Drivers Jonas Deloitte.

The Self Storage Association UK Annual Survey 2011

Executive Summary

ssa
self storage association
United Kingdom

Key findings

This is the fifth consecutive annual survey carried out by the Self Storage Association UK (SSA UK) from its members. Drivers Jonas Deloitte has been commissioned this year to produce a report based on the responses to an enlarged questionnaire distributed by the SSA UK and its own analysis of the factors relevant to self storage in the UK. Responses to the questionnaire have come back from 82 separate companies and covered 440 self storage facilities. Responses to the questions relate to the position as at 31 December 2010.

The results of the survey paint a picture of a sector which has weathered the recession intact and is looking forward to a period of steady growth. Confidence amongst respondents since last year's survey has improved: most operators expect to be able to increase rents to both existing and new customers during 2011, and to avoid increasing incentives to new customers any further.

Whilst the slowdown in the housing market has impacted on the industry, other demand drivers have allowed the sector to remain in relatively good health.

The 2010 data shows both that customers are continuing to increase their length of stay [1] and that encouragingly a majority of room rates have seen some increase over the previous year. [2]

New development has slowed right down: only 15% of operators expanded their portfolios in 2010, and less than 10% expect to open more than one new store before 2014. The survey shows that an increasing proportion of facilities are now purpose-built – over 30%. These are predominantly to be found in London and the South East. Operators have paused their expansion plans whilst they concentrate on growing income from their existing outlets.

The survey results show that the predominant method of customers making enquiries is now online, and the importance of brand and the need to have an effective internet presence came out strongly in both the survey and the follow-up interviews.

The UK self storage industry

Drivers Jonas Deloitte has compiled a database of self storage facilities in the United Kingdom and has estimated that there are currently 800 in the UK, and 36% of these facilities are owned by the seven largest operators.

There are a number of different definitions for what pertains to be a self storage facility. The database Drivers Jonas Deloitte has compiled includes both purpose-built and converted properties. These facilities provide around 29.5m sq ft of lettable space, equating to 0.5 sq ft of space per person across the whole of the UK. The database does not include those facilities that exclusively offer containerised storage.

The survey recorded the details of some 43 facilities that opened during 2009 and 2010, which compares with 119 openings over the period 2006 to 2008. The majority - 55% - of these recent openings were in the Midlands, Wales, the North and Scotland, much higher than the proportion of all facilities that are already open in these regions (36%). Just 24% of recent openings were in London and the South East, compared with 45% of existing facilities.

So recent expansion has predominantly taken place in areas of lower existing supply. Part of the reason for this is the higher land prices in and around London, which, coupled with stronger competition for sites from other uses, mean that deeper resources are needed to open new facilities here. Partly it is also a sign of an industry maturing beyond its core stronghold and seeking to establish a national service offer.

The table opposite shows the variation in supply of self storage around 10 key metropolitan areas in the UK.

Whilst the statistics show varying levels of penetration in UK cities, the fluctuations can be due to varying socio-economic demand.

Summary financial performance

An analysis of results of the seven largest self storage operators* that have filed accounts over each of the last five years shows operating revenue has continued to grow over the period, albeit at a much slower rate. The group saw a return to profitability in 2010 after a two-year decline in profits from the peak in 2007. The average gearing level for this group, which stood at over 200% five years ago, has since fallen back and now stands at around 140%. Slowing rates of expansion over the last five years along with tougher bank lending conditions have encouraged operators to reduce their debt. [3]

* The seven operators in Chart 3 are Safestore Holdings Plc (including Une Piece En Plus, France), Big Yellow Group, Access Self Storage, Lok'nStore Group, Shurgard Storage Centres UK, Big Box Storage Centres, and Space Maker Storage.

Outlook

The majority of respondents to the survey expressed the view that conditions would improve overall during 2011; and this was particularly the case among multiple operators [4]. The overwhelming majority expected occupancy levels to increase. 74% thought room rates for new customers would go up; but only 8% saw incentive levels increasing (down from 35% in 2009).

> "The self storage industry continues to show resilience in the current testing economic climate and our operators maintain a cautiously optimistic outlook"
>
> Rodney Walker, SSA UK

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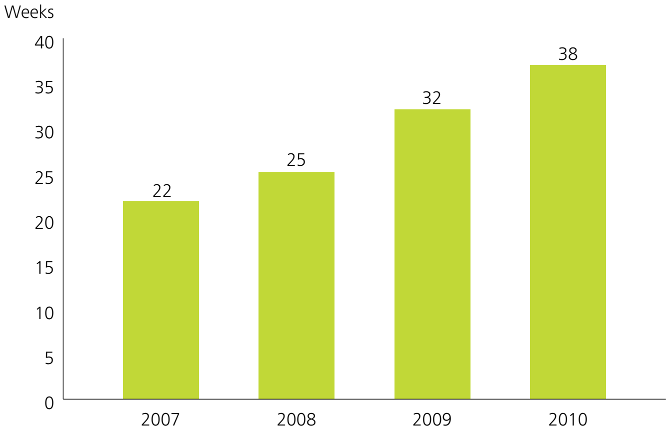
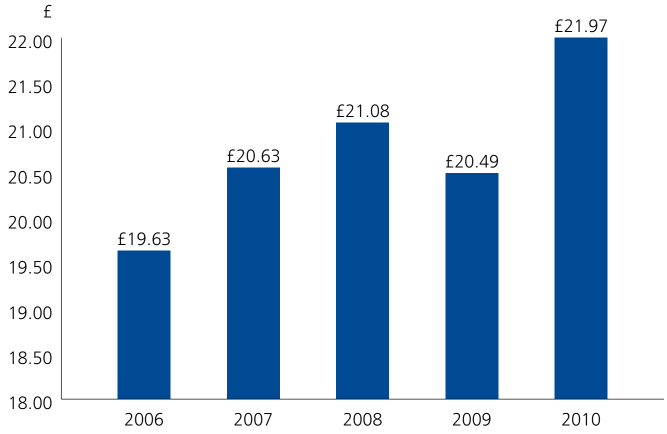
1. Average length of stay



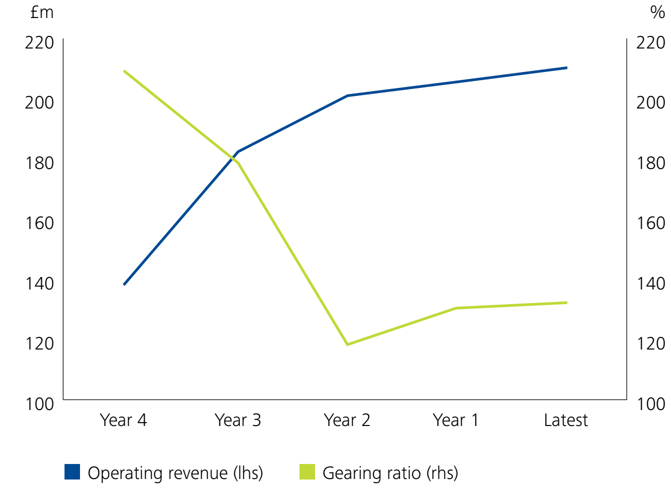
Source: Drivers Jonas Deloitte / SSA UK

2. Average billed room rate



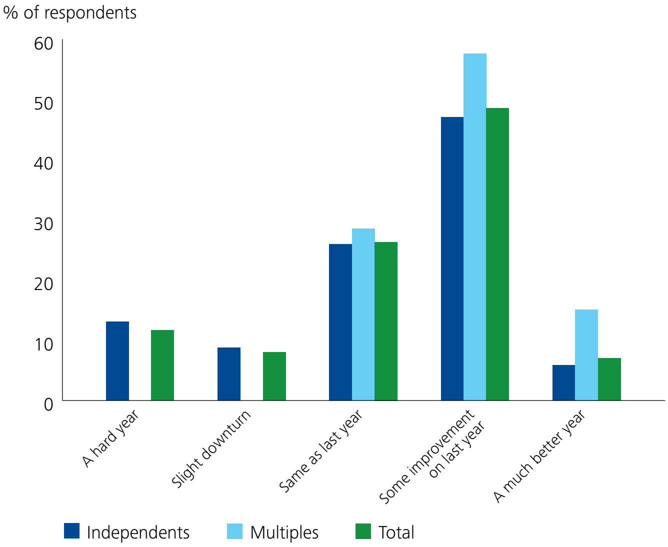
Source: Drivers Jonas Deloitte / SSA UK

3. Revenue and gearing



Source: Drivers Jonas Deloitte Research / Mint UK

4. Outlook for the year ahead



Source: Drivers Jonas Deloitte / SSA UK

Rentable self storage space per person (excluding removals and containerised storage)

City / Town	Space available sq ft	Population	Sq ft per person
London	8,100,000	8,300,000	0.98
Birmingham (within motorways)	439,000	992,000	0.44
Glasgow	428,000	910,000	0.47
Leeds (Metro)	450,000	810,000	0.55
Manchester (Inside M60 less Stockport facilities)	463,000	635,000	0.73
Liverpool (Metro)	260,000	590,000	0.44
Bristol (Metro)	428,000	587,000	0.73
Sheffield	235,000	512,000	0.46
Edinburgh	442,000	450,000	0.98
Cardiff	228,000	324,000	0.70

Source: Drivers Jonas Deloitte Research / SSA UK

The large operators

Operator	No. of stores	Ownership
Safestore	96	Listed on London Stock Exchange (LSE)
Big Yellow	63	Listed on LSE and a UK REIT
Access Self Storage	52	Privately owned
Storage King	23	Privately owned, with a mix of franchised and directly owned facilities
Lok'nStore	22	Listed on AIM
Shurgard	22	Subsidiary of Shurgard Self Storage Europe which is in turn a subsidiary of Public Storage, a US REIT
Alligator Self Storage	15	Privately owned
TOTAL	**293**	

Source: Drivers Jonas Deloitte Research

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