

# Treatment of self storage as a trading business

Self storage is not specifically referenced in HMRC guidance as being a trading business. However, in the vast majority of cases, self storage is considered a going concern business and not purely a property asset. The reasons to support this are as follows:

## **Licensed use of space, not a property lease**

Self storage is a business that has customers that use the service for different periods of time and for different purposes. The business model is designed to accommodate the regular move in and out of customers. These customers do not rent the self storage units on a traditional real estate lease, they licence the use of the space for a short period of time. This allows the self storage business the flexibility of offering storage space for short periods, 4 weeks or less, and allowing customers to increase or decrease the size of their unit at will. The business provides a service that extends above simply the provision of real estate, but includes security, acceptance of deliveries, provision of packaging, insurance, use of moving equipment, access to meeting spaces and other services specific to certain stores and customers. There is no exclusive right of occupation for self storage customers, which on its own does not dictate a trading business but combined with other elements further supports the case

## **Valuation of the business**

When a self storage business is valued, consideration is given to the management costs, occupancy, discount rates, marketing budget and the like, as well as any property assets. This is also indicative of a going concern business. In almost all cases the value of a self storage business is more than merely the capital value of the property, due to the cashflow that the business is earning, cashflow that exceeds the rental or capital value of the property. Self storage businesses in the UK can operate out of short leasehold properties and have been valued and sold as trading businesses on this basis.

## **The business is not tied to the real estate asset**

Unlike caravan parks and holiday lettings where customers lease a space specifically based on the location of the property and cannot readily be moved from that location, self storage customers can be moved from one site to another and from one unit to another inside the same location. The self storage customer contract specifically references this. There are many examples in the industry where a business has relocated all its customers from one site to another. This is sometimes due to the end of a lease or to move the business to a larger or more prominent site. This further illustrates the value of the business outside of its property value.

*Author: SSA UK*