

SELF STORAGE OPPORTUNITIES

BY ACTIVE SUPPLY & DESIGN (CDM) LTD



2008

A GUIDE FOR THE WAREHOUSE OPERATOR

Would partial diversification safeguard your future?

Do you want to maximise your warehouse revenue?

Is your warehouse not operating at full capacity?

Are you in an empty property rate conundrum?

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SELF STORAGE FACILITY REQUIREMENTS

“Self Storage offers both domestic and business users alike, flexible rental periods and access to their personal items and goods respectively at virtually any time of the day (or night in some instances.)”

A BUILDING

Preferably a freehold or long leasehold warehouse type. To test the market we would suggest a minimum of 5000ft² be converted. To prepare for future expansion we would suggest 20,000ft² on the ground with a good eaves height (5m+). Good eaves height will allow single or multiple mezzanine floors to be installed which will in turn, double or triple your lettable capacity.

LOCATION

As self storage awareness is increasing year on year, the need for prime main road locations has decreased. Lots of successful self storage centres now find themselves in B road positions. Any building with good access which is within 5-7 miles of residential and commercial estates. Urban with a mix of domestic, commercial and industrial.

DEMOGRAPHICS

At present a population of around 25,000 to 50,000 is preferable within a radius of 5-7 miles from the site. This however, as always, depends upon the quantity and quality of competition in the area.

ACCESS TO CAPITAL / FUNDING

Although the period for return on capital is minimal, funds are, of course, essential. Spending can be minimized by correct phasing and correct unit mix design, both of which Active Supply & Design have valuable experience with.

Active Supply & Design can assist with putting you in touch with the right fund managers to enable your project to become a reality.

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SELF STORAGE FEATURES & BENEFITS

IMPROVED INCOME & INCREASED YIELDS

Following a recent survey, rental income from self storage facilities in the UK ranges from £12 to £40 per square foot per annum (£60 in some inner London facilities.) These figures compare very favourably against those currently being experienced in the general warehousing and storage sector and allow for the cost of fit-out to be recouped quickly. The average rental price for self storage rooms in the UK is currently £18 per square foot per annum.

OPERATIONAL BENEFITS

Gradually converting parts of your building from general warehouse storage to self storage will increase income levels without increasing overheads. Staffing levels need not increase and the number of visits by your self storage tenants are low. Converting part of your warehouse business can also allow you to avoid the latest empty property rates tax.

INTEGRATION INTO YOUR EXISTING BUSINESS

Your existing warehousing operation can always remain the focus of your companies operations. Self storage can act as an add-on in a relatively small area of your warehouse whilst at the same time being able to provide a lucrative income stream.

WHY NOT DIP A TOE IN THE WATER?

A carefully phased self storage installation will provide a positive additional income for your business which, over a 5 year period, would provide a more lucrative income stream, particularly when further fit-out phases have been introduced.

“The self storage market is polarising between those doing nothing and those seeing the opportunity” - Olli Saunders, Drivers Jonas

WHY PAY EMPTY PROPERTY RATES?

For many years warehouses have been seen as an asset, even when empty. However, changes in the Budget mean that full business rates apply to empty commercial property after three months and to industrial units and premises after six months. Previously, vacant offices and shops enjoyed relief of 50 per cent and industrial buildings 100 per cent relief.

A FACTUAL BREAKDOWN **

STORAGE WAREHOUSE	SELF STORAGE WAREHOUSE
Aisle space (up to 4m wide) is non income earning – leaving 60% of space utilised	Aisles are minimised to 1.4m – utilising up to 75% of floor space
Up to four fork lift trucks required	Only one fork lift truck needed
Staff required to pick and distribute	Staff have no part in movement of goods
High level movement of goods provides risk	Accidents are minimised
Up to two administration and four manual staff required	Two staff (possibly on rota basis) required to run facility
Additional income from picking and delivering	Additional income from insurance and packaging sales
Pallet racking utilises height vertically	Mezzanine floors maximise space on gross area of floor slab and are often not rateable
Pallet racking is demountable	Self storage mezzanines and partitions are demountable

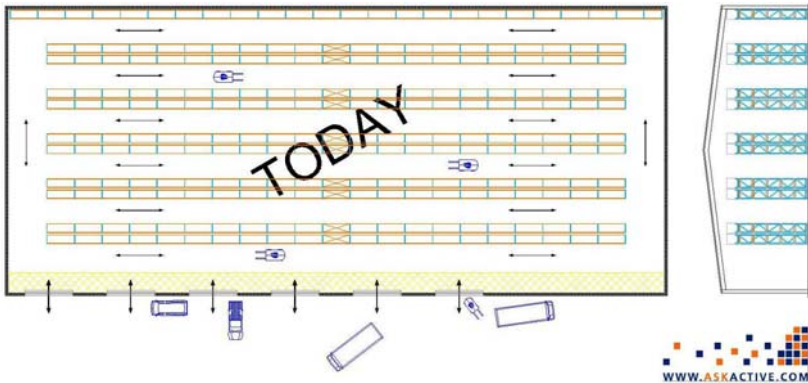
** Figures are based on a warehouse of 20,000ft², gross.

“Allowing the initial self storage capital outlay (approx equal to 14 months full self storage revenue) by converting one third of your existing space to self storage your income could be increased by 43%.” See illustrations on next page.

SELF STORAGE OPPORTUNITIES

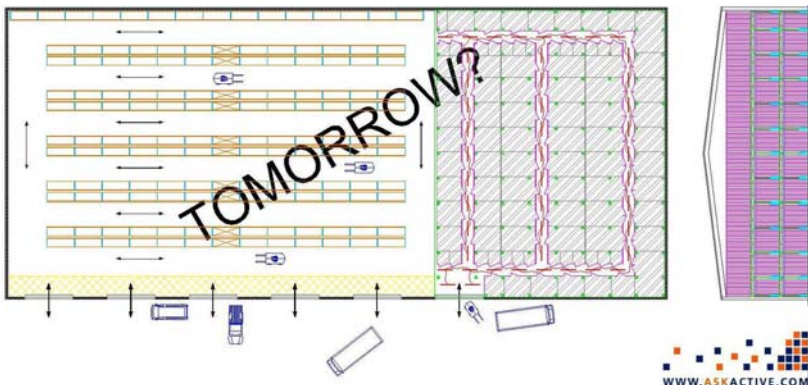
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SELF STORAGE FIGURE COMPARISON



PALLET STORAGE ONLY

GROSS AREA = 20,000 SQ.FT
 QUANTITY OF BAYS = 234
 PALLET LOCATIONS = 2742
 RATE PER PALLET PER WEEK = £2.00
 MAX. GROSS YEARLY INCOME = **£285,168.00**



PALLET STORAGE

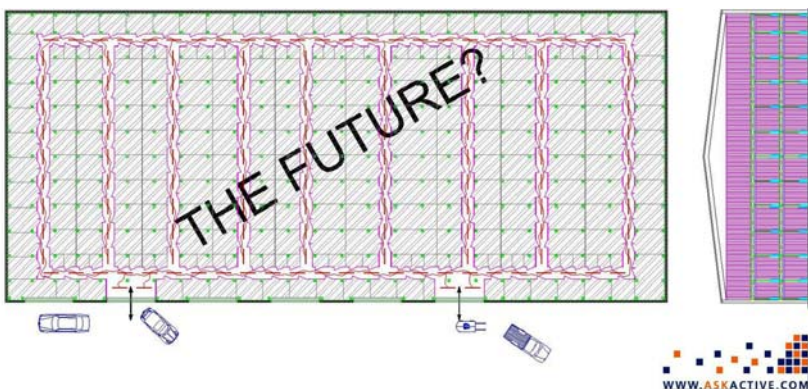
GROSS AREA = 13,000 ft²
 QUANTITY OF BAYS = 145
 PALLET LOCATIONS = 1680
 RATE PER PALLET PER WEEK = £2.00
 GROSS YEARLY INCOME = **£174,720.00**

SELF STORAGE

GROSS AREA = 21,000 ft²
 NET LETTABLE AREA = 14,700 ft²
 AVERAGE RATE PER SQFT PER YEAR = £18
 GROSS YEARLY INCOME = **£264,600.00**

COMBINED STORAGE INCOME = **£439,320.00**

YEARLY GROSS INCOME INCREASE = **54.05%**



SELF STORAGE ONLY

GROSS AREA = 60,000 ft²
 NET LETTABLE AREA = 42,000 ft²
 AVERAGE RATE PER SQFT PER YEAR = £18
 GROSS YEARLY INCOME = **£756,000.00**

YEARLY GROSS INCOME INCREASE = **165.10%**

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MARKET INFORMATION AT A GLANCE

The US has 55,000 self storage facilities serving a population of 250,000,000 people.
The UK has 700 self storage facilities serving a population of 66,000,000 people.

WHO IS ALREADY INVOLVED?

Of the 700 self storage facilities, over 500 are made up of independent companies. Most of these have a single site where the remainder have up to 10 or 15 sites which are generally confined to a small area of the UK. The markets big players, with the largest number of sites, include Safestore, Big Yellow, Access & Shurgard. As opportunities arrive, more people are opening their second or third sites after benefiting hugely from the initial sites growth.

WHO ON EARTH USES SELF STORAGE?

There is a growing demand for personal storage throughout the UK – the more material goods we all buy, - the more space we need to store them. The construction industry is building smaller houses and flats with little or no storage space. Of the total square footage available to the population of 66,000,000 in the UK there is approximately 0.04ft² per person. This indicates that the UK has a long way to go before it reaches the 6ft² per head in the US.

Householders can transfer the contents of a room or even the whole house to self storage facility whilst they decorate or carry-out a complete refurbishment. Similarly, if the owner has to work overseas for extended periods they may want to let the house unfurnished or with a minimum of furniture whilst they are away. Many people make use of self storage on a permanent basis, regarding their unit as an, “extra room.”

Seasonal usage – in a perfect world, householders would want to empty their garages to make room for their car, particularly during the winter months. Garages are used to store many other items such as lawn mowers, garden tools, bicycles, DIY tools, freezers, washing machines etc. Some of these items could be put in to self storage during the winter months, i.e. lawn mowers, other garden tools, garden furniture. Customers may even store family heirlooms for safe keeping during a period away from home or on holiday etc.

Retailers can buy-in seasonal stocks to avail themselves of bulk purchase discounts and have the goods delivered direct to their self storage unit. In addition, extra income can be earned by offering retailers a ‘goods receiving and despatch’ facility.

Tradesmen – Plumbers, joiners, market traders and electricians can store their materials and equipment on an ongoing basis; this is of particular interest to one-man operations where they have no room at home

Field Sales Personnel can store their samples within their territories rather than overload their cars or travel to their head office or factory.

WHAT INCOME CAN YOU EXPECT?

Rental Rates vary across the UK and these may be influenced by the demographics, geographical location of a facility and the features the facility possesses. If you take the UK's average room size of 75ft², you could be looking to rent at between £17 and £25 per square foot, per year.

WHAT OTHER INCOME STREAMS ARE AVAILABLE VIA SELF STORAGE?

Archive storage rooms can be provided for businesses to store important documents not required on a day-to-day basis. Hospitals and Solicitors are typical customers for instance; they want to avoid using expensive office space just to store clinical records or legal paperwork. Again, extra income can be earned by offering a 'Document Retrieval facility' for these 'too busy' customers.

Serviced Offices can also be introduced whereby a 'New Start-ups' or 'One man Businesses' can provide their customers with a full service from one location whilst in the early stages of developing their business. This facility could also be used as a 'Satellite Office' for larger business organisations

Packaging materials and associated items can be sold from within the reception. In these days of recycling, where can the average person obtain packing boxes from? Self storage companies average around 6% of their income from such ancillary items, including tape, dust covers, boxes, padlocks, bubble wrap and shrink wrap.

Post boxes, often located within the self stores reception, can be rented to companies and individuals who require a secure post service. These are very popular with customers who wish to receive mail whilst they are on holiday or working away from home for extended periods.

EBay and online ordering consumers often need to arrange friends or neighbours to accept goods on their behalf at home, often resulting in someone's time being wasted when the delivery doesn't turn up on time. Self store facilities often put aside one of their rooms to accommodate these deliveries and charge the individual a nominal amount for accepting the goods depending on size or value.

Insurance. To protect their own possessions, individuals should purchase insurance from you, as an operator and margins can be made from this sale.

These are just a few reasons for you to consider converting your warehouse into a consistent income earner with low operating costs.

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ADVANTAGES OF RUNNING A SELF STORAGE FACILITY

OPERATIONAL CONSIDERATIONS

Staffing Levels – Self storage facilities require only a minimum of staff to operate. Two to three people is the norm at any one time for a 40,000ft² facility. Whilst opening hours are designed to meet the needs of the storage customer, i.e. generally 8.00am to 7.00pm weekdays with shorter opening times at the weekends – these can be easily accommodated.

Cash Flow – accountants favour self storage as it produces a healthy cash-flow and is not reliant on long term leases or rentals which can stifle development and expansion.

Rental Payments are by Direct Debit / Standing Order as a preference. This not only minimises potential bad debts situations but also assists in ‘customer identity’ ‘intelligence’ and ‘profiling’ – particularly when 24/7 access is in operation.

24/7 Facilities - In some instances, 24/7 access is possible via a ‘Swipe Card Entry System’ – these systems are designed to allow a card holder to access their storage unit via a given route within the building, activating the corridor lighting and inter-locking doors, all specifically associated with the pedestrian route within the building the user would take to his unit.

Customer Car Parking – Vehicle and Pedestrian traffic during normal day-to-day business is also very low. To illustrate this, for every 2000ft² of storage space only one car park space is needed.

Fork Lift Services – business customers naturally prefer ground floor storage units for receiving and despatching their goods via a FLT. Not all facilities have a fork lift on site however which often makes offloading difficult whilst one is sourced. Your industry will of course benefit from already having this equipment on site.

Utilities – the costs associated with the provision of the various Utility Services required is comparatively low. This is particularly so when compared to other types of business using a similar size of warehouse building. I.e. Electricity usage is used only for PIR controlled lighting, which is activated only when a pedestrian is within range. Emergency lighting systems, CCTV cameras and monitors, other office equipment such as computers and printers etc. Gas and water usage are minimal.

Security – CCTV systems provide an all-round constant visual over what activities are carried out within the facility. Not only providing cover for out-of-hours, if provided, but also observing customers bringing and taking away their storage items, noting their observance of the standard house rules relating to not leaving items along the corridors and creating potentially hazardous obstructions.

Facility Software Management systems enable facility operators to quickly ascertain the level of occupancy at any given time and to allow them to provide their customer with the optimum level of service in identifying an appropriate storage unit. Furthermore, to assist in the production of customer documentation not only at the point of sale but also to produce invoicing, statements and other accounting procedures and customer records.

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THE FUTURE OF THE UK SELF STORAGE MARKET

By Andrew Donaldson

When I first became involved with self-storage 10 years ago, it was a good US product that had travelled badly. There were just over 100 UK facilities in operation and most Europeans hadn't even heard of it!

Today there are over 1000 UK and European facilities, PLC listed operators, REITS and a total market capitalisation of £5 billion.

Where will the industry be in another 10 years? Well, based upon its last 10 years growth anything is possible.

I predict the following – The UK market will at least double, if not treble, from 700 facilities to 2000 or so facilities – even then the saturation level will only be about a quarter of the current US level of nearly 6ft² per person. The mainland European market will be at least 5 times its current size of 300 or so facilities and in all probability will accelerate past the current UK dominant self storage industry with possibly up to 3000 facilities spread across the mainland.

My prediction and credibility is based upon 10 years of industry experience, 3 chains of self-storage facilities, design and fit-out of over 100 facilities and a dozen business awards. Five or so years ago, I remember speaking at the UK Self Storage Association Conference and predicting 2 things – the industry would treble over the next 5 years and the World Wide Web would become one of the main enquiry drivers for a self-storage facility.

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SELF STORAGE BUILDING TRANSFORMATIONS



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ABOUT ACTIVE SUPPLY & DESIGN (CDM) LTD

Active Supply and Design are the market leading self-storage partition and mezzanine floor specialists who were established in 1991 by their current Chairman, Andrew Donaldson. Andrew has previously served as a Director of the Self-Storage Association and has been a leading figure in the self storage industry since the mid-nineties.

Following the appointment of Mark Holme in 1998 and subsequent promotion to the Board of Scott Woodcock, Gareth Williams and Martyn Dickinson; Active's presence in the rapidly expanding self-storage market has placed them as the industry's leading provider of self-storage solutions. The Company's philosophy of concept to completion; based around design expertise, attention to detail and effective contract management, makes them the perfect construction partner for projects both large and small.

With over 100 years of combined storage experience, their team of professionals offer advice that is second to none, which in turn will help you to design and operate your self-storage facility to its maximum potential. Active's profile and flat wall partition systems, together with their mezzanine floors are manufactured in the UK and are designed and installed to meet the high standards expected within the industry.

Since their incorporation, Active have been presented with more than 10 business awards including the Shell UK Livewire National Winner, Shell UK Most Promising Business Enterprise, Arthur Andersen Commercial Achievement Award and the Duke of Westminster Special Award. Active's turnover has been seen to increase year on year as their customer base has grown and current turnover levels are in excess of £13 million.



Tel : 01270 215 200