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Singapore Property

Reuters LHN.L.SI
Bloomberg LHN SP

Priced on 21 October 2024
STI @ 3,614.6

12M hi/lo S\$0.37/0.31

12M price target na
±% potential

Shares in issue 418m
Free float (est.) 193m

3M ADV US\$0.1

Foreign s'holding 2%

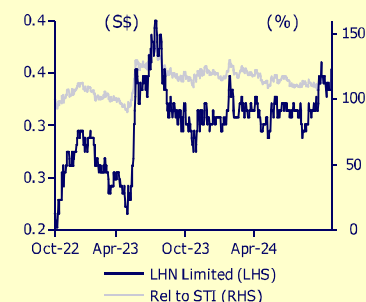
Major shareholders
HEAN NERNG GROUP P/L

Blended ESG Score (%)*

Overall
Country average
GEM sector average
*Click to visit company page on cls.com for details

Stock performance (%)

	1M	3M	12M
Absolute	2.8	9.0	17.7
Relative	3.1	3.9	3.8
Abs (US\$)	5.6	11.9	20.6



Source: Bloomberg

Lunch Club with Work+Store

Pure-play Singapore self-storage operator

We hosted a Lunch Club with Work+Store (W+S), a subsidiary of LHN Ltd. It is one of the top five self-storage operators in Singapore with seven self-storage facilities. Management shared their positive outlook on Singapore's self-storage industry which is expected to grow further on favourable demand and supply dynamics. A key challenge includes the lack of new sites from the government, impeding growth expansion plans, but this is also supportive of rents in our view.

Self-storage specialist with a flair for customer service

Started in 2015, W+S is the wholly-owned subsidiary of listed company LHN Ltd. Since then, W+S has expanded to seven locations in Singapore with 1,600 units across a total of 700ksq of self-storage solutions. Currently, W+S offers five storage types, namely basic, business, valet, climate control and plans to launch wine storage by end of this year.

Robust growth expected within Singapore's self-storage industry

Covid accelerated the growth of the self-storage industry in Singapore on the back of ecommerce, a change in work dynamics and residential constraints, which resulted in an industry Cagr of 5-8% in recent years, with a market value of S\$200m-S\$250m. That said, the industry remains fragmented with a few major players, including Storhub, Extraspace, Lock+Store and Work+Store. We estimate Singapore has currently around 100-120 storage facilities with many small operators.

Profitable business

W+S disclosed that 60% of its customer base is in the business segment with the remaining 40% from individual users. Typical leases range from one month to one year with a high retention rate of 60-70%. On average, their occupancy rates across facilities are in the 90% range, well above the 75-85% industry range, with the size of a storage ranging from 20sqf to 160sqf. Rental rates for basic storage average \$5psf/month while climate controlled storage commands a 20% premium and wine storage is to cost c.S\$15psf/month. Given the low manpower needs, utilities account for bulk of the cost. The company reported an average yearly gross profit margin of 65%.

Remaining optimistic on Singapore growth

Growth in the sector has been curtailed by limited sites offered by the government to cater to self-storage in recent years, but this has also underpinned supportive rents given limited supply. W+S remains optimistic on the Singapore market given favourable demand/supply dynamics and has its sights set on expansion into more sites through brownfield developments in west Singapore.

Financials

	FY2020	FY2021	FY2022	FY2023
Revenue (S\$m)	134.2	121.0	84.5	93.6
Revenue growth (%)		-10%	-30%	+11%
Gross Profit (S\$m)	63.6	66.6	50.0	58.0
Gross Profit Margin (%)	47%	55%	59%	62%
Net Profit (S\$m)	24.1	28.1	45.8	38.2
P/E ratio (x)	2.0	4.9	2.3	7.4
P/B ratio (x)	0.4	1.0	0.6	0.6
Net gearing (D/E, %)	21.2	104.9	98.0	99.9
ROE (%)	22.3	21.0	27.6	19.0
Dividend yield (%)	6.8	5.7	5.0	6.1

Source: Bloomberg. This table reports the financials of LHN Ltd.

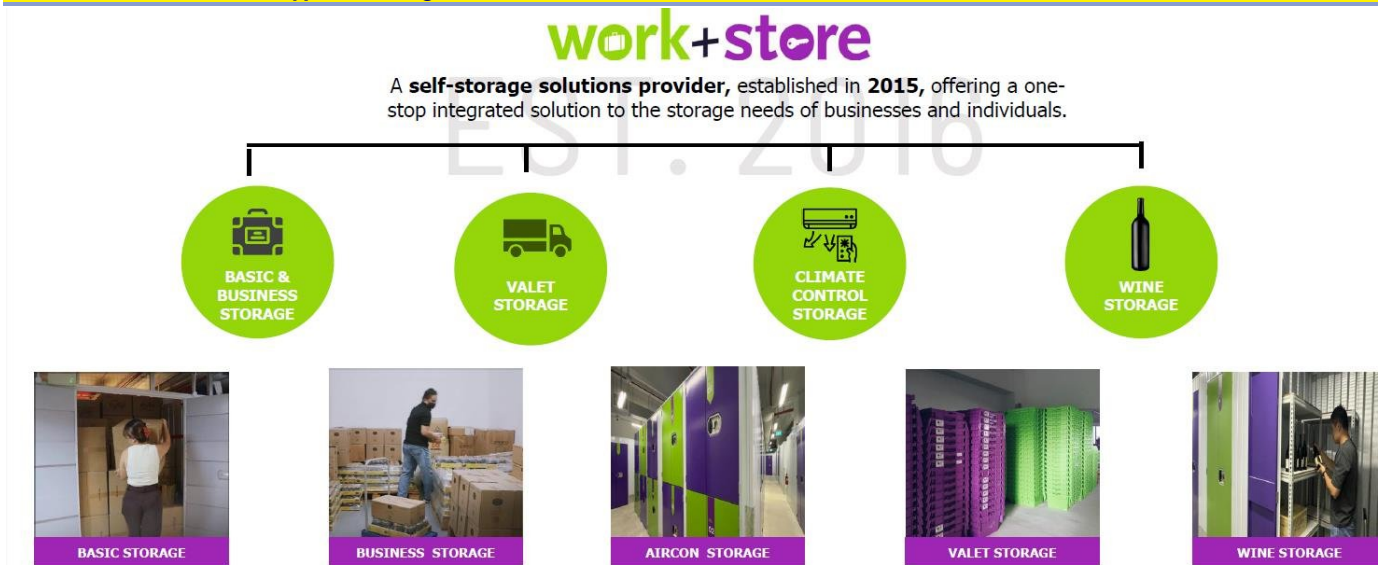
Started in 2015, W+S is the wholly-owned subsidiary of listed company, LHN Ltd. Since then, W+S has expanded into seven locations in Singapore with 1,600 units across a total of 700ksqf of self-storage solutions. Currently, W+S offers five storage types, namely basic, business, valet, climate controlled and plans to launch wine storage by the end of this year. Their business strategy is to look for brownfield sites and transform them into a facility.

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Figure 1

Work+Store offers various types of storage services



Source: CLSA. Work+Store

The self-storage industry in Singapore has grown from strength to strength, with Covid accelerating its growth as ecommerce and the expansion of individual online resellers in Singapore takes off in earnest. This has seen the self-storage market in Singapore to witness a Cagr of 5-8% in recent years, with a market value of S\$200m-S\$250m. In 2022, transportation and storage accounted for 8.1% of ecommerce revenue of S\$401.1bn as of 2022 according to Singapore statistics. That said, the industry remains fragmented with a few key players including Storhub, Extraspace, Lock+Store and Work+Store. It is estimated that Singapore has currently around 100-120 storage facilities with many small operators. Going forward, the sector is expected to enjoy secular demand growth fuelled by the surge in ecommerce, changes in work dynamics, and residential space constraints.

Figure 2

Singapore self-storage industry - key players

Name	Work+Store	Extra Space Asia (ESA)	Storhub	Lock+Store
Markets	Singapore	Singapore, Malaysia, Taiwan, Japan, HK and Korea	Present in 17 cities across Singapore, Mainland China, HK, Malaysia, Korea, Japan, Australia and Thailand	Singapore, Malaysia (Lock+Store Malaysia) and Hong Kong (The Store House Hong Kong)
Portfolio size	7 properties in Singapore	12 properties in Singapore	18 properties in Singapore	13 facilities in Singapore
Parent company	LHN Ltd	A consortium of APG Investments Asia Limited (APG) and CapitaLand Investment Ltd (CLI)	Warburg Pincus	General Storage Company
Services provided	Basic, business, valet and climate control storage. Wine storage will be launched in end-2024.	Personal, business, wine, valet and executive storage	Personal, business, lifestyle, wine and documents storage	Self-storage, wine storage and warehouse (rental for storage).
Established year, other descriptions	Launched in 2015	Founded in 2007, with approximately 70 facilities across 6 Asian cities.	Founded in Singapore in 2003. Current largest storage operator in Singapore.	Incorporated in 2013

Source: CLSA, Work+Store, Extra Space Asia, Storhub, Lock+Store

Figure 3

Ecommerce revenue breakdown within Singapore		
Ecommerce segment	Ecommerce revenue breakdown	Attributable revenue (\$\$bn)
Wholesale trade	58.60%	235.0
Information & communications	26.90%	107.9
Transportation & storage	8.10%	32.5
Retail trade	1.80%	7.2
Recreation, community & personal services	1.40%	5.6
Professional services	1.10%	4.4
Food & beverage services	0.70%	2.8
Administrative & support services	0.70%	2.8
Accommodation	0.40%	1.6
Real estate	0.30%	1.2
Total	100.00%	401.1

Source: CLSA, Singapore Government Department of Statistics

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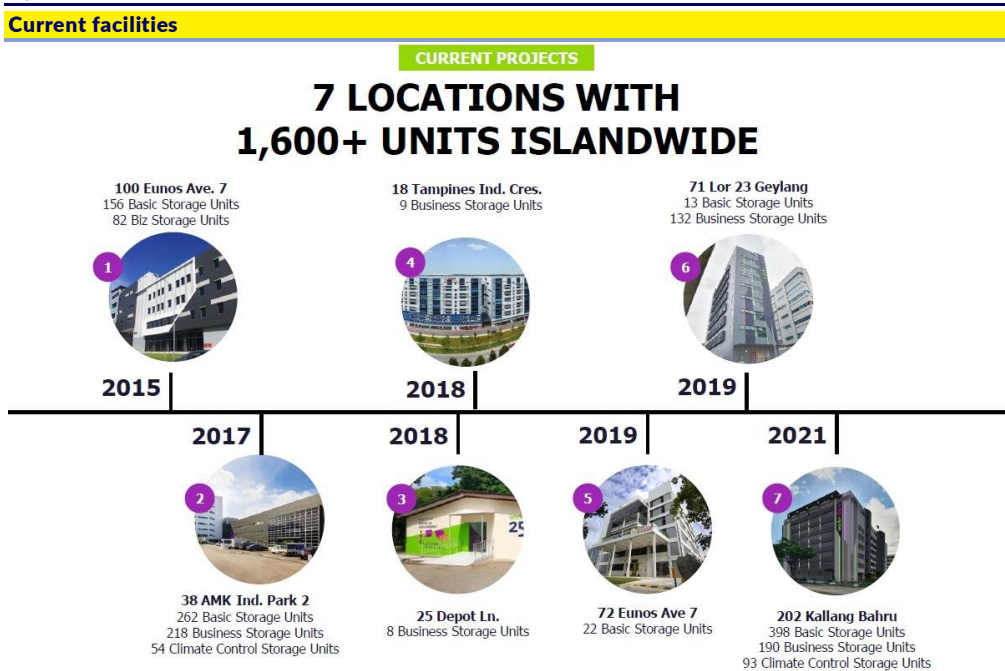


W+S disclosed that 60% of its customer base is in the business segment, with the remaining 40% from individual users. Typical leases can range from one month to as long as one year, boasting a high retention rate of 60-70% on average with more stickiness from the business customer segment. Individual users usually rent a storage for 3-6 months, while business users take on leases that are one year or more. On average, their occupancies across facilities are in the 90% range, while market occupancy is in above the 75-85% industry range, with the size of a storage ranging from 20sqf to 160sqf.

The group also started climate controlled storage this year, where they have been able to command 20% higher rents than typical basic offerings. According to the company, one of the key differentiating factors of W+S is the offer of amenities, including packing areas, a photo studio for live online sellers to showcase products and self-collection lockers to facilitate last-mile delivery.

Figure 4

W+S currently owns four facilities and leases three facilities



Source: CLSA, Work+Store

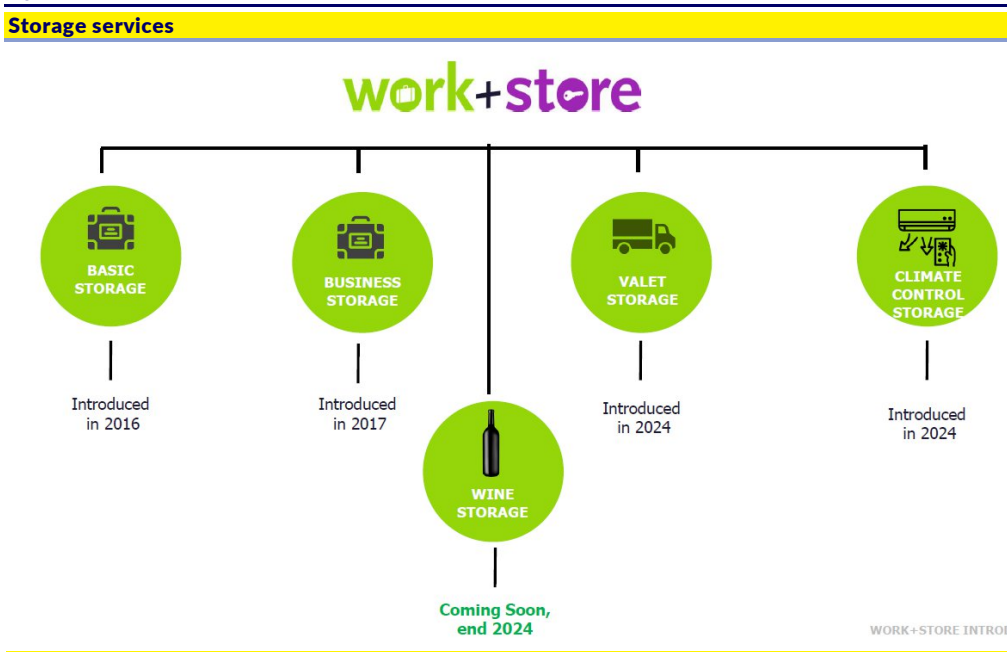


Rental rates for basic storage could be around S\$5psf per month, with about a 20% premium for climate control storage rental. Wine storage could cost \$15psf per month. Rents are typically collected upfront for the entire lease period thereby mitigating credit risk. Given the low manpower requirement, the highest operational cost for W+S is utilities, where the company reported they see an average yearly gross profit margin of 65%.

Going forward, W+S continues to look for new sites to cater to growing demand where they see undersupply, such as the west Singapore. Management also disclosed that for the industry in general, opportunities are available in Japan, South Korea and Hong Kong. South Korea and Japan are seeing good fundamentals while Hong Kong remains a competitive market to enter.

They will be offering wine storage services from end-2024

Figure 5



Across different storage types, the size of the storage room differs and there could be additional services such as temperature-control

Figure 6

BASIC, BUSINESS & CLIMATE CONTROL STORAGE		
BASIC STORAGE	BUSINESS STORAGE	CLIMATE CONTROL STORAGE
Concept of an additional storeroom to declutter their homes or offices.	Concept of performing order fulfilment duties and store their goods at the same place.	Concept of protect your belongings from damage caused by climate.
Size: 20 - 120 sqft	Size: 80 - 160 sqft Facilities: Sensor Controlled	Size: 30 - 120 sqft Facilities: 24/7 climate control

Source: CLSA, Work+Store

Figure 7

Valet storage is another service, where charges are for storage and transportation

Valet storage

Concept of 'You Pack, We Pick Up', we offer 2 main concepts that is: i. **Storage by items** and ii. **Storage by space**. A door-to-door storage option, this storage concept is **coupled with transportation** to pick up the items for storage.



Size: 1 valet box or 1 odd-sized item e.g. luggage, guitar

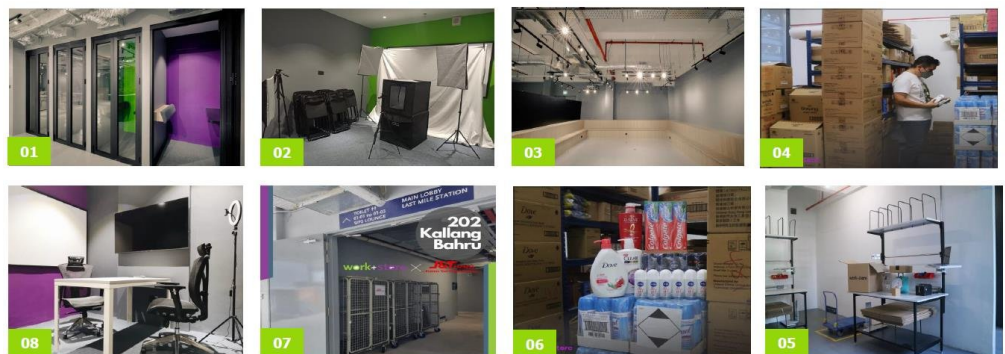
Size: As small as 15sf (a locker), 20sf, 25sf, 30sf+

Source: CLSA, Work+Store

Figure 8

Amenities include live-streaming room, last mile holding area and packing stations, among others

Facilities amenities



Source: CLSA, Work+Store

Figure 9

W+S strives to increase convenience to storage users

User support



<p>Logistic Services</p> <p>Hassle-free last mile delivery service is easily available for users who require, in partnership with J&T Express Singapore</p>	<p>Work Area</p> <p>Communal breakout areas are available for users to do work, reducing costs of office rental and providing the convenience of storage and work in one place.</p>	<p>Photography Studio</p> <p>With shared photography and livestreaming studios, users can conveniently take professional product photos and carry out livestreaming without having to invest in expensive equipment</p>	<p>Packing Station</p> <p>Stocked with complimentary tools and equipment, these packing stations help users pack their orders faster with everything within reach</p>	<p>Self-Collection Lockers</p> <p>Smart lockers with secure locking system help facilitate unattended dispatchment of goods, allowing self-collection or last mile delivery pickup at another time</p>
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Source: CLSA, Work+Store



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Companies mentioned

- LHN Limited (N-R)
- APG Investments Asia Limited (N-R)
- CapitaLand (CLI SP - S\$2.96 - O-PF)
- Extraspaces (N-R)
- General Storage Company (N-R)
- Lock+Store (N-R)
- Storhub (N-R)
- Warburg Pincus (N-R)
- Work+Store (N-R)

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Recommendation history of CapitaLand Investment CLI SP



Date	Rec	Target	Date	Rec	Target
28 Jun 2024	O-PF	3.60	04 Jun 2024	BUY	3.60

Note: At 6pm (HKT) on 28 June 2024, we changed our ratings to Outperform (O-PF), Hold (HLD) and Underperform (U-PF). Please see Key to CLSA/CLST investment rankings below for details. Source: CLSA

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