

Market Insight

UK SELF STORAGE

EXPLORING REAL ESTATE OPPORTUNITIES

In June 2025 ASK hosted a roundtable discussion forum for key players in the UK self-storage sector, including developers, operators, investors, funders and valuers. The group discussed the current performance of the sector, challenges and future growth potential.



CURRENT LANDSCAPE

Market performance

The industry turned over just under £1.2 billion in 2024 and revenue per square foot has increased. Rental rates are expected to continue pushing forward based on the undersupply in the sector and demand for new sites continues with the amount of capital (private equity, institutional and private) chasing the sector. Trends show that investors are becoming increasingly geared towards operational real estate with self-storage being comparably less operationally intensive than hotels, senior living or student accommodation for example, reducing costs and improving the investor's gross-to-net position. Self-storage is a relatively small part of that sector, but in percentage terms, the sector has seen the largest growth in terms of size over the last 20 years, proving that it has increased its attractiveness as an asset class.

"Rental rates are expected to continue to grow"

What is driving increasing client numbers?

New builds are getting smaller and smaller, and newly popular Purpose-Built Student Accommodation, Build-to-Rent and Co-living do not provide ample storage.

UK SELF-STORAGE MARKET

- Turnover up to £1.2bn*
- Revenue per square foot up by 6%*
- Occupancy down by 1%*
- Increased operational efficiency and technology uptake
- Increased institutional capital prompting more institutional-grade stock

*Source: Cushman & Wakefield

CURRENT MODELS

Variety across the sector

The platforms present were all pursuing slightly different business models and therefore customer bases. The merits of different customer types were discussed. One firm pursuing premium customers said it helped them source better real estate, because they are more resistant to price rises and keep contracts longer, this created a better business case than a model involving value customers. Other operators with regional portfolios or ones that utilise conversions cited the lower cost base and speed of delivery as factors for a successful business model.

GOING TO MARKET

Selecting the right location

Social demographics and house prices for the area were particularly important to those looking for a premium customer. One company present had been told the best sites are next door to a Tesco. Those that got the majority (c.80%) of their business online found they could pay to be higher in the search engine rankings and then take a cheaper plot at the back of an industrial site.

Who is your target market, who is the competition?

A cohesive sales and marketing strategy was said to be crucial. Those pursuing higher quality customers said it was important to set out with this model from scratch so that the brand, location, security and type of offering were consistent. One business said that newcomers should be aware that every year of the first 5 years of a lease up situation is different.

Fit out

Fit out was generally considered an easy process to achieve on time and on budget. Build costs were said to have once been around £60/£70 per square foot and are now around £100 per square foot, excluding land. This has eroded equity return but projects remain viable.

- Most had a domestic/commercial 70/30 split
- Commercial customers usually stay longer than domestic
- Commercial customers can be more sensitive to price increases
- Lifestyle customers are more resilient to rent increases
- Domestic customer numbers fluctuate with the housing market; the recent Stamp Duty holiday had caused an increase

Planning permission

Planning was problematic for everyone. Change of use was considered quicker, particularly on a site with an existing Development Application. Additional planning costs were said to mount up fast. One delegate referenced the importance of remaining unemotional and making a time/value money calculation. The process was said to put off a lot of potential developers and investors in the sector, but this keeps supply down and prices up for those who persevere. Obtaining planning to sell was not recommended as the specialism of an operator was said to be needed to get the planning application right. Conversions, rather than knock-down and rebuild, were said to be a quicker route through the planning process. One business had successfully converted car parks into storage facilities; a challenge had been to ensure the roof didn't leak and it had required an extensive guttering system.



ASK provided an acquisition loan secured against two long leasehold income producing self-storage sites

IMPROVED OPERATIONAL EFFICIENCIES

Advances in technology

It was felt that keyless access, using a mobile phone was becoming more common in the industry. Some said that electronic locking had created a competitive advantage for them. They had initially been worried about resistance from older customers but that had not proven to be an issue at all. Many felt that once a customer had used a facility with automatic locking they would not go back to a padlock; therefore it contributed to retention rates and repeat business. The data from the locking system was also said to be invaluable. Other benefits included reducing bad debts because customers who don't pay their bill are automatically locked out of their unit and given 42 days to clear out. It also enables customers to have 24/7 access, although this is often only offered on a request only basis to limit security risks.

Criminal activity

All companies used a strong vetting process for customers and agreed that using a facility for criminal related activity was very rare. Break ins were more common, and were usually targeted towards business customers. Mitigation methods included using roller doors instead of swing doors as they're more secure, having business only areas and monitored CCTV systems which can use AI to detect suspicious activity, such as when people are out of their unit zone.

GROWTH POTENTIAL

What about growth?

All expected growth in the sector to continue on an upward curve. The amount of self-storage real estate per capita in the UK is currently 0.91 square feet, this is expected to rise to 1.18 square feet by 2040. This was considered a very conservative estimate.

In London, space will remain limited which may increase the number of premium rather than value models coming to market in the capital.

All agreed that institutional investors would become more active in the market and this would continue increase the amount of institutional grade stock. The uptake of technology is likely to drive higher operational efficiencies and therefore returns. Data from technology systems will also prove invaluable in investment business cases. Some expect to see further consolidation in the market but as yet there is no precedent for a platform coming to market, apart from Access which has currently been withdrawn. All felt we would continue to see sales of individual sites between operators. The nature of the business model means that if a site isn't working for one operator, another should be able to make it work. All agreed that rental rates would continue to grow and the market would become more competitive.

"Keyless locking creates competitive advantage"

UK v. Europe and the rest of the world

The European market is much less mature; at least 5-6 years behind the UK. The US market is very fragmented but has far greater supply. Some questioned if UK customers would sustain the cycle given the economic situation. But, one UK business had a statistic that 50% of its customers had never used self-storage before and 65% started off with a unit smaller than they actually needed and had to upgrade.

Finance and lending

The sector is attractive to lenders. Cap rates in the market haven't softened in line with other property sectors despite the rise in inflation and higher debt costs. Rates remain between 5-7% regionally, with prime assets at around 4.75%, due to increased appetite and limited opportunities. Time to income is key for lenders, therefore the quick build and fit out model is appealing. Conversions can be quicker but sometimes the economics of knock-down and rebuild are more favourable. Track record and lease up/customer data helps a lender's appraisal process.



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