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State of the industry: The rise of self-storage in Singapore

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Singapore has become a hot spot for investments in the self-storage sector lately. With the rise of urban dwellers and demand for more residential and commercial space, more consumers are turning to self-storage services, as an alternative to holding valuable items at home or in the office.

Analysts have noted that the Asian market is primed for rapid growth, hence more investments are coming in. Apart from Singapore, Asian cities such as Hong Kong and Tokyo are also showing signs of shrinking living spaces, leading to an increased demand for excess storage space.

Along with increasing employment rates and office expansion, these conditions are opening up new and exciting opportunities in the self-storage sector.

What do self-storage users look for?

The on-demand storage model is popular with individuals as a good option for storing items such as furniture that they are not able to accommodate in their houses, collectibles, and even for wine storage.

Businesses find this model useful for storing items when undergoing an expansion or a temporary cutback on warehousing commitments or a distribution point for stock that may be required at unpredictable times, among others.

Self-storage users today are searching for more than just a space with four walls where they can store their items. Self-storage facilities in the market provide a variety of storage units for short-term or long-term rental so users can enjoy the flexibility of selecting the size of units they require depending on their demands.

Round-the-clock security has also become a basic necessity for most facilities in the market as users demand the convenience of being able to gain access to their storage units, as and when they like.

Why is the self-storage sector in Singapore facing rapid growth?

The way we see it, the rapid growth in the self-storage sector can be attributed to cultural and business factors. Cultural and demographic shifts such as density, divorce, dislocation, and mortality rates (according to analysts at CBRE) can drive the demand for self-storage to grow further.

Take mortality rates for instance – with a person's passing, relatives see a need to sort and take over the belongings of those who have passed on. With the mortality rates predicted to rise in Singapore from 2015 to 2030, demand for self-storage is also expected to increase.

Apart from cultural factors, business activities in Asia such as individual market conditions can also lead to a higher take-up rate for self-storage. Take Tokyo for instance – businesses face a scarcity in self-storage facilities due to existing Japanese regulation that controls the number of self-storage units by requiring building approval documentation in order to switch an asset to self-storage.

According to property management company JLL, in Singapore, nearly half the users of self-storage facilities are corporates. These users tend to consume storage space at a more consistent level, as compared to individual users, indicating a possibility for an increase in demand as businesses expand.

With the rising start-up scene in Singapore, an increasing number of entrepreneurs who operate their businesses from home are looking to outsource their storage needs, thus opening up greater demand for storage space to meet business demands.

What are some trends in the self-storage industry?

In order for storage providers to remain competitive in the market, branching out on extra services and innovation is key to differentiate their offerings in the market.

For instance, a highly secured facility with personalised services offers customers the assurance that their items are in good hands, and offers them the convenience of retrieving items from their units at any time of the day from a safe environment.

Specialised storage such as the demand for climate-controlled storage for artisanal wines are increasingly popular among customers for either their own personal consumption or retail purposes.

Self-storage providers going green could be the new frontier. With growing environmental concerns across the globe, companies are urged to step up on their sustainability efforts to reduce pollution. Incorporating 'green' strategies in the self-storage industry not only reduces the company's carbon footprint but helps to lower operational costs over the long term.

With a large population of digital natives especially in cities like Singapore, it is no surprise that non-users of self-storage would look to the Internet when sourcing for a self-storage facility provider. There is a huge opportunity for digitisation and online marketing in this sector.

Businesses and consumers today no longer look to phone books or depend on traditional advertisements but instead scour forums and online sources for information to make informed purchase decisions.

The high competition in the industry makes it important for self-storage providers to continually innovate their services in order to stand out from the competition.

Given the relatively low awareness of self-storage among customers in Asia, this is a good chance for businesses to educate the market on their value proposition so they can gain a head-start on creating a distinct brand identity in the market.

The views expressed in this column are the author's own and do not necessarily reflect this publication's view, and this article is not edited by Singapore Business Review. The author was not remunerated for this article.

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