

EXPANDING SELF-STORAGE INDUSTRIAL SPACE FOOTPRINT



“With changing lifestyles and the burgeoning e-commerce trade, demand for self-storage industrial spaces is set to progress to a new growth phase within and beyond Singapore.”

TAN BOON LEONG
Executive Director and Head,
Industrial

Popularity in DIY storage concept

Shrinking living spaces, rising consumerism and higher business space rental costs have led to a growing need for affordable and flexible storage solutions especially in recent years. Self-storage spaces have proved to be a viable alternative solution for a growing pool of households, business individuals and small-medium enterprises looking to outsource their storage needs. A “Do-It-Yourself” storage concept, self-storage spaces allow users to lease storage space and keep their goods and belongings in specialised and secure facilities that are managed by self-storage operators. Stemming from multi-faceted household and business needs and lifestyle passions, a wide array of personal belongings ranging from collectibles, equipment, documents and furniture to goods merchandise are stored in self-storage facilities that are extending across the island-state over the last five years.

The start-up business community, in particular the e-commerce trade, is also embracing self-storage facilities for their logistical needs. More entrepreneurs from the e-commerce trade are setting up online stores or utilising online community marketplaces for the marketing and merchandising of their goods and services. Apart from enjoying the dual benefits of operational flexibility – operating from home and retailing their products online, these e-commerce entrepreneurs leverage physical brick-and-mortar property space for their ‘back-of-house’ operations – using self-storage facilities provided by external space providers for their inventory needs.

Examples of e-commerce enterprises that lease self-storage facilities include Rainbow Lab (a trading and lifestyle services company with a focus on online Hello Kitty products) and Animal

Merchandise (a popular Singapore brand retailer that also retails animal-themed homeware, gifts and cushions in leading department stores such as Takashimaya, Robinsons, Metro, BHG, OG and TANGS).

Moving towards customisation and integration

Self-storage operators have moved beyond purely offering fully enclosed and flexible sizes of storage spaces (ranging from less than 16 sq ft to more than 300 sq ft of leasable space) and varying lease terms (from as short as two weeks to a year). Most of them provide security services and 24-hour access for users / customers with personalised means of entry such as biometric fingerprint access. Some operators also offer climate-controlled air-conditioned storage facilities to store delicate collectibles and equipment. Wine storage cellars in particular, are emerging in the self-storage space footprint as a stand-alone facility or an integrated facility, combined with self-storage and warehouse spaces. This arises from the growing demand for artisanal wine storage from both wine dealers and enthusiasts, along with increasing affluence and lifestyle changes.

Other operators are extending their services, from offering online platforms or advisory services to help users assess the amount of space required to a suite of storage, office and distribution services model. Some provide features that complement their storage facilities, such as in-house serviced offices, courier services and even retail and lounge spaces for customers’ guests.

The listed rental rates for self-storage units typically range from \$60 to \$500 per month, depending on the unit size and provision of air-conditioning. For storage size between 90 and 110 sq ft,

monthly rental ranges from \$320 to \$668 (subject to location and provision of air-conditioning). Discounts could apply for storage duration beyond three months. Monthly rents of air-conditioned serviced offices range from \$5 to \$10 per sq ft depending on the leasable area, while wine storage units command \$3 per sq ft to \$8 per sq ft and warehouse rentals from \$1 to \$2.50 per sq ft, depending on the unit size. Some dedicated wine storage facilities even command storage charges by the bottle, at \$0.35 to \$0.40 per bottle per month or \$3.60 per case of 12 bottles per month.

Navigating near-term headwinds

Amid the slowing economy, fall in imports and the tougher operating environment in the manufacturing sector, we see industrial end-users exhibiting higher caution and more tenants opting for shorter lease terms and / or more flexible lease arrangements. With the imminent rising challenges, more companies with expiring leases might also consolidate their warehouse needs. This would inevitably add pressure on overall warehouse occupancy and rental performance as a wider availability of warehouse options will be presented to tenants and users with an island-wide influx of 6.9 million sq ft Gross Floor Area (GFA) of warehousing space slated for completion by end-2016.

Similarly, the self-storage industry in Singapore could face continuing headwinds in the next three quarters of 2016 as muted market conditions prevail and more businesses and households restrain their spending in items such as storage rental costs. Helen Ng, Deputy Chair of Self-Storage Association Asia, observed that households may try to discard their belongings instead of storing them and businesses may reduce their inventory to reduce overstock.

However, unlike traditional warehousing where there is a lengthy lock-in period, the self-storage industry is better positioned to weather tough economic conditions, given its higher agility to offer flexible spatial needs and relevant service offerings. Self-storage facilities can even provide tenants with the flexibility to cater to seasonal demand, such as scaling

up to meet peak festive periods where demand for goods are the strongest and enabling them to expand or reduce their storage needs without committing to an extended tenancy period. This helps tenants to better manage their operating budgets throughout the year and presents a more cost effective and efficient business model, compared to taking up conventional warehouse space or using a logistics company.

Growth of self-storage footprint and services

The market for self-storage spaces is currently at a 'budding expansion phase' with currently about 20 self-storage operators, from an estimated eight operators, five years ago. To strengthen its unique proposition, more self-storage operators are providing a wider range of reliable and secure storage solutions, such as bulk parcel drop-off and delivery services for tenants, to launching small offices on-site. The self-storage industry is becoming more agile by constantly reinventing its business model to stay relevant for customers and weather the economic downturn this year.

In the face of an increasingly challenging manufacturing outlook, industrial landlords should consider re-evaluating how to utilise their property assets better and expand the list of potential occupiers to help inject demand. Repositioning their assets to enable higher flexibility, such as self-storage warehouse spaces, could be explored to tap on emerging sectors and new business trades. According to Ms Ng, the cost of converting warehouse spaces into self-storage facilities could range from \$70 to \$100 per sq ft NLA.

The e-commerce sector was recently touted as one of the emerging demand drivers for the industrial property market, with the self-storage segment to firstly benefit from e-commerce start-ups. Yet, the small market size of Singapore limits the current growth of the e-commerce sector, reducing the need for large-scale inventory and thus, the occupier footprint of industrial space that is contributed by e-commerce players remains relatively small. Looking ahead, as we envision a

EXHIBIT 1

Summary of Top Five Self-storage Operators

Operator	No. of Properties	Planning Areas where Facilities are Located	Start Year of Operations
Lock+Store*	5	Bedok, Bukit Merah, Tampines, Queenstown, Serangoon	2004
StorHub	10	Tampines, Geylang, Toa Payoh, Woodlands, Hougang, Bukit Batok	2003
Store Friendly	11	Ang Mo Kio, Bukit Batok, Bukit Merah, Bedok, Geylang, Toa Payoh, Queenstown, Serangoon, Hougang, Woodlands	2011
Extra Space	8	Geylang, Bishan, Jurong East, Clementi, Woodlands, Kallang, Bedok	2007
The Storage Place	6	Hougang, Jurong East, Geylang, Bishan	N.A

Source: Knight Frank Research

* Lock+Store brand first started in 2004 and was taken over by General Storage Company (GSC) Pte Ltd from Mapletree in 2010. GSC was later acquired by SingPost in 2013.

burgeoning e-commerce trade fuelled by the SMART nation initiative and coupled with evolving business models, new trends of lifestyle and work-style, the demand for self-storage spaces is poised to expand appreciably within the next three to five years, given its high flexibility and customised service offerings. The growth trajectory of the self-storage industry will continue to be supported by a growing community of start-ups, small-medium enterprises and affluent individuals, who desire to utilise flexible, affordable and secure storage spaces along with dedicated services to better support their ever-changing needs.

The self-storage market is also growing in other developed countries such as Japan and Hong Kong, given the high population density and disposable income. Singapore-based General Storage Company Pte Ltd (GSC), which operates self-storage facilities in Hong Kong, Malaysia and Singapore, has entered a joint-venture agreement with Keiyo Butsuryu Co. Ltd in October 2015 to operate self-storage locations in Japan under the Private Box brand name. GSC has been actively expanding its footprint in Asia and had acquired the StoreFriendly brand in Singapore and four The Store House locations in Hong Kong.

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SINGAPORE CONTACTS

Tan Boon Leong

Executive Director and Head,
Industrial
6228 6894
boonleong.tan@sg.knightfrank.com

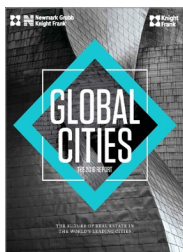
Alice Tan

Director and Head,
Consultancy & Research
6228 6833
alice.tan@sg.knightfrank.com

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