

Growing Self-Storage European Style! Is copying the U.S. self-storage model the best plan for Europe?

By Paul Logchies

Self-storage is still a relatively unfamiliar concept in Europe. When we opened Amsterdam's first self-storage facility, Devon Self Storage BV, in 1997, we had to do so with U.S. capital; European investors were uncomfortable with the lack of precedents to evaluate self-storage risks and opportunities. We were forced to adhere to U.S. practices and advice, which basically meant copying the U.S. self-storage model.

Undoubtedly, there are similarities between growth and development of the self-storage business in the United States some 25 years ago and its more recent development in Europe. Given the obvious and seemingly well-proven American business model to emulate, it seems easy just to copy it. I have visited many self-storage facilities in the United States and their European Union (EU) counterparts, and it seems the overwhelming majority of my European colleagues have done too much rigid copying of the U.S. model.

I have not seen it proven that, in Europe, we should copy the U.S. self-storage facility design. Although I do have great respect for U.S. companies, such as Shurgard, one of the largest self-storage pioneers on the Continent, I believe copying the U.S. model here was—and still is—a wrong decision. There are important differences—demographics, site availability, personal mobility and customs, consumption and conservation habits, and regulations—between these markets that have been mostly ignored. Here's my review of some of those differences and the impact they may have on the EU self-storage market in the next few years.

Meeting European Needs

Perhaps the most obvious difference is in demographics. Comparisons of land mass vs. population between the United States and Europe reveal a dramatic difference. To the extent there is an identifiable "European market," its land mass is roughly the size of just one U.S. state—Texas—yet its population is greater than all 50 U.S. states combined.

With its greater population, it is easy to speculate that, eventually, Europe will have even more than the 34,000 self-storage facilities found in the United States. But simple extrapolation shows this is a fool's exercise. There may not be 34,000 industrial buildings in all of Europe; certainly there are not 34,000 buildings or sites suitable for self-storage. Clearly, the availability of suitable real estate will be a continuing problem for future growth.

The great differences in U.S. population density have supported major variations the way U.S. lifestyles have developed. Americans hold a strong lead in "conspicuous consumption." With mortgage financing being inexpensive and easy to obtain, nearly 70 percent of Americans own their own home. The average American household is situated on a large lot (compared to European standards), in a large house with a double garage. This garage is full, not just with cars, but all kinds of stuff; so the inhabitants rent a self-storage unit to store the excess.

I have traveled extensively in the United States and am constantly amazed to see this plethora of possessions: children's toys, sports and exercise equipment, camping gear, scooters, skis, RVs, boats, jet skis, lawnmowers and gardening equipment, spare tires and auto supplies, tools, holiday decorations, etc. On average, Americans move every five to seven years, creating additional demand for temporary and permanent storage space.

The typical European household (if there is such a thing) owns less than half the personal possessions found in an average American household. Historically, Europeans live in a much smaller space, and they tend to re-use many more items than Americans. Just look at the difference in household waste production: U.S. households generate more than twice the waste of European households. (Source: Centraal Bureau voor de Statistiek in The Hague, statistical data, "Wereld in Cijfers.")

What this means is, on average, the desired size of a self-storage unit in Europe is much smaller than in the United States. In the States, the average unit size is a 10-by-10; but in Europe, it is usually a 6-by-6— just 36 percent of the size of the U.S. self-storage standard. A 60,000-square-foot building will roughly accommodate 600 U.S. storage units. The same number of European storage units will fit in a 21,600-square-foot building.

Another often-copied U.S. design feature is the drive-thru. But the myriad EU regulations, if followed, either prohibit driving in a public building or make it exceptionally expensive. Because European regulating bodies still have little familiarity with the self-storage concept, they have not yet vigorously enforced the rules. But as the self-storage market matures, the probability of hazard, noise and odor complaints and enforcement will increase; and at that point, the industry will face the choice of either closing down the public drive-thru or face high costs to get official approval.

As European people become familiar with the self-storage concept, they seem willing to use self-storage facilities and pay more for less space than in other parts of the world. But as the self-storage industry reaches a certain size, national and regional governing authorities will increasingly look at self-storage as public buildings to which they must apply public-building rules: fewer and/or higher cost drive-thrus, sprinklers and other fire-safety measures, building-size limits, or property reclassification with a more stringent set of rules.

Conclusion

The European self-storage industry, which has good potential, will grow, but along a different path than in the United States. I participated at the Inside Self-Storage Expo in Amsterdam this past spring and have the greatest respect for my colleagues in the United States who work in such a mature market. Clearly, in this emerging industry, EU developers, investors and operators can make effective use of the experience of their American colleagues, but they should stop cookie-cutter copying and start adjusting to the realities and peculiarities of their own marketplace.

If we want European self-storage to grow freely, we must look beyond just successful marketing. We must be responsible stewards, and make sure we design and operate self-storage facilities that fit the landscape and follow the rules—European rules that is!

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