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FEDESSA European Self Storage Annual Survey 2021


SELF STORAGE
SELF STORAGE
attic
self storage
selco BUILDERS WAREHOUSE

Introduction

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

The survey provides data and insight into the growth of the sector and its performance, plus examines some of the key future trends that are emerging.

This report shows that there has been a consistently strong and robust performance during the Coronavirus pandemic across Europe, with strong occupancy and rental levels, continuing growth in supply, coupled with ever increasing investor interest in the sector.

The last decade has seen the total number of facilities more than triple. There are now 5,173 facilities across Europe, providing nearly 11 million square metres of self storage space compared to 1,711 facilities a decade ago.

The six biggest markets in Europe, where self storage has been established for almost two decades, have 78% of the market share by number of facilities and 84% of the total available floor space. Whilst these markets continue to grow, the market share of the 'big 6' continues to fall as we see ongoing growth in the less established markets as well as new countries establishing self storage markets.

JLL and FEDESSA received responses this year from over 90 operators in 18 different countries across Europe who operate nearly 900 facilities with almost 3 million square metres of lettable space, which covers around a third of the total market. We are very grateful to all of the members who took the time to contribute to this year's survey.

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

Rennie Schafer
Chief Executive Officer
FEDESSA

Ollie Saunders
Lead Director
European Self Storage, JLL

Executive summary

In 2021 we estimate there are now

5,173

self storage facilities offering

11m

square metres of space in Europe

The top ten operators in Europe represent

18%

of the number of facilities and

37%

of the total available space

78%

of facilities in Europe are located in the six most mature countries

The average rent in Europe is

€268.74

per square metre per annum, a

7%

increase from last year's results

The average occupancy in Europe increased to

81.5%

from

79.8%

Nearly half of the facilities in our dataset had occupancy levels of over 85%

Rental rates outstanding for more than 30 days fell from

8.7%

in 2020 to only

3.7%

despite the impact of the pandemic

Operators remain optimistic in their outlook, with **86%** of those surveyed expecting improved profit expectations over the next year and **72%** expecting improved occupancy rates

There are **104** facilities under construction, **53** in the planning process stage and **90** speculative within the survey sample

Staff numbers per facility continue to fall. There are now an average of **1.34** full time staff per facility compared to **1.77** in 2015. **7%** of facilities in our dataset are now fully unmanned

Economic overview

European REIT performance

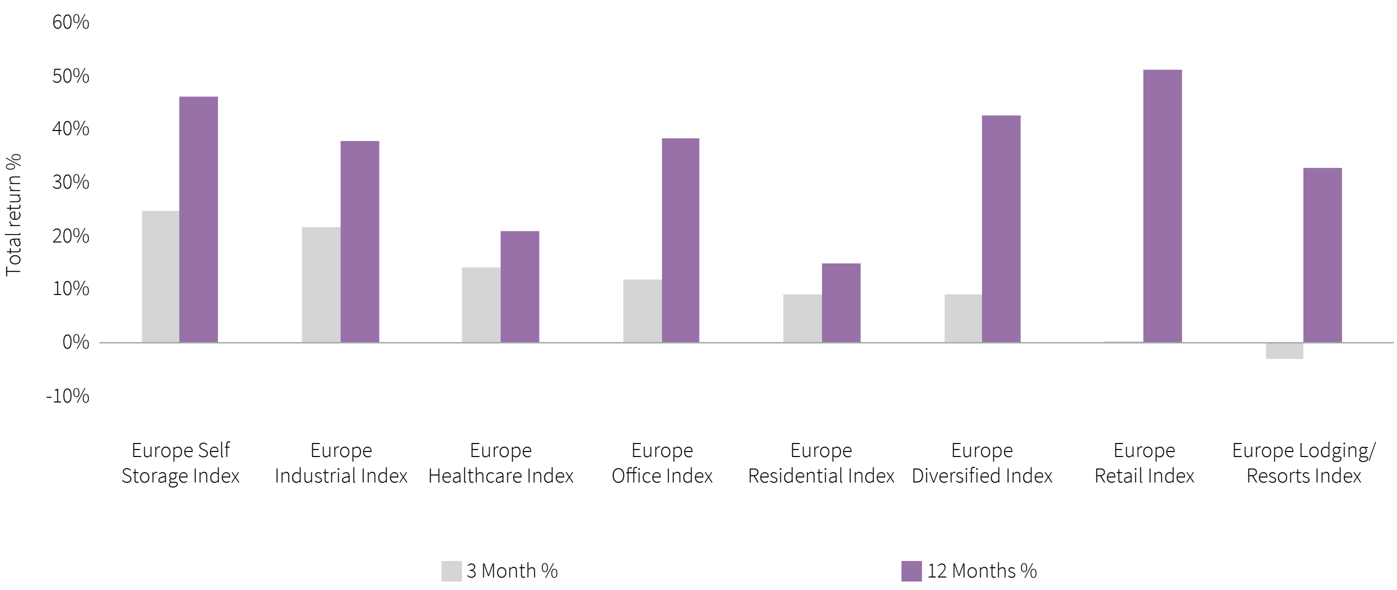
The COVID-19 pandemic and subsequent lockdown had resulted in the global economic growth coming to an abrupt halt from March 2020. Fast forward to 2021 and at the time of writing lockdowns across Europe are coming to an end and we are seeing significant GDP growth. Forecasted GDP growth across the Eurozone is at 4.8% for 2021 and 4.5% in 2022.

Looking at the performance of the European REITs over the past 3 and 12 months and it's clear to see optimism return to the real estate market. The resilient nature of the self storage sector is clear to see, with total returns growing by 25% over the last 3 months and by nearly 50% over the past year.

The only sector to outperform self storage over a 12 month time frame is retail. Retail and hospitality was heavily impacted by the nature of the pandemic and reoccurring lockdowns across Europe. As restrictions wind down, non-essential retail is beginning to regain some of the losses occurred throughout 2020.

In terms of market capitalisation self storage REITs make up 2% of all European real estate investment trusts, this is growing at a fairly fast pace but is still some way behind the USA where self storage makes up 9% of the total market capitalisation.

European REITs Total Return %

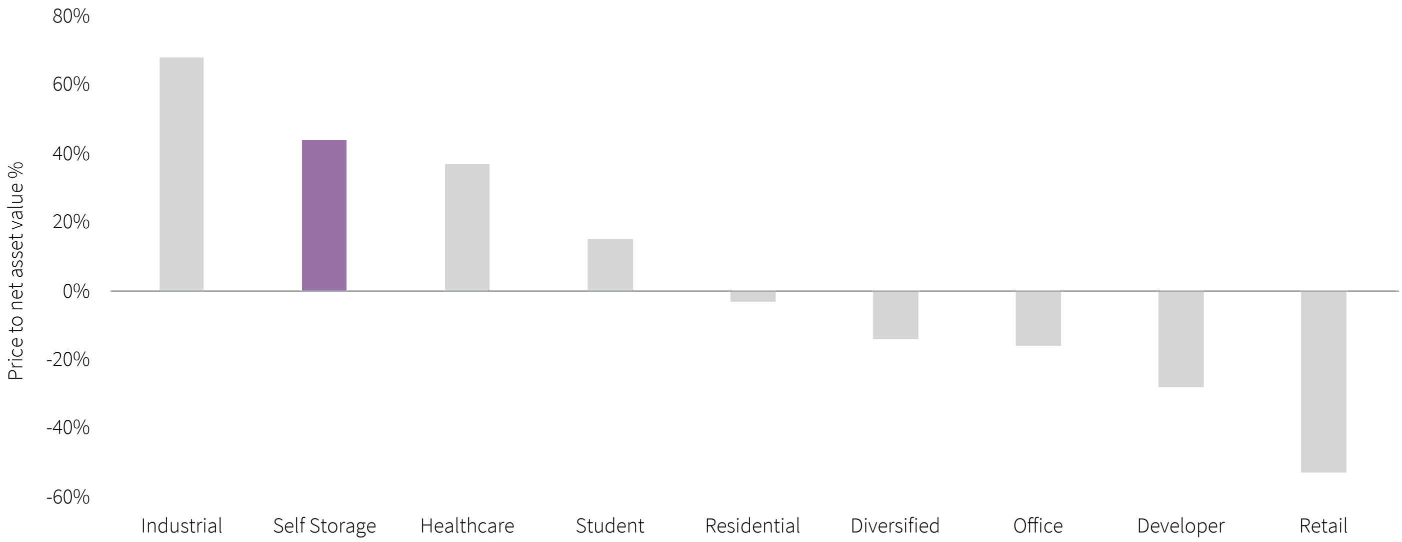


Source: JLL/FTSE Russell

The weighted average spot price to net asset value (P/NAV) for self storage REITs was the second highest in 2021 at 44%, just below the industrial sector. A high P/NAV shows that the value of an investment trust is trading higher compared to its net asset value. This, amongst other factors, shows a high level of optimistic sentiment towards the particular sector or companies.

> *"Record low interest rates, low to negative government bond yields and the amount of private equity 'dry powder' in Europe reaching $300bn at the end of 2020 (according to Preqin) will be the driver to greater allocation of funds into alternative real estate sectors such as self storage, particularly as investors look to diversify their portfolios and as the sector provides an attractive form of stable income."*
>
> **Daniel Thorpe, Senior Research Analyst, JLL**

P/NAV European REITs



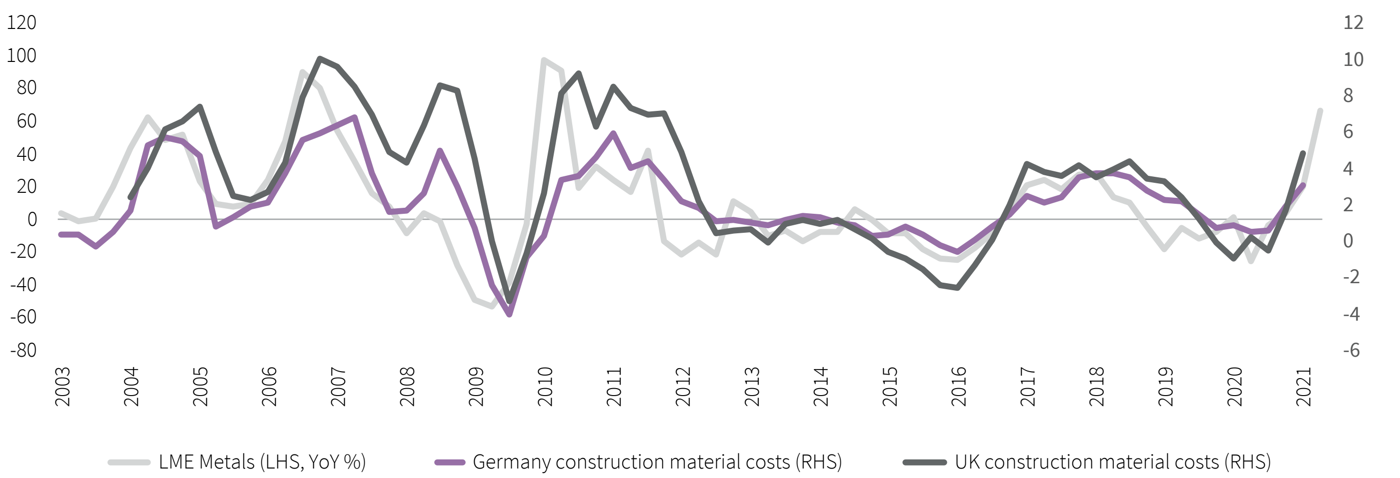
Source: JLL/FTSE Russell

Construction and shipping costs

The construction industry is facing somewhat of a perfect storm. The COVID-19 pandemic in Europe has led to very high labour shortages, and to the supply side risks associated with the construction sector and the raw materials needed. Steel prices have more than doubled in the past 12 months with manufacturers in China impacted by the pandemic reducing supply, combined with increasing nickel prices and rising shipping costs. Adding to this, one of the world's longest container ships the Ever Given ran aground in the Suez Canal disrupting global trade for six days. The Lloyd's List estimates that the Ever Given held up an estimated \$9.6bn of trade each day it was stranded.

As the pandemic lockdowns are lifting, the economy has started its recovery. As a result, construction activity has surged. In June the construction industry recorded its fastest growth in 24 years in the UK. However, on-going supply side issues have resulted in construction costs also increasing to the highest levels seen since the PMI series began in 1997. The RICS estimate that overall construction costs will continue to rise by 8% over the next year. The global shortage of construction materials and associated costs will remain high throughout 2021 and possibly into 2022.

Commodity Prices and Construction Costs (% YoY)



Source: JLL/LME/RHS

Investment Overview

The self storage sector is continuing and cementing its journey from being an alternative asset class in Europe to an established one. During the pandemic it has proven its resilient nature as it did during the global financial crisis in 2008. The industry recorded excellent rent collection levels from customers and an increase in occupancy and rental levels making it very attractive in comparison to asset classes which suffered during the pandemic like retail and hospitality.

The difference between the two crises was of course that debt markets remained relatively active and the pandemic period did not see a liquidity shock. On the back of excellent operational results and consistent cash flows, the low interest rate environment and active debt and investment markets, transactional activity in the self storage industry is thriving.

"We've seen another strong year of growth in the self storage investment market, with a number of major institutional and private equity funds entering the sector in a meaningful way. Demand remains strongest for larger, well-established portfolios with a dominant brand and dedicated head office team. However, a lack of these 'ready-made' portfolios means we have expanded our offering to include more creative structures such as sale-managebacks, development agreements and different forms of joint venture and equity raises. This year has seen several noteworthy joint ventures concluded on smaller seed platforms, where lack of scale is supplemented by an attractive development pipeline to ensure portfolio growth. Consolidation of 'mom and pops' still make up a large percentage of deals by number (as opposed to lot size), but we are seeing factors such as ESG credentials and obsolescence play a growing role in bidding processes."

**Tom Caines, Director,
JLL EMEA Alternative Investment**

Existing trends have been fast forwarded by the pandemic, like with many other sectors. The fragmented nature of the industry and the frustration of capital wanting to enter the sector have seen an acceleration of the following key trends:

Consolidation

There is an increased focus on consolidation in the sector and many platforms are preparing to operate across jurisdictions in Europe. The consolidation play is especially focused on the lower end of the quality curve where operations can be improved to provide high returns on investment and there is a greater availability of opportunities. As this report shows there is a decreasing number of mid tier operations available for acquisition, with a growing gap between the large operators and then the small 1 to 3 site operations. When multi-site platforms of reasonable quality become available there is usually a competitive market of interested buyers.

"Self storage in Europe have now become an attractive asset class among investors, and several companies are listed. With the growing number of professional and institutional investors who enter Self storage, I believe consolidation will continue in our industry. In addition to the capital market as a key driver, we also see that scale is becoming increasingly important. Investments in IT and marketing is becoming increasingly more complex, and it requires greater investments. In the Self Storage Group we´ve seen great synergies in combining M&A with organic growth when we enter new markets in Scandinavia. This is a strategy we will continue to follow, and there are still a lot of opportunities in our fragmented industry."

**Fabian Emil Søbak,
CEO Self Storage Group ASA**

Search for yield and quality product

The low interest rate environment fuels a search for yield. The attractive yield on cost of self storage developments have made investors take note and have shifted the focus on 'building yield rather than buying yield', but also due to a frustration at the lack of modern stores.

A development play takes time and does not offer investment at scale. Institutions are increasingly lowering their minimum lot size requirement to access the attractive yields in a development play along with an acquisition strategy to ensure growth and scale.

Specialisation

There has been an increased specialisation by industry participants who focus on developing turn-key self storage facilities or who focus on the management of facilities. Operators who have scale and geographical spread have a real advantage in offering attractive management fees and management reach.

"A key strategic focus at Storage King is our third-party management platform offering, Management 1st, which we launched in 2019. Management 1st is suited to self storage operators who are looking for expertise and resources to increase returns from their properties. Essentially it offers operators a platform to increase enquiry generation and occupancy through a significant and experienced marketing and operational capability. There is also the added benefits of a dedicated contact centre and active revenue management, which allows for flexible pricing to maximise revenue and increase occupancy.

Our experience shows that traditional digital marketing agencies don't have the required level of sector knowledge to be considered 'self storage digital specialists', and with over 100 years of collective experience in the self storage sector, our specialist team knows what it takes when it comes to enquiry generation. As a result of our track record, our product has been well received in the UK and Europe. We believe that much of the success we've experienced through our Digital 1st platform is because it provides an opportunity for smaller independent operators to leverage the significant digital capabilities of a Real Estate Investment Trust at a fraction of the cost."

Chris Oosthuizen, Executive Manager: Digital First

Key deals

In the 12 months to September 2021, investment activity in the self storage sector has been high. As well as direct investment in self storage real estate assets, we also saw investors access the market though the creation of joint ventures and sale and leasebacks.

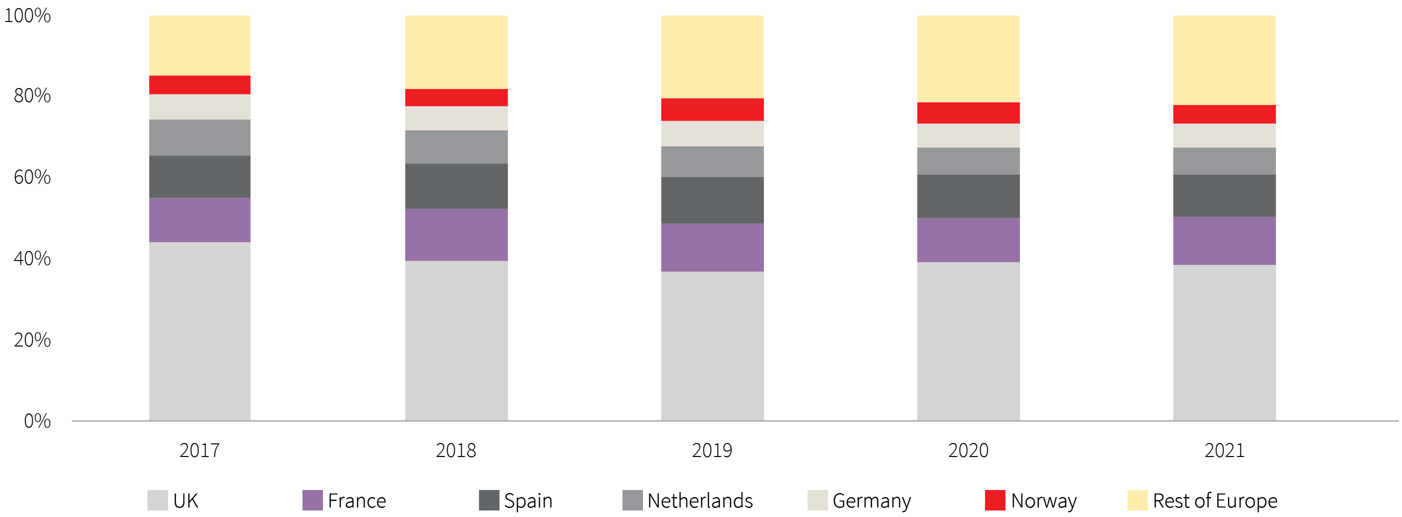
- Angelo Gordon and Marcol have announced that they have committed €250m in a joint venture agreement with Marcol to fund the growth of a new self storage platform in Germany: Space Plus. Space Plus is headed by Russell Jordan who has previously built and sold a self storage portfolio in the Netherlands. Angelo Gordon are also invested in Easybox in Italy and the deal positions them well to become a multi-jurisdiction self storage investor.
- The Moorfield Group announced a £100m joint venture with Stor-age Property REIT to fund further development and acquisitions in London and the South East in the UK. Stor-age manage their UK properties through the Storage King brand who have also acquired the 30,100 sq. ft. Blackpool self storage facility in the second quarter of 2021 for £3.6m.
- In the first quarter of 2021 The Self Storage Group, a listed company based in Norway, purchased 5 assets branded as Dit Pulterkammer which total 9,300 sq m for DKK102m. This represents an average capital value per square meter of DKK10,967.
- The Carlyle & Safestore joint venture continues to be active in the market with the most recent purchase of Opslag XL in the Netherlands, in January 2021, for an undisclosed amount. The three properties total 7,500 sq m of lettable area with two being freehold properties in the Hague and one, a short leasehold in Amsterdam. As previously reported, other acquisitions in 2020 by the joint venture include M3 in the Netherlands and Lokabox in Belgium.
- Heitman acquired Space Station, the UK's oldest private self storage company, on the off-market sale of 10 assets across London and the South East. The 374,000 sq ft portfolio has been acquired by Heitman LLC for an undisclosed sum late 2020. Space Station offers them a platform with which they plan to expand across the UK and Europe.
- In May 2020, Heitman also acquired RentASpace in Shrewsbury, West Midlands for an undisclosed amount.
- In July 2021, Big Yellow has acquired the remaining 80% stake in Armadillo, previously owned by USS, an Australian investment trust. The acquisition was reported at £119m which is a yield of 7.7% on net operating income.
- Previously we reported on the Secure Store stores in Letchworth and Leighton Buzzard in the UK that was sold to US Capital, Padlock Capital Partners and operated by Cinch self storage. JLL acted for Secure Store. Padlock Capital have since acquired facilities or development sites in Bicester, Chippenham, Huntingdon, Enfield, Wimbledon and most recently acquired a 12,500 sq ft facility in Brighton.
- Volta Global, also US Capital, are continuing their expansion in the Netherlands through 1Box and have acquired several smaller portfolios one of which JLL acted for the seller. 1Box now own and operate more than 17 assets across the Netherlands.
- Legal and General continues to acquire sites through sale and manage-back agreements with SureStore and have acquired a further two stores in Lichfield and Bury in the UK in the latter part of 2020.

Industry overview

The self storage industry in Europe has grown rapidly over the last decade. We estimate that there are now 5,173 facilities providing nearly 11.0m square metres of self storage space.

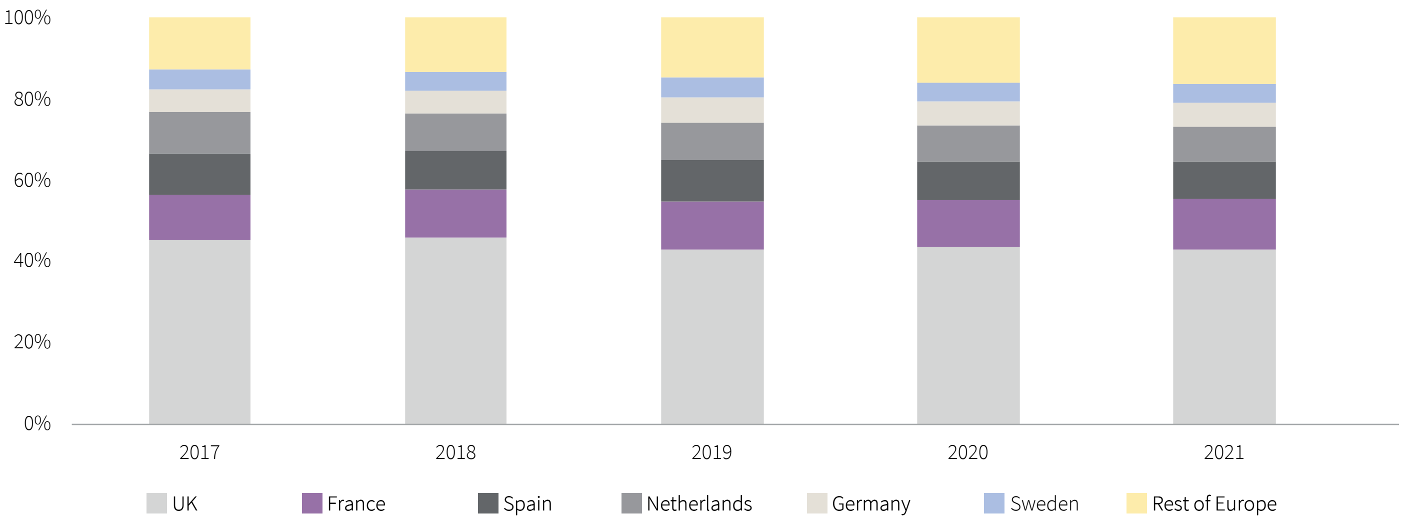
Estimating the exact growth of the industry can be challenging as a proportion of the year on year changes can be attributed to improved data collection. The definition of what is classed as self storage can vary country to country, for example, some countries include container facilities in their definition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

Market share by number of facilities



Source: JLL/FEDESSA

Market share by floor space



Source: JLL/FEDESSA

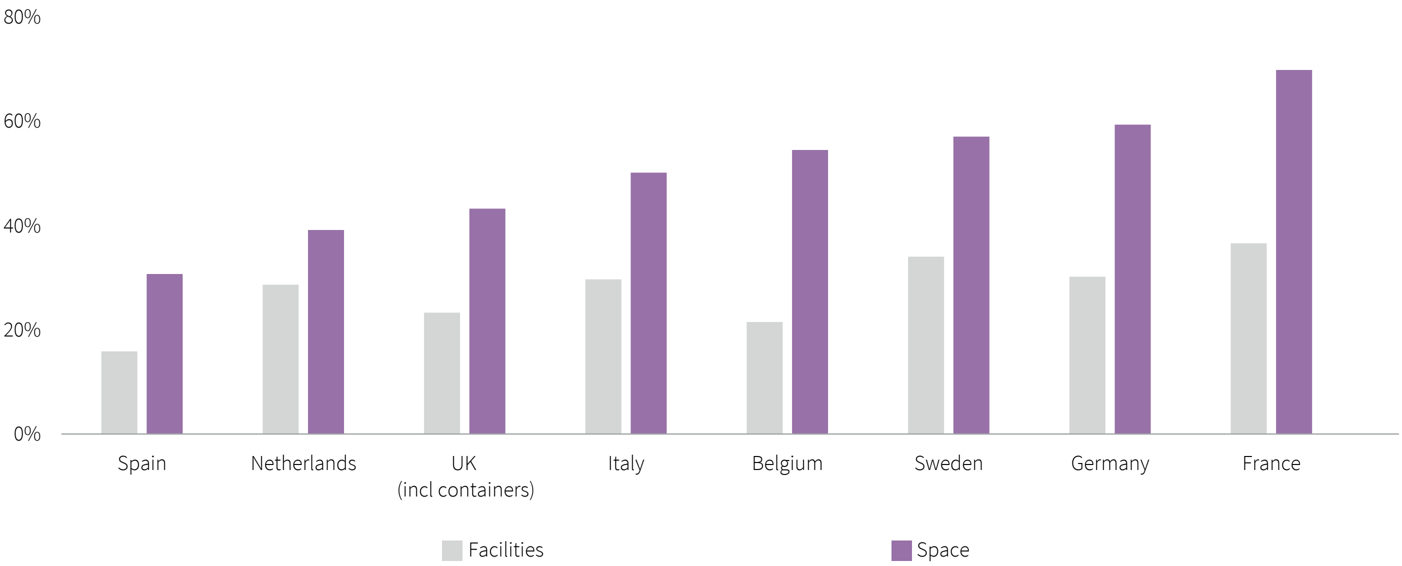
Six countries have 78% of the total number of facilities in Europe, and 84% of the total floor space. Back in 2017 the ‘big six’ had 85% of facilities and 87% of the total floor space in Europe. This market share of the top 6 has been gradually decreasing as self storage grows in the less established markets.

Market share of the largest operators

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

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

Market share of the largest operators (10+ facilities)



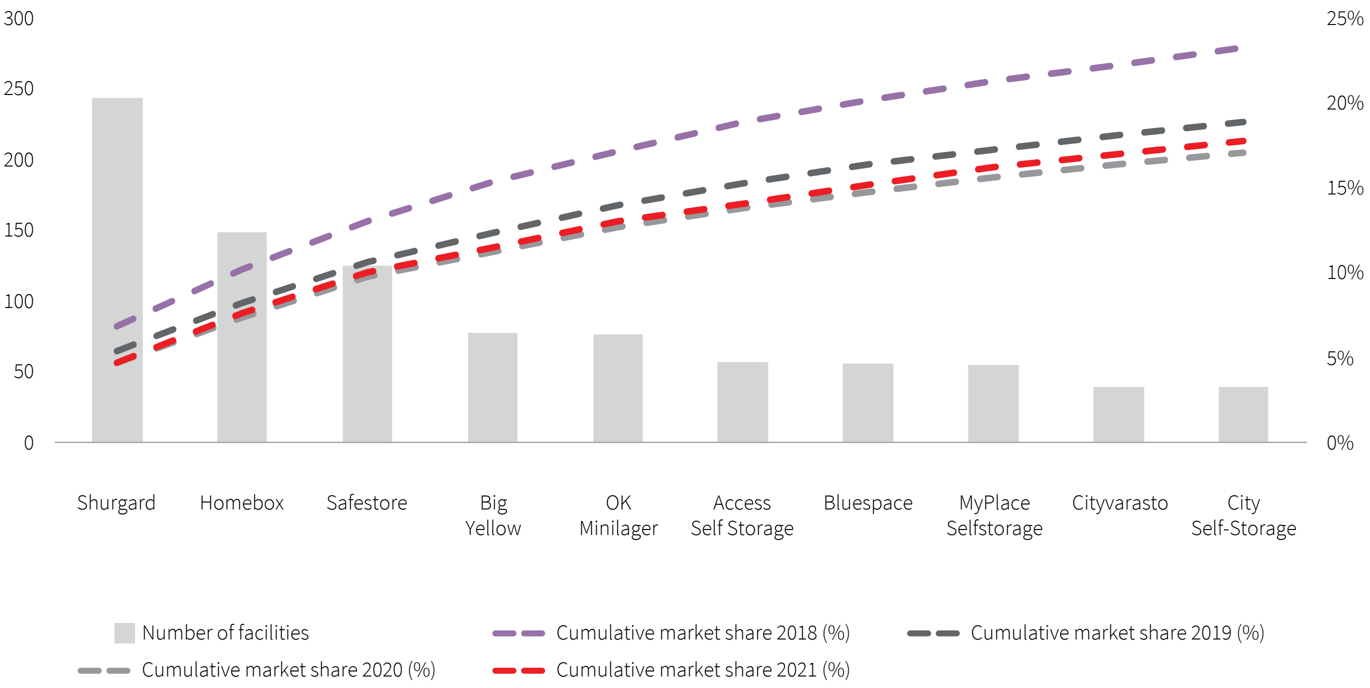
Source: JLL/FEDESSA

The largest operator in Europe is Shurgard who currently (as at May 2021) occupy 244 facilities. This represents 4.7% of the total number of facilities in Europe and 11.3% of the available floor space.

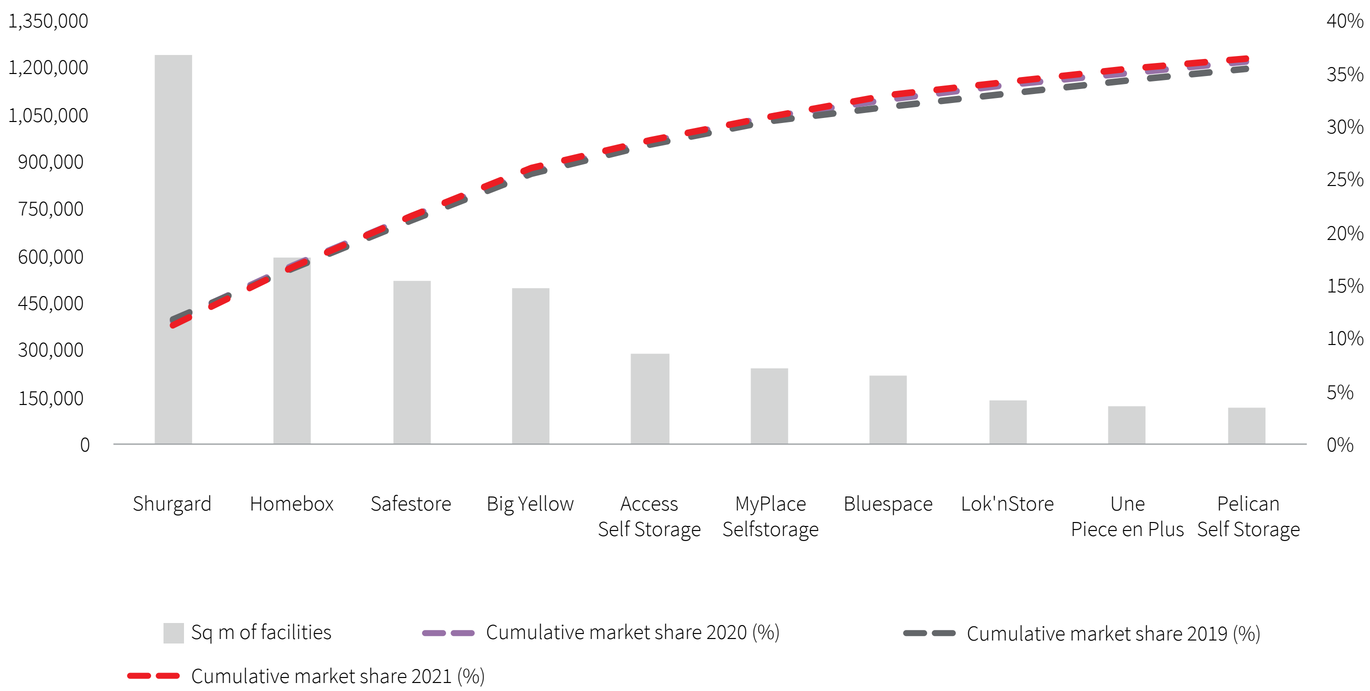
The largest operators generally have larger facilities, this is highlighted by the fact that the ten largest self storage brands represent 17.7% of the total number of facilities but 36.5% of the total available space.

When compared to last year’s figures we have seen that the market share of the top ten brands has increased, a reversal of the trend we had been seeing over the past few years. This shows that the top 10 self storage brands are consolidating and expanding at a greater rate. There is also more cross Europe expansion from the major operators. Safestore now has stores in the Netherlands, Belgium and Spain to complement their established French and UK stores. Homebox have expanded into Switzerland, Germany, Spain and Portugal from their French base. Other operators are also expanding into adjoining and developing markets, reversing a trend in recent years where aside from Shurgard, most operators were concentrating on a single country or region.

Top 10 operators by number of facilities



Top 10 operators by floor space

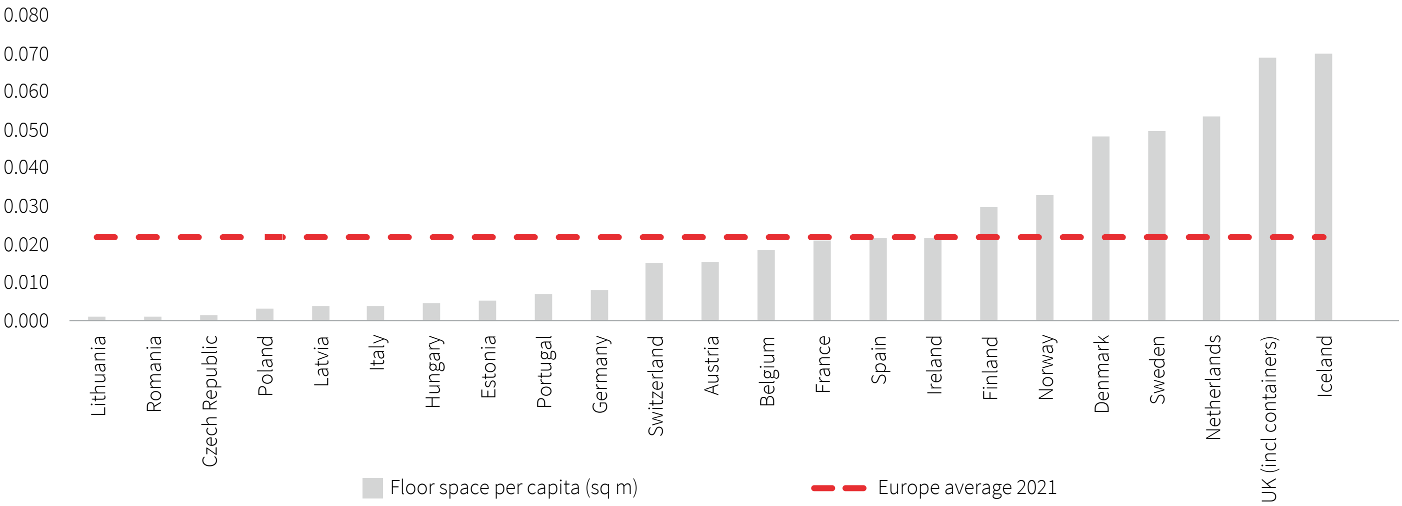


Source: JLL/FEDESSA

Floor area per capita

Iceland has the greatest amount of available self storage space per person closely followed by the UK and the Netherlands. Iceland also has the lowest population density of all the European countries and a large number of small self storage sites. This graph highlights that there is still significant room for growth in countries that already have a sizable self storage market, noticeable examples of this are France, Belgium and Germany who are all below the European floor space per capita average. It is interesting to note that the five Nordic countries are all in the top seven along with the most mature market, the UK and the Netherlands which was also early to adopt self storage.

Floor space per capita (sq m)

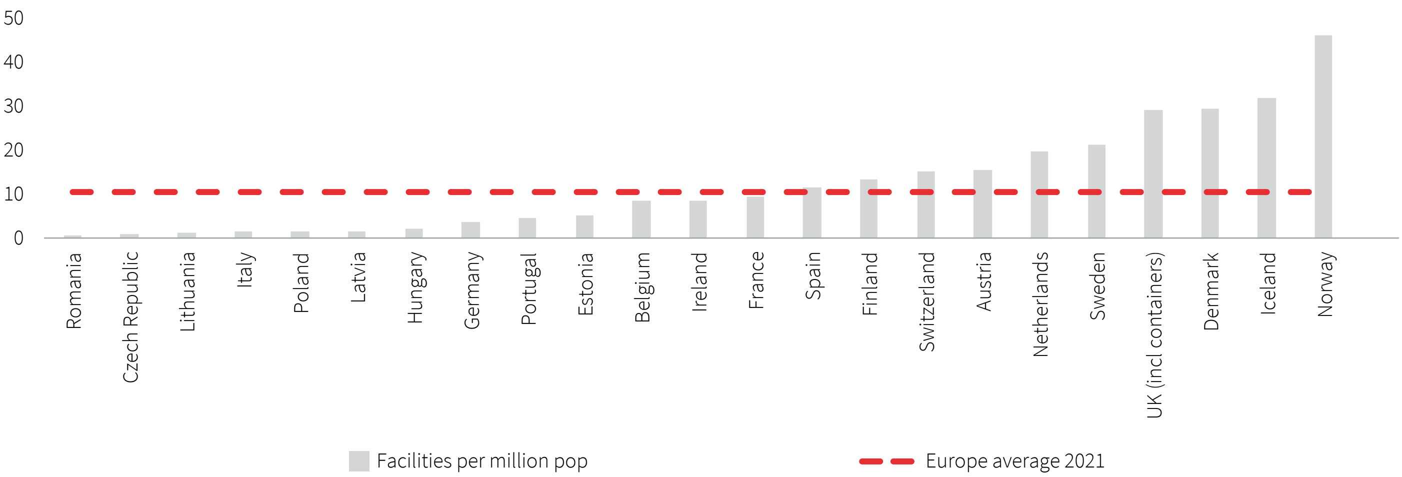


Source: JLL/FEDESSA

Number of facilities per million population

The number of facilities per million population tends to be higher in the Scandinavian countries where they have a greater number of smaller facilities. Norway leads the way with 44.6 facilities for every one million people but has the lowest average facility size. The average across Europe is 10.4 per million population, but this has been gradually increasing over the last couple of years. Back in 2019 the average was 8.6 facilities per million people.

Facilities per million pop



Source: JLL/FEDESSA

Sustainability

The real estate industry, like many others, is taking the risks of the climate crisis very seriously. The built environment contributes around 40% of total carbon emissions.

Legislation is being used in many countries to force compliance in tackling the need for greater sustainability. Building specifications are developing to meet both legal and market requirements. At the same time, there is real proactivity from property asset managers who are making decisions – either to preserve value in older buildings by making sure in the future they meet the sustainability requirements, or by adding value by investing in upgrading specifications or looking at the viability of developing new buildings with higher environmental criteria. Funds are being established which look to invest solely into Net Zero Carbon (NZC) buildings.

Whilst there is not yet an agreed upon definition of an NZC building, or a globally accepted process of certification, the UK Green Building Council, in partnership with JLL, published a framework definition in 2019 to cover the concepts.

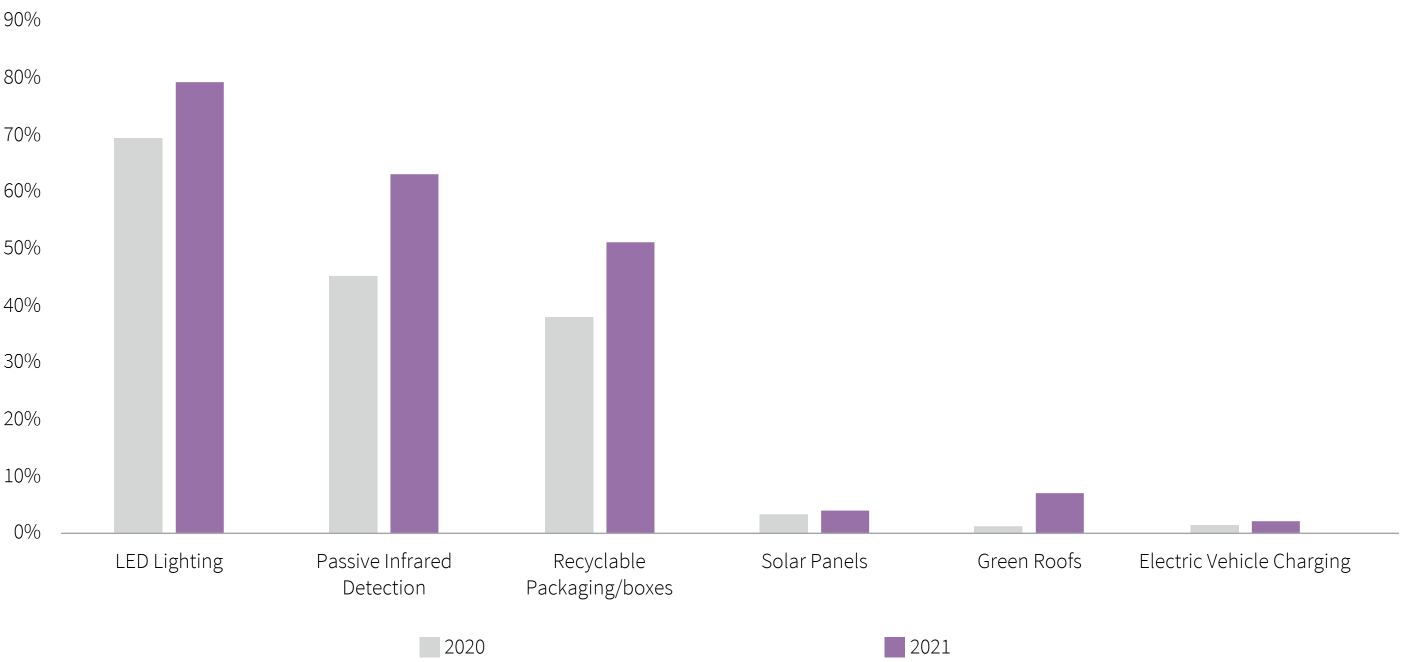
The two approaches are in the construction and the operational use. These relate to achieving net zero in both the operational use of the building, but also in the embedded carbon in the construction of the actual building. The 2050 vision is for all buildings (new and existing) to be net zero carbon across the whole life cycle. The interim ambition is for all new buildings to be zero carbon in operation and at least 40% less in embodied carbon by 2030.

Our survey shows that important steps are being taken to reduce energy consumption. There has been a good adoption of energy saving technology and sensors, and in consumer products, but still relatively poor take up in solar panels, green roofs, and electric charging points.

Evidence from JLL's database shows that approximately 85% of stores in the top 6 countries in Europe are typically first-generation sites that were opened as the industry emerged in Europe. These are typically in older converted industrial properties that will be in need of retrofitted improvements to them, along with the real possibility that there will be increasing levels of obsolescence and some "stranded assets" as legislation is introduced. We also expect to see emerging new technologies and building construction techniques to reduce embedded carbon in new build assets.

JLL's paper on the ESG in self storage is available at: https://www.jll.co.uk/en/views/the-next-generation-of-self-storage

Sustainable measures implemented by survey respondents



Source: JLL/FEDESSA

Survey results

Based on the data provided by over 90 operators, covering nearly 3.0m square metres of self storage space, we are able to provide a good overview of the industry in Europe as at 31st March 2021.

Where applicable we have incorporated data from the SSA UK survey into the results which was completed based on data from 31st December 2020.

Average rents per square metre per annum

The weighted average rent across Europe was €268.74 per sq m per annum. The last year has seen the biggest increases in rental rates ever recorded by our survey, rising by 7.4%. The pandemic did cause rental rates to initially fall, but only by around 3% at the peak of lockdown restrictions in Europe which was soon recovered.

The largest rental rate increases were seen in Italy, Portugal and the Netherlands. All three of these countries saw year on year increases of over 20%.

Average Rents Per sqm

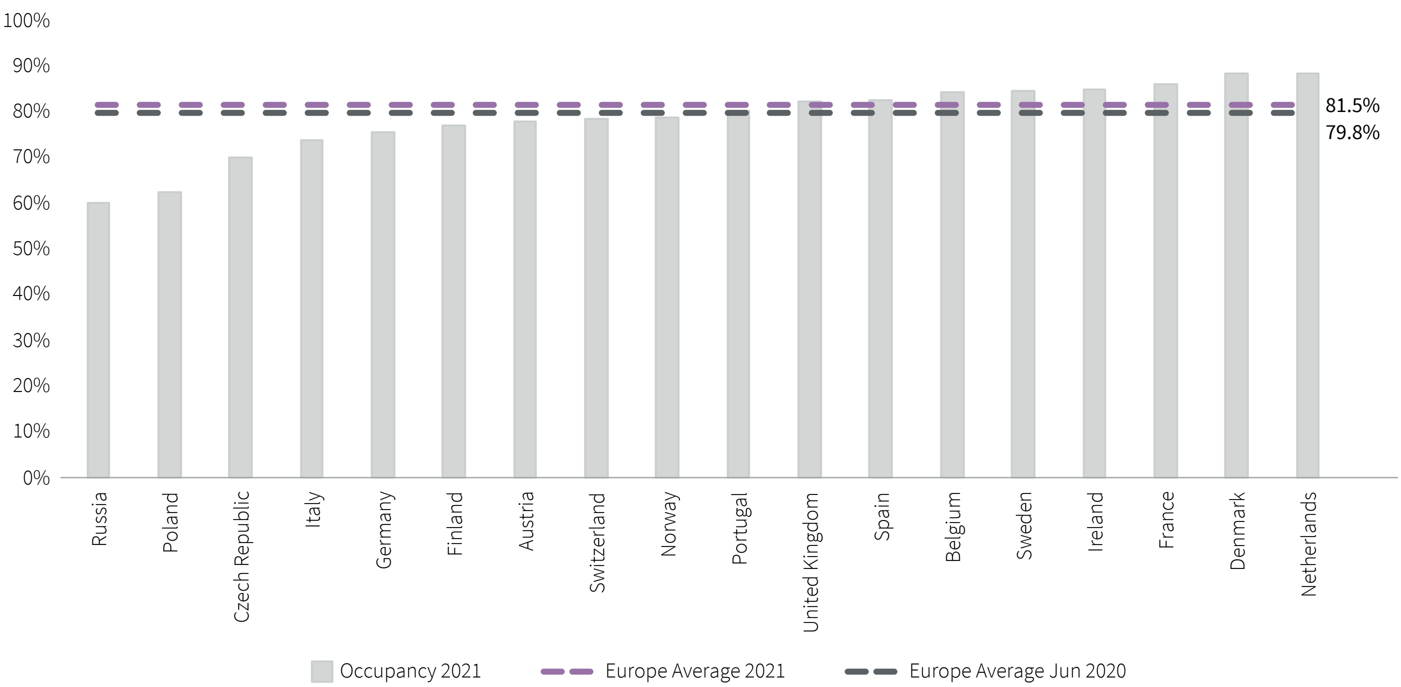
Source: JLL/FEDESSA/SSA UK

Occupancy

The average occupancy across Europe saw a 1.7 percentage point increase from 79.8% in June 2020 to 81.5% in 2021. Occupancy levels are now higher than what was seen in February 2020 before the COVID-19 pandemic hit Europe and in 2019. The largest occupancy increases were seen in Spain, Ireland and the Netherlands.

We should take care when comparing occupancy rates in isolation as there are a number of contributing factors that influence occupancy. New facilities tend to have lower occupancy rates as they typically take three to five years to reach maturity. For example, the average occupancy rate for a facility in our dataset that is under five years old is 68% when compared to facilities that are more than 10 years old which have an average occupancy rate of over 85%.

Average occupancy

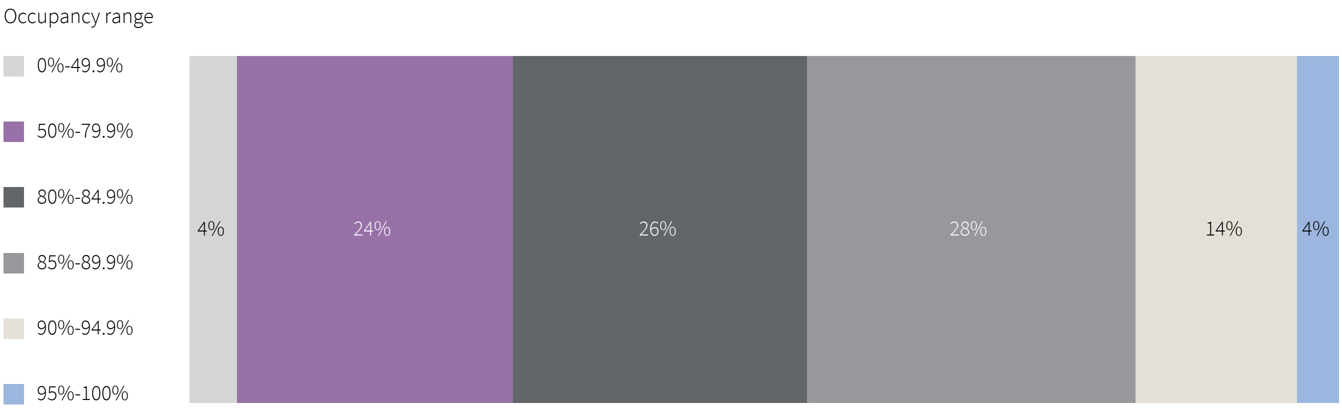


Source: JLL/FEDESSA/SSA UK

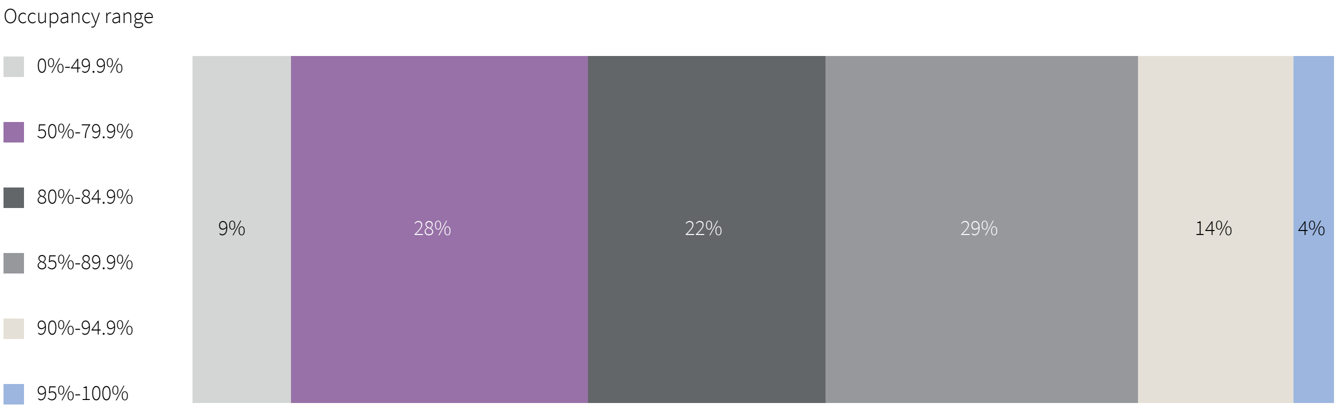
Optimal occupancy for a mature self storage facility located in a major metropolitan area is usually considered to be between 85%-90%. This allows the business to continue to offer space to customers and maximise the yield for the business. 28% of the facilities in our survey were within this sweet spot. It should also be noted that often self storage businesses are fitted out in stages, sometimes one floor at a time. The next stage will often be fitted out when existing occupancy reaches around 70-80% keeping the occupancy for the store lower than optimal until the final stage is completed.

When we compare the breakdown of occupancy current lettable area to the maximum lettable area we see that there is a significantly higher proportion of facilities in below 50% MLA occupancy. This shows that facilities, particularly newer ones have considerable expansion potential.

Breakdown of occupancy CLA



Breakdown of occupancy MLA



Source: JLL/FEDESSA/SSA UK

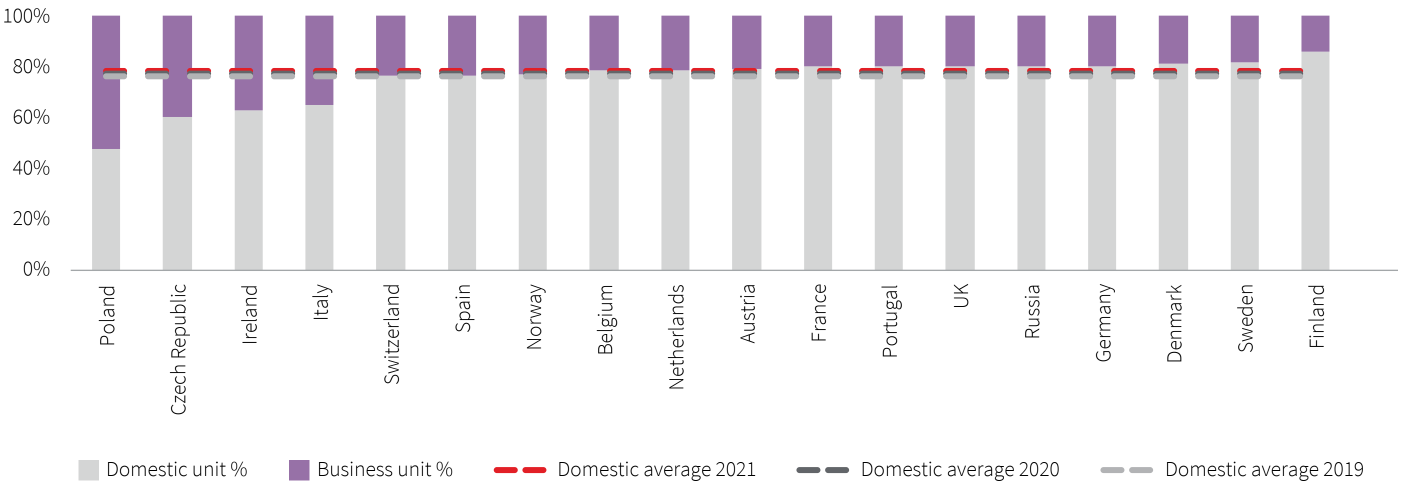
Business / Domestic split by area and units

The European average of occupied space by business customers has decreased from 32% in 2019 and 2020 to 27% in our latest survey. This is a reversal of the trend we had seen over the last three years of business customers taking a greater percentage of floor area. This is potentially linked to the contraction in GDP during the pandemic. It is also possibly linked to the increasing occupancy of the industry. The yield is generally higher on smaller units, so as a store reaches mature occupancy operators may look to reconfigure larger units to smaller sizes where demand allows. Smaller units are generally less suited to business customers. It will be interesting to note if this changes again as the economy recovers from the pandemic.

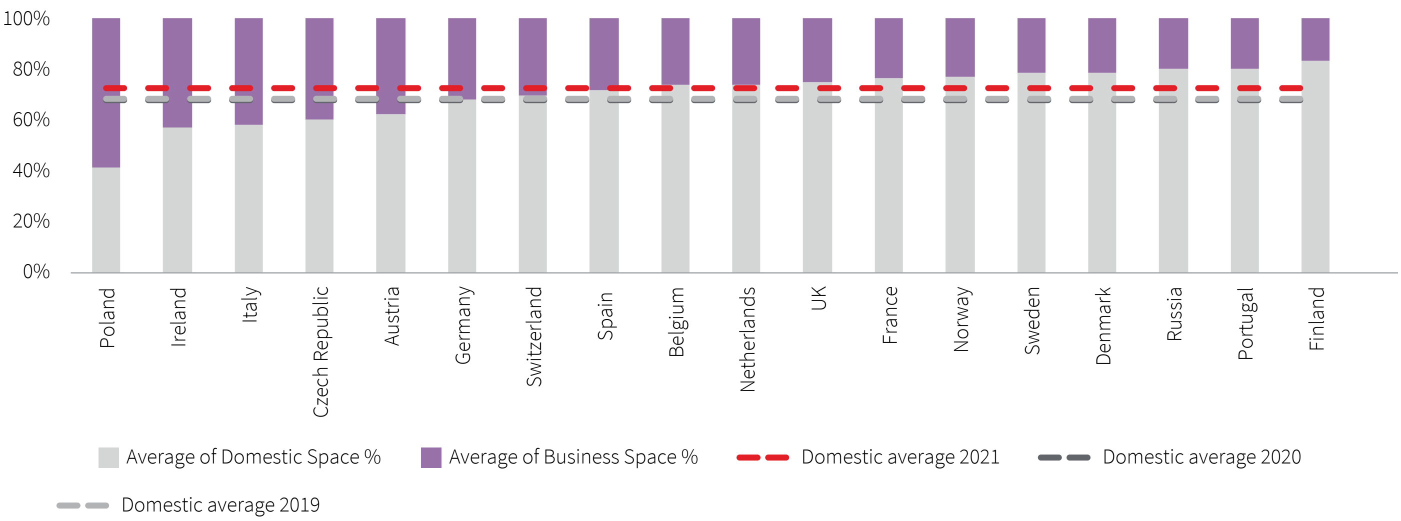
Business customers occupy a greater percentage of space and a fewer number of units. On average business customers occupy 22% of the number of units, preferring the larger units which do have a lower yield per square metre than smaller units.

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

Business/domestic split by self storage space



Business/domestic split by self storage units



Source: JLL/FEDESSA/SSA UK

Average facility sizes

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

The graph below shows the difference in CLA size, looking at the range between the 1st quartile and the 3rd quartile of current lettable self storage space. The quartiles are used instead of a 'min' and 'max' to reduce the impact of outliers. Norway has the smallest average facility size at around 1,000 sq m, while the Netherlands are the largest on average at just over 5,000 sq m.

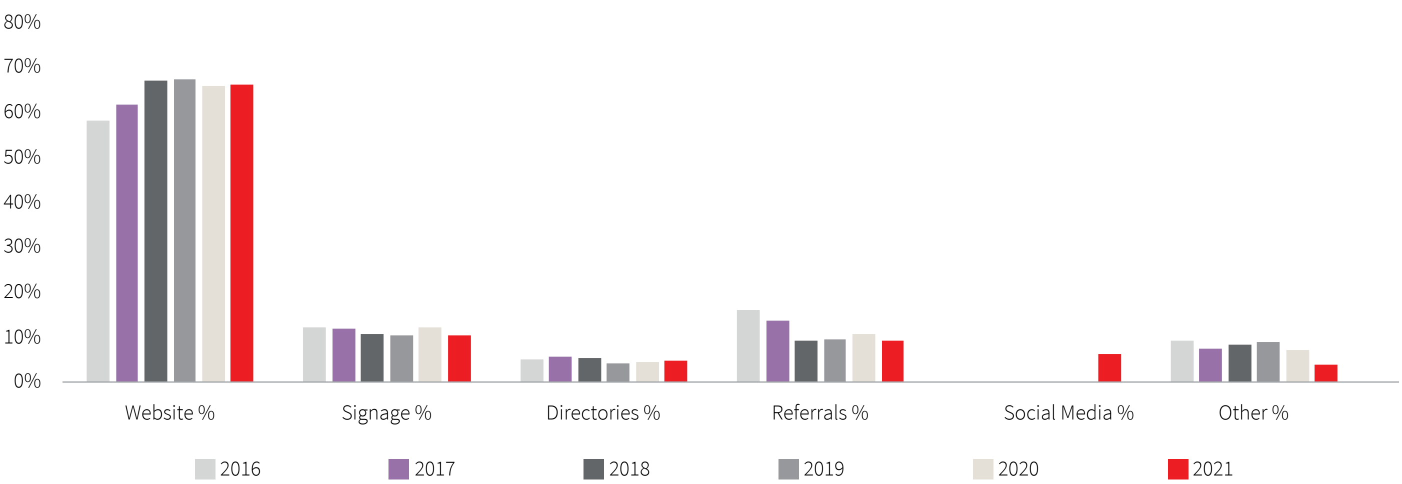
CLA facility size by country

Source: JLL/FEDESSA

Source of enquiries

For the first time in the FEDESSA survey we have added social media as a source of enquiry. Many operators have been embracing social media as a tool for generating enquiries, building their brand and driving website traffic for some time. Looking at the fall in 'other' enquiries we assume that operators had been categorising social media leads as such.

Source of enquiries



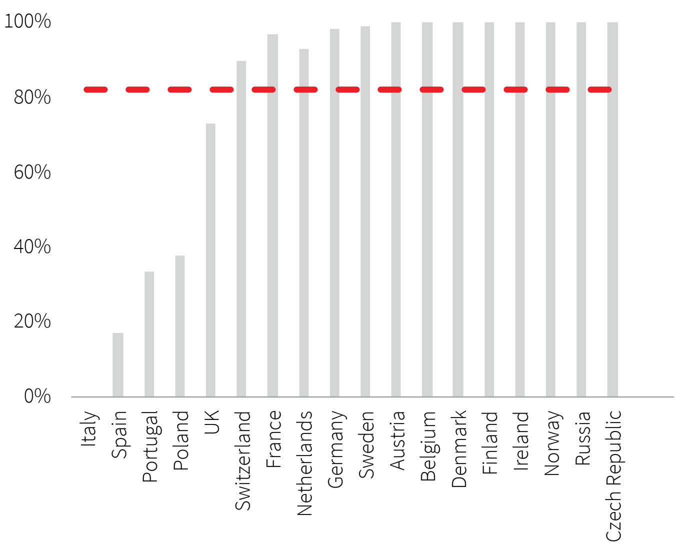
Source: JLL/FEDESSA/SSA UK

Online pricing

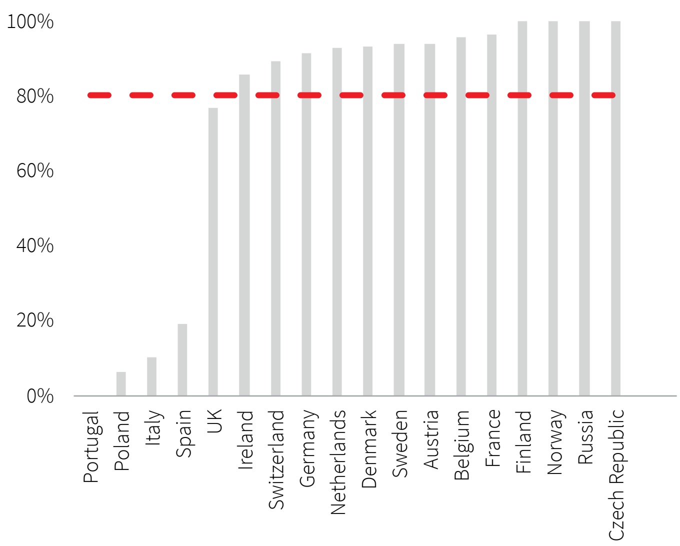
Price transparency continues to increase with 82% of operators listing prices on their websites, compared to 80% last year and 74% in 2019. The trend towards greater online functionality and more sophisticated platforms has been accelerated by the COVID-19 pandemic. There was a big leap in the ability to reserve units via the website (from 71% in 2019 to 80% in 2021), and the ability to reserve, book and pay online (from 25% in 2019 to 58% in 2021).

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

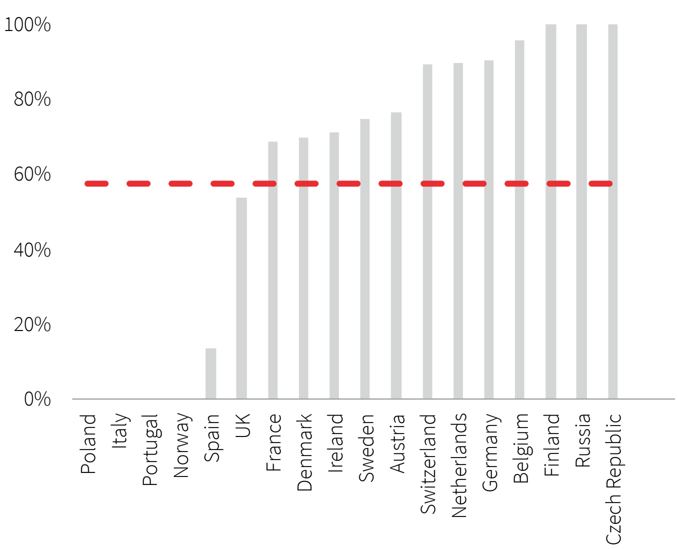
Prices on website



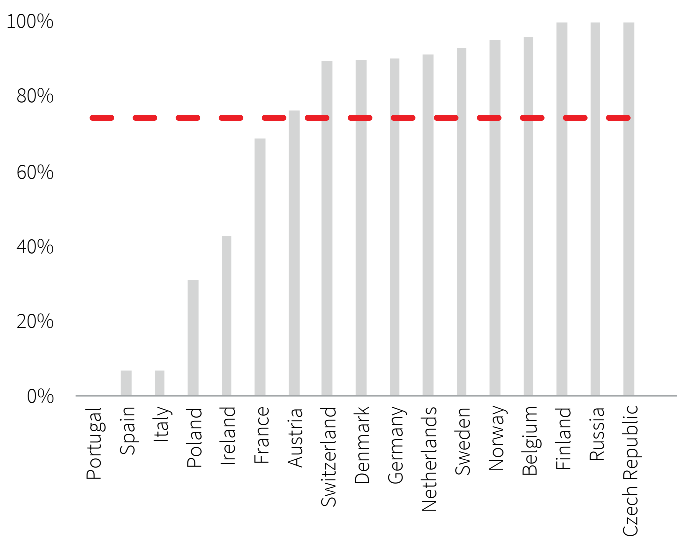
Ability to reserve unit on website



Ability to completely book and pay for unit on website



Ability to complete the storage contract online



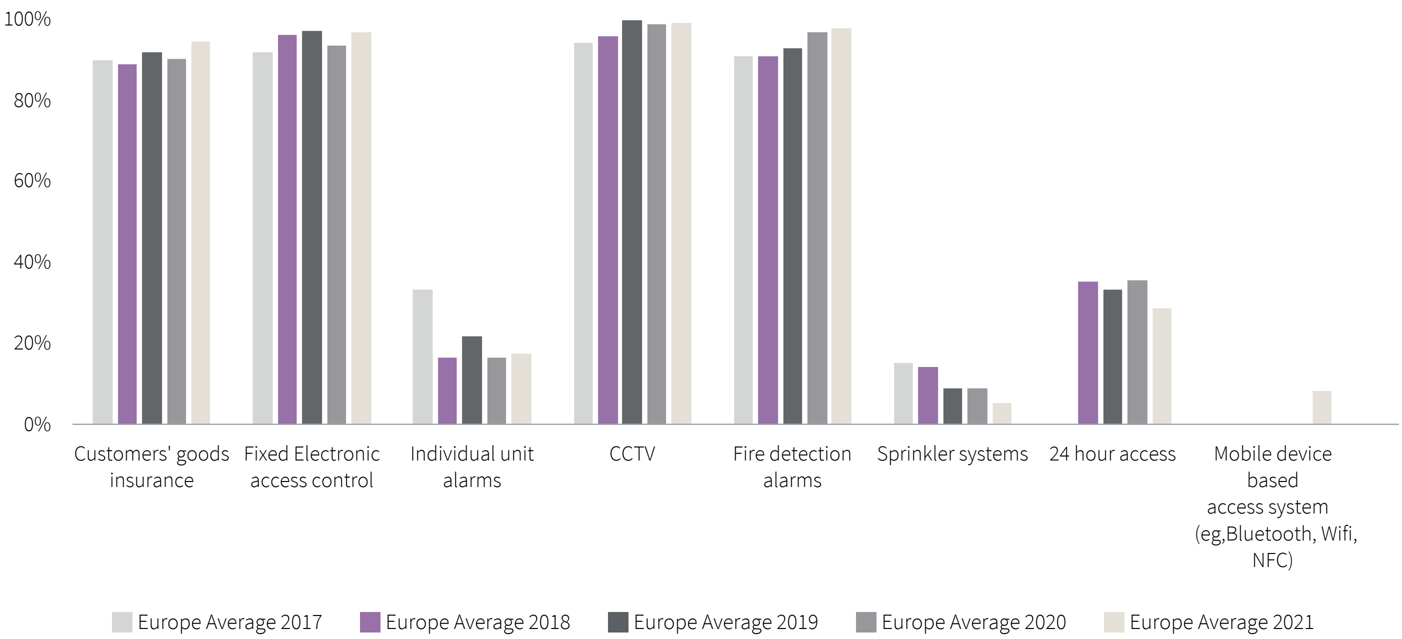
Source: JLL/FEDESSA/SSA UK

Equipment

The nature of a survey means that we do see fluctuations in the sample size, and as such, direct comparisons to previous years should be taken with some caution. However, they do allow us to analyse general trends in the industry. In the example below we see the proportion of facilities that offer certain equipment or services over a 5 year period. The number of facilities with fire detection alarms for example have increased every year we have conducted this question in the survey, whilst sprinkler systems conversely, have decreased.

One fairly noticeable trend is the proportion of facilities offering 24-hour access decreasing quite substantially from last year's survey. Often operators are becoming selective on who they offer 24 hour access to. Charging a premium for such service or only allowing business customers and other users with a genuine need, rather than a blanket 24/7 access for all customers.

Equipment



Source: JLL/FEDESSA

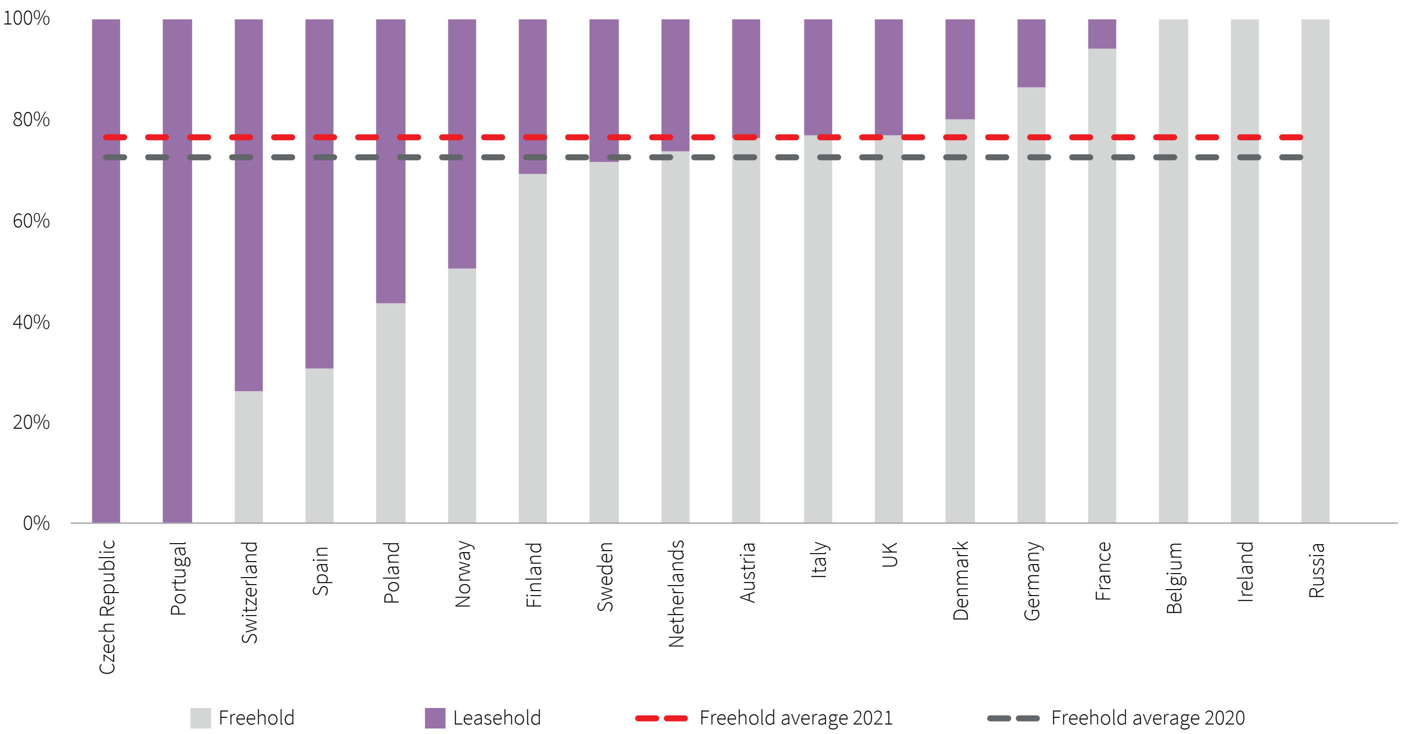
Tenure

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

There is a preference towards freehold ownership in Europe, with 77% of facilities on average owned by the operator. This is high compared to other asset classes such as hotels and care homes. The proportion of freehold ownership has increased from 74% in 2019.

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

Split between tenure



Source: JLL/FEDESSA/SSA UK


2141
2140

Outlook

We asked operators their views on what they perceive as the biggest threat to the self storage industry over the next 12 months. We asked this same question last year, and over a quarter of operators highlighted the ongoing impact of COVID-19 as the biggest threat. This year, the impact of COVID-19 saw only 13% of operators view it as the biggest threat. A third of operators highlighted oversupply as the biggest threat, with similarly related issues such as rising land costs and planning permission difficulties in 2nd and 3rd place. This is somewhat surprising given that self storage is still relatively young in Europe, especially when compared to the USA. However, in major urban markets it can be very competitive particularly in the countries with more established self storage markets

Biggest threat to industry

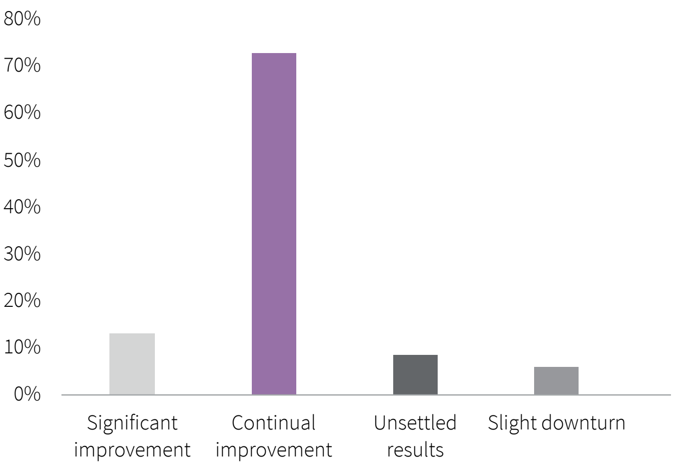
None
Rising land cost
Availability of suitable properties
Difficulty relating to planning applications
Increase in taxes applied to self storage buildings
Oversupply
Environmental regulations
Metal's price increasing
Recession
Increase in rents
Dramatic cost increase in metal supply and other building materials
Short term oversupply resulting in decreasing prices / price wars.
Ongoing Impact of Covid, eg more lock downs, less community movement

Source: JLL/FEDESSA

Profitability

86% of respondents felt that profitability would increase over the next 12 months. This is the most optimistic results we have had; in 2018 76% anticipated increased profitability.

What are your profit expectations for your self storage business in the coming 12 months?

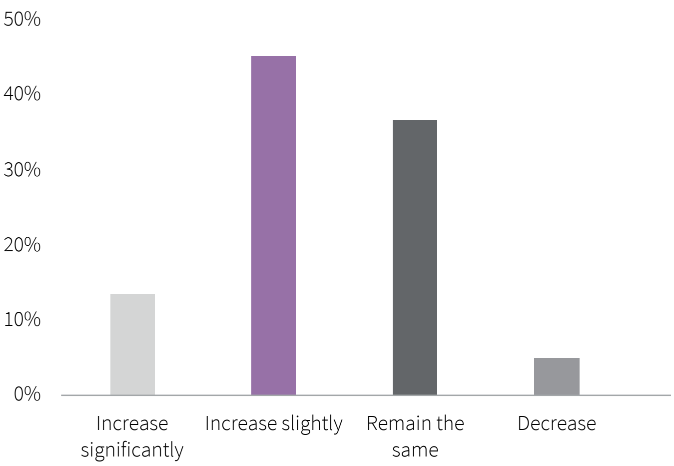


Source: JLL/FEDESSA

Rental growth

Interestingly, operators were slightly less confident in regard to rental growth with only 59% predicting an increase. However, over a third of operators were expecting rental rates to stay the same and only 5% of operators were expecting a decrease in rental rates over the next 12 months, which is more optimistic compared to historic years.

What do you expect to happen to net rental rates over the next 12 months?

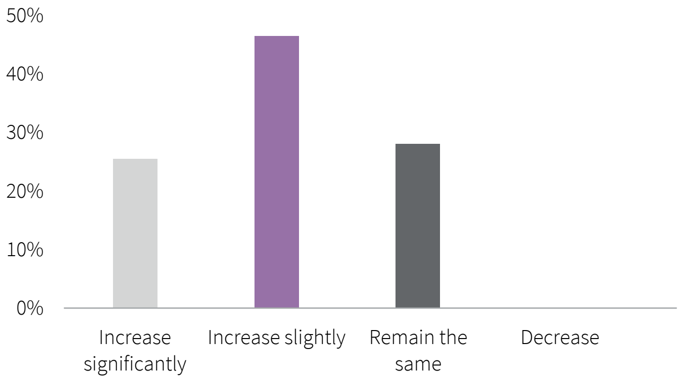


Source: JLL/FEDESSA

Occupancy rates

No operator is expecting occupancy rates to decrease over the next year, with nearly three quarters of operators anticipating occupancy rates to increase over the next 12 months.

What do you expect to happen to occupancy rates over the next 12 months?



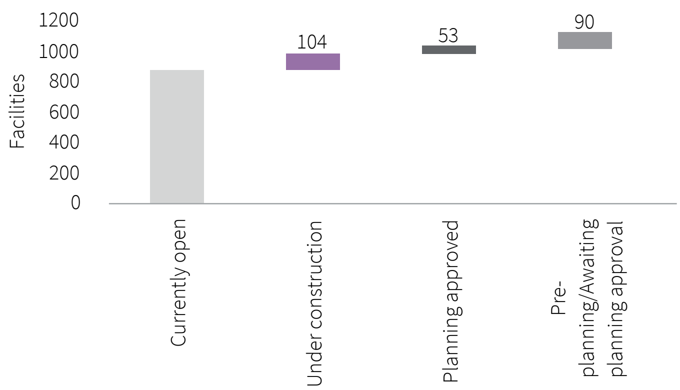
Source: JLL/FEDESSA

Development pipeline

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

Purely from the sample group, we found that there were 104 new facilities currently under construction, 12% of the total facilities surveyed, and a further 53 with planning permission approved. The 90 speculative stores, almost twice as many as in planning again demonstrates the optimism of the industry. This data only reflects the sample group and there will be operators that did not complete the survey that also have stores in various stages of development or planning.

Development pipeline



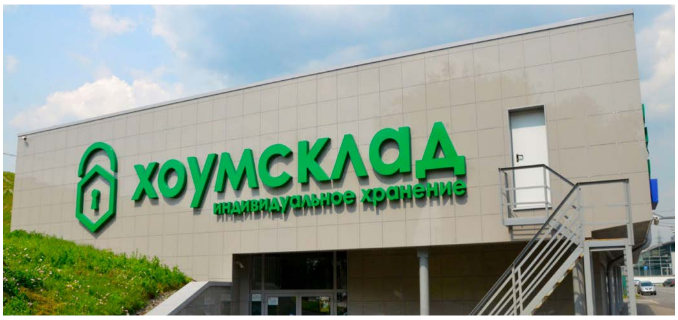
Source: JLL/FEDESSA

Roving focus

Russia

The self storage market in Russia is relatively new, with the first facilities opening a little more than 10 years ago. The market in Moscow is the most advanced in the country with 76 facilities totalling 199,057 sqm and growing by more than 5% in terms of supply for the second consecutive year*. There are 4 operators that own and operate more than 5 stores and they provide high-quality facilities in the city.

The supply per capita in Moscow is at around 6.37 per million population, significantly behind the supply ratio of the capital cities of the major self storage markets across Europe.



*Source: Russian Self Storage Association

City	Facilites in the City 2020	Facilities in the Country 2020	Capital City Concentration of supply	Facilities per Million Population City
London	236	1900*	12.42%	27.38
Paris	63	520	12.12%	9.29
Berlin	40	285	14.04%	11.53
Madrid	110	520	21.15%	17.17
Stockholm	31	206	15.05%	32.12
Amsterdam	22	322	6.83%	16.73
Moscow	76	375*	20.26%	6.37

"Moscow is one of the best self storage markets in Europe, in my view. And it is massively undersupplied. For a population of close to 15 million people there are only, I would say about 50 institutional quality self storage facilities. It took us a while to learn how to find a customer and now we are able to fill a typical 4,500 sq m MLA facility in less than 2 years. All our mature facilities (9 out of 10) in Moscow are at 95-99% occupancy even after we increased prices already twice this year."

Dimitri Logvinenko, Managing Director of TopBox

The average facility size is at around 2,600 sqm with around 80% of the number of customers renting being domestic use clients. The rental rate achieved is impacted by the quality of location, as in any other market. Around one third of operators offer some sort of delivery and packing service with the number of clients using on-demand storage with boxes being collected and delivered on the rise.

Managing Director of TopBox, Dimitri Logvinenko whose company operate facilities in Russia, Germany and Poland notes that there are similar demand drivers of self storage in Moscow than in the other European countries they operate in. "Mostly, it is an event driven need to store belongings for people or organizations that are in transition. Then come other reasons such as decluttering or seasonal storage."

Awareness of self storage in the two largest markets in Russia, Moscow and St Petersburg is still very low and is estimated to be around 5-10%. Customers are still in the discovery phase and learning how the product can benefit them. "In Moscow, people just stop by to find out what this building is all about. Whereas in Germany, most of the people who stop by intend to use the service and eventually become our customers. In Moscow the conversion of passing by customers is much less than in Germany. Online marketing is of course the number one channel of bringing in customers. So, we do focus on making sure that our online marketing campaigns are effective and our websites are informative and easy to use." says Dimitri.

The biggest challenge in Russia remains attracting equity and finance through sources outside of Russia. Most companies grow their business through company profits and bank financing, however financing through local banks can be expensive.

Japan

Self Storage is very prevalent in Japan, with Tokyo being the main hub. As the first Asian city to have self storage back in 1990, it now showcases around 10,000 small, medium, and large facilities. Japan has one of the most diversified self storage industries in Asia which includes a heavy assortment of container storage.

It is estimated that there are about 14,000 rental storage facilities in Japan with about 1,200 operators. As would be expected the industry began in Tokyo and today around half of the storage space is in the Tokyo and Kansai areas. The level of storage equates to around 1 unit for every 110 households. As the industry matures it is spreading across Japan with recent growth in smaller cities and regions as dispersed as Hokkaido, Tohoku in the north and Kyushu farther south. There is still significant potential for growth in these regional markets.

One of the more unique qualities of the self storage market in Japan is the size of units in self storage buildings and the strong presence of container storage. Real estate prices in Tokyo are amongst the highest in the world, the average price of construction per meter even exceeds Hong Kong. With this in mind, it is no wonder self storage operators want to maximise the returns on their footprint. Most stores have a much lower average unit size than Europe or even most Asian countries. Demand for smaller units is strong and this allows operators to maximise the yield on their property investment. Conversely, container based storage has also boomed in Japan. This obviously offers larger storage spaces options for customers. A lack of planning regulation has allowed container storage operators to place storage containers on all sorts of land all over Japan, even in the cities. This is now being examined by the authorities as some see them as not aesthetically pleasing or in keeping with the community development. There is more container storage space in Japan than storage rooms. Currently around 5% of the population of Japan are using a container based storage solution while 4.7% are using a self storage room.

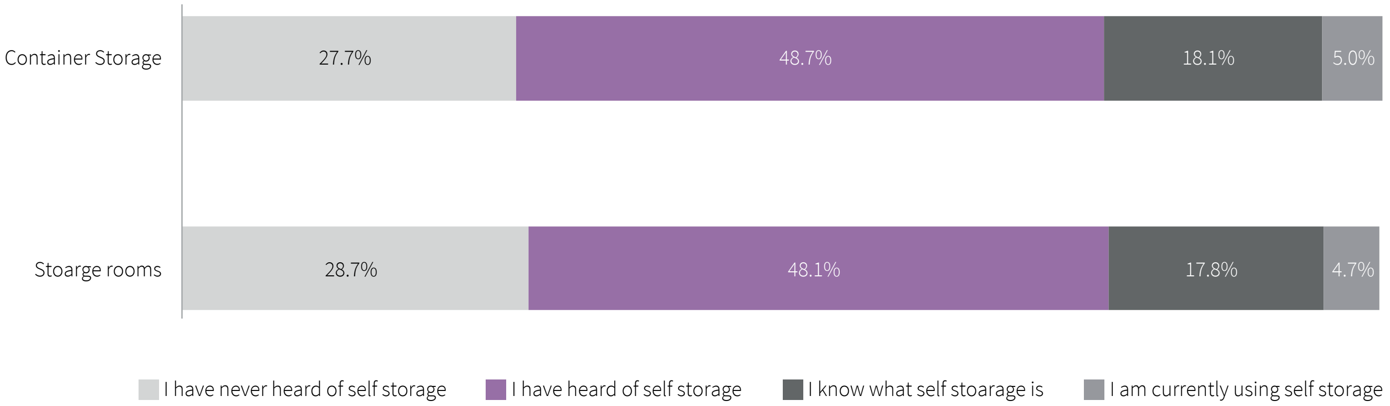
The occupancy rate of rental units is strong. Most sites achieve around 45% in the first year of opening. This climbs to 82% after the second year and almost 90% after the third year. Annual turnover of self-storage was 75 billion yen in 2020. Even under the pandemic conditions, it increased by 3% from the previous year.

Awareness and usage of the industry is similar to the more developed European markets like the UK with around 75% of people being aware of the product, 25% with a good understanding. Overall usage exceeds most European markets with around 5% of the population using self storage.

"As a large, densely populated city, with relatively small living spaces, Tokyo reflects many of the ideal fundamental characteristics for a self-storage market – and ongoing low (but growing) levels of awareness continue to support operational performance, despite new supply. The main challenge in this high barrier-to-entry city is new development and conversion activity, which can be slow, and expensive. On the other hand, we've found the Japanese market is often at the forefront of innovation within the sector (in terms of using technology and disruptive storage models), which makes it an interesting (and fun!) place to operate."

Rishi Patel, Investment Director at M3 Capital

Awareness and usage



Source: Rental storage association Japan

Like most markets in Europe the pandemic did not negatively impact the industry in Japan. It even created demand as more people required space for home working. The delivery room concept of storage is also increasing where boxes are sent to households and then moved into storage. As a measure to prevent COVID-19 infection, the number of "non-contact stores" where people can sign up, close contracts, and move in with no human contact, has increased. Remote monitoring systems have also been implemented in more locations.

Major operators in Japan of Storage rooms – excluding containers

Company	Rooms Share (total 230,000)
Quraz CO., LTD.	16.4%
Reise Co., Ltd. (includes Reise Tokyo)	13.7%
Arealink Co., Ltd.	10.8%
Kase Group Co., Ltd. (Kase Warehouse)	8.7%
Ambitious Co., Ltd.	4.8%
Keiyo Butsuryu CO., Ltd.	2.9%
Storage Plus C0.,Ltd.	1.9%
Nihon Parsonal Storage Co.,Ltd.	1,7%
Sankyo Frontier Co.,Ltd.	1.3%
US Hirota Co.,Ltd.	1.3%

The nature of the demand for storage rooms in Japan is changing. In the past, customers prioritised facilities that were cheaper and closer to their residence. Nowadays, clean and bright facilities with temperature and humidity control are popular. Safety and security where you can see the inside from the outside is now preferred by customers.

This has led to more modern self storage developments, with high security, good lighting and use of glass for increased visibility. Such as the developments from Quraz illustrated here. There are far fewer newer facilities that are dimly lit with minimal security.

Thanks to Tokuo Yoshida, Executive Director, Rental Storage Association Japan for assistance with this article.


キュラーズ
Quraz
トランクルーム
Quraz

Additional information

Membership of FEDESSA

The following associations are current members of FEDESSA:

- Belgian Self Storage Association ASBL
- 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
- Ukrainian 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
- Industry overview: Collected by each member association and consolidated by FEDESSA with analysis by JLL
- Key deals: Information collated by JLL
- Survey results: Collected and consolidated by JLL from online survey responses of FEDESSA members. Number of sites verified from operator responses and on operator websites
- Outlook: Collected and consolidated by JLL from online survey responses of FEDESSA members
- Roving focus: Collected and consolidated by JLL
- European supply data: Information consolidated by FEDESSA.

Interviewees

- **Daniel Thorpe**, Senior Research Analyst, JLL
- **Tom Caines,** Director, JLL EMEA Alternative Investment
- **Fabian Emil Sobak,** CEO Self Storage Group ASA
- **Chris Oosthuizen,** Executive manager, Digital First
- **Dimitri Logvinenko,** Managing Director of TopBox
- **Rishi Patel,** Investment Director at M3 Capital

European supply data

Table to show country, population, estimated number of facilities, CLA, floor space per capita and facilities per million population.

	Population		Estimated number of facilities		Current lettable area (sq m)		Floor space per capita (sq m)		Facilities per million population	
		YoY change	2021	YoY change	2021	YoY change	2021	YoY change	2021	YoY change
Austria	9,043,072	▲	140	▲	140,000	▲	0.015	▶	15.5	▲
Belgium	11,632,334	▲	97	▲	215,000	▲	0.018	▶	8.3	▲
Czechia	10,724,553	▲	8	▶	15,000	▶	0.001	▶	0.7	▼
Denmark	5,813,302	▲	171	▲	280,000	▲	0.048	▲	29.4	▲
Estonia	1,325,188	▲	7	▶	7,100	▲	0.005	▶	5.3	▼
Finland	5,548,361	▼	74	▲	165,000	▲	0.030	▲	13.3	▲
France	65,426,177	▼	610	▲	1,380,000	▲	0.021	▲	9.3	▲
Germany	83,900,471	▲	297	▲	670,000	▲	0.008	▶	3.5	▶
Hungary	9,634,162	▲	19	▲	45,000	▲	0.005	▲	2.0	▲
Iceland	3,43,360	▲	11	▲	24,000	▲	0.070	▲	32.0	▲
Ireland	49,82,904	▲	43	▲	108,000	▲	0.022	▲	8.6	▲
Italy	6,03,67,471	▲	91	▲	243,000	▲	0.004	▶	1.5	▶
Latvia	18,66,934	▼	3	▶	7,500	▶	0.004	▶	1.6	▶
Lithuania	2,689,862	▼	3	▶	3,000	▲	0.001	▶	1.1	▶
Netherlands	17,173,094	▼	340	▲	920,000	▲	0.054	▲	19.8	▲
Norway	5,465,629	▲	252	▲	180,000	▲	0.033	▲	46.1	▲
Poland	37,797,000	▼	58	▲	125,000	▲	0.003	▶	1.5	▲
Portugal	10,167,923	▼	47	▲	73,000	▲	0.007	▲	4.6	▲
Romania	19,127,772	▼	10	▲	25,000	▲	0.001	▶	0.5	▲
Spain	46,745,211	▲	545	▲	1,010,000	▲	0.022	▶	11.7	▲
Sweden	10,160,159	▲	217	▲	506,684	▲	0.050	▲	21.4	▲
Switzerland	8,715,494	▲	133	▲	133,329	▲	0.015	▲	15.3	▲
United Kingdom (incl containers)	68,207,114	▲	1997	▲	4,691,604	▲	0.069	▲	29.3	▲
Europe in Total	496,857,547	▲	5,173	▲	10,967,217	▲	0.022	▲	10.4	▲