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Building Asia: The Region That Never Sleeps

**From Pre To Pro - Self Storage Training Series:
Location (6), Capital (8), Setup (20), and
Bring It All Together (23)**

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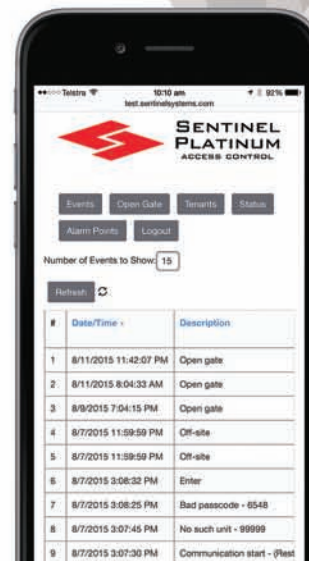
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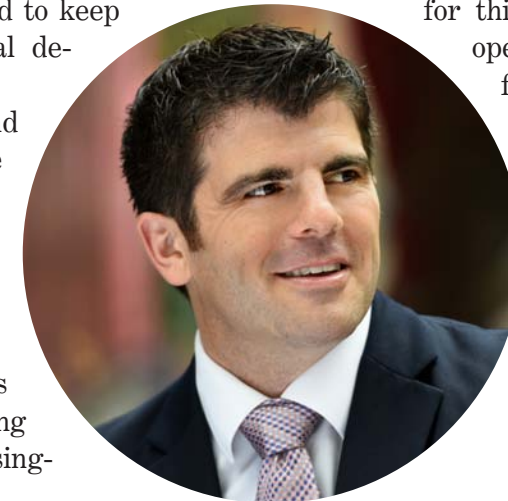
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Welcome

If New York is the city that doesn't sleep Mr Sinatra, then Asia is the region to your city. Not only is our growing prosperity allowing us to shop all night, but construction goes all night long as well. You've seen building cranes around your favorite cities in Asia, sometime side by side, in order to continue the vertical glass towers that are desperately required to keep up with residential and commercial demand.

This century belongs to Asia and it is apparent in the amount we are building. Increased prosperity is giving rise to the consumer class and drawing in people to the cities making them evermore vertical, dense, and populous. I've posted on our SSAA LinkedIn page numerous articles that describe the decreasing size of these new apartments, increasing-ly with less and less storage space.



Luigi La Tona

Executive Director, Self Storage Association Asia

This is the reason why self-storage in Asia is that much more important. Governments want to encourage us to spend and we are happy to – as long as we have somewhere to store the stuff. The small apartment/no storage combination is not conducive to spending. Therefore self-storage is more than a want...it is a need for this growing prosperity in Asia. Developers are meeting the increased demand for residential and commercial spaces by developing, consumers are doing their duty to keep economies growing by consuming, and it's up to us as self-storage providers to make up for the lack of storage space by providing. The night is young and so is the industry. Self-storage growth in Asia owns the night.

Self Storage REITs Ranked No.1 on Bloomberg List of Best Alternative Investments



Self Storage Expo Asia

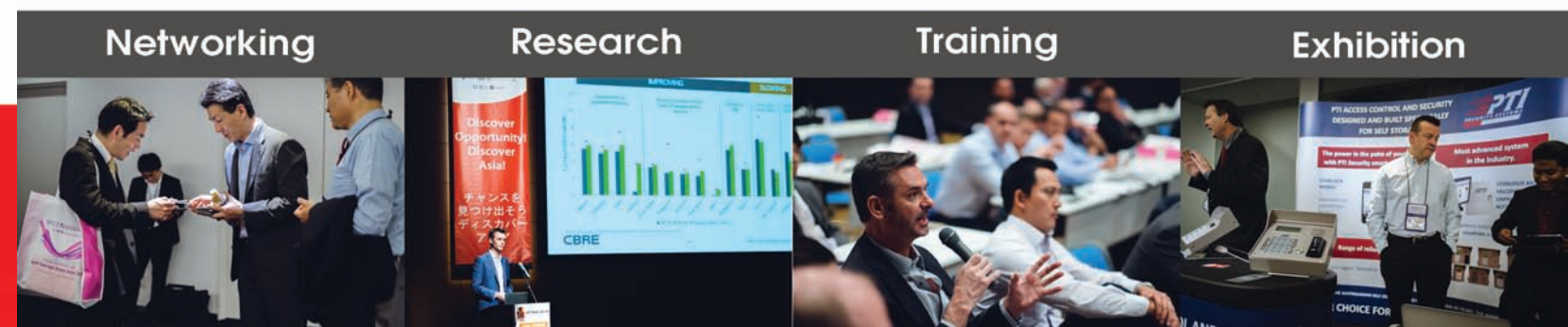
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From Pre to Pro: Have the Right Site



Neil Waterman, General Manager Steel Storage Asia Pte Ltd.

So you believe you now have your self-storage site in focus, but do you? Have you taken into consideration the main factors for site selection?

Location is a fundamental art of the business in order to achieve the best success. The best wisdom for this is to remember that approximately 70% of tenants are typically individuals who live within a 5-7km radius of your self-storage facility. Many people come with the site already picked and they simply want to guarantee this site for the greatest success. Now its time to see about how viable it is for self storage.

A self-storage feasibility assessment should be carried out for you by an expert who understands the whole process of getting a self-storage facility up and running from concept to completion. This feasibility assessment should consider the general and specific topics below.

“Demographics”. Know the population of the area, the types of property’s, the span of local income and the average monthly household income and expenditure.

“Competitors”. Who are your competitors? How many

are there and where are they located? What type of facility do they have - single use purpose or shared buildings with other businesses? The site build-up profile of these operators will also vary, with the single level providing mostly smaller units while the building operator operates with larger units. Do they offer other value added services such as mailboxes, 1m³ lockers and wine storage? These are all areas worth considering, as they will give you a good indication on the size requirements of your facility.

“User Profile” The majority of your customers store clothing, shoes and other household items (29%), personal effects (18%), furniture (16%) and arts, crafts and other hobby related items (5%). The remainder will be taken up by business users.

“Operator Profile” Most self-storage operators provide 24-hour access for customers at their facilities and most provide basic security services such as CCTV, individual unit security and personalized access such as digital PIN number, key card or biometric fingerprint access. You may also want to consider offering air-conditioned storage areas in your facility. Customers may then choose to store anything from collections of antiques and paintings



to equipment and musical instruments. Some operators also offer wine storage within their facilities to cater to the requirements of wine collectors and dealers within a controlled internal environment. You should also offer self-storage insurance to clients for protection of their stored goods. There are many flexible self-storage insurance schemes that allows the client to choose the amount of coverage they need based on replacement value of the possessions in storage.

“Facility Design and Layout” The space you have has a cost and therefore you must maximise the utilisation of that space. Design and layout of your facility is key. Whilst facilities require corridors for fire escape purposes, the design of the unit layout within a facility should aim to keep the number of corridors to minimum. It is also vital that the proportions of each unit are suitable for access and storage. Consideration of the number and size of each unit is one of the most important tasks during the design of your self-storage facility. It is essential that whoever walks through your reception door can rent a unit that is suitable for their needs and therefore makes your sales process all the more easy. The greater the number of units in your facility, the smaller the average size will be; and the



smaller the average size becomes, the higher the price for the manufacture and installation. Therefore, it is essential to know what units will sell and how many of each you need. It would be foolish to build a facility that only had very large or very small units as it is highly

unlikely that you will be able to satisfy the needs of all potential customers. Some facilities are fitted out in phases, which is advantageous when planning the unit mix. You can start with a mix of unit sizes in your first phase and if that doesn’t necessarily suit the demand, you can adapt the second phase according to your experience. Phasing is of course dependent on the overall size of your facility and the expertise of your design company.

“Top Line Costs”. Your feasibility assessment should also cover the top line costs for the set-up of your self-storage facility, after all you need to know what it will cost you. You certainly need to know the return on investment you can expect.

All in all, these points are the fundamentals for ensuring you have the perfect site. Self Storage is no longer a business of build it and they will come. However, if you build it right, you’ll be looking for your second site in no time.

From Pre to Pro: Sourcing the Capital



Robert Naso, Managing Director, Clear Bridge Asia Capital & Partner, Your Space.

The process for an operating company to find a suitable capital partner is a road well-traveled and littered with those that should have, could have, would have and almost did – but didn't. Taking this one step further and adding to the complexity and difficulty is working with a smaller company in what is an emerging or niche industry. This presents a whole new set of challenges and issues. All told, the unique opportunity to combine institutional experience with a small, execu-

tion-driven company in a dynamic sector across a very diverse geographic landscape does present an interestingly compelling investment alternative among the real estate investing universe-if you can get it right.

Self Storage: The Industry Dynamic

As a backdrop, the Asian self-storage opportunity, while in its infancy from an investment and product type perspective, is poised to grow exponentially over the mid to long term. Fundamentals across key Asian cities tend to provide the basis for acceleration takeoff: densely populated urban areas, smaller apartment sizes and a growing

middle class. These factors seemingly help point the industry in a robust upward projection. Overall, penetration rates remain low relative to the more established self storage markets in the US, Europe and Australia and the competition dynamic remains diverse and scattered with multiple, smaller players given the relatively low economic barriers to entry. Yet the lack of a dominant player across this challenging environment presents an industry primed to grow both organically and thru consolidation. Thus the ability to complement and partner strong, capable, well-informed and nimble capital with operating partner execution capability should provide a meaningful and potentially powerful collaboration opportunity.

Lease Versus Buy

The Operating Company and Returns: A lot to Consider: Interestingly, the short to mid to longer term timeline presents multiple investment alternatives across the entire investor return spectrum. Investors and companies need to articulate their focus on the long term lease model versus the asset ownership model, identify if they want to participate at the operating company/platform level and clearly define the risk they want to take given their proposed return expectations whether it be opportunistic through core. With storage-there is potentially something for everyone.

The Investor/Investee Relationship – A Continuous Thematic Discussion

A few basic themes provide the basis for the capital provider/operator relationship discussion; namely: digesting and understanding the regional thesis, analyzing the operating team and its track record, fully vetting and comprehending the transaction and relationship economics, ensuring a solid alignment of interests focused on co-investment of capital with back-end incentives tied to realized and achieved returns and lastly, being able to review, underwrite and react to a fluid and often changing investment pipeline and environment.

The Capital Conundrum - The Equity

While the Asian equity investor universe remains very wide and very diverse, the main points referenced above provide some guidance as to major points that tend to be focus areas that will likely remain the basis of any prolonged investment relationship discussion. High Net

Worth (HNW), Family Offices, Private/Listed developers, Hedge Funds, Private Equity Real Estate Investment Managers, real estate multi-managers, Pension Fund and Sovereign Wealth counterparties all provide a source of tremendous capital availability, but each also present very different goals, objective and expectations. Understanding the nuances of interacting with each different constituency, coupled with the operator having flexible and commercial capital receptivity should provide the manager/operator with numerous potential options to further grow a platform and expand its place in the sector.

The Capital Conundrum - The Debt

Conversely, things get a bit more interesting when the focus turns to the debt financing component. While the industry remains uniquely small and niche in its current state, it presents certain financing limitations as well.

Since it is not a mainstream real estate product, the debt provider universe remains much smaller and selective in terms of option availability -let alone the fact that some "name" banks are simply not able to participate at this point in time. Again, the ability to secure competitive and workable debt terms will fall to those groups that have strong lending/bank relationships combined with excellent operating teams. While necessitating a more lengthy and time consuming discussion about risk and execution, those banks that understand risk/return and who spend the time to understand the industry dynamic should also, in turn, create meaningful competitive advantage by being a first mover lender into this sector as it expands exponentially.

The collaboration path is one loaded with numerous bumps in the road (different geographies and cultures), twists (politics) and turns (currency fluctuations), but one that ultimately should be navigable as more and more investors invest in and become familiar with the asset class. As more tangible sales comparable price and volume data provides transparency to the investor universe, the Asian self storage market will undoubtedly mature into what has proven in other geographies to be a very scalable and successful business.

The verdict: roll up your sleeves and spend some time understanding the sector. Lock and load-it should be a wild ride!



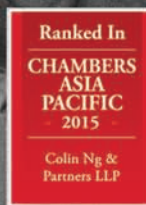
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Infographics

ASIA SELF-STORAGE

Self-storage poised for growth in Asia

Self-storage is primed for growth due in Asia to demographic changes, strong business activity, and growing investor interest.

While mature and developed in the United States, the United Kingdom and Australia, this type of commercial property is relatively new to Asia, first emerging in the early 2000's. The analysis will focus on Tokyo, Hong Kong and Singapore due to their market size, relative maturity and favourable demand drivers.



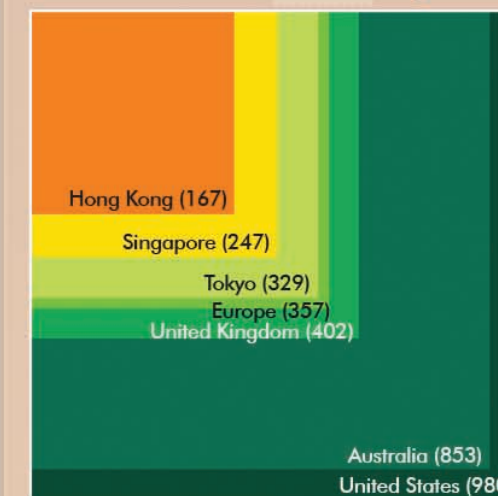
The four "Ds" and business activity

DEATH 	DIVORCE
DENSITY 	DISLOCATION*

According to Public Storage, the largest self-storage REIT in the US, self-storage demand is driven by disruptive life events called the four "Ds" – death, divorce, downsizing and dislocation (job change, marriage, college or natural disaster) – as well as business activity (expansions and contractions). In the international cities of Hong Kong, Singapore and Tokyo, consumer demand from the four "Ds" and business demand from office expansions are both healthy and growing.

* Other life changing events such as marriage, job changes, and college/University enrolment

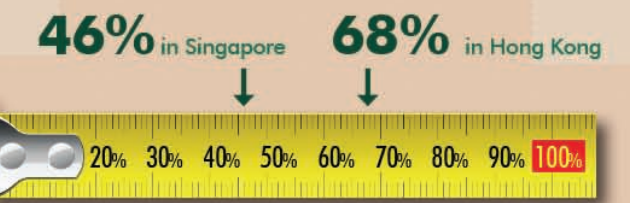
Figure 1:
Demand driver - density



Source: CBRE Research, 2015. Various country government statistical agencies 1.

Due to aging populations, the death rate will increase in Hong Kong and Tokyo, causing a need for storage when their belongings must be sorted and catalogued.

Between 2000 and 2013, the yearly number of divorces increased **68% in Hong Kong** and **46% in Singapore**. When couples split up, one person often has to move out, creating demand for self-storage.



1. Hong Kong Census and Statistics Department, 2015. Statistics Japan, Ministry of Internal Affairs and Communications, 2015. Singapore Department of Statistics, 2015. Demographia, 2013. Japan Property Central, 2014. Eurostat, 2011. Australia Institute of Family Studies, 2011. US Census Bureau, 2014.



ASIA SELF-STORAGE

DEMAND DRIVERS

Dislocation, the disruption of one's natural routine or order, is increasing in Hong Kong, Singapore and Tokyo. Marriages are on the rise; job changes are more frequent in Asia; and education is becoming more accessible and preferred in these Asian capital cities.



In Asia, cities are densely packed and living space is tight, especially in Hong Kong, Tokyo and Singapore. Average household space per person is only 167 sq. ft. in Hong Kong, 247 sq. ft. in Singapore and 329 sq. ft. in Tokyo (see Figure 1). Space is a valued commodity and self-storage is a simple way to expand one's household size.

Figure 2: Demand driver – business activity
Grade A Office – Net Absorption ('000 sq. ft., rolling 4Q)



Source: CBRE Research, 2015.

There has also been strong business demand driven by robust office expansion in Asia. As new businesses are established and offices expand, the need for archival and document storage should increase as well.



Huge shortfall to match US self-storage saturation

Asia self-storage is at an early stage and there is significant opportunity for growth from both big and small players. Our mid-point view is based off the 1984 and 1994 growth rates in the US (9% CAGR) as Asia self-storage is entering its growth phase. When benchmarked against the US growth rates, 3.9, 2.4, and 2.2 million sq. ft. of self-storage space is forecasted to be required over the next decade.

↑↑
Asian markets



Figure 3:
Self-storage space per household (rentable sq. ft.)



Source: CBRE Research, 2015. Various listed self storage REIT annual reports 3. Quraz, 2015. Self Storage Association Asia, 2015.

ASIA SELF-STORAGE

MARKET POTENTIAL

Figure 4:
Potential additional* self-storage space needed (rentable sq. ft.)



* Using 1984-1994 US self-storage per capita growth rate. This was the "base case" scenario based on the current development cycle of the Asia self-storage market.
Source: CBRE, 2015
Oxford Economics, Mar 2015 Self Storage Association, 2015.

Double digit returns from self-storage investment

There is a solid case for self-storage conversion due to the rental uplift. For sub-leasing properties over a ten-year timeframe, the internal rate of return (IRR) is 30% for Singapore, 26% for Tokyo and 23% for Hong Kong.

Purchasing the underlying property will offer more stability and enable the operator to build a long-term presence in strategic locations. While the IRR is not as favourable as sub-leasing, owing to the large upfront costs, it still ranges between 15-17% in Hong Kong, Singapore, and Japan. When the exit yield is doubled, the IRR values vary between 10-12%, showing the strength of the self-storage rental margins.

Figure 5:
Potential investment returns from self-storage conversions

City	IRR Sub-leasing*	IRR Buying
Hong Kong	23.0%	15.2%
Tokyo	26.0%	17.4%
Singapore	30.4%	15.0%

Source: CBRE Estimates, 2015.
Assumptions: 90% of average asking rental revenue, 90% stabilized occupancy, 10 year investment period, 4-5% rental growth/year, 4 years to stabilize occupancy, 30% LTV, 55-70% efficiency.
* Assuming one can lease the same unit over the 10 year period (with 10-15% underlying rental increase per lease-term) & 100% equity.

Infographics

ASIA SELF-STORAGE

RISKS AND OUTLOOK

Key risks: Awareness, availability and short lease terms

There are three key risks to the growth of self-storage in Asia – the overall lack of awareness of self-storage; the scarcity of suitably located properties; and the short lease terms

The low awareness rate from both a consumer and landlord perspective must be mitigated before self-storage penetration can reach levels seen in developed markets. The lack of supply of underlying properties may constrain the growth of self-storage despite positive demand characteristics. While leasing the underlying property for self-storage offers a quicker and cheaper expansion route, lease terms are typically shorter in Asia, which may prove challenging as the stabilisation period of many new self-storage facilities is at least one year.



Strong demand, more expansion and rising investment

The outlook for the self-storage market is positive in Hong Kong, Singapore and Tokyo, as the trends of death, divorce, density and dislocation as well as robust office expansion support growth. With Asia self-storage entering its growth phase, there is a potential need for **2.2 to 3.9 million sq ft** of self-storage space. Investment interest is picking up in this nascent sector but the first pan-Asia self-storage operator has yet to emerge. In the long term, continued consolidation by market leaders will help attract more outside capital into this alternative asset class.



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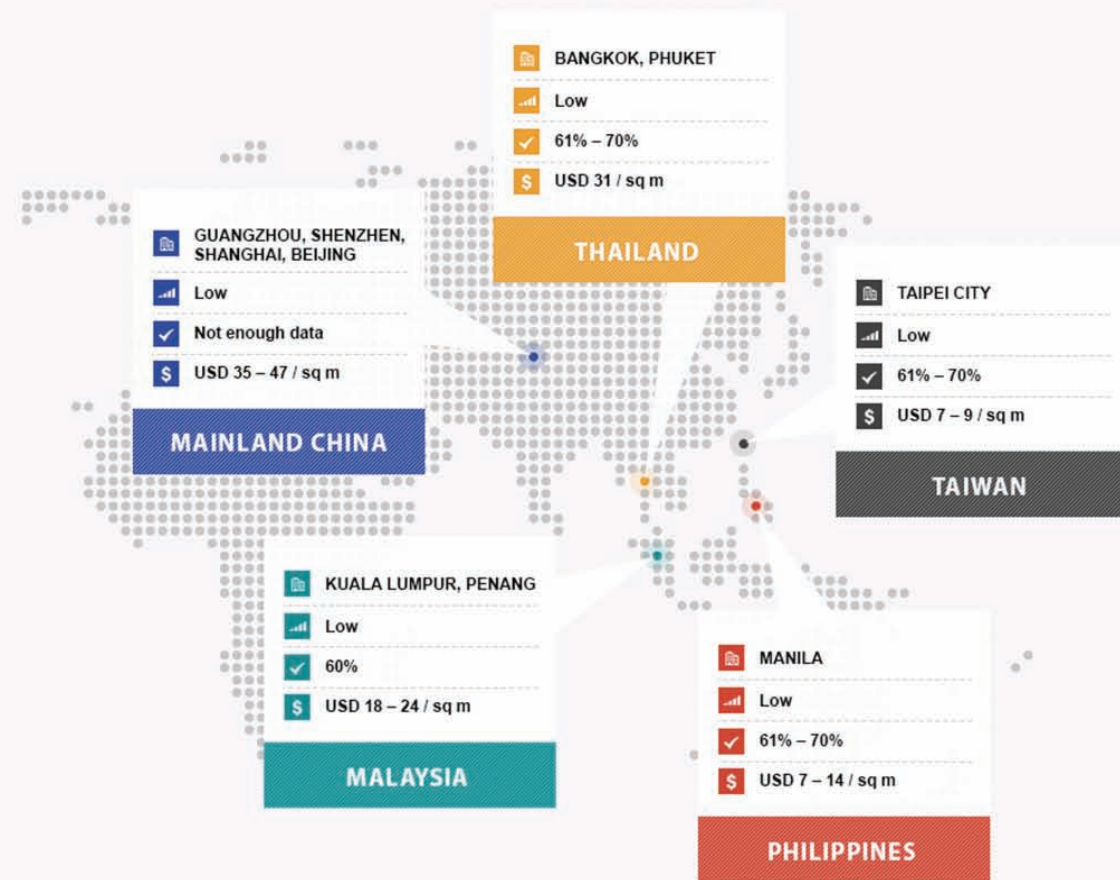
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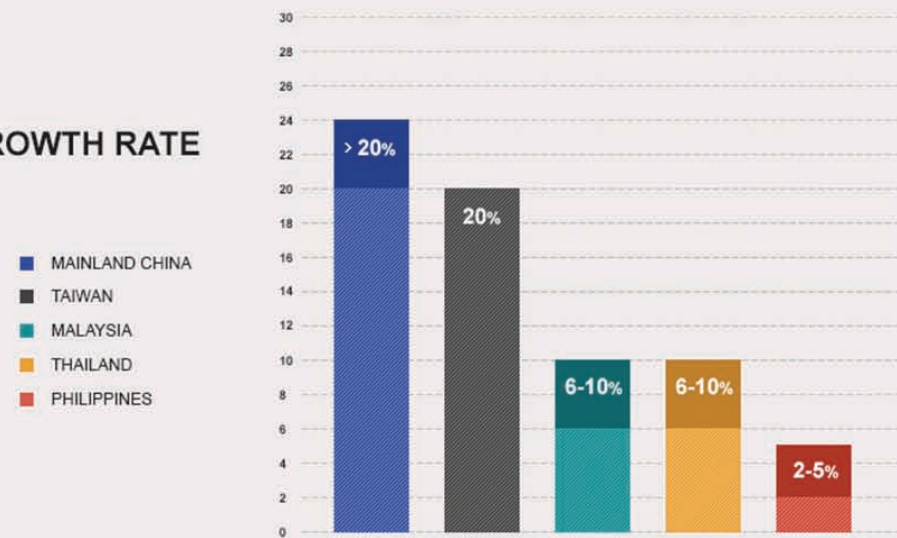
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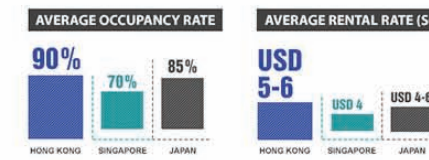
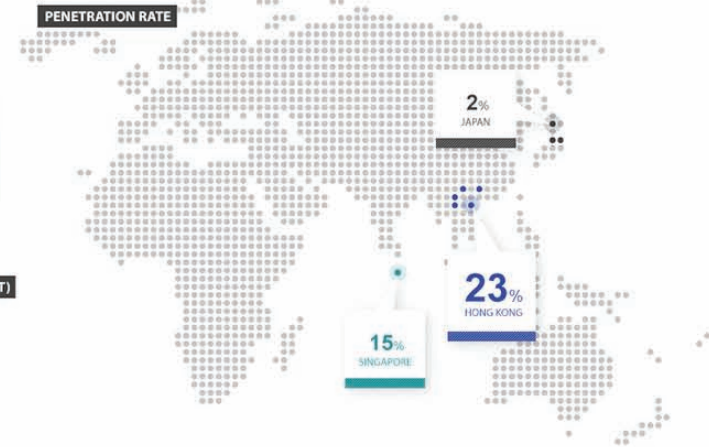
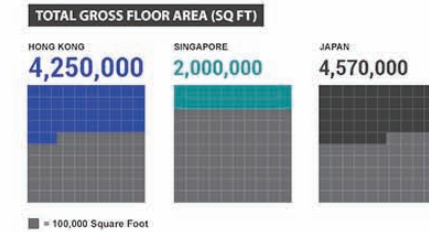


EXPECTED GROWTH RATE NEXT 3-5 YEARS

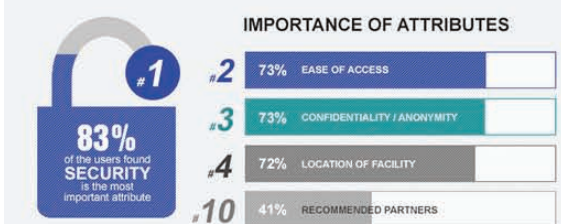
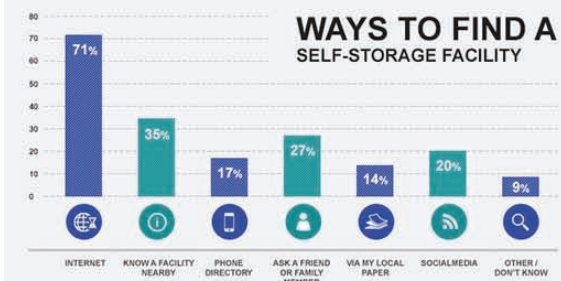


THE SELF STORAGE ASSOCIATION ASIA ANNUAL SURVEY

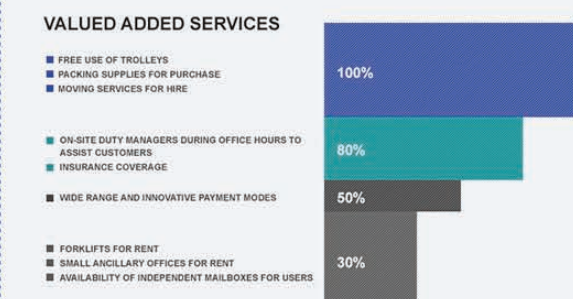
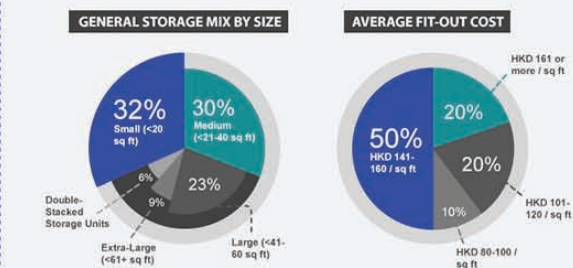
HONG KONG



CONSUMER



OPERATOR

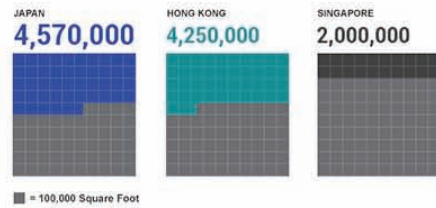


Infographics

THE SELF STORAGE ASSOCIATION ASIA ANNUAL SURVEY

JAPAN

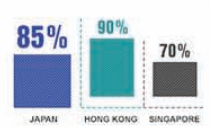
TOTAL GROSS FLOOR AREA (SQ FT)



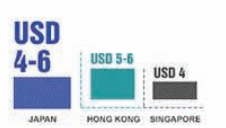
PENETRATION RATE



AVERAGE OCCUPANCY RATE

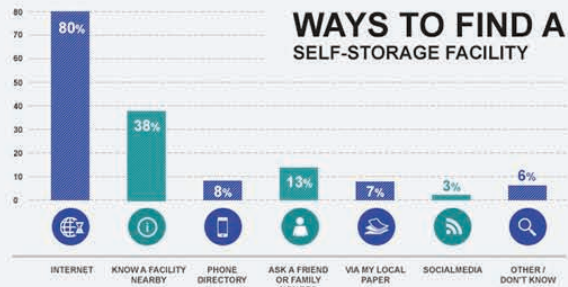


AVERAGE RENTAL RATE (SQ FT)



CONSUMER

WAYS TO FIND A SELF-STORAGE FACILITY



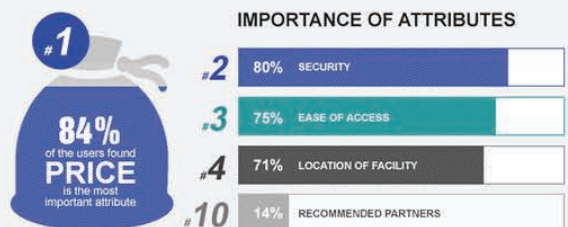
AWARENESS



COST PERCEPTION



IMPORTANCE OF ATTRIBUTES

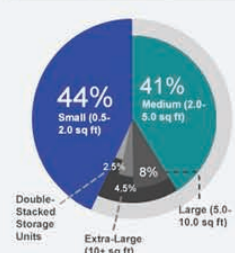


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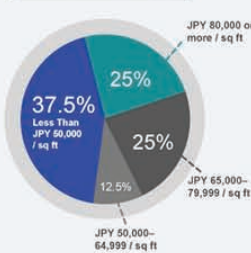
WHAT WAS YOUR CUSTOMER MIX?



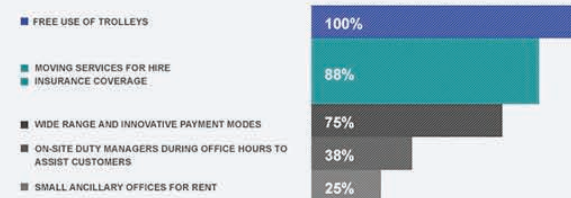
GENERAL STORAGE MIX BY SIZE



AVERAGE FIT-OUT COST



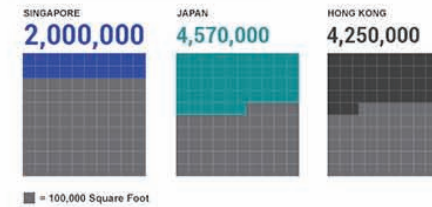
VALUED ADDED SERVICES



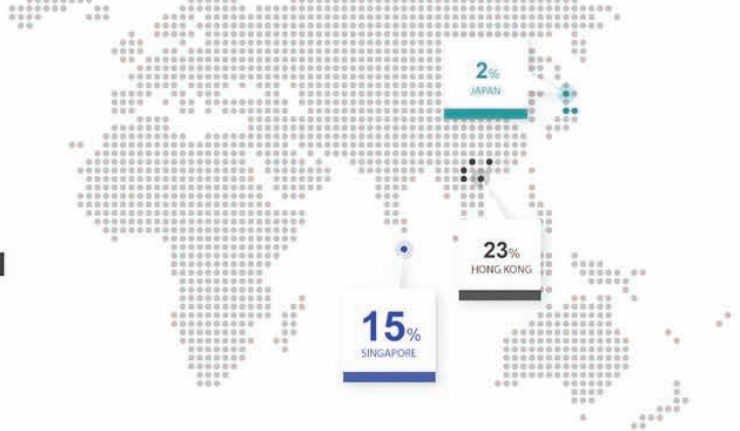
THE SELF STORAGE ASSOCIATION ASIA ANNUAL SURVEY

SINGAPORE

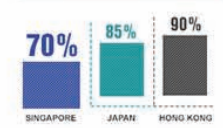
TOTAL GROSS FLOOR AREA (SQ FT)



PENETRATION RATE



AVERAGE OCCUPANCY RATE

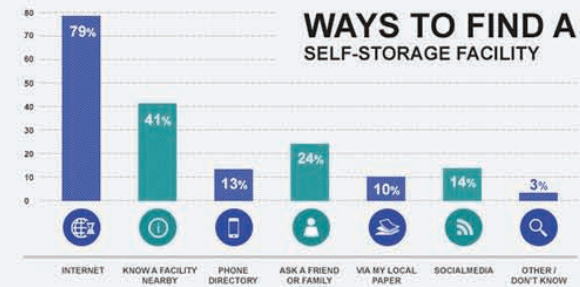


AVERAGE RENTAL RATE (SQ FT)



CONSUMER

WAYS TO FIND A SELF-STORAGE FACILITY



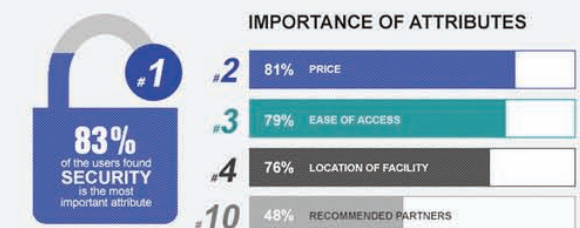
AWARENESS



COST PERCEPTION

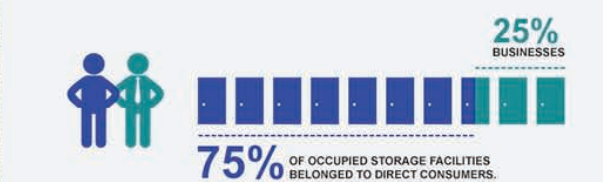


IMPORTANCE OF ATTRIBUTES

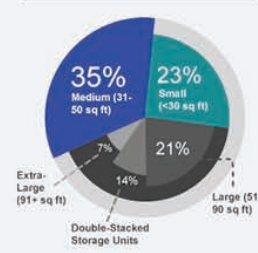


OPERATOR

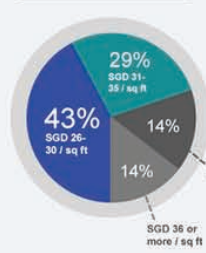
WHAT WAS YOUR CUSTOMER MIX?



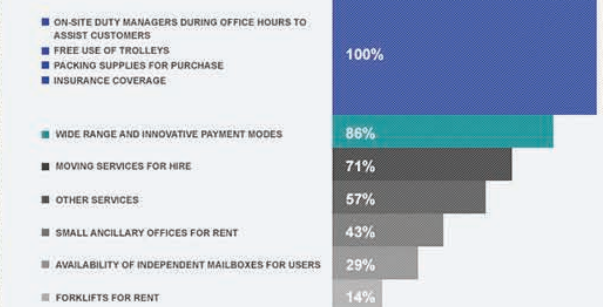
GENERAL STORAGE MIX BY SIZE



AVERAGE FIT-OUT COST



VALUED ADDED SERVICES



From Pre to Pro: Set up and Run

Doug Perrins, Director - Emerging Markets, Self Storage Thinking

You've set up your facility and you couldn't be prouder. Its in a good location, traffic in the area is steady, and in your mind, people are just waiting for you to put the OPEN for business sign up. But wait.... What about the fundamentals on the inside. Its always what's inside that counts, isn't it? In the article, I will endeavour to outline just a few points of interest for you, some or all of you will be aware; however you would be surprised at some mistakes operators make without even knowing until it costs money to rectify.

Location

While this is the first thing many people say, I'd like to go into detail about the importance of this. To give your store the best possible chance of reaching out to your customers and/or showcasing your brand, you will need the right location – now we all know this, but if you were to peel open the layers further when deciding on the right location, is it as good as you think? For example, if the site is on a main road and your customer base is situated within a 10-15km radius, then this would appear ideal, however check what is between you and your customers – can a competitor come in at a later stage and cut you off? Analyse your competitors thoroughly, and if the area or region is suitable, then go and rent a room from them for a month. That will give you access to their store so you can check locks, cleanliness, management style, in fact when you go an visit your “storage room”, sit in reception and read a magazine or check emails, just so you can listen to how they operate, pitch a sale etc. If your competitor has been there for a while, they should have good occupancies but will be tired and probably a bit beaten up by trolley's. These are all good things to note so you know what to expect. Going where there is a relatively new operator can cause too much hard work in pricing, quality etc – go where you will find the least form of resistance in terms of pricing, quality and potential cut off threats of a new operator – look closely, it might be worth it.



Staff

How do you find good staff? Chances are you have just been served by them at a hotel, restaurant, coffee shop or a retail shop. Whilst I have had staff from other storage companies before, it will better to train and develop your own team. Bringing in from another operator can have bad habits, split loyalties and shared information – better to have your own team, with whom you can build your own trust. I have found the best staff are from where they have been professionally trained, such as hotel reception staff, McDonald's (they have fantastic training schemes for their staff) etc – they have knowledge and experience in customer service, how to treat a customer and how to present themselves. Always have your staff nicely attired and looking professional – it costs less than \$100 to have your team looking presentable. Letting staff wear their own clothes opens it up to all sorts of outfits, some that will shock! You want to create an image, a brand, besides many do feel proud to wear a company uniform.

Setting up

There is so much to do in setting up before you start trade that many items get missed and you find yourselves with the doors open, sorting out the software, reception set up etc. Create a checklist that begins 6 months out to opening. It should be a long and exhaustive list, so be clear and detailed on what needs to be done, at the same time you and your staff should be actively pursuing pre-let reservations. How do you do this? Two important items is to have your website finished and ready to go live and get a big board out the front telling who and what you are, a phone number and web address – guarantee you will get reservations before they head off to someone else. By the time you open the doors, you should have between 200 – 300m2 reserved and ready to go. But most importantly – create your list first.



Hurdles

The amount of hurdles or potential problems can be endless, so don't worry about the mistakes too much in the early stages, just rectify quickly and move on.

An important one to be watchful of is the relationship between staff and your competitors – you and your staff shouldn't be negative about them, in particular to your enquiries or customers – sell your good points and ignore their weaknesses. If you are genuinely better than them

in quality, price (it won't be for long!), security etc, then there is nothing to say about them. If however they are better than you in many ways, then work out how you can bridge the gap. Each customer chooses a particular store for different reasons, so you should be positively different.

Vacancies

You will always have people who vacate a fact of self storage life.....but when? That's easy to know – what is your average length of stay per customer? Whenever it is, pre-empt it, make them an offer to keep them - their room for half price for a month, free month for a small room they can have after they vacate, something will help. Perhaps by some offer, it can create goodwill and a positive lasting impression.

In summary there is so much to do in setting up your facility and getting ready for the opening, it will come down to the detail – your pre-opening list is your key.

For existing facilities, sometimes a new set of eyes will do wonders for your store. Try an experienced consultant to review your business or to do a “spring clean”, which every store needs every so often. It's cheap given the benefits and returns you will get from it. GOOD LUCK!!



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- Standardized Licensing Agreements
- Introductions to Industry Experts
- Events and Annual Expo
- Publications
- + Much More



Contact Luigi La Tona at luigilatona@selfstorageasia.org
www.selfstorageasia.org



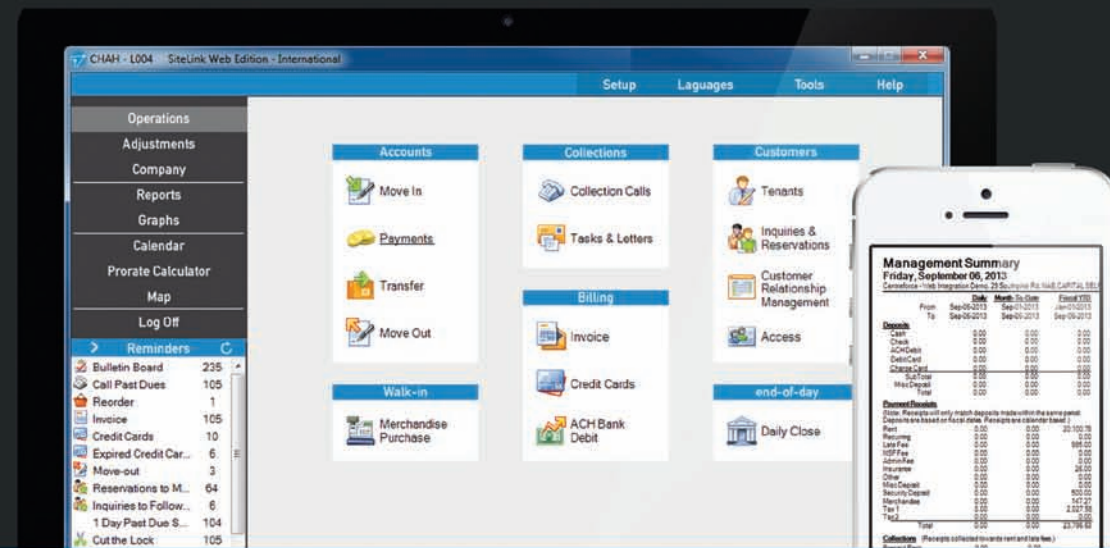
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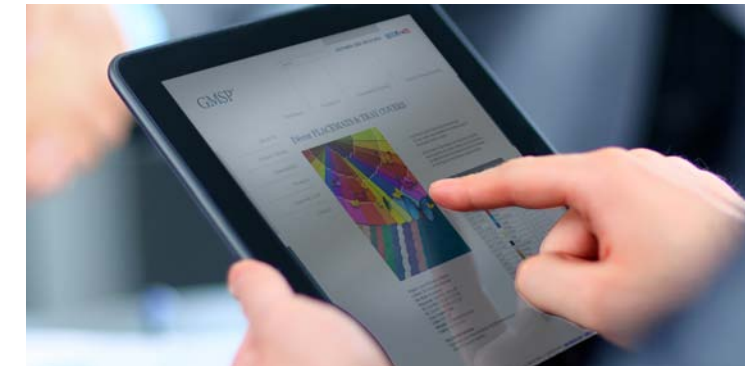
Self Storage Training Series

From Pre To Pro: Bringing It All Together - Part One

Your new site is up. Check. You're getting phone calls from people just begging to open your doors so they can store with you. Check. You're fresh from the hair stylist/dentist/gym/esthetician ready to welcome the world in. Check. But wait, there is one last fundamental for your business. Are your systems working together in order that it runs smoothly and you get the information required?

Dallas Dogger from SiteLink and Justin Wiley from RADical Systems help us navigate 'The Importance of software in bringing all the functions of a facility together and keeping it running smoothly'.

There are two important aspects which include the day to day operations as well as understanding how your facility is performing. SiteLink has weighed in on day to day operations followed by RADical System's thoughts on bringing all the information together.



latest in up to date technology. With consumers impatient to do business, offering your services so they can pay fast and book online is critical for early success. Automated invoices can be sent out prior to storage fees being due, reminders are sent a few days after due dates.

Integrated with gate systems like PTI SiteLink Web Edition automates the process of locking out storage customers for non-payment.

Special events like Chinese New Year can be good times for Storage operators. CRM tools built into SiteLink can reward customers or notify them of your changed operating hours. Just as airlines, hotels and car rental companies adjust price on local demand, SiteLink Web Edition contains powerful tools to optimise your price offering, remaining competitive whilst maximising facility income.

For Multi-site operators the Corporate Control Centre provides a centralized interface to handle group promotions, staff log ins, invoicing and letters and much more, saving operators a lot of time.

Ensure any management software you use is PCI-DSS compliant for the protection of credit card information. These standards protect your site and provide consumer confidence in new markets where trust of transactions has to be established.

There are over 70,000 Self Storage sites in the world, Asia is a new beginning for many and as more people learn the benefits of Self Storage the more your systems are tested.

All systems ready for takeoff



Dallas Dogger, CEO,
Centreforce Technology Group

The real work starts many months before the doors open. Setting up systems ready to trade are one of the most important aspects of getting started.

With your management software already up and running, now is the time to fine tune those opening offers. Does your online offer match your software plan? Are your invoices and CRM notices all set up in HTML and ready to go? Are your online payment systems tested and checked?

Are your staff still learning what to do? Have you practiced move ins and do you have them fined tuned?

On opening day there should be no fumbling. No excuses, you have to be ready to sell.

Establishing a new Self Storage business requires the

From Pre To Pro: Bringing It All Together - Part Two

Know what you need to know

Justin Wiley, Director, RADical Systems

There are two key elements that a software management system must provide the operator of a self-storage facility. The first is that it must support the day-to-day operations of the facility effectively and efficiently, enabling your staff to deliver a first class customer experience. The second, as important but often relegated to an afterthought, is that it must provide the information that you need to understand how your facility is performing and to enable to meet your expectations and those of your backers and your customers in the future. This article will concentrate on the second of these requirements.

Such information is acquired from a number of sources, amongst which would be:

- An understanding of the demands of your target market, both now and in the future and how you access it.
- An understanding of legal and regulatory requirements.
- An understanding of the demands of your investors/backers/future positioning

Information gained from your facility and your interaction with your customers. This last item can be further broken down into:

- Historic information
- Current information
- Future projections

Information is available everywhere, the trick is to be able to manage and store that information to best advantage, whilst at the same time ensuring the best possible customer experience. Good, accurate information is es-



sential, the old adage ‘rubbish in, rubbish out’ remains as true as ever.

This is accomplished by implementing procedures for data collection, control, management, analysis and output which best serve the goals of the business and help make good decisions. Self-Storage is a specialised industry with its own dynamics; an effective system designed specifically for the industry will allow you to:

1. Make best possible use of historic information – every day you trade gives you with invaluable information which, analysed over time, can help you make the right decisions today and in the future.
2. Effectively manage your business and customers, maximising revenues, fulfilling your obligations and meeting your targets. To do this it must allow you to offer an exceptional customer experience, manage customer needs, and manage your units and other services whilst dealing with debtors and late payers - amongst other processes.
3. Give you an accurate picture of how you are doing now - the status and occupancy of your facility, the financial situation and the effectiveness of your previous business decisions, marketing strategies and employees.
4. Allow you to use formulas to make the best possible projections for the future, thus allowing you to put your time and resources to best use to ensure your business thrives in the future.

In summary, bringing your systems together is no easy task. The right software and technology has enabled us to capture information and control functions that are integral to the business process. Take the time to learn about the right software for you in order that you're not left behind your competition.

Japanese Self Storage Characteristics

Tokuo Yoshida, Secretary General, Rental Storage Association

Introduction

Japan's Trunk Room (Self Storage) business is expanding by 9% each year, specifically these past 10 centering on real estate issues as well as those of growth in residential neighbourhood usage with over 70% of storage customers using it for personal use.

Each year, trunk room services are becoming more enriched with the contents of these services becoming more varied including WEB operated contracts.

For this, industries are becoming more creative to get into the business. Factors such as the office building construction rush in urban areas, real estate agents are increasingly taking old buildings with high rates of vacancy and turning them into “storage businesses.” There are also cases including railroad companies using the area underneath elevated railway tracks, expressway operating companies using the property underneath the expressway, and the diversification of business in parking lots and turning it into a trunk room.

Just like this, “storage businesses,” which came from trunk room businesses, started to get commercial warehouse approval and with facilities of a certain standard, people from all different fields of businesses are getting the opportunity to break into this industry. There are over 400 companies in this business with sales volumes of growing over 130 billion yen and increasing each year by 9%.

Definition of Japan's Storage Business

(1) Storage Business Market Definition

Japan's storage business means all services that “lends space for storage to the user or takes care of deposited goods for the user.” Mainly, for individuals, these are items that are not used on a daily basis such as clothing or leisure and entertainment goods, and for corporations, these are items not used every day such as business equipment, documents, and promotional items.

If one were to classify storage business into three main groups for a business model (service contents), it would look like the following:

1. Truck Room
2. Rental Storage Space
3. Container Box

(2) Japan Storage Business Classification

When trying to penetrate the Japanese market, it is important to understand the framework.

1. Trunk Room

The definition of a trunk room states that under the Warehousing Business Act, storage businesses, who have received registration approval from the Ministry of



Land, Infrastructure, Transport and Tourism, are facilities that exist in order to hold onto things such as personal goods, clothing, entertainment goods, leisure goods, art, and legal body business equipment, furnishings, show pieces, promotional items, documents, and recording mediums, for a certain period of time while conducting storage management. This corresponds to “a warehouse used for storage of all or a part of the deposited personal belongings” in Article 2 of the Warehousing Business Act, and the standard trunk room service adhesive terms and conditions set

by the Ministry of Land, Infrastructure, Transport and Tourism are in effect. As a major characteristic, based on the deposition contract with the customer, the business assures responsibility of the stored items. In addition, in correspondence to Article 25 of the same law, when the criteria is met, excellent standing certification (certified trunk room – good standing trunk room) from the Minister of Land, Infrastructure, Transport and Tourism can be received. Characteristically, the customer's belongings will be stored in an exclusive warehouse or special area, so the security is excellent and stable temperature management will be conducted.

Country Deep Dive

2. Rental Storage Space (Self Storage)

Rental Storage Space is a service where a facility's floors are partitioned and small rooms (compartments) with keys are lent out. This service is mainly done by real estate agents where real estate lease contracts are utilized and there is no individual insurance for the items.

There are many of these located in areas such as commercial and residential neighborhoods, used mainly as self-serviced style facilities where there are various procedures depending on the contractor's setup for depositing and withdrawing. However, another characteristic they have that is increasingly recently, are facilities with security cameras, alarms, and access control panels, along with being usable 24/7 and letting the customers deposit and withdraw whenever they would like to.

The biggest differences compared to businesses are that responsibility is in the hands of the individual or legal body and storage management is conducted. Unlike a "Trunk Room" under the Warehousing Business Act, the management does not have to meet certain standards. However, groups such as the general incorporated association "Rental Storage Association of Japan" have been established and are trying to increase the service level of the industry.

3. Container Box

The storage business known as "Container Box" is increasing in the suburbs of suburban cities. This is a simple storage box that is placed outside for storage and is mainly a service offered by real estate agents. The containers fall under 'architectural structure' listed in the Building Standards Act. Therefore, a building certification application is necessary. "Usage limitation of architectural structures in use districts" and consideration of the surrounding environment is also necessary.

The Task of Breaking into the Japanese Market

1. Legal Regulations

When utilizing a deposition contract, it is necessary to register the warehouse business.

When it is a lease agreement, business is possible within the boundaries of real estate application.

When administrating operations of property, a real estate handling license is necessary, and when changing the business of a store or business office where a real estate and building supervisor (with national qualification) is necessary, changing the building's intent of use is necessary. Also, being cleared under the Fire Service Act is necessary.



In regards to the container business, it is necessary to conform to the building usage restrictions of the use district and building certification application is necessary when placing the container.

2. Market Characteristics

The initial costs in Japan are higher than other countries, so an initial set up with low rental fees like in the USA would be difficult. Currently, a space's average monthly rent per tsubo is around 15,000 yen (1 square meter is 4,500 yen). In addition, the revenue is not so enticing when it comes to a subleasing business. The current market is focused on the urban field, and the shares in the Kanto and Kansai area are large. Also, when making a contract for storage space, the selection is becoming - cheap, close, and nice.

3. Japanese Characteristics

Since Japanese people have a stronger sense of wanting to have everything nearby, there are not many people who want to have storage placed somewhere external. Enlightenment and sales promotion in order to change the lifestyle of Japanese people is necessary.

4. Cost Agenda

There is a steep rise in the real estate market due to the 2020 Tokyo Olympics, so it is getting more difficult to acquire property due to this. Therefore, working as a real estate assessment business could be brought into consideration, but there are many tasks in Japan in order to turn the self-storage business into an asset. However, if this direction is established, then rapid progress looks to be very promising.

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Contact Persons: Yuko Tamai, Jiro Mikami (Dai-ichi Tokyo Bar Association)

Country Insights: India

Pooja Kothari, Managing Director, StoreMore

What is your current view of the self-storage industry in India?

The self-storage industry in India is just getting started with a single player each in the top three cities of India. There's very little awareness about its existence in the country. People are yet to realize that they have the option to extend their personal and work spaces whenever required, just as they would if they were living in a first-world country.

Further, the industry is more "serviced" rather than "self" storage in India. Two factors are at work here: one, legal issues, such as the requirement for a commercial license to drive a non-passenger vehicle. Two, culturally, Indians are more inclined towards service than self-service.

Therefore, valet storage, as it is called in the US, characterizes the self-storage industry in India at the moment.

What does the future hold for the self-storage industry in India?

We're betting on a big future for this industry in India. We have every reason to believe that this will become a multi-billion-dollar industry here in a few years, just as it is currently in every market that it exists in.

Greater urbanization, higher-than-ever mobility of workforce, real estate prices—these are just some of the trends helping the adoption of this service in the retail segment.

Just like our overseas counterparts, we see a significant opportunity from the small business segment. There has been a large uptick in e-commerce in India. And with the growth of online marketplaces, small sellers on these platforms are pushing demand for storage facilities more than ever before.

All in all, it's a good industry to be in at the moment.

What are some of the biggest hurdles you have faced in running the business?

Our biggest challenge has been to create awareness about the existence of this service in India. The concept is so alien to the Indian consumer that it takes a while to make them understand it is possible to store your things safely and get them back when you need them.

Like with any new concept, large-scale adoption will take time and money to create visibility and trust.

Then there are the on-ground operational challenges. StoreMore takes care of the entire cycle of packing, transport and storage of goods. And in this, we navigate around a variety of local regulations—like no-entry rules for commercial vehicles.

Advice for people exploring the SS industry in India?

It's the perfect time to be in India—at the nascent stage. The entire territory is yet to be won. So the potential for growth is amazing. Only 32% of India's citizens live in its cities at the moment. It is said that the rate of growth of urbanization will be the fastest for India as compared to the rest of the world, leading to some 400 million people living in its cities by 2030. That's a lot of people who are going to be looking for space!



Industry Code of Conduct & Country Committee Updates



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Self Storage Association Asia (SSAA) has established a Hong Kong specific Code of Conduct in order to ensure peace of mind and safety for you and your possessions. Visit only SSAA certified companies to ensure self storage best practices.



First industry Code of Conduct has been established in Hong Kong



Following committee meetings

- Singapore - 21/9/2015
- Hong Kong - 24/9/2015
- China - 25/9/2015

- Malaysia - 19/10/2015
- Taiwan - 26/10/2015

Internet + Mini Storage in China

Kevin Leung, Founder, CBD Self Storage

Mini Storage isn't something new in the developed markets, but it is a newborn in China, and the market is a huge virgin land yet to be discovered. This market niche debuted in 2012 and has seen a buoyant growth in the past three years, totalling more than 30 brands and 70 stores. It is expected mini storage in China would grow exponentially in future. In the meantime, a new tech-revolution namely "Internet Plus" or "internet+", featuring internet solution to real life problems, has been phenomenal and is promoted by both the pioneering internet giants and the government in China. From the day it was born, our organization has shown its internet+ genes with the first ever 'Intelligent Mini Storage' using internet+ technology to enhance the operational efficiency and user experience of mini storage.

With front-end WeChat public account and websites, users can easily search for a suitable storage, make orders, pay, renew the lease or end the lease. By pressing the dedicated button in the WeChat account, customers can easily use their phone to unlock their own storage or even authorize a dedicated person to open the storage for them. This greatly improves customers' experiences as they would no longer "lose" their access cards or keys anymore.

WeChat lock and key system is a patented technology. By clicking on the WeChat "key" button integrated in the WeChat account, the signal is sent via internet to the centralized server, which then transmits the signals to unlock the doors via sensors.

The WeChat key means revolutionary change for self-employed e-merchants (SEEMs) in China. E-commerce makes up an enormous part of GDP and the labour market. In 2014, e-commerce transaction volume mounted up to RMB 13.4 trillion, 31.4% up year on year, over 18 million people are involved in the e-commerce industry*. Traditionally, SEEMs receive and store goods in their own living spaces. By doing so, they suffer not only from the inefficient express delivery, but also the squeezing of



their living space. However, thanks to the WeChat key technology, SEEMs are now able to receive and send out goods by just clicking on the buttons and everything is thus fixed. The process is simple, SEEMs order a storage space online, authorize the courier with the WeChat key to drop and collect goods. Given this flexibility, we are developing a SEEMs-oriented store which is expected to open in October 2015.

To further our Internet+ capabilities, we have developed the Operating Management System (OMS) to better the management process. This system enables us to set up a big database.

When users order a storage space, their personal information such as identity, goods to be stored, telephone number, etc. are thus recorded. Together with the enhanced lock management system, customers' behaviour in using mini storage could also be analysed.

There is no doubt mini storage is going to grow exponentially and thrive in mainland China. We anticipate that this market will grow with its own characteristics too. Under such a high growth rate of internet usage and particularly mobile internet in China, it would definitely intersect with self storage business. With our newly developed system, customers' experiences are greatly improved as all the processes could literally be all done by phone. With internet+ technology, the traditional approach to the industry will be certainly revolutionized.

*Source: China Electronic Commerce Research Center (www.100ec.cn)



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Staying Ahead of the Curve

Miles Davison, Co-Founder, Storeganise

Technology is playing an increasingly important role in the evolution of all types of industries. The proliferation of services such as Uber, AirBnb and Amazon means customers are demanding more options, delivered directly to their door and available at a moment's notice. Companies from a variety of industries are using this to their advantage and the storage industry in no exception.

Technology is making consumers' lives easier by giving them access to products and services at the touch of a button from wherever they are. They have beautiful and intuitive interfaces from which to browse the stuff they buy and much more of this experience is now being handled on mobile.

As an industry, leveraging and learning from this e-commerce experience can be a great way to add value to the storage services being offered to consumers and businesses alike. After all, consumers don't need to leave their home or office to get the things that they buy anymore, so why should that be any different for the stuff they already own?

On-demand services fall perfectly into what today's consumer desires and increasingly requires from service providers. The key to getting this all right is delivery. Not only delivery of the physical product but also delivery of the whole customer experience. Providing a door-to-door service isn't enough to set a company apart from others out there. Companies are expected to fulfil orders at a moment's notice while providing exceptional customer service at a fair price. Yet customers still expect more.

The rapid growth of the on-demand (aka valet) storage model has brought with it the ability for customers to get a window into what they store. They can now peruse the things they own and store in the same way that they browse an online e-commerce site for things to buy. This is an invaluable benefit to the customer. And the easier it becomes for them to manage the process and itemise the things they own, the more likely they are to store things



away, whether as an on-demand customer or a traditional self-storage customer.

But the changes in technology are creating equally and sometimes even more significant benefits for the companies serving this new kind of consumer. Technology is enabling us to optimise operations, pool resources, outsource more effectively and engage customers in innovative and often less labour-intensive ways.

With the emergence of service offerings from the likes of GoGoVan and Uber Cargo, outsourcing of logistics operations has become easy and affordable while allowing companies to stay asset light.

Companies that can manage to bring all these operational and customer-facing aspects together will be able to stay ahead of the curve. This doesn't need to be limited to providing only valet storage services but rather bringing the offering into the overall self-storage business to add further value to existing traditional storage customers too. It can extend also to businesses looking to store inventory or documents or a wine connoisseur looking to store his collection of priceless whites and reds. Companies that can get this right, while still focusing heavily on customer service and operational excellence, will be in a position to attract new types of customers while further leveraging existing real-estate.



Are We Giving Away The Shop? The Continued Devaluation Of Our Industry

Andrew Browne, Group Managing Director, Your Space

When we sell our products, there is a fine line between discounting and trying to buy market share. In the self-storage market, discounting is used as a way of artificially kick starting or rapidly increasing the initial occupancy of a new facility as it can take up to six months to get any significant market traction and customer recognition in a new location. In other words, discounting is the calculated reduction of the standard price for a specific period of time. Self-storage operators should ensure that customers do not see this as a long term offer and therefore reposition the market value to a low value product when shopping for storage in the future.

In a recent IPSOS survey, Singaporean customers indicated that price was the most important factor when shopping for a self-storage. The majority of them wanted to buy their unit as cheap as possible. This survey suggests that the Singaporean self-storage consumer base places very little value on the product and such consumer mind-set has translated into operators' persistent and unnecessary price cuts. Self-storage provides a solution

to customers' storage needs and it is a fair act for the operators to charge a small premium for such solutions. We conducted our own survey on 10 self-storage facilities and 90% of the facility staff commenced an inquiry with price and discount. There was little or no mention of the features or the benefits of their facility or their ability to provide solutions the customer was looking for. It was simply a 20 sq. ft. unit will cost this much and we will give you a 30 % discount, and if you get a cheaper price from a competitor we will match it. As an industry, we place price far ahead of the features and benefits that goes into the value proposition that we are offering to our prospective customers.

Value should always precede price. Price does not equate to value and poor self-storage managers rely on low pricing to close a sale. Reliance on price reduction is caused by storage companies undervaluing the need to train their sales staff or by focusing on raising occupancy at any cost. When we first speak to a potential customer, we should be discovering their needs by asking questions and listening to their responses. The problem is that we have trained our customers to ask for price and discounts as soon as they walk in our door so we seldom get to present our true value to them.

Discounting used as a sales tool is an asset, but using it as the sole means of converting an opportunity devalues our products and would eventually force all operators to follow suit in a classic race to the bottom. In some cases, a larger and more established competitor uses price as a means to put pressure on new market entrants, limit their ability to compete and try to force them out of business. Such tactics seldom works and only creates more problems than it solves.

Self-storage yields should be going up not down and we are doing ourselves a disservice by continually driving down our price.





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