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Further Growth Expected in European Self-Storage Sector

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A new report from the Federation of European Self Storage Associations (FEDESSA) and global real estate advisor, CBRE, has indicated that continued growth is expected in the European self-storage sector, following a record breaking 12 months for investment in the market and increasing customer demand.

The 2022 European self-storage industry report analysed responses from 100 operators who represent over 1000 stores in 24 countries across Europe, focusing on the key themes that are impacting the industry.

According to the research, there has been a 5% increase in self-storage supply year-on-year along with an increase in occupancy of existing space, with further room for growth expected, particularly in less mature self-storage markets in Eastern Europe.

Alongside the increase in stock levels, rents have also increased. The average rent per square metre per annum in Europe is €290, a 7.9% increase on the same period last year and according to the report findings, 59% of operators are planning to raise rates significantly over the next 12 months to offset rising inflation and land costs, two of the biggest concerns identified by operators.

Despite the increase in rates, occupancy levels are expected to continue growing. Over half of the operators that responded to the survey said they have an average occupancy level of over 85%, and 77% of operators expect this to rise further in the next 12 months.

One factor driving the anticipated growth in occupancy is the upsurge in commercial customers. The average space occupied by commercial customers has risen continually over the past three years and as a result, now accounts for 29% of occupied units in 2022, compared to 22% in 2021, according to the research. As commercial customers tend to stay longer in self-storage than residential customers, this will also contribute to improved occupancy.

Larger units appeal to the commercial demographic, along with the flexibility to change their unit size as their needs change. Occupiers include a wide range of business types, including retail related uses driven by the rise in e-commerce throughout the pandemic.

Respondents were also asked about ESG considerations as they continue to rise in importance. The survey identified that operators are taking steps to reduce energy consumption, with the most common sustainable practices being LED lighting, passive infrared detection and recyclable packaging, accounting for 38%, 22% and 20% of operators respectively.

The least common sustainable practices were solar panels, green roofs and electric vehicle charging points at 3%, 2% and 1% respectively. However, CBRE expects self-storage sites to provide more sustainable features moving forward as operators absorb the higher initial costs to capitalise on the long-term environmental and financial reward.

Rennie Schafer, CEO of FEDESSA said: "The past two years has been exceptional for the self-storage industry. Many operators are now at optimal occupancy so future revenue growth will need to come from rate increases or addition of new space. Increasing inflation and economic downturn will be a challenge for the industry, however, as has been shown in the past self-storage is change driven and a downwards economy just brings a different type of customer to the industry.

Alice Marwick, Head of OPRE Research, CBRE, said: "The self-storage market has seen considerable growth right across Europe, with operator aggregation, institutional adoption and the growth of alternative assets acting as some of the key market drivers. As our research shows, the strong development pipeline alongside robust occupational demand provides the opportunity for the sector to continue to develop."

Oliver Close, Senior Director, Self-Storage, Operational Real Estate, CBRE, said: "This new survey shows that the market is immature in terms of customer awareness of the service offered by self-storage, however we have seen record demand from consumers over the last 12 months. The strong operational performance is driving the expansion of the industry across all European markets, assisted by increased appetite from both debt and equity looking to access the sector."