



COMPETITION DRIVES BETTER CUSTOMER SERVICE

Results from research companies, ORA and Added Value, will give insight into consumer needs, identify and differentiate consumer focus groups in depth (not only residential and business segments), and more importantly, provide a tool kit on ways to remain customers' first choice.

"Self-storage is evolving in Europe, and with more competitors on the market, customer awareness and expectations are also changing. To maintain our rank as leader, we must also change," says Frank Boot, European Sales and Marketing Director. According to Boot, we need to rethink our entire marketing strategy in order to position our brand appropriately. "In this framework, the survey results will be the Bible for things to come, a real route map for future expansion," he adds.

While the industry is an open territory, competition does differ in respective countries. Therefore it is critical to understand local customs while maintaining the Shurgardian 'way' of doing business. (continued on pg 2-3)

Understanding
the customer
is a way
to stand out
from the crowd

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But one thing is widespread across the continent - understanding the customer is certainly the way to stand out from the crowd. Let's compare how three main markets in Europe handle competition.

Stick to your message where competition is concerned



Isabelle White,
VP Operations
in France

When you're the market leader, it's easy to become self-satisfied. Though Shurgard is undoubtedly the leader in France with 29 stores by year-end and 27% of the market share, they know that it is not a luxury. Two recent changes in the marketplace hit the point home. Firstly, Box Avenue (part of the Century 21 group) is a newcomer to the business and will prove to be a good competitor. Secondly, Access Self-Storage, Shurgard's largest competitor in the area, has changed their marketing strategy and has begun building new stores; it also offer discount promotions to lure customers.

"We didn't want to enter into a price war so our tactic was to adapt what we say to our customer and put our competitive advantage on quality and service," says Isabelle White, VP Operations France.

But the fact that competitors differ doesn't mean that communication has to. In fact, Shurgard France has blanket communications in terms of competition, positioning the organisation as leaders through its professionalism, quality, services and its extensive network. In the greater Paris region, it's a ten-minute drive to any facility.

"Competition is good when it makes you perform business in the right way, always putting customers first," says White. We're not fighting for customers, we just want to gain market share. Awareness is only 2% so there's still a lot of work and we can't do it alone."

DIFFERENTIATE SHURGARD AS A PREMIER BRAND



Robin Greenwood,
VP Operations
in UK

Unlike France, self-storage has been around for much longer in the UK (25 years with 200 stores in the London area). With 20% awareness, Shurgard must share this visibility with larger competitors, namely Big Yellow with 30 stores and Access Self-Storage with 50. Since Shurgard is clearly not the leader in terms of market share, they must differentiate itself as a premier brand.

Here, location is a big factor so they build on busy arterial routes and in residential areas with 11 stores in the London area and eight more scheduled by the end of 2004. But a good location is not enough; they must distinguish themselves by offering secondary services like ventilation, heat and higher ceiling heights for greater stockability.

"Our philosophy is not to be the largest but to be the best," says Robin Greenwood, VP Operations UK. "We are constantly reviewing our marketing strategy to maintain our excellent image." Even though Shurgard UK is slightly more expensive, they attract a certain clientele, many of which are repeat clients. This speaks well to their reputation.

Competition drives better customer service

Results of the industry analyses by Added Value and ORA will be available in the fall. Once put in practice, it will not only help position ourselves in the marketplace, but will also provide a solid backbone to develop the business based on the quality we are known for. It is this staying power that will maintain our reputation as the 'recognised' European industry leader.

*Access self storage,
one of our main competitors
present in the UK
and France*

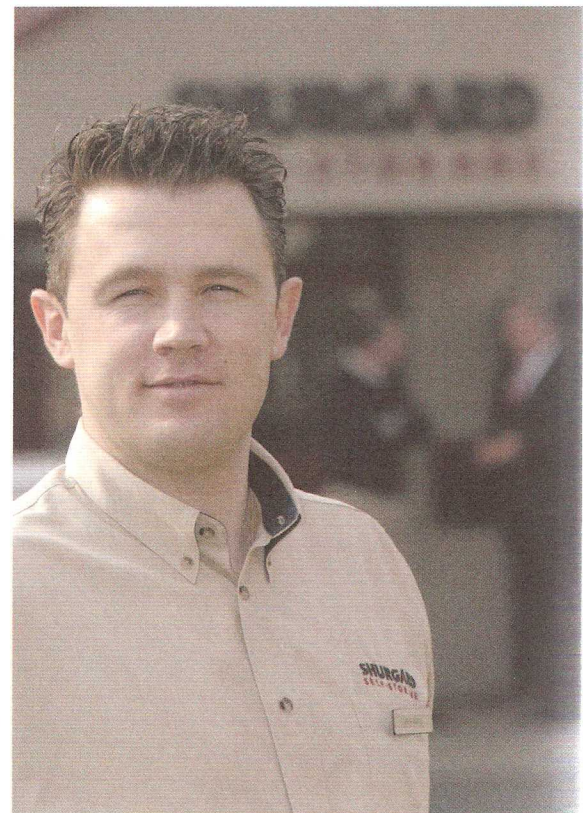
MARKET LEADERS MUST KEEP ONE STEP AHEAD OF THE OTHERS

Market leaders expect that competitors will follow their lead. As the absolute leader in The Netherlands with 22 stores, and eight more opening in 2003, Shurgard has to constantly be one step ahead of the game. The market is mainly focused in the highly dense Randstad area where awareness is very high. Being a small country, the people are very adaptive and open-minded, giving Shurgard the opportunity to experiment. In fact, it was the first country to use sales representatives to bring the product to small businesses.

"There are a lot of competitors watching what we're doing. That's why we have to have better facilities and service," says Ron Linders, Operations Manager, NL. "Our employees are one

of our greatest assets and we conduct mystery calls and visits to make sure we have the right person in the right role. Besides being well-dressed and friendly, they have to know how to close the deal."

"Value is defined by an experience and people are willing to pay for this. Therefore, we must identify customer segments and approach each according to their needs and preferences," says Bruno Roqueplo, President of Shurgard Europe. "The way we treat our client affects business exponentially."



*'Our employees
are one of our
greatest assets.'*

Latest joint venture proves that we are truly becoming a global Shurgard

On our 'way' to becoming a global Shurgard, we had to give up a part of our ownership and "pass" it onto external investors. But what we received in return is an opportunity to maintain our position as the leading self-storage operator in Europe.



Bruno Roqueplo,
President Shurgard Europe,
about the joint venture

Confused? Let's take a step back. Up to the construction of our 102nd store in Europe, **Shurgard owned 100% of its facilities**, which was financed by Shurgard US, Bank financing and equity from the original investor group. But this past May, we participated in a joint venture (called First Shurgard) between Shurgard Europe and Crescent Euro Self Storage Investments SARL, which is controlled by First Islamic Investment Bank. This new partnership will change our

ownership position for the next new stores to be built. Let's explain how this will come about.

The first phase of the joint venture will be to build up to 25 stores, using the 148 million euro already raised; 50 million euro from Crescent and the rest from Shurgard and Bank financing. A second phase is planned for year-end where Crescent will contribute an additional amount for the construction of another 10 to 15 facilities. In return, **Crescent**



will own 80% of the new stores, and Shurgard will retain 20% ownership.

"By attracting strong partners, we can speed up our development without jeopardising the way we do business," says Bruno Roqueplo, President of Shurgard Europe, "It will allow us to become a real global player."

How will this affect the Shurgard family? As a matter of fact it won't. "The agreement is simply a financial partnership with no impact on operations," says Patrick Metdepenninghen, Executive Director, Capital Markets, "As a company, we keep all the management control and it will have no affect on employees." Except for the fact that our family will grow larger on our 'way' to becoming truly global.



FINANCIAL NEWS

Last July 31st Shurgard Storage Centers Inc, our mother company, took over the participation of AIG and Deutsche Bank and thereby increased its ownership in Shurgard Europe from 60,7% to 80,6 %. AIG and DB were two of the four institutional investors that had contributed up to 43.25% in Shurgard Europe in 1999.

As a result of the recent transactions, Shurgard Europe is now a much larger part of Shurgard Storage Centers Inc. In future, shareholders and analysts will also focus their attention more on Shurgard Europe.

STORE COUNT (01/09/2003)



*Shurgard Bonneveine,
Shurgard's second
and newest facility
in Marseille (FR)*

We have ended the year 2002 with 96 facilities operational in six countries. The goal for 2003 is to have 126 stores open in seven countries, including the new market of Germany. Year-to-date we have opened 7 stores, bringing the total in Europe to 103 operational stores. New stores were opened this year in France (Sucy-en-Brie, Marseille Bonneveine), Sweden (Helsingborg), Denmark (Østerbro), The Netherlands (Utrecht Franciscus, Amsterdam Sneevliet), UK (Wokingham)

A number of openings are expected soon, amongst others in Wavre (BE), Almere (NL), Mönchengladbach (2) and Essen in Germany and Eragny (FR). Including these facilities, there are in total thirteen stores under construction and a number of construction sites are about to be started, all to be completed before year-end.

Leasing office or trendy new shop?

We all know the new facility in Dordrecht, (NL) as the “leasing office”, but it’s so much more than that. This pilot project is a veritable work-in-progress for all Shurgard facilities to come.



Overview of the New Leasing Office

The concept is new, fresh and modern. And so is the design, which resembles the latest trendy shop.

Brainchild of the design team, the idea grew out the aim to make the centre more efficient and exciting, and to put forward the attributes of professionalism, quality, convenience and security of our stores to existing and potential customers.

Another objective was to increase platforms for self-learning to better understand the concept of self-storage. The end result is a retail space, which is much more dynamic, informative and where customers will feel welcome.

“Aside from being a one-stop shop to provide customers with complete support, it also strives to educate them about the business,” says Orvar Litsjö, Shurgard’s Director of Design, “We’re selling an entire experience.”

Feedback from consumer research and Shurgard staff who have visited the facility have been overwhelmingly positive but some felt that there were too many elements in such a small space.

“In the future, we will see ongoing changes in the facilities as we discover new things we want to do,” says Litsjö. He predicts that the shop will be enlarged to give customers more space.

Show room with indications of square meters



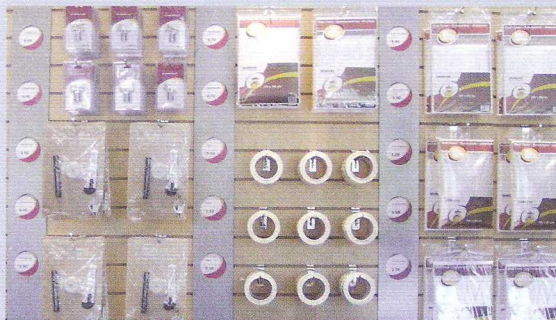
New work area
for the store manager

"Our design standards are a living document and will evolve to meet the changing needs of consumers," he adds.

It is now up to the design and marketing teams to select the best elements, which may easily be implemented in the stores. We are all waiting anxiously to see the final result.



Better looks and better prices for the Shurgard merchandise



This is how the standardised
merchandise could look like.

One project that ties in with the New Leasing Office is the one related to the merchandise offering. Today each Shurgard country in Europe has its own offering and its own supplier, with the quality of the producer and the products differing from one market to another. It is obvious that that in view of our consumer requirements we need to improve our merchandise offering and presentation. We need to realise that some of our main competitors are one step ahead of us. Therefore, it's time for Shurgard as well to move forward on this project, bearing in mind the challenges that we may encounter, such as the geographical spread of our operations. Centralising our merchandise purchasing holds other

and more tangible advantages than just the confirmation of our leadership. First of all, we will have a common offering throughout Europe. Secondly, because the quantities will be more substantial, we will be able to personalise boxes and other merchandise items. Furthermore, larger orders will also mean that the purchase price will go down and the profit margins will go up and this without having to give in on the quality that we sell.

When it comes to organisation and handling, there are also a number of improvements foreseen. By making use of an order form and a common price list, the order process will be facilitated. Moreover on a storelevel, just-in-time delivery would be introduced via the supplier, reducing the bothersome stock in the stores to a minimum. In order to find a supplier/producer who meets all of Shurgard's criteria as closely as possible, we have sent out our requirements to 5 candidates. Their proposal and price quotes will be presented during the month of September. While waiting for the analysis of these proposals and the selection of a partner, standard Shurgard packaging is being developed by the agency VBAT. We are intending to finalise the new merchandise offering by January 2004.

100 stores in seven years. Now that's something to celebrate.

Reaching 100 of anything is an accomplishment in itself. But opening 100 stores in seven years in Europe, where it is a fairly new industry, now that's a reason to celebrate. And the Greenford, London store did just that on June 4th of this year.

About 80 people gathered for the special luncheon, which was held in the lower level of the new facility. Decorated for the milestone occasion, the storage center, which has the capacity of over 50,800 sq ft with almost 700 units, looked more like a fancy banquet hall. As the event coincided with the European board meeting taking place there, it allowed present Shurgard employees to join the members of the West London business community and other officials, making it a good opportunity to mix and mingle. Also present was the Mayor of Ealing who spoke about the impact businesses have on the local community.



Chuck Barbo and the Mayor of Ealing

The Greenford
facility in London



Timing is everything when entering a huge market like Germany

Chuck Barbo addressed the group outlining past achievements and future objectives. He highlighted Shurgard's growth since it entered into the European market and particularly the acceleration within the past three to four years. It's all part of our five-year business plan to build more than 300 stores by the beginning of 2008. "The UK has great growth potential as a market and we are on a roll with a goal of 15 facilities by the end of 2003 and 20 the following year, mostly concentrating in the London area," says Barbo. In fact, the UK has been in the limelight once before with the 50th store opening in Ewell, London.

"Since self-storage is a relatively new industry in Europe, our policy has been to grow at a steady pace in high-visibility areas, allowing consumers to become more aware of self-storage and the possibility it offers," says Robin Greenwood, VP of Operations UK. "And it seems to be the right strategy because awareness is steadily growing as we have already reached more than 40,000 customers throughout Europe. It's our challenge now to distinguish Shurgard's qualities and strengths from the growing number of competitors in the UK".

Knowing when to enter a market is as important as the venture itself. Especially in the self-storage market, which is relatively young in Europe. Germany is a case in point. In this incredibly dense country of 84 million, self-storage is almost unheard of. In fact, there are only seven facilities operated by five companies in the entire country.*

So, why has one of the most dominant economies in Europe been left untouched? The very fact that Germany is a powerhouse is the reason that Shurgard has waited to enter the market. "It is only now that the Shurgard machine is stable enough to carry a breeding product like Germany to maturity," says Martin Brunkhorst, Regional Director Germany, "It's a huge investment."

The opening of this market also coincides with the European schedule. Actually, construction has been faster than anticipated. Three facilities were originally planned for 2003, but by fall five will be in operation. Next year, five more were intended but instead 9 additional facilities will serve customers in the northwest Rhine area. This will bring the total store count for Germany to 14 at the end of 2004.

* Lagerbox (Access)	2 stores: Düsseldorf, Frankfurt
Devon	2 stores: Berlin, Köln
Self Storage	1 store: Munich
Easy Self Storage	1 store: Frankfurt
Rent a box	1 store: Hamburg



*In grey, the northwest Rhine area
on which Shurgard is initially focusing*

*In red, the cities where one or more
self storage operators are present*

A farewell party fit for a president and a head of design

Farewells are always difficult but if the send-off party is done in style, it makes saying 'good-bye' that much easier. On July 2, two members of the Shurgard family, David Grant, former President of Shurgard Europe and Orvar Litsjö, Director of Design, were given a farewell party that they won't soon forget.



Dave with his daughter and wife welcomed by the Marquis

instructive video on the UK's 'daily workload' to Sweden's adaptation of the film 'The Rock', which saw Sean Connery attempting to conquer the Alcatraz tower, now bearing a Shurgard sign.

Playing on the long-running joke that Orvar was celebrating yet another birthday, he was presented with a humungous birthday cake but to his bewilderment, "Georgette" (an old tacky woman) jumped out. Two performances by the European Support Centre (ESC) added to the laughter. One was a sketch of the recruitment interview between Dave and Bruno followed by the female staff singing "Don't leave me this way".

Set in the historical annexed building of the Palais d'Egmont in Brussels, 80 guests were welcomed by a Marquis and cocktails at 6:00 p.m. Promptly at 7:00 p.m., Dave Grant gave awards to 38 Shurgard colleagues who had contributed to the development and achievement of the first 100 stores in Europe over the past seven years. Designed by Orvar, the award represents the lighthouse placed on a map of Europe all in metal and fixed on Belgian blue stone.

Dinner was full of surprises. In between meals, each country gave a special presentation, ranging from an



Handover of the award to some of the pioneers of Shurgard Europe



ESC team singing,
"don't leave me this way"
before "half" monty

These are two men we won't forget. Dave is known by his staff as 'the best sales person in the world'. He sold everyone from investors to employees on the idea of self-storage in Europe seven years ago when there were only three stores. Now there are 103. "It was really his baby from the beginning and he nurtured it to become what it is today, a real success story," says Frank Boot, European Sales and Marketing Director. Dave is returning to Shurgard US as COO.

Orvar embodies the Shurgard identity. As head of design, he is the guardian of the more than 100 stores in Europe, making sure all of them are in accordance with company guidelines. The 103 stores are his greatest achievement, and with his knowledge and expertise from the U.S., it's very much in line with Shurgard's design and implementation plans. He is taking on the position as Shurgard's head of design but will continue to be involved in European projects to make sure things are done the 'Shurgardian way'.

'Georgette' after having
jumped out of Orvar's
birthday cake



PEOPLE NEWS

EDITOR:

s.c.a. Shurgard Self Storage c.v.a.
Shurgard European Support Center
Quai du Commerce 48 / Handelskaai 48
1000 Brussels, Belgium
Phone +32 02 229 56 11
Fax +32 02 229 56 55

RESEARCH AND WRITING Mei-Yin Teo @ Tractor

GENERAL COORDINATION Patricia Proes, Laurence Vandelanotte

THANKS TO: Linn Angé, Frank Boot, Thomas Ducamp, Robin Greenwood, Ron Linders, Patrick Metdepenningen, Armen Momjian, Bruno Roqueplo, Isabelle White

Design by Johanna Beeckman

All information contained is for Shurgard internal use only.

A NEW TITLE FOR DAVE



Dave Grant was appointed by the Board of Directors as the new President and Chief Operations Officer in the US, effective August 1st. As of the same date, Charles Barbo's function and title will be Chairman of the Board and Chief Executive Officer.

GERMANY AND ITS NEW REGIONAL DIRECTOR



After a six-month training period, Martin Brunkhorst has become

our new German Regional Director beginning August 1st. Welcome "on board" (we know he's a sailing freak) and lots of success for your challenging mission ahead.

AND DON'T FORGET ABOUT THE "CREW"...

A new market, a new team. Since the beginning of the year, the German

team has been growing and growing and is waiting already "eagerly" at the starting blocks to enter this promising new and virtually untouched market. We wish them good luck on the opening of their first two stores on September 27th in Mönchengladbach.



TESTIMONY FROM AN INTERN – ARMEN MOMJIAN AT THE MARKETING DEPARTMENT – SHURGARD E.S.C

'Before I started my internship, I had never heard about Shurgard or self-storage. Being into my final year of international management studies in Paris, I was looking for an internship in the marketing department of a company abroad. It's not easy to find a job when you're a student with practically no experience and searching for a position in another country. I used all my connections and one day came up with Orvar Litsjö's e-mail address. He kindly forwarded my enquiry to Frank Boot. A few weeks later I was working for the Marketing Department of Shurgard's European Support Center. My internship lasted for 4 months. I was given the chance to work on

great projects such as the New Leasing Office, the merchandise offering, the web renewal project and various research and studies projects. One of the latter concerned direct customer input, and I was surprised to see how many customers commented in a positive way on the service they were given by the staff in the stores. This shows how much customer service is important in this trade, which I observed clearly during my store training in Molenbeek, with Gérard Spiessens.

Looking ahead, I know that I will be graduating with excellent working experience, which is crucial for anyone entering the business world. Working with Shurgard has allowed me not only to work on an international level, but also to use and enhance the skills I developed during my studies.

Finally, I would like to emphasize the positive impact Shurgard has had on me, and I hope I have had an equally positive impact on Shurgard. In the future, I will be selecting companies not only based on reputation and financial size, but also on the people who work there. For this reason I would like to thank the marketing team, Frank Boot, Laurence Vandelanotte, Linn Angé, Anne-Mie Swyzen, but also Orvar Litsjö, Jacqueline Clodong, Gérard Spiessens and all the other people I had the chance to work with at Shurgard.'

