

SELF-STORAGE IN LATIN AMERICA

as appeared in ISS' 2012 digital International edition

By Nancy Torres, business development director for Janus International

Self-Storage for many decades was considered an American business, one thought to only thrive in the USA. But for the past fifteen years Self-Storage has become an international business with a strong hold in Latin America.

With a US \$4.8 trillion economy, 600 million citizens and a growing middle-class, Latin America has become one of the most dynamic growth regions of the world, thriving with commercial opportunities for local and foreign businesses looking to increase their revenue. Latin America has demonstrated the robustness of its economic resurgence. Nine Latin American nations are now in the top tier of emerging markets, finally surpassing Asia. Growth leaders are emerging in the Andean Region, and it's expected that Chile, Colombia and Peru will contend for the highest growth rate in Latin America in 2012.

Self-Storage Growth

The Republic of Panama is the country with the highest growth. What's driving this growth? The country's strong economy, Venezuela expatriates moving to Panama City, logistics companies taking advantage of the Panama Canal and a tremendous growth of small and medium size businesses.

In Chile, while sharing some factors with Panama, the major driver is cultural changes: more divorces and a dynamic global workforce. Finally self-storage is not a foreign concept anymore and people are demanding better services. In Colombia, the high cost of office space is enticing businesses to use self-storage to store inventory, goods and records; therefore maximizing their office space.

A common denominator for the growth in Panama, Colombia and Chile is the fact that new construction is significantly more expensive and the residences are smaller than in previous decades. People can no longer afford an extra room just for storage.

Development and Construction

Self-Storage development is primarily seen in major cities or on their outskirts. Due to the elevated costs of land, Self-Storage investors must build up. Multi-story buildings constitute 75% of all new construction. Panama proudly claims the tallest storage building in Latin America.

In Chile, Uruguay and Brazil there's a tendency of buying old warehouses with the required height of 6 meters or more to build a mezzanine. This system complies with local earthquake regulations and allows them to build fast, with significantly lower construction costs and increased overall building efficiency. This is seen primarily in areas where there is no land left for new development.

Another interesting development seen in Argentina and other countries of the Region is that they are building communities, not just office buildings or industrial parks, as a new approach to economic development. What this means is that specialized business and industry districts are planned such as

the Technological District, Intermodal Hub, Pharmaceutical Pole, etc., allowing Self-Storage investors to *plan* their facilities around areas that will have a higher demand for storage.

Marketing Efforts

Latin America may share a common language, demographic and socioeconomic characteristics, but consumer needs still vary significantly by country. Understanding the local market and their needs is pivotal for success.

For instance, in Panama, due to the tremendous growth, a price war has already started ranging from \$1.00 for the first month, or first month and moving your goods for free. This tactic, while beneficial for the customer, is not for the operators, which are realizing this and shifting to other methods such as rewarding existing customers for referrals and keeping a strong presence on the Internet and Social Networks such as Facebook.

In Colombia, while using Internet and Social Media works in big cities, Yellow pages are still widely used in the country, so it's imperative to advertise in them. The use of sales representatives to visit business and residential complexes to promote their Self-Storage facilities is highly effective in major metropolitan areas.

As previously stated, in Chile people are demanding better services; therefore the major Operators understand that building new facilities with as many amenities they can afford and to build them close to major highways and streets will not only increase their occupancy levels but will have a positive outcome in their future performance as new players get in their market.

Self-Storage is relatively a new business in the Region with little market penetration. While this is good for business, the downside of it is that little or no knowledge of what Self-Storage is poses an important challenge to the Operators. A significant effort needs to be put in educating potential customers; whether it is newspaper, radio or TV campaigns, which at this point in the USA is not seen as mandatory.

The Future

One of the main challenges in Latin America is the lack of historical and market data; this makes it very difficult to do some soundly-based analysis of the Region. But what we DO know is that by 2020 Latin America will have a combined GDP of US \$10,700 billion, double that of 2010. Private consumption per head will reach US \$11,143 compared to US \$6,360 in 2012.

As the Latin American consumer's disposable income and purchasing power increases they will become more discerning, discriminating and demanding. Some of the principal characteristics that apply to Self-Storage are:

- More discerning and demanding (higher value brands and services)
- More focused on value, convenience and time saving/efficiency (not just cost)
- Increased reliance on social media and social networks

One thing is for sure, Latin America's Self-Storage growth will still be one of the worlds' shining stars.