# The State of Self-Storage

**Internationalisation & Digitalisation**

**2023**

SENSORBERG

# Introduction

**About this study**
This study was conducted and produced by Sensorberg with the goal to analyse and understand the self-storage industry, in particular within the DACH region (Germany, Austria and Switzerland).
The paper provides a valuable insight into the industry across the DACH region. It is aimed at aiding self-storage business owners, investors, and operators in this growing market. Over 55 businesses have been analysed, with the majority headquartered in Germany. The analysis has a particular focus on internationalisation, digitalisation as well as a general offering of features within the industry. In addition, we spoke to a number of industry experts in order to get another perspective on the findings.
We hope that you find this report informative and are always happy to receive feedback from you.

**About Sensorberg**
Sensorberg is a Berlin-based PropTech company that develops intelligent hardware and software for the digitalization and automation of all types of buildings, including self-storage, co-working spaces, commercial and residential real estate. In addition to intelligent access systems, Sensorberg equips buildings with a comprehensive digital infrastructure to provide users with the highest levels of security, comfort, and productivity while enabling operators and owners to manage and utilize their buildings with maximum efficiency.

**Experts**
In addition to the quantitative analysis, we've consulted industry experts to discuss the findings of the report and get their insights to the respective insights.

*Christian Lohmann* has been active in the self-storage industry since 2007. After being involved in various management positions, he has now been active as a freelance consulting business economist since 2018 and offers consulting services for start-ups, real estate owners, investors, and active operators.

After completing her business studies in Mannheim, *Christin Walton* worked primarily in management consulting and corporate development before joining the team at Selbstlagerbox, headquartered in Leipzig, in 2019 and is now responsible for marketing and sales.

# Self-Storage in Europe

The self-storage industry is a fast-growing industry, in particular in the United States where the industry is most mature. There are estimated 55,000 self-storage facilities in the US alone. To put this number into perspective: There are more Self Storage facilities in the US than Starbucks, McDonald's, Dunkin' Donuts, and Pizza Huts combined.

Whilst fifty years ago, self-storage facilities were considered to be run by individuals and small businesses, it has turned into a multi-billion Euro industry that includes big players with a multitude of facilities.

In Europe, the self-storage industry has grown rapidly over the last dedicated, with an estimated number of 4,000 facilities providing almost 10 million square meters of self-storage. Within Europe, the UK covers approx. 37% of the total number of self-storage units, whilst Germany only has 6% (FEDESSA/JLL).

In 2019, Germany had an estimated 273 facilities, Austria 81 facilities, and Switzerland 120, whilst the UK had approx. 1580 facilities.

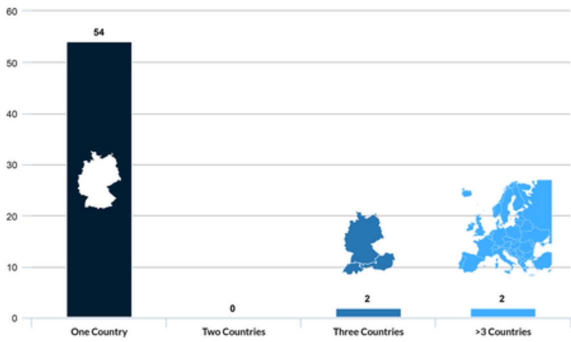
The largest operator in Europe is Shugard who opened their very first self-storage facility in Brussels in 1995. Today, they operate in 7 European countries with over 250 facilities.

It is estimated that the 10 largest self-storage brands account for 19% of the total number of facilities within Europe and 35% of the total square metres of self-storage space. Thus, large self-storage brands also tend to have larger facilities than the majority of independent operators.

According to FEDESSA, Germany has seen some of the biggest growth in supply in the past 5 years, increasing by approx. 50% of space. Currently, Germany has less than 5 facilities per million population, whilst the UK adds up to almost 25 per million population. The European average as per 2019 was 8.7 units per million population.

# Internationalisation

54 of 58 companies are based in only one country (Germany) and did not have self storage facilities abroad. Only 4 of the analysed operators were present in 3 countries or more.




**What are the reasons why so few companies in the self-storage industry expand abroad to enter new markets?**

Christin Walton

The German self-storage industry itself still has an incredible amount of potential to offer, so that for many providers there has simply been no need to expand beyond Germany's borders - especially because other European markets are already more developed and therefore the competitive situation is different.

Christian Lohmann

Compared to the rest of Europe, the German self-storage market offers one of the greatest potentials for growth and expansion. So it doesn't necessarily make sense to look at expanding into unfamiliar territory abroad when the potential in your own country is so high. In addition, many of the companies analysed are mainly so-called "local heroes". These entered the self-storage market by converting a property they already owned. Expansion goals neither at home nor abroad are in focus at all.

**What are the biggest challenges to expand into new countries?**

Christin Walton

The challenges that arise with opening self-storage branches abroad are very complex. The biggest hurdle I see is the bureaucratic effort involved in the construction of a self-storage building and the corresponding approval procedures. Many authorities are familiar enough with a building application for a residential building or office complex - but it's a different story when it comes to self-storage; especially in cities where the concept is not yet established, it is often quickly compared with large warehouses - which in turn creates an image of intensive traffic, complex logistics structures and high noise levels. Yet the complete opposite is the case.
Beyond bureaucratic issues, factors such as the local competitive situation, the lack of available companies and partners to implement the project as well as the question of operational control of a foreign company location also present self-storage providers with corresponding challenges.

Christian Lohmann

The start-up losses associated with the business model (fill rate/monthly growth) often do not make it easy for many new entrants to successfully obtain corresponding growth financing in bank discussions at an early stage. In addition, language barriers as well as uncertainty and lack of knowledge of the market conditions (demand situation, competition, etc.) abroad are big barriers.
Compared to an expansion in the regional environment of an existing location, there is no possibility of using cross-marketing effects, or this only becomes available when several locations in a target area are activated.
Further challenges are the lack of experience or uncertainty with regard to construction costs, especially those relating to the preparation of the property, followed by challenges in personnel management of foreign employees.

**How can these challenges be overcome in the best possible way?**

Christin Walton

Extensive market analyses and setting up a local network of partners and service providers can certainly assist in reducing the barriers to market entry. This also includes preliminary enquiries with the local building authority, a look at current and expected developments in the areas of property prices, income power and staff availability, as well as reliable project management on site in close coordination with the team at the company headquarters.

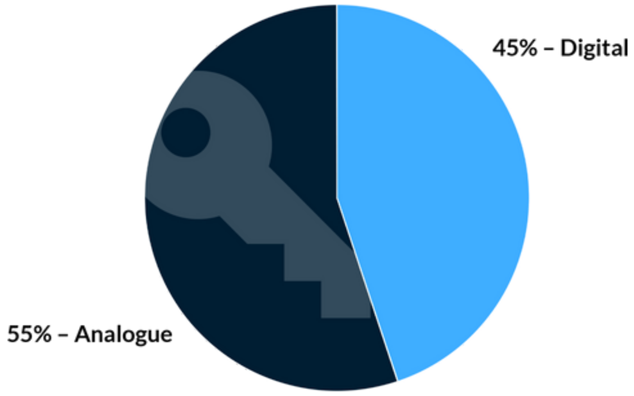
Christian Lohmann

As a matter of principle, and this also applies to domestic expansions, it is a priority to deal intensively with the market situation. A location analysis as well as a feasibility study are essential in order to correctly assess the potential of the intended location.

Depending on the size of the project to be planned, it must be clear that smaller facilities with a rentable area of up to 500 m² are hardly lucrative to realise with on-site personnel.

Full or partial automation can be a solution to this problem. It is easier if an existing location can act as a control centre that can practically manage the unmanned facilities remotely.

# Access Control




In terms of digitisation, 45% of the analysed operators offered a digitalised access control, whilst 55% of the operators were still offering analogue access control.

**How important is the digitalisation of access control for the coming years?**

Christin Walton

Car rentals, bike or e-scooter? At the touch of a button on your mobile phone. Check-in at the airport? Done via digital boarding pass. Access to the co-working office? Done via your smartphone app. Digital access control in one form or another is already standard in many areas of life. What was hardly imaginable a few years ago is now unthinkable without it. If something can be digitised, it will be digitised in the next few years. Retrofitting the entire access control of a self-storage facility is incredibly time-consuming and costly. This makes it all the more important to recognise the need for a digital strategy early on and to develop future projects in the appropriate direction from the very beginning.

Christian Lohmann

It is clear that there is a trend in exactly this direction. In times when there is an app for almost everything, the demand from end customers/tenants for such tools is also increasing. Companies that can offer their customers corresponding apps are perceived as progressive and contemporary from the perspective of potential tenants. This is another reason why I am receiving more and more enquiries about new projects that focus on this. This applies not only to micro-storage facilities but increasingly to projects with 1,000 or more storage units. It should be noted that combinations of classic and digital components are certainly possible. It needs to be clarified how deep the digital component should or must go.

**What are the reasons why the majority of self-storage providers haven't switched to digital access control yet?**

Christin Walton

The customer structure of the self-storage industry is still dominated by Gen X and Gen Y - both generations that (at least in part) still remember the times without mobile phones, still ordered their pizza by phone and only received their boarding pass at the airport check-in counter. Assuming an average customer age of 35-40, in 10 years at the latest the majority of self-storage tenants will belong to Gen Z - the generation that grew up asking Siri for the right route or writing WhatsApp messages instead of squeezing 160 characters into an SMS so as not to have to pay double.

Therefore, many companies currently still feel "safer" to offer a classic access control, which is known to the average customer and seems trustworthy. I think the switch to digital access control is primarily characterised by two major challenges: on the one hand, the question of how do I properly assure the customer that the options via smartphone or transponder are just as secure, reliable and easy to use as the familiar padlock? And secondly, who is the right partner and how do you implement it correctly?

Christian Lohmann

With regard to the analysed providers, the majority had already entered the market at a time when digital access control was not yet available or was still in its infancy. Larger players and expanding companies have taken up the issue in the meantime and are "upgrading" or gradually converting.
Self-storage facilities are dependent on secure (against sabotage, manipulation, etc.) and stable systems. In addition to a cost comparison (investment & operational costs) with classic access control systems, it is important to emphasise functionality, reliability and security. This applies to the planning of new systems as well as to a change of systems in existing facilities. It is also essential to know how far a digital access control system should reach. Does it stop at the main access (site/building) or should all doors and gates of individual units be integrated?

**How long can it take to develop and implement digital access control?**

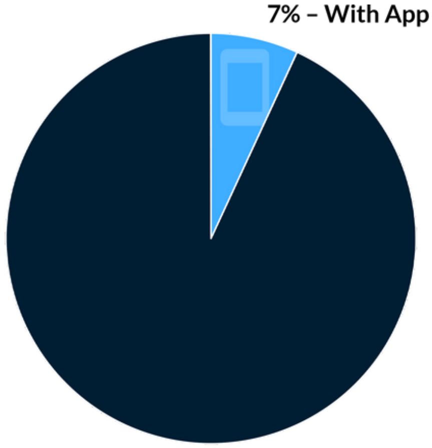
Christin Walton

Depending on whether it is a retrofit or initial installation of a building, a sophisticated digital access control system can be planned and implemented within a few months with the right partner at your side.

Christian Lohmann

This will depend on the respective requirements and also on whether existing applications can be used. It will also have to be considered to what extent interfaces to other systems are to be integrated. An individual development from scratch is likely to take many months, if not years. And then it is not even certain that all user and self-storage peculiarities have been considered and that all components run stably.

# App




With a growing demand in digitisation in the self storage industry, as well as real estate overall, i.e. smart living and smart offices, the findings showed that the majority of self storage operators in DACH still don't offer an app for their customers. 93% of the analysed operators don't offer an app, whilst only 7% (4 of 57) allow their customers to manage their self storage units via an app

**How important will an app be in the future? Do customers expect it?**

Christin Walton

The majority of the current customer base does not yet expect access via app - but those customers who already use it are enthusiastic. And it is only a matter of a few years until the share of customers who expect and want to use access via smartphone app overtakes the share of "classic" tenants.

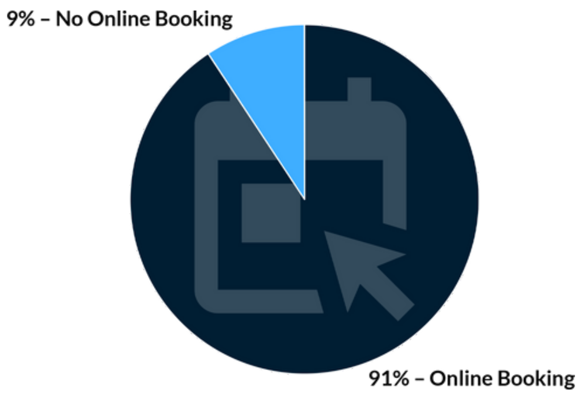
**Why do over 90% of companies not yet offer a digital app and what are the biggest hurdles?**

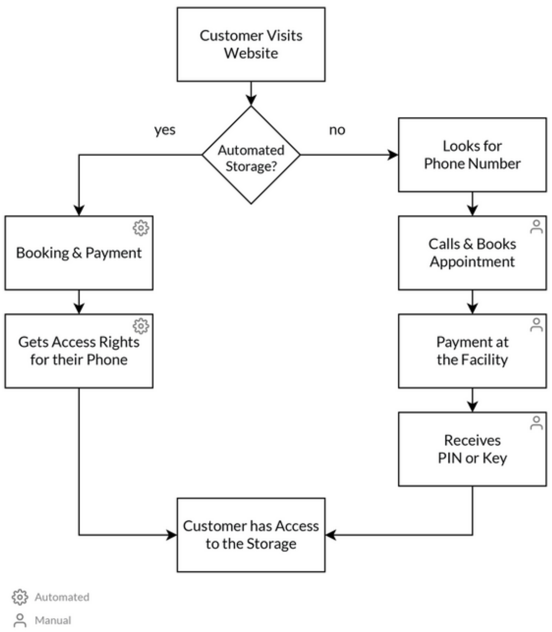
Christin Walton

The uncertainty of how current customers would deal with the switch to digital access control and the challenges of finding the right partner to digitalise the self-storage facility.

# Online Booking

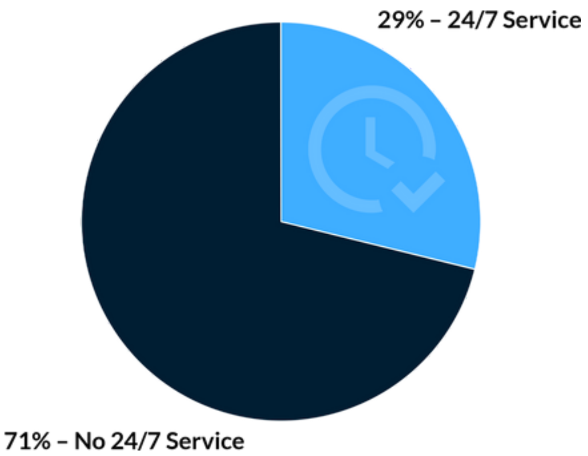
In terms of booking a self-storage unit, 68% of the analysed operators offer online bookings, whilst others allow inquiries via contact forms or phone only.




**Customer Journey**
For many businesses, implementing an online booking tool is the very first stage of streamlining the onboarding process for their customers. Whilst online booking tools can significantly simplify the onboarding for both the customer and the business, inquiries via phone or even a contact form often involve multiple communication stages, leading to more time spent on winning the interested person as a customer.

# 24/7 Access




Being able to access a self-storage unit around the clock is a feature that only 29% of the analysed operators in Germany, Austria and Switzerland offer, whilst having a secure 24/7 access has become very popular in the US.

Christin Walton

**How important is it to offer 24/7 access? How does it relate to increased staff and effort costs?**

I think that many customers appreciate the possibility of being able to enter their box 24/7, even if the larger share of tenants hardly ever makes use of it. Whether to offer this kind of opening hours is less a question of staff costs than of the security concept of the building. If a facility already has comprehensive video surveillance, fire and alarm systems, the step to 24/7 access is not that big.

Christian Lohmann

24/7 access must be considered from different angles. From a marketing point of view, it is undoubtedly advantageous. Customers, even if the actual use differs, would prefer 24/7 access in comparison. However, in real life, even in 24/7 facilities, the core usage time of the masses is between 07:00 and 21:30. But the mere fact that the tenant knows he could access his stored goods at any time makes this approach interesting. Realistically, however, access times from 06.00 to 22.00 or 23.00 are sufficient. In addition to the marketing aspects, the legal situation and permissibility must also be considered. Although the traffic volume in self-storage facilities is low, 24/7 is not feasible everywhere. Especially in inner-city locations and mixed-use areas, it is possible that a 24/7 concept will be refused by the authorities or can only be implemented with additional expert opinions (noise protection/noise/).
Personnel costs or costs for external security services arise in both models. The amount of these costs depends on the security concept and the operator's requirements. Since both models must always be considered in connection with burglar alarm systems and/or security services, it is difficult to make a general statement.

**How can companies enable 24/7 access?**

Christin Walton

Apart from formal permissions that have to be granted by the local municipality, it absolutely requires a sophisticated security concept and consultation with the supervising insurance company. Switching to digital access control also facilitates the move towards 24/7, because it means that even customers who book spontaneously on a Sunday, for example, when reception is not manned, can gain access to their box immediately after signing the contract.

Christian Lohmann

The basis for this is always self-sufficient customer access, regardless of official authorisation. This is possible both with conventional/classical access control systems and, of course, with modern digital solutions. Corresponding concepts and systems are already available.

# Price

14 (26%) of the analysed operators offer their lowest-priced unit for under 25 Euros per month, whilst 26 (49%) of the operators have their lowest price start at >25 Euros per month. The remaining 25% did not offer an online price list. The average lowest price for a self-storage unit is 37.95 Euros.

**37.95€**

per month for the average lowest-priced storage unit

# Average Unit Size


The smallest average unit size across the analysed self-storage operators was 3.95 square metres, whilst the largest average unit size was 117.83 square metres

# Summary

It is evident that the self-storage market is growing, in particular in the German speaking regions. It offers customers/tenants a storage option outside of their own home and has become a vital part in the life of millions of people worldwide.

Given that the German speaking market is one of the fastest growing regions in Europe, many self-storage operators don't see a need in expanding to other markets just yet. In addition, challenges such as lack of knowledge of the new regions, finding the right partner to execute, dealing with local authorities and managing staff abroad are all additional challenges which need to be overcome.

There is an undoubted trend towards digitalisation of self-storage spaces. The generation that grew up with digital access is growingly becoming a customer base for self-storage operators along with their needs and expectations of accessing their space digitally, i.e. via apps. Retrofitting existing units is an option - although potentially complex and costly, whilst it is crucial to include digitalisation - whether it's access or storage unit management - in the rollout of any future location.

The future is digital and the self-storage industry is expected to make great shifts towards digitalisation within the next 5-10 years, whilst its customer base will increasingly expect these features to be part of the offering.

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