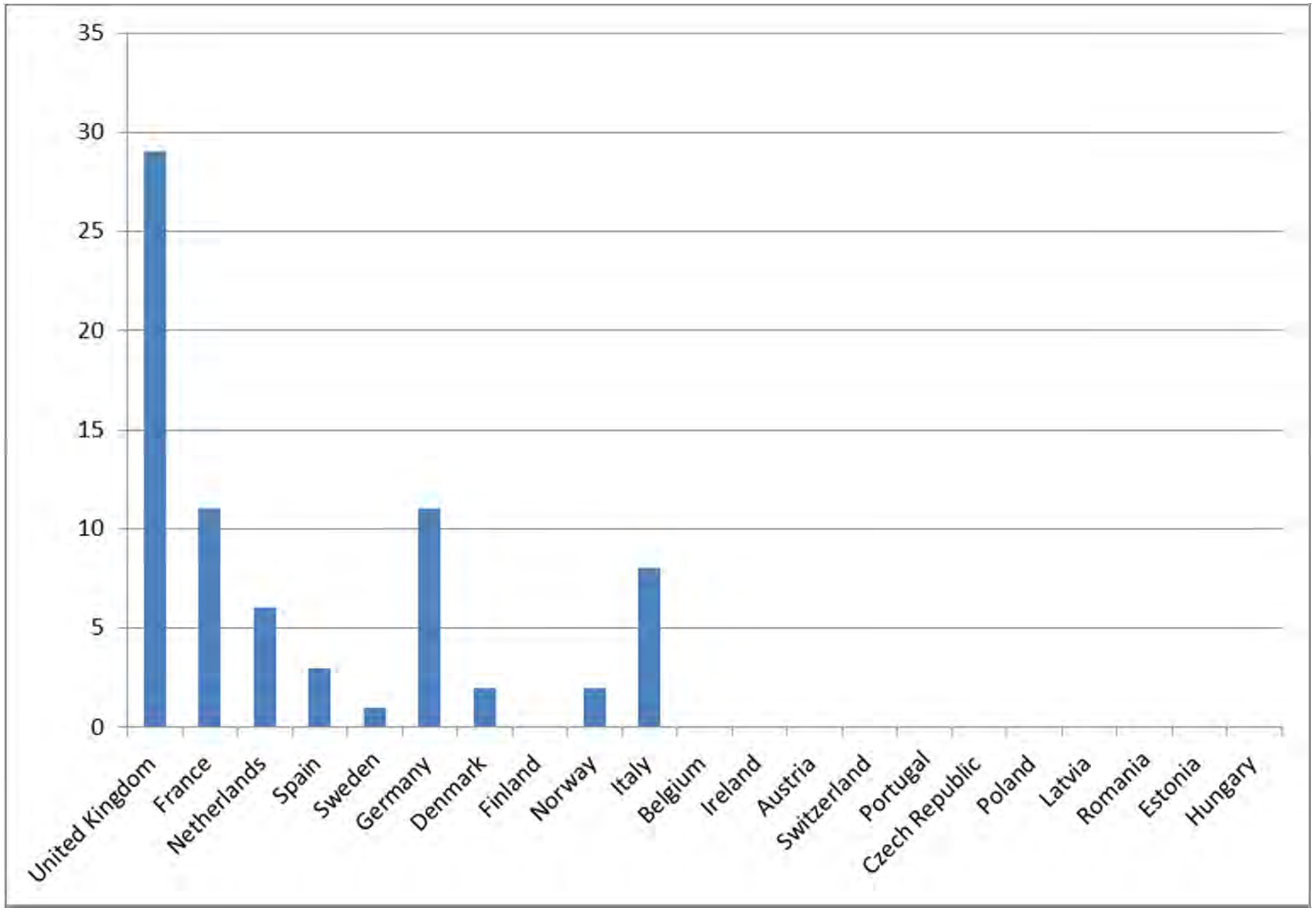
- 815 stores in the UK offering 29.6m sq ft
- Turnover of £350m+ pa with 2,000 employees
- 40% controlled by national players
- 60% relatively fragmented

Maturity of self storage industry across countries

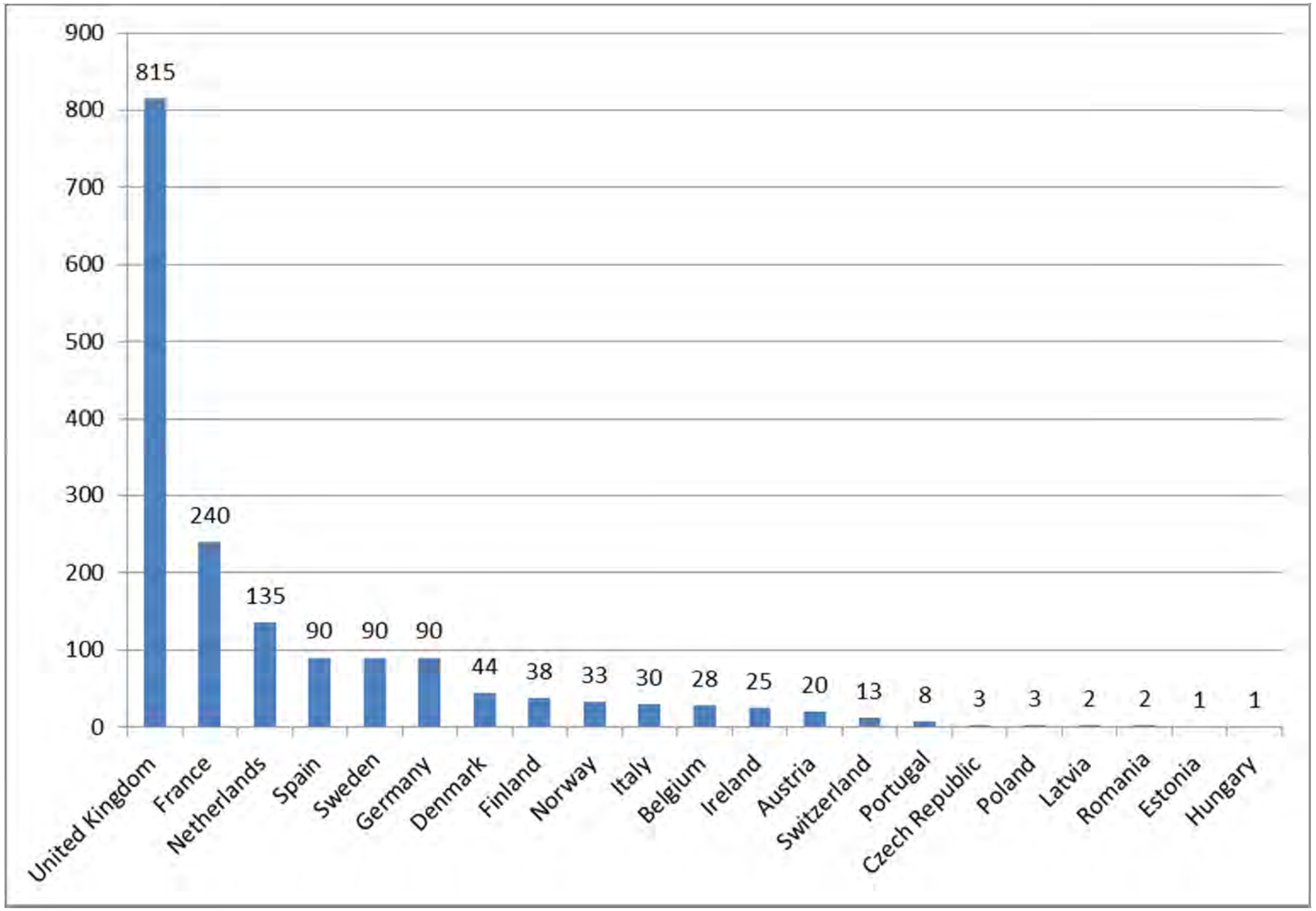
Number of stores



Correlated to Olympic Gold medals?

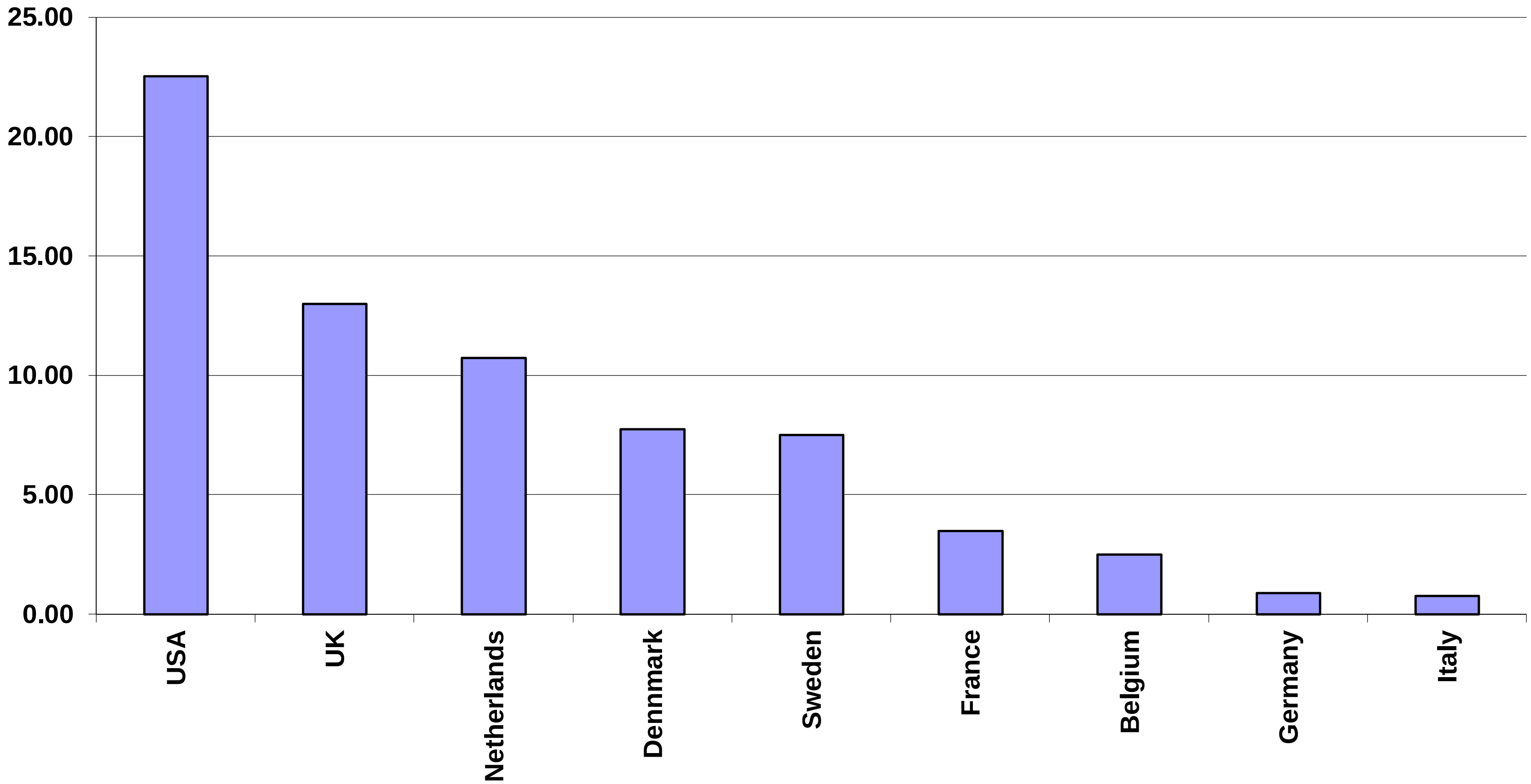


Maturity of self storage industry across countries
Number of stores



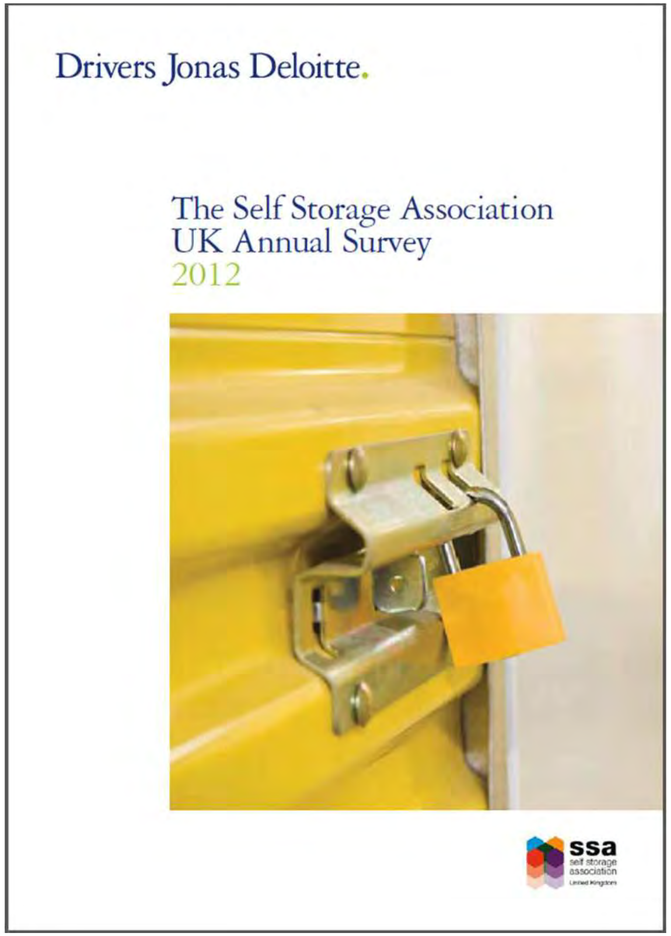
Maturity of self storage industry across countries

Number of stores per million population



The impact in the UK

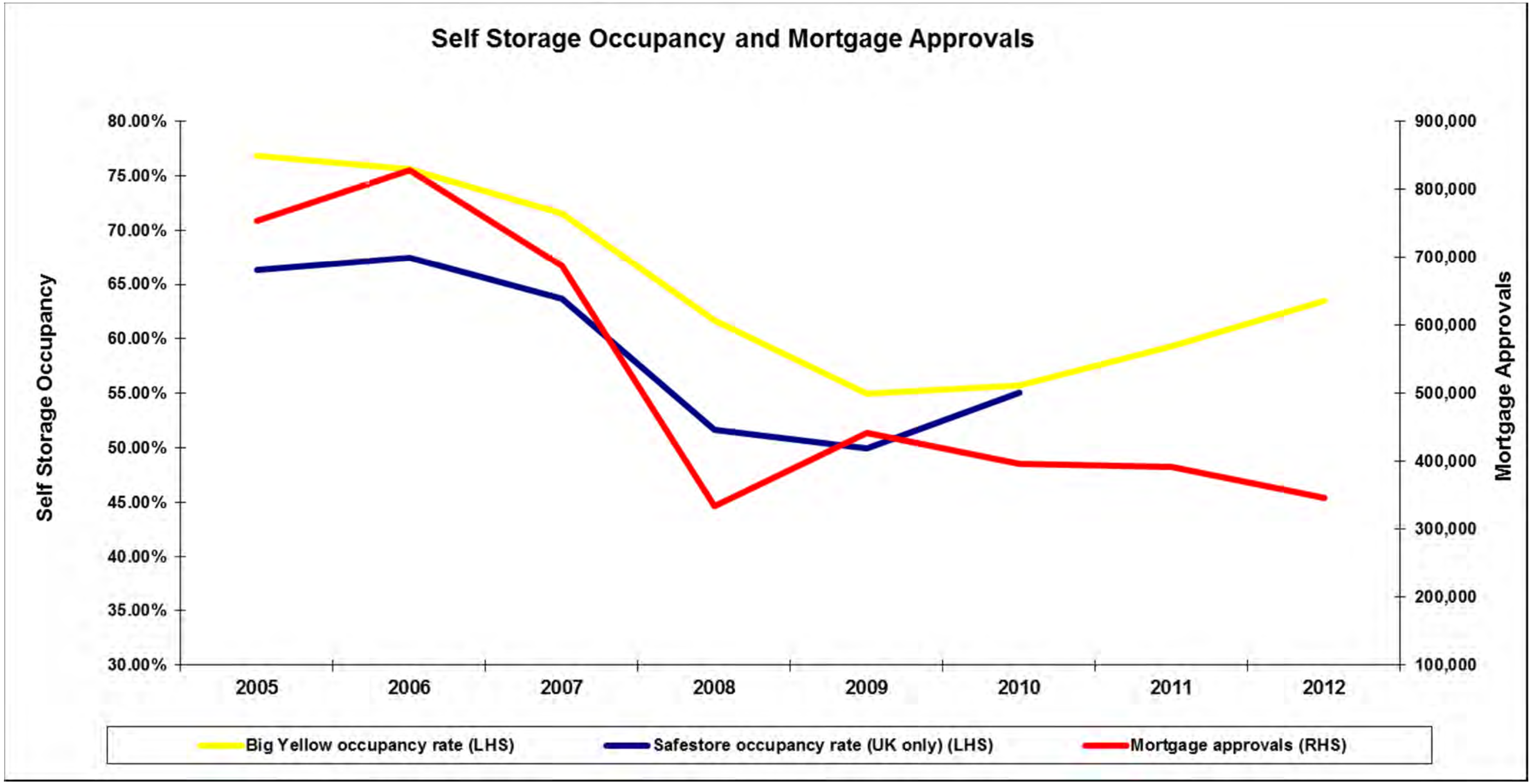
Research available …



- Site information
- Occupancy
- Rental rates and revenue
- Expansion
- Outlook

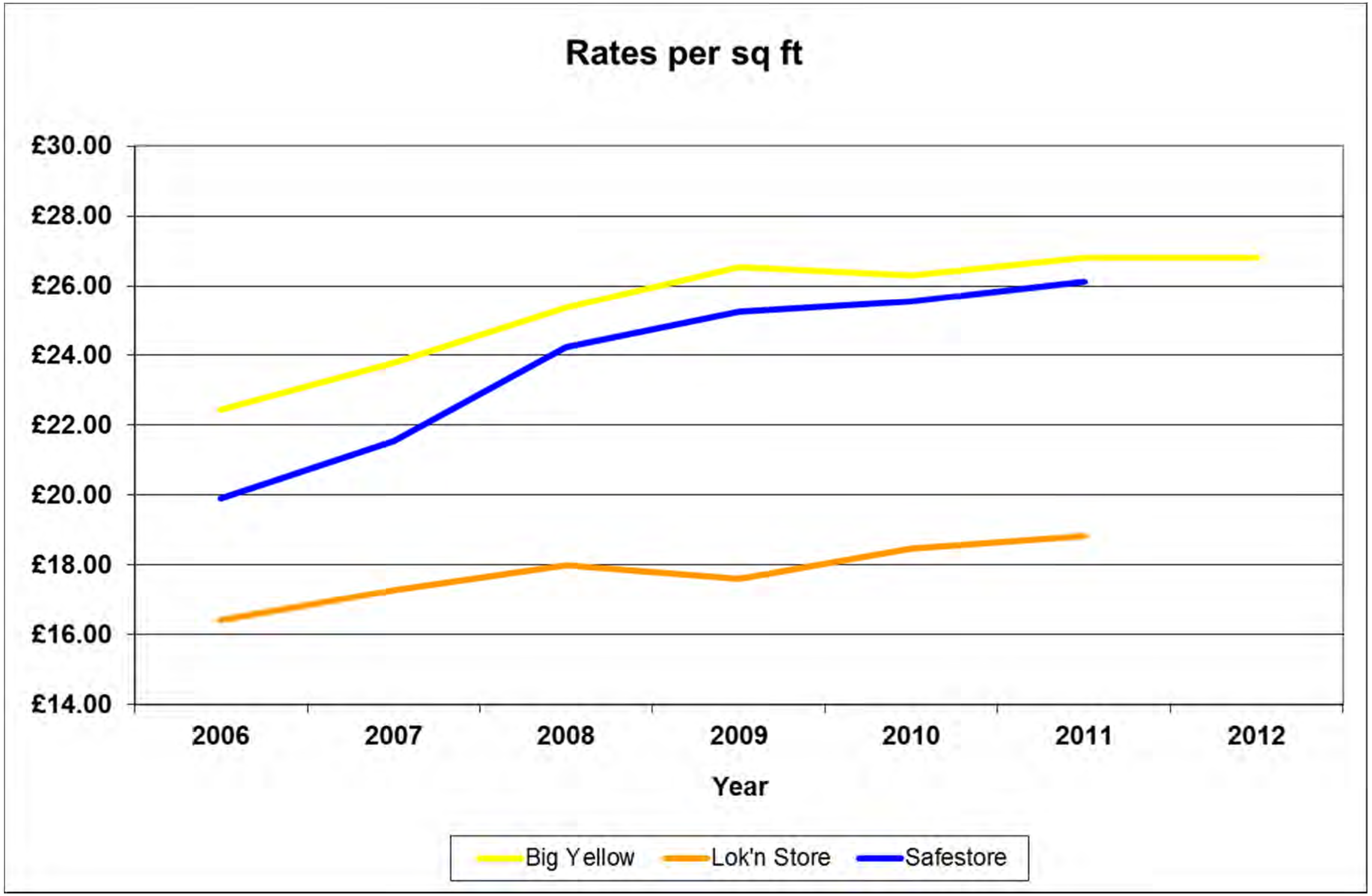
- Available at www.djdeloitte.co.uk

Industry less reliant now on house sales…?



Sources: Big Yellow plc / Safestore plc published accounts ; British Banking Association

Whilst Holding Rates…

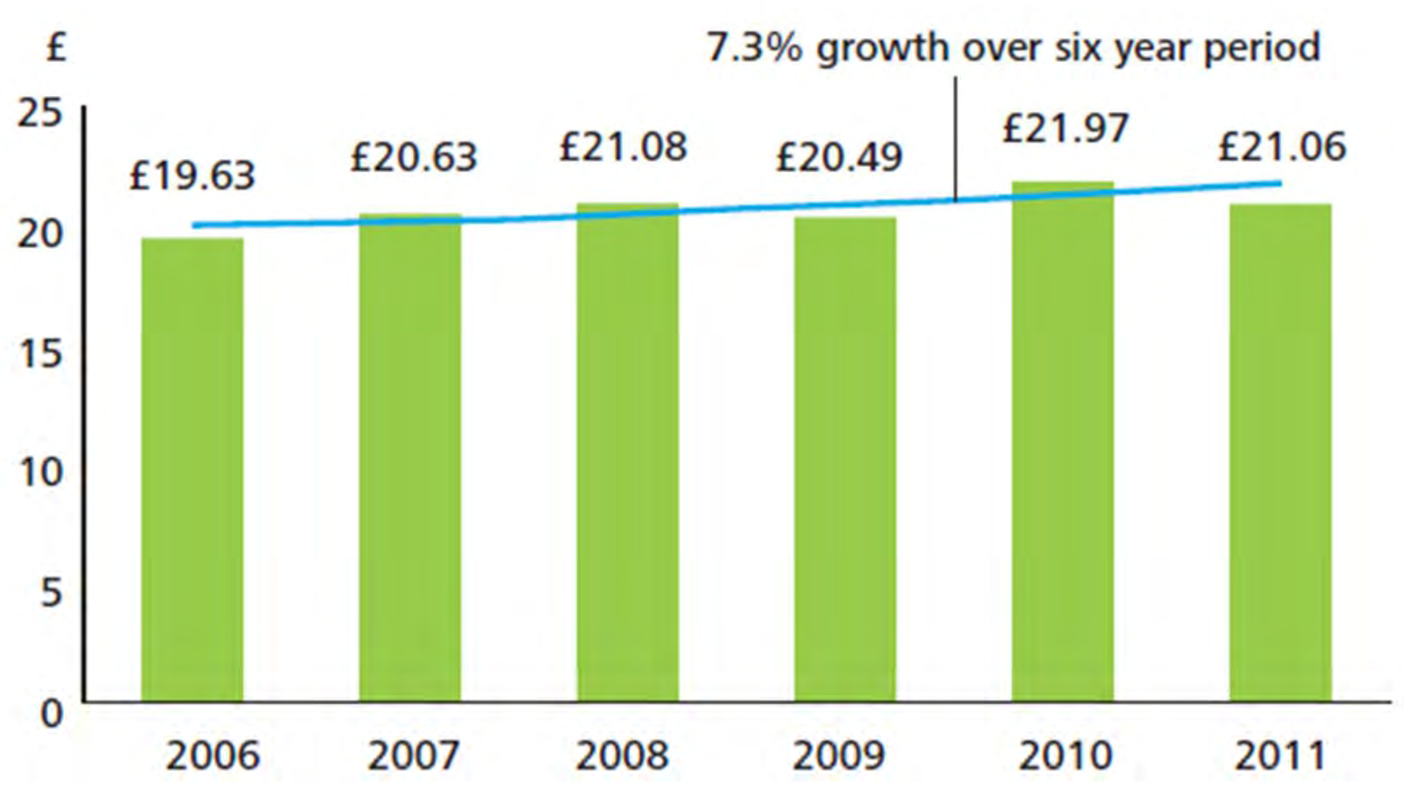


Sources: Big Yellow plc / Safestore plc / Lok'n Store published accounts

UK wide net rates have fallen slightly over the year…

Suggesting a increase in incentives/offers
But with increasing length of stay ...

Figure 25. Average net billed room rate (per sq ft per annum)



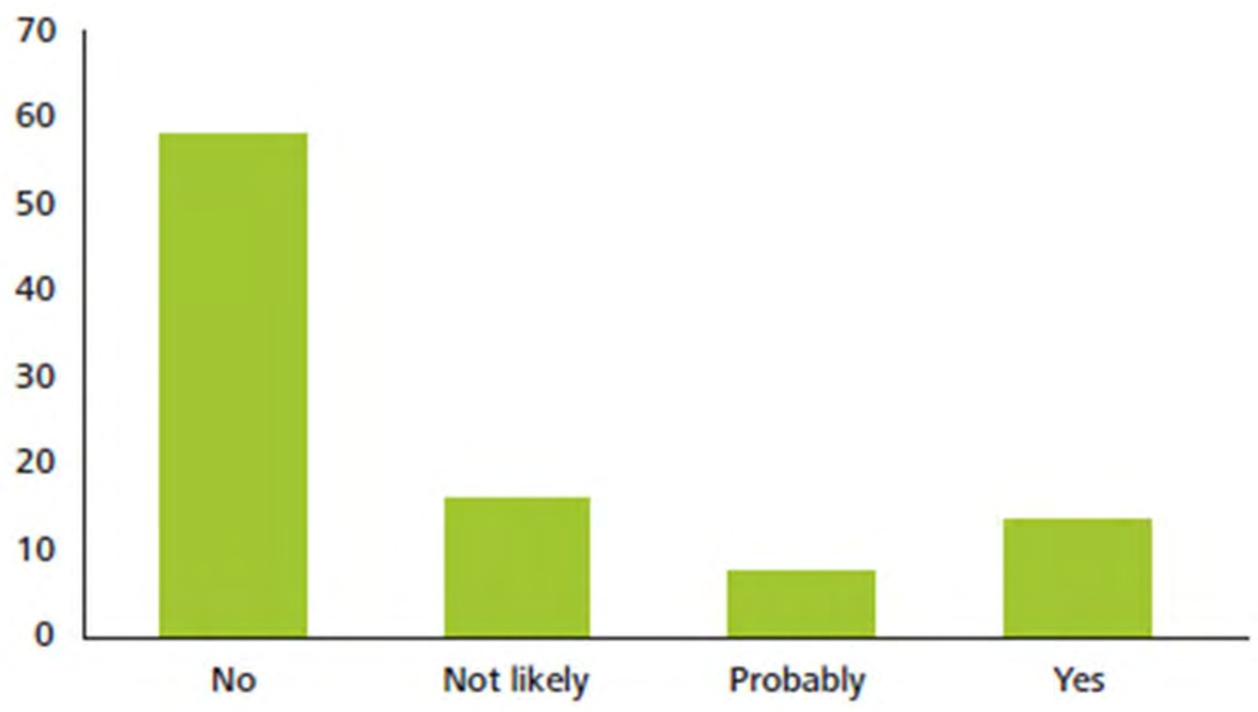
45% of respondents plan to review incentives

Figure 38. Expectations for rents and incentives over 2012 (% of response)

Expansion plans generally ‘on hold’

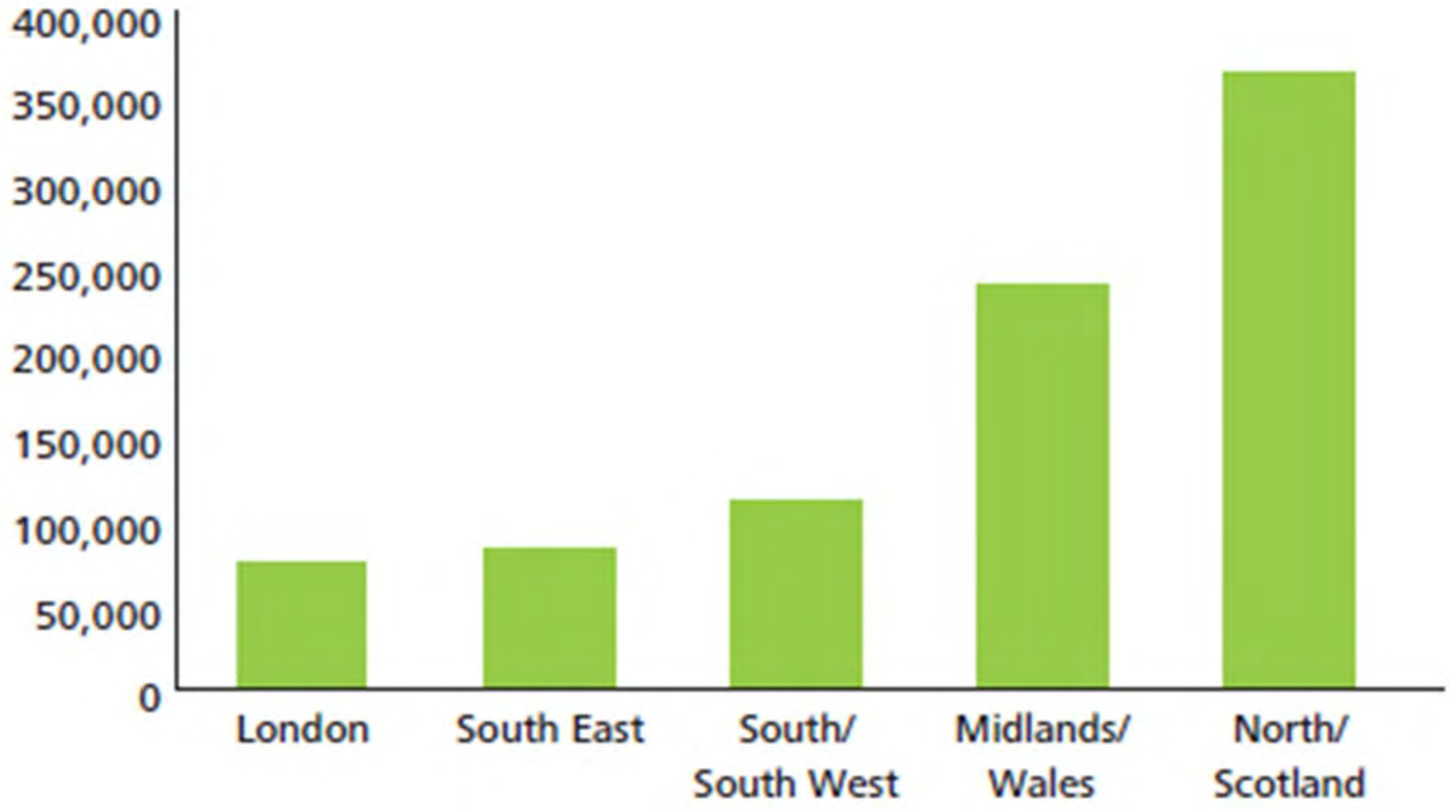
15% intend to open a new store this year (down from 24%)

Figure 34. Do you intend to open new stores in next 12 months? (%)



Future Growth

Figure 33. Potential additional space within existing facilities (sq ft)



Source: Drivers Jonas Deloitte, SSA UK

Finance

"Despite things going reasonably well, we had a very very tough time with our bankers."

Norman Galbraith,
1st Storage Centres

"In a tight lending environment, scale and relationships really matter."

Peter Gowers, Safestore

- Owner-operators re-finance
- Different approaches & structures
- New entrants – but limited
- Capital constraints

"You have to be optimistic about the future. The British public will always find an alternative, and we provide the alternative."

Peter Rayner, Big Box Storage

"We have demand and have proved it over three years of recession with over 20% per annum growth, but we are not in a financial position at the moment where we can expand and it's very frustrating."

Chris Stevens, Kangaroo Self Storage

"The self storage industry has been astonishingly resilient in the last four years of recession."

Peter Gowers, Safestore

"I am more confident than I was this time in 2011 because we have cemented another year of growth and the equity market will get more confident every six months when we report to them that we are still moving our revenues and cashflow despite what they wrote six months ago."

Jimmy Gibson, Big Yellow Self Storage

Transactions

- Smaller buyer pool
- Careful with capital – some debt
- Quality, tenure, positive cashflow
- Strategically important
- No hurry ….
- Appetite for scale with good management

The impact of VAT

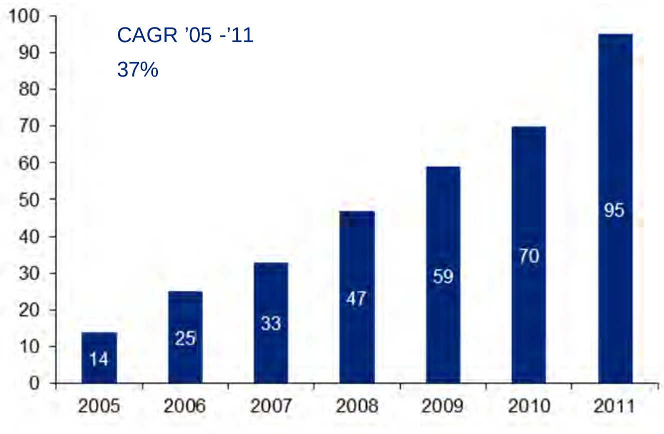
- All stores charge 20% VAT from 1 Oct 2012
- Short term impact
- Customers being told already
- Ability to pass cost on to existing customer over 2 years?
- Biggest ever testing of price elasticity!
- Recovery of VAT
- Uncertainty

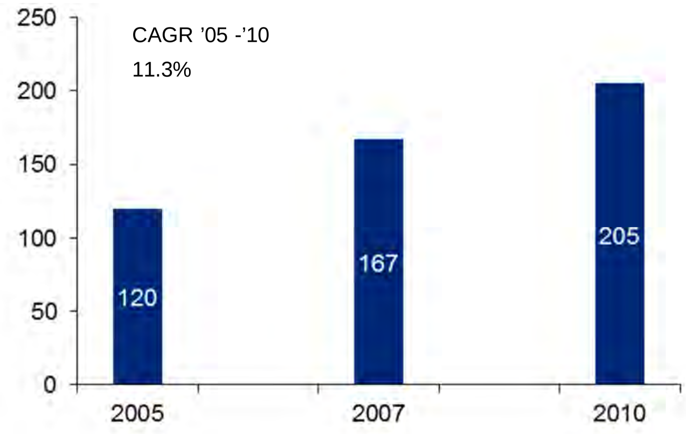
European markets

Macro level observations

- Underdeveloped relative to UK market with a range of maturity : with the most mature being France, Netherlands, Denmark, Sweden
- Dominant players with more control
- Resilient characteristics in light of macro economic drivers
- In tougher markets quality of asset and management are key
- Rental growth rates and fill rates mirror UK experience – although pockets of stronger performance
- Best performing markets are *usually* in northern Europe
- Focus on major metropolitan conurbations
- Sensible investment in under provided markets

Strong growth in number of stores



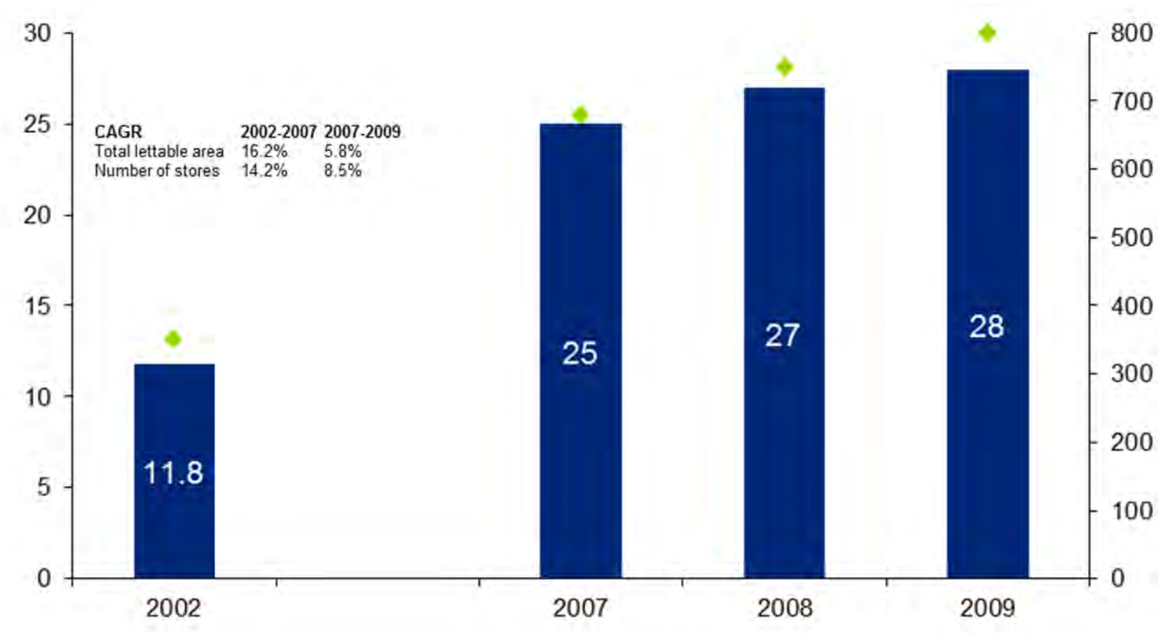


Strong growth in number of stores

Size of the UK self storage market, 2002, 2007-2009

Total lettable area, million square feet (bars)

Number of stores(diamonds)



Source: Self Storage Association annual reports 2002, 2007, 2008, 2009, inside selfstorage.com, Deloitte research & analysis

Investor appetite

- Fremont acquired a minority stake in MyPlace portfolio of 30+ stores in Germany, Austria and Switzerland
- Easybox portfolio of 7 stores in Italy received buyer interest with purchaser in exclusivity
- Other investors circling with varying pricing expectations

Conclusions

An innovative sector

Adapting in changing economic times with cautious optimism

- Yield management with sensible pricing strategies (mostly!)
- Internet retailing
- Power of internet brand
- Improved product
- Embracing business customers
- Understanding the customer better
- Reviewing the cost base
- Length of stay and stable cashflows
- Investors like concept of self storage
- Operators more cautious with opportunities

But ….

- Still no significant consolidation
- Not many management contracts
- Few new operator and investor entrants
- Land supply and approvals costly
- Cost vs cashflow

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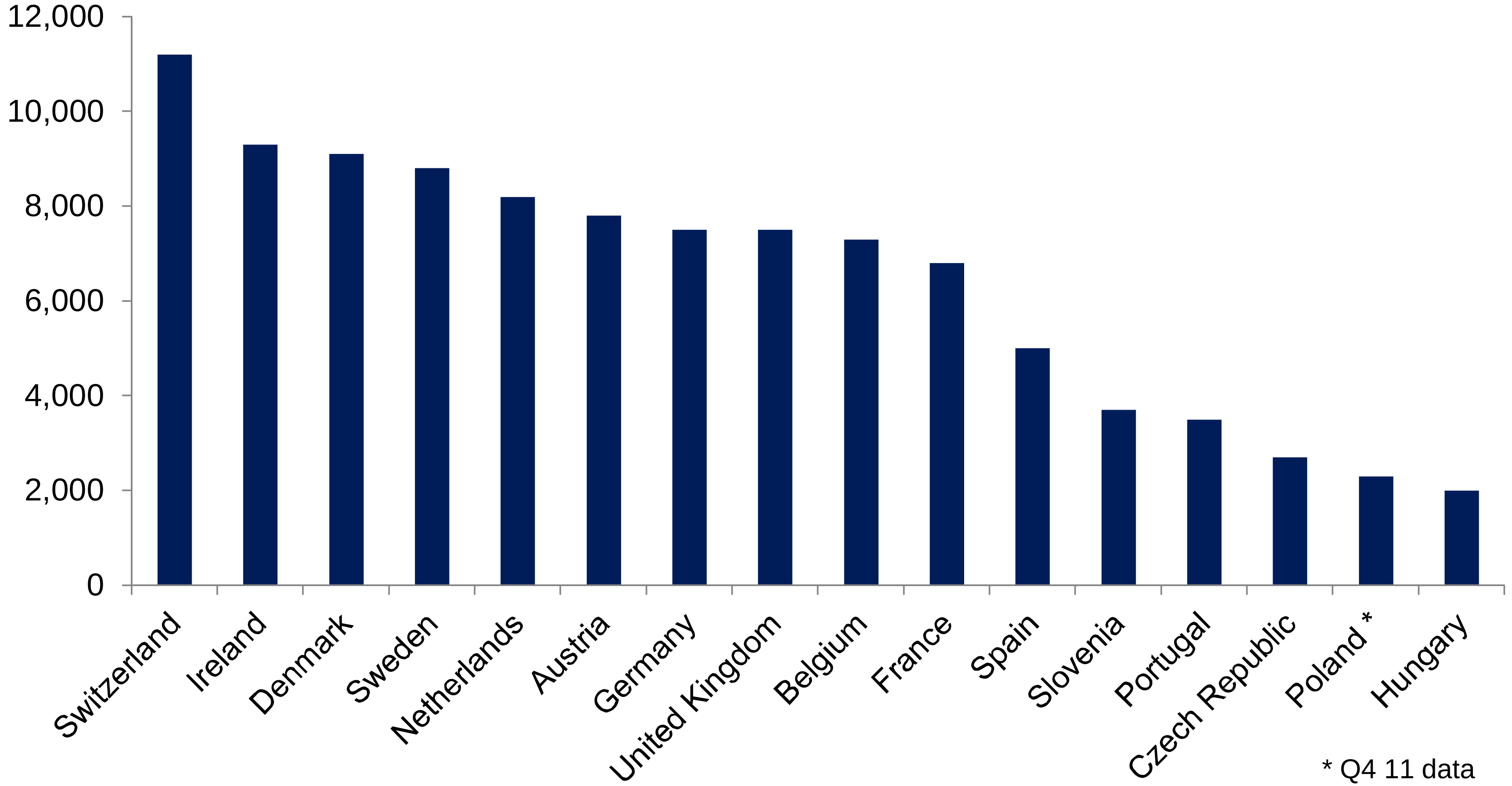
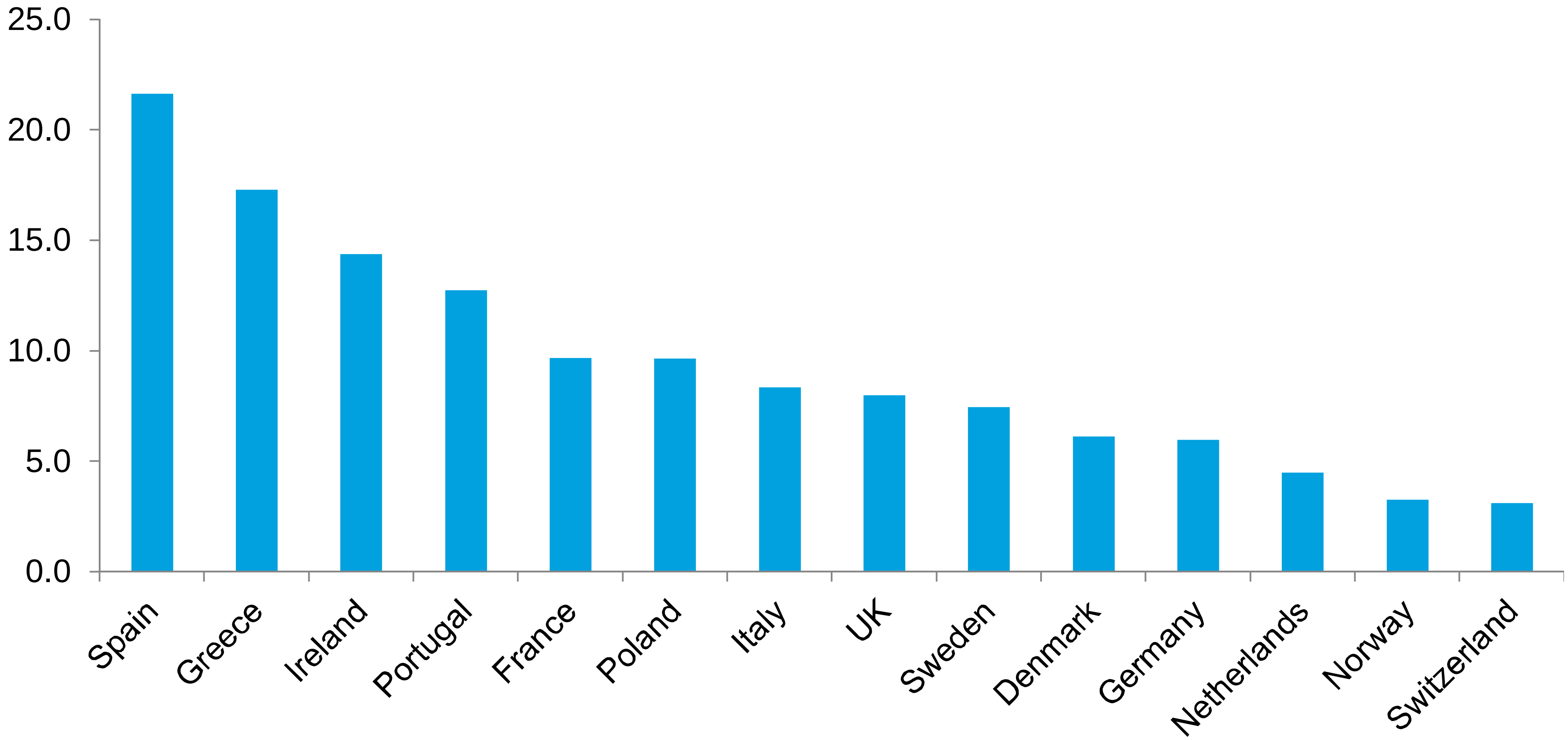
Disposable income, € per inhabitant per annum

Q1 2012 Source: Eurostat



* Q4 11 data

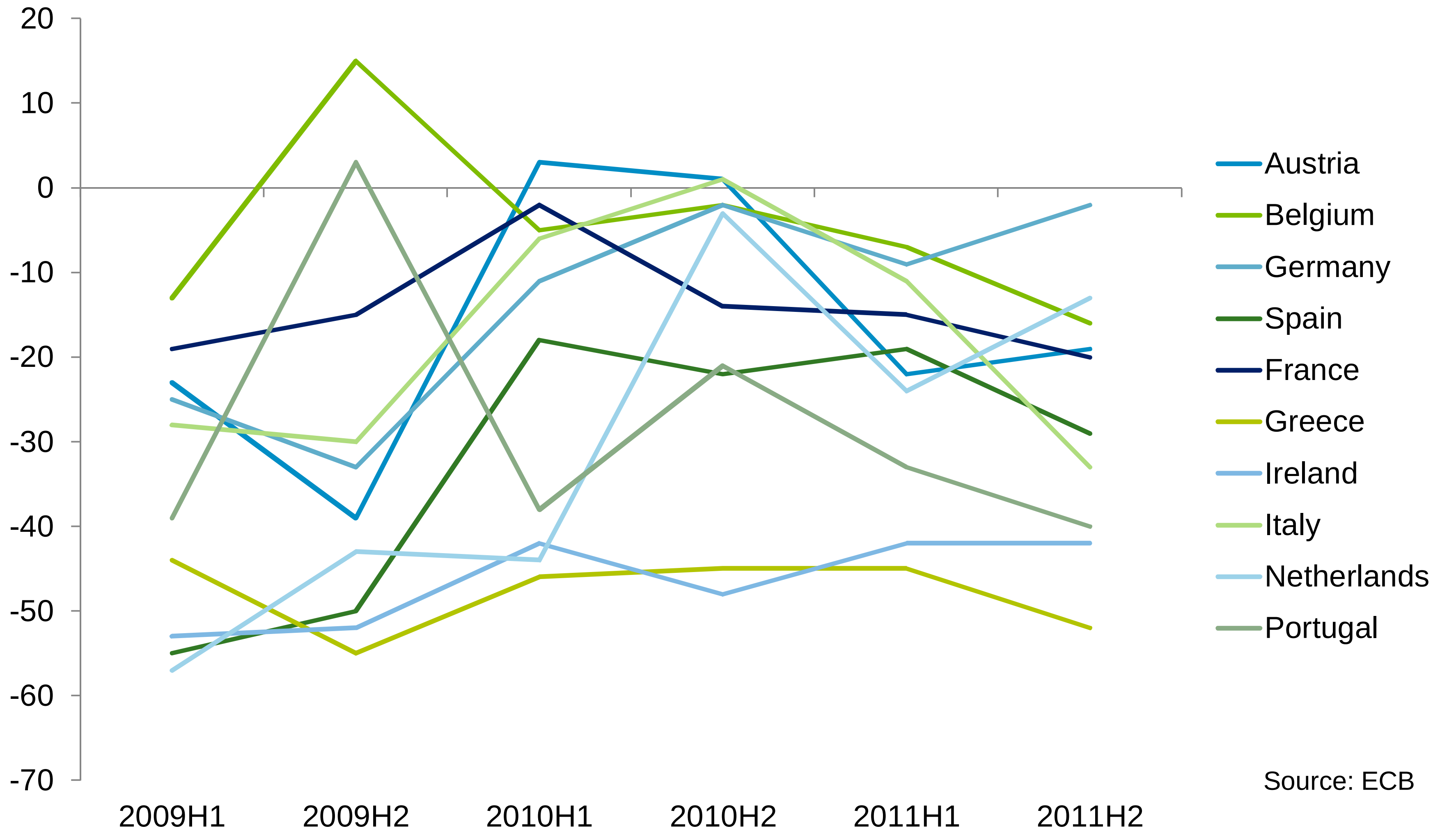
Unemployment % rate, 2011



Source: Source: IMF WEO Database / Thomson Reuters Datastream (2012)

SMEs: ECB survey of availability of bank lending

Net responses (0 = no change)



Source: ECB