Drivers Jonas Deloitte.

The Self Storage Association UK Annual Survey 2012

ssa
self storage association
United Kingdom

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Introduction

This is the sixth consecutive annual survey carried out by the Self Storage Association UK among its members, and the second report based on the responses to a questionnaire distributed by the Self Storage Association (SSA UK) and produced by Drivers Jonas Deloitte (DJD). Survey responses were returned from 87 separate companies (82 last year) and covered 436 self storage facilities. Responses to questions relate to the company and facility positions at 31 December 2011.

Slight changes to the survey questions are made each year in an attempt to capture current features of the market. A number of core questions, however, have remained constant throughout the life of the survey, and, where possible, trends over the five year period are shown. Like-for-like comparison is not always possible with the survey results as there is a variation year-on-year in the participants.

In the March 2012 Budget the government proposed to charge VAT on the provision of self storage with effect from 1 October 2012. The SSA UK believes that the proposals are deeply flawed. Therefore it has submitted a comprehensive and well constructed challenge to HM Revenue and Customs (HMRC) during its consultation period. The basis of the SSA UK challenge centres on fiscal neutrality, proportionality, the distortion of competition and the small amount of revenue that HMRC will collect in the short to medium term from this new tax.

The SSA UK included in its response the results of a detailed survey of its members on their VAT position conducted in March and April, and also undertaken by Deloitte; the response included a robust legal opinion on the impact of the tax change on the industry. The SSA UK will continue to present its arguments to ministers and members of parliament over the forthcoming weeks and is hopeful that its actions may lead to some changes in the current HMRC proposals.

The next section paints a picture of the self storage industry in the UK in our current economic environment and has been provided by DJD and the SSA UK. However, please note that the Survey Results section is based only on the responses to the questionnaire.

In order to provide more useful insight into the data, responses have been broken down by a number of criteria where the resulting subsets have been large enough. Comments have also been added from a small number of interviews undertaken by DJD.

The survey continues to evolve with time. We would welcome feedback from our members and from other readers of the survey as to what changes would be appropriate for us to consider in future years.

Finally, as with last year's survey, we are very grateful to all members who responded to the survey and for DJD's participation in the interpretation of our survey data and in providing the results in the context of the current economic environment.

Rodney Walker	Ollie Saunders
CEO Self Storage Association UK	Partner Drivers Jonas Deloitte

May 2012

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VAT
Responses to this survey pre-date the Budget announcement on 21 March 2012 relating to proposed changes in VAT – see paragraphs 3 and 4 of this introduction

The self storage industry

There are an estimated 815 self storage facilities in the UK and this equates to approximately 29.6 million sq ft of storage space. With a population of 62m people in the UK, this equates to 0.5 sq ft per person in the UK, compared to 7.4 sq ft per person in the USA (2012 US Self Storage Almanac) and 1.1 sq ft per person in Australia (2011 Australasian Self Storage Association).

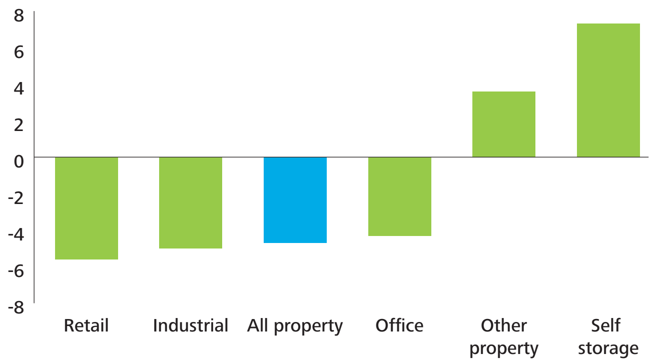
We estimate the total annual turnover for the UK self storage industry in 2011 was £355m from approximately 400 different operators, and they employed in excess of 2,000 staff (full time equivalent) in their self storage facilities.

Of the total number of facilities in the UK, 320 are held by large operators (40%), while small operators account for the remaining 60% of facilities. We define large operators as those companies managing 10 or more facilities.

Rental growth

The annual survey results show that over the period from 2006, achieved rents in the self storage sector have risen a cumulative 7.3%. In comparison, figures from IPD, which provides benchmark performance data for commercial property investment, show that rents in each of the main sectors, and property as a whole, have all fallen by around 5% over this same period, with only the 'other property' sector (hotels, leisure, medical etc.) also showing an increase. [Figure 1]

Figure 1. Cumulative rental value growth 2006-2011 (%)



Source: IPD, SSA UK

Tenant spread – private and business

It is clear from the results delivered both by the larger operators and the SSA UK Survey, that the health of the self storage sector does not depend on the volume of house transactions in the UK. Revenues have continued to rise since 2007 (see Figure 29), if more gradually, while house purchase numbers have effectively halved. According to the results from last year's survey, just over a third of customers are renting space while moving house.

Other important types of private customers are those carrying out house improvements, and evidence suggests that this is a growing sector, driven by the slow housing market, and de-clutterers, who will tend to turn into long-term customers. These account for around 10% of demand each.

A further third of customers are businesses, and the current survey results indicate that these business customers are becoming increasingly important: they are taking an increasing share of space, occupy space for longer, and are being offered a wider range of additional services by operators.

Europe

The following are estimates of the number of self storage facilities acoss Europe. The average size remains at around 40,000 sq ft (but this is changing as smaller operators enter the market).

Austria – 20	Italy – 30
Belgium – 28	Latvia – 2
Czech Republic – 3	Netherlands – 135
Denmark – 44	Norway – at least 33
Estonia – 1	Poland – 3
Finland – 38	Portugal – at least 8
France – 240	Romania – 2
Germany – 76	Spain – 90
Hungary – 1	Sweden – 90
Ireland – 25	Switzerland – 13

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Refinancing

A number of operators in the self storage market are currently undergoing refinancing of debt arrangements which were agreed four or five years ago in a very different economic environment. The consensus among those that we have spoken to is that refinancing in the current environment is very difficult, while agreeing new loan terms and conditions is even harder. Additional funding is severely restricted – "it is only available on a drip-drip basis" – putting the brakes on hard for those operators keen to expand their facilities or open new sites.

Feedback from operators is that it would appear UK banks are looking to reduce their exposure to the sector and seem to be looking for excuses to do so - for example changing the valuation basis for the self storage asset to one based on an alternative use, and introducing amortisation schemes into the loans to reduce their risk. However, the picture would appear to be different for the larger operators with a national brand and stronger cashflows.

In April 2012 Big Yellow Self Storage announced it had arranged the first loan from an Insurance Company (Aviva) to the self storage sector. This £100m loan had a 15 year term and fixed cost of 4.9%. This transaction demonstrated the interest long term investors have in the industry and in the cashflow generated by the service. It also proved demand for lending to self storage from outside the traditional UK banking sector.

Furthermore in May 2012, Safestore announced the refinancing and increase of its facilities to £400m, including a new $115m US private placing of bonds. Again, the bond placing was a first for self storage in the UK and showed interest in lending from outside the UK banking sector.

Both of these transactions will be seen as positive news for the self storage industry and its ability to refinance the loans it has accumulated over the last 10 years of considerable growth.

> "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

Major locations: rentable storage space per person (excluding removals and containerised storage)

City/town	Space available sq ft	Population	Sq ft per person
London	8,300,000	8,300,000	1.00
Birmingham (within motorways)	439,000	992,000	0.44
Glasgow	428,000	910,000	0.47
Leeds (metro)	460,000	810,000	0.57
Manchester (inside M60 excluding Stockport)	473,000	635,000	0.74
Liverpool (metro)	260,000	590,000	0.44
Bristol (metro)	428,000	587,000	0.73
Sheffield	235,000	512,000	0.46
Edinburgh	442,000	450,000	0.98
Cardiff	228,000	324,000	0.70

The large operators

Operator	No. of stores	Ownership
Safestore	96	Listed on London Stock Exchange (LSE)
Big Yellow	66	Listed on LSE and a UK REIT
Access Self Storage	52	Privately owned
Storage King	25	Privately owned, with a mix of licensed and directly owned facilities
Lok'nStore	22	Listed on AIM
Shurgard	22	Subsidiary of Shurgard Self Storage Europe which is in turn a subsidiary of Public Storage, a US REIT
Alligator Self Storage	15	Privately owned
Space Maker	12	Managed by Safestore
Armadillo	10	Managed by Big Yellow
TOTAL	320	

The annual survey results show that over the period from 2006 to 2011, achieved rents in the self storage sector have risen by a cumulative 7.3%.

Key survey findings

- Average occupancy rate among mature facilities has risen from 68% to 70%, and up to 75% in London.
- 63% of facilities raised empty room rates more than inflation during 2011.
- The average billed room rate has fallen back to £21.06 per sq ft per annum, although it has risen by a cumulative 7.3% since 2006.
- Business customers take 39% of space, up from 36% last year.
- Business customers now stay on average over 61 weeks (previously 56 weeks).
- More facilities have a wider range of security features.
- Additional services are on offer at a wider range of facilities – 51% now offer office space.
- Only 15% of operators intend to open a new facility in 2012 – down from 24% in 2011.
- Self storage turnover has risen 17% among operators under £1m turnover.
- The majority of respondents are expecting profits and rental rates to increase this year, although this response was before the proposed VAT changes announced in the Budget in March 2012.

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Economy

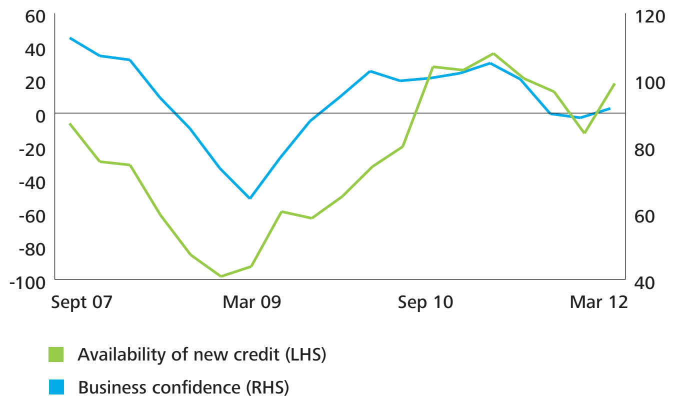
A volatile recovery was always expected

The first half of 2011 saw a higher level of optimism following the gloom of the recession in 2008 and 2009, but this didn't last long with growing concerns relating to the Eurozone's economic stability and significant global stock market volatility resurfacing during the latter half of the year, coinciding with a reversal in fortunes for UK output. The last quarter of 2011 recorded a 0.3% quarter on quarter fall in output, bringing total GDP growth for the year down to 0.7%, from 2.1% in 2010. In hindsight, however, the volatile nature of the UK's economic recovery to date is not dissimilar to that seen following previous recessions. First estimates for the first quarter of 2012 are of a further 0.2% fall in GDP, which would mean that the UK has slipped back into a technical recession.

Corporates currently holding cash

It is clear that there is still an important difference between the circumstances of corporates and of consumers. Recent editions of Deloitte's CFO survey show clearly that corporates are not immune from bouts of pessimism regarding their prospects, and while the global economic outlook has improved, European economic events have not helped stabilise corporate confidence so far. [Figure 2] However, corporates face the current environment with one significant advantage over consumers, in the form of higher than normal cash reserves, reflecting their defensive strategies including a reluctance to invest during the uncertainty of recent years.

Figure 2. Confidence and availability of credit



Source: Deloitte CFO Survey/Eurostat

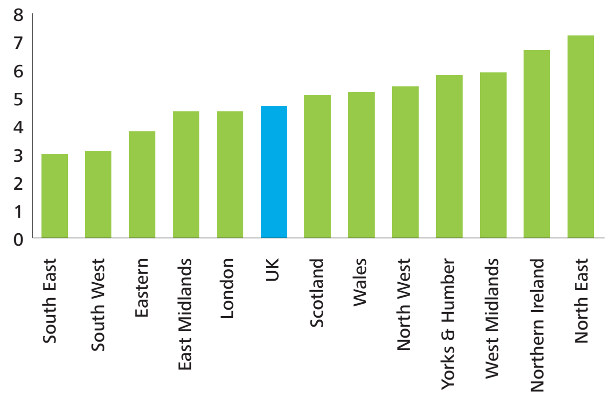
"The housing market is now far less fluid with many more breaks in the chain… so out of a smaller market we get a much greater share using storage."

Chris Stevens, Kangaroo Self Storage

Consumers still deleveraging

Consumers, on the other hand, are still in the grip of a deep deleveraging cycle. Having reached negative levels prior to the downturn, the household savings ratio has rebounded to the 6%-8% range over the past few years as households pay down debt. At the same time, the lack of corporate investment and greater levels of caution have seen unemployment reach 8.4% at the start of 2012. [Figure 3]

Figure 3. Unemployment rate (% of workforce, end 2011)



Source: Oxford Economics/Drivers Jonas Deloitte

Inflation hitting both, but receding, and real incomes recovering

However, one problem faced by corporates and consumers alike has been that of inflation, which has remained stubbornly above the Bank of England's target range since 2009. A significant portion of inflationary pressure has been imported as a result of higher prices for foreign goods and services, while successive VAT hikes in 2010 and 2011 also played a role. The latter are no longer affecting inflation calculations, and this has been one of the factors which have helped inflation to fall sharply since reaching a peak in the third quarter of 2011. Indeed, the fall has been strong enough to mean that, on a monthly basis at least, real income growth has become positive again by the end of 2011.

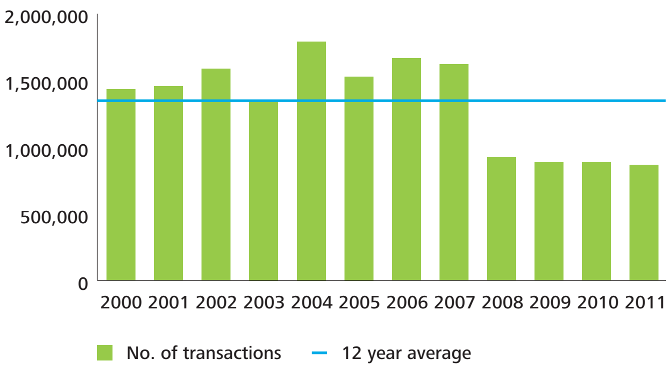
Retailers still struggling

The performance of the retail market has been mixed: a relatively positive start to 2012 following a strong Christmas performance in aggregate, has been tempered by a continuing stream of insolvencies in the sector. Deloitte research showed insolvencies in the first quarter of 2012 were 15% up on the same period in 2011. In the sectors most closely connected to the housing market, the value of furniture, lighting and household articles rose just 1% in 2011 compared with 2010, while the value of retail in the floorcoverings sector fell 22% over the same period. Like-for-like sales at DFS for the half year to January fell 10.3% and Topps Tiles' figures for the half year to March 2012 were 4.5% down on the previous period, but Carpetright showed positive growth in its like-for-like sales in the quarter to April, and many of the players in this sector are expanding their store numbers, showing confidence that returns will come as the market recovers.

The housing market

While the current consensus sees a modest rise in consumer spending over 2012, consumers still face a number of headwinds. One is that low mortgage rates, which have shielded many households from the full effects of the downturn, are beginning to creep up. This is also expected to affect housing market transaction volumes, which remain well below long run averages, but had begun to pick up towards the end of 2011.

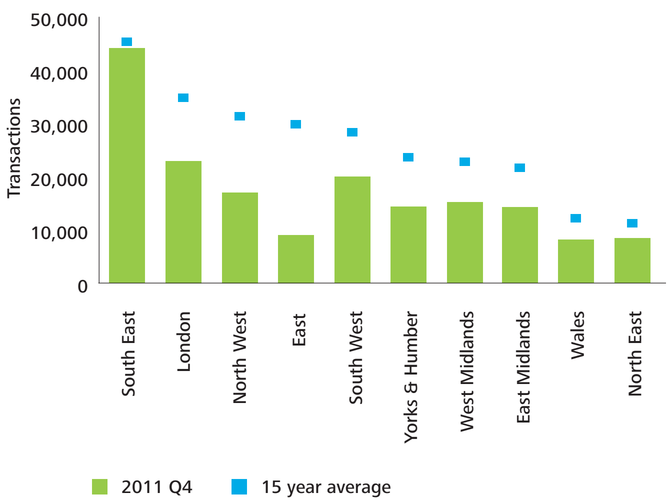
Figure 4. Housing market transaction volumes (England & Wales)



Source: DCLG

The total number of completed residential transactions during 2011, at 867,000 was slightly below the total for 2010. [Figure 4] Monthly totals have been running at around 80,000 at the end of 2011 and into early 2012, but the end of the stamp duty holiday for first time buyers (for properties under £250,000) in March looks set to reduce demand, and the consensus outlook for 2012 as a whole is for a similar volume of deals to the last two years, and still more than 400,000 below the 10-year average of 1,300,000 per year.

Figure 5. Regional housing transaction volumes



Source: DCLG

While some surveys have seen some tentative signals of a return of confidence in the market, it is generally accepted that the year ahead will be a further one of low activity, marked by low turnover, at best stable house prices, and constrained lending.

Housebuilders have started the year in fairly buoyant mood, with a higher balance reporting increased site viewings than since 2002. In addition, the government's NewBuy scheme aimed at assisting first-time buyers to access 95% loan-to-value mortgages could help around 100,000 people to buy new-build properties. But whether the demand for this scheme materialises, given the fragility of consumer confidence, and whether it in reality produces net new buyer totals, remains to be seen.

Flats and maisonettes made up 39% of all new homes (public and private) completed in 2011, a significant fall on the 46% recorded four years previously (see table below).

Housing completions

Type	2007	2011
Flats/maisonettes	46%	39%
Terraced houses	20%	22%
Detached houses	17%	20%
Semi-detached houses	14%	18%

Source: NHBC

Mortgage approval totals have been gradually increasing month on month during 2011, edging towards the 60,000 per month level, but the figures for the start of 2012 have shown a fall back, albeit still ahead of the same period last year.

RICS surveys show average stocks of properties for sale on surveyors' books continuing a rising trend through 2011 and into the start of 2012, standing at around 70 per branch, while average sales per surveyor have only tentatively risen, standing in February at only 16 per branch against the long-term average of 25.9.

In terms of house prices, in the three months to February the London region was alone in seeing a balance of surveyors reporting price rises according to RICS. Both the Halifax and Nationwide house price indexes showed monthly movements during 2011 hovering around zero with small falls over the year as a whole.

The residential lettings market continues to show that tenant demand has continued to rise since early 2010, and although rents have stopped increasing at the rate seen in mid-2011 they are expected to continue to keep pace with average earnings given the lack of new supply. Younger age groups are experiencing higher levels of unemployment and finding purchasing property more difficult to achieve, and are therefore an important source of tenant demand for landlords.

Survey results

This year's survey data contained responses from 87 operators, covering 436 sites and a total of 16 million sq ft of storage space. The survey responses were collected in January and February 2012.

Location

The following regional groups have been used for 2011 data:

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

When comparing data across the five years, the following four regions have been used:

- London;
- South (South, South East & South West excluding London);
- Midlands & Wales; and
- North & Scotland.

Company size

On certain figures, the different responses between Independent Operators (with up to and including 5 facilities) and Multiple Operators have been shown.

Facility opening date

Facilities have been broken down into the following five 3-year bands of opening dates:

- pre 2000;
- 2000-2002;
- 2003-2005;
- 2006-2008; and
- 2009-2011.

Site information

The average net lettable area of the facilities within the survey this year was 39,000 sq ft.

Among facilities opened between 2009 and 2011, the average size was 30,143 sq ft, indicating more recently opened facilities have been smaller than the long-term average.

The average number of rooms per facility was 358, with an average size per room of 68 sq ft.

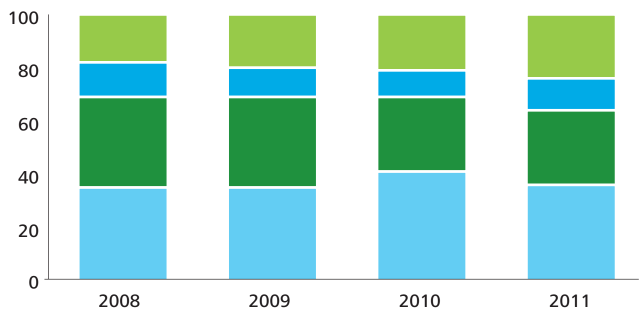
The spread of facilities by size has changed little over the last six years: the proportion measuring 20,000 sq ft or less has gradually shrunk and now stands at 22%. The largest sites, with over 60,000 of lettable space, are also accounting for a smaller proportion than in previous surveys, with only 12% this year. [Figure 6]

Figure 6. Spread of facilities by size (%)

Source: Drivers Jonas Deloitte, SSA UK

In terms of the spread of space across the country, as opposed to the number of facilities, London and the South are most dominant. At the end of 2010 they together accounted for 69% of floorspace, and this year the survey puts their share as 64%. [Figure 7]

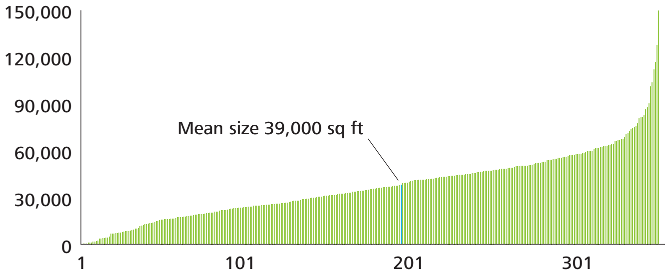
Figure 7. Regional spread of floorspace (%)



Source: Drivers Jonas Deloitte, SSA UK

At the extremes, 4.7% of facilities have less than 5,000 sq ft of net lettable space, and 1.7% have over 100,000 sq ft. [Figure 8]

Figure 8. Range of facility sizes (net lettable area, sq ft)



Source: Drivers Jonas Deloitte, SSA UK

The latest survey shows a continuation of the long-term trend of the Midlands, Wales and Northern regions gaining share, now accounting for 40% of facilities. [Figure 9]

The self storage stock in the Midlands and Wales region has the youngest age profile: 51% facilities have opened since 2006, while in the mature markets in London and the South/South West, 70% and 66% of facilities respectively were opened before 2006. [Figure 10]

Figure 9. Regional spread of facilities (%)

Source: Drivers Jonas Deloitte, SSA UK

Figure 10. Regional split of stock by age (%)

Source: Drivers Jonas Deloitte, SSA UK

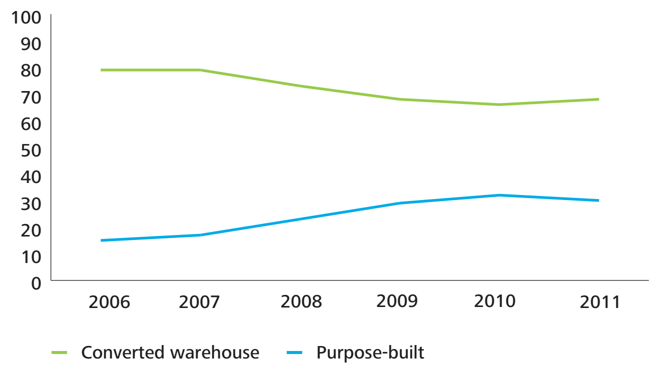
Looking only at purpose-built facilities, the average size of new sites has tended to shrink, from around 56,000 sq ft for those opened before 2000 to 40,000 sq ft for those opened between 2006 and 2008; but those opened in the last three years have shown an increase in average size. [Figure 11]

Figure 11. Purpose-built facilities – average size by age

Source: Drivers Jonas Deloitte, SSA UK

The latest survey results show that the recent increase in share taken by purpose-built facilities has stalled, and currently stands at 30% of the stock. This is an indicator of the slowdown in new development seen elsewhere in the report, as new facilities are more likely to be purpose-built. [Figure 12]

Figure 12. Type of facility over time (%)



Source: Drivers Jonas Deloitte, SSA UK

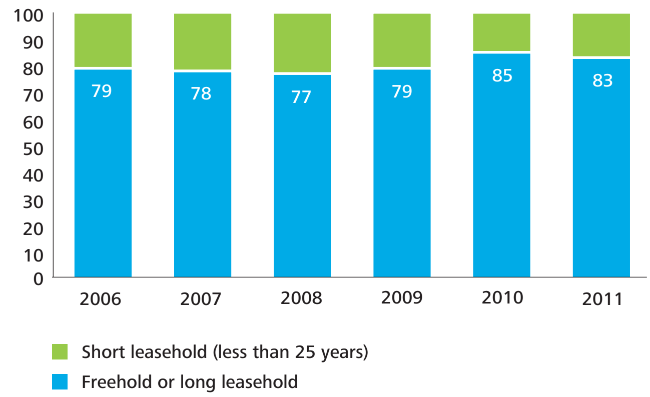
Container storage

Container-only storage facilities offer self storage in a separate container (or garage-style) room. They are typically stand-alone rooms, sometimes purpose-built, but often within shipping containers placed in a secure yard or building.

- Pure container-only facilities account for 6% of the SSA UK membership.
- 241,000 sq ft of space in container-only facilities in the survey; 60% of this is in Midlands/Wales; only 10% in London.
- 16% of the facilities opened in the last 3 years.
- Average billed net rate per sq ft is £9.42.

83% of facilities in the survey are held either freehold or on long leaseholds (25 years or more), a slight fall from the 85% recorded last year but higher than the figures for the previous four years. [Figure 13] Among purpose-built facilities, 94% are held either freehold or on long leaseholds. 12% of facilities were reported to be managed on behalf of an investor (in two cases on behalf of multiple investors), a rise on the 5% recorded in the previous survey.

Figure 13. Ownership split over time (%)



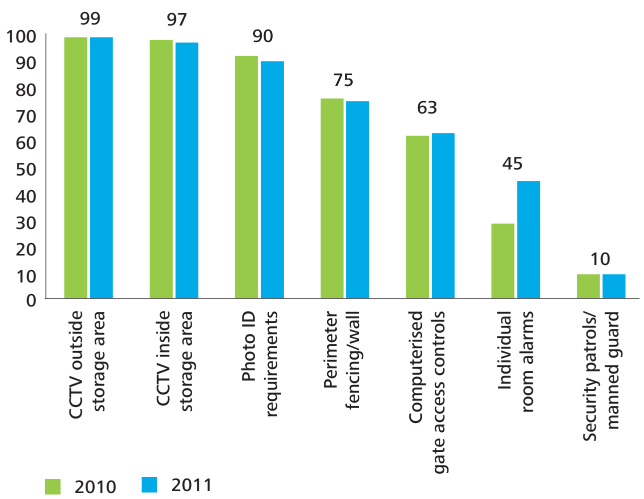
Source: Drivers Jonas Deloitte, SSA UK

Security features are important to customers, and all the features surveyed have shown an increase in popularity since last year. An analysis of the correlation between facilities with security features and those reporting rent increases greater than inflation for existing customers, reveals that 83% of those with individual room alarms managed this level of increase. [Figure 14]

> "If you do offer 24-hour access, you really need to invest in the security."

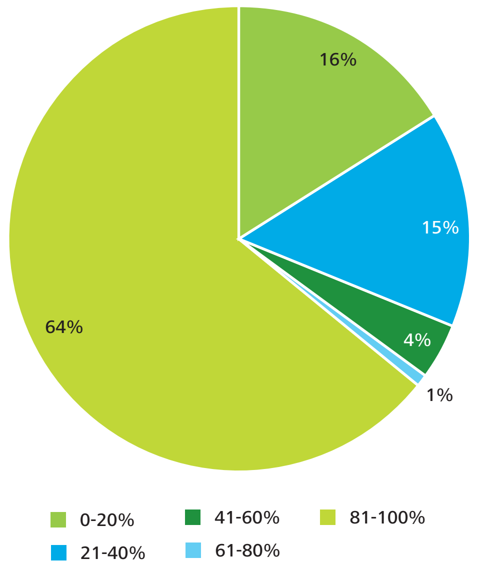
Jimmy Gibson, Big Yellow Self Storage

Figure 14. Security features (% of facilities)



Source: Drivers Jonas Deloitte, SSA UK

Figure 15. Among those offering 24hr access, proportion of space open 24 hours



Source: Drivers Jonas Deloitte, SSA UK

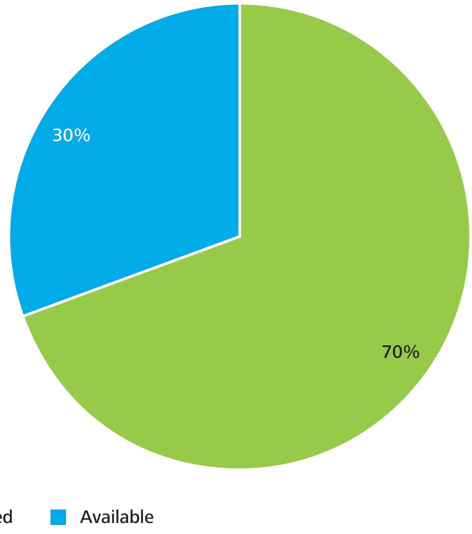
79% of facilities are open 7 days a week – the same figure as in last year's survey – with 19% open 6 days.

Round the clock access to at least some of the storage space is available at 67% of facilities, an increase from previous year's 62%, and of these, 64% offer 24 hour access to over 80% of their space. [Figure 15]

Occupancy

Across the longer established facilities surveyed (ie opened before 2006), the average occupancy rate has improved since last year: at the end of 2011 70% of space was occupied, against 68% the previous year. [Figure 16]

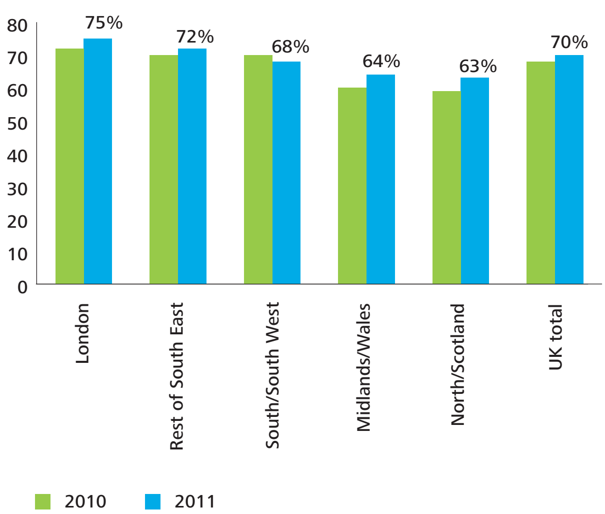
Figure 16. Occupied and available space at 31 Dec 2011 (facilities opened pre 2006)



Source: Drivers Jonas Deloitte, SSA UK

In four of the five regions, average occupancy rates among mature facilities have improved since last year, with both Midlands/Wales and North/Scotland showing a 4% rise. In London the average rate stands at 75%, up from 72% at December 2010; only the South/South West region has shown a fall – down 2% to 68%. [Figure 17]

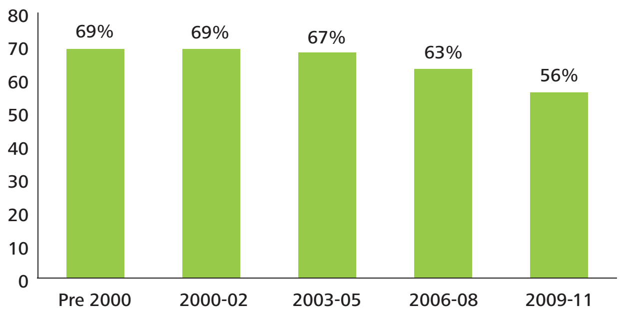
Figure 17. Occupied space by region (facilities opened pre 2006)



Source: Drivers Jonas Deloitte, SSA UK

The occupancy rate among facilities opened the longest averages almost 70%, confirming our findings that a new facility will require six to eight years in current economic conditions to approach its mature level of trading. A more usual assumption would be three or four years for an average-sized facility. [Figure 18]

Figure 18. Average space occupied by the age of the facility



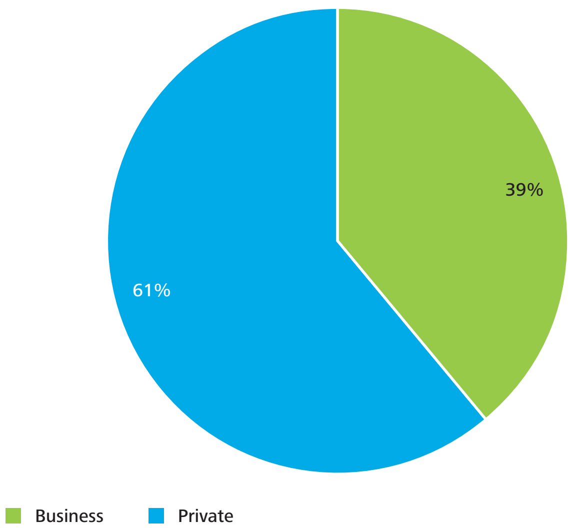
Source: Drivers Jonas Deloitte, SSA UK

Customer split

Overall, business customers take 39% of floor area among the survey respondents, and private individuals 61% [Figure 19]. Last year the corresponding figures were 36% and 64% respectively. Among multiple operators the split is more balanced, with 42% space taken by businesses and 58% by private renters.

In terms of numbers of customers rather than space taken, only 29% are business customers with 71% private, and for multiples this split is 23% business to 77% private.

Figure 19. Tenant split by space occupied



Source: Drivers Jonas Deloitte, SSA UK

The more detailed breakdown of tenant types below is reproduced from last year's survey, as this question was not included this year. We do intend to ask it again in the next survey.

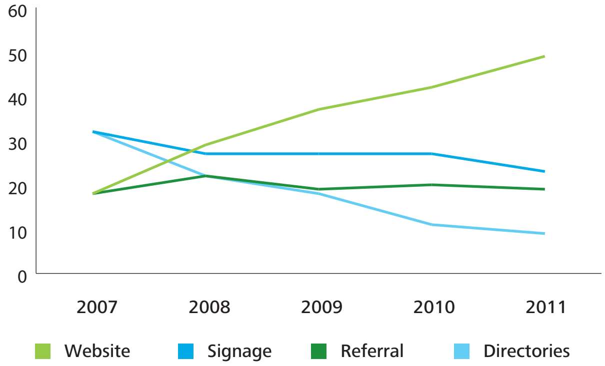
% of space	Tenant type
36	Business
35	Domestic – house mover
11	Domestic – declutterer
10	Domestic – house improver
5	Other
4	Student/travel

Enquiries

The internet continues to play an increasingly dominant role in attracting new customers, with just short of half of enquiries coming from operators' websites. As printed directories in particular (but also signage) become less important, the proportion of enquiries from referrals has remained steady at around 20%. [Figure 20]

Behind the average figure for online enquiries (49%) lies a wide range of responses. On average, multiple operators receive a higher proportion of their enquiries through their websites – 53%, as opposed to 45% among independents – but both groups contain companies reporting levels close to 80% and some independents down below 20%.

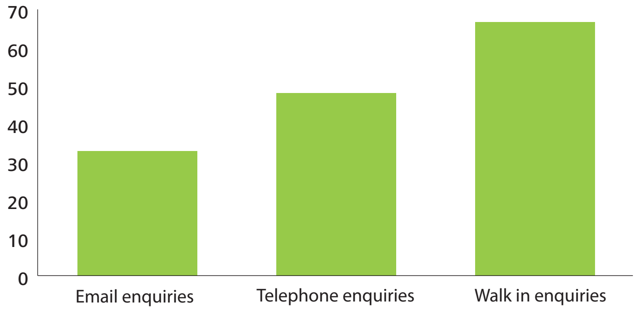
Figure 20. Source of enquiries (%)



Source: Drivers Jonas Deloitte, SSA UK

However, face-to-face enquiries are far more likely than emails to result in new customers, with 67% on average being converted to firm reservations. Among multiple operators the conversion rate for email enquiries falls to an average of 24% (against 31% overall), while the rate for walk-ins is higher at 69% [Figure 21]. Clearly this is to be expected: prospective customers can easily request several quotes online, but are unlikely to visit more than one facility in person. In interviews, operators stressed the importance of speaking directly to enquirers to be able to understand their needs and to offer the appropriate solution.

Figure 21. Estimated conversion rate of enquiries to reservations (%)



Source: Drivers Jonas Deloitte, SSA UK

> "In a challenging economy, the residential rental sector is proving an attractive source of demand – renters are unaffected by the shortage of mortgages and they move more frequently than home-owners."

Peter Gowers, Safestore

Figure 22. Average stay – all customers (weeks)

Source: Drivers Jonas Deloitte, SSA UK

The overall average length of stay for customers who vacated their storage space during 2011 was 37 weeks. As the survey does not provide an exact like-for-like sample, this slight fall can be accounted for by a change in the set of respondents. [Figure 22]

For business customers exiting during 2011 the average length of stay was 61 weeks and for private customers 29 weeks. Among multiple operators, the average length of stay for business customers is longer at 75 weeks.

"75% of the people moving in to our stores have not used the product before – it is not yet a commoditised product."

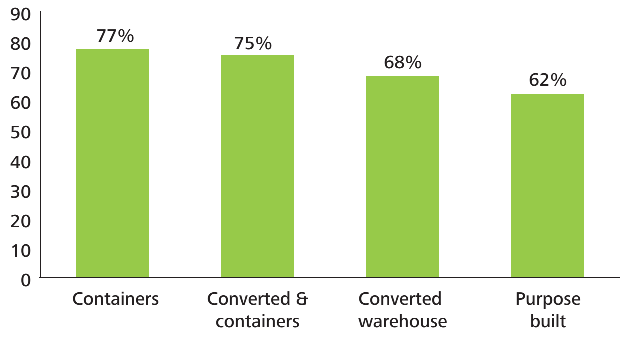
Jimmy Gibson, Big Yellow Self Storage

"You can spend a disproportionate amount of time hunting down customers for other kinds of business uses, it's almost a separate industry."

Peter Rayner, Big Box Storage

Looking at average occupancy rates by the type of facility reveals that container storage sites enjoy the highest rates, while purpose-built facilities record the lowest. This is not surprising given that purpose-built facilities will generally have been opened more recently than other types. [Figure 23]

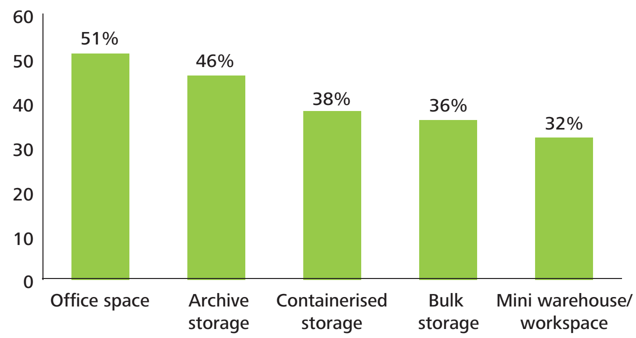
Figure 23. Average occupancy rate by facility type (%)



Source: Drivers Jonas Deloitte, SSA UK

Operators have been working at diversifying their range of services to business customers, with 51% of facilities providing office space of some kind to its customers. [Figure 24]

Figure 24. Other services offered (% of facilities)

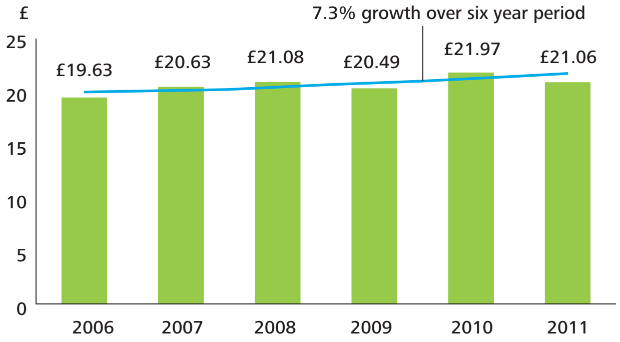


Source: Drivers Jonas Deloitte, SSA UK

Rental rates and revenue

The overall net billed rent per sq ft per annum has fallen back to just over £21. This figure takes promotional offers into account and suggests that operators have had to rely more heavily on incentives during 2011 [Figure 25]. Multiple operators enjoy a higher average billed rent at £23.83 and the range behind this runs from below £10 per sq ft up to £67. Some independent operators' facilities are achieving average rents over £30 per sq ft.

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

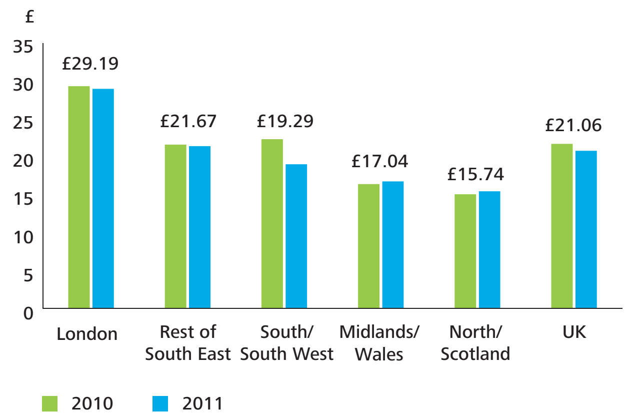


Source: Drivers Jonas Deloitte, SSA UK

At a regional level, Midlands/Wales and North/Scotland have both seen slight increases on last year's average rates while London and the Rest of the South East have seen slight falls. The South/South West region meanwhile has suffered a 15% fall in average rates. [Figure 26]

As seen earlier, the Midlands/Wales and North/Scotland regions are less mature markets, with a higher proportion of newer facilities, and would expect to see some catch-up in rents. The difference between the highest average regional rents and the lowest has shrunk this year compared with last year, from £14.19 to £13.45.

Figure 26. Net average billed rent by region (£)

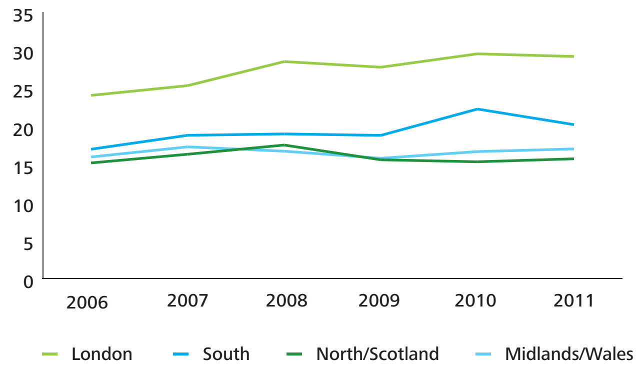


Source: Drivers Jonas Deloitte, SSA UK

“Customers have become far more price sensitive, far more savvy.”

Chris Stevens, Kangaroo Self Storage

Figure 27. Regional average room rates (£)



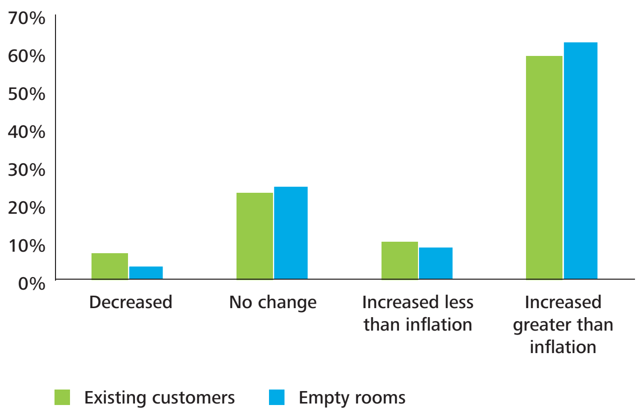
Source: Drivers Jonas Deloitte, SSA UK

“The industry needs to bring the product to the attention of a wider market. Customer marketing skill, rather than property development, is becoming the key battleground.”

Peter Gowers, Safestore

An encouraging 59% of facilities were able to raise their room rate for existing customers above the rate of inflation since last year – only 49% reported being able to do the same at the same point last year. For empty rooms, at 63% of facilities rents were increased above inflation, against only 20% last year. [Figure 28]

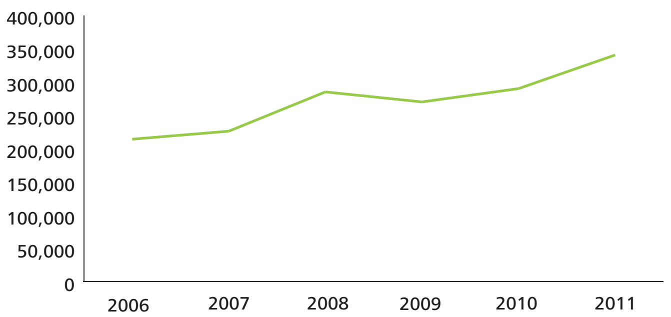
Figure 28. Change in room rates since last year (%)



Source: Drivers Jonas Deloitte, SSA UK

Among operators with a turnover from self storage below £1m per annum, average turnover has increased from £290,000 last year to £340,000, a rise of over 17%. This represents 71% of the companies responding. However, the survey sample is not identical year on year and some of the growth may be explained by the different survey respondents year on year. [Figure 29]

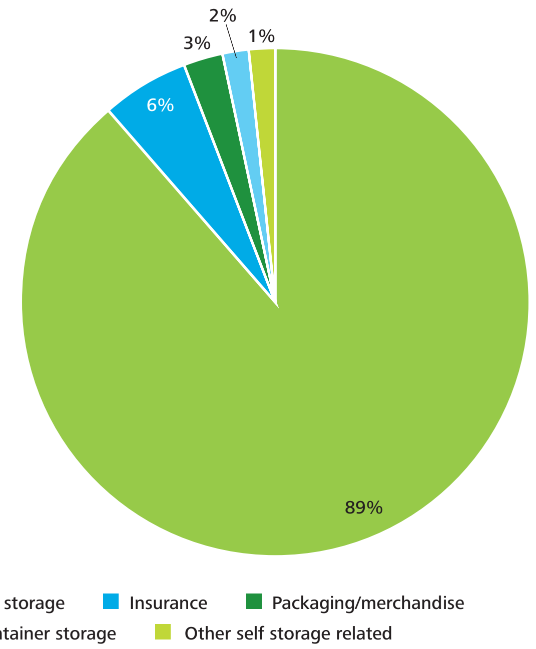
Figure 29. Self storage turnover (<£1m) (£)



Source: Drivers Jonas Deloitte, SSA UK

Renting self storage space makes up on average 89% of operators' turnover, the same proportion as last year. Insurance accounts for 6% of the total, down from 8% in the previous survey. [Figure 30]

Figure 30. Turnover by source



Source: Drivers Jonas Deloitte, SSA UK

> "Rents dropped slightly last year, but we expect to increase them by next year."

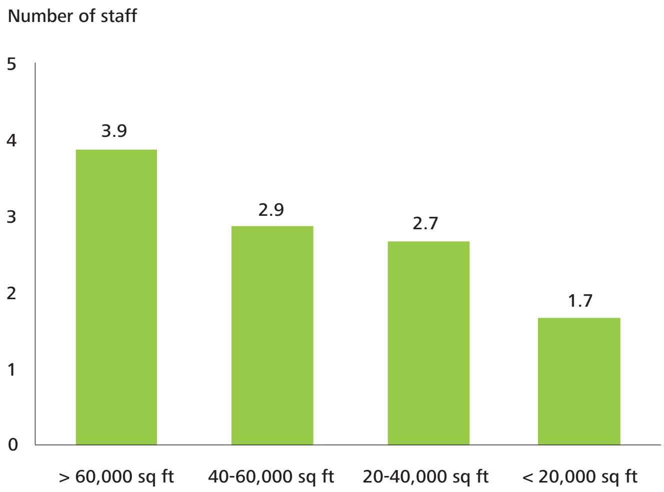
Suzanne Knowles, Kent Space

> "Our job is to get customers and keep them. Not to give them an excuse to leave."

Norman Galbraith, 1st Storage Centres

The average facility employs 2.8 staff, a slight increase on last year's figure of 2.7. In larger facilities with over 60,000 sq ft of space the average number rises to 3.9, while facilities open 7 days a week employ exactly 3 staff on average. [Figures 31 & 32]

Figure 31. Average number of staff by facility size



Source: Drivers Jonas Deloitte, SSA UK

Figure 32. Average number of staff by days open

Source: Drivers Jonas Deloitte, SSA UK

On average, just over 8% of self storage turnover was spent on marketing during 2011, compared with just under 7% on average in 2010. 51% of respondents said they intended to increase their marketing spend during the coming year.

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

Peter Gowers, Safestore

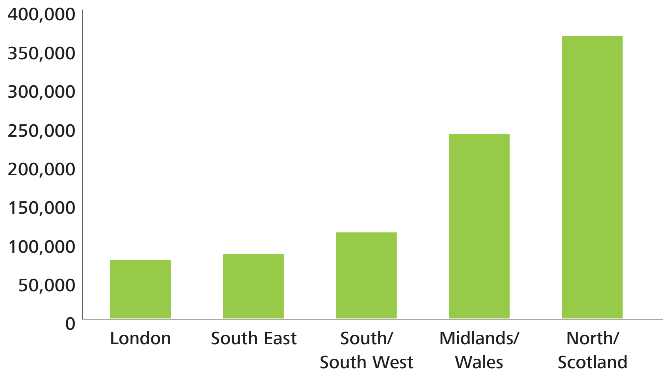
> "I am more confident than I was this time in 2011 because we have cemented another year of growth and the equity market will get more confident every six months when we report to them that we are still moving our revenues and cashflow."

Jimmy Gibson, Big Yellow Self Storage

Expansion

Over 880,000 sq ft of potential development space (nearly 7% of the lettable space recorded in the survey) is available for expansion within existing facilities surveyed. The majority of this additional capacity sits within facilities in the Midlands and Northern regions. [Figure 33]

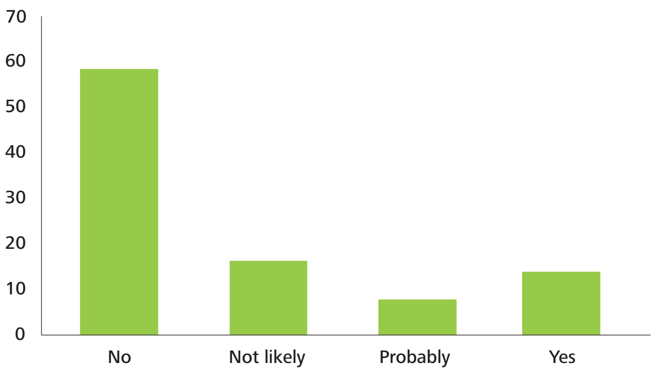
Figure 33. Potential additional space within existing facilities (sq ft)



Source: Drivers Jonas Deloitte, SSA UK

15% of respondents indicated that they intended to open a new facility during 2012. Last year this figure was 24%. [Figure 34]

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



Source: Drivers Jonas Deloitte, SSA UK

> "In Q1 2011 we decided not to go ahead and expand to a new site, and we are very glad we made that decision."

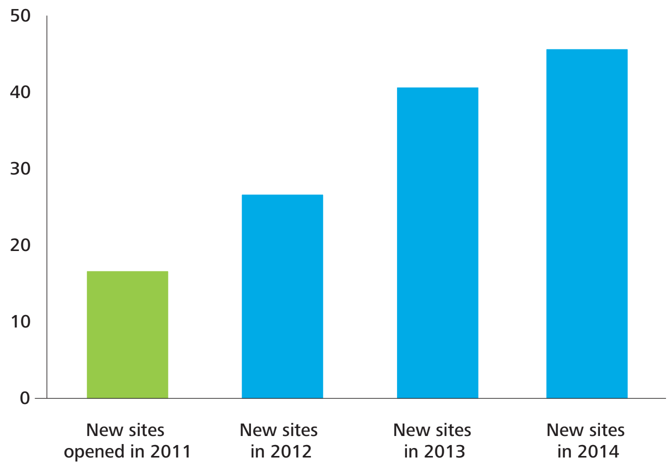
Suzanne Knowles, Kent Space

> "I can't think of a better product to be invested in: it's got low but growing awareness, very restricted new supply, very little new capital coming in or new entrants. It's now about all of us in the industry moving our occupancy up, and then yield improvement will follow in a couple of years."

Jimmy Gibson, Big Yellow Self Storage

These 15% with intentions to open on new sites are looking to open 27 facilities between them this year, and are pencilling in increasing numbers for the next two years. [Figure 35]

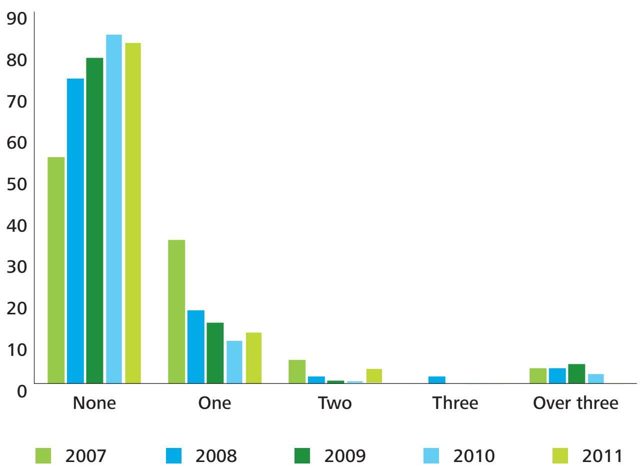
Figure 35. Number of facilities opened/planned (83 companies responded)



Source: Drivers Jonas Deloitte, SSA UK

The proportion of respondent operators who opened either one or two new facilities during the year has shown a slight uptick, but none have opened on more than two new sites. [Figure 36]

Figure 36. Companies opening new facilities (%)



Source: Drivers Jonas Deloitte, SSA UK

"I think the traditional route – finding a site and building a building, or finding a building and converting it, and owning it in our own right – has probably gone. The way we are moving forward now is saying how can we develop and grow our brand while minimising financial input and risk, i.e. through management contract and joint ventures."

Chris Stevens, Kangaroo Self Storage

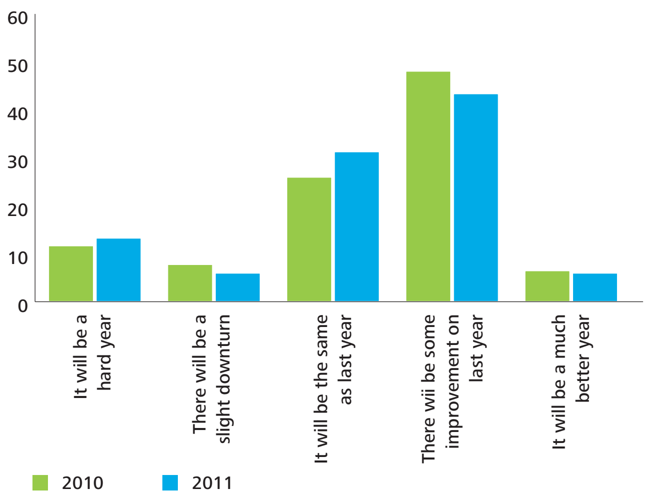
"You have to be optimistic about the future. The British public will always find an alternative, and we provide the alternative."

Peter Rayner, Big Box Storage

Outlook

The views on profits are similar to last year's results, with almost exactly the same proportion expecting either a 'hard year' or a 'slight downturn' (19% combined). The response among multiple operators was split evenly between 'same as last year' and 'some improvement'. [Figure 37]

Figure 37. How optimistic are you about profits? (%)



Source: Drivers Jonas Deloitte, SSA UK

Almost 60% of facilities are expecting to raise rents during the coming year and 45% plan to reduce levels of incentives. 3% of respondents thought new customer rents would be falling this year, while 17% expected to have to increase incentives. [Figures 38 and 39]

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

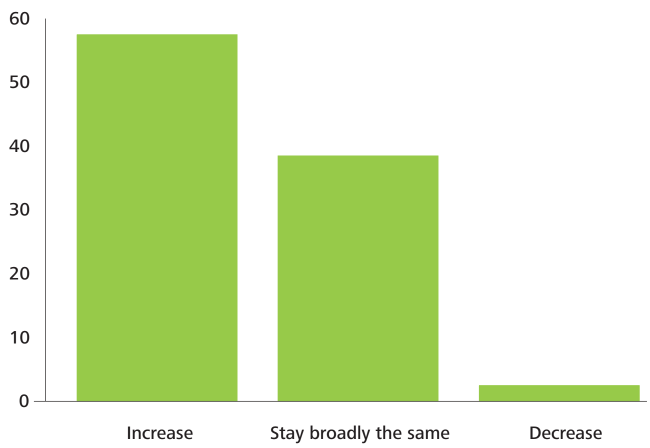
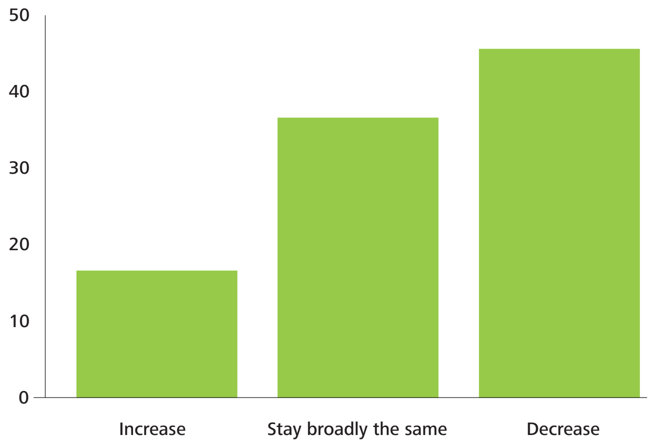


Figure 39. Expectations for incentives over 2012 (% of response)



78% of facilities currently do not charge VAT on self storage rents.

In his March 2012 Budget, the Chancellor of the Exchequer announced his intention to tax all self storage provision at the VAT standard rate of 20%. This proposed change, if implemented by Parliament, would come into force at the start of October 2012.

Until now, VAT has not been collected because operators are deemed to grant customers a license to occupy their land as with other property investments. This allows the landlord of each asset to determine whether he wishes to be exempt from VAT or to opt to tax his property.

At the time of going to press, the consultation on this issue is ongoing. The SSA UK is leading the majority of its members in opposing the planned VAT change and consultation with HMRC continues.
The outcome of this consultation is not expected to be known until June or July 2012.

"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

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