



The Self-Storage Sector: 2016 to 2019



Personal Use



Corporate Use



Growth Prospects & Future Trends



Singapore's Self-Storage Industry: User Preferences of Self-Storage Facilities

20 May 2020

In partnership with **LOCK+STORE**

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EXECUTIVE SUMMARY

In the 2017 self-storage report by Knight Frank and Lock + Store, growing population affluence and the advent of smaller homes led to increased demand for self-storage facilities. Businesses favoured self-storage solutions for its affordability. As of 2019, there are an estimated 30 self-storage operators with 90 facilities across Singapore, up from the previous figure of eight operators in 2012.

The market has however become more uncertain since 2016, with unfolding geopolitical tensions around the world weighing in on the economic growth of Southeast Asia. The need for storage spaces for goods has reduced as retailers work on creating better shopping experiences and engagement spaces for customers.

Since 2016, the maturation of the sharing economy gave rise to higher rents and labour costs, forcing firms to use space more efficiently. The growing popularity of open-office concepts and activity-based offices entail less spaces for storage.

Consumer demand for self-storage fell on the back of the 2018 cooling measures and the en bloc wave, with more buyers purchasing homes for owner-occupation.

This article analyses how the self-storage segment has evolved from 2016 to 2019, based on a survey of 295 respondents and interviews with 3 self-storage users.

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The Self-Storage Sector: 2016 to 2019

The self-storage industry has grown significantly since its inception in 2003. In 2012, there were an estimated eight operators, but as of 2019, the number has grown to an estimated 30 operators with 90 facilities across the island. In the 2017 self-storage report by Knight Frank and Lock + Store, self-storage facilities were increasingly engaged by individuals due to growing affluence, smaller homes, new additions to the family and during the renovation of homes. For businesses, self-storage was taken up due to their affordability, when comparing to other storage options.

In 2016, the housing market attained a new steady-state after the implementation of the Total Debt Servicing Ratio and Additional Buyer's Stamp Duty. Indicatively, the higher costs of acquisition have led buyers to compromise on the size and the location of their home purchases. Nearly 60% of homes sold in 2016 were less than 500

sq ft in size, meaning that prospective tenants or occupiers had lesser space for the storage of their belongings.

In 2019, the market hit its next steady-state, following the implementation of the eighth round of cooling measures in July 2018. By that time however, at least 7,000 households had benefitted from the en bloc wave that came by storm from 2017 to 2018. As such, more buyers began purchasing or looking out for replacement homes. The cooling measures also meant that more buyers were purchasing for owner-occupation, impacting the scale and type of items homeowners were able to store.

The external environment has also become more uncertain since 2016, as unfolding geopolitical tensions heightened between nations to weigh on the economic growth of Southeast Asia, especially Singapore. On the back of these, inventory management

has become ever more critical to trade-related sectors. In the same vein, smaller retailers will also face space constraints, as the sector shifts to creating better shopping experiences and engagement spaces for customers, thereby reducing storage spaces for goods.

Separately, the sharing economy has reached a more mature state compared to 2016. Higher rents and labour costs have forced firms to use space more efficiently. Additionally, firms are increasingly taking the lead from technology companies to move to open-office concepts and activity-based offices. Such designs and layouts however, have also led to less space for storage.

Based on a survey of 295 respondents and interviews with 3 self-storage users, an analysis on how the segment has evolved is studied below.



Personal Users



Corporate Users



Growth Prospects & Future Trends

2.1

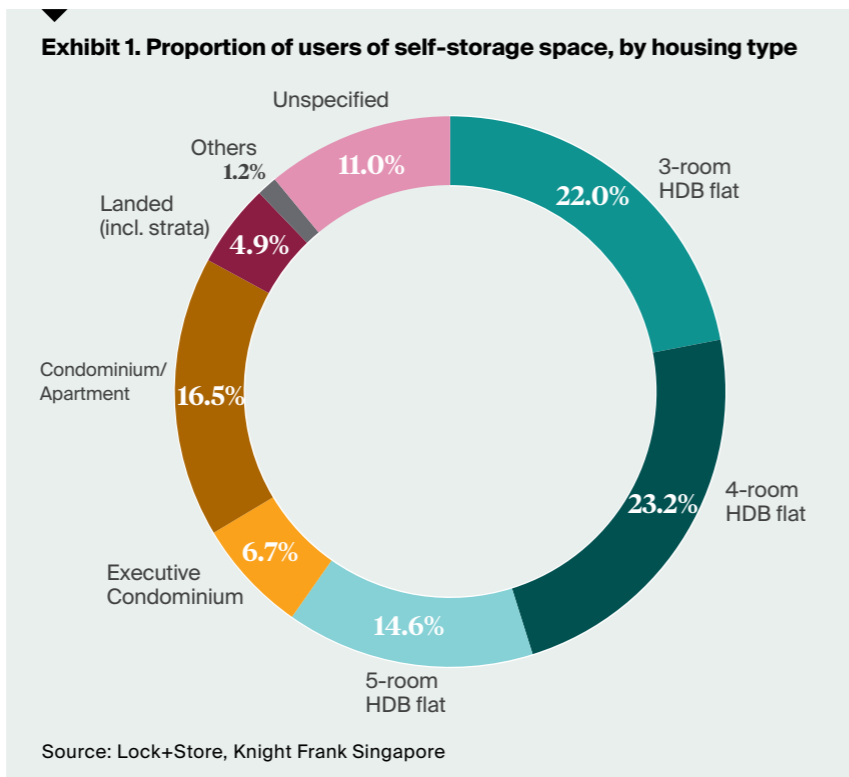
Personal Use

Individuals tend to rent self-storage spaces when their liveable space becomes cluttered by belongings that they have little intention of giving up. In the 2017 survey, 34% of personal users indicated moving to a smaller home as the primary reason for renting self-storage space. In the 2019 survey, close to 50.6% of users rented self-storage spaces as they needed more space to store personal items. Only 25.6% of personal users rented self-storage spaces due to relocation.

About 59.8% of users live in HDB flats (Exhibit 1), with those staying in 4-room and 3-room flats more likely to rent self-storage space. The proportion of users living in non-landed residential properties is also significant, at 16.5%. Not surprisingly, only 4.9% of the users stayed in landed homes, as these homes naturally offer more storage spaces.

50.6% need more space to store personal items

25.6% due to relocation reasons



Nearly half of users rent self-storage spaces to keep their clothes, fashion accessories, furniture, electronics and household products (Exhibit 2). Such items are typically stored away as they are either not frequently used, or as a contingency for future use. For instance, young families may store a baby cot in anticipation of having another child in the years to come.

Based on the responses of non-users of self-storage, the need for storage facilities is dictated by the individual's level of comfort with the existing amount of living space they have. Nearly all respondents who have not considered renting self-storage spaces believed that they do not have many things to store. Most non-users kept their belongings at home, with books (15.5% of total responses from non-users), luggage and related items (13.4% of total responses of non-users) among the items that took up the most space.

Price affordability remained the top consideration for respondents in choosing self-storage facilities for users and non-users alike. However, between self-storage users and non-users, self-storage users were more concerned with the security of self-storage facilities, while non-users were more likely to use self-storage facilities if the location were to be both convenient and accessible.

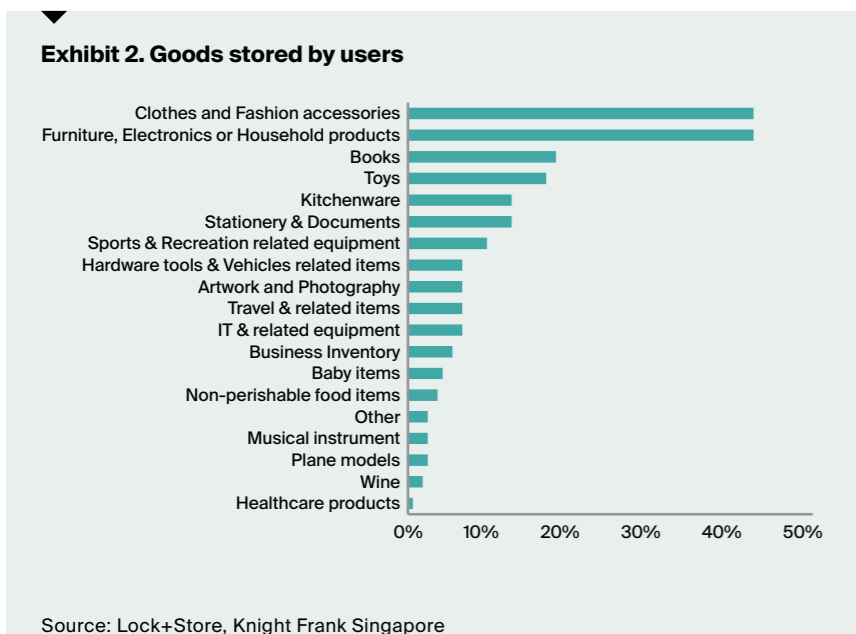
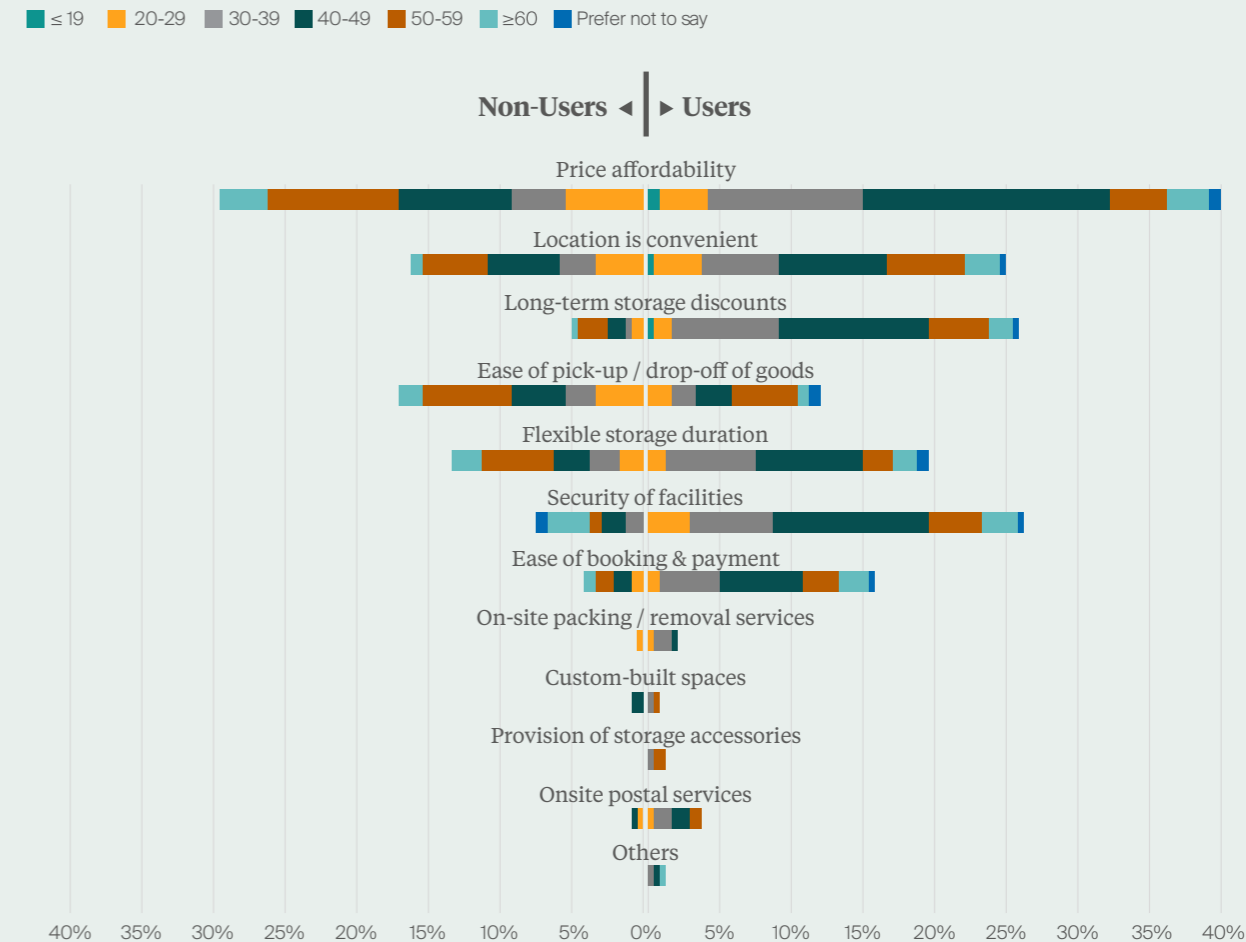


Exhibit 3. Top considerations for choosing self-storage facilities, by age group



Journey of a user of self-storage facilities

Question 1: Could you share why you started using self-storage facilities?

My husband is a collector of figurines, books, paintings, whisky, and other items. The items collected were cluttering the house, and my husband started buying bigger pieces of paintings that could not be stored at home. In addition, we also wanted a place that had climate control to store our paintings.

Question 2: How has the use of self-storage facilities improved your life/business?

I have more space now and there is also more space for our pet dog. However, as we are still amassing new collectables, the space in our home is still not enough.

Question 3: What are the key considerations that you look for when you are seeking self-storage facilities?

The credibility of the company is important, as users using the facility need to feel that their belongings are safe where it is kept.

2.2

Corporate Use

Businesses are now also active users of self-storage spaces, especially if they do not need significant amounts of space and require flexibility in tenure. Self-storage spaces fill in the demand gap for smaller business that lack the scale to rent warehouse space, or experience seasonal fluctuations in their storage needs. Self-storage spaces also satisfy the growing demand from online merchants.

According to the survey, 23 of the 54 businesses using self-storage spaces are small and medium-sized enterprises (SMEs) (Exhibit 4), with start-ups and online businesses comprising about 20 of the 54 businesses using such facilities. Nearly 24.1% of corporate users were in the wholesale, retail and F&B trade, while about 16.7% of users surveyed were from the banking, finance and insurance sectors (Exhibit 5). Information and Technology (IT) also accounted for 13% of users surveyed.



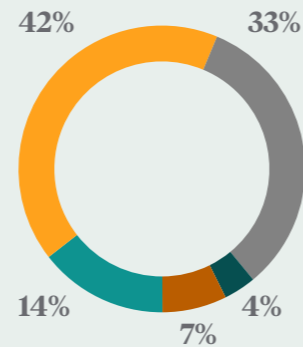
Most corporate users rent self-storage spaces to keep their products or to manage inventory. Breaking down the responses by business types, firms in the wholesale, retail, food and beverage, e-commerce, entertainment, travel, sports and recreation segments were found to largely use self-storage facilities to store inventory. In contrast, firms from the business services sector, including banking, finance, insurance, legal, business consultancy, real estate and recruitment, rent self-storage spaces during periods of relocation.



42%
of the businesses that used self-storage space are SMEs

Exhibit 4. Types of businesses surveyed, by scale

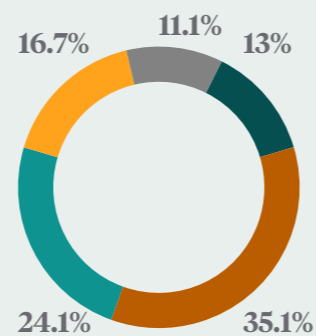
- Small & medium enterprises
- Online Business
- Multinational corporations
- Start-ups
- Prefer not to say



Source: Lock+Store, Knight Frank Singapore

Exhibit 5. Types of businesses surveyed, by industry

- Banking, finance, insurance, legal, real estate, recruitment business consultancy
- Engineering, construction & infrastructure
- Wholesale, retail, F&B, travel, entertainment, e-commerce, sports & recreation
- IT & Technology
- Others



Source: Lock+Store, Knight Frank Singapore

TOP REASONS FOR USING SELF-STORAGE FACILITIES, BY NATURE OF BUSINESS

% Require space to store products/inventory for the business



% Self-storage is a cheaper alternative to renting a retail shop/warehouse etc.

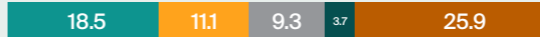


% Require space to temporary store items while the company relocates its office



TOP CONSIDERATIONS FOR USING SELF-STORAGE SPACE, BY NATURE OF BUSINESS

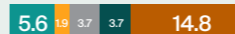
% Price affordability



% Location is convenient



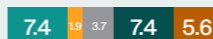
% Long-term storage discounts



% Ease of pick-up/drop-off of goods



% Flexible storage duration

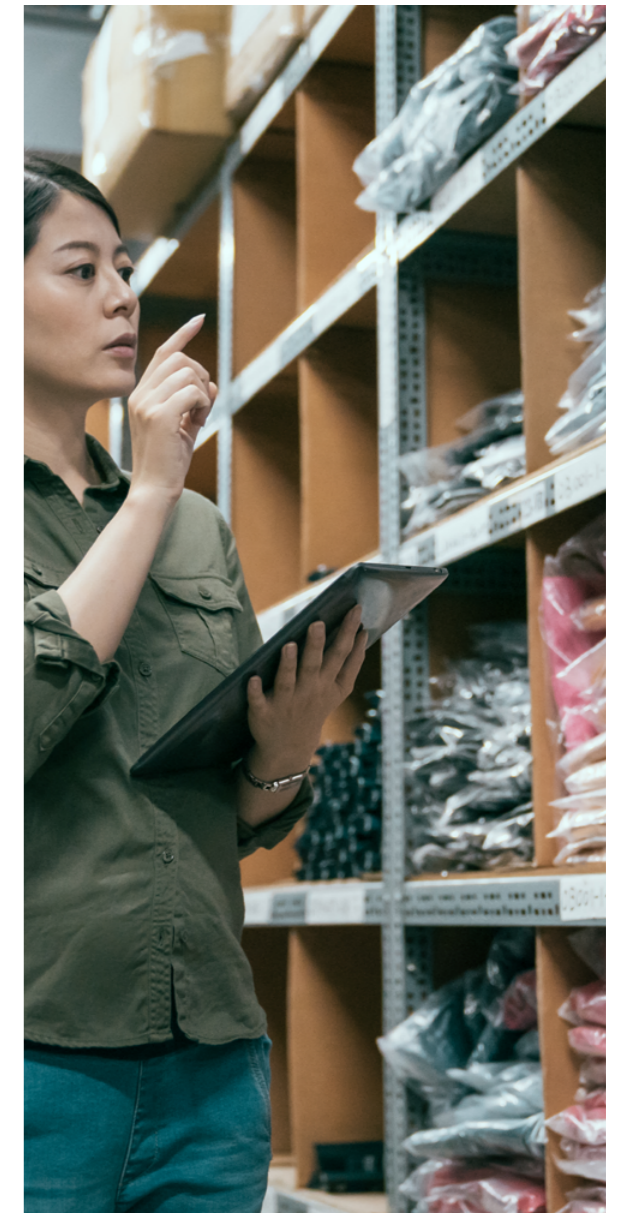


- Wholesale, retail, F&B, travel, entertainment, e-commerce, sports & recreation
- Banking, finance, insurance, legal, real estate & recruitment
- Engineering, construction & infrastructure
- IT & Technology
- Others

Source: Lock+Store, Knight Frank Singapore

When selecting a self-storage provider, most businesses indicated price affordability as the top consideration during the selection process. With economies of scale emerging as an important factor for self-storage operations, operators will have to find the right balance, managing the tradeoff between short-term and long-term costs. And while technology can lower operating costs in the long run and increase a company's competitiveness, its costliness has short-term implications.

Other than costs, firms in the wholesale, retail, food and beverage, e-commerce, entertainment, travel, and sports and recreation segments also rank finding a self-storage facility that is proximate to its operations as important, as it reduces travelling time when restocking goods. Separately, firms in the information technology segment appear to place greater emphasis on flexibility of the storage duration.



Corporate User (Florist) : Maximising retail space to showcase products.

Question 1: Could you share when you started using self-storage facilities? How do you know about self-storage facilities?

I first realised the need for alternative storage space when my growing hamper business required more space for storage during festive seasons. Previously, I rented vacant units in Hong Leong Building to store my goods.

I got to know Lock+Store through a friend's recommendation about five years ago. Since then, I have been using it during festive periods to store my inventory, which includes mainly hampers and flowers. I usually rent a 65 sq ft air-conditioned unit along with another non-air-conditioned unit – however, I would have preferred renting just a single, large air-conditioned unit instead, if there were enough of such units available for rent. I don't really mind paying a bit more for the air-conditioned facilities that Lock+Store provides.

Question 2: How has the use of self-storage facilities improved your life/business?

Using self-storage facilities has significantly reduced my costs, compared to when I was renting vacant units in Hong Leong Building to store my inventory. Furthermore, the facility is located just at Tanjong Pagar, which is very convenient for me – I can retrieve one or two items easily, whenever I need to. As Lock+Store is open 24/7, I have the flexibility of retrieving my inventory at any time. During festive seasons, I would be there every night to restock my inventory.

It is also very convenient to move my goods within the compound. Lock+Store provides adequate facilities such as big trolleys, ramps, and large cargo lifts, which save me time.

Question 3: Can you describe the journey in using the self-storage facilities: from packing of inventory to storing, to retrieving?

I use the storage space to store non-perishable goods such as canned and dried foods, baskets and completed hampers waiting for delivery. As for flowers, I have two big fridges in my retail shop, which more than suffices.

During festive periods, I will have personnel stationed at the Tanjong Pagar facility to receive and send the goods daily. The supplier will deliver the items to my staff at Lock+Store, retrieve the required inventory and send over the items to the shop for assembly. After which, the hampers are sent back and distributed by our couriers accordingly.

Question 4: What are the key considerations you look for when seeking self-storage facilities?

My main consideration is how the operator facilitates the loading and unloading of my inventory. I would prefer not to be allocated storage space on higher floors, as it takes up more time to transport the goods.

The other consideration is the proximity of the facility to our shop. As we are located in the city centre, the Tanjong Pagar facility is very convenient. It is also easily accessible by both public and private transport.

Corporate User (Book Shop/Publisher): Creating more space for office use and events

Question 1: Could you share how you started using self-storage facilities?

I only started looking for alternative storage options when we faced issues managing our inventory four to five years ago. We publish about 20 titles every year, printing about 1,000 books per title. The books took up a lot of space, especially since not all are best sellers. We usually have 2 or 3 out of the 20 titles that witness brisk sales, with the sales for other titles moving more slowly.

Previously, we stored our books at the back of the store. However, the growing amount of inventory and the need for a back-end office led us to look for affordable storage spaces.

We also do not purge our slow-moving inventory, generally those that are five to seven years old. Instead, we store and repurpose them by giving them out as free gifts during events, for example.

Question 2: How do you know about self-storage facilities?

We found out about Lock+Store through advertisements and online research.

Question 3: How has the use of self-storage facilities improved your life/business?

We are currently storing our inventory of books at the Tanjong Pagar branch. The space can comfortably fit about 100 to 150 stacks of books. The unit is not air-conditioned, but has good ventilation.

Using self-storage facilities has freed up a lot of space for my retail unit, and there is now more space to conduct events and functions within the bookstore. More importantly, the excess space is turned into a profit generating area instead of a cost centre. The store also looks neater and tidier now that the clutter is stored away.

Question 4: Can you describe the journey when using the self-storage facilities – from packing of inventory, to storing, and retrieving?

I usually don't visit the premise very often; I head over once a month, at the very most. Usage wise, I use self-storage facilities about twice or thrice quarterly. The Tanjong Pagar branch is very close to my store, which makes my trips very convenient. This is especially so on days when I do not drive, as books are relatively heavy items.

Question 5: What are the key considerations that you look for when you are seeking self-storage facilities?

Proximity to my shop is probably the most critical consideration when it comes to choosing storage facilities. Highly accessible facilities reduces the need to arrange for transporters (who tend to be less flexible), thereby reducing transportation costs.

I also think that the facility must be user-friendly and allow the user to locate the unit and retrieve any stored items easily. My transporter is usually able to locate my stored goods easily, and I have little issue locating my stored items as my boxes are all labelled.

As for the main areas for improvement, I speak as a business that is caught between being a personal storer and big corporations who have their own logistics system in place. As an SME, I am limited by the availability of the transporter, which is typically engaged on a request basis. If possible, Lock+Store can consider offering a full suite of storage, retrieval, and delivery services for businesses like mine. I believe such added value will encourage even more active usage of Lock+Store facilities.

While there may be liability issues that come with offering such services amid the pool of existing operators, I believe if the price is right, Singaporeans will not mind paying for the full suite of services.



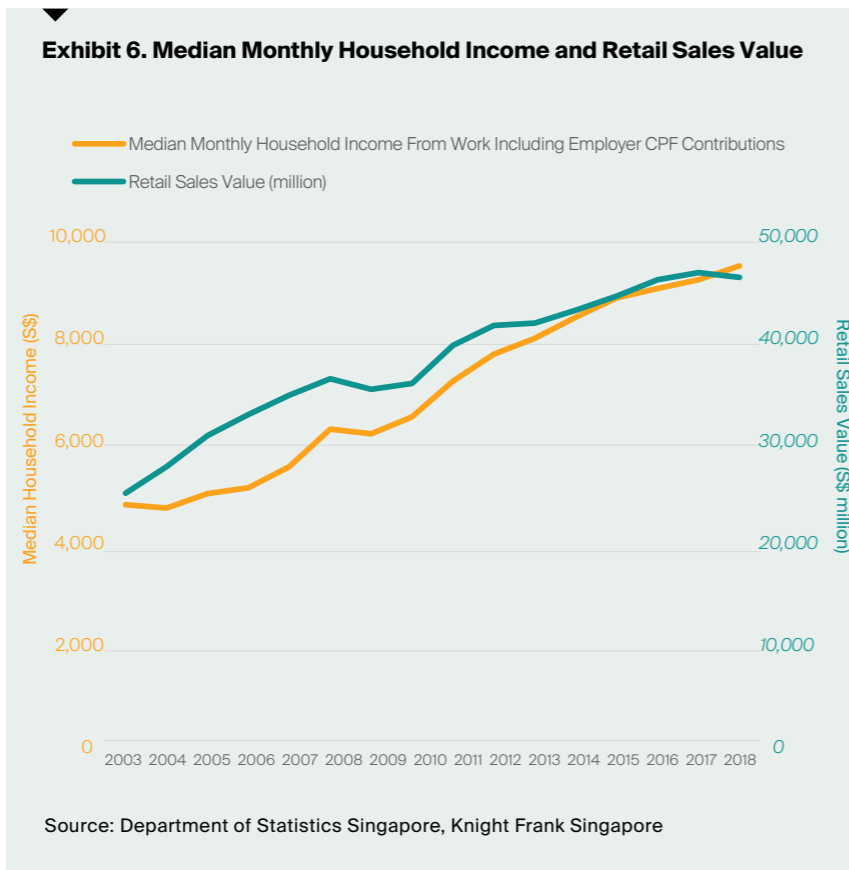
2.3

Growth Prospects & Future Trends

Growth of Hobbyists and the Collectible Market

According to the Art Basel and UBS Global Art Market Report, the global art market grew by 6% between 2017 and 2019, reaching an estimated US\$ 67.4 billion, bringing the market to its second-highest level in 10 years, with values advancing 9% over the decade from 2008 to 2018. In Singapore, about 46% of collectors were millennials. Statista further reveals that revenue in the Toys, Hobby & DIY segment in Singapore amounted to US\$219 million in 2020 and is expected to hit an annual growth rate of 6.2%.

The growth of the collectibles market has been supported by sustained growth in the income of Singaporeans. Singapore's median monthly household income more than doubled from S\$4,600 in 2003 to S\$9,300 in 2018. This corresponded with the increase in retail sales value, which increased 87.3% from S\$24.2 billion in 2003 to S\$45.4 billion in 2018.

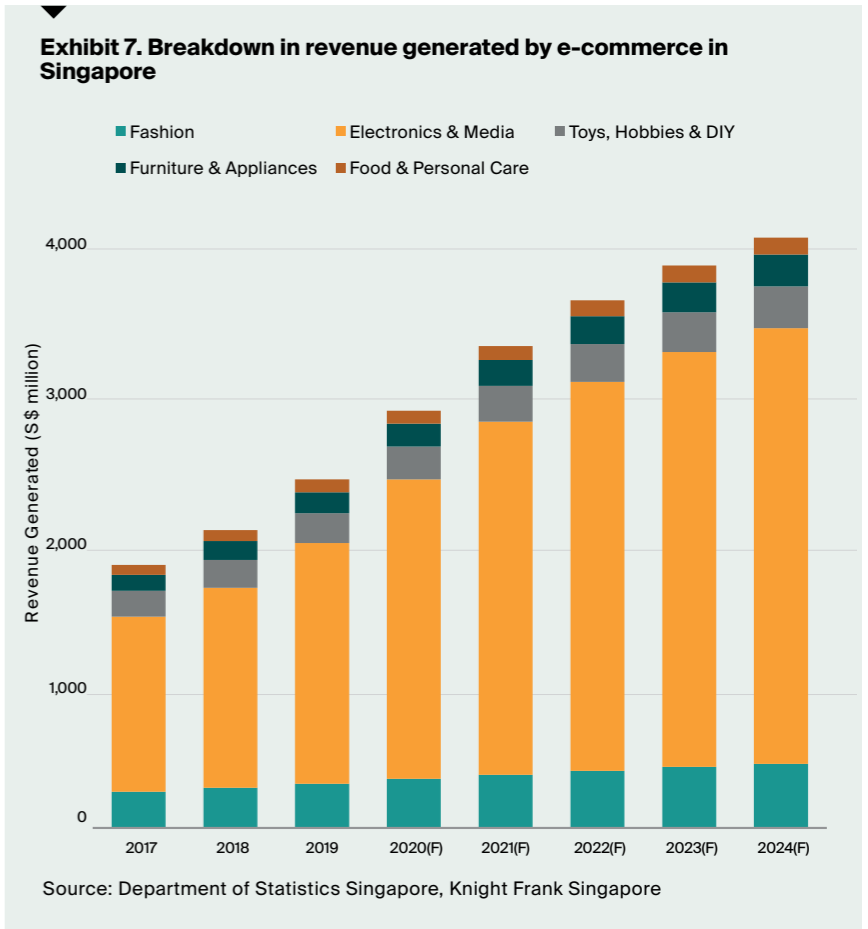


Expanding the e-commerce market

The Singapore e-commerce market has been expanding at a fast pace, and this will lead to the creation of more online merchants. According to Statista, e-commerce revenue in Singapore rose 13.3% year-on-year (y-o-y) in 2018 and increased further by an estimated 16.7% in 2019. Separately, the growing market for pre-loved and re-purposed vintage or antique items have also gained traction amongst younger Singaporeans, through flea markets and online transactional platforms like Carousell.

The higher cost of space

At the same time, higher land costs channelled demand to self-storage facilities as residential areas become increasingly dense. With the increasing value of land in the residential sector, developers are likely to maximise the allowable plot ratio for their business goals. With the drive towards higher density residential areas, individuals are motivated to explore alternative storage solutions.



CONCLUSION

While the growth prospects of self-storage are promising, the sector is expected to become more competitive, with more operators entering the market and users remaining price sensitive. Besides location and economies of scale, operators are likely to leverage on technology to differentiate themselves. For instance, operators can improve their offerings based on big data collected from their bookings, or even upgrade the collection process by using facial recognition software. We project the market to continuously evolve, offering users an increasingly seamless customer experience.

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Your Private Storage Space

Lock+Store, a subsidiary of Singapore Post Ltd, is a one-stop self-storage hub in Hong Kong, Malaysia and Singapore offering flexible short-and long-term storage facilities and office space for households, wine collectors and distributors, start-ups, SMEs and large corporations. Company employees and individual users can gain access to the storage facilities via a unique passcard system that is convenient and maintains the security of their belongings.

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