

GETTING STARTED

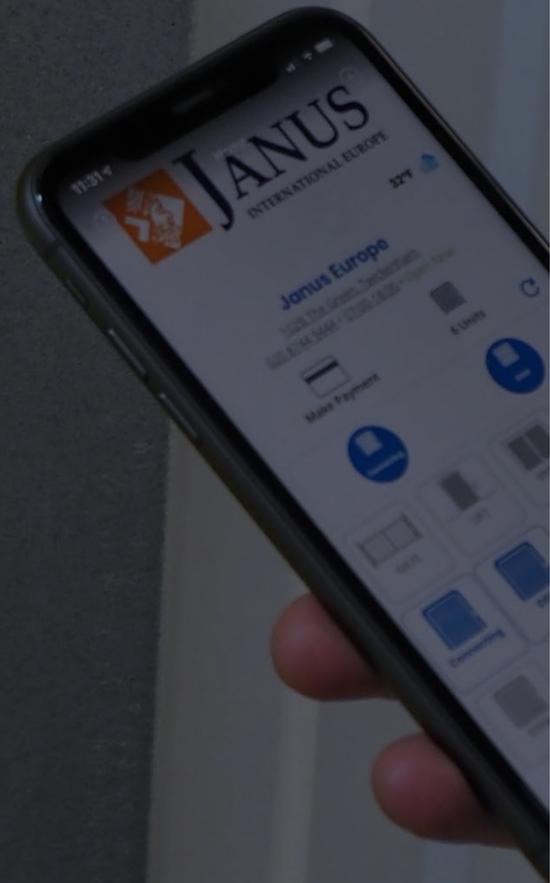
IN SELF STORAGE

**A STEP-BY-STEP GUIDE TO
LAUNCHING YOUR BUSINESS**



JANUS
INTERNATIONAL EUROPE





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WHAT IS SELF STORAGE?

When setting up a business in a new industry, it's crucial to know the basics. So, what does the term self storage actually mean?

Self storage is a shortened name for "self service storage" or "device storage."

Essentially, self storage is space for business or domestic customers to rent, on a short-term (more typical) or long-term basis. Historically, units have been secured by tenants' personal locks and padlocks, but with technological advancement, there are now wireless options that allow for remote access and management.

The first self storage businesses were established in the United States but can now be found in a growing industry across Europe and the globe. The self storage sector has to date proved resistant to economic uncertainty and can be a great way to diversify a stock portfolio.

Storage facilities vary in size and can range from a handful of units to over 1,000 units in some of the largest stores. Sites often have a range of different unit sizes available for the numerous customer needs and requirements.

The key to any business succeeding is developing a thorough understanding of the target customers and their requirement for your products or services. Industry experts refer to the Four D's, the long-running mnemonic device that explains the drivers of self storage demand:

1. **Death**
2. **Divorce**
3. **Downsizing**
4. **Dislocation** (e.g. relocation or marriage whereby the couple now has duplicate items)



6 REASONS TO INVEST IN SELF STORAGE

Self storage investment offers the following benefits:

1. PORTFOLIO DIVERSIFICATION

This is essential to a successful investment strategy. Some of the unique benefits of the industry that illustrate why it is a good diversification solution include: rental rate adjustment frequency, diverse tenant base and relative resistance to recession.

2. RETURN ON INVESTMENT

In developing markets, self storage operators are typically producing double digit annual returns. Due to its robust stabilisation characteristic, good returns nearly always continue over the life of the investment.

3. REALISING YOUR GAINS

A large majority of investors come into self storage with their 'exit' in mind. A successful exit strategy could go like this: over a medium term, invest in a series of self storage facilities, build, and run professionally. Build a brand and stabilise the rental space in a reasonable period.

4. GROWTH (OF YOUR SELF STORAGE INVESTMENT)

The initial investment grows as your self storage facility starts filling up rapidly and the need to expand is on the horizon. Your next building acquisition will typically be funded from the cash flow of your existing self storage business.

5. UTILISE UNUSED SPACE

Self storage sizes can range from 10 sq. ft to 1000 sq. ft. Utilising unused space (internal or external) within a facility or on a piece of land by building self storage will help operators maximise revenue.

6. LOW STAFF REQUIREMENT

On average, a self storage facility requires only 1 to 3 staff members to sell space and operate. This reduces personnel costs and with technological advancement, you could also fully automate your site.

INDUSTRY OVERVIEW

The [2022 FEDESSA European Self Storage Survey](#) indicates that there are 5,435 facilities across Europe, providing nearly 11.5 million square metres of self storage space. The 5 biggest markets in Europe remain the UK, France, Spain, The Netherlands, and Germany. The UK remains the market leader in terms of stock, continental Europe has seen the number of facilities increase by 70% over the past 5 years.

The self storage industry across Europe and globally has remained largely unaffected by the pandemic and has in fact continued to grow. The UK market specifically has performed well and [2022 data from the SSA UK](#) shows that occupancy rates are at a healthy 83.3% and that average rental rates have increased. In summary, the industry outlook remains very positive.

DIGITAL SOLUTIONS	MIXED-USE DEVELOPMENTS	GREEN FACILITIES
Potential tenants are changing the way they research and buy products. In the UK, web based enquiries now represent the bulk of the source of enquiries. Many operators also encourage online bookings and payments. In addition, access control solutions such as the Nokē Smart Entry System enable tenants to check in and access their unit via an app.	Growing urban populations, changing living dynamics and a highly competitive development market has led to growth in mixed-use schemes. This could include adding shopfronts, workshops, retail, residential or another use to a storage facility. Combining self storage with a mixed-use scheme lowers development costs and maximises the rental yields and use of land.	There is a growing movement for more environmental sustainability in the property industry. Many self storage investors, operators and customers now place a lot of emphasis on Environmental Social Governance (ESG) factors. It is very encouraging to see an increasing number of eco-friendly facilities with green roofs, solar panels and electric vehicle charging points.



YOUR STEP-BY-STEP GUIDE:

Here's a helpful checklist to ensure your venture is a success.

1. MARKET RESEARCH

Before you jump into a self storage project, it is vital to research your market. Your first point of contact for industry information and advice should be the national self storage association, if there is one in your market. You can also use market research companies (especially if they know the self storage industry) to discover who your customers are in the area. What's the mean income, the daily traffic passing the property you want to develop? Is the area growing, and how fast? Research competitors too. Are there existing self storage stores in the area you're considering? Who are they? What do they charge and what is their occupancy?

These facts will guide you in the choice of the location of your self storage facility. It gives a good indication on the size requirements of your store, the different sizes of storage space (also known as space mix) and the rents you can charge.

2. BUSINESS PLAN

With the in-depth information you've gathered on self storage with market research, you can start writing your business plan. This is essential if you need a bank, an investor or another party to help finance your project. They need to see the potential of your business proposal in facts and figures. In your business plan you should include actions you need to undertake and what your future activities will be to generate a profitable self storage business, so it provides the direction or strategy needed for success.

3. LOCATION, LOCATION, LOCATION

Remember, self storage is about convenience and easy access to transport. When you plan to build or purchase your self storage building, it becomes a substantial asset of your self storage business that appreciates over time; therefore – just like the real estate industry – location is vital. Even if you rent a property and convert it into self storage, location is equally important.



4. PRODUCT CHOICE

After your location and building choice, your self storage product or space mix choice is one of the most important choices you will make for your business. There is a wide range of options for storage products including different types of partition systems/ doors, lockers as well as relocatable units for indoor or outdoor use. These days many tenants value the convenience of digital locks and app based systems, so you might also want to consider automated access control solutions.

Moreover, both self storage customers and investors are now more aware of environmental factors so opting for sustainable products and eco-friendly facilities could pay dividends.

Your choice of product is important throughout the business cycle:

- > Pre-investment period: A knowledgeable self storage product supplier will help you design an optimum storage unit layout (the space mix) for your facility; support/lead building compliance submissions and provide consultancy on all aspects of your self storage investment.
- > Investment and build period: Ease of installation/fit-out ensures timely project execution so you will be operating as scheduled with no surprises.
- > Operational period: High-quality, durable, hi-tensile steel self storage partitions and hallway panels ensure low maintenance and keep your facility looking good for years and automated sites provide convenience for both customers and operators.
- > Exit period: Using second-rate materials can be disastrous when selling your business. A top-rate self storage product will be recognised in the due diligence and/or valuation process. Using the products of a self storage product supplier renowned for using quality materials increases the value of your business and helps facilitate a profitable exit. In addition, ensuring that your facility has eco-friendly features such as e-charging pods, recycling points or green roofs is also likely to be attractive to potential buyers and investors.

5. BUDGET

Which items should you budget for when setting up a self storage business? Aside from the purchase or rental cost of your building, you need to consider the following:

- External building requirements such as parking or recycling points
- Internal building requirements such as reception, toilets, space mix, lighting, heating, waste bins, fire safety
- Self storage facility set-up
- Insurance premiums
- Business services
- Planning applications
- Utility bills
- Personnel costs
- Marketing expenses

6. EXECUTION

The executional and operational stages of your self storage project come after you've built or secured a building and make your project real. These implementation stages include:

- Structural engineering
- Fire safety
- Architectural design
- Mechanical ventilation and electrical design
- Planning approval
- Building preparation works
- Manufacture of self storage partitions/doors
- Self storage construction
- Project management
- Security systems
- Access control solutions



YOUR STEP-BY-STEP GUIDE:

7. OPERATIONS

To facilitate the smooth running of your site, you need to:

- Create an informative company website with excellent design and functionality (see point 8 for more details)
- Have self storage insurance for customers in place.
- Choose a quality self storage management software package, preferably one with invoicing capability.
- Ensure the self storage management software is compatible with your security and access control software.
- Set up a retail office of at least 500 square feet (50 square metres) that is appealing for customers, where they have a place to sit down to enquire about, or sign up for, a storage space.
- Also use the retail office to present your supplementary merchandise, like boxes, tape, padlocks, self storage shelving, etc.
- Have load-handling equipment in place – trolleys/pallet jacks.
- Have a storage rental agreement/licence in place that is legally recognised in your country, so you can sign up customers from day one.
- Hire (experienced) staff trained in customer service. Have them wear branded clothes to promote a professional look.
- Ensure that all personnel understand your operational processes and procedures including fire safety.



8. MARKETING

Effective external communication is hugely important for all self storage businesses in order to generate enquiries, regardless of whether you're a start-up or an established operator. Here are some top tips:

- A good company website is absolutely essential so that potential customers can find your business and submit enquiries. Your site must be accurate in terms of locations, contact details, site information and opening hours. It's vital that all pages, the navigation and links work and it goes without saying that your site must be optimised for desktop, tablet as well as mobile use. Keep refreshing your branding, layout and visuals to ensure that the site looks great too. Customers will expect a user-friendly layout and excellent functionality. A slick online booking system can be really advantageous in addition to apps such as the [Nokē Smart Entry system](#) that enable tenants to check in to their unit online. Make the process as convenient as possible to create a brilliant first impression and convert leads into customers.
- SEO/ Google Ads- you need to ensure that your online search terms and Google Ads are working for you. Getting this right from the beginning will be worth the time, money and effort invested, so utilise either your in-house marketing team or ask a specialist SEO agency for support. Set a monthly budget to stay in control. It's important to review and update your SEO settings and Google account regularly to ensure that you understand what key words and ads are generating results and which ones aren't. Furthermore, making sure that your Google My Business is complete and set up accurately will also improve your ranking.
- Social media offers another excellent and cost-effective channel for attracting new prospects and engaging with existing tenants. Test a few different platforms to figure out which ones work for your business. It's often best to concentrate on a select few platforms rather than spreading yourself too thin. Use social to enhance your brand, share positive customer reviews, communicate business updates such as new facilities and promote special offers.

FINANCING OPTIONS

Typical financing scenarios for a self storage start-up are as follows:

- You or your company/partnership has equity for the set-up of a self storage facility or to buy an existing site.
- You or your company/partnership owns land or a building that can be leveraged against a bank loan (or obtain a bank loan through other means) to build on or convert to self storage.
- You are backed by other individuals, single or multiple fund-based entities, a partnership of funds (or yet another backing solution) to set up or buy an existing self storage business.

When your self storage business grows and you want to expand, you have other options to raise capital. Many larger self storage businesses started with a single site and, as it grew, gained considerable wealth by using one of these popular financing options:

- As a recognised self storage operator, you could use debt financing to support expansion. Secured mortgages are available as with any real estate acquisition. Some banks also fund the capital investment of the construction or fitout.
- Involve other private shareholders – this is easier once you have one or two sites in operation. Many private equity funds and other large investors see self storage as an attractive addition to their portfolios. A profitable self storage operator is in a good position to attract capital.
- IPO (initial public offering) or stock market launch – sell shares in your company to the general public to raise expansion capital.
- Convert your business into a Real Estate Investment Trust (REIT) as a sponsor and/or sell/lease-back your underlying asset to a REIT to generate growth capital. A REIT is a company that manages a portfolio of real estate to earn profits for shareholders. REITs can be publicly, or privately held and public REITs may be listed on public stock exchanges. REITs can be very tax efficient, as the property company pays no corporation or capital gains on profits made from property investment. Each country has its own criteria for REIT conversion, for example, a certain percentage of revenue must be derived from rents and/or a certain percentage must be paid out to shareholders.





WE WOULD LOVE TO WORK WITH YOU.

For more information or a free consultation, get in touch today.

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