Ipsos Business Consulting

Self Storage Association Asia

THE SELF STORAGE ASSOCIATION ASIA ANNUAL SURVEY

July 2018

CONTENTS

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INTRODUCTION

This is the fourth consecutive annual survey carried out by the Self Storage Association Asia (SSAA) among its member companies across the region together with Ipsos Business Consulting.

This is the fourth consecutive annual survey conducted by the Self-Storage Association Asia (SSAA) among its member companies as well as its member associations across the region. Again, the exercise was launched and completed together with Ipsos Business Consulting.

With more than twenty years of history in this part of the world, the self-storage industry began to develop and establish a strong presence in emerging markets across the region within the last decade. Beginning with Japan, Hong Kong and Singapore, it has put down roots in Thailand, India, the Philippines, South Korea, Indonesia and many other Asian countries.

The latest survey covered the same six markets included in last year's report: Hong Kong, Japan, Taiwan, Malaysia, Singapore and Mainland China. This year's exercise was completed with information provided by companies operating in these six places, with supplementary qualitative material drawn from operators across 10 markets in Asia.

Our survey report was produced with help and input from professionals with frontline experience with operating self-storage facilities in countries across Asia. The aim is to monitor and chart the growth and development of the industry in markets across the region. It is our hope that our report can provide useful information to operators as well as serve as reference material to investors.

We welcome feedback from readers on the content of the report. It is our belief that your opinions can help us improve the quality of our future publications.

Luigi La Tona
Executive Director
Self Storage Association Asia

Markus Scherer
Director
Ipsos Business Consulting

EXECUTIVE SUMMARY

In 2017 there are 3,374 facilities totaling approximately 19.86 million square feet in Hong Kong, Japan, Mainland China, Malaysia, Singapore and Taiwan

Japan and Mainland China account for just under 84% of all facilities across all six markets.

The average amount of gross floor area per capita across all six markets is about 0.17 square feet, with figures for Hong Kong and Singapore respectively exceeding three and four times this level.

The average occupancy level in 2017 across all six markets is at 76.5%.

About 24% of operators expect their net operating income to grow more than 10% in 2018 compared to 2017.

Roughly 54% of operators plan to expand their business with the core focus being the market they operate in locally.

Hong Kong followed by Mainland China and Singapore are perceived to be the most attractive markets for expansion.

ECONOMIC OVERVIEW

Driven by sustained consumption and investment, economic output of the Asia Pacific region in 2017 remained broadly on track and grew by 5.6%. Stronger-than-expected growth in China, Japan, South Korea, and the ASEAN economies helped compensate for the weaker outlook in India and Australia.

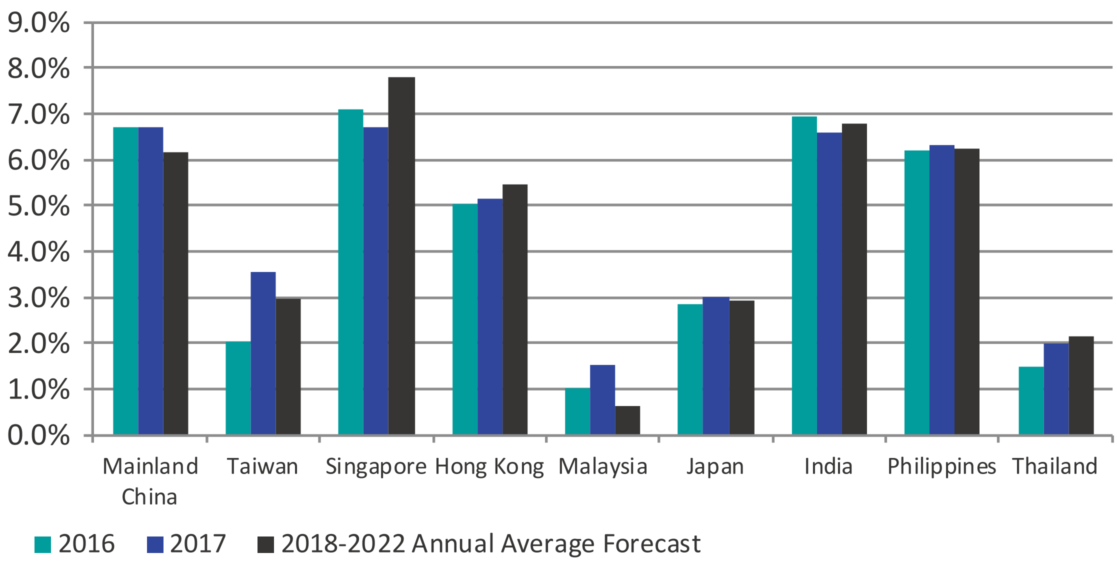
With the country's GDP growth rate rising from 6.7% in 2016 to 6.8% in 2017, Mainland China benefited from strong public infrastructure investment, robust consumption growth and improving foreign demand. Efforts by its government to control credit growth and weed out corruption had only a modest negative impact on economic activity.

Across the Taiwan Strait, expansion of exports, solid demand for IT products and services, and increased infrastructure investment lent support to the island's economy. Taiwan reaped the benefits and its economy grew by 3.6%. Elsewhere in Greater China, Hong Kong benefited from private consumption and fixed investment while net external demand contributed negatively, expanding the city's GDP by 5.1% in 2017.

In Southeast Asia, productivity gains drove the Singaporean economy as growth in the resident workforce began to slow down. The city state's manufacturing sector began to lose steam, and momentum in its construction sector tapered off, shrinking GDP growth to 6.7%. Meanwhile, the economy in neighboring Malaysia was supported by strong domestic consumption and global demand for electronics, slightly boosting the economy's expansion. Thailand relied on government spending and large public infrastructure projects, lifting the growth rate of ASEAN's second largest economy to 2.0%.

Over in Japan, the economy was buoyed by surging exports growth and expanded at a steady pace in 2017. While GDP growth rate increased from 2.8% to 3.0%, the country struggled with issues stemming largely from unconventional stimulus packages along with sub-zero bond yields and a fairly weak currency. India's economy is still recovering from a cash ban that sucked out 86% of currency in circulation near the end of last year. Weighed down by weak labor productivity and the overall health of its banking system and public finances, the country's GDP growth fell slightly to 6.6% over the last 12 months.

GDP growth, annual % change



Source: World Economic Outlook Database, IMF, 2017

INDUSTRY OVERVIEW

"China's thriving e-commerce and the high density of its urban communities might help the self-storage industry come up with new business models and directions for future development."
-Emma Feng | CEO | My Cube Self Storage

2,450
facilities in Japan[2]

Total number of facilities

After the industry in Asia (except operators in Hong Kong) experienced expansion in 2016, the past year witnessed countries in the region going their separate ways when gauged by several market performance metrics. Mainland China, Taiwan, Japan and Malaysia reported expansion whereas Hong Kong and Singapore recorded contraction in total number of facilities.

While its peers experienced negative to double-digit growth over the past year, Mainland China put up the best performance with an impressive 122.3% y-o-y expansion – the total number of facilities increased from 170 in 2016 to 378 in 2017.

The growth was also accompanied by an increase in the number of operators from 13 in 2016 to 35 in 2017, including 10 new entrants in the Greater Beijing area.

378
facilities in China[1]

369
facilities in Hong Kong[1]

108
facilities in Taiwan[1]

56
facilities in Singapore

13
facilities in Malaysia

1. For these countries, the number of facilities is based on Ipsos Business Consulting's database

2. The total of 2450 represent indoor facilities. This data is provided by Quraz.

Elsewhere in the Greater China Region, the market in Taiwan also grew over the past year (albeit at a more modest pace) and the total number of facilities increased from 91 in 2106 2016 to 108 in 2017. The growth was also partially contributed by additional new entrants: there were approximately 7 operators in 2016, and the number jumped by more than threefold to 23 in 2017.

For the second year in a row, Hong Kong suffered negative growth and the total number of facilities dropped from 440 in 2016 to 369 in 2017. This was in the wake of a deadly blaze in 2016 that consumed one of the facilities of the city's leading operator. In the words of the managing director of a self-storage facility supplier, many operators "have been scaling down … to control [regulatory] risk."

In Southeast Asia, the market in Singapore behaved differently from that in neighboring Malaysia. Measured by the total number of facilities, the small city state's mature, well-regulated self-storage industry plateaued in growth and contracted slightly over the past 12 months (shrinking from 57 in 2016 to 56 in 2017) while its much larger neighbor's nascent market reported a 30% y-o-y expansion (increasing from 10 in 2016 to 13 in 2017).

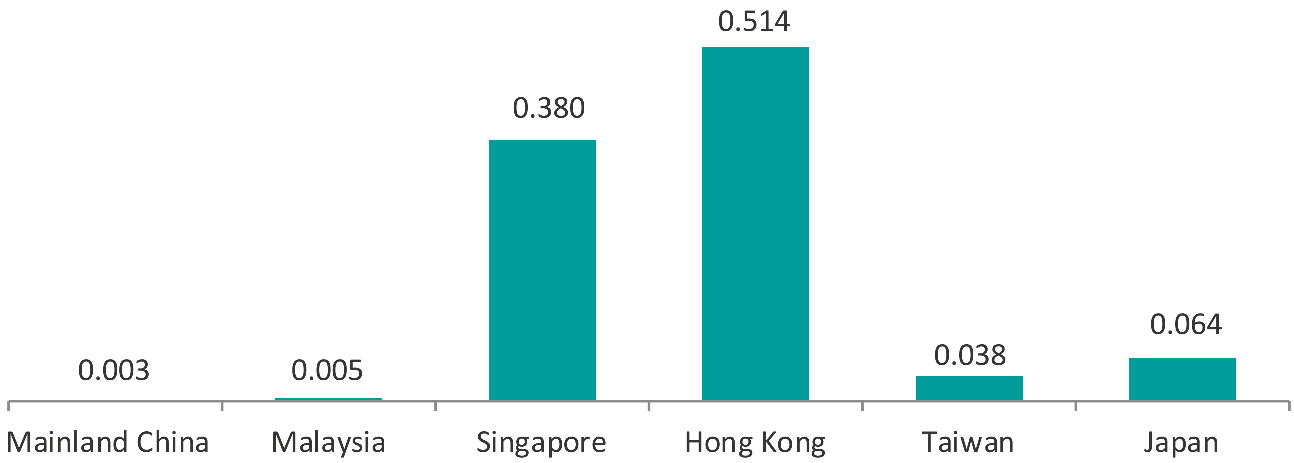
As Asia's leading market for the self-storage industry, Japan reported a slow but steady 8.9% y-o-y growth in the total number of facilities in the past year (increasing from 2,250 in 2016 to 2,450 in 2017). It was consistent with the trend of 8% to 10% growth recorded over the past 8 years.

These figures indicate countries in across the region were growing at different paces and developing along diverse patterns. This observation was borne out by statistics gathered by the latest iteration of our survey.

"Most notably, [we are] beginning to see more examples of institutional capital entering the Japan market – e.g., Ichigo acquiring Storage Plus, Heitman acquiring assets from Palma, Japan Post acquiring 20% of Palma etc. This is revolutionary in terms of credibility of the industry and valuation"

-Yasuo Hagiwara | Senior Director of Operations and Marketing | Quraz

Gross floor area per capita in square feet



Floor area per capita

Over the past 12 months, countries in the region recorded changes in floor area per capita that corresponded to fluctuations in total available space reported by their respective markets during the same period. While Mainland China, Taiwan and Japan chalked up increases, Hong Kong, Malaysia, and Singapore experienced decreases in floor area per capita.

Last year in Mainland China, triple-digit growth both in total number of facilities as well as in total available space was matched by 200% y-o-y expansion in floor area per capita, lifting it from 0.001 square foot in 2016 to 0.003 square foot in 2017. The figure remained low despite a threefold increase because of the country's huge population, which topped 1,390.8 million in 2017 as compared to 7.4 million in Hong Kong during the same period.

In contrast, Hong Kong suffered sustained decreases in total number of facilities as well as in total available space, reducing floor area per capita from 0.619 square foot in 2016 to 0.514 square foot in 2017. It was the result of on-going efforts by local operators to consolidate and comply with stringent regulatory requirements introduced by the government in the aftermath of a devastating outbreak of fire in 2016.

The market in Taiwan behaved differently from those in other parts of Greater China, recording incremental growth in floor area per capita and expanding from 0.036 square foot in 2016 to 0.038 square foot in 2017. It was more than twelvefold the latest figure reported by Mainland China because the size of the island's population was a mere fraction of that of its continental neighbor: Taiwan's population in 2017 was 23.6 million, or just less than 1.7% of Mainland China's total headcount.

The industry in Japan recorded a modest 8.5% y-o-y expansion in floor area per capita, taking the latest figure to 0.064 square foot in 2017. It was partly a result of a slight drop in the country's population from 126.9 million in 2016 to 126.7 million in 2017, which c ontributed to a higher percentage when compared to the figure recorded last year.

In Southeast Asia, contraction in the Singaporean market reduced floor area per capita from 0.485 square foot to 0.380 square foot in 2017. With the city state's self-storage industry strictly regulated by law, operators strove to survive in a highly competitive environment. Similarly, floor area per capita in Malaysia also fell from 0.006 square foot in 2016 to 0.005 square foot in 2017 – despite one new entrant and increases in the country's total number of facilities over the past 12 months.

"It was a tough time for the self-storage industry in Hong Kong over the past two years, as there were many uncertainties and no quick solutions. Competition has eased slightly as many of us have been scaling down a bit to control risk."
- Alexander Chung | Managing Director | Hongkong Storage

SURVEY RESULTS

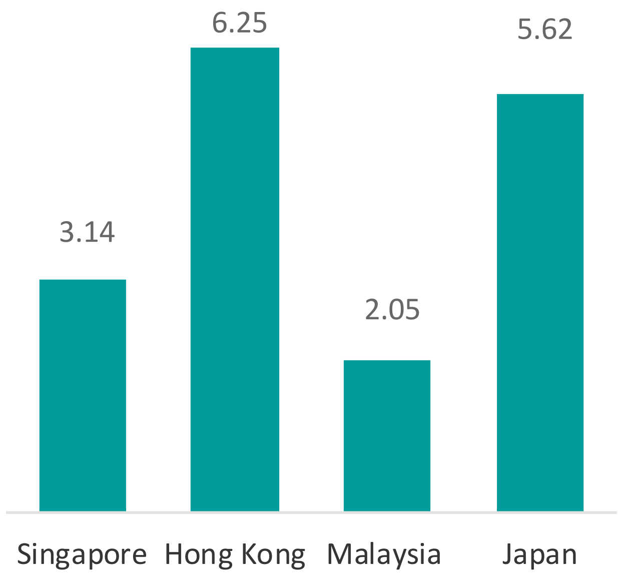
Average monthly rent per square foot

To facilitate comparison, we report average monthly rent in US dollars per square foot (US$/sqf) for most of the markets. However, it is the practice of operators in Mainland China and Taiwan to lease their facilities in cubic metres, and accordingly we report their average monthly rent in US dollars per cubic foot (US$/cbf).

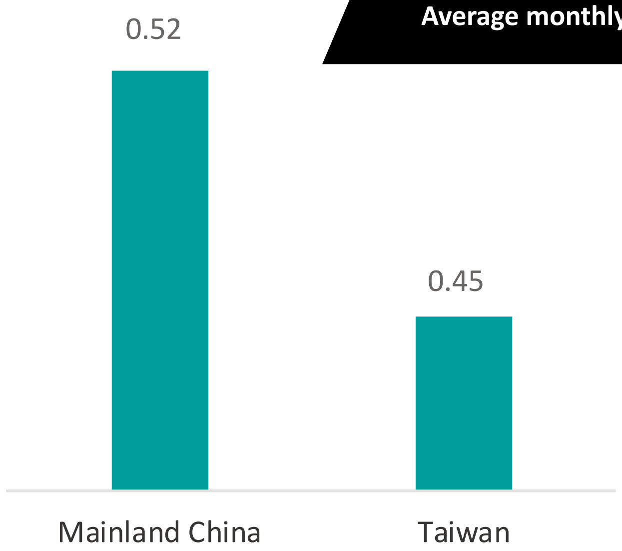
Survey results indicate rates increased for Japan, Singapore and Taiwan, but they decreased in Mainland China, Hong Kong and Malaysia.

With stagnant growth and shrinking supply in facilities, the industry in Singapore continued to experience steady rise in average monthly rent: rates rose from US$2.98/sqf in 2015 to US$3/sqf in 2016, and then further to US$3.14/sqf in 2017. The CEO of a local operator shared her views of the market's future: "With more independent operators coming online, competition has intensified – especially in terms of pricing pressure. Instead of nationwide price competition, we are beginning to see area-specific price competition."

Average monthly rent per square foot 2017 in USD



Average monthly rent per cubic foot 2017 in USD



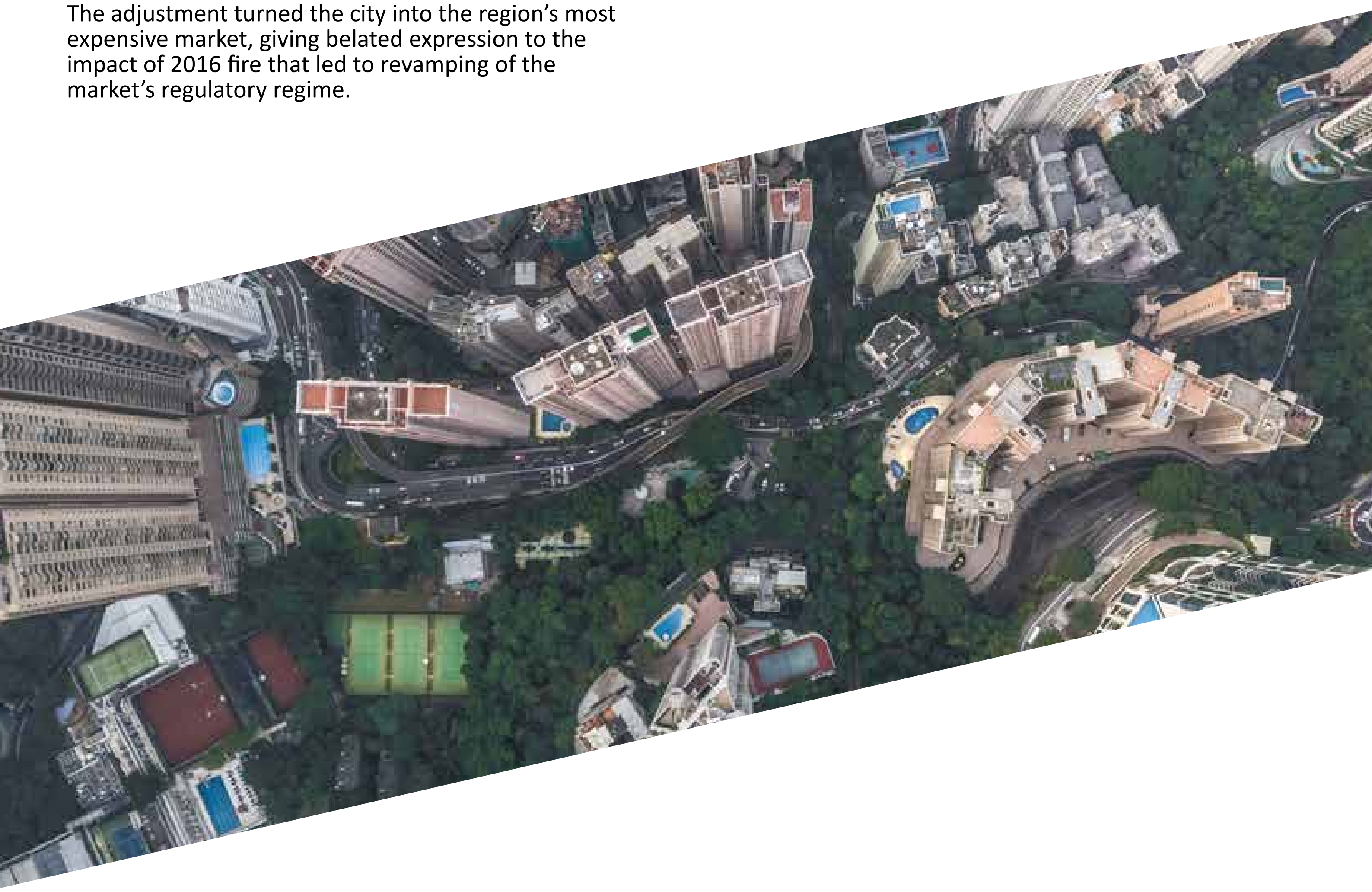
According to a senior director of the country's leading operator, "prices in Japan are relatively stagnant." However, the market reversed the fall in rates recorded in 2016 with a 3.3% y-o-y rise that lifted average monthly rent to US$5.62/sqf in 2017. It was against a backdrop of 3.0% growth in the country's GDP, -3.5% y-o-y depreciation in the Yen against the US dollar, and headline inflation rate of 0.5%.

In a year of accelerated GDP growth and increase in self-storage facilities, Taiwan executed a turnaround and halted a drastic fall in average monthly rent. Rates dropped from US$0.57/cbf in 2015 to US$0.44/cbf in 2016, but then rose slightly to US$0.45/ cbf in 2017. The CEO of a supplier pinpointed two key drivers of future growth: improvements in the regulatory environment, and demand for flexible storage solutions by entrepreneurs and startups.

Surviving consolidation and shakeup in regulatory regime over the past couple of years, the industry in Hong Kong emerged stronger and is again poised for growth. Further contraction in the city's supply of facilities reversed rates that had been on a gentle downward trend, raising average monthly rent by 17.5% y-o-y from US$5.32/sqf in 2016 to US$6.25/sqf in 2017. The adjustment turned the city into the region's most expensive market, giving belated expression to the impact of 2016 fire that led to revamping of the market's regulatory regime.

Crossing Hong Kong's borders into Mainland China, the industry benefited from supply-side driven growth to deliver spectacular performance in the launching of new facilities and the creation of more capacity. Since it took around 12 months to fill up a 1,000-metre facility, underutilisation of self-storage space remained an issue. Another challenge was rising costs of labor and compliance, which helped drive down average monthly rent from US$0.66/cbf in 2015 to US$0.56/cbf in 2016, and then further to US$0.52/cbf in 2017.

Average monthly rent in Malaysia rose from US$1.80/sqf in 2015 to US$2.30/sqf in 2016, but fell to US$2.05/sqf in 2017. It occurred with a gentle rise in the country's GDP growth rate in 2017, and a stable currency conversion rate for the Malaysian ringgit against the US dollar during the same period. The founder of an operator was optimistic about the future: "implementation of the Digital Free Trade Zone, a tax-free zone in the Greater Kuala Lumpur area for parking e-commerce inventory" would increase demand for the self-storage industry.



Average occupancy levels

Average occupancy levels in markets across the region either improved or remained stable in 2017. The markets in Mainland China, Taiwan, Japan and Malaysia reported increases in their average occupancy levels over the past 12 months, while Hong Kong and Singapore remained unchanged during the same period.

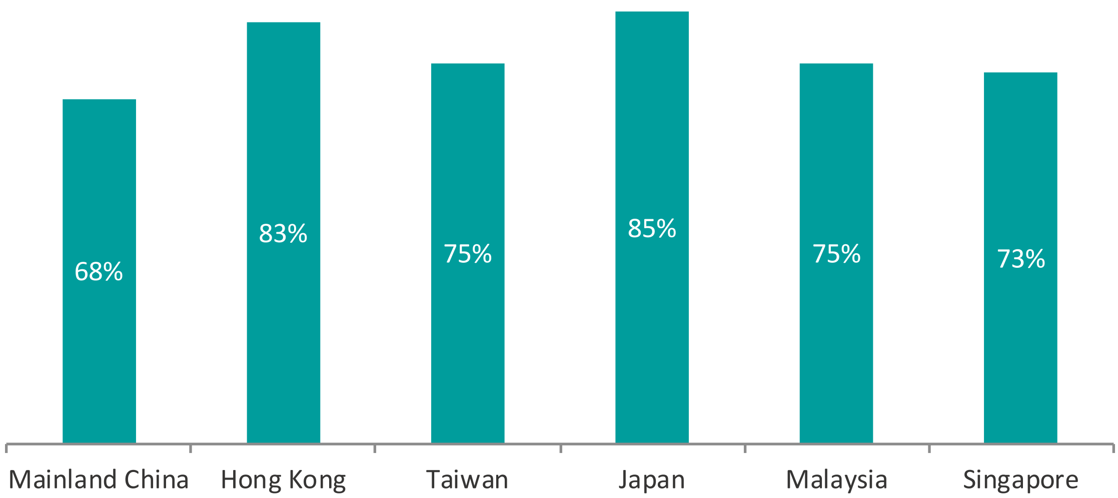
Japan regained its position as Asia's best performer in 2017 with an average occupancy level of 85%, an increase of 3% over the figure recorded in 2016. Recruiting customers can be challenging to Japanese operators, and on average it took them between 2 to 4 years to fill vacant facilities. They focused on converting new customers to meet the challenge, and according to the country's leading supplier, "more than 90% of move-ins are first time users."

Hong Kong conceded its top spot but retained the runner-up position in 2017 with an 83% average occupancy level, which was the same figure reported in 2016. The industry maintained the same level of utilisation of self-storage space in the face of regulatory challenges that led to decreases in total available space.

Although Taiwan and Malaysia both achieved 75% average occupancy level in the past year, they added 10% and 14% respectively to the figures they returned in 2016.

Singapore fell further from second runner-up to the 4th position in 2017 with average occupancy level of 73% – which was on par with the figure it last reported in 2016.

Average occupancy levels



Customer mix: Individual versus business users

Survey data from Mainland China indicated the market share for business users of self-storage facilities rose from 35% in 2015 to 42% in 2016, but then fell back to 38% in 2017. With a moderate rise in occupancy level in the face of phenomenal increase in capacity, it signifies growth in demand from individual consumers outweighed that from corporate customers – but was still not fast enough to fill up all the new facilities.

In Hong Kong, there was a downward shift in the percentage of business users from 29% in 2016 to 25% in 2017. The figures suggest demand from the commercial sector began to lose steam, while operators recruited private individuals to make up for lost of business from corporate customers.

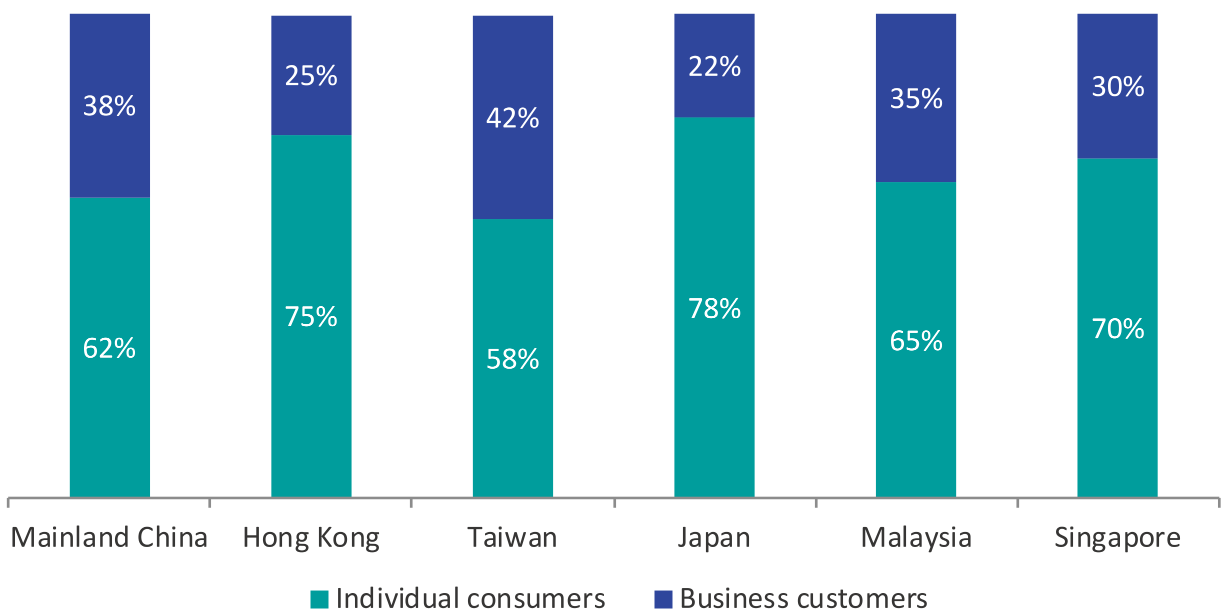
Similar to last year, it should be noted that only two self-storage operators from Taiwan participated in our survey, so readers are urged to interpret the results from Taiwan with caution.

Demand from Japanese business users pushed their market share from 19% in 2016 to 22% in 2017.

Malaysia also experienced an increase in demand from corporate customers, enlarging their slice of the pie from 26% in 2016 to 35% in 2017.

Singapore is the only Asian market that maintained the same average level of occupancy as well as the same mix of private consumers versus business customers recorded in the last survey.

Split by customer type



Total estimated rentable floor area in million square feet

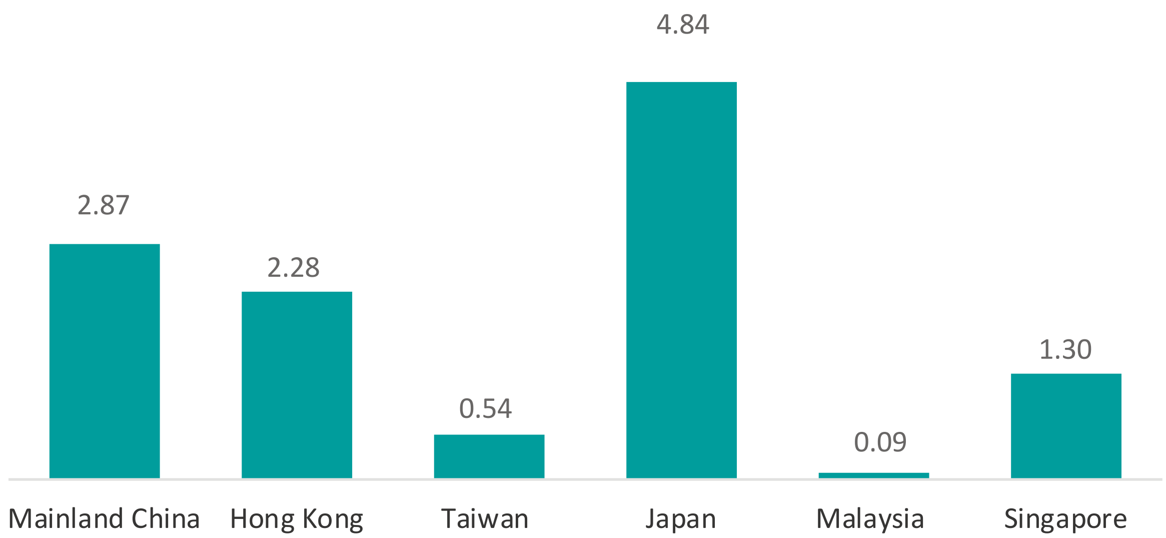
As expected, rentable floor area in Mainland China benefited from spectacular growth in total number of facilities and total available space to achieve a 156.2% y-o-y expansion, leaping from 1.12 million square feet in 2016 to 2.87 million square feet in 2017.

Taiwan finished a distant second and maintained its growth trajectory with 8.0% y-o-y expansion in rentable floor area, lifting the numbers from 0.50 million square feet in 2016 to 0.54 million square feet in 2017.

Japan followed closely with an 7.1% y-o-y increase, raising the country's rentable floor area from 4.52 million square feet in 2016 to 4.84 million square feet in 2017.

In Hong Kong rentable floor area decreased by -15.9% y-o-y to 2.28 million square feet in 2017. Singapore's market also contracted by -18.7% y-o-y, reducing rentable floor area to 1.30 million square feet in 2017. Similarly, a -18.2% contraction in the Malaysian market trimmed rentable floor area to 0.09 million square feet in 2017.

Total estimated rentable floor area in million square feet 2017



"Singapore industry growth appears to have plateaued. We do not see aggressive expansion by the major chains and even standalone facilities expansion appear to have slowed down. We may see some consolidation of independent standalone brands. There is definite oversupply within certain areas of the island."
- Helen Ng | CEO | General Storage Company

Ownership of facilities

In Singapore, the market shares of all 4 types of operators remained the same as those recorded in 2016.

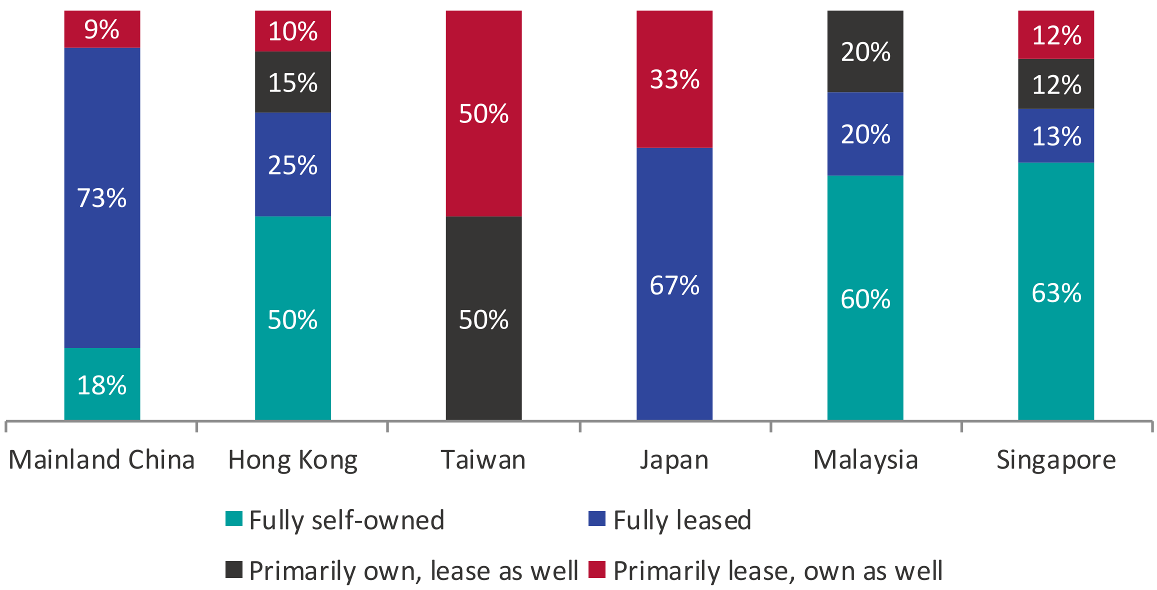
The combined percentage of operators in Hong Kong with fully self-owned facilities (rising from 38% in 2016 to 50% in 2017) or primarily leased facilities (rising from 6% in 2016 to 10% in 2017) increased at the expense of their fellow suppliers with sites that were primarily self-owned (falling from 19% in 2016 to 15% in 2017) or fully leased (falling from 36% in 2016 to 25% in 2017).

Rapid growth in Mainland China's market coincided with a jump in the percentages of suppliers who operated property that were fully leased (rising from 57% in 2016 to 73% in 2017) or fully self-owned (rising from 14% in 2016 to 18% in 2017).

There was a spike in the percentage of Malaysian operators with fully self-owned facilities from 40% in 2016 to 60% in 2017, whereas the market share of those with primarily self-owned sites shrank from 40% in 2016 to 20% in 2017.

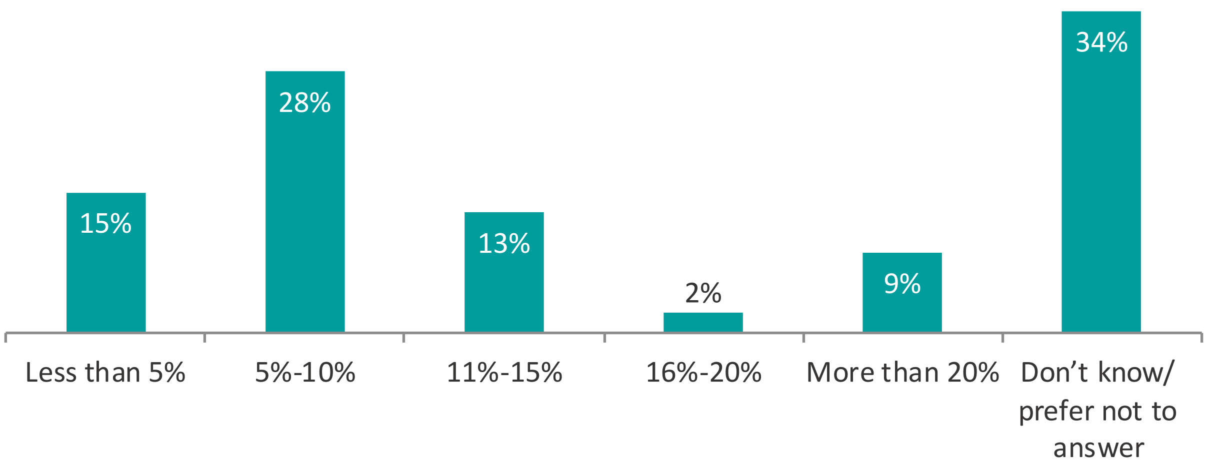
In the past year, the Japan self storage market has increased its sub leasing portfolio up 4% (2016 – 21.60% | 2017 25.60%) while operation only is down approximately 3% (2016 63.10% | 2017 60.50%). Only operation entails management of the property including self storage business with franchises run by Reise, Oshiire, Sangyo, Arealink, and others. The ownership of self storage properties remained relatively the same (2016 – 13.60% and 2017 – 13.80%) including by Quraz, AreaLink, Storage Plus, and Storage Oh among others. (Not reflected in table below)

Ownership of facilities in 2017



OUTLOOK

Profitability expectations in 2018 compared to 2017



On the whole, the industry was more optimistic in terms of profit in 2018 expectations, but a sizeable number of stakeholders seemed to have adopted a more cautious outlook on the prospects of their markets.

The percentage of operators who expected increases in net operating income not to exceed 10% dropped from 52% in 2016 to 43% in 2017. Of this group of respondents, the proportion of those who anticipated profits rising by lower single digits in 2017 (15%) was also less than that of their counterparts in 2016 (21%).

The proportion of respondents with expectations of more than 10% rise in profits expanded by 8 percentage points (rising from 16% in 2016 to 24% in 2017).
Of these respondents, the percentage of those who anticipated profits to grow in excess of 20% in 2017 (9%) is bigger than that of their counterparts in 2016 (8%).

Operators who either "don't know" or "prefer not to answer" made up the remainder of respondents in our survey (increasing from 31% in 2016 to 34% in 2017). The slight increase in their percentage seems to support the view that the industry is becoming more cautious when it comes to profit projection.

Rental growth

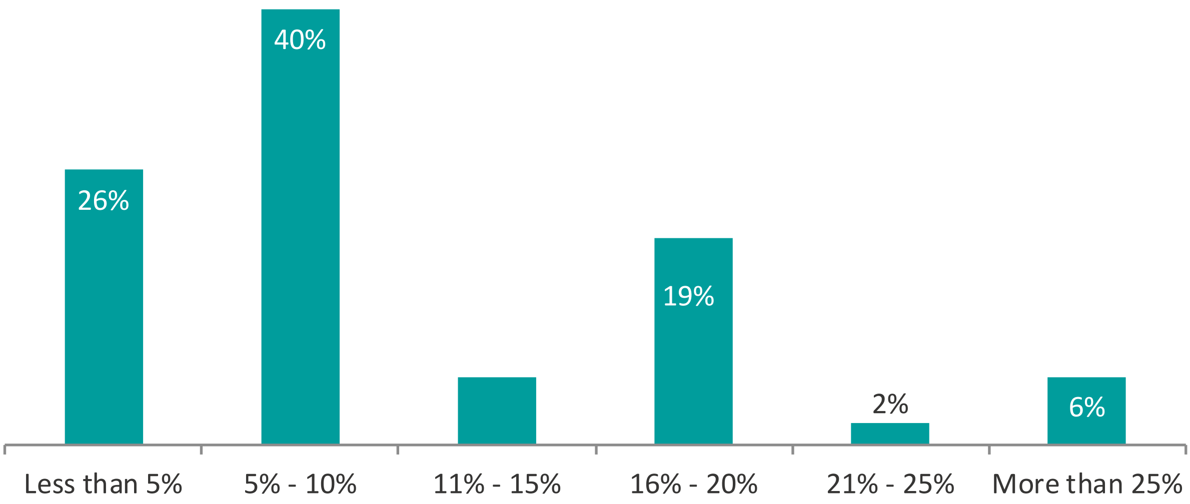
The latest survey data on the industry's expectation of growth in rental rates paint an even brighter picture than the mildly positive impression formed by figures in the previous section. Over the past year, a significant number of operators made upward revisions to their projections of rental rate trends in 2018 to reflect a more optimistic outlook.

Compared to 2016 findings, the latest survey recorded a falling percentage of respondents who forecast no more than 10% growth in rental rates (dropping from 84% in 2016 to 66% in 2017). Also, a smaller proportion of this group of operators projected rental rates growth in lower single digits in 2017 (26%) than in 2016 (43%).

In other words, the percentage of respondents with a relatively more conservative outlook decreased within the past 12 months.

There was a dramatic hike in the percentage of respondents who expected more than 10% growth in rental rates – from 6% in 2016 to 27% in 2017. Of this expanding group of operators, 6% forecast growth between 11% to 15% while a sizable proportion of them (15%) expected 16% to 20% increase in rental rates.

Rental growth in 2018 compared to 2017



Expansion plans

To operators in the region (perhaps excepting those from Singapore), the results of the latest survey suggest the local market was still their most preferred destination for business expansion. The percentage of respondents who chose "expand locally" over other options varied from just 17% of operators in Singapore to everyone in the Japanese market.

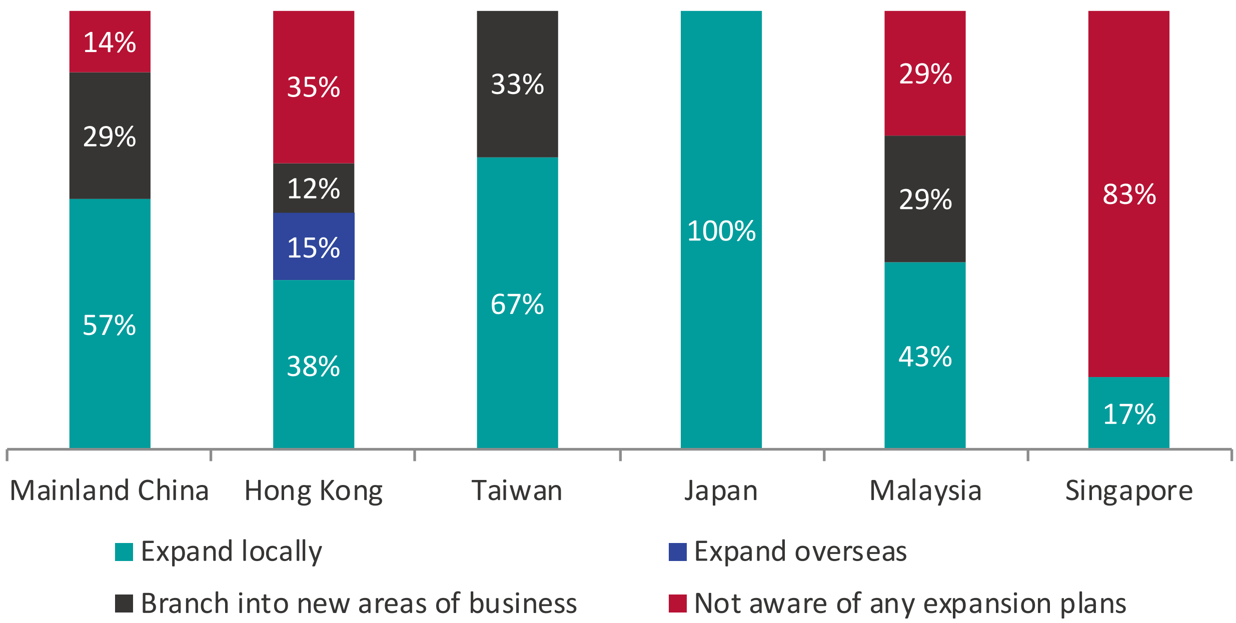
Hong Kong retained its position as the only Asian market where the industry has kept all its options open. The percentage of operators who favored local expansion increased (rising from 22% in 2016 to 38% in 2017)

Because only 2 Taiwanese operators participated in our survey, readers are advised to interpret the results with caution.

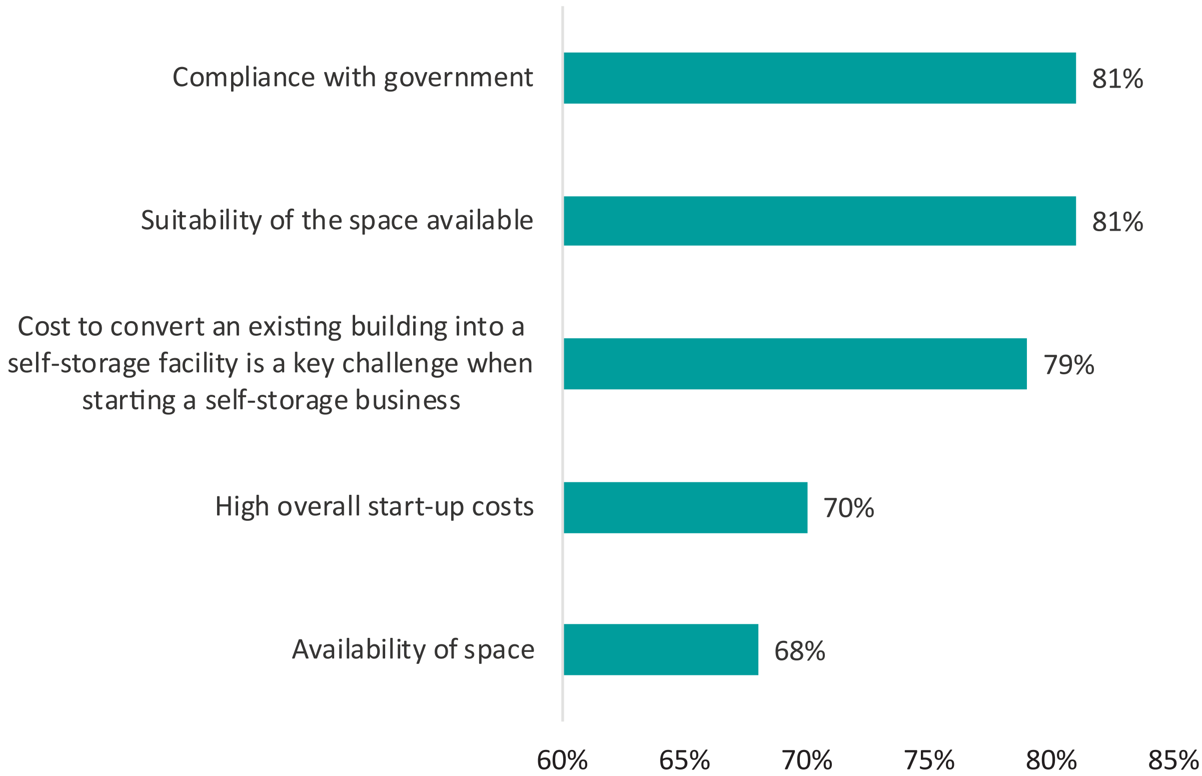
While an increasing percentage of Malaysian suppliers opted to expand locally (rising from 40% in 2016 to 43% in 2017) or to branch into new areas of business (rising from 20% in 2016 to 29% in 2017), the proportion of respondents without any expansion plans shrank (dropping from 40% in 2016 to 29% in 2017).

Conversely, an increasing percentage of their counterparts in Mainland China were without any expansion plans (rising from 10% in 2016 to 14% in 2017). It coincided with a shrinking majority of operators who favored local expansion (falling from 60% in 2016 to 57% in 2017),

Expansion plans of self-storage operators in 2018



Top 5 challenges faced by operators



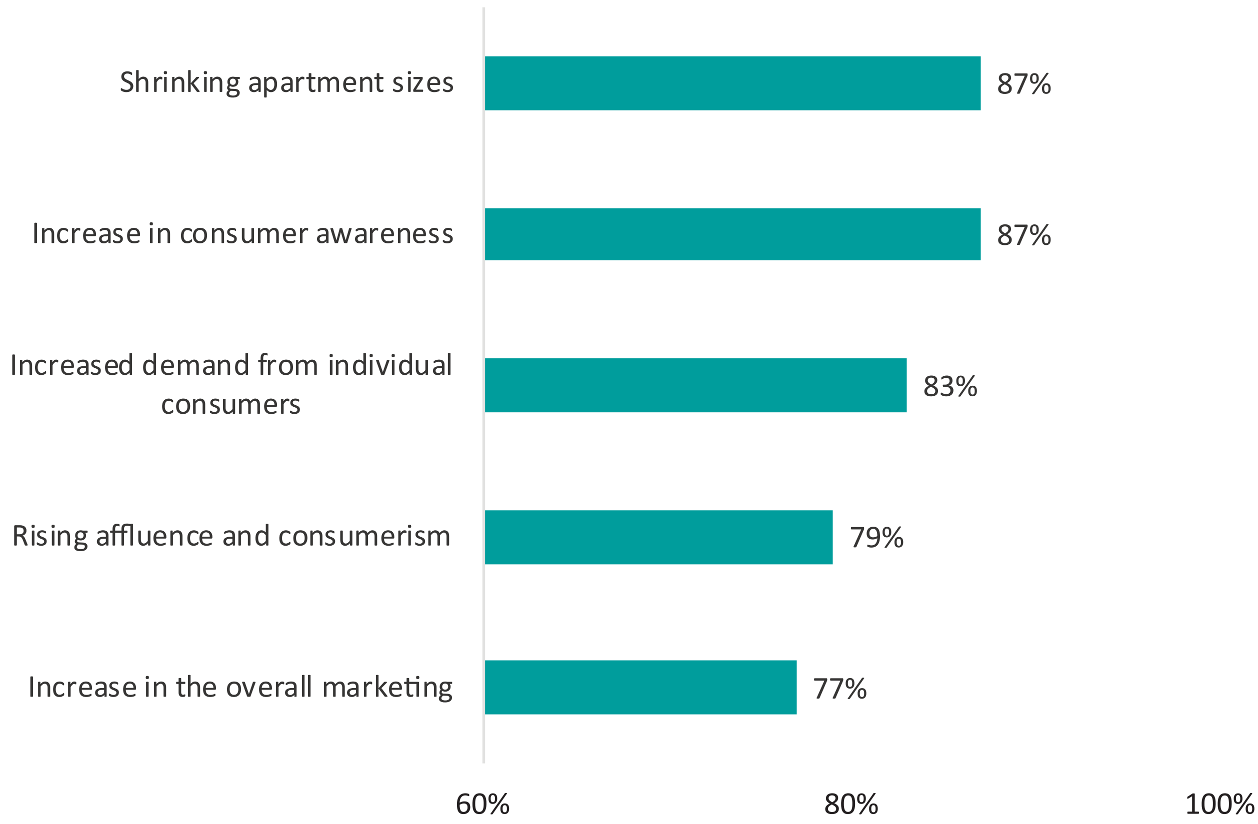
Ranked by respondents in 2015 as the industry's fifth major challenge, "compliance with government policies" re-emerged in our 2017 survey as the top challenge facing operators. It was the choice of 81% of participants, and took on special significance in the wake of the 2016 blaze in Hong Kong that triggered the overhaul of the city's regulatory regime as well as the shakeup of its market for the self-storage industry.

A majority of operators identified the difficulty in finding space as one of the industry's core challenge. "Suitability of the space available" (the top spot in 2015 and 2016) was chosen by 81% of respondents as their second major challenge,

"Availability of space" (the second spot in 2015 and 2016) was picked by 68% of participants and accordingly dropped to the fifth spot.

Next on the list is the issue of cost. A total of 79% and 70% of respondents ranked "cost to convert an existing building into a self-storage facility" (the fourth spot in 2016) and "high overall start-up costs" (the fifth spot in 2015 and 2016) respectively as their third and fourth key challenges.

Top 5 industry drivers



"The Malaysian market is still at an earlier stage compared with developed markets such as Hong Kong and even Singapore. However, we anticipate that the rise of digital businesses and logistics-based businesses will increase demand for self-storage in the near to medium term. In the long term, trends point towards smaller houses, less in-house storage space and greater urbanisation, leading to steadily increasing demand for storage."
- Desmond How | Founder & Director | Flexi Storage

In our latest survey, "marketing" replaced "population growth" (fourth spot in 2016) as one of the top 5 drivers of market demand. Our 2015 survey identified "marketing of the facility" as the third key industry driver; it re-emerged in 2017 as "increase in the overall marketing", and was ranked by 77% of participating operators as the fifth key driver of market demand.

It should be taken together with "increase in consumer awareness" (the second driver identified by 87% of respondents) and "increased demand from individual consumers" (the third driver picked by 83% of participants), both of which could benefit from extra marketing efforts.

This is of particular relevance to nascent markets – like Mainland China, Taiwan and Malaysia – where average occupancy levels are lower than those in more mature markets across the region.

Again, "rising affluence and consumerism" in the fourth spot (identified by 79% of respondents) is closely related to all three industry drivers.

Identified by 87% of operators, the top driver has much in common with the fifth and the second key challenges ("availability of space" and "suitability of the space available"): the unavailability of space because of "shrinking apartment sizes".

Attractive countries for expansion

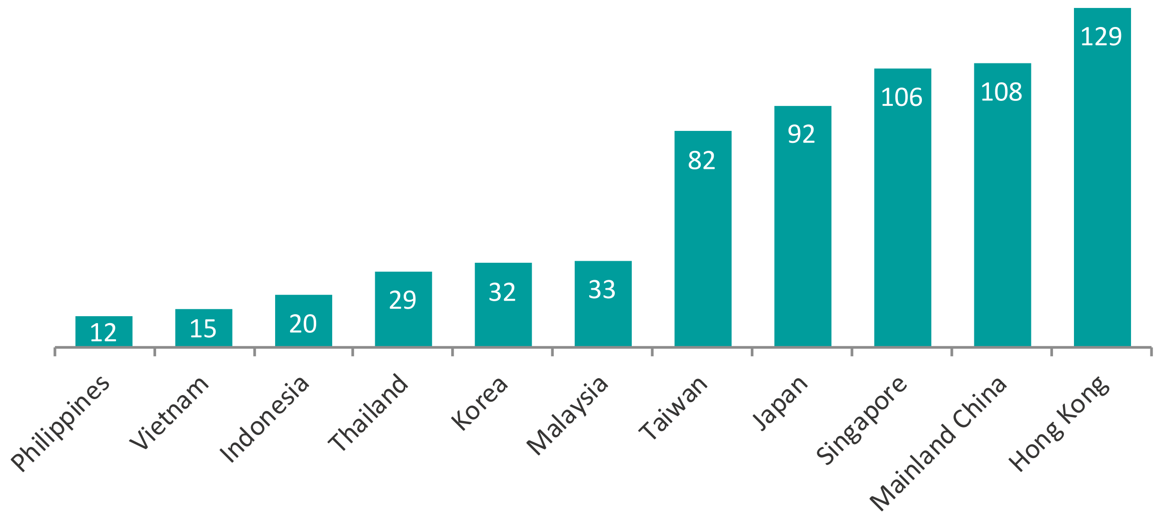
As in previous surveys, the same candidates made the top five spots in 2017 – although with changes in their rankings. This year's results came with an extra twist: all six markets covered in our survey took the top six positions, with Malaysia chosen by respondents as the sixth most attractive country for expansion.

Japan conceded the top spot and dropped to the fourth position. As a more mature market with high operating costs that achieved mild growth in 2017, it might have lost some of its appeal to operators from other countries in the region with better prospects.

Singapore advanced two spots and leapfrogged Japan and Taiwan to capture the third position. Although this Southeast Asian city state delivered lackluster performance over the past year, there are still hidden sources of growth untapped by its well-regulated industry.

Both Hong Kong and Mainland China moved up one spot to become respectively the leader and the runner-up on the list. Taiwan dropped one spot to the fifth position, but was still ahead of Malaysia and its other Southeast Asian neighbors.

Most attractive expansion destinations perceived in Asia



Note: In IPSOS's operator survey, each respondent was asked to rank up to five of their perceived most favourable countries for expansion.

"In Taiwan the real estate transparency has improved significantly in recent years. The [operation of] actual real-estate transaction prices database along with the property tax reform that brought Taiwan in line with international standards have significantly raised real estate market transparency. This is a big advantage for investors who want to invest in free-hold self-storage [facilities]."
- Jodi Chen | CEO | Easy Storage Taiwan

COUNTRY SNAPSHOT
THAILAND

The first Thai self-storage facility appeared in Phuket in 2010. Today Thailand’s self-storage industry is relatively fragmented, with only a handful of suppliers operating at Pattaya and Phuket, and recently around Bangkok's suburban districts.

Spurred by urbanisation, public awareness, and the growth of small businesses, the industry will grow as the population begins to store personal items outside the home. At this point, the country’s demand is still relatively small.

Vasu Desit | Director | Leo Self Storage

[SSAA] How do you see the current growth of the industry in Thailand?

[VD] Thailand is a new market for self storage, however, we found that the industry has grown rapidly as lifestyle and culture has changed. Obviously, we can see urbanisation in big cities and it's a big jump when we look back. Three to four years ago there were two main operators in Bangkok. Now, a few years later, many interested people want to enter this industry. This year we will see a lot of new facilities in Bangkok.

[SSAA] What future opportunities do you see for the industry to grow into?

[VD] We see many local and overseas investors interested in the Thailand market. For us, the more self-storage operators means the better understanding in the products for customers. This also means the more opportunities to grow the business in Thailand.

[SSAA] How many new entrants to the industry were there in 2017 that you were aware of and how many are you aware of coming in 2018?

[VD] There were five facilities (including us) who opened in 2017. This year we expect maybe four to five new operators in Bangkok.

[SSAA] How has the competitive environment developed over the past year?

[VD] Overall the environment between operators is quite friendly, especially if we have the chance to get to know one another or have a chance to introduce ourselves to one another and chat. Generally, customers will choose the most convenient self-storage facility for themselves, so, for us our key competitors are the operators that are within the immediate vicinity of our facilities. As the industry is very new in Thailand, I believe it would be helpful if self-storage operators would share information with one another. However, most of people are not comfortable to share useful information with others.

[SSAA] What has been your strategy to engage and educate customers?

[VD] We simply use social media and develop PR through online marketing. Acquiring new customers is not easy, it takes time for new customers to understand what self-storage is. Some people think self-storage is just a warehouse, whereas other people compare self-storage with renting an apartment or commercial space.

[SSAA] Do you believe it is more relevant to open smaller or larger facilities in your market?

[VD] Can be both. Depends on your location and strategy.

COUNTRY SNAPSHOT
SOUTH KOREA

The self-storage industry in South Korean is still in its infancy, which makes it challenging to accurately forecast the pace and the direction of its future development. However, there are two factors that will help determine which business model the country's market eventually will adopt.

The first is the strong linkage between the country's housing and storage markets. The second factor is the ubiquity of the Internet in South Korea and the country's adoption of advanced communication technologies.

Junghwoan Kim | Co-Founder | daLock

[SSAA] How do you see the current growth of the industry in South Korea?
[JK] The link between storage and housing market in Korea is very strong. There are a few unique characteristics in the Korean housing market. First, Koreans are not familiar with paying monthly rent for housing, since there is payment plan called "Jeonse".

Jeonse is a long-term lease (mostly 2 years with renewal option) where tenants deposit 60-80% of the house price and get a refund when the rental contract expires.

Second, the logistics and internet in Korea market is very well developed and consumers are already used to ordering everything online with their smartphones with delivery taking one to two days.

This means customers for the self-storage industry are likely to have a very strong demand for mobile related services – ranging from online reservation, mobile access, online payments etc.

It is difficult to guess how the industry will develop, since the industry is in a very early stage. However, we can assume that more consumers in Korea will pay attention to the valet storage model compared to other countries. Regarding the Jeonse issue, the perception of young generations are slowly changing.

[SSAA] What future opportunities do you see for the industry to grow into?
[JK] There are several opportunities, which can have a positive impact on industry growth in Korea – including the change in perception of renting space rather than owning it; the speed of gentrification in the central area of Seoul; government policies for the real-estate market, and the merging of logistics and communication technologies with [those used for] self-storage.

[SSAA] How many new entrants to the industry were there in 2017 that you were aware of and how many are you aware of coming in 2018?
[JK] In the past a few big companies have entered and subsequently exited the market (three to four) and also large E&C (engineering and construction) companies and developers are looking at the storage market since they need to differentiate themselves from competitors by supplying storage services in the residential, apartment, and housing market.

Small suppliers tend to adopt the self-storage or the valet storage models, roughly 40% versus 60%.
In 2017, small companies and start-ups were booming in the logistics segment with IOT and O2O. However, the portion of self-storage providers in the logistics segment is still very small.

In 2018 and later, we expect more big companies (which are already established in other industries such as logistics/delivery, real-estate, E&C) to join the market – and this could pose a threat to traditional storage operators already in the market. These new entrants will likely join the market with low-prices and developed technology platforms.

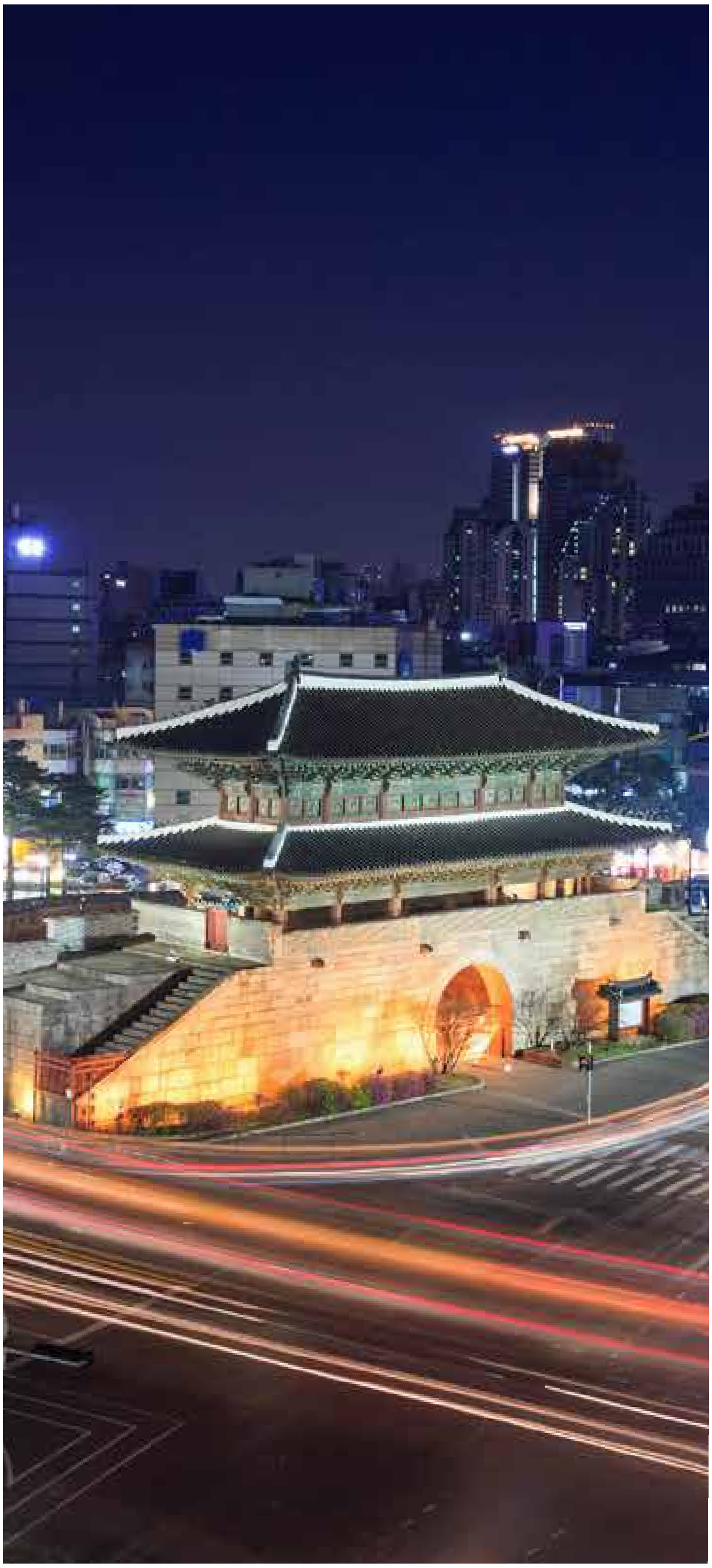
[SSAA] How has the competitive environment developed over the past year?
[JK] The Korean market has seen very stable prices, especially in Seoul. The price of storage facilities is mostly in line with local real estate prices. Thus the price is more dependent on the price of nearby real-estate and not competitors.

[SSAA] Has the number of facilities been increasing in the key areas where you operate?
[JK] Like any other market, new comers gravitate towards Seoul, the capital. Almost all facilities are concentrated in Seoul or in the suburban districts of Seoul. There are also storage facilities available in Busan.

[SSAA] Has the lease cost increased significantly, making your business more difficult?
[JK] Lease costs in Seoul have never been decreasing. Companies usually have to deposit an average of 10 times the monthly fee to lease property in Korea. The government is aware of this issue and is trying to address it.

[SSAA] Have you had to increase your costs?
[JK] Our costs are linked to lease cost, and lease cost is closely linked with the region's real estate price, which fluctuates with government policies and real estate speculation.

[SSAA] What has been your strategy to engage and educate customers?
[JK] Older generations have strong beliefs in the rise of real-estate value because it has never failed in Korea. They want to own the space rather than rent, paying a monthly fee. However, young customers are now more comfortable with renting space for living (including house and storage). Consumer behavior is changing – however it seems slower than expected.



COUNTRY SNAPSHOT
INDIA

Unlike in the USA or Canada where people lease individual units for their belongings, Indians use self-storage services to keep old things of sentimental value (which usually fit into boxes) as well as for relocation-related purposes.
As competition increases and the industry starts to take shape in India's key cities of economic growth, self-storage operators must rise to the challenge of increasing public awareness as well as building brand visibility.

space valet
your storage hub

Devak Davda | Co-Founder | Space Valet

[SSAA] How do you see the current growth of the industry in India?
[DD] The industry is in a very nascent stage in India. Unorganised warehousing and storage services offered by local movers and packers is still the dominant way most people can access storage space. Due to lack of data, it is extremely challenging to estimate market sizes or demand trends. This will happen once the industry has operated in the country for one or two more years. Having said that, through market surveys and informal sources we see a sizeable demand for self and managed storage services. As disposable incomes grow, and cities become increasingly crowded/dense, the demand will only grow.

[SSAA] What future opportunities do you see for the industry to grow into?
[DD] It is too early to gauge future opportunities in the industry. The focus must be on providing self and managed storage services in line with international standards set out by the SSAA and standards prevalent in other countries. India is a unique market and shaping the industry in the first few years is crucial. The first-mover companies must ensure they do this responsibly.

[SSAA] How many new entrants to the industry were there in 2017 that you were aware of and how many are you aware of coming in 2018?
[DD] 2017 saw not more than two to three new entries that we are aware of, but there were also some exits and revaluations of business models. All new entrants are not offering self-storage as it would be defined by the SSAA. These are mostly B2C storage services in shared warehouses, palletised storage and other storage models. There may be multiple smaller informal storage providers that do not appear on the radar.

[SSAA] How has the competitive environment developed over the past year?
[DD] There is very limited data to comment on the competitive environment. What is important to understand is that India is always a very price sensitive market, and players are very aware of that. Furthermore, lease rates are already very high in Mumbai and other tier-one cities. We don't see rates increasing significantly in the near future.

[SSAA] What has been your strategy to engage and educate customers?
[DD] Customer engagement is primarily through direct marketing, brochures, referrals, social media and word of mouth. Implementation of large scale advertising will still take time as and when we project an increase in conversion rates.

[SSAA] What is the biggest misunderstanding you believe customers have about self-storage?
[DD] Customers are not aware of self-storage as a concept. The biggest challenge is to educate the customers on how the industry works, how their interactions with storage operators will be, and a reassurance of the safety and condition of goods in the sometimes harsh Indian climate.

COUNTRY SNAPSHOT
PHILIPPINES

The self-storage industry in the Philippines has been growing steadily since the first operator SafeHouse opened for business in Metro Manila in 2010. Referred to by local people as “mini storage”, the sector adopted the American model that carves up big warehouses into individual storage units secured by metallic roll-up doors.

Sam Peterson | President | Loc&Stor 24/7

[SSAA] How do you see the current growth of the industry in the Philippines?
[SP] Roughly six new facilities came on last year and appear to be filling at a reasonable rate. We continue to search and develop new facilities to meet what we believe will be continued growth in demand.

[SSAA] What future opportunities do you see for the industry to grow into?
[SP] Manila has many providers, but for those with strength in the secondary markets, they are likely worth a test.

[SSAA] How many new entrants to the industry were there in 2017 that you were aware of and how many are you aware of coming in 2018?
[SP] There are approximately 12 to 13 providers, depending on how you define "self-storage".

[SSAA] How has the competitive environment developed over the past year? Has it become more price competitive?
[SP] Yes, which is really nonsensical, considering it is still early years here. Intelligent operators should be willing to take what they would give up in price-reductions, and instead use the same amount for marketing to create greater awareness and increase demand (that is, customers prepared to pay current rates). Learned this one from Jon Perrins. This way they keep their rates healthy, and grow the market and the bottom line... Basic economics, in my view. When market saturation occurs in the future is when pricing advantage becomes more of a key factor. But while there are many unknown potential customers in the market, the focus should be on growing instead of fighting over customers who are entirely content with paying current rates.

[SSAA] Has the number of facilities been increasing in the key areas where you operate?
[SP] Yes, four facilities opening within two km in just 12 months... Imagine that!

[SSAA] Has the lease cost increased significantly, making your business more difficult?
[SP] Yes, the lease cost for underlying properties has increased by 50% in just three years. We increase to what is allowable and typical for rental properties here in Manila.

[SSAA] What has been your strategy to engage and educate customers? Do you feel you have been able to successful convert new customers?
[SP] We, and our competitors, still have a lot to learn in terms of reaching the latent self-storage market. There has even been significant copyright infringements between competitors in this market, which just goes to show how nascent this market is with regard to marketing professionality.

[SSAA] What is the biggest misunderstanding you believe customers have about self-storage?
[SP] Aside from just not knowing what self-storage is, I'd say many potential users think of a dirty warehouse or outdoor roll-up style facility versus the modern, secure, clean facilities that a few of us offer. We get a lot of "wow, I never imagined..." from our first-time visitors.

[SSAA] Do you believe it is more relevant to open smaller or larger facilities in your market? How long does it take on average to fill a facility?
[SP] Facility sizes vary significantly here. There are successful small-facility strategies as well as large-facility strategies. Comes down to risk appetite, access to working capital, as well as suitable real-estate. As for average filling of facilities, I'd say one to three years – depending on size. Do note, we do not have huge 20,000-square-metre facilities like those found in Singapore.

GLOSSARY

Terminology	Definition
Chg	Change
GDP	Gross domestic product
L12M	Last 12 months
sqf	Square feet
cbf	Cubic feet

ADDITIONAL INFORMATION

Methodology

An online survey was sent to operators in each country via the SSAA.
Ipsos Business Consulting compiled the results, cross checked information against Ipsos Business Consulting's proprietary self-storage database and conducted interviews with individual operators.
Data was provided from the following sources:

1. Economic overview – Ipsos Business Consulting.
2. Industry overview collected and consolidated by Ipsos Business Consulting.
3. Survey results: Collected and consolidated by Ipsos Business Consulting from online survey responses.
4. Outlook: Collected and consolidated by Ipsos Business Consulting from online survey responses.
5. Operator interviews: Ten operators provided written feedback to a questionnaire sent out by the SSAA on behalf of Ipsos Business Consulting.
6. Specific information regarding number of facilities and gross floor area in Japan are provided by Quraz.
7. Data on Singapore and Malaysia was cross referenced with data specifically received from Lock+Store.
8. Reference tables: Information consolidated by Ipsos Business Consulting from online survey results, secondary resources and Ipsos Business Consulting proprietary database.
9. Sample size:

Country	Sample Size 2017
China (Mainland)	11
Hong Kong	20
Taiwan	2
Japan	3
Malaysia	5
Singapore	6
Total	47

SPECIAL RECOGNITION

A special thank you to the operators that took the extra time to provide written feedback to our questionnaire.

- Sam Peterson | President | Loc&Stor 24/7
- Charlotte Sun | Managing Director | Locker Locker
- Emma Feng | CEO | My Cube Self Storage
- Alexander Chung | Managing Director | Hongkong Storage
- Devak Davda | Co-Founder | Space Valet
- Yasuo Hagiwara | Senior Director of Operations and Marketing | Quraz
- Desmond How | Founder & Director | Flexi Storage
- Helen Ng | CEO | General Storage Company
- Junghwoan Kim | Co-Founder | daLock
- Jodi Chen | CEO | Easy Storage Taiwan
- Vasu Desit | Director | Leo Self Storage

REFERENCE TABLES

Supply data

	Population (million)			Estimated number of facilities			Total current rentable area square feet			Gross floor area per capita square feet			Facilities per million population		
	2016	2017	Chg	2016	2017	Chg	2016	2017	Chg	2016	2017	Chg	2016	2017	Chg
Mainland China	1382.7	1390.8	0.6%	170	378	122.3%	1,124,580	2,867,347.2	155.0%	0.0014	0.0034	142.8%	0.12	0.27	121.1%
Hong Kong	7.4	7.4	0.0%	440	369	-16.8%	2,712,400	2,281,310	-15.9%	0.6193	0.5138	-17.0%	60.27	49.87	-17.3%
Taiwan	23.5	23.6	0.4%	93	108	16.1%	502,680	535,397.3	7.0%	0.0357	0.0378	5.8%	3.96	4.57	15.6%
Japan	126.9	126.7	-0.2%	2250	2450	8.6%	4,520,838	4,843,755	7.2%	0.0593	0.0637	7.4%	17.73	19.33	9.0%
Malaysia	31.6	32.1	1.6%	10	13	30.0%	110,385	92,662.1	-16.0%	0.0059	0.0048	-18.6%	0.32	0.40	27.9%
Singapore	5.6	5.7	1.8%	57	56	-1.7%	1,599,560	1,298,413.1	-19.0%	0.4847	0.3797	-21.6%	10.18	9.82	-3.5%

Number of facilities in 2017

Country	Number of facilities in 2017
Mainland China	378
Hong Kong	369
Taiwan	108
Japan	2450
Malaysia	13
Singapore	56

Total available space

Country	Rentable area 2016 (sqf)	Increase in 2017 (sqf)	2017 Area increase (%)	Rentable area 2017 (sqf)
Mainland China	1,124,580	1,742,767	155%	2,867,347.2
Hong Kong	2,712,400	-431,090	-15.9%	2,281,310
Taiwan	502,680	32,717	7%	535,397.3
Japan	4,520,838	322,917	7.2%	4,843,755.0
Malaysia	110,385	-17,723	-16%	92,662.1
Singapore	1,599,560	-301,147	-19%	1,298,413.1

Note: The data source for Japan in 2017 is from the Annual Operator Survey, while the source for the 2016 data is from Quraz, the leading indoor self-storage operator in Japan. The variance in the data comes from the two different sources. It is Ipsos Business Consulting view that the data provided by Quraz provides a realistic view of the indoor self-storage industry in Japan in 2016.

Floor area per capita

Country	Gross Floor area per capita (sqf)
Mainland China	0.0034
Hong Kong	0.5138
Taiwan	0.0378
Japan	0.0637
Malaysia	0.0048
Singapore	0.3797

Facilities per million population

Country	Gross Floor area per capita (sqf)
Mainland China	0.0034
Hong Kong	0.5138
Taiwan	0.0378
Japan	0.0637
Malaysia	0.0048
Singapore	0.3797

CONTACTS

Markus Scherer
Director, Ipsos Business Consulting Hong Kong
E. markus.scherer@ipsos.com
T. 852 2839 0647

Milly Yuen
Senior Consultant, Ipsos Business Consulting Hong Kong
E. milly.yuen@Ipsos.com
T. 852 2837 8234

Luigi La Tona
Executive Director , Self Storage Association Asia
E. luigilatona@selfstorageasia.org
T. 852 3462 9553