

Operating Review

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The store platform and demand

We now have a portfolio of 108 open and trading stores, with a current maximum lettable area of 6.3 million sq ft.

Self storage demand is spread across a diverse set of drivers, and is largely driven by need, with security, convenience, quality of product, service and location being key factors. Awareness remains relatively low compared to commoditised products, such as hotel rooms or airline seats, albeit it is increasing slowly year-on-year with increased supply, marketing expenditure and customer use.

- customers renting storage space whilst moving represented 41% of move-ins during the year (2022: 41%), with homeowners representing 27% and renters 14%. The rental market was impacted during the pandemic, and we do expect the proportion of renters to increase to more normal levels offsetting some of the slowdown in the owner-occupied market as we adjust to higher costs of mortgages;
- 11% of our customers who moved in took storage space as a spare room for decluttering (2022: 12%);
- 37% of our customers used the product because some event had occurred in their lives generating the need for storage; they may be moving abroad for a job, have inherited possessions, are getting together, or separating, are students who need storage during the holidays, or homeowners developing into their lofts or basements (2022: 34%);
- the balance of 11% of our new customer demand during the year came from businesses (2022: 13%), who stay longer and represent around 20% of our customers in store at any one time, occupying 37% of the space.

Of our overall occupied space today, customers who are longer stay lifestyle users, decluttering into small rooms as an extension to their accommodation, occupy 10% to 15% of our space; approximately 50% of the space is customers using it for less than 12 months, for reasons which are largely event driven, which could be inheritance, moving in the owner occupied or rental sector, home improvements, travelling; the balance of 37% of our space is businesses.

The average space occupied by business customers at the year-end is 179 sq ft (2022: 180 sq ft). Domestic customers occupy on average 59 sq ft (2022: 59 sq ft) and pay on average 18% more in rent per sq ft (2022: 21%), however business customers do stay longer and take more space and represent around 33% of revenue (2022: 32%).

The pandemic accelerated many structural changes that were already occurring, such as the move to online retailing and an increase in working from home facilitated by technological advances. The deindustrialisation of big cities with the conversion of commercial space into residential and other uses, has led to a shortage of suitable flexible mini-warehouse space from which to operate small scale storage and e-fulfilment, particularly in London. These developments, along with businesses increasingly seeking flexible office and storage space rather than longer inflexible leases, have been driving our demand. We believe these are long-term structural trends, which will benefit our business going forward.

From research we have previously carried out, a typical small business using storage employs around three people and 60% of them are early-stage businesses and for 50% of them this is their only space.

In addition, we have a dedicated national customers team for businesses who wish to occupy space in multiple stores. These customers on average occupy approximately 900 sq ft, paying £25,000 per annum, and are billed and managed centrally. This area has performed strongly in the year with revenue up 16% compared to the prior year, making up 4% to 5% of occupied space.

Activity

The table below shows the quarterly move-in and move-out activity over the year for all of our stores:

	Total move-ins Year ended 31 March 2023	Total move-ins Year ended 31 March 2022	%	Total move-outs Year ended 31 March 2023	Total move-outs Year ended 31 March 2022	%
April to June	23,427	24,401	(4)	18,620	18,023	3
July to September	27,126	25,712	5	28,867	27,425	5
October to December	19,368	19,428	–	23,302	22,890	2
January to March	18,878	18,553	2	18,519	18,451	–
Total	88,799	88,094	1	89,308	86,789	3

Operating Review continued

The table on the previous page is indicative of what we have experienced over the year, which is more muted trading conditions, with activity levels broadly flat. The first quarter last year benefited from the tapering off of the stamp duty holiday on 1 July 2021 which accelerated housing-related demand. The year-on-year fall would have been greater had we not seen a record performance from students in June this year, following the reopening of all campuses in the last academic year. The Group's move-outs increased in the second quarter by 5% compared to last year, largely as a result of these students moving out. Move-ins and move-outs over the second half of the year were broadly in line with the prior year.

The occupancy of the stores fell over the year by 58,000 sq ft (2022: fall of 69,000 sq ft). Additionally, the Group acquired a 53,000 sq ft store in Aberdeen, which had occupancy of 39,000 sq ft at the date of acquisition. The overall decrease in the Group's occupancy over the year was therefore 19,000 sq ft.

The Group grew occupancy over the first six months of the financial year, with the gains principally coming from our domestic and student customers. In our seasonally weakest third quarter, we lost 3.8 ppts of occupancy, similar to the prior year. Our fourth quarter started well with a strong January, but has been relatively muted since. We believe this to be partially as a result of the uncertainty caused by the US regional bank crisis and customers continuing to acclimatise to a higher cost of debt environment. We can say that move-out levels are also subdued at the moment, and as mentioned previously, we are not seeing stress amongst our customers. We saw a similar hesitancy in demand in the prior year following the Russian invasion of Ukraine, with activity levels returning to more normal levels by the end of May 2022.

The 75 established Big Yellow stores are 84.2% occupied compared to 86.8% at the same time last year. The 9 developing Big Yellow stores added 113,000 sq ft of occupancy over the year to reach closing occupancy of 60.4%. The 24 Armadillo stores are 76.9% occupied, compared to 83.1% at this time last year. Overall store occupancy was 80.9% (2022: 83.7%).

	Occupancy 31 March 2023 %	Occupancy change in year 000 sq ft	Occupancy 31 March 2023 000 sq ft	Occupancy 31 March 2022 000 sq ft
75 established Big Yellow stores	84.2%	(74)	3,979	4,053
9 developing Big Yellow stores	60.4%	113	352	239
All 84 Big Yellow stores	81.6%	39	4,331	4,292
24 Armadillo stores	76.9%	(58)	757	815
All 108 stores	80.9%	(19)	5,088	5,107

All stores are trading profitably at the EBITDA level, with our most recent openings Harrow and Kingston North reaching break even in April 2023.

Yield management

We offer a headline opening promotion of 50% off for up to the first 8 weeks, and we continue to manage pricing dynamically, taking account of room availability, customer demand and local competition. Our pricing model reduces promotions and increases asking prices where individual units are in scarce supply. Rental growth can also be driven through sub-dividing larger rooms into smaller rooms, which yield a higher net rent per sq ft.

In the more muted trading environment against the backdrop of higher inflation, we have been increasing promotions to new customers, and achieving higher average rate growth from existing customers who stay with us longer term. Many customers move-in and out of our business over relatively short periods and don't receive any price increases.

The average achieved net rent per sq ft increased by 10% compared to the prior year, with closing net rent up 9% compared to 31 March 2022. The table below shows the change in net rent per sq ft for the portfolio by average occupancy over the year (on a non-weighted basis). The analysis excludes our most recent store openings.

Average occupancy in the year	Number of stores	Net rent per sq ft growth from April 2022 to March 2023	Net rent per sq ft growth from April 2021 to March 2022
70% to 85%	47	8.3%	10.8%
85% to 90%	47	8.7%	11.7%
Above 90%	7	9.7%	13.0%

The self storage market

In the recently published 2023 Self Storage Association UK Survey, only 44% of those surveyed had a reasonable or good awareness of self storage. Furthermore, only 9% of the 2,102 adults surveyed were currently using self storage or were thinking of using self storage in the next year. Our research has this figure of awareness at around 56%, compared to 51% for the SSA survey last year. Self storage is therefore not a commoditised product, such as hotels, taxis, cinemas etc, and it will take many years of use and growing awareness before it becomes so, particularly given the subdued growth in new supply.

Growth in new facilities across the industry has been largely in regional areas of the UK and particularly in smaller towns. Historically, new supply creation in our core markets in London and the South East, has been difficult, with high land values driven by competing uses such as residential and urban industrial. In London in the year to 31 December 2022, there were five new store openings, including three Big Yellow stores. We are aware of seven planned store openings in London in the calendar year 2023, including our landmark 103,000 sq ft Kings Cross store.

The Self Storage Association (“SSA”) estimates that the UK industry is made up of approximately 1,492 self storage facilities and 739 purely container operations, providing 55.5 million sq ft of self storage space, equating to 0.82 sq ft per person in the UK. This compares to 9.4 sq ft per person in the US, 1.9 sq ft per person in Australia and 0.17 sq ft for mainland Europe, where the roll-out of self storage is a more recent phenomenon (sources: UK Self Storage Association Surveys, May 2020, and May 2023 and FEDESSA European Self Storage Annual Survey 2022).

Marketing and operations

Our marketing strategy focuses on building our market-leading brand awareness further and using it to maximise the cost-efficient generation of enquiries, customer move-ins and user satisfaction through our digital platforms. Our strong brand and continued digital investment and innovation has helped us create a market-leading website which delivers over 90% of our enquiries.

Our annual YouGov survey (published April 2023) again confirmed that the brand awareness of Big Yellow remained ahead of other UK operators in the sector. The survey shows our unprompted brand awareness to be nearly five times higher than our nearest competitor across the UK.

The Big Yellow website allows users to browse different room sizes, obtain a price, reserve online and check-in online prior to arriving at the stores which are automated in terms of access once a customer moves-in.

The online customer experience also allows customers to communicate with us in real-time via Live Chat, WhatsApp, or Facebook Messenger. The comprehensive online FAQs provide our users with another way to ask questions they may have about the service without needing to call us directly. This is critical because approximately 70% of our new customers have not used self storage before.

The seamless digital experience continues with our online check-in platform. This allows customers to complete the majority of their move-in process remotely. They can upload their photo and identity documents, sign the full customer licence, set up authorised persons, complete their storage inventory and set up a paperless Direct Debit – all done remotely. This check-in online capability has significantly cut down the time our customers need to spend in our receptions when they move-in. The final process is completed through our in-store digital signature pads.

We also offer the ability to purchase boxes and packing materials through our online BoxShop store. These items can be home delivered or made available for our Click and Collect service from stores.

“ Our brand awareness is five times higher than our nearest competitor.



Market leading brand awareness

Our YouGov survey (published April 2023) and the Self Storage Association’s You Gov survey (published January 2023) again confirmed Big Yellow’s brand awareness remained significantly ahead of our competitors.

The SSA commissioned survey showed our brand awareness to be over five times higher than our nearest competitor.

Operating Review continued

Driving online traffic

Self storage is a consumer-facing business, and the development of a strong and sustainable brand is multi-layered and requires a consistency of product, customer service and interaction at all touch points, particularly online.

Search engines are the most important acquisition tool for us, accounting for the majority of traffic to our website. Our focus for a competitive advantage on search continues and search engine optimisation (“SEO”) work has helped us to maintain high organic listings for popular generic and local self storage related search terms. This in turn drives the growth and cost efficiencies of acquiring new prospects.

Brand search terms are also a valuable driver of enquiries for Big Yellow and help improve the efficiencies of our cost per enquiry. 34% of all traffic generated from search engines to our website originated from “Big Yellow” brand searches in the year. This clearly indicates that brand is important in driving higher levels of prospects and customer referrals, leading to improved operational efficiencies. We have demonstrated this through significant improvements in the performance of existing storage centres following their acquisition, re-branding, and assimilation into our business.

Search engine marketing remains our largest source of paid for web traffic. Ongoing website optimisation and an engaging user experience through our digital platforms helps ensure we maximise the conversion of these web visits into enquiries and then customers. Digital display advertising enables us to regionally target audiences in the market for self storage, raising consideration of the service and the Big Yellow brand through engaging creatives.

Online customer reviews and social media

Supporting our values of putting the customer at the heart of our business, our online customer reviews generate real-time feedback from customers and provide positive word of mouth referral to our website visitors. Through our ‘Big Impressions’ customer feedback programme, we ask our new customers to rate our service. With the users’ permission, we then publish these independent customer reviews on the Big Yellow website which currently total over 44,000 averaging 4.8 out of 5.

The Big Impressions programme also generates customer feedback on their move-in and move-out experience. These customer reviews and mystery shop results are transparently accessible across the business and helps reinforce our focus on outstanding customer service. Over the year, we have achieved an average net promoter score of 78.9, which is a very strong consumer-facing benchmark result.

We also gain real-time customer feedback from over 19,000 Google Reviews averaging 4.7 out of 5. These help to enhance our visibility within local search listings conveying trust in the Big Yellow brand. Additionally, we have over 3,700 reviews from the independent review site TrustPilot. These reviews average a 4.6 out of 5-star rating, labelled as “Excellent” on the TrustPilot ratings scale. We monitor our customer reviews and respond where necessary for customer service reasons or to manage our online reputation and improve our service offering.

Social media continues to be complementary to our existing marketing channels. Big Yellow actively posts content across Twitter, Facebook and Instagram which help to raise awareness of our ESG activities. These social channels are also used by customers to connect with us and are monitored in real-time, enabling us to respond promptly to any enquiries. The Big Yellow LinkedIn platform is used to communicate company achievements, ESG initiatives and our company culture and the Big Yellow YouTube channel is used to allow web prospects to experience our stores online through our video guides to self storage.

We will continue to invest in improving the customer experience and user journey across all our digital marketing channels and also in-store operations to achieve higher levels of automation and hence efficiencies in the business.

ESG

Last year we developed a long-term strategy to become Net Renewable Energy Positive and deliver Net Zero Scope 1 and 2 Emissions targets, which will be funded with significant investment from the Group over the next few years. The main delivery vehicle for this new strategy will be the installation of solar generation capacity onto our existing store estate.

By 2028, we expect to have completed a multi-million pound investment in renewable energy generation both on the roofs of our estate and also at other locations. We published last year our Strategy document that sets out our Commitments, Actions and Timelines to become 100% Renewable Energy Positive and Net Zero Scope 1 and 2 Emissions by 2030.

The sustainability performance highlights for the year are:

- we have had our Science Based Targets externally verified;
- we have invested £4.7 million in our solar programme over the year and now have 53 stores with solar and have expanded the programme to all stores. Our current peak capacity has increased over the past two years from 0.9 Megawatts to 4.5 Megawatts;
- we have donated £271,000 in Community Investment. This consists of a combination of free and discounted space to worthy local charitable organisations and not-for-profits and we house different organisations, from foodbanks to small community groups to NHS partners and also BoxShop products donated;
- £204,000 has been raised for the Foundation from customer donations and employee fundraising including the matched contributions from the Company. These funds allowed us to make grants of £193,000 to our partner charities in the year;
- we have delivered five successful and all-round enriching work placements with Breaking Barriers, Street League and the Down’s Syndrome Association;
- we have maintained our GRESB Green Star rating, achieved a B award from CDP and maintained our ISS indices rating; and
- we obtained our second EPRA sBPR Gold Award.

Cyber security and IT infrastructure

Cyber security remains high on the agenda within the Group, and we make investment where required in response to the ever-changing threat landscape. Using both external specialists and in-house knowledge we perform regular reviews of our cyber risk and security posture. Testing of both systems and people is carried out on a regular basis, including penetration testing and phishing simulations. During the year the Group's systems were subject to an external audit and maintained our IASME Gold certification. This also incorporates Cyber Essentials. The Board receives bi-monthly reports on the Group's IT infrastructure and information security. The Group has not experienced an information security breach in the past three years and has cyber insurance in place in the event that a breach should occur in the future.

Our Data Compliance Officer oversees our ongoing compliance with GDPR and PCI DSS. The role also includes Business Continuity and Crisis Communication management. Policies and procedures are under regular review and benchmarked against industry best practice. There are mandatory courses for all staff to complete both for Information Security and Data Protection. Our Infrastructure and Development teams continue to drive innovation and efficiencies throughout the Group.

Development pipeline

An important aspect of our external growth is the development of new stores, particularly in London, where there are very few existing assets suitable to be acquired. Over the last year, we added 193,000 sq ft of capacity through opening new stores in Harrow and Kingston North (both London) and acquiring an existing freehold store in Aberdeen. We are looking forward to opening our landmark Kings Cross store in June, which we expect to perform strongly.

The status of the Group's development pipeline is summarised in the table below:

Site	Location	Status	Anticipated capacity
Kings Cross, London	Prominent location on York Way	Store opening in June 2023.	103,000 sq ft
Wembley, London	Prominent location on Towers Business Park	Site acquired in October 2018. Planning consent granted. Discussions ongoing to secure vacant possession.	70,000 sq ft
Queensbury, London	Prominent location off Honeypot Lane	Site acquired in November 2018. Planning consent granted.	70,000 sq ft
Slough Bath Road	Prominent location on Bath Road	Site acquired in April 2019. Planning consent granted.	90,000 sq ft
Slough Farnham Road	Prominent location on Farnham Road	Site acquired in June 2022. Planning consent granted. Demolition completed and construction to commence in Summer 2023 with a view to opening in Summer 2024.	Replacement for existing leasehold store of a similar size
Wapping, London	Prominent location on the Highway, adjacent to existing Big Yellow	Site acquired in July 2020. Planning application refused. Appeal submitted with public inquiry set for July 2023 with decision likely in August 2023.	Additional 95,000 sq ft
Staines, London	Prominent location on the Causeway	Site acquired in December 2020. Planning consent granted. In addition, consent was received to develop 9 industrial units totalling 99,000 sq ft.	65,000 sq ft
Epsom, London	Prominent location on East Street	Site acquired in March 2021. Planning application submitted in September 2022. Application likely to be refused and an appeal submitted.	58,000 sq ft
Kentish Town, London	Prominent location on Regis Road	Site acquired in April 2021. Planning application submitted in December 2022. Application likely to be refused and an appeal submitted.	68,000 sq ft
West Kensington, London	Prominent location on Hammersmith Road	Site acquired in June 2021. Planning application submitted in February 2023.	175,000 sq ft
Old Kent Road, London	Prominent location on Old Kent Road	Site acquired in June 2022. Planning discussions underway with the local Council.	75,000 sq ft
Staples Corner, London	Prominent location on North Circular Road	Site acquired in December 2022. Planning discussions underway with the local Council.	Replacement for existing leasehold store, additional 18,000 sq ft
Newcastle	Prominent location on Scotswood Road	Planning consent granted.	60,000 sq ft
Total			947,000 sq ft