Self Storage Association of Australasia

Industry Snapshot 2021

Resilience and record growth:

Exploring the strong performance of the self storage sector in 2021

Explore the metrics that matter as the self storage industry advances from strength to strength.

The Industry Snapshot is a short format report designed to complement the biennial State of the Industry report. Industry Snapshot 2021 provides an overview of the self storage sector and explores changes in the landscape since State of the Industry 2020.

For more detailed operating metrics visit the SSAA Member Portal

Identify new supply in your market via the Storage Interactive Platform

Explore the interactive Storage Industry Gauge online.

Market Overview

2021 has delivered record growth across the self storage sector.

Despite the challenges presented by the pandemic over the past 18 months, market metrics continue to strengthen highlighting the resilience of the sector.

An estimated 2060 self storage facilities are thriving across Australia (1570) and New Zealand (490).

More than 6 million square metres of net storage area hold the possessions of nearly half a million self storage customers.

The rate of existing supply across Australasia is 2.11, up from 2.04 in 2020 (measured as floor space in square feet per capita for ease of international comparison). New Zealand's rate of supply leads Australia, at 2.34 (NZ) to 2.07 (AU).

The estimated annual turnover for the Australasian self storage industry is north of $1.5 billion.

2060
Storage facilities in Australasia

1570
Storage facilities in Australia

490
Storage facilities in New Zealand

$1.5b
Estimated annual industry turnover

Operating Metrics

Exceptional performance evidenced by the strongest operating metrics on record.

There has been a significant uplift in operating performance across the Australasian industry in 2021.

The operating metrics in SSAA's State of the Industry 2020 were based on data from Q1 2020, which is largely considered to pre-date the outbreak of COVID-19 in Australasia.

This has afforded a clear view of operating performance before and after the onset of the pandemic. Restrictions have had varying impacts on regions, particularly recently in New Zealand.

The current operating metrics (Q2 2021) suggest the average storage fee rate across the AU/NZ market is now circa 2% above the average storage fee rate pre-COVID-19, while the average occupancy level is circa 5% above pre-COVID-19 levels.

This growth reflects the resilient nature of the industry, the benefits of change as a demand driver and the commercial acumen of more than 1230 self storage operators across Australia and New Zealand.

88%

Average facility occupancy by area

$304

Average storage fee rate $ per sqm per annum

The above metrics have been sourced from a range of self storage operators located in Sydney, Melbourne, Brisbane, Adelaide, Perth, Canberra and Auckland. The results have been collated from data sets dating from March 2021 to June 2021. The weighted average storage fee rate ($/sqm) is weighted based on net storage area and has not been adjusted to account for concessions.

Market Activity

Institutional investors are driving the continued consolidation of industry

Following a record year for transaction activity in 2019, 2020 saw a decline in activity, likely attributable to the impacts of the pandemic.

Whilst confidence in the self storage market remained strong, travel restrictions are likely to have contributed to the decline in the number of completed acquisitions.

This was particularly evident in the reduction in the number of major transactions in New Zealand in 2020.

The rising price expectations of vendors, driven by capitalisation rate compression, has meant acquisitions of operating facilities is now largely being undertaken by institutional grade investors. The acquisition activity seen in recent years by mid-tier self storage investors has slowed.

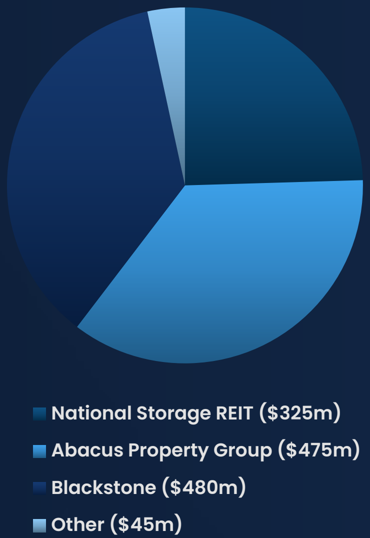
A strong desire to acquire multiple assets as a portfolio, or 'in one line', has been driven by institutional investors seeking to grow/gain market share quickly.

This is likely to be a continuing trend for acquisitions in the medium term.

$1.3b

Total value of acquisitions transacted 2020 through to Q3 2021

Acquisitions by total quantum value 2020 through to Q3 2021



Market Activity

Portfolio acquisitions are on the rise

National Storage led the acquisition activity in 2020 with the highest total number of assets acquired, primarily weighted by the Fry's Storage portfolio acquisition in December 2020.

Throughout 2021, Abacus Property Group has demonstrated a strong desire to accelerate the growth of its self storage portfolio, following the strategic acquisition of its remaining 75% interest in the Storage King management platform in 2020.

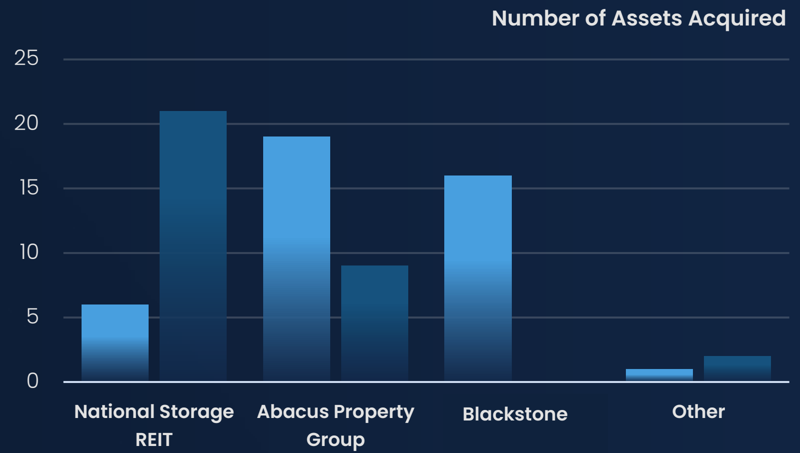
Over the first three quarters of 2021, Abacus Property Group has acquired 19 self storage facilities, 14 of which were existing Storage King managed facilities, including a portfolio of five assets in Sydney.

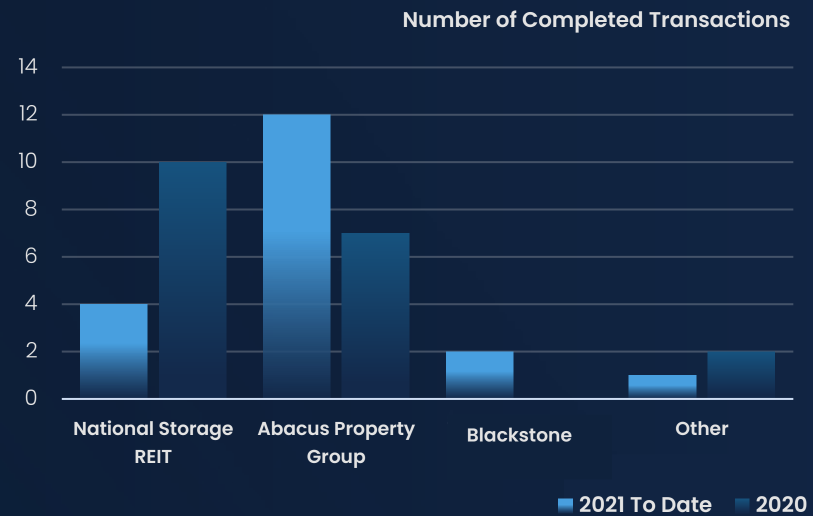
Over the past 18 months a new investor has emerged in the Australian market – global equity firm Blackstone.

In January 2021, Blackstone (through a subsidiary DBI Storage) acquired the KeepSafe Storage portfolio which comprised five operating facilities in metropolitan Perth.

Blackstone has demonstrated a strong desire to gain market share through acquiring established self storage facilities, and in particular, an interest in acquiring self storage portfolios.

This has been clearly illustrated by its October 2021 acquisition of the Fort Knox Self Storage portfolio in Melbourne (11 assets) for $400 million.





Valuation Trends

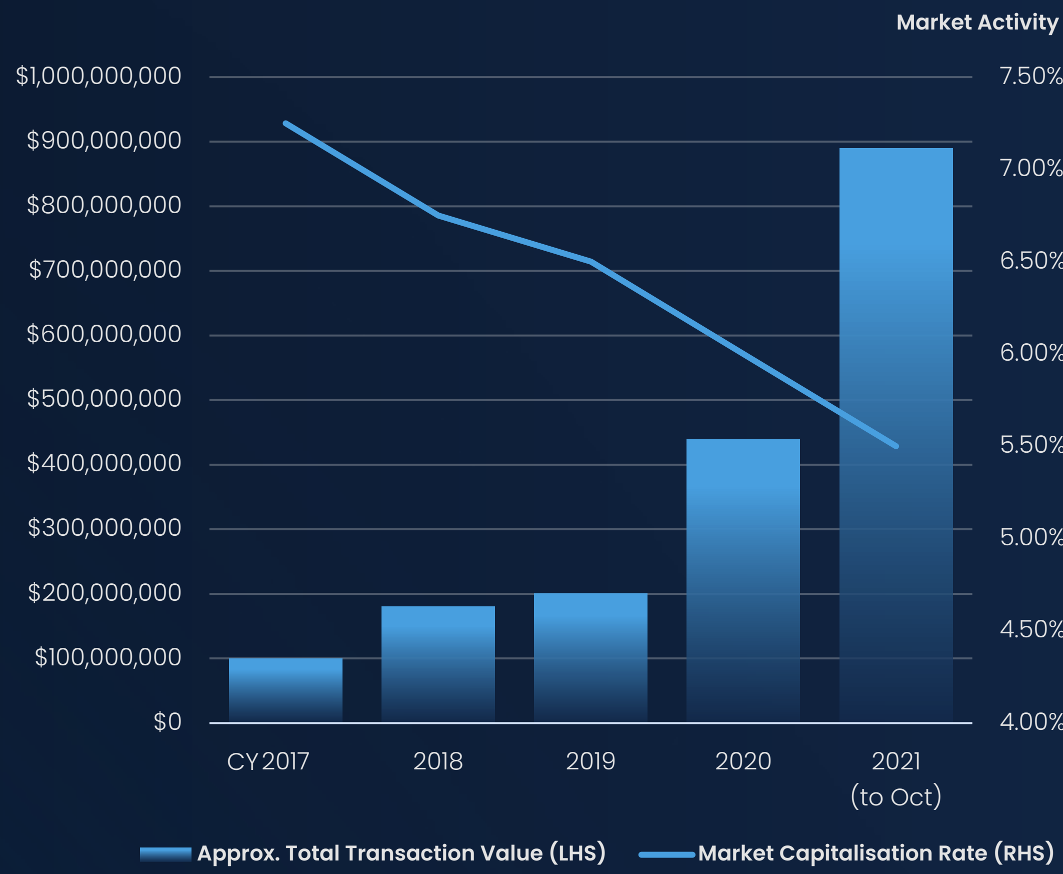
Capitalisation rates continue to compress as a strong desire for portfolio acquisitions emerges

The past 18 months has seen a further sharpening of capitalisation rates by an estimated 75 to 100 basis points.

The Sydney market in particular now sees equivalent yields generally in the order of 5.00%.

Larger portfolio transactions have been demonstrating capitalisation rate premiums of up to 50 basis points against equivalent capitalisation rates for similar assets on a 'standalone' basis.

Gaining market share quickly, together with the ability to generate operational synergies, underpins the desire from purchasers to acquire facilities in this manner.



Valuation Trends

Overall performance improves across all metrics

2021 has seen a strong uplift in overall trading performance, following generally constrained growth between 2018 and 2020.

A downward trend in the average concessions and arrears write-off rates can be attributed to increased demand for self storage, resulting in lower incentives being offered to attract customers.

An increase in 'Other Income' revenue has also contributed to the overall uplift in revenue performance, attributable to a stronger emphasis on ancillary sales and the growth of alternate revenue streams.

Certain operating expenses, such as statutory charges and insurance costs, have continued to increase. Controllable operating costs have been declining – for example electricity costs through energy efficient measures, and the reduction of staff hours.

	2015	2016	2017	2018	2019	2020	2021
Storage Revenue	↑	↑	↑	↓	↓	↓	↑
Concessions & Arrears	→	→	↑	↑	↑	↑	↓
Other Income	→	→	↓	↓	↓	→	↑
Operating Expenses	↑	↑	↑	↑	↑	↑	→
EBITDA / Net Income	↑	↑	↓	→	↓	↓	↑
Capitalisation Rate	↓	↓	↓	↓	↓	↓	↓

Macro Influence Tracker

The SSAA Macro Influence Tracker follows the effects of macroeconomic and industry trends on the self storage market over time.

2017

Increased competition saw the emergence of fee concessions (eg. one month free). The continued strength of the economy and healthy residential property market across most markets continues to drive revenue growth.

2018

A spike in new self storage supply intensifies the competitive landscape and the use of fee concessions. Demand is strong in major cities likely to be fuelled by a high volume of new apartment releases to the market.
'Other Income' revenue starts to decline.

2019

Fee rate growth begins to slow, new self storage supply increases competition and macro demand drivers soften. 'Other income' revenue continues to decline as alternate retailers increase storage merchandise sales.
A record year for transactions continues to compress capitalisation rates.

2020

In early 2020, downward pressure is apparent on both occupancy levels and storage fee rates. There is evidence of increased use of concessions to retain occupancy levels. Following the outbreak of COVID-19, capitalisation rates continue to compress however 'real' revenue growth is under threat until restrictions begin to ease and demand strengthens.

2021

Throughout 2021, demand for storage continues to rise.
Both occupancy and storage fee rates continue climbing, with a reduction in concessions evident. Capitalisation rate compression continues, particularly for the portfolio acquisitions sought by institutional investors.

New Supply

Significant supply levels are forecast for major metropolitan markets

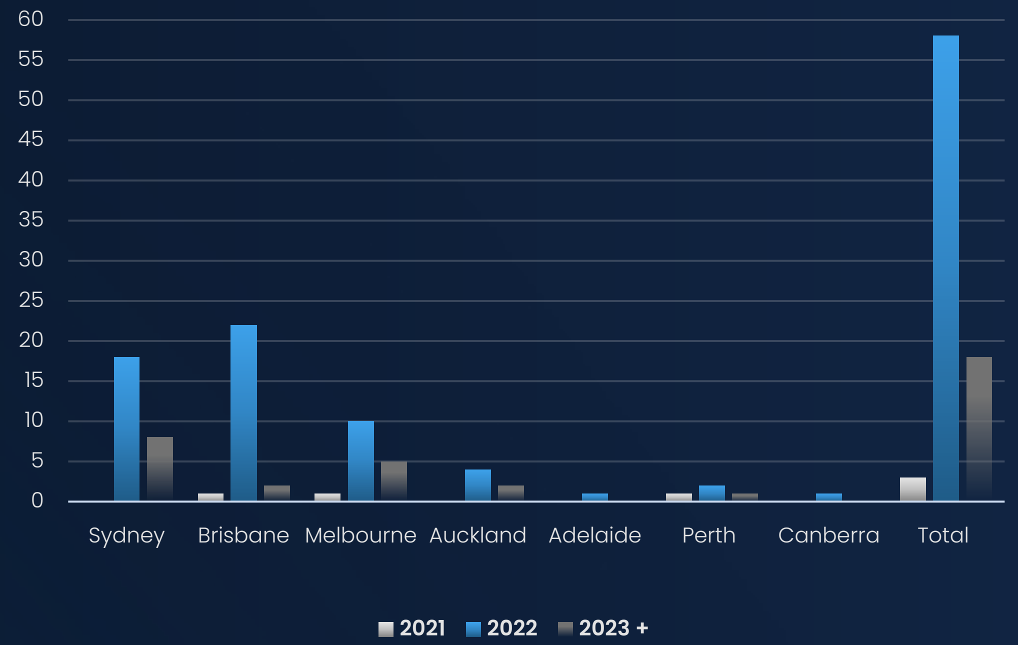
A high proportion of the proposed new developments will be undertaken by well established, existing self storage developers.

Developers that are new entrants to the market will deliver the remaining number of developments that have been identified.

A significant proportion of new supply is set to be completed in 2022, primarily within the Sydney and Brisbane markets.

17 facilities are proposed to completed in Sydney and 22 facilities are proposed for Brisbane over the next 18 months.

Proposed Self Storage Supply



East Coast Supply

Record rates of proposed developments slated for the East Coast of Australia

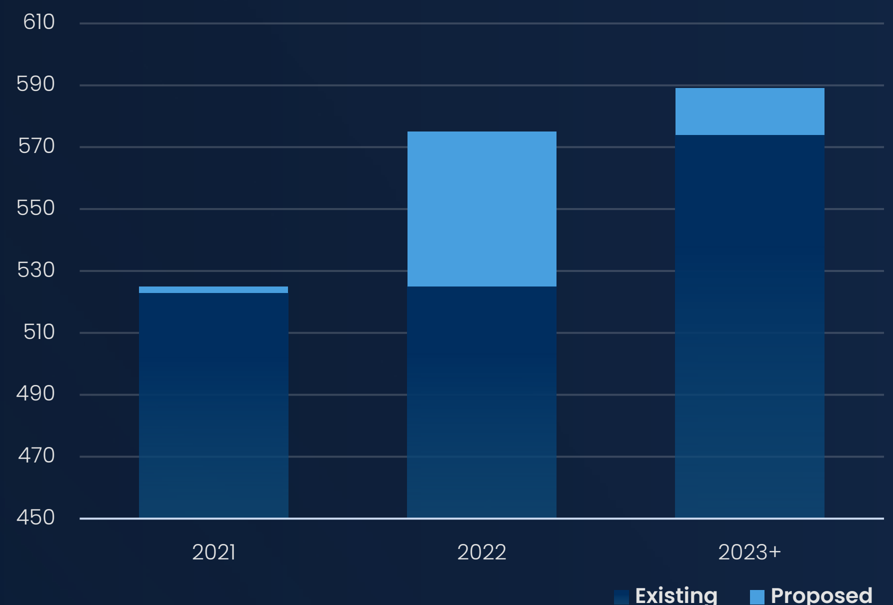
Since the beginning of 2020, at least 15 new self storage facilities have commenced trading across Sydney, Melbourne and Brisbane. These facilities have introduced more than 8,500 new storage units to the East Coast city markets.

Over the next three years, a significant amount of additional new self storage supply is proposed for these metropolitan markets.

In 2022 alone, the number of facilities is set to increase by more than 9%, or approximately 12% by total number of storage units across Sydney, Melbourne and Brisbane.

This rate of new supply is significantly higher than historical levels. In 2020 the number of facilities in the three markets increased by 2.7%, marginally above the 2019 increase of 2.2%.

East Coast Cities - New Supply (by no. of facilities)



Supply Stages

More than half of the proposed facilities are already approved and/or under construction

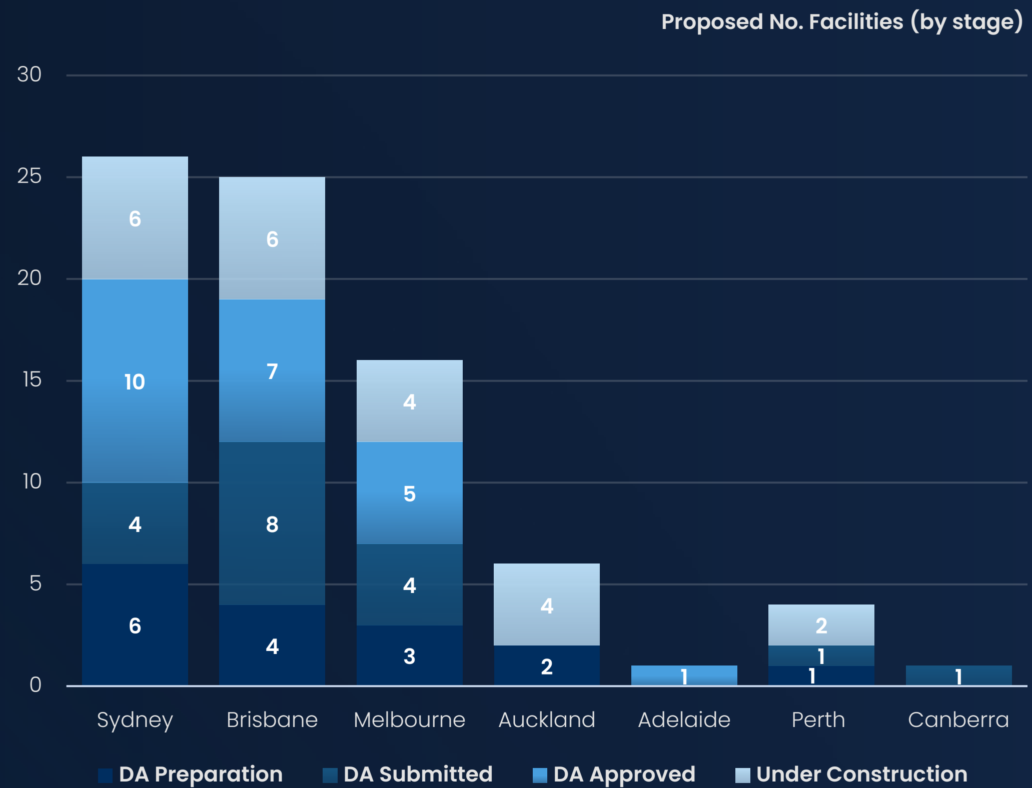
The Brisbane market has six self storage facilities currently under construction. Sydney closely follows with construction of five facilities underway. Melbourne and Auckland currently have four facilities under construction respectively.

Of the combined 77 facilities proposed for the major metropolitan markets, approximately 30% have been granted council approval.

A further 23% of the proposed developments have been lodged and are pending council approval.

A significant proportion of these developments are expected to be completed in 2022.

For more detailed information on proposed developments and developments in other markets, login to the Storage Interactive Platform (SIP) via the SSAA Member Portal.



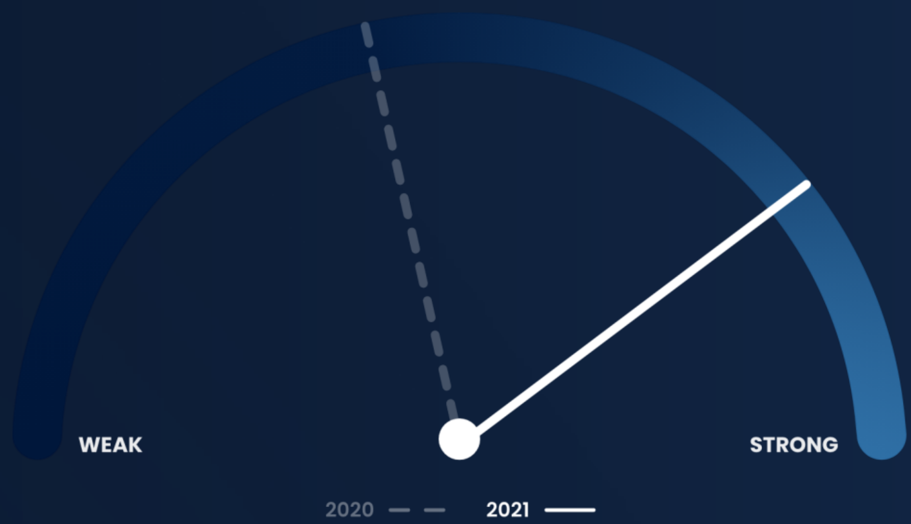
Storage Industry Gauge

2021 has been a record year for revenue performance, strongly influenced by disruption and an increase in discretionary spend.

The preliminary 2021 SSAA Storage Industry Gauge result of 3.73 is the strongest on record, demonstrating the resilience of the sector (the market has been scored since 2018).

The 2021 result is driven by a significant increase in discretionary inflation, an increase in housing turnover volume, constrained new self storage supply and the high level of disruption due to the pandemic.

Looking ahead, a reduction in disruption and/or discretionary spend is likely to reduce the score. A significant increase in the rate of new self storage supply is expected in 2022, which is likely to negatively impact the score. The 2022 market will need a combination of strong population growth, an increase in new apartment completions and an increase in residential turnover volumes to sustain the current strong score.



Storage Industry Gauge

The SSAA Storage Industry Gauge measures the strength of the self storage market at a point in time.

The gauge monitors performance of self storage across East Coast Australian cities, linking changes in revenue performance to various demand drivers. The condition of the economy and strength of demand drivers creates a self storage market score.

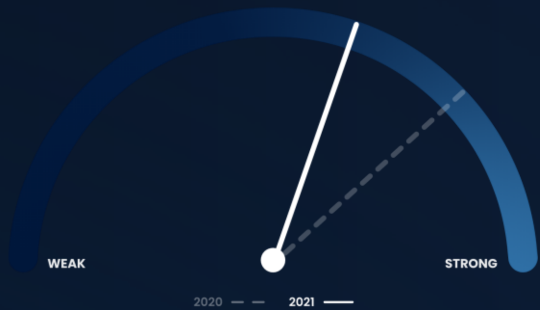
Demand drivers and weightings are updated annually to maintain relevance with market conditions and the most recent revenue performance results.

The 2021 gauge has been updated to broaden the two demand drivers with the weakest correlation so they are more relevant. Average household income has been replaced with discretionary inflation and unemployment has been replaced with disruption. Historical results have been updated and re-correlated to reflect these changes.

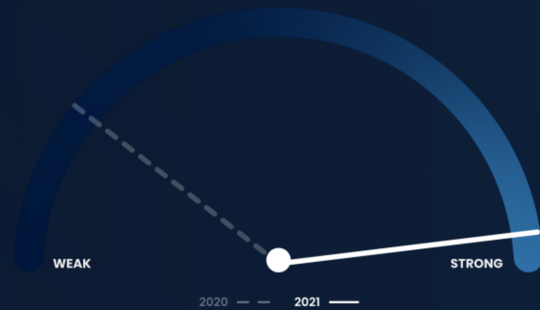
Demand Driver	2021 Score				
	1	2	3	4	5
Population Growth	>-2%	0-2%	**0%**	0-2%	>2%
Disruption	1	2	3	4	**5**
Discretionary Inflation	<-5%	-5%-0%	0%-1%	1-5%	**>5.0%**
Residential sale turnover rate	>-20%	-0-20%	0%	**0-20%**	>20%
New Apartment Completions	>-20%	**-10-20%**	0-10%	10-20%	>20%
New Self Storage Supply	>3%	2-3%	**1-2%**	0-1%	0%

Demand Drivers

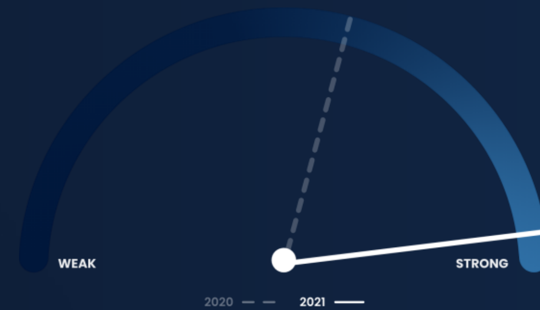
Population Growth



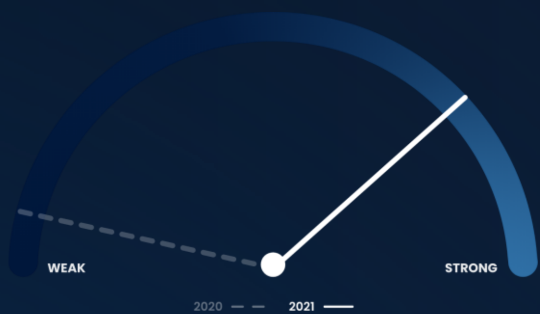
Disruption



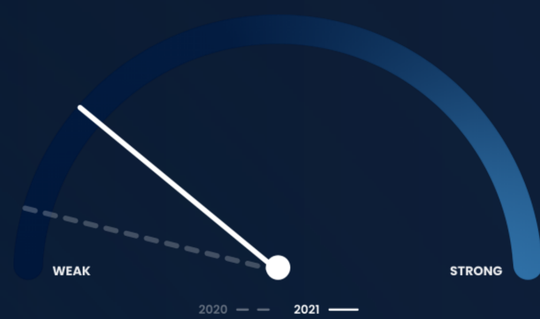
Discretionary Inflation



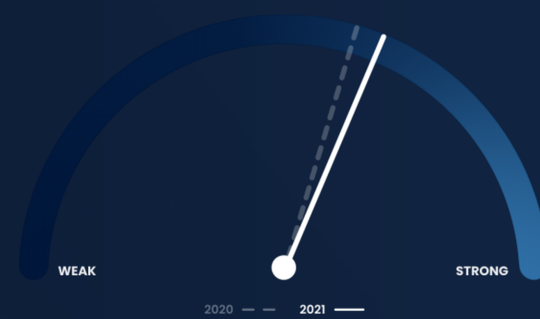
Residential Sales Turnover



New Apartment Completions

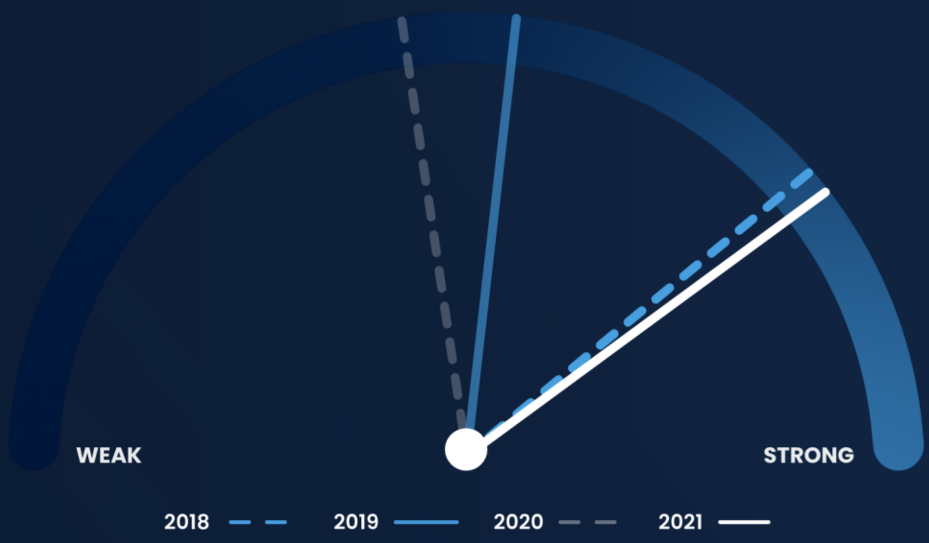


New Storage Supply



Historical Performance

The SSAA's Indicator Series, including the Macro Influence Tracker and the Storage Industry Gauge, provide a high level view of performance across the Australasian sector over time.



Industry Insights

Discover key trends shaping the self storage industry in 2021 and beyond

Across many sectors, the pandemic has necessitated change and delivered years' worth of transformation in a few short months. Self storage has been no exception.

A number of leading operators shared their thoughts on three key trends that continue to influence the industry – the acceleration of automation, the growing sophistication of revenue management and the opportunities presented by burgeoning demand.

Automation

Operators are embracing automation to improve operating efficiency and enhance customer experience

The onset of COVID-19 created an imperative for operators to explore automation more seriously, as restrictions in many regions meant contactless move-ins became commonplace.

While many had the foundational systems and technology in place, now is the time to consolidate the learnings and cement these processes as business-as-usual, because digital habits are here to stay.

Operators with facilities under construction in metropolitan areas are starting to embrace smart access systems and keyless entry, citing customer expectations and future opportunities as the main drivers behind decision-making.

The opportunities for automation in self storage now extend well beyond websites and contactless move-ins. Think streamlined internal processes, real-time reporting and marketing spend optimisation.

The extent to which automation is used to drive operational efficiency will be one of the keys to unlocking greater productivity and performance.

Operators also cite superior digital capabilities and seamless customer experiences as a form of competitive differentiation.

Revenue Management

A more proactive approach to revenue management is improving performance

In the current operating environment, proactive revenue management will be key to optimising revenue growth at a facility and portfolio level.

Those operators not actively assessing and utilising rate levers at a time when occupancy is at record highs may not see the same growth as more proactive competitors.

The majority of operators are sharing revenue management responsibilities with facility managers, making the most of local knowledge and experience.

Once considered the domain of major operators, dynamic pricing software is starting to gain traction across the sector.

Operators who have established revenue management systems in place say the results have been well worth the investment.

Those taking a digital-first approach to revenue management hasten to add this is not a "set and forget" solution. It requires deep industry knowledge and local market insights to construct appropriate models, with continued oversight to optimise outcomes.

Benefits are realised through efficiencies, where it would be challenging to realise the same outcomes via manual processes (particularly for large operators) and in identifying granular opportunities at scale.

While many operators believe they are using these systems to their full potential, others view this as just the beginning of where an AI-driven approach could take self storage.

Opportunities

Rising demand presents opportunities across residential and commercial segments

Post-pandemic, the consumer's view of the value of space has shifted. Space at home now attracts a premium that was often overlooked in years gone by.

Every operator surveyed cited customers needing to make space at home as a driver for demand during the pandemic. The industry now has the opportunity to use this new-found value to its advantage, and tie the importance of space at home to the value of self storage.

Changing consumer expectations are also favourable for self storage. The consumer's view of convenience has shifted even further and having extra space a few kilometres from home is an attractive proposition.

"The Bunnings Effect" has taken hold with consumers spending more time at home and more money on their homes. 60% of operators surveyed agreed this is reflected in recent demand seen across their facilities.

50% of operators surveyed reported an increase in commercial customers since 2020.

The pandemic has revealed vulnerabilities in supply chains and local delivery networks. While supply chains are expected to rebalance without much impact on self storage, last-mile or urban logistics and local delivery opportunities are starting to emerge. Some operators see the value they can add to the new generation of e-commerce entrepreneurs, considering larger tailored spaces and services including receipt/dispatch, pick/pack and broader packaging ranges suited to online retailers.

The long-held belief that change, in all its forms, drives demand for storage continues to ring true. Rising levels of consumer and business confidence will continue to present new opportunities to the sector – the key to success will be in assessing the best fit for your local market.

SSAA Industry Snapshot 2021

This research would not be possible without the support of industry.

As the voice of industry, we believe it is important to measure and map the continued success of our sector.

We are guided by our strong commitment to serving our members and our desire to present informed and meaningful insights as our industry continues to mature.

Our sincere thanks to Linda Sharkey and the team at Cushman & Wakefield for their in-depth research and unique insights into the sector. To our members, including those who contributed data and shared their views, we thank you.

We welcome your feedback on this report and look forward to bringing you the next edition of State of the Industry in 2022.

Ivor Morgan
Chair

Makala Ffrench Castelli
Chief Executive Officer

Citations

ANZ - Roy Morgan
Consumer Confidence Ratings
Australian Bureau of Statistics
Australian Institute of
Health and Welfare
Cushman & Wakefield
Charter Keck Cramer National Apartment Database
RP Data
Urbis Self Storage Index

This report is dated November 2021.

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