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Self-Storage: The Potential from the Non-Users

The self-storage industry, although still considered relatively new in its development, has grown rapidly over the past few years as it gains recognition as a flexible, affordable, secure and viable option for those facing a space crunch at home or at work.



The search for additional or alternative storage space outside one's home or workplace underscores the fundamental demand for self-storage space. While there is a high level of awareness of such space in Singapore, the actual usage is relatively low. Nonetheless, the self-storage user demand base looks set to expand amid growing affluence of Singaporeans and the rising cost of homes and business space in Singapore.

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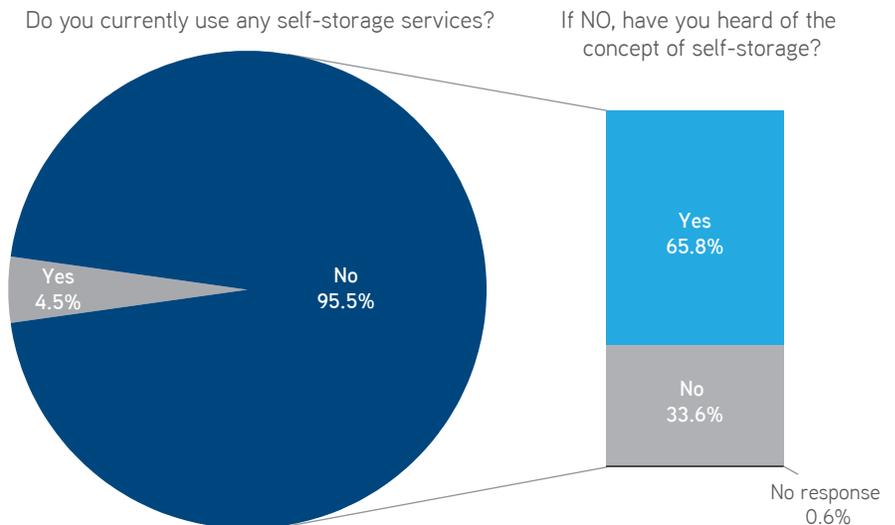
To provide the public with a better understanding of the self-storage concept and its relevance as a space solution in Singapore, Colliers International in collaboration with Lock+Store Self Storage (Lock+Store)², which undertook a survey of its existing storage-space users, published a research paper titled “Self-Storage: A Space Solution” in September 2011. The paper also provided some insights into the needs and considerations of existing users including their reasons for using self-storage and the key attributes that users looked out for in selecting their self-storage facility.

However, the growth prospects of the self-storage industry will hinge on the expansion of the user demand base. This means convincing existing non-users to use self-storage space. As such, it is the intention of this second research paper, which was also undertaken in collaboration with Lock+Store, to provide a better understanding of the level of awareness that the general public has of the self-storage concept in Singapore as well as the considerations and concerns that non-users have towards using self-storage space. The implications of these findings on the future growth prospects of the self-storage industry as a space solution in Singapore will also be discussed.

WHAT IS THE LEVEL OF AWARENESS?

To gain a better understanding of the level of awareness that the general public has of the self-storage concept in Singapore, Lock+Store carried out an islandwide random survey³ from May to September 2012.

Awareness Level of Self-Storage Space in Singapore



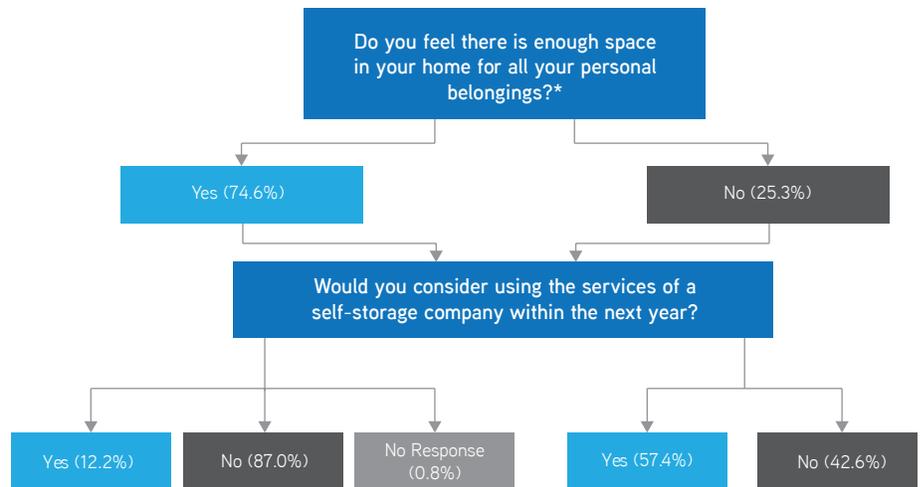
Source: Lock+Store 2012 Survey/Colliers International Singapore Research

The survey found that of the 894 respondents, only 4.5% were existing self-storage users. The 95.5% majority were non-users, although an encouraging 65.8% of these non-users have heard of the concept of self-storage space, indicating that the level of awareness of the self-storage concept is relatively high among these non self-storage space users.

The low usage level of self-storage space in Singapore is not surprising as the majority of the current non self-storage users surveyed (74.6%) felt that they have enough space at home for their personal belongings.

Even among those who felt that there is insufficient space at home for all of their personal belongings, 42.6% indicated that they would not consider using self-storage space within the next year.

The low usage level of self-storage space in Singapore is not surprising as the majority of the current non self-storage users surveyed (74.6%) felt that they have enough space at home for their personal belongings.



* The numbers do not add up to 100% as 0.1% of the total respondents did not indicate their preference.

Source: Lock+Store 2012 Survey/Colliers International Singapore Research

A deeper probe into their reasons for not considering the services of a self-storage company within the next year revealed that besides having sufficient space at home (46.3%), 19.2% of the respondents presently find it too troublesome and/or do not have the time to move things to and from a self-storage facility.

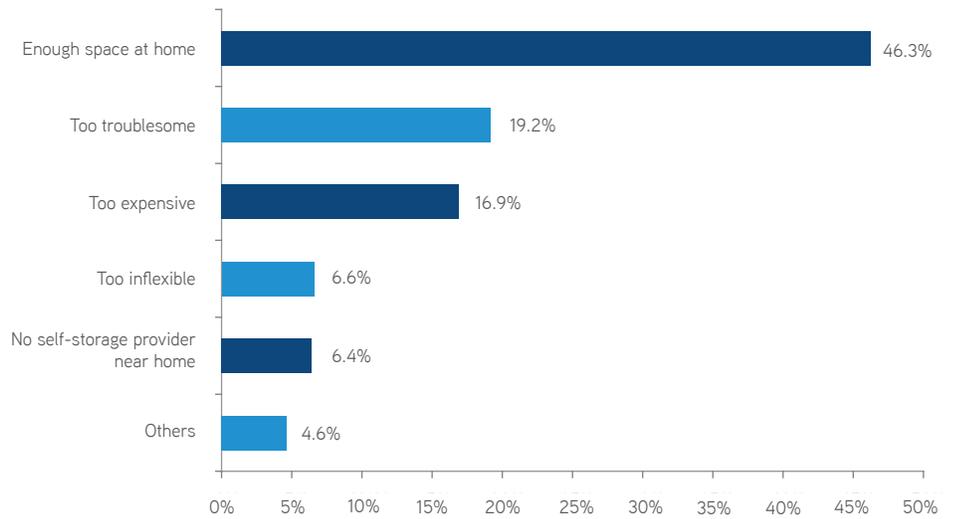
Another 16.9% felt that it was too expensive to use self-storage space, while 6.4% of the respondents indicated the lack of self-storage providers near their homes as a reason for not using self-storage space.

...about 23.7% of the existing non self-storage space users who responded to the survey indicated that they would consider using the services of a self-storage company within the next year and about one-quarter of these potential users intend to store their items for one to two years.

...a large proportion (or 70.5%) of this group of potential users intend to store personal items such as furniture, clothing and household goods in a self-storage facility.

Even though self-storage operators offer shorter tenures, which start from a minimum of two weeks to one month, as compared to the two- or three-year leases of conventional warehouses, about 6.6% of the respondents still found the leases offered by self-storage facilities too inflexible and hence were not considering the use of self-storage space.

Reasons for Not Using Self-Storage Space



Source: Lock+Store 2012 Survey/Colliers International Singapore Research

WHAT IS THE END-USER MARKET POTENTIAL FOR SELF STORAGE SPACE?

Nonetheless, there is still potential for the pool of self-storage space users to grow in future.

According to Lock+Store’s 2012 survey, about 23.7% of the existing non self-storage space users who responded to the survey indicated that they would consider using the services of a self-storage company within the next year and about one-quarter of these potential users⁴ intend to store their items for one to two years.

Unsurprisingly, a large proportion (or 70.5%) of this group of potential users intend to store personal items such as furniture, clothing and household goods in a self-storage facility.

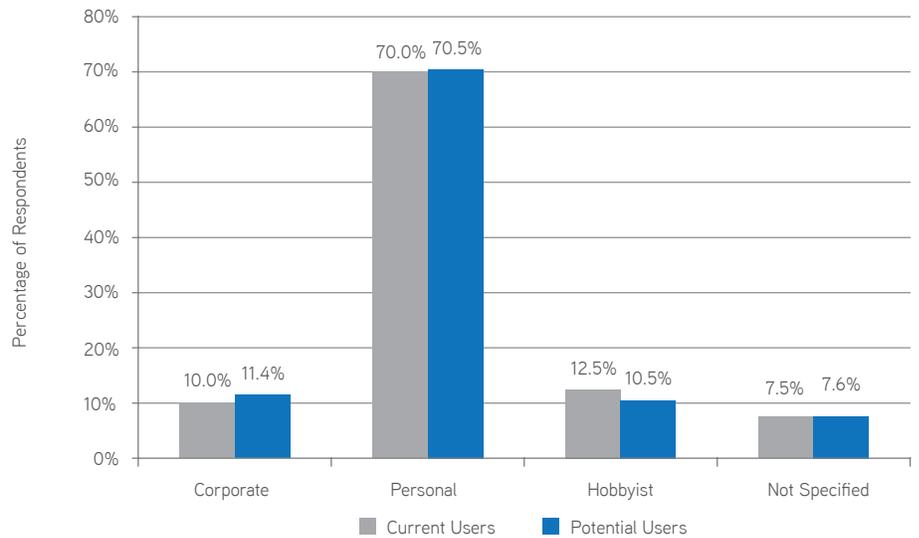
Some 10.5% of the potential users were hobbyists who could be looking for additional storage space for their collections. This includes antiques, toys and wine. Another 11.4% were likely to be seeking to adopt a more cost-effective storage model for their business goods.

Personal items also ranked first on what existing users stored in self-storage facilities. Of the 40 respondents who were already using self-storage space, 70.0% used the space to store their personal items. Similarly, in the 2011 Lock+Store survey of its 303 existing users, the majority of its customers stored clothing, shoes and other household items (29.2%), personal effects (17.5%) and furniture (16.2%).

Lock+Store’s latest survey also revealed that among the current self-storage users, 12.5% intended to increase their usage of storage space soon. All of them planned to store personal items while one respondent planned to store both personal and corporate business items.

Coupled with the trend towards the development of smaller apartment sizes in line with shrinking household sizes, this could potentially translate into new demand for self-storage space over the next few years, particularly when more households move into their newly completed private shoebox⁵ residential units. According to the latest estimates from the Urban Redevelopment Authority (URA), the stock of completed shoebox units will increase from about 2,400 units as of the end of 2011 to about 11,000 units by the end of 2015.

Reasons for Using Self-Storage Space



Note:
The numbers for "Current Users" are indicative based on 40 respondents (equivalent to 4.5% of total 894 surveyed)

Source: Lock+Store 2012 Survey/Colliers International Singapore Research

The key considerations of potential self-storage users in selecting a self-storage facility are generally similar to those of existing self-storage users... “Price” and “Security” emerged as the two most important attributes...

WHAT ARE THE KEY CONSIDERATIONS OF POTENTIAL SELF-STORAGE USERS?

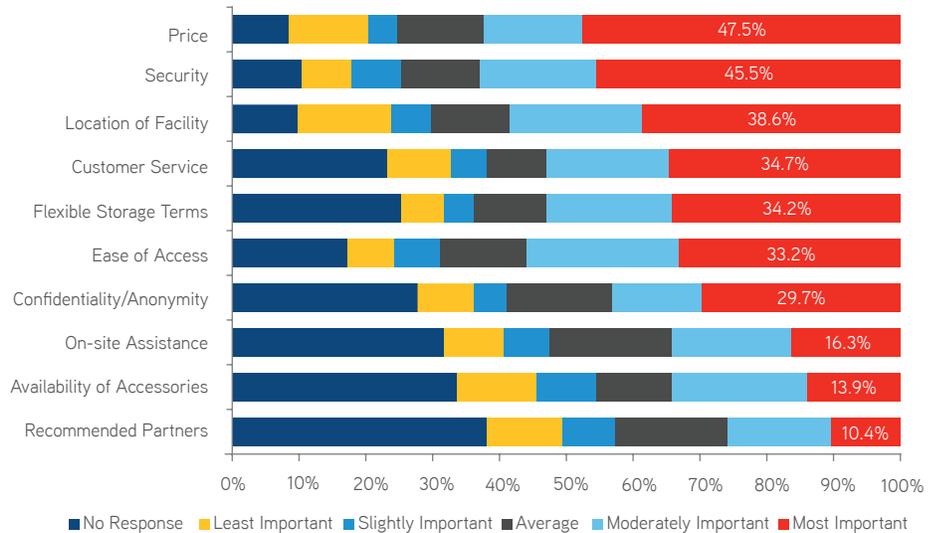
The key considerations of potential self-storage users in selecting a self-storage facility are generally similar to those of existing self-storage users.

In Lock+Store’s latest survey in 2012, 202 potential users were asked to rank the importance of the different attributes of a self-storage facility (on a scale of 1 to 5, with 1 being the least important) in their consideration of self-storage space. “Price” and “Security” emerged as the two most important attributes, which garnered the most votes of 47.5% and 45.5%, respectively from the potential users.

Thereafter, the potential users rated attributes such as “Location of Facility”, “Customer Service”, “Flexible Storage Terms”, “Ease of Access” and “Confidentiality/Anonymity” highly, gathering 38.6%, 34.7%, 34.2%, 33.2% and 29.7% of the “Most Important” votes respectively.

Other attributes like “On-site Assistance” (i.e. assistance with the setting-up & tearing-down of storage space), “Availability of Accessories” (e.g. boxes, shelving, etc.) and “Recommended Partners” (e.g. moving and insurance companies) had lower levels of importance among the potential users, with only about 10.4% to 16.3% of them ranking these attributes as “Most Important”.

Importance of Attributes to Potential Users (2012)



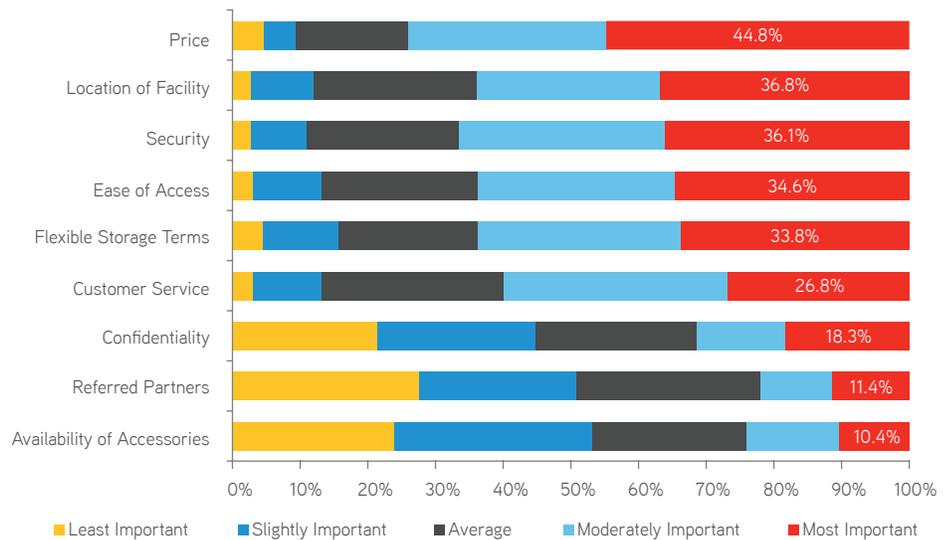
Source: Lock+Store 2012 Survey/Colliers International Singapore Research

“Price” is clearly a very important factor for consideration when selecting a self-storage facility...

These considerations that potential self-storage users have are relatively similar to that of existing users.

From Lock+Store’s 2011 survey of its existing customers in 2011, the attributes of self-storage facilities that garnered the highest percentage of respondents rating them as “Most Important” were “Price” (44.8%) and “Location of Facilities” (36.8%). Users also valued attributes such as “Security”, “Ease of Access”, “Flexible Storage Terms” and “Customer Service” highly. These gathered the next highest percentage of “Most Important” votes ranging from 26.8% to 36.1%, while the “Availability of Accessories” (e.g. boxes, shelving, etc.), “Referred Partners” (e.g. moving and insurance companies) and “Confidentiality” had lower levels of importance.

Importance of Attributes to Existing Users of Self-Storage Space at Lock+Store (2011)



Source: Lock+Store 2011 Survey/Colliers International Singapore Research

HOW MUCH ARE POTENTIAL USERS WILLING TO PAY FOR SELF-STORAGE SPACE?

“Price” is clearly a very important factor for consideration when selecting a self-storage facility. This price sensitivity is reflected in the latest survey results where the majority 54.5% of the potential users indicated that they were only willing to pay less than S\$100 per month for a 50-sq ft storage space (equivalent to the size of two HDB storerooms). Another 32.2% of the potential users were willing to pay between S\$100 and S\$200 per month while 9.4% of them were willing to pay S\$200-S\$300 per month. Only a mere 0.5% of the potential

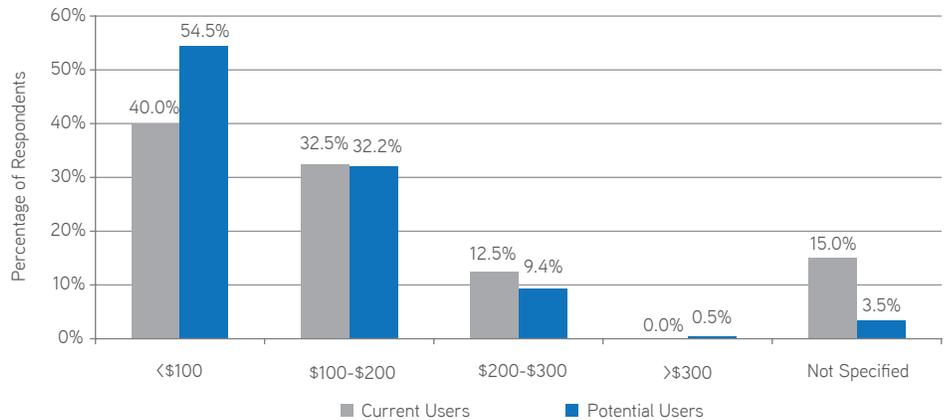
users were agreeable to paying more than S\$300 per month for a 50-sq ft storage space. The remaining 3.5% of potential users did not indicate how much they would be willing to pay for self-storage space.

Although a relatively high 15.0% of the 40 existing users did not indicate how much they would be willing to pay for their self-storage space, a significant 40.0% of the existing users also preferred to pay less than S\$100 per month for a 50-sq ft storage space. Another 32.5% were willing to pay between S\$100 and S\$200 per month and 12.5% of the existing users were prepared to pay S\$200-S\$300 per month. None of the existing 40 users indicated a willingness to pay above S\$300 a month.

Hence, self-storage providers/operators will need to take into account the price sensitivity of both existing and potential self-storage space users in order to retain their existing customers and attract new users. While more established/reputable operators are likely able to command a price premium for their branding, other factors influencing the final monthly cost of renting a self-storage facility would include the location and features/specifications/offerings (e.g. security, size) of the facilities as well as the ancillary services offered by the operators which may include specialised packing and moving services.

End-users, on the other hand, have a wide range of self-storage options with varying sizes and prices to choose from. A broad survey of major self-storage operators in Singapore by Colliers International as of November 2012 indicated that the cost for available regular, non-

Acceptable Monthly Rent for a 50-sq ft Storage Space (Equivalent to Two HDB storerooms)



Note:
 • The numbers for "Current Users" are indicative based on 40 respondents (equivalent to 4.5% of total 894 surveyed).
 • The numbers may not add-up to 100% due to rounding off.

Source: Lock+Store 2012 Survey/Colliers International Singapore Research

Lock+Store's latest survey also showed that the majority 84.2% of the 202 potential users were willing to travel up to 30 minutes to access a self-storage facility. This trend was also reflected among the 40 existing users surveyed, with the majority 72.5% indicating a willingness to travel up to 30 minutes to their self-storage facilities.

The 2012 survey by Lock+Store showed that many of the potential users surveyed reside in Ang Mo Kio (8%), followed by Bukit Panjang, Hougang and Yishun (7% in each estate), Bedok/Changi and Clementi/Dover (6% in each estate), as well as Sembawang/Woodlands and Sengkang (5% in each estate). These locations could serve as areas of reference for potential sites for self-storage facilities.

air-conditioned self-storage units ranged from S\$30 per month for a 4-sq ft locker to about S\$1,700 per month for a 400-sq ft unit.

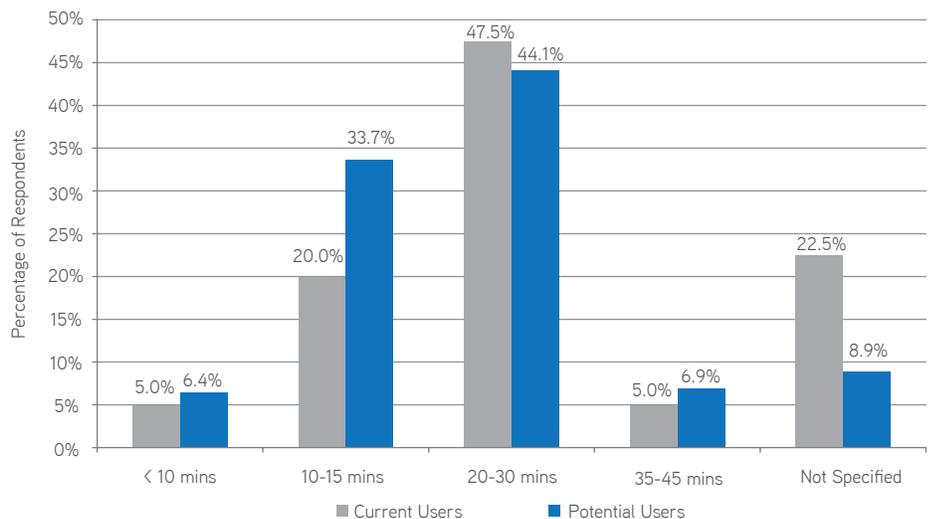
HOW FAR WOULD POTENTIAL USERS TRAVEL FOR SELF-STORAGE SPACE?

Lock+Store's latest survey also showed that the majority 84.2% of the 202 potential users were willing to travel up to 30 minutes⁶ to access a self-storage facility. This trend was also reflected among the 40 existing users surveyed, with the majority 72.5% indicating a willingness to travel up to 30 minutes to their self-storage facilities.

Hence, to widen their customer base and to enhance their competitiveness in the local self-storage industry, it would be useful for existing providers looking for new sites and prospective new self-storage operators to consider a customer catchment based on a travelling time of up to 30 minutes.

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Acceptable Travelling Time to Access Self-Storage Facility



Note:

- Travelling time by vehicular transportation, measured from the homes or work places of the respondents
- The numbers for "Current Users" are indicative based on 40 respondents (equivalent to 4.5% of total 894 surveyed)

Source: Lock+Store 2012 Survey/Colliers International Singapore Research

Attracted by the industry's growth prospects and stable cash flows of the self-storage business, competition in this market has stiffened in recent years, with more firms entering the fray...

The number of major self-storage operators in Singapore has thus increased from eight as of September 2011 to nine as of end October 2012, while the number of self-storage facilities has risen to over 25 stores, providing more than 1.4 million sq ft of net leasable space.

Notwithstanding the stiffer competition, the growth prospects of Singapore's self-storage industry remain bright.

locations in Singapore. According to the Census of Population 2010 from the Department of Statistics, there were 92,002 resident households with income from work in the Bedok/Changi planning areas, followed by the Sembawang/Woodlands planning areas (88,892), Hougang (62,285), Yishun (53,576), Ang Mo Kio (59,705), Sengkang (47,787), Bukit Panjang (36,339) and Clementi (30,792).

OUTLOOK AND CONCLUSION

Attracted by the industry's growth prospects and stable cash flows of the self-storage business, competition in this market has stiffened in recent years, with more firms entering the fray, the latest entrant being StoreFriendly which opened its first store in December 2011. The number of major self-storage operators in Singapore has thus increased from eight as of September 2011 to nine as of end October 2012, while the number of self-storage facilities has risen to over 25 stores, providing more than 1.4 million sq ft of net leasable space.

Notwithstanding the stiffer competition, the growth prospects of Singapore's self-storage industry remain bright. As indicated by Lock+Store's latest random islandwide survey involving 894 respondents, there is a relatively high level of awareness of the self-storage concept among the non-users. And the self-storage user demand base looks set to expand with nearly a quarter of the existing non-users surveyed potentially becoming users within the next year.

Hence, it would be useful for existing self-storage providers looking to increase their market share and potential new self-storage providers/market entrants to bear in mind the key considerations of both the existing and potential self-storage users highlighted in the survey. They include among others, the pricing, location, travelling time to the facility, the flexibility of lease terms as well as the service quality of the self-storage provider.

However, there are other challenges to contend with. For one, the rising cost of conventional warehouse space as a result of the recent boom in the industrial property market is a double-edged sword for self-storage operators. While the higher occupation cost of a conventional warehouse could push more users to the self-storage market to achieve cost effectiveness by taking advantage of the scalability and flexibility of self-storage space, the rising rents and prices could impede on the expansion plans of operators as this directly adds to the cost of operating a self-storage facility.

...self-storage operators have to cope with changes in the regulatory environment as well as cost fluctuations in the... property market. This is in addition to the need to constantly adapt and develop innovative self-storage concepts...

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In addition, recent measures to discourage the supply of shoebox residential and business space could slow down potential demand from households and businesses that could need alternative storage space if more of such small units were allowed by the government.

For residential units, new planning guidelines from the URA stipulate that from 4 November 2012, the total number of dwelling units that can be built on a development site for non-landed private residential developments outside the Central Area will be capped based on an average apartment size of 753 sq ft (70 sq m) so as to limit the number of shoebox units that can be built. A more stringent cap based on an average apartment size of 1,076 sq ft (100 sq m) was imposed on developments in the Kovan and Joo Chiat/Jalan Eunus estates given their more severe infrastructural constraints.

In the case of business space, the Ministry of Trade and Industry announced in June 2012 that for future multiple-user industrial developments built on government land sales sites, the gross floor area comprised in a single unit shall not be less than 1,615 sq ft (150 sq m). Additionally, URA could be looking to limit the proliferation of small strata shops and offices units in new developments, which have attracted considerable interest from property investors seeking to diversify from the highly regulated residential sector, although official guidelines have yet to be set.

Therefore, self-storage operators have to cope with changes in the regulatory environment as well as cost fluctuations in the residential and business space property market. This is in addition to the need to constantly adapt and develop innovative self-storage concepts that cater to the evolving and specific needs of different customer groups.

Acknowledgement:

Colliers International Singapore Research would like to thank Lock+Store for sharing their survey findings, facts and opinions on the self-storage market in Singapore.

¹ The concept of self-storage arises from a "Do-It-Yourself" storage model where users fully manage their leased storage space and stored items in specialised facilities. Most users turned to self-storage space because they lack sufficient storage space at home or at work and are attracted by the flexibility, scalability, controllability, affordability and accessibility presented by self-storage space which are beyond that offered by conventional warehouses.

² Lock+Store is a self-storage facility operator in Singapore which currently has a total of two self-storage facilities. Its first self-storage premises started operations in the Tanjong Pagar DistriPark in 2004, while the second facility started operations at Chai Chee in 2008.

³ A total of 894 respondents participated in the islandwide random survey conducted between May and September 2012. 713 people responded via a field survey while 181 respondents gave feedback online via Survey Monkey. Unlike the first survey conducted in 2011 which targeted only existing self-storage space users from Lock+Store, the latest survey in 2012 randomly selected respondents from different parts of Singapore who may or may not be existing users of self-storage space.

⁴ Potential users refer to the group of respondents (i.e. about 23.7%) who are currently non self-storage users but have expressed an interest in using the services of a self-storage company within the next year.

⁵ Private shoebox residential units refer to units that measure 538 sq ft (50 sq m) or smaller.

⁶ This refers to travelling time by vehicular transportation, measured from the homes or work places of the respondents.