

THE SELF STORAGE ASSOCIATION UK ANNUAL SURVEY

A Cushman & Wakefield Publication

2015





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INTRODUCTION

This is the ninth consecutive annual survey carried out by the Self Storage Association UK (SSA UK) among its members. This year the report has been produced in conjunction with Cushman & Wakefield, which has extensive experience valuing self storage properties both in the UK and Europe, the US and Asia. Survey responses this year were returned by 73 separate companies covering 433 self storage facilities. While there are slightly fewer companies than last year (79) there are more facilities represented (403). This sample represents over 40% of the self storage sites in the country, and over 60% of total storage space. Responses to questions in the survey related to company and facility positions at 31 December 2014.

Whilst the core questions in the survey remain static year-on-year, allowing us to identify long-term trends, some variations are made each year to improve our knowledge of the market. This year the question on staffing has been split into the number of full-time and part-time staff. We have added a category for large units and workshops. We have also added additional questions in relation to moves in and out, or 'churn' of customers, and expanded the average length of stay question to cover both current customers at a fixed point in time and customers that have moved out over the period. In recognition of the increasing number of container operators in the market, we have also expanded the pricing questions to include container income in isolation.

Last year, for the first time, the report included the results of a Demand Survey carried out by YouGov (on behalf of the SSA UK). This was repeated this year with identical questions. This data provides a counterbalance to the operators' survey and enriches this report providing a more rounded view of the industry. In having two years of data we can firstly validate the data taken last year but also begin to see any trends in customer perception of the industry. In future years, these trends will become even more apparent and may be able to be correlated with changes in the industry or its operating environment. As in previous reports, we have inserted quotes from operators which have been taken from a small number of interviews carried out by Cushman & Wakefield with both large and small firms. Some of these interviews were filmed and can be seen in their entirety on the SSA UK and Cushman & Wakefield websites.

We hope that you find this year's report interesting. We would invite feedback both from SSA UK members and other readers, in particular on the additional content included this year but all suggestions for changes would be welcome.

Finally, we would like to thank the members of the SSA UK who responded so promptly to the Survey this year and the team at Cushman & Wakefield for collating the data, providing commentary and interpretation of the data and producing the final report. Also thanks to Big Yellow and Safestore for assisting with the YouGov element of the survey.

SUMMARY OF KEY FINDINGS

DEMAND SURVEY

The second demand survey carried out in January 2015 produced results which correlate well with the same survey undertaken last year, which confirms that the sample size is appropriate and that the results are robust. The survey shows that although there has been an improvement in public awareness over the 12 months, the general level of awareness of self storage as a product remains low.

- 55% of respondents (62% in 2014) have either limited or no knowledge of the product.
- Awareness in the South of England, and in London in particular is higher.
- Only 53% of respondents agreed that self storage offers a range of unit sizes to meet people's needs.
- Only 37% of consumers agreed that self storage contracts are flexible.
- Only 32% of consumers realised that only they could access their goods in self storage, not the store staff.
- Only 60% of the survey group could name a self storage business in their local area. Direct visibility to the road is the key driver for site recognition.
- Unprompted brand awareness is poor. 67% of respondents could not name any self storage brand. However, for those that could name a brand, Big Yellow's name was the most recognised by a significant margin.
- Consumers have limited knowledge of the cost of renting self storage space with 31% not knowing what the monthly cost of renting a 90 sq ft might be and a further 55% believing that it would be less than the likely actual amount.

INDUSTRY SURVEY

From the survey of members as at 31 December 2014 we highlight the following key findings:

- Operators are more optimistic about the outlook for 2015, with no respondents reporting an anticipated drop in profitability and nearly 80% expecting improved profitability.
- Over 80% of respondents expect empty room rates to grow by more than inflation (100% in London).
- Operators in London and the South East are the most optimistic.
- Average occupancy for mature stores (those stores open for more than six years) was broadly flat at 70% (of maximum lettable area) over the last 12 months.
- On all stores in the survey occupancy was circa 70% on current lettable area and circa 65% on the maximum lettable area.
- The average rental rate for all stores showed an increase over the year of 7.1% to £21.00 per sq ft per annum. This virtually matches the rental rate as at 31 December 2011, the last reported result before the addition of VAT onto all self storage fees. Although the sample group has changed over the survey years, the sample size ensures the data trends are relevant.



INDUSTRY OVERVIEW

After a period of limited new store openings following the recession, the self storage industry is definitely beginning to grow, putting on around 1.3 million square foot of space in 2014. It is always hard to accurately measure the exact number of self storage sites, as they are not officially registered anywhere and small container based operations can open in rural areas with limited marketing or online presence. The SSA estimates that there are now around 1,022 self storage sites in the UK, of which 159 supply container storage only. This is just under a 13% increase in the number of new container sites compared to 2013.

Almost half of all new sites opened in 2014 had some container storage. In total there is approximately 35.7 million sq ft of self storage space in the UK. This equates to an average of 0.56 sq ft of storage space per person in the UK (based on a population of 64.1 million). In comparison, the latest figures from the US and Australasia are 7.3 sq ft per person and 1.6 sq ft per person respectively.

We estimate that the total turnover of the industry in 2014 was £402 million among approximately 440 operators. In all, these firms employed around 2,100 staff (full time equivalents).

Of the total number of self storage facilities in the UK, 346 are held by large operators which represents circa 35% by number (see table below). Large operators are defined as those managing 10 or more sites. However, since these operators tend to have larger sites, and many are located in higher rent locations, in terms of total space available and revenue, their share of the market is likely to be greater than 50%.

There is 35.7 million sq ft of self storage space in the UK

TABLE I

	POPULATION (MILLIONS)	SPACE (SQ FT)	SUPPLY (SQ FT PER PERSON)
London	8,600,000	8,900,000	1.03
Greater Manchester	2,700,000	2,300,000	0.85
Birmingham	1,085,000	480,000	0.44
Leeds	780,000	470,000	0.60
Glasgow	596,000	440,000	0.74
Edinburgh	495,000	480,000	0.97
Liverpool	467,000	280,000	0.60
Bristol	437,500	330,000	0.75
Cardiff	325,000	235,000	0.72

Note, the regions used for this table are slightly different to previous surveys to provide consistency with other regional analysis in this document and other government data.

TABLE 2

NO. OF STORES BY BRAND	
Safestore	98
Big Yellow	69
Access Self Storage	55
Storage King	24
Lok'nStore	24
Shurgard	22
Big Box	16
Armadillo (Managed by Big Yellow)	14
Alligator (Managed by Ready Steady Store)	12
Space Maker (Managed by Safestore)	12
TOTAL	346

The five largest operators in the UK manage 29.5% of the self storage stores, while in the US the top five own or manage only 11.5%

Several operators manage stores for third party owners. By stores managed the largest operators are as follows:

TABLE 3

NO. OF STORES MANAGED	
Safestore	110
Big Yellow	83
Access Self Storage	58
Lok'nStore	27
Storage King	24
Shurgard	23
Ready Steady Store	19
Big Box	16
TOTAL	360

SURVEY DATA

TABLE 4

		CLA	MLA
	Current amount occupied (sq ft)	Current net lettable area (sq ft)	Max. Net lettable area of store (sq ft) once fully developed.
TOTAL	12,918,370	18,414,436	19,955,423
Average per site	30,254	43,024	47,176

The occupancy calculations, based on the above data, are as follows:

All sites occupancy on CLA	All sites occupancy on MLA
70.2%	64.7%

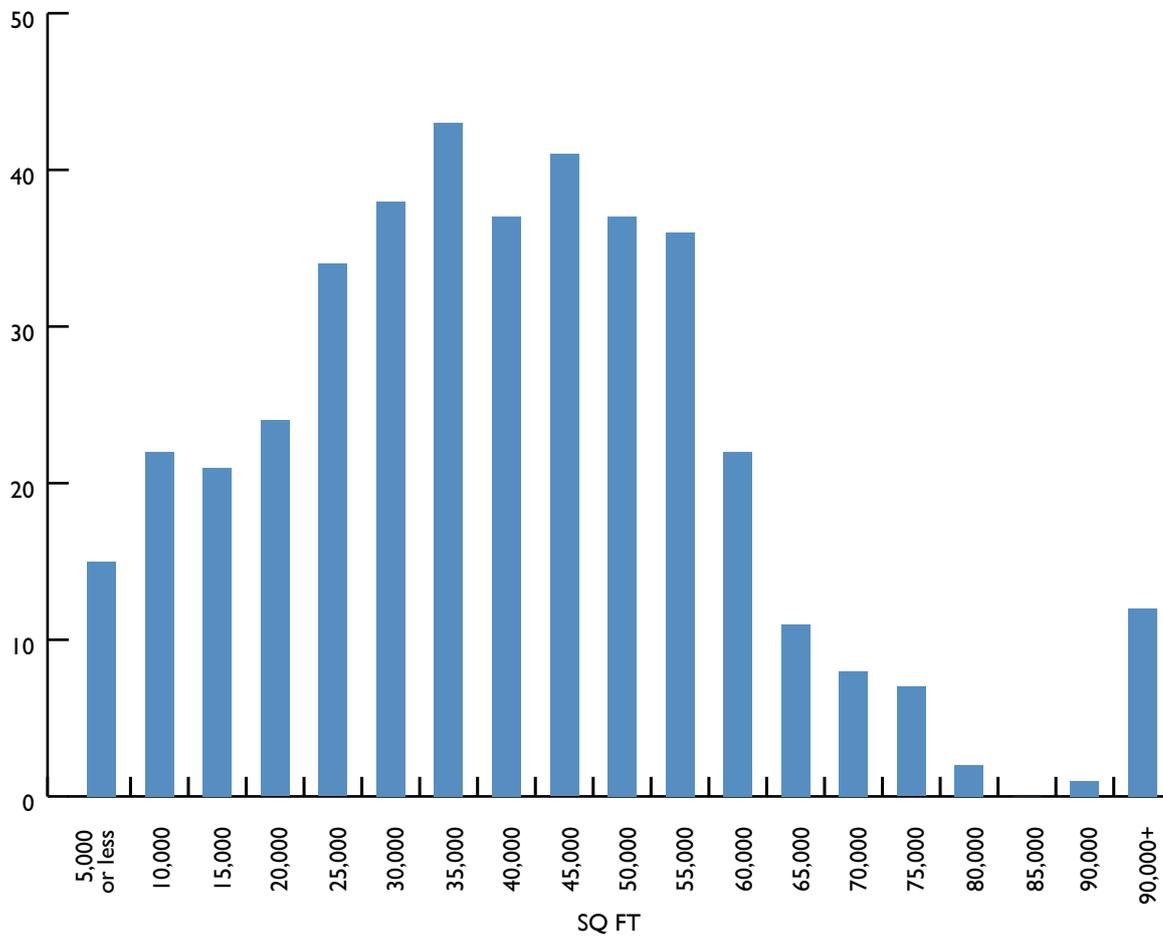
The average occupancy on MLA for mature sites (those sites open for over six years) is 70%.

Based on the survey results, the average facility size is circa 43,000 sq ft with 580 rooms and an average unit size of circa 71 sq ft. In addition there is, on average, a further 4,150 sq ft (9.7%) of potential additional self storage space yet to be fitted out.



Occupancy in the UK at 70% remains significantly lower than other markets such as the US, 88% and Australasia, around 80%, but this must be considered in conjunction with revenue rates.

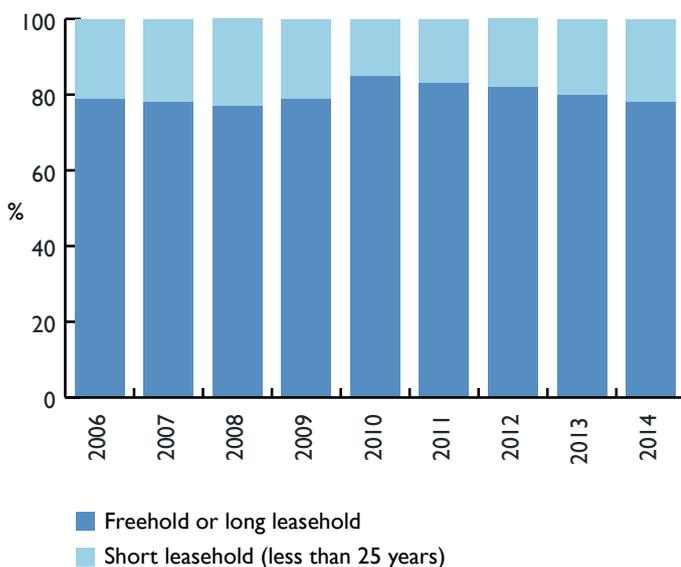
FIG. I - Number of facilities by CLA



We analysed the 2014 data to show the spread of store sizes across the industry. The most common sized stores are in the 30,000 to 50,000 sq ft range (the UK average being 43,000 sq ft), although there are a high number of smaller stores. From its most recent published data Big Yellow's average store size is circa 63,000 sq ft and the figure for Safestore's UK portfolio is circa 42,300 sq ft. Lock'nStore has an average MLA of circa 51,000 sq ft across its portfolio.



FIG. 2 - Ownership type (%)



The survey indicates that the balance between freehold/long leasehold and short leasehold has remained relatively stable over recent years, with 78% of stores currently held freehold or long leasehold. The majority of operators prefer the freehold model but will consider leaseholds where a freehold cannot be secured, or where limited funding is a constraint.

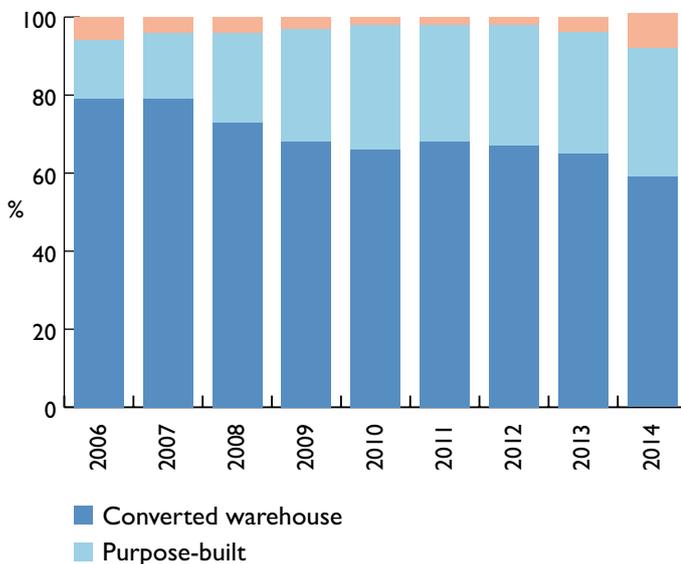
TABLE 5

DO YOU HAVE CONTAINER STORAGE?	
No Container Storage	78%
Part container storage	14%
All container storage	8%

“Operators are using container storage as a lower capital means to enter the industry.”

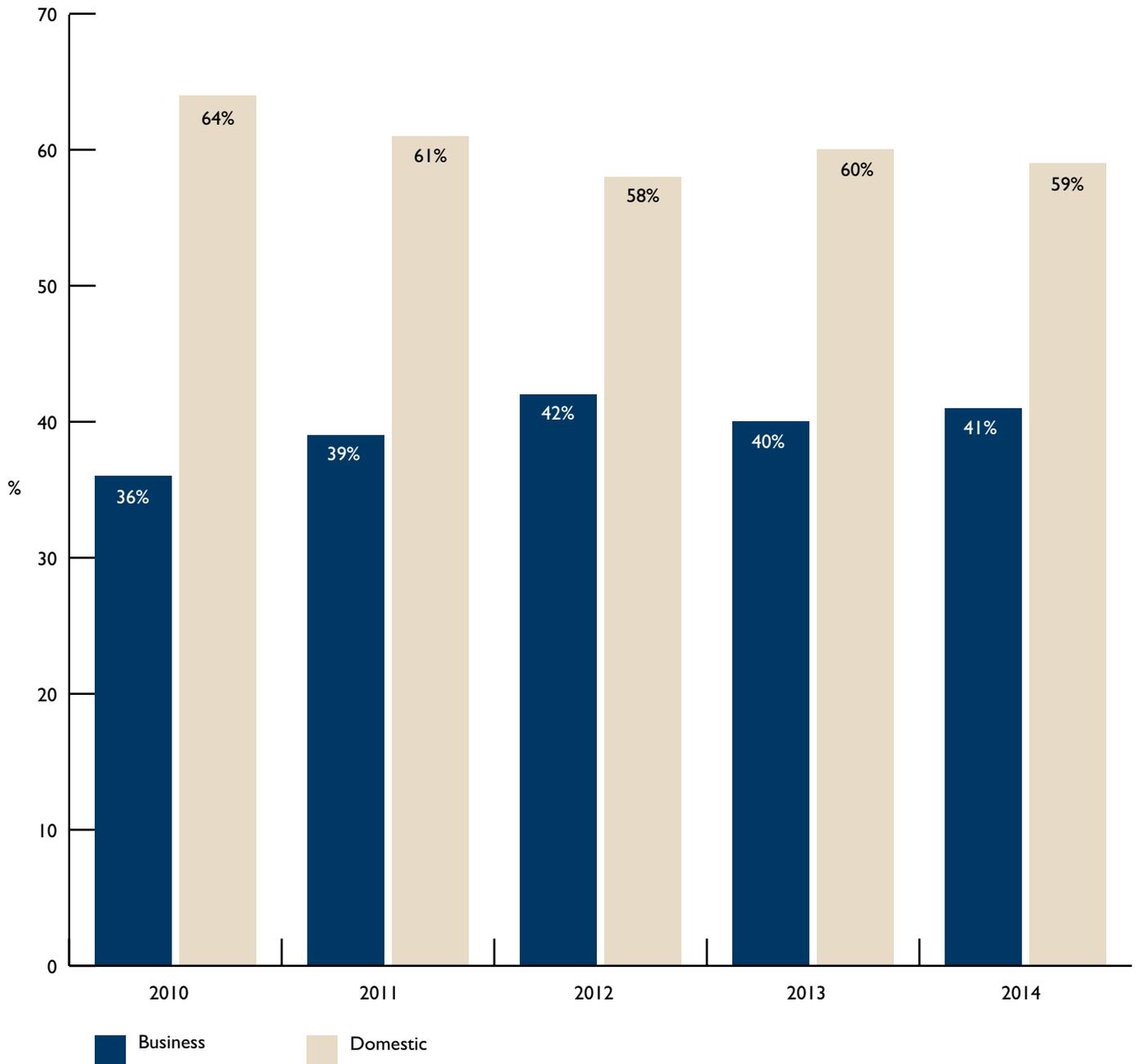
NICK POOLE
Fort Locks Self Storage

FIG. 3 - Type of facility (%)



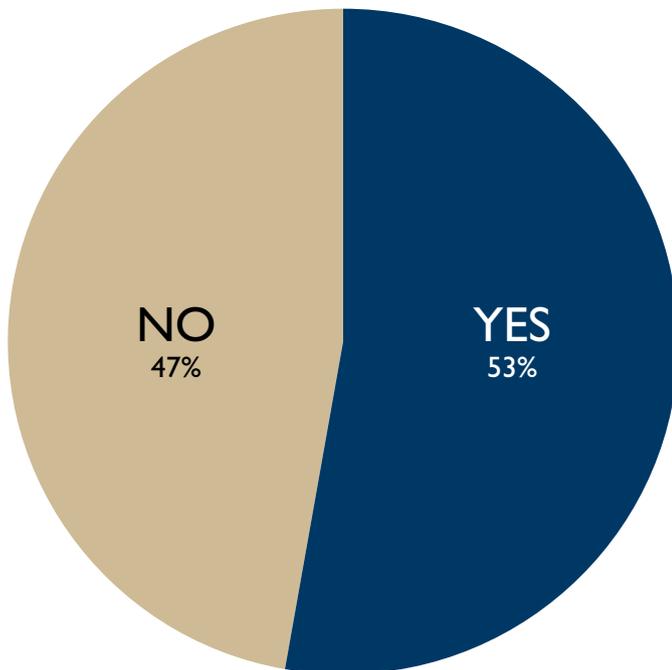
Over time the proportion of purpose built stores has risen, with 33% purpose built as at December 2014 and 59% being conversions. The remainder are container only sites, which have also significantly grown in presence over the last two years. It should be noted that this graph represents the number of stores, not the floor space. Often container sites are much smaller than purpose built sites in particular.

FIG. 4 - Split of customer by area occupied



The share of commercial customers by space increased from 36% to 42% between 2010 and 2012. Since then it has remained around the 40% mark, this year increasing one percentage point on 2013 to 41%. Some predicted that as economic conditions improved, the share of commercial customers would fall, but this has not yet occurred.

Note that this represents the space taken by customers, not the number of customers. As commercial customers tend to take larger units than personal use customers, the actual percentage of commercial customers using self storage is lower.

FIG. 5 - Companies displaying prices on its websites (%)

This is a new question for 2014. Whether to display prices on websites is a widely debated topic at self storage forums. Some say that businesses must display prices to provide choice, convenience and the ability to book a unit online.

Others will say that the lack of understanding of the product by consumers means that by displaying prices consumers will end up selecting on price alone and not the relevant features of the store. While the majority of businesses surveyed are advertising their prices online, the ability to book a unit online is less prevalent and compared to many other industries the figure of 47% of businesses who do not place their prices online is high.

It will be interesting to track this question in future surveys. It also should be noted that this graph represents the companies that list their prices online not the stores. Given most of the large companies are listing prices online it is likely that the percentage of stores would be higher.

THIRD PARTY MANAGEMENT

The vast majority of self storage businesses are owned and operated by a single company. Only 6% of the survey respondents' stores were managed by a third party. There are some notable management contracts covering multiple site operations, namely Big Yellow with the Armadillo portfolio, Safestore with the Space Maker portfolio and Ready Steady Store with Alligator Self Storage. Storage King and Lok'nStore also manage some independently owned sites but other than this there is very little third party management of independent sites.

EUROPE

It is always difficult to calculate the true size of the self storage industry in any region as there are, and always will be, a number of companies which are entering the market in a small way, 'testing the water', or suggesting that they are self storage providers when actually they are not. Associations gathering data on their industry are often not aware of these smaller operators and will traditionally have stronger data on their members, than non-member operations. Over the past year, the Federation of European Self Storage Associations (FEDESSA) and its members have, however, increased its efforts to measure the size of the self storage industry, including the non-member sites, in every European country.

We estimate therefore that there are around 2,440 facilities of any note across Europe, (including the UK which has an estimated 1,022 facilities). The total current size of the industry including the UK

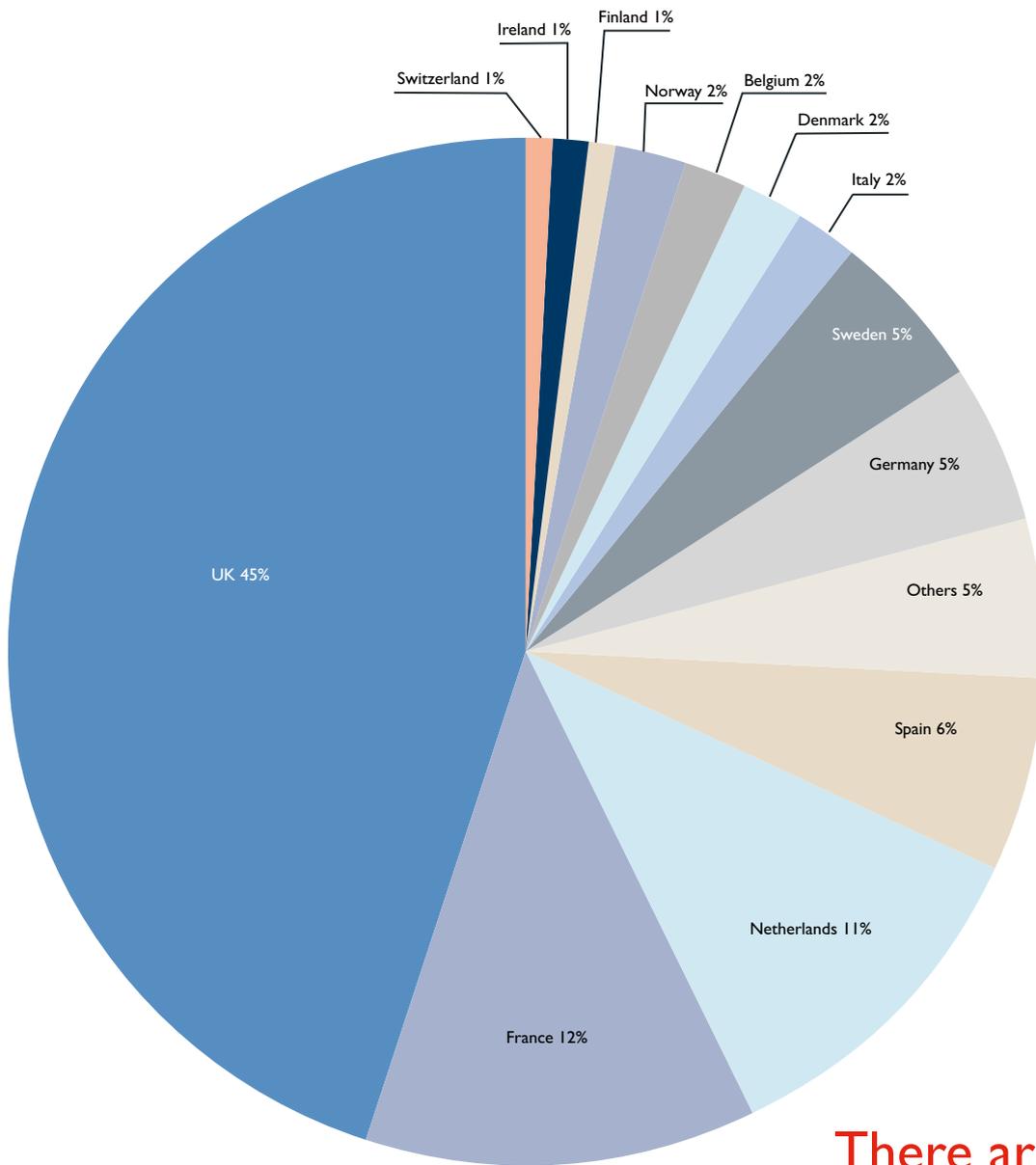
is over 77 million sq ft. After the UK, France and the Netherlands continue to have the bulk of European self storage space, with Germany and Spain the next largest markets, followed closely by Sweden.

When considering the amount of storage per person, the UK continues to lead, although very closely followed by the Netherlands and Sweden, which have around three times as much storage space per person as the European average of 0.16 sq ft per person. Outside of the UK, we estimate that 37% of the facilities are held by large operators (large operators are defined as those managing 10 or more facilities), which hold 45% of the total available space.

TABLE 6

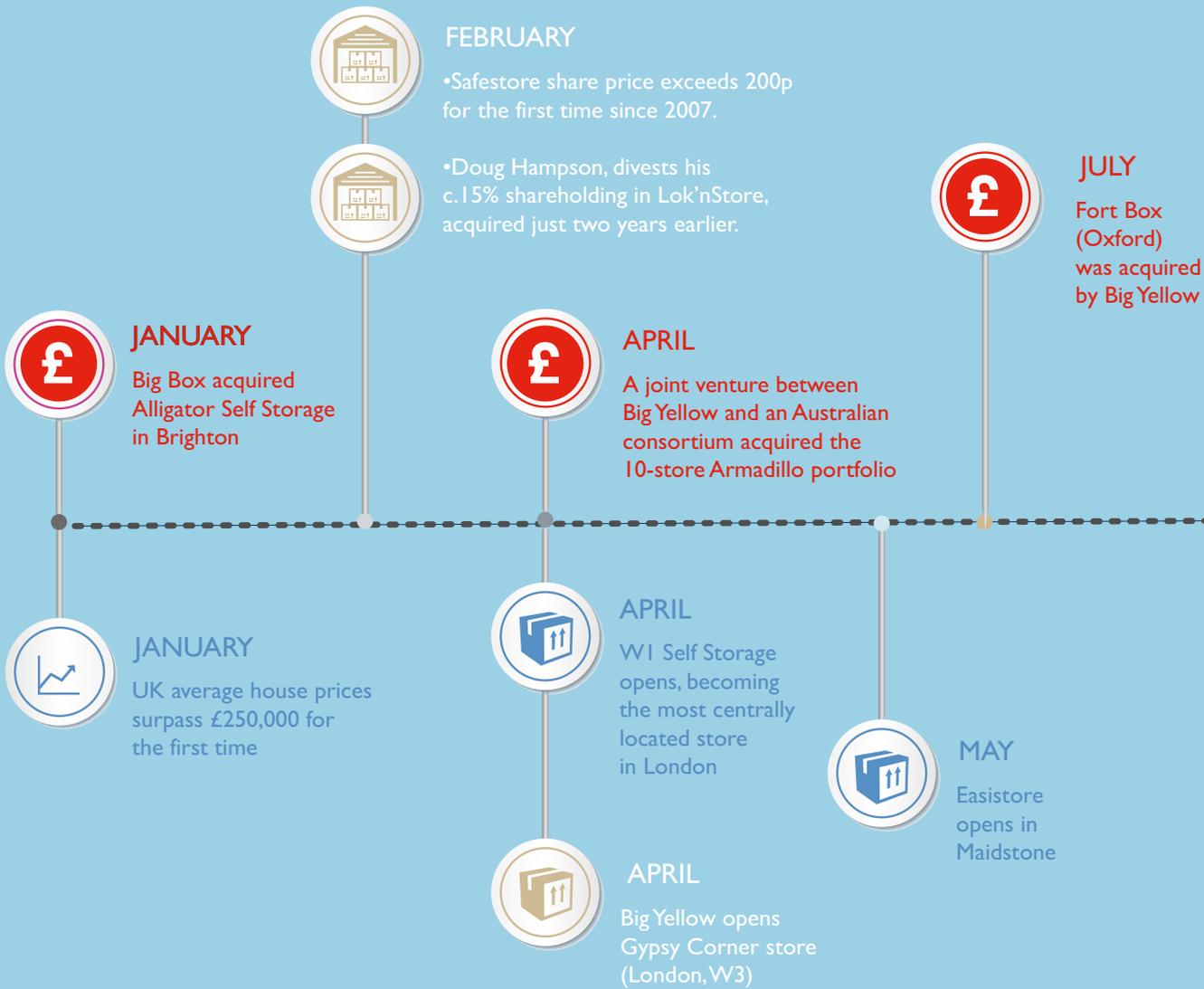
COUNTRY	POPULATION	EST NO. OF FACILITIES	SIZE SQ FT	SQ FT PER PERSON	STORAGE FACILITIES PER MILLION POP
Austria	8,505,000	25	807,293	0.09	2.94
Belgium	11,199,000	29	1,370,396	0.12	2.59
Czech Republic	10,517,000	3	108,952	0.01	0.29
Denmark	5,634,000	50	1,596,654	0.28	8.87
Estonia	1,316,000	2	21,528	0.02	1.52
Finland	5,458,000	54	1,136,669	0.21	9.89
France	65,931,000	330	9,706,894	0.15	5.01
Germany	80,716,000	131	4,219,453	0.05	1.62
Hungary	9,879,000	1	64,583	0.01	0.10
Iceland	326,000	5	53,820	0.16	15.32
Ireland	4,593,000	25	863,535	0.19	5.44
Italy	60,768,000	45	1,727,608	0.03	0.74
Latvia	1,997,000	2	53,820	0.03	1.00
Norway	5,124,000	60	1,170,575	0.23	11.71
Poland	38,496,000	6	163,073	0.00	0.16
Portugal	10,478,000	16	532,814	0.05	1.53
Romania	19,943,000	2	86,111	0.00	0.10
Spain	46,610,000	210	4,498,066	0.10	4.51
Sweden	9,685,000	112	4,161,242	0.43	11.56
Switzerland	8,161,000	28	641,960	0.08	3.43
The Netherlands	16,860,000	264	8,496,536	0.50	15.66
UK (incl containers)	64,106,000	1022	35,700,000	0.56	15.94
TOTALS	486,302,000	2422	77,181,581	0.16	4.98

FIG. 6 - European industry by space



There are around
2,440
notable facilities
across Europe

THE YEAR IN HIGHLIGHTS



- TRANSACTIONS
- PLC'S
- OTHER



AUGUST

Storage King acquired a facility in Doncaster from a franchisee



NOVEMBER

Lok'nStore relocates to a new purpose built facility in Reading



DECEMBER

Big Yellow purchased its JV partner's (Pramerica) equity interest in the Big Yellow Joint Venture



DECEMBER

- Big Yellow share price exceeds 600p for the first time since 2007
- Lok'nStore share price at the highest level since 2007



DECEMBER

UK house prices increased by 9.8% in the year to December 2014



OCTOBER

Ready Steady Store purchased the 12-store Alligator Self Storage portfolio

MACRO ECONOMIC OVERVIEW

ECONOMIC GROWTH

In 2014, the UK economy was one of the strongest performers in Western Europe, recording GDP growth of 2.8%, although there were signs of a modest slowdown in growth in late 2014 due to uncertainties in the Eurozone and wider geopolitical concerns. Oxford Economics expects GDP to grow by 2.8% in 2015 and 2016, supported by recent oil price falls.

Risks appear weighted to the downside in the short term due to on going 'Grexit' concerns, the UK referendum on EU membership, the possibility of a QE-induced bubble in financial markets, excessive debt in emerging markets and wider geopolitical concerns (Russia, Ukraine and the Middle East). However, there are also upside possibilities in the medium term if the Eurozone economic recovery accelerates, the US economy continues to strengthen and China's government intervention helps to support stable economic expansion.

EMPLOYMENT, WAGES AND CONSUMPTION

UK unemployment continued to fall in 2014 moving from 7.2% to 5.7% by year-end, the lowest rate since the financial crisis. The tightness in the labour market has begun to support a pick up in wage growth, evident in 2014 and expected to continue in 2015. Further support for wage growth is anticipated in October 2015 with a second successive 3% rise in the national minimum wage. Oxford Economics forecasts that nominal wages will increase by 3.7% in 2015, up from 2.5% per annum over 2010-2014.

Given the low inflation outlook (0.3% expected in 2015), there should be a considerable boost to real wages and consumer spending power during 2015. As a result, Oxford Economics expects consumer spending growth to accelerate to 3% in 2015, before cooling a little to 2.8% in 2016.

TABLE 7

ECONOMIC SUMMARY					
ECONOMIC INDICATORS*	2012	2013	2014E	2015F	2016F
GDP growth	0.7	1.7	2.6	2.6	2.5
Consumer spending	1.5	1.7	2.5	2.8	2.6
Manufacturing production	-2.7	-0.6	1.6	0.9	1.2
Investment	0.7	3.4	7.8	4.4	5.4
Unemployment rate LFS (%)	8.0	7.6	6.2	5.5	5.2
Inflation (%)	2.8	2.5	1.5	0.4	1.6
GB£/€ (average)	1.23	1.18	1.24	1.40	1.46
GB£/US\$ (average)	1.59	1.56	1.65	1.48	1.47
Interest rates 3-month (%)	0.5	0.5	0.6	0.6**	1.0***
Interest rates 10-year (%)	2.0	2.8	1.8	1.9**	2.4***

NOTE:
 *annual % growth rate unless otherwise indicated.
 E=estimate
 F=Forecast
 **end of July 2015
 ***end of April 2016

Source: Oxford Economics Ltd. and Consensus Economics Inc

INFLATION AND INTEREST RATES

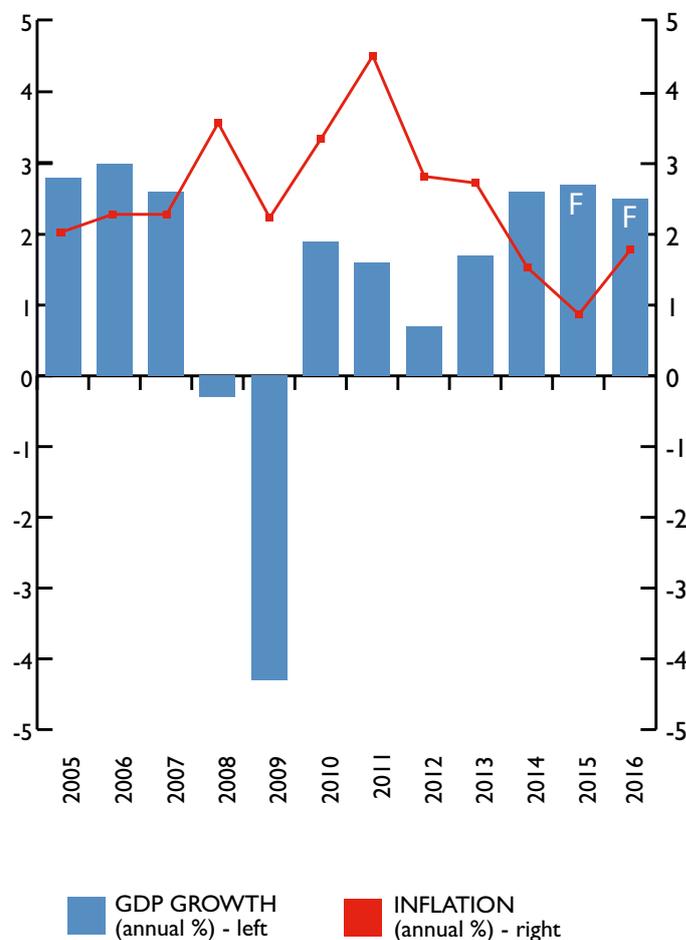
A combination of plummeting oil prices and competitive pricing by major supermarkets continued to drive down UK inflation in February to zero, which was the lowest since comparable records began in 1989. Economists believe that there is a strong chance of a negative reading over the next few months, with cuts to gas bills by four of the big six energy providers due to hit the index, the benefits of cheaper oil continuing to feed along the supply chain and the supermarket price war driving down food prices. Oxford Economics expects CPI inflation to average just 0.3% over 2015 as a whole.

Given the low inflationary environment, it is likely that the Bank of England Monetary Policy Committee will keep interest rates on hold in the short term, before increasing them gradually from 2016, reaching around 2.5% by 2019.

TABLE 8

ECONOMIC & POLITICAL BREAKDOWN	
Population	64.7 million (2014)
GDP	US\$ 2,951.4 billion (2014)
Public sector balance	-5.7% of GDP (2014)
Public sector debt	89.4% of GDP (2014)
Current account balance	-5.5% of GDP (2014)
Parliament	Conservative
Head of State	Queen Elizabeth II
Prime Minister	David Cameron
Election dates	May 2020

FIG. 7 - Economic activity



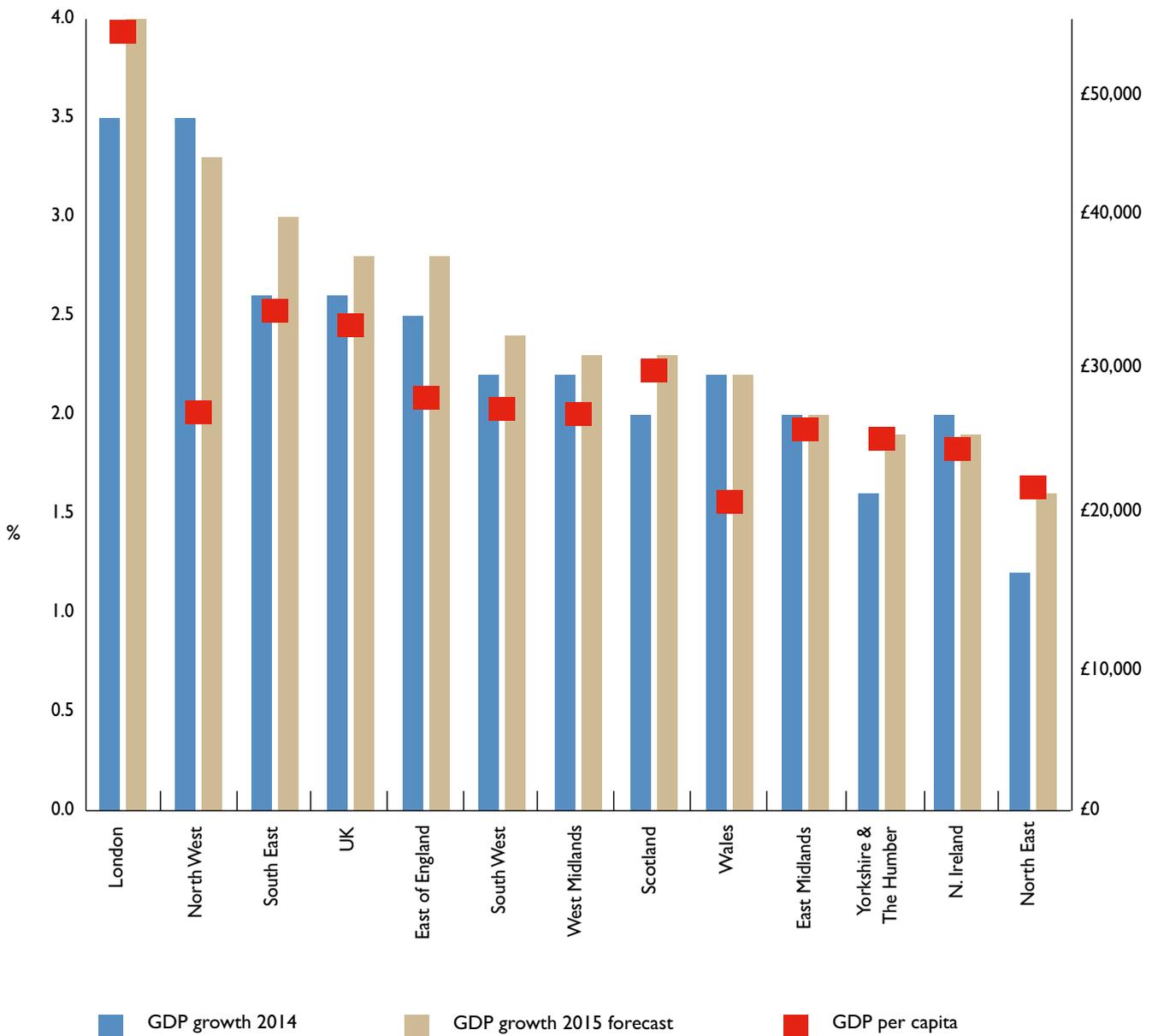
“Similar to 2010, there was a pre-election drop in domestic self storage enquiries in April but early signs indicate that has turned around in May.”

MIKE WILSON
Smart Storage

THE IMPACT OF LOWER OIL PRICES

The sharp fall in oil prices since mid-2014 should boost most sectors of the UK economy except for those directly involved in oil and gas production. Although oil prices are notoriously difficult to forecast, the current expectation is for prices to rise gradually to around US\$65 per barrel by the end of 2016, which would still represent a 40% reduction on the mid-2014 price. In the short term, lower oil prices should benefit consumers significantly, as well as boosting non-oil sector corporates and narrowing the UK trade deficit slightly.

FIG. 8 - Economic growth across the UK regions



POLITICAL CLIMATE

At the time of writing, the Conservative party had just won a slim majority in the UK general election and Ed Miliband, Nick Clegg and Nigel Farage had resigned as the leaders of their respective parties. The result is likely to bring a feeling of certainty and stability to the UK economy and has already been reflected in the markets, with the FTSE 100 jumping by 2% immediately after the results, adding £50 billion to the value of British companies. However, David Cameron will continue the Conservative party's austerity plan with the aim of running an overall surplus by the end of the next parliament. Nicola Sturgeon's success as leader of the Scottish National Party has raised questions over the future direction and management of the United Kingdom although opinion polls suggest that there has been little movement since the 'no' vote last year. The main concern arising from the election result is the UK's position in Europe after David Cameron's promise for a referendum which might be brought forward to 2016 and could worry investors.

UK REGIONAL OUTLOOK

Across the UK, all regions are currently growing, most at a healthy pace, with London and the South East continuing to beat the average. The devolved regions, Midlands and parts of the North are recovering the slowest with this pattern set to continue during 2015. The North West, has notably been one of the top performing regions driven by Manchester's success in attracting high-value service activity which is providing the basis for better than average growth across the region. However, London is still the stand-out performer, both in a national, European and global context, and is set to continue to benefit from positive demographic trends and growth in emerging sectors and markets.

UK HOUSING MARKET

The performance of the UK housing market has been mixed recently, with uncertainty as to whether the current slowdown in activity is seasonal or part of a wider fundamental shift in the market. UK residential transactions are currently below average but likely to rise gradually during 2015. Whilst prospects for the economy and labour market look positive, tighter mortgage controls, rising price-to-income ratios and the prospect of higher interest rates are all impacting on demand. The prime central London residential market is seeing a moderation in transactions and house prices. Prior to the election this could be attributed to the potential mansion tax and removal of non-dom status. The main constraint in the market is a lack of homes for sale, as reported by the RICS residential market survey (March 2015), which looks to be putting some potential buyers off from searching for a property.

FIG. 9 - UK Residential Property Transactions

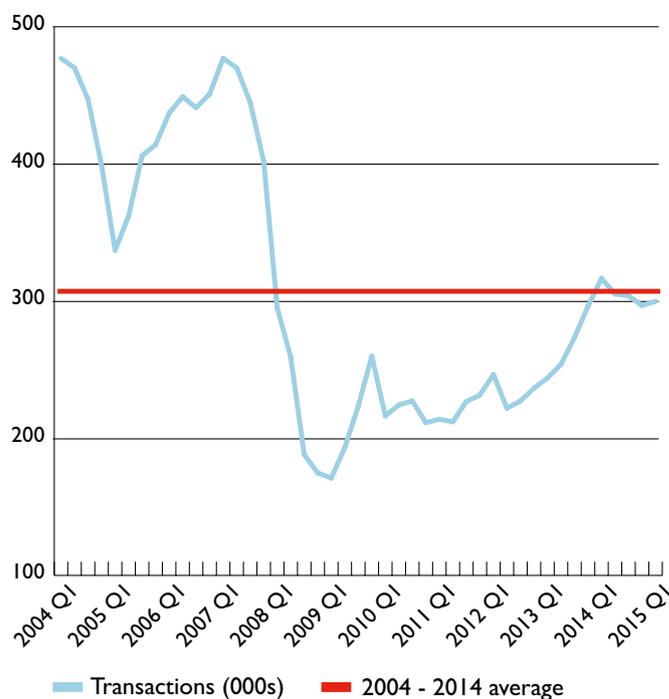


TABLE 9

MARKET OUTLOOK	
GDP:	Growth to match the 2014 result in 2015.
Inflation:	Likely to turn negative in the short term and pick up at the end of the year.
Interest rate:	On hold until 2016 due to deflationary pressures.
Employment:	Unemployment to continue to fall gradually.

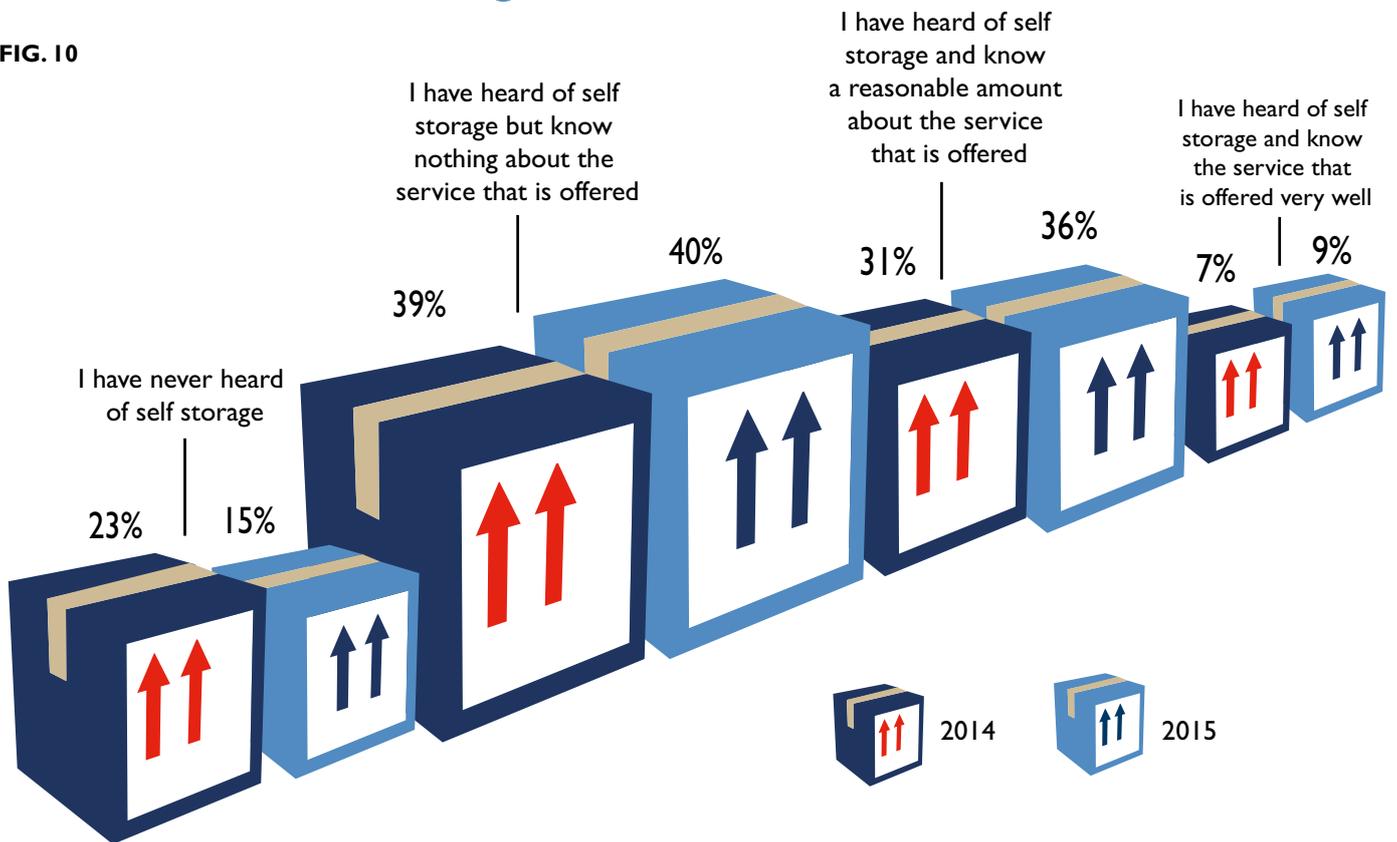
DEMAND SURVEY

In January 2015 the SSA UK commissioned a Demand Survey with YouGov. The survey was conducted online from 2,151 panelists selected at random from YouGov's total panel of 350,000+ individuals. The responding sample was then weighted to provide a reporting sample representative of all UK adults (aged 18+).

The questions posed were the same as the previous survey carried out in January 2014. The questions were designed to measure the level of awareness and perceptions of the UK self storage industry. There is a good level of correlation between the 2015 and 2014 survey results which confirms that the sample size is adequate and the results are reliable.

What is your level of awareness of self storage?

FIG. 10



The survey results demonstrate an improvement in awareness, with the number of people who have never heard of the product dropping from 23% to 15%. However, 55% of consumers (62% in 2014) still have limited or no knowledge. It is fair to conclude that demand levels for self storage would be improved if the level of awareness was significantly better, although the potential improvement is hard to quantify. Clearly self storage is not an impulse purchase, and people in the UK that do not have a need for the product are unlikely to have a high awareness or understanding of it. Regionally there are noticeable differences in the data which reflect to some extent the level of supply in the relevant market. London for example has the highest level of awareness and the highest level of supply.

Level of reasonable awareness by region

FIG. 11



Respondents were asked a number of questions about the product and service. From the results we note the following statistics, which confirm the low level of knowledge of self storage:

- Only 53% of respondents agreed that self storage offers a range of unit sizes to suit people's needs
- Only 37% of consumers agreed that self storage contracts are flexible from 1 month to 12 months or longer
- Only 32% of consumers agreed that only they could access their goods in self storage, not the store staff

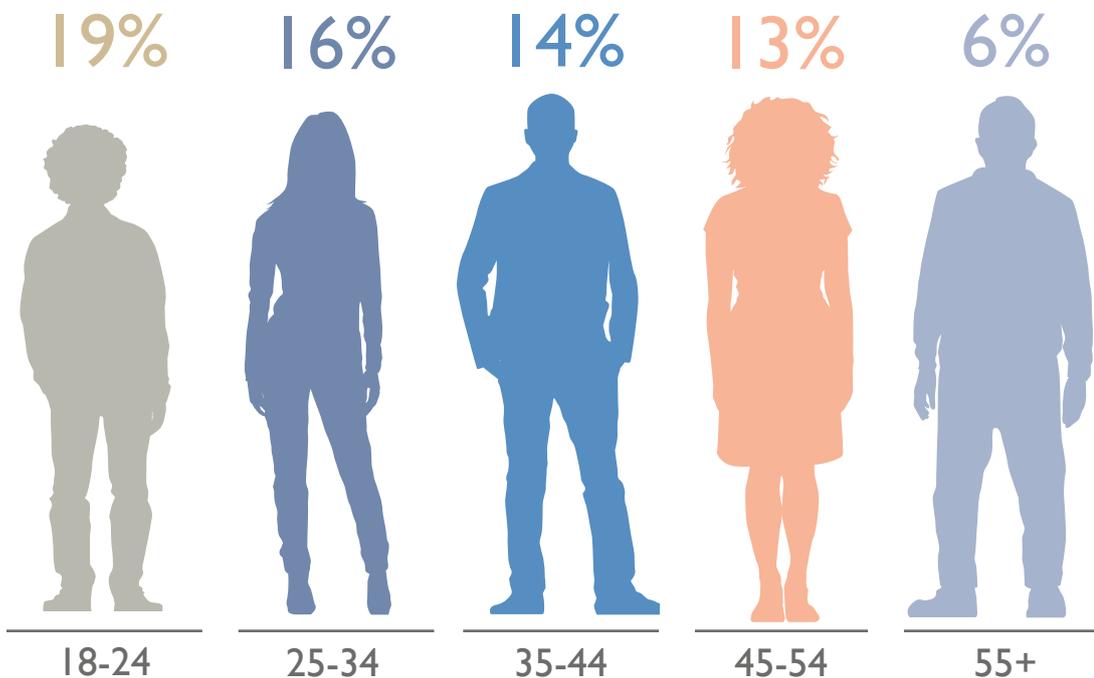
These are the pillars of self storage that identify it from most other storage options. You would expect someone even with a limited knowledge of the product to understand these elements.

When asked whether they had used self storage or considered using it over the last 12 months 89% (88% in 2014) of respondents stated that they had not considered using it (including "don't know" responses). When asked the same question about the next 12 months, 94% answered that they were not considering using it, against 93% in 2014.

Breakdown by age of those likely to use self storage In the next 12 months

Interestingly, we noted a clear trend by age group in this response with older age groups less likely to be considering using self storage.

FIG. 12

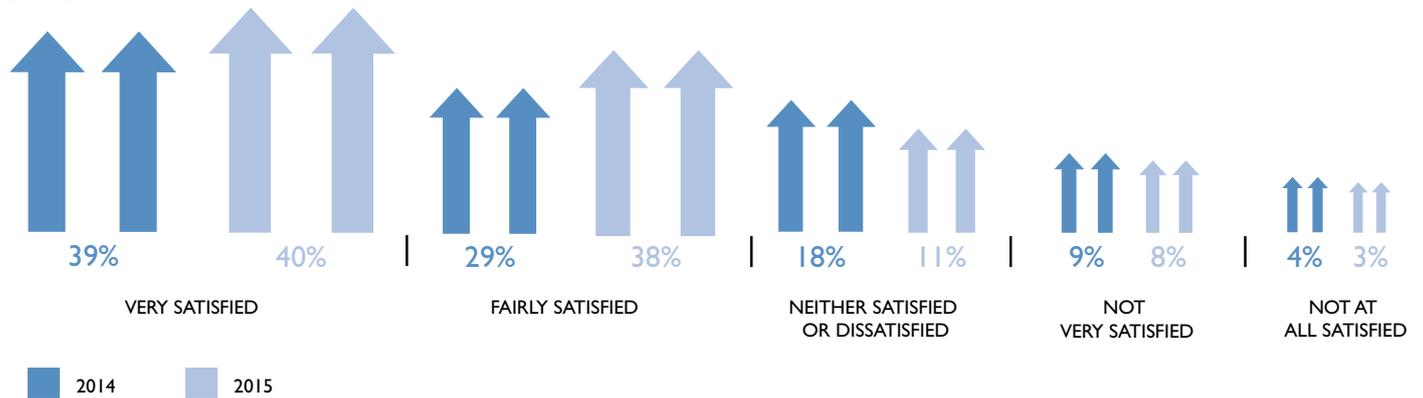


Service satisfaction

From the survey data, 11% of respondents had previous experience of using self storage (14% in 2014). Of those with previous experience only 11% (13% in 2014) expressed any dissatisfaction with the service received.

While this is good indicative information and relatively consistent with last year's results, the small sample size (only 11% of all respondents) should be noted.

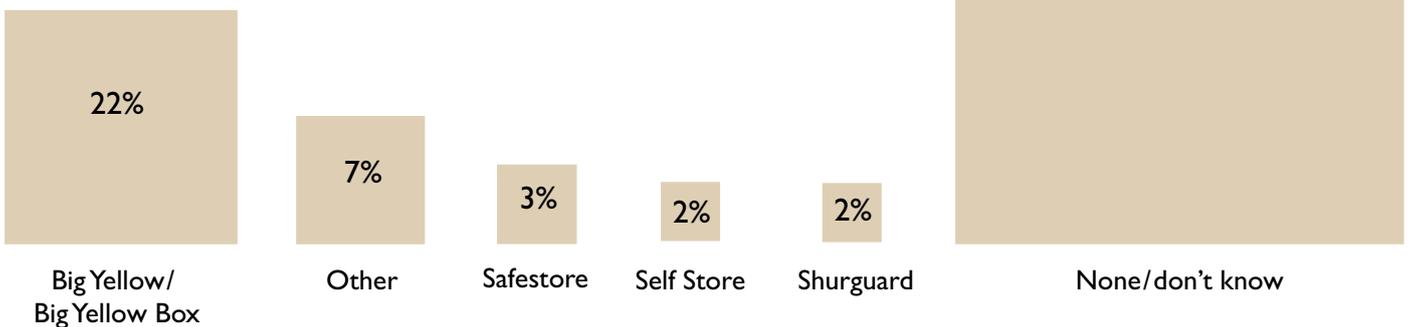
FIG. 13



Low unprompted brand awareness

When asked, 67% of survey respondents could not name any self storage brand (in 2014 it was 69%). This is consistent with the low level of awareness of the product. However, for those that could name a brand, Big Yellow's name was the most recognised by a significant margin.

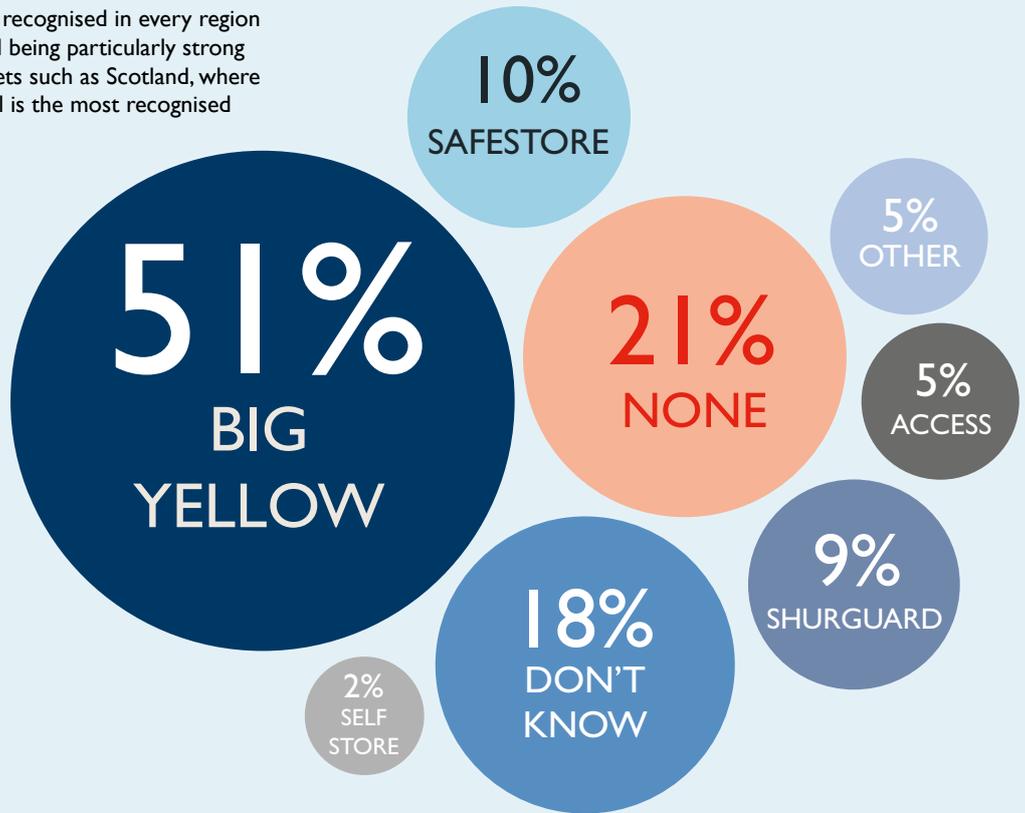
FIG. 14



In fact, Big Yellow's brand was the most recognised in every region where it has a presence, with the brand being particularly strong in London and the South. Even in markets such as Scotland, where they only have one store, Big Yellow still is the most recognised self storage brand.

Brand awareness in London

FIG. 15



Low location awareness

Mirroring the above, 60% of the survey group (61% in 2014) could not think of a self storage business in their local area. In London, however, fewer people (47%) could not name a self storage business in their local area.

FIG. 16 Awareness of self storage in local area



When the survey respondents were asked how they were made aware of the self storage business in their area, roadside visibility was clearly the leading driver of recognition:

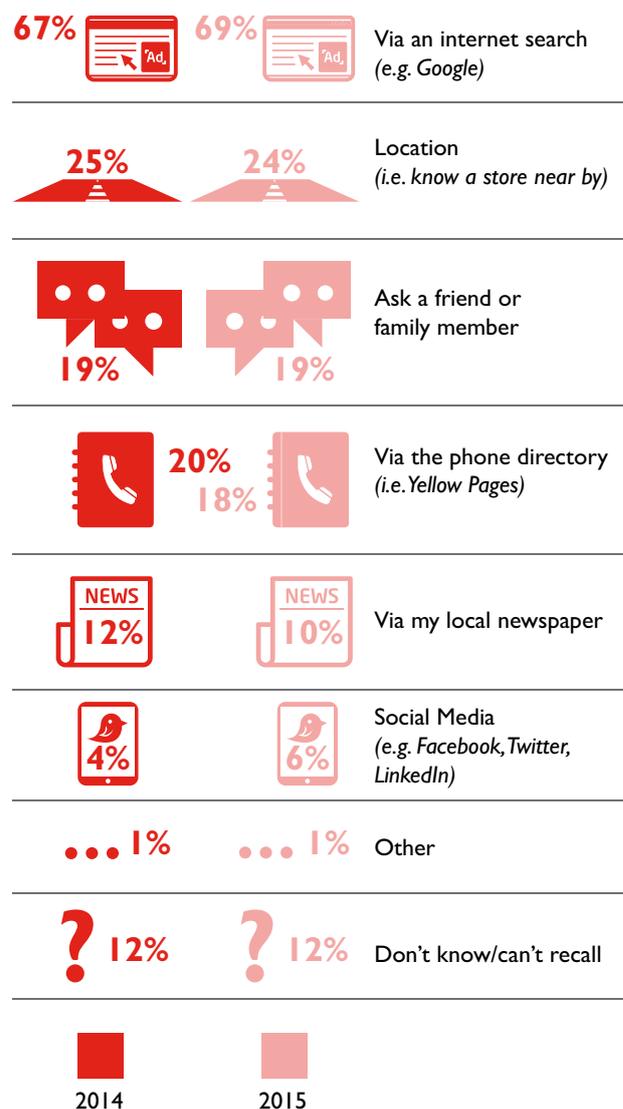
FIG. 17



Enquiries pathway

The survey respondents were asked in which way(s) they might find a self storage facility:

FIG. 18

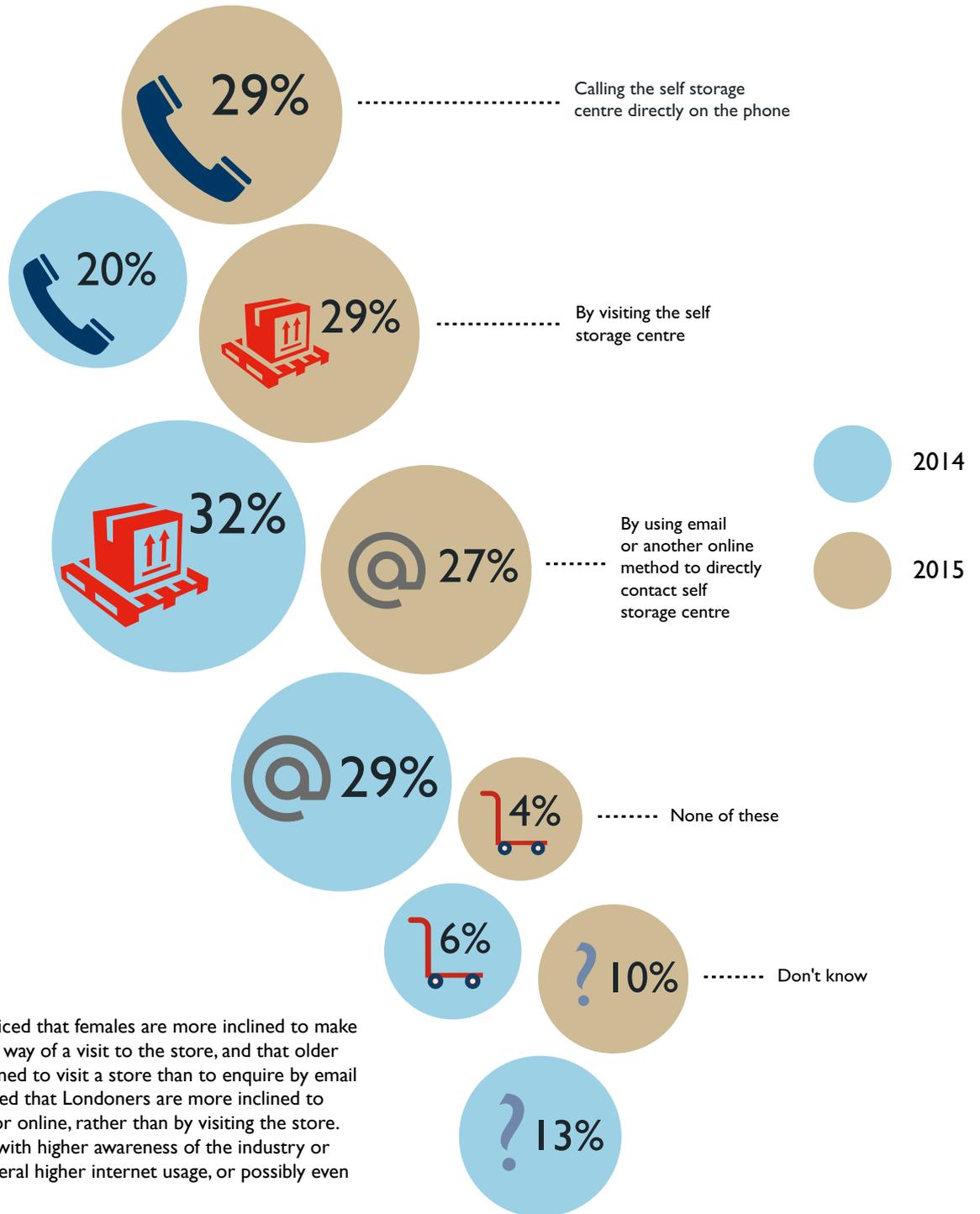


Clearly an internet search was the dominant answer, although this could be influenced by the survey sample who are all internet users (having completed the survey online). N.B. the results do not total 100% as the respondents were able to choose all available options, not just a single response.

However, when asked in which way they would most prefer to contact a self storage facility, there was a much greater balance between a phone call, a store visit or by email/online:

Preference on how to contact a self storage facility

FIG. 19

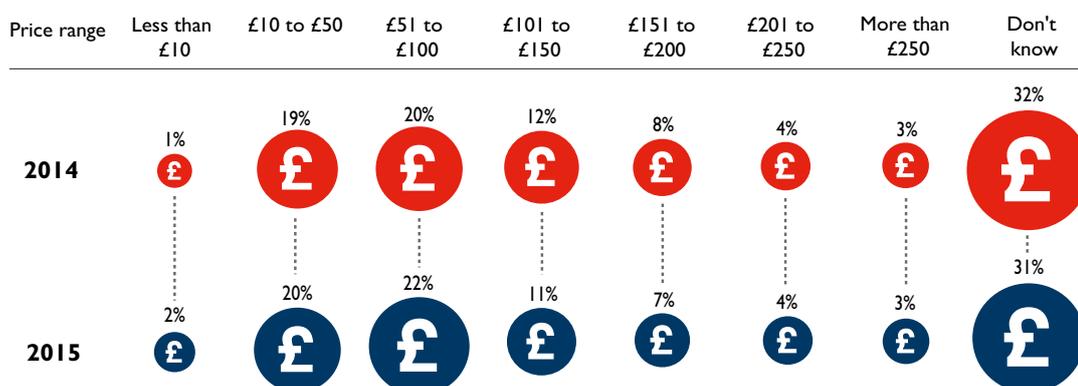


In the breakdown we noticed that females are more inclined to make contact by phone than by way of a visit to the store, and that older age groups are more inclined to visit a store than to enquire by email or online. We also observed that Londoners are more inclined to contact a store by email or online, rather than by visiting the store. This could be associated with higher awareness of the industry or social factors, such as general higher internet usage, or possibly even traffic congestion.

Price expectations

Respondents were asked how much they thought it would cost per month to rent a 90 sq ft self storage unit, capable of storing the contents of a two bedroom house or flat in their local area:

FIG. 20



Based on the operator survey results, the average monthly rent for a 90 sq ft unit would be circa £160, although this does vary significantly within regions and locations.

Interestingly, 31% of respondents didn't know what the cost might be and a further 55% thought it would cost less than £150 (86% together).

Selected regional data

TABLE 10

	UK	LONDON	SOUTH	NORTH
Indicative average net monthly rental rate for a 90 sq ft unit	158.00	182.00	126.00	88.00
Don't know	31.0%	26.3%	26.0%	35.0%
Less than £10	1.9%	2.3%	1.1%	2.5%
£10 to £50	20.3%	17.8%	22.4%	19.4%
£51 to £100	21.8%	21.0%	22.9%	21.6%
£101 to £150	10.8%	8.6%	14.1%	11.4%
£151 to £200	7.1%	12.3%	8.7%	3.1%
£201 to £250	4.0%	7.4%	2.9%	4.3%
More than £250	3.2%	4.3%	1.9%	2.8%
Actual rate range	£151-£200	£201-£250	£151-£200	£101-£150
Don't know and below the actual rate	85.7%	88.3%	86.6%	78.5%
At or above the actual rate	14.4%	11.8%	13.5%	21.5%

London has a low percentage of 'don't knows' and the highest percentage of responses above £200 per month. Perhaps not surprising as it's the location with highest awareness level and the highest property pricing.

From an operational perspective this has the advantage that many new customers will have no fixed view on what the service should cost. On the other hand, customers are likely to need some persuasion on pricing.

Pricing is obviously a crucial element of the business and the smarter operators will be able to maximise revenues in a low price-awareness environment.

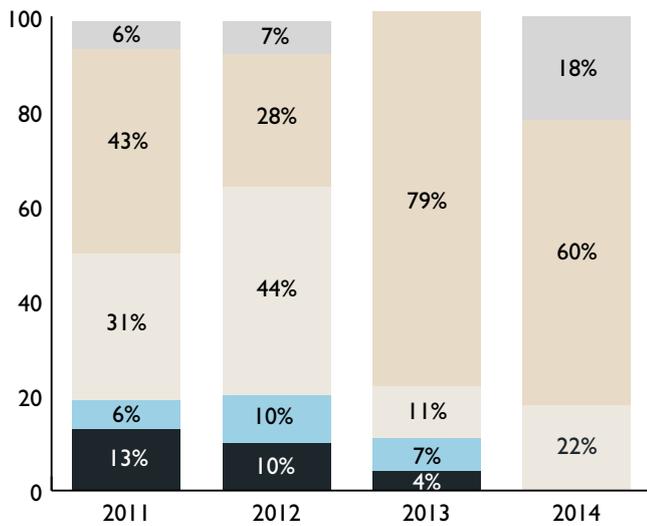
OUTLOOK AND BUSINESS CONFIDENCE

The 2013 survey demonstrated a marked improvement in business confidence. 2014's survey built further on this mood, with no responses indicating any downturn in profits and 18% expecting a much better year in 2015.

With the imposition of VAT in October 2012 now absorbed, this optimism is a reflection of the UK's improved economic position. It would seem that little business risk was being attributed to the General Election in May 2015 or other economic uncertainties, at the time of the survey responses.

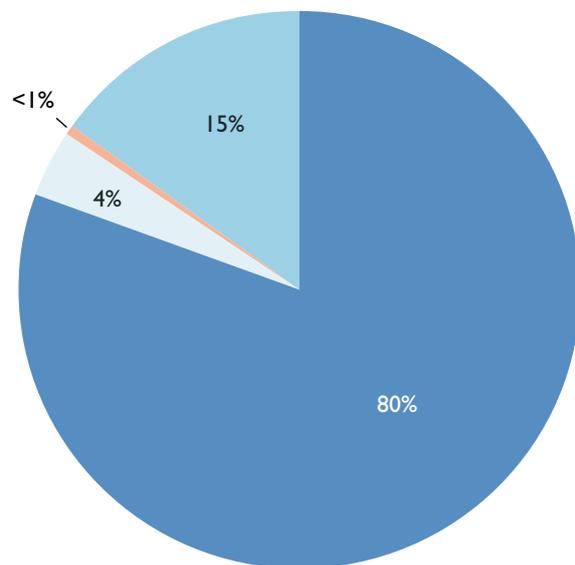
Compared to the outlook for profits respondents were more optimistic about the outlook for rental rates over the next 12 months with over 80% expecting an inflation beating increase in 2015, although the UK inflation forecast for 2015 is low (0.3%). However, the regional picture on rental optimism is varied (see overleaf).

FIG. 21 - Optimism regarding profits over the next year (%)



- Much better year
- Same as last year
- Some improvement
- Slight downturn
- Hard year

FIG. 22 - Expected movement in rental rates over the next 12 months (%)



- Increase less than inflation
- Increase greater than inflation
- Decrease
- No change

FIG. 23 - Expectations for empty room rates over the year ahead, split by region (%)

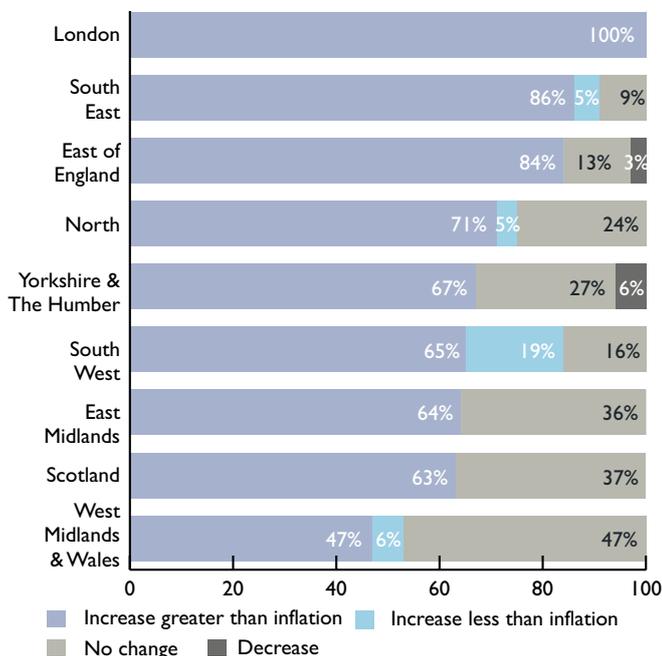
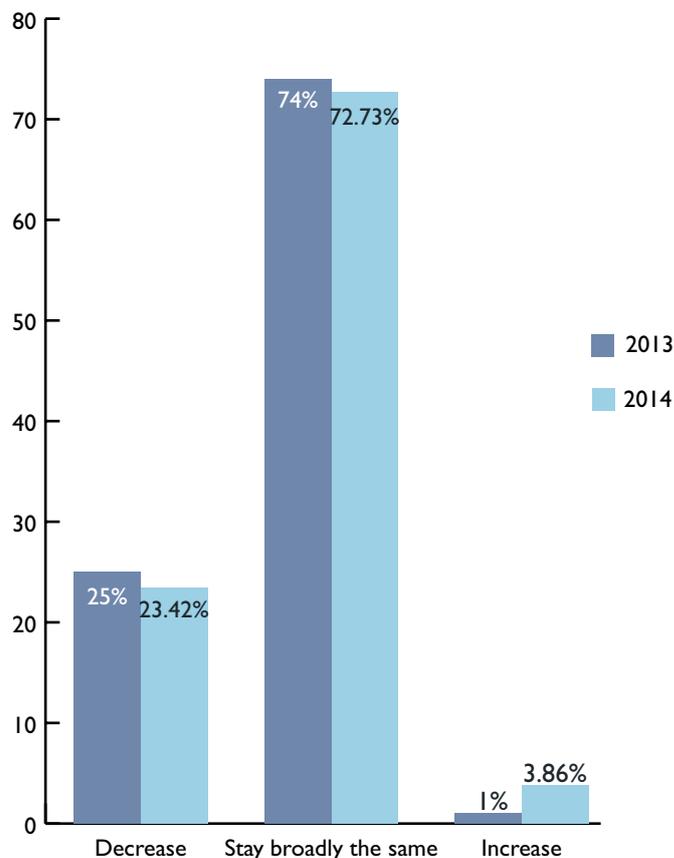


FIG. 24 - Expectations for incentives over the year ahead (%)



“The industry is becoming much more pro-active with pricing. Many operators applying dynamic pricing models based on availability of individual unit sizes and seasonal factors.”

RENNIE SCHAFFER
CEO, SSA UK

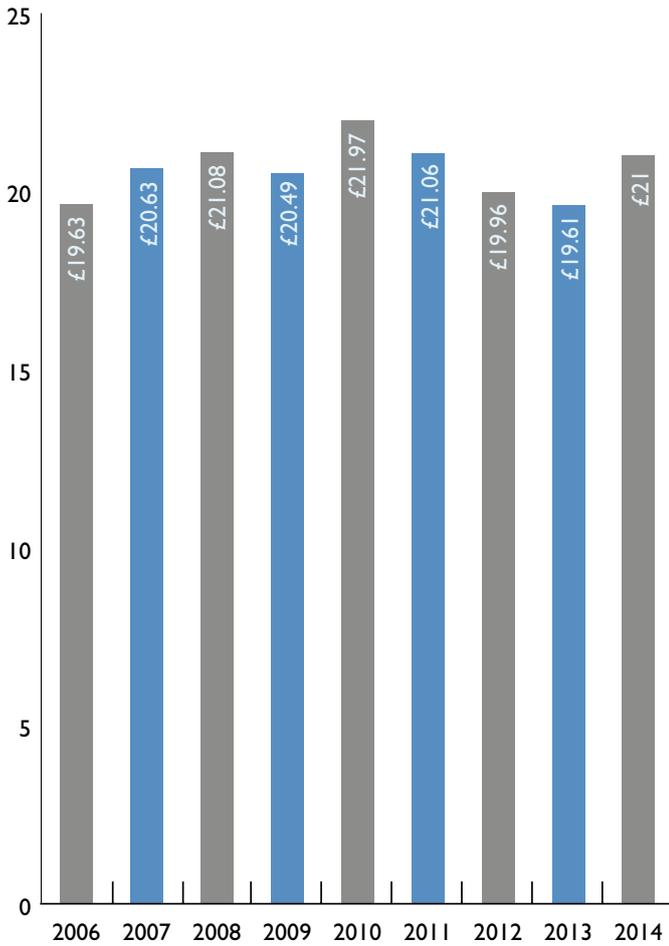
Operators’ expectations on the incentive levels offered to customers are very similar to last year’s survey with incentive levels not expected to increase in 2015.

There is some differentiation by region, with London having the greatest expectation of a decrease in incentives and two regions, South West and West Midlands/Wales where more than 10% of respondents anticipate an increase in incentives.

RENTAL RATES

The average net billed room rate increased by 7.1% in 2014 to £21.00 per sq ft per annum, taking it to virtually the same level as at December 2011, before the imposition of VAT in October 2012. This is also the first year the industry has had an increase in net rental rate since 2010 when the economic downturn began.

FIG. 25 - Average net billed room rate (£ per sq ft per annum)



The net rent figure can be apportioned as follows, based on the survey data:

TABLE 11

	£ PER SQ FT PA
Containers only	11.05
Excluding Containers	21.87
Combined	21.00

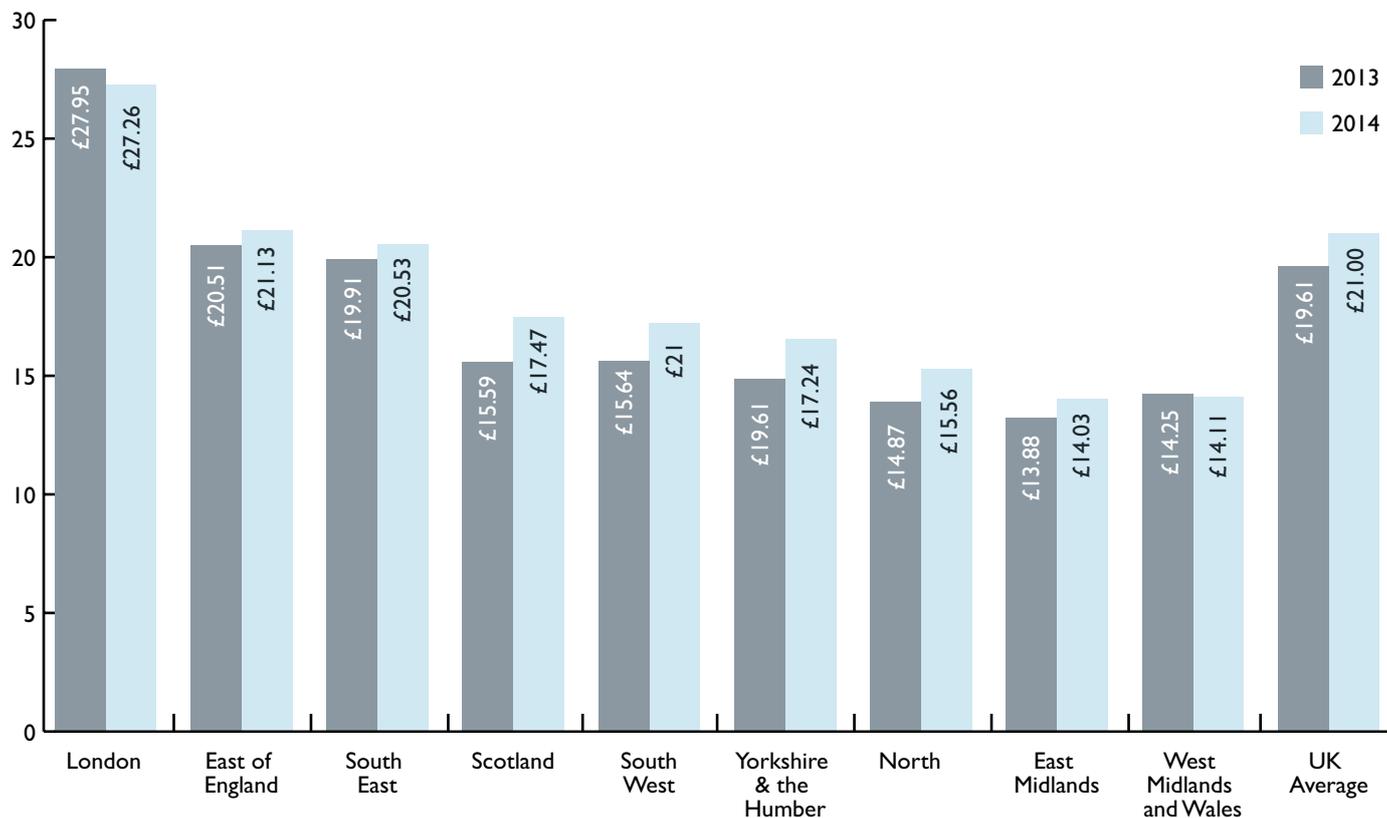
“Self storage in the UK appears to have weathered The Great Recession and the ill-judged imposition of VAT extremely well, and is beginning to attract keen investor interest as a result.”

FREDERIC DE RYCKMAN DE BETZ
CEO, Attic Self Storage



As you would expect, there are significant regional variations to the average net rents being achieved:

FIG. 26 - Average net billed room rate split by region (£ per square foot per annum)

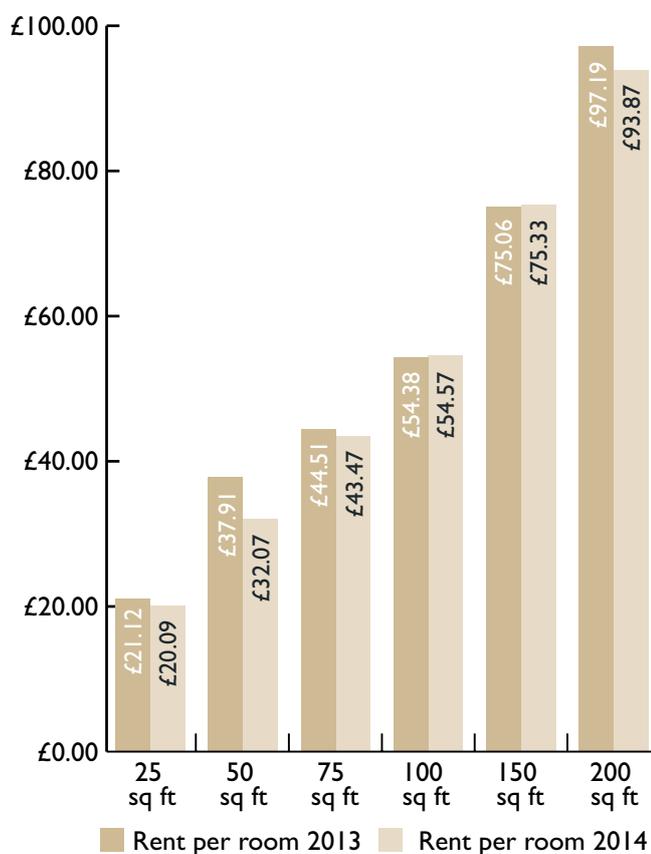


Interesting to note is the apparent marginal drop in the average rental rate for London versus the increase in every other region bar one. However, this is most likely due to the change in the definition of the London region (now based on the UK defined NUTS regions) and a significant change in the number of stores included in the survey for London.

You will note on the next table that asking rents have remained relatively stable over the last 12 months, while net rental rates have improved, as shown above. This implies that there is less discounting occurring within the industry and that asking rates are becoming more reflective of the actual rates being paid by customers.



FIG. 27 - Asking rent by room size (£ per week)



“The survey indicates flat occupancy over 2014 but the key measure is revenue change (per available foot); the combined impact of both occupancy and rate which has shown significant improvement over 7%.”

OLIVER CLOSE
Partner, Cushman & Wakefield

We have further analysed the regional average net rental rates against GDP data and household disposable income and note that there is a good correlation between rental rates and this data:

TABLE 12

REGION	GDP PER CAPITA £ (2014)	HOUSEHOLD DISPOSABLE INCOME PER CAPITA £(2014)	AVERAGE RENTAL RATE (MATURE STORES)
London	52,397	24,122	24.27
East Of England	27,542	19,976	17.60
South East	32,312	21,839	16.76
Scotland	28,170	18,420	16.28
South West	26,597	19,507	14.93
Yorkshire & The Humber	24,444	16,481	14.04
North East	22,194	16,307	11.68
North West	26,163	17,422	
East Midlands	24,444	16,481	11.10
West Midlands	24,574	16,638	10.75
Wales	21,439	17,122	

Source: Oxford Economics

The chart below shows the average disposable income for an area against the average rental rate in £ per square foot. It demonstrates that there is a correlation between the return a self storage facility receives against the amount of disposable income in the area. Those

operators looking to gain maximum return on their self storage site should seek out areas where there is higher disposable income. However, often these areas also have higher cost of real estate and other operating costs which can offset gains made in rental rate.

FIG. 28 - Rental rates -v- Household Disposable Income Per Capita (£)

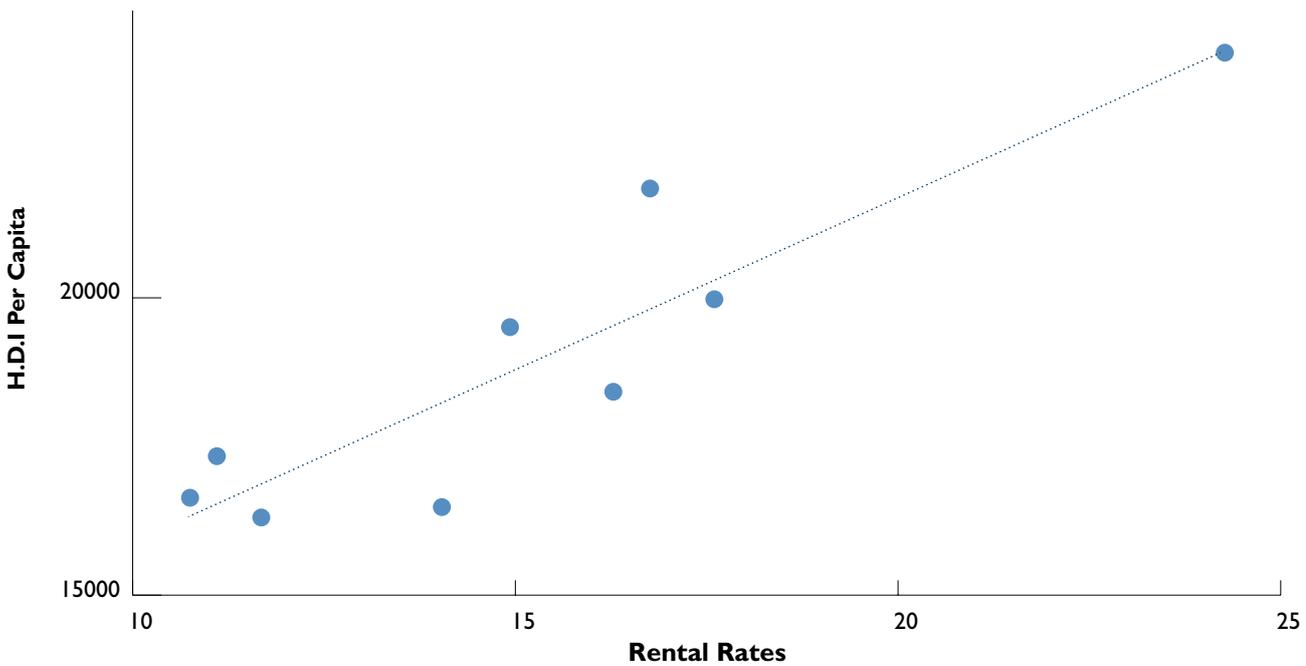
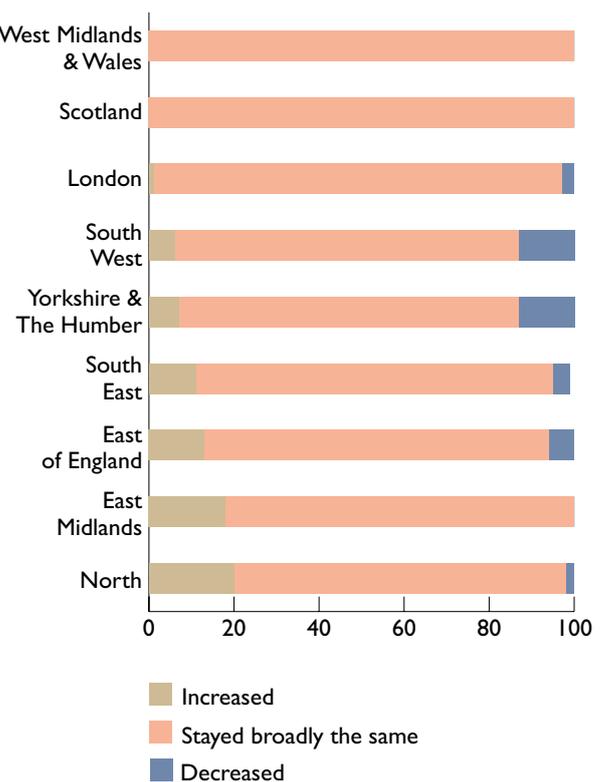


TABLE 13

INCENTIVES OVER THE PAST YEAR	
Decreased	23%
Stayed broadly the same	73%
Increased	4%

Most likely linked to the change in average net rental rates over the last 12 months, 23% of survey respondents indicated a drop in incentives offered to customers. Again, there were regional differences in the responses, as illustrated below. This question is based on operators' feedback, rather than financial data from the business, so it is open to some interpretation by operators.

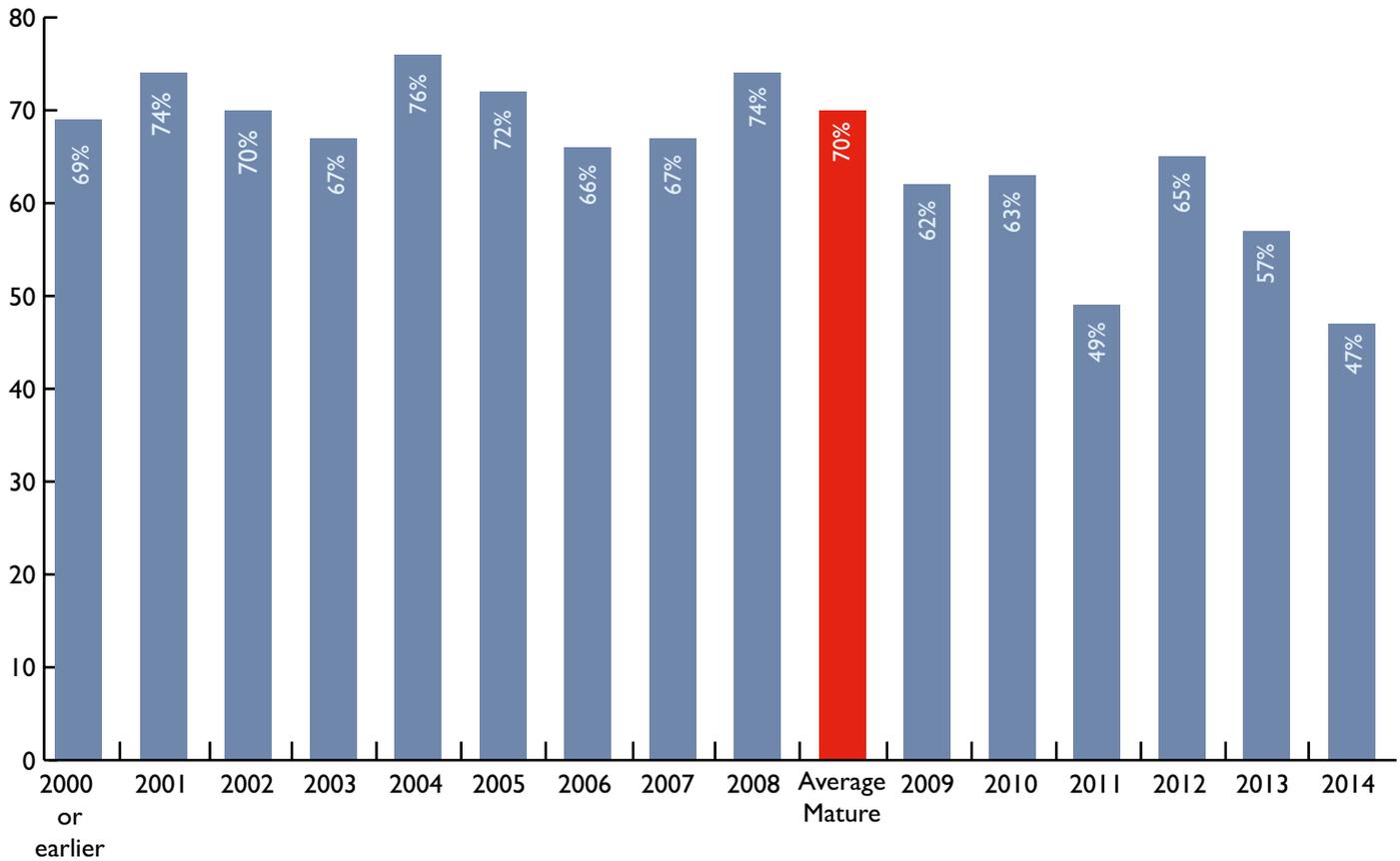
FIG. 29 - Change in incentives over the past year, split by region



OCCUPANCY

Average occupancy for mature stores in the survey sample (those being open for more than 6 years) is 70% (71% last year).

FIG. 30 - Occupancy by year opened (%)

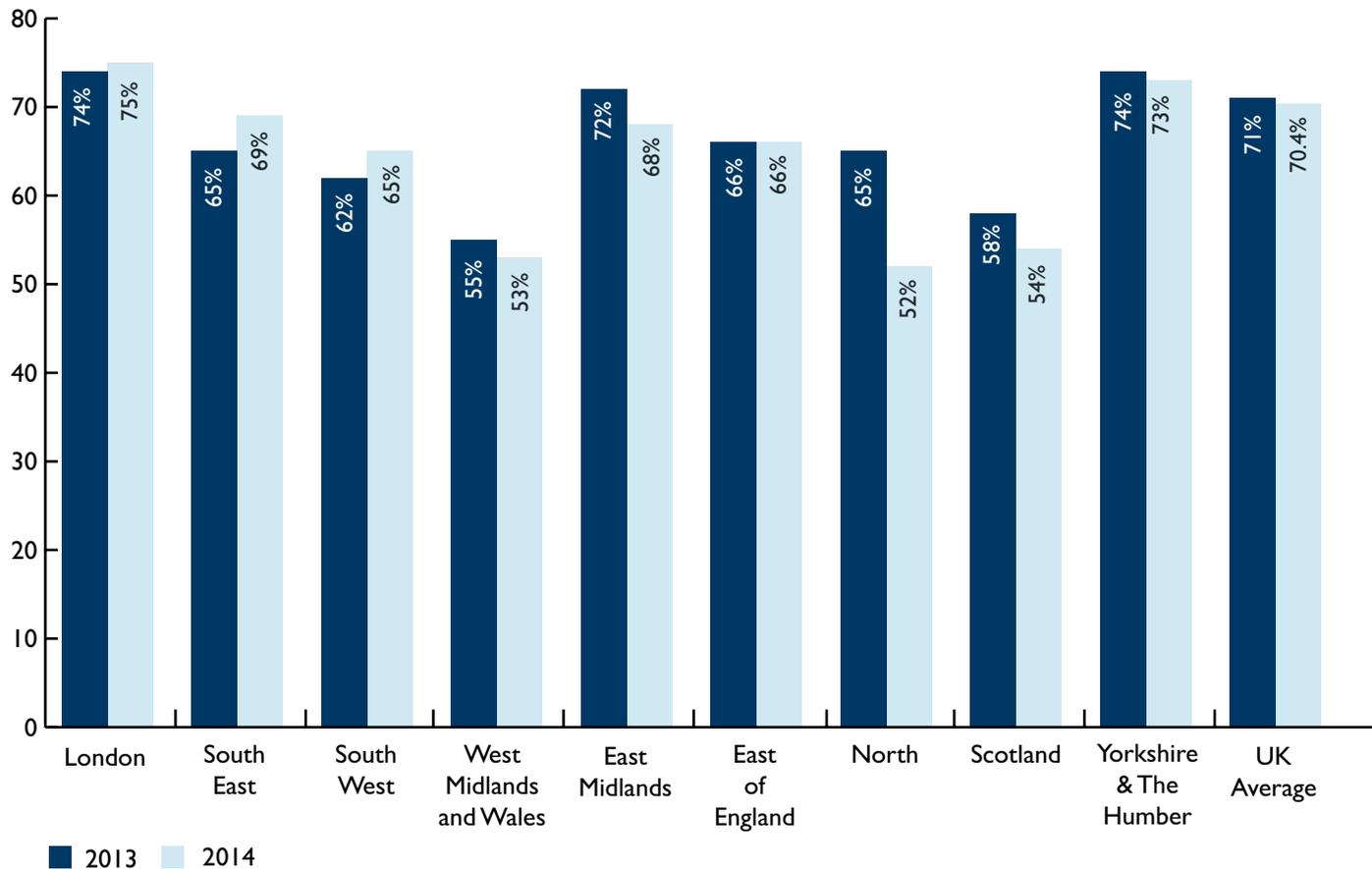


This graph measures occupancy of converted space based on when the store first opened. One might expect that occupancy rates would trend up as the store aged but as this is converted space, not maximum space, the continual expansion of stores and adding of new space will “reset” the occupancy of the store. The vast majority of self storage stores are developed in a staged process, while the building may be fully developed, individual sections of units will only be developed once the original stages reach maturity.

Not only is this more cost efficient for the operator but it also allows them to alter the unit size mix based on the demand of the previous stages if required. The increasing number of container operators entering the industry, particularly over the past 3 years, impact this graph even further. Container storage sites will often add small groups of containers regularly to their site as they fill their existing units. Therefore it is possible to maintain healthy occupancy even during expansion.

The regional averages are given below:

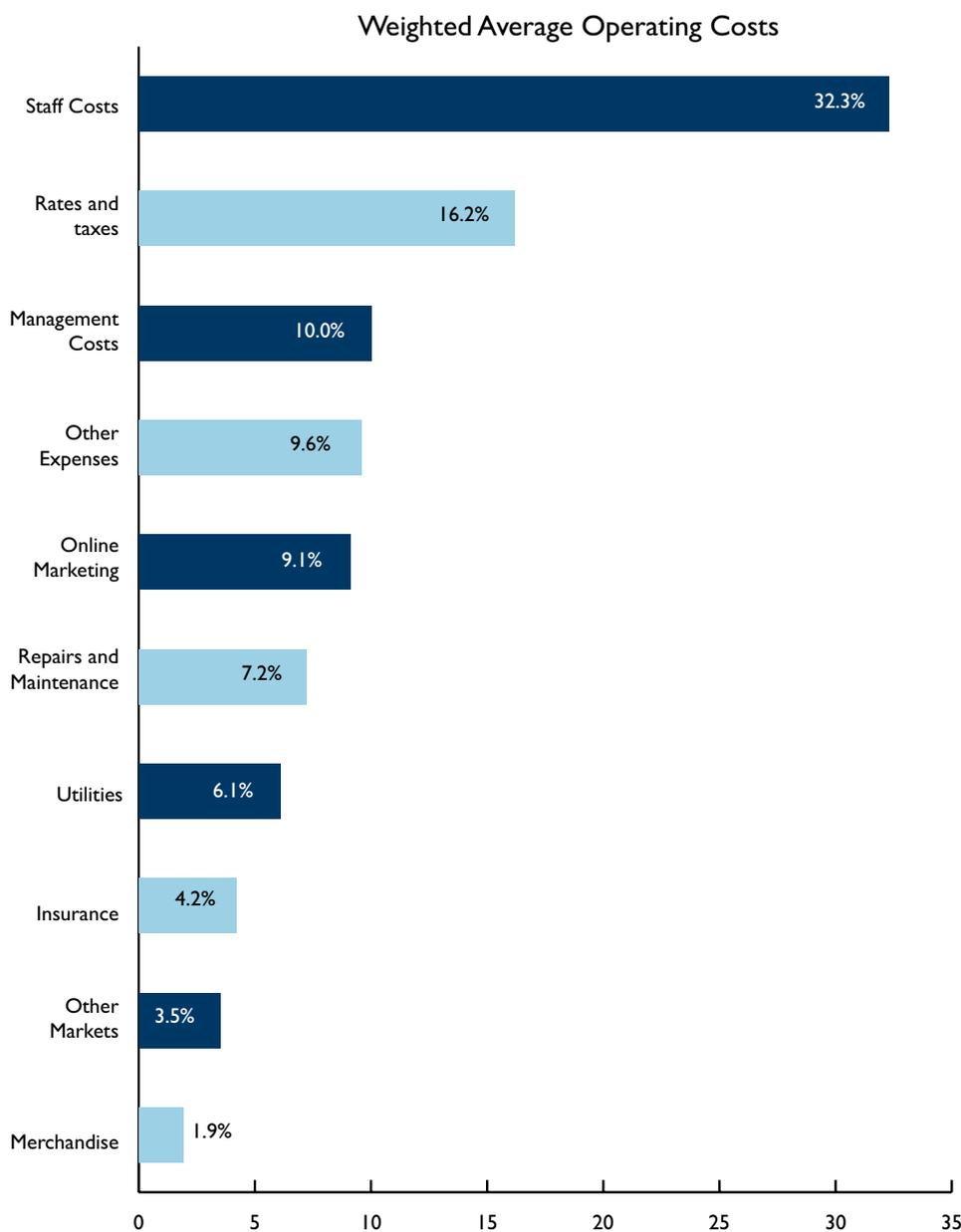
FIG. 31 - Occupancy by region (%)



OTHER OPERATING METRICS

Some new questions were asked in the 2014 survey to provide more insight on operating metrics, in particular the operating costs plus move in and out levels to provide some analysis of the typical churn levels for customers within the industry. This data is analysed in the tables below.

FIG. 32 - Operating expenses (weighted average %)



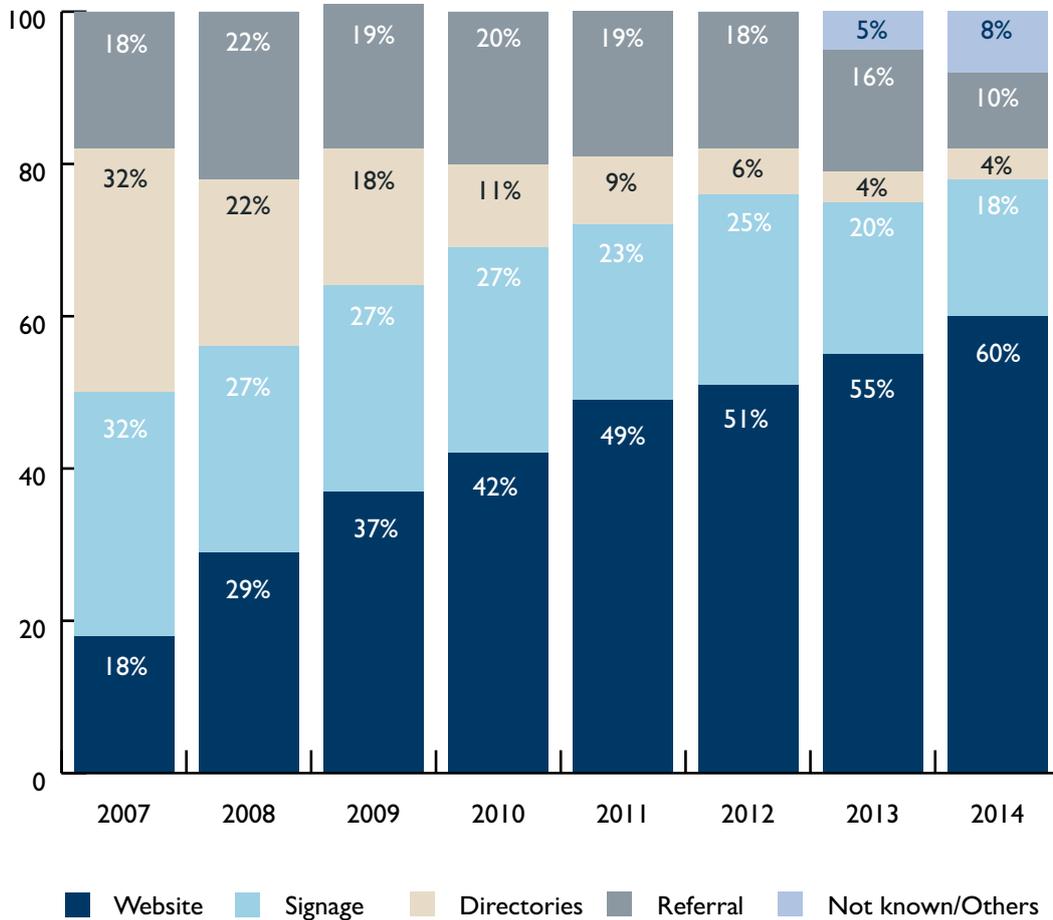
Staff costs, rates, management and marketing are the key costs covering over 70% of total operating expenses, based on the responses received. However, there were significant differences between companies in the proportions of the total costs allocated to staffing and marketing, which are to some extent less fixed in nature than some of the other cost lines. The quantum of these costs also vary significantly, both according to the geographic location of the business and its maturity.

AVERAGE NUMBER OF STAFF PER STORE

The survey shows us that on average self storage facilities employ 2.87 staff per store as a combination of full time and part time. The split of this figure in terms of people employed is 76% in full time employment and 24% part time.

Over the past 5 years the survey has shown a small but steady incremental increase in average staff numbers at site level, from 2.71 to 2.87. This is likely to be related to an increase in the average size of the self storage facilities rather than any change in staff practices.

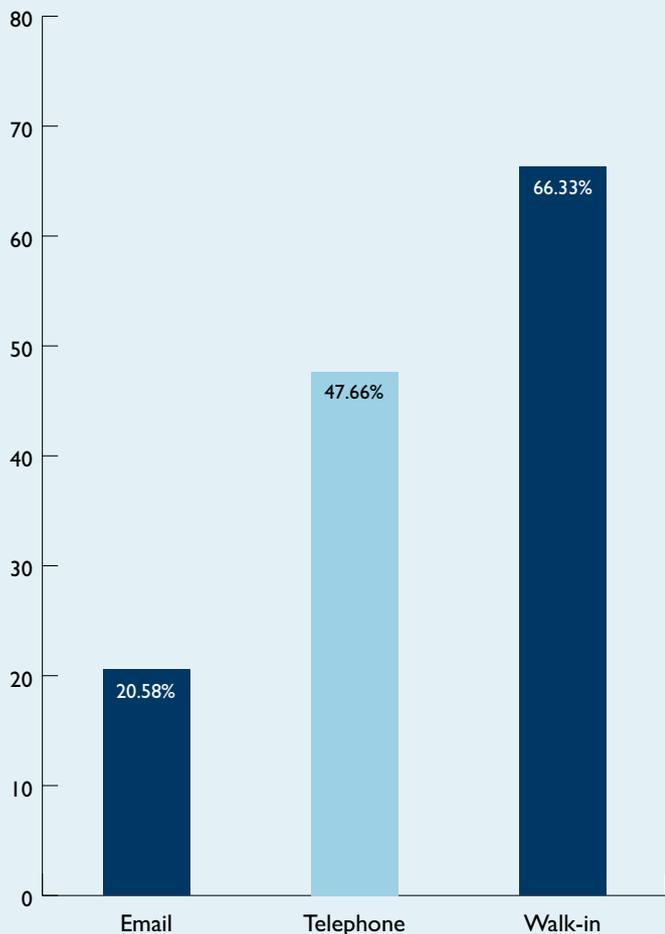
FIG. 33 - Breakdown of enquiries



The table clearly shows the increasing role of the internet for customer enquiries and the drop in enquiries sourced from directories such as Yellow Pages. With limited costs associated with the non-website sources in the table, it's also clear that internet is by far the most significant marketing cost for operators. Currently, Google are capturing the majority of that marketing spend in the UK. The increase in not known/other is likely to be the result of better monitoring of enquiries by operators. For example, many now separate social media enquiries from online enquiries and also more accurately measure enquiries from sources like local papers, letterbox drops and mass media campaigns.

The average conversion rate of all enquiries for the industry for 2014 was 31% which is in line with our experience in analysing performance data.

FIG. 34 - Estimated Conversion Rate (weighted average %)



The results of this survey question are relatively consistent with previous years, although getting consistent and accurate data on conversions is difficult. Sometimes not all enquiries are logged by operators, particularly online enquiries. Also, it is often difficult to accurately allocate the conversion point. For example, if a customer searches for and finds a site on the internet, then makes a telephone enquiry, following up with a visit to the store then the enquiry may be logged multiple times or just recorded at the time of conversion, not the first enquiry.

TABLE 14

	MOVE INS	MOVE OUTS	TOTAL NUMBER OF ROOMS (CURRENTLY AVAILABLE)	TOTAL NUMBER OF ROOMS OCCUPIED
Total	85,078	80,047	103,476	68,163
Churn rate	117%			

The table above provides the results for this new question, from those members who responded. The churn rate indicated is based on move-outs for the year expressed as a % of total rooms occupied as at 31 December.

The figure of 117% is in line with our experience in the UK market, although we see significant variations between sites, depending on a range of factors such as location, store size, revenue management policies, store maturity etc. This is evidenced by the wide range of results from the survey, from circa 20% to 250%. More mature sites will generally show a lower churn rate, as over time they build up a greater proportion of long term customers. Facilities that are only a couple of years old will often have a churn level towards the higher end of the range.

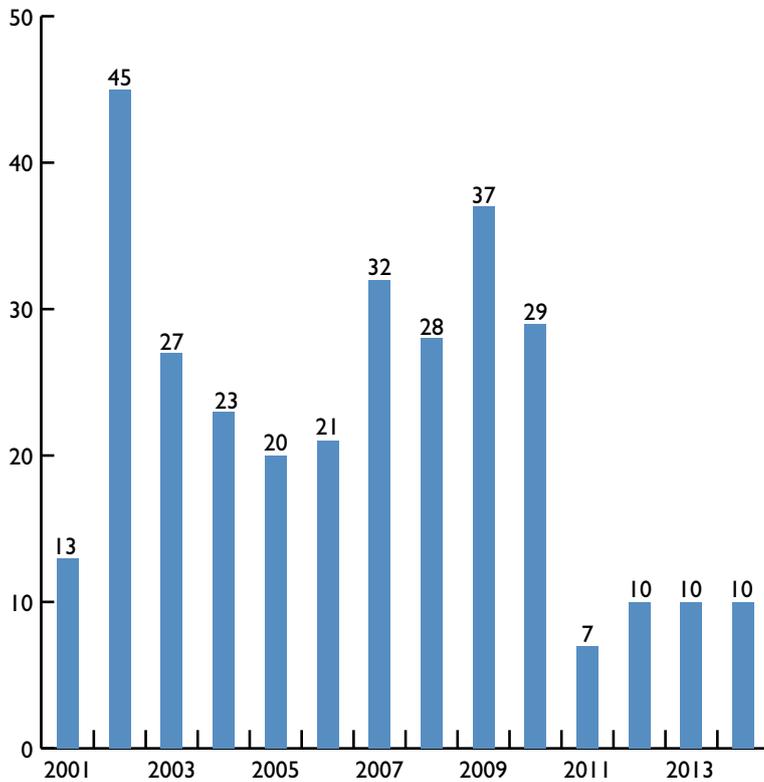
The churn rate is one of the fundamental ingredients of occupancy and fill rate; move-ins must exceed move-out levels for occupancy to rise. The new data was provided at company level, so it is not possible to analyse by store age or similar metrics.



EXPANSION ACTIVITY

Expansion in the Industry has been muted over the last four years as a result of the global financial crisis, as demonstrated in the table below, based on the responses received from the survey group.

FIG. 35 - Site openings by date

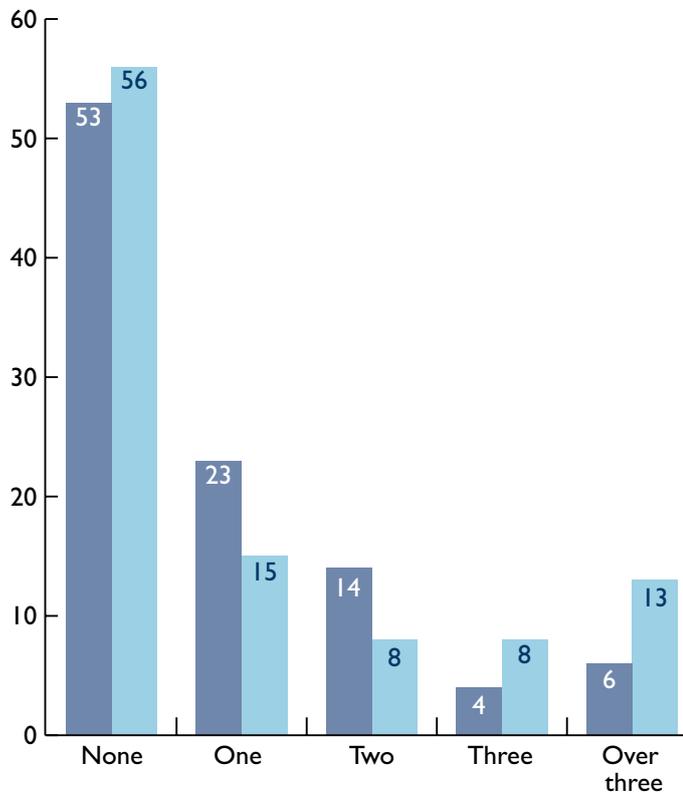


In spite of the economic recovery and the much improved availability of debt finance (at a historically low cost), expansion plans remain similar to last year's survey results. This may be due in part to a robust wider real estate market and continued difficulties in securing debt finance for development projects. There is also a significant amount of existing additional capacity in the industry in terms of existing unoccupied space.

From our discussions with operators it is also apparent that sourcing new sites, particularly close to Central London, has become much more challenging in the last couple of years.

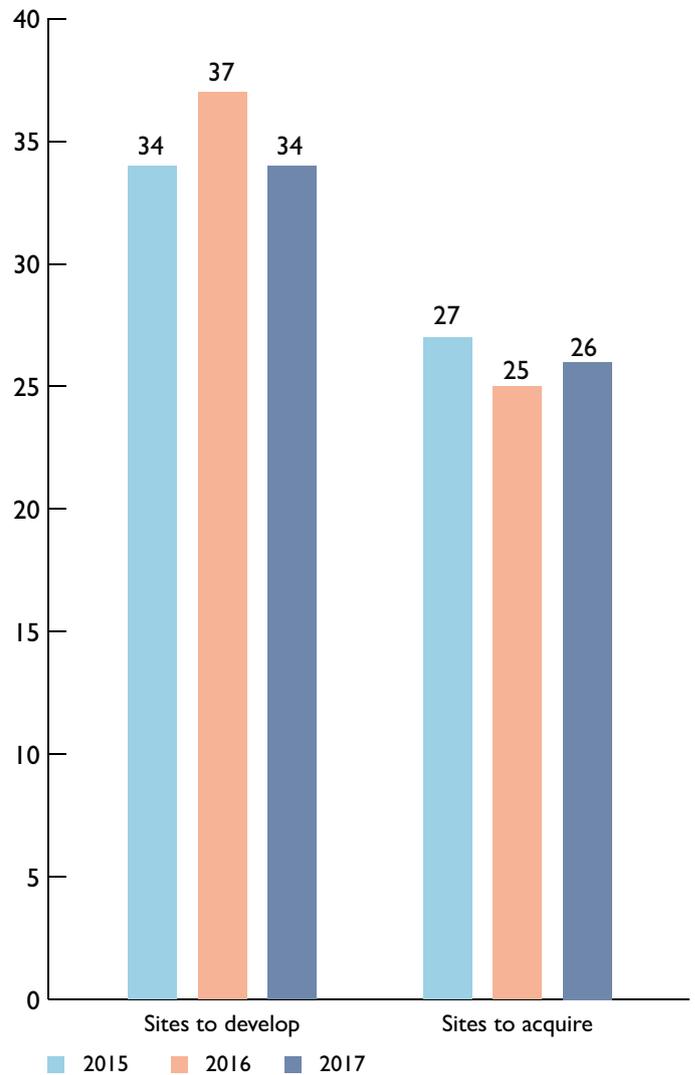


FIG. 36 - Number of sites expected to develop and open in the next three years (% of respondents)



While this chart does indicate that operators expect the industry to grow fairly significantly, in the past measuring expectations with actual developments has shown a shortfall. The reality is that while operators may expect to add new sites within the next 12 months, often delays in sourcing new sites, financing, planning permission or construction can delay the process.

FIG. 37 - Total number of stores to be developed or acquired over the next three years



In total, the respondents have aspirations to develop 30+ sites each year for the next three years with 25 or more sites to be acquired in each year. 30 sites per annum equates to an annual growth rate of circa 7% of the existing stock in the survey.

The aspirations of respondents last year did not translate into a corresponding number of new sites opened in 2014 (26 expected, with only 10 opened). In fact over the last 3 years respondents have tended to overestimate the amount of new sites that would be developed by around 50%. History would suggest that in 2015 there are more likely to be closer to 17 new sites developed.

REFERENCE SECTION

FIG. 38 - Average length of stay of all customers (weeks)

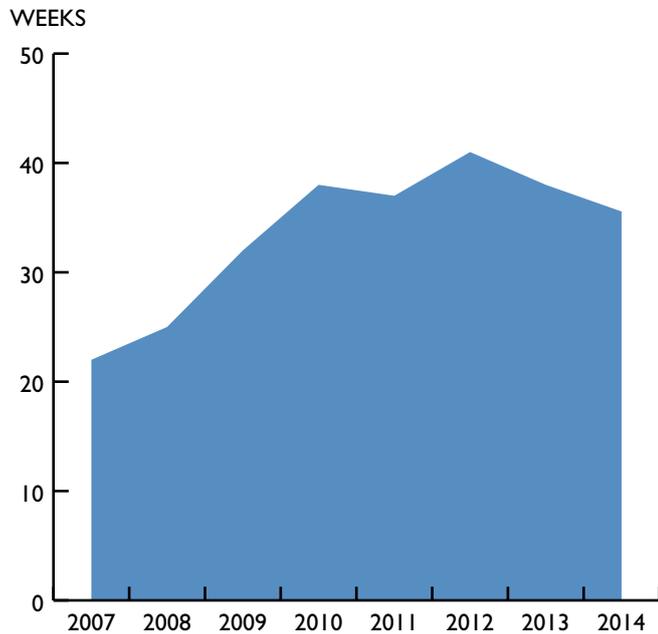


FIG. 39 - Turnover by source (%)

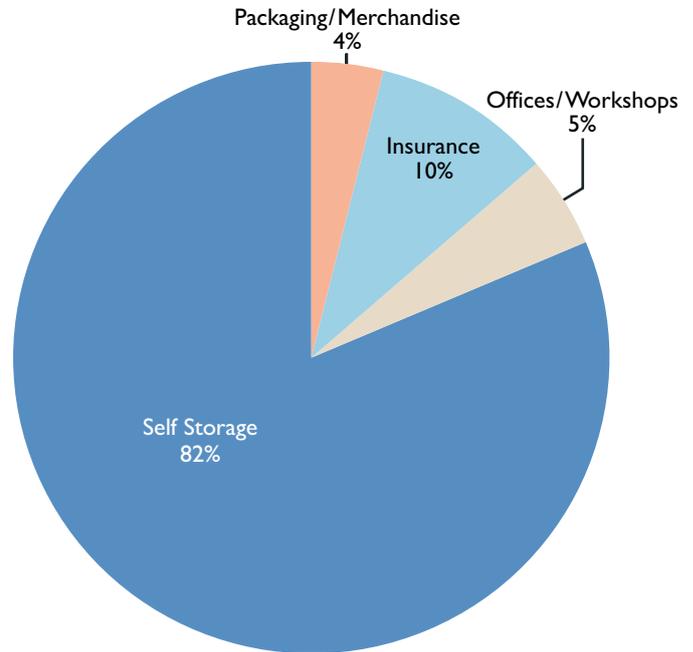


FIG. 40 - Average total turnover of companies with turnover below £1m in 2014

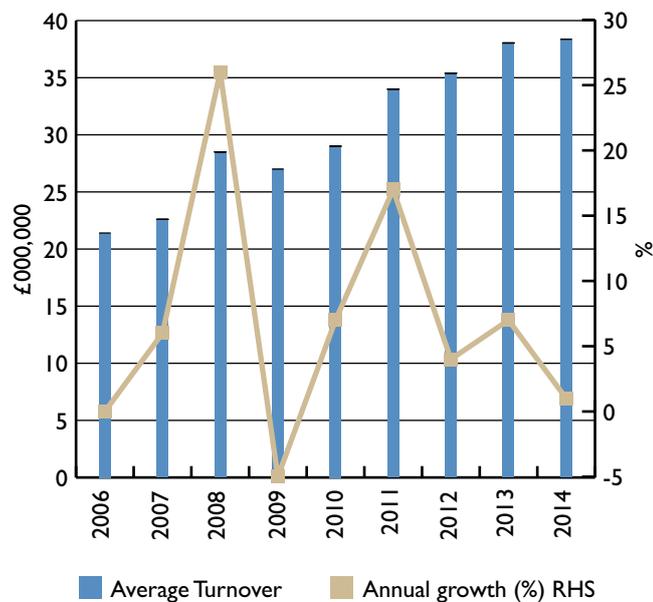


FIG. 41 - Securities features (%)

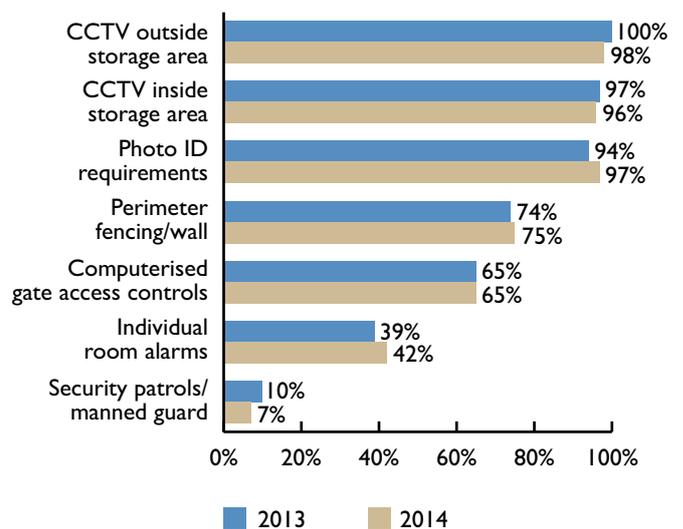


FIG. 42 - Sites with 24 Hour Access (%)

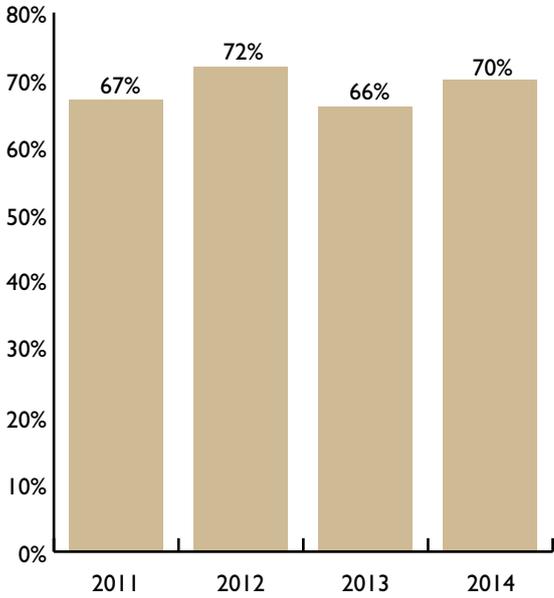


FIG. 43 - Third party management (%)

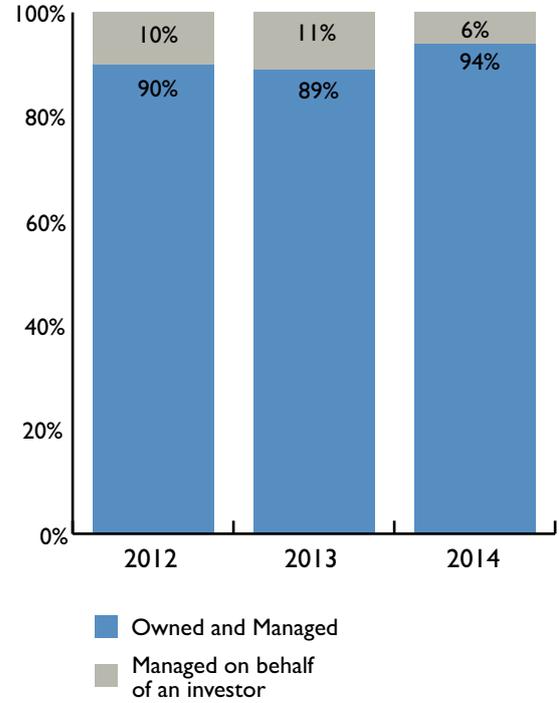


FIG. 44 - Regional spread of total sites and floorspace

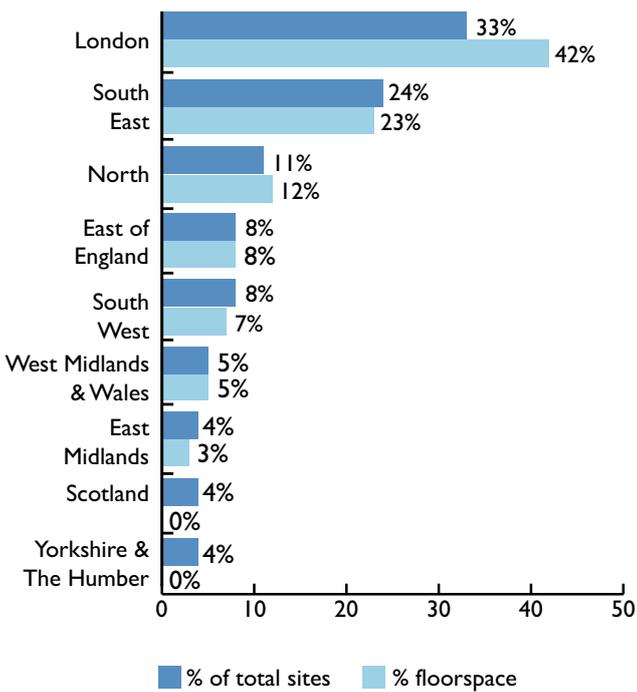


FIG. 45 - Other services provided (%)

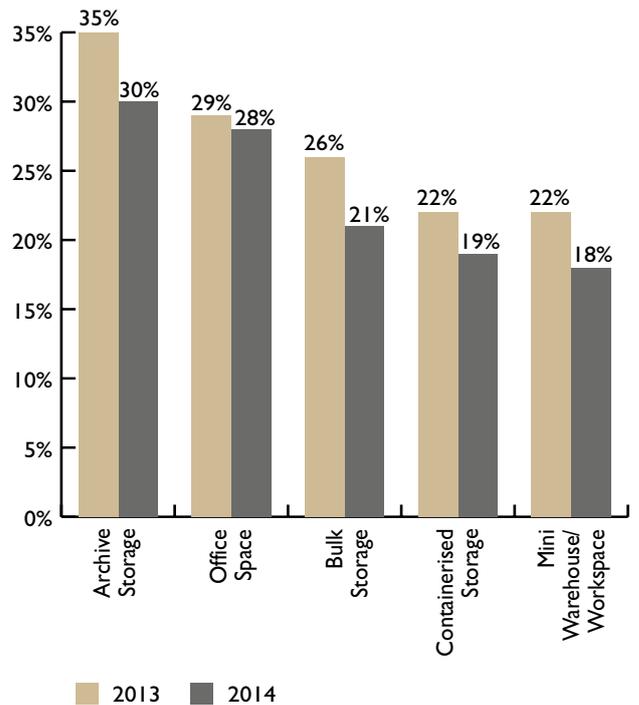


FIG. 46 - Expectations for rent over the year ahead (% of respondents)

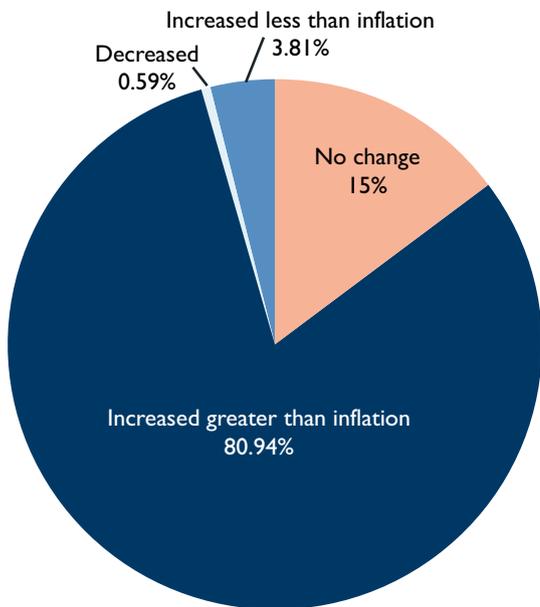


FIG. 47 - Expectations for empty room rates over the year ahead (% of respondents)

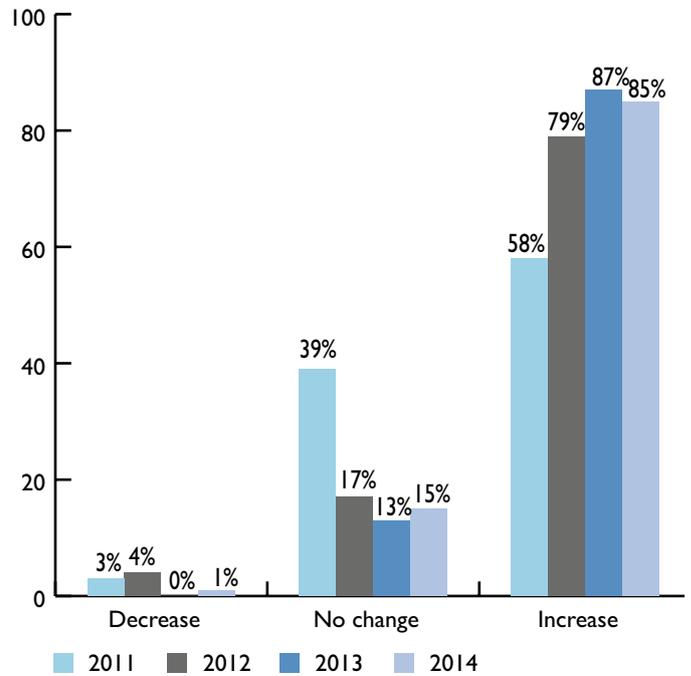
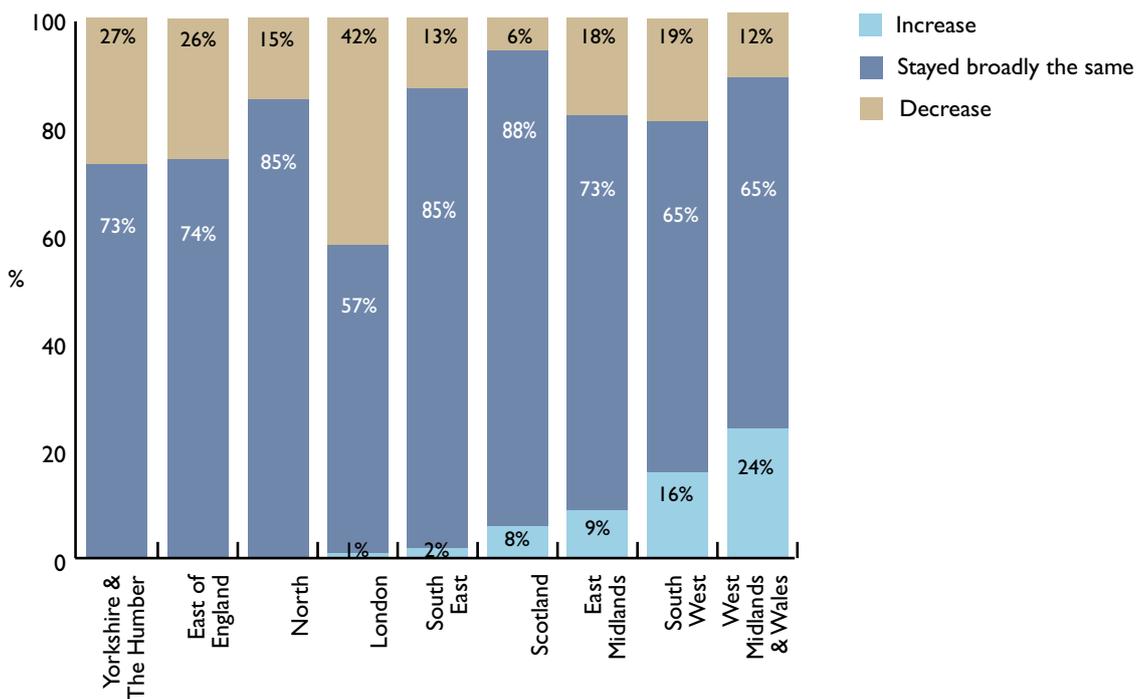


FIG. 48 - Expectations for incentives over the year ahead, split by region (%)



SURVEY DATA

SSA UK MEMBERS' SURVEY:

The survey of operators was carried out as at 31 December 2014 with the survey responses being collected during January and February 2015.

73 operators contributed to the survey this year, providing data on 433 self storage facilities and a total of circa 20 million sq ft of storage space (MLA).

The regional groups used for this year's survey have been based on the Nomenclature of Territorial Units for Statistics (NUTS) codes of the United Kingdom. The geographical regions are as follows:

- North East
- North West
- Yorkshire and the Humber
- East Midlands
- West Midlands
- Wales
- East of England
- London
- South East
- South West
- Scotland

For the purposes of our analyses, we have combined the regions of the North East and North West into one 'North' category and the regions of the West Midlands and Wales into one 'West Midlands & Wales' category.

These regions are not the same as the regions adopted in the last survey report.

Further, the regions may differ from those adopted for the demand survey prepared by YouGov Plc.

Mature stores are defined as those having been opened for longer than 6 years.

Where we refer to MLA in this report, we mean "Maximum Lettable Area".

Where we refer to CLA in this report, we mean "Current Lettable Area".

The Members' survey refers to the current year as 2014 and the previous year as 2013. However, the Demand Survey (carried out in January 2015) by YouGov Plc refers to the current year as 2015 and previous year as 2014.

YOUGOV PLC METHODOLOGY STATEMENT:

This survey has been conducted using an online interview administered to members of the YouGov panel of 350,000+ individuals who have agreed to take part in surveys. Emails are sent to panelists selected at random from the base sample. The e-mail invites them to take part in a survey and provides a generic survey link. Once a panel member clicks on the link they are sent to the survey that they are most required for, according to the sample definition and quotas. (The sample definition could be 'UK adult population' or a subset such as 'UK adult females'). Invitations to surveys don't expire and respondents can be sent to any available survey. The responding sample is weighted to the profile of the sample definition to provide a representative reporting sample. The profile is normally derived from census data or, if not available from the census, from industry accepted data.

All figures, unless otherwise stated, are from YouGov. Total sample size was 2,151 adults. Fieldwork was undertaken between 22nd - 23rd January 2015. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

NOTE:

Cushman & Wakefield advises and represents clients on all aspects of property occupancy and investment. Founded in 1917, it has 256 offices in 60 countries, employing more than 16,000 professionals. It offers a complete range of services to its occupier and investor clients for all property types, including leasing, sales and acquisitions, equity, debt and structured finance, corporate finance and investment banking, appraisal, consulting, corporate services, and property, facilities, project and risk management.

This report has been prepared solely for information purposes. It does not purport to be a complete description of the markets or developments contained in this material. The information on which this report is based has been obtained from the sources stated above. We believe the material to be reliable, but we have not independently verified such information and we do not guarantee that the information is accurate or complete. Published by Corporate Communications.

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CONTRIBUTORS

The following businesses agreed to have their names listed as contributors to the survey. Some businesses who completed the survey chose not to have their names included in this list.

Ist Storage Centres	Kingston Business Centre
A Space Station	Lock & Leave
ABC Selfstorage	Lok'nStore
Adams Selfstore	Newton Self Storage
Admirals Yard Self Storage	Orange Box Self Storage
Alexanders Removals And Storage	Pack And Stack
Apex Self Storage	Quickstore Storage
Attic Self Storage	Ready Steady Store
Barn Store	Rugeley Self Storage
Big Box Self Storage	Safestore
Big Yellow Self Storage	Self Storage Centre Oxford
Black Hole Storage	Self Storage Tameside
Container Parks	Shurgard UK
Derbyshire Self Storage	Smart Storage
Easistore	Space 4 U Self Storage
East Coast Storage	Space Maker
Extra Room Self Storage	Squarefoot Self Storage
Flexispace	Stadium Self Storage
Fort Locks Self Storage	Stock N Lock Self Storage
Greenbox Storage	Storage King
Harrogate Self Storage	Strongroom Self Storage
Homestore	The Space Place Self Storage (Telford)
House and Lock Self Storage	The Space Place Self Storage (Leicester)
House-It	The Storage Place
Keepsafe Storage Centres	Thornbury Self Storage

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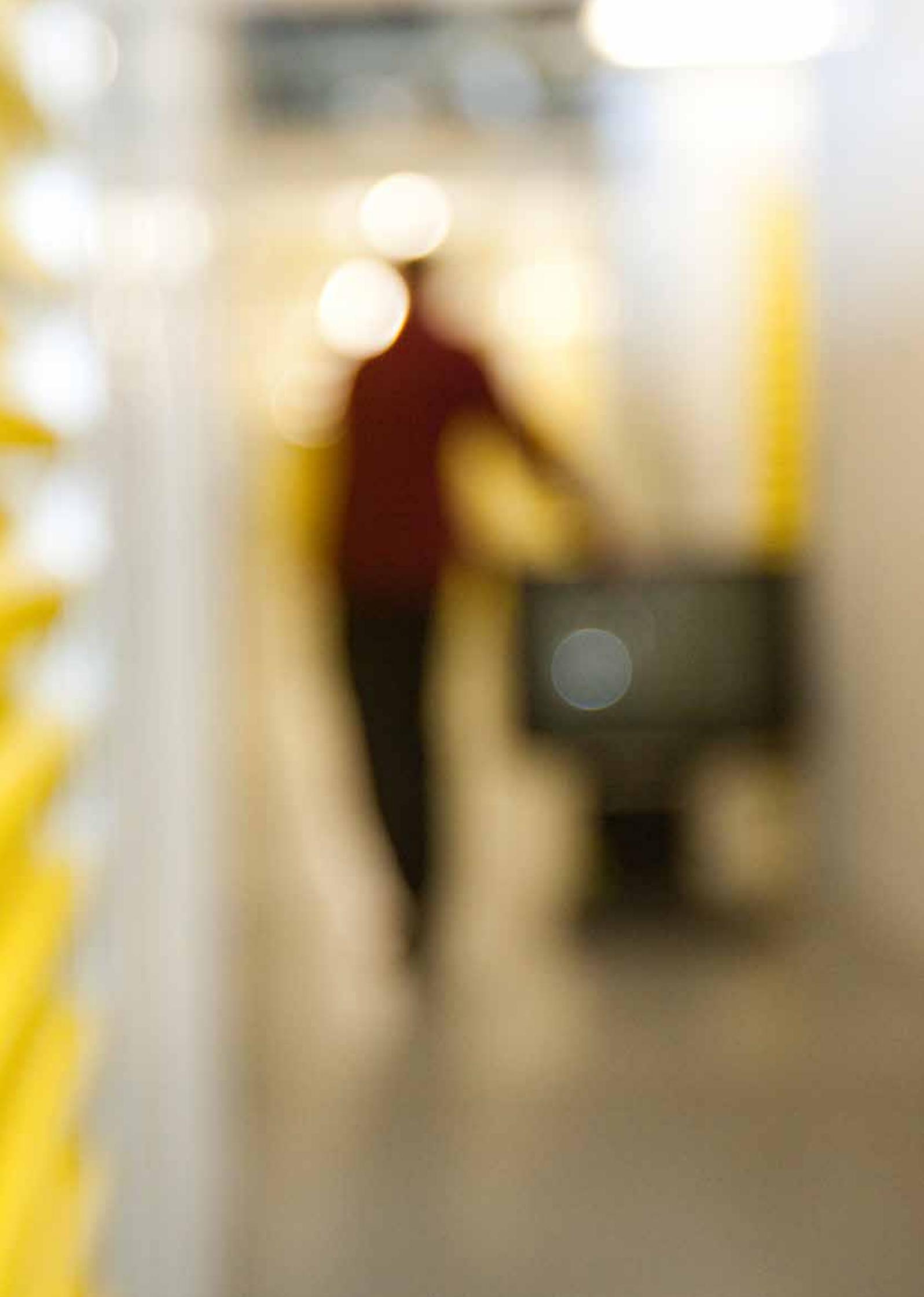
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