



Section 57 of the Competition Act 2004

Grounds of Decision issued by the Competition and Consumer Commission of Singapore in relation to the Proposed Acquisition by StorHub of the MSS Target Companies

Date: 14 November 2022

Case number: 400-140-2022-002

Confidential information in the original version of this Decision will be redacted from the published version on the public register. Redacted confidential information in the text of the published version of the Decision is denoted by [X].

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I. INTRODUCTION

1. On 14 March 2022, CCCS accepted an application for decision pursuant to section 57 of the Competition Act 2004 (“**the Act**”) by StorHub Venture Pte. Ltd. (“**StorHub**”) for a decision in relation to whether the proposed acquisition by StorHub of the Mandarin Self Storage (“**MSS**”) Target Companies¹ (the “**Proposed Transaction**”) will infringe section 54 of the Act, if carried into effect.
2. In reviewing the Proposed Transaction, CCCS conducted a public consultation, which included obtaining feedback from StorHub Group’s² and MSS’s³ (each a “**Party**” and collectively, the “**Parties**”) competitors and customers. CCCS sent out requests for information (“**RFI**”) to 5 competitors⁴ and 20 customers⁵ (collectively referred to as “**third-parties**”). Of the third-parties contacted, 3 competitors⁶ and 3 customers⁷ provided substantive responses. Most third-parties did not express significant competition concerns regarding the Proposed Transaction, although one customer expressed the view that the Proposed Transaction may have an impact on price.⁸ This same customer stated however that it did not expect the merged entity would raise prices for its self-storage services.⁹
3. However, given that CCCS’s initial assessment indicated some potential competition concerns and there were important gaps in information that CCCS was not able to obtain from competitors without the use of compulsive powers, CCCS also sent out notices under section 61A of the Act (“**section 61A**”).

¹ The MSS Target Companies comprise: MSS Holdings 1 Pte. Ltd.; MSS Holdings 2 Pte. Ltd.; MSS Holdings 3 Pte. Ltd.; MSS Holdings 4 Pte. Ltd.; and MSS Holdings 5 Pte. Ltd. The MSS Target Companies are part of MSS, a corporate group which operates self-storage facilities in Singapore under the brand name “Mandarin Self Storage”.

² StorHub Group includes 48 entities that are registered in Singapore, including StorHub, Space Next Door Singapore Pte. Ltd., Winebanc Pte. Ltd., and StorHub Management Pte. Ltd. (See paragraphs 7.2, 10.1 and 10.3 of Form M1, and paragraph 4.1 of StorHub’s 4 April 2022 response to CCCS’s 25 March 2022 RFI).

³ MSS is a corporate group which operates self-storage facilities in Singapore, and includes the MSS Target Companies, their parent companies MSS Real Estate Investments I Pte. Ltd., and Asia Storage Holdco Limited, and Mandarin Property Management Pte. Ltd., which manages and coordinates the MSS Target Companies. MSS operates under the brand name “Mandarin Self Storage” in Singapore. (See paragraphs 7.3, 10.2 and 10.4 of Form M1, and paragraph 5.1 of StorHub’s 4 April 2022 response to CCCS’s 25 March 2022 RFI.)

⁴ Competitors: [REDACTED].

⁵ Customers: [REDACTED].

⁶ [REDACTED].

⁷ [REDACTED].

⁸ Paragraph 17 of [REDACTED]’s 28 March 2022 response to CCCS’s 24 March 2022 RFI.

⁹ Paragraph 18 of [REDACTED]’s 28 March 2022 response to CCCS’s 24 March 2022 RFI.

Notices”¹⁰ to 16 competitors¹¹ of StorHub Group and MSS on 23 May 2022 and one further RFI to another competitor¹². CCCS received substantive responses from all 17 competitors.

4. On 17 June 2022, the CCCS case team alerted the Parties, through a state-of-play meeting, to potential competition concerns which, if left unaddressed, may result in CCCS being unable to conclude at the end of the Phase 1 review that the Proposed Transaction will not infringe section 54 of the Act. This is because StorHub’s and MSS’s Customer Distance Data (i.e. the breakdown of the proportion of customers that select a self-storage facility which is located (i) within 2 km; (ii) between 2 to 3 km; (iii) between 3 to 5 km; (iv) between 5 to 10 km; and (v) more than 10 km from their registered address to each of the Parties’ self-storage facilities) submitted by StorHub on 4 April 2022 in response to a previous RFI dated 25 March 2022 (“**StorHub’s Old Customer Distance Data**” and “**MSS’s Customer Distance Data**” respectively) indicated that there are relevant geographic markets for self-storage services in narrower catchment areas in Singapore around a number of the Parties’ facilities, and there were competition concerns in certain of such relevant geographic markets.
5. Subsequently, on 24 June 2022, StorHub submitted updated Customer Distance Data (“**StorHub’s New Customer Distance Data**”) which was materially different from StorHub’s Old Customer Distance Data. [§<]. In view of this, and given the importance of the customer distance data to CCCS’s assessment of the Proposed Transaction, CCCS sent both Parties section 61A Notices requiring the engagement of an independent auditor to produce an audit report verifying that (i) StorHub’s New Customer Distance Data; and (ii) MSS’s Customer Distance Data were materially true and accurate (the “**Audit Requirement**”).
6. Subsequently, StorHub submitted an audit report verifying that StorHub’s New Customer Distance Data was materially true and accurate. The audit report was accepted on 18 October 2022 by CCCS. For MSS, CCCS had agreed to waive the Audit Requirement.¹³

¹⁰ A formal notice under section 61A of the Act allows CCCS to use its information gathering powers to obtain specified information and documents from any person that can assist in the assessment of the Proposed Transaction when it has reasonable grounds for suspecting that the section 54 prohibition may be infringed.

¹¹ Competitors (section 61A Notices): [§<]

¹² [§<]

¹³ As MSS did not make any re-submissions of its Customer Distance Data, it requested CCCS to waive the Audit Requirement, which CCCS acceded to. CCCS conducted sampling checks of MSS’s Customer Distance Data and spotted errors. Given that (i) the errors did not result in a change to any of the relevant geographic markets; and (ii) CCCS did not find significant differences in a large proportion of the entries, CCCS sought clarification on these errors from MSS on 23 October 2022. MSS submitted its response on 27 October 2022, explaining that the

7. After evaluating the available information, including the Parties' submissions, StorHub's New Customer Distance Data, MSS's Customer Distance Data and responses from third-parties, CCCS concludes that the Proposed Transaction, if carried into effect, will not infringe section 54 of the Act.

II. THE PARTIES

(A) THE ACQUIRER

8. StorHub is part of the StorHub Group. StorHub's primary business involves the conversion of properties into self-storage infrastructure, and providing self-storage services to customers.¹⁴
9. The StorHub Group includes 48 entities that are registered in Singapore, including StorHub, Space Next Door Singapore Pte. Ltd., StorHub Management Pte. Ltd.¹⁵, and the investment holding companies and property holding companies for the StorHub Group's self-storage facilities in Singapore.¹⁶
10. The StorHub Group invests in, and develops, properties in Singapore, China, Hong Kong, South Korea, Japan, Malaysia and Thailand,¹⁷ and operates self-storage services in these countries.¹⁸ In Singapore, StorHub operates its self-storage business under the brand names "StorHub", "Space Next Door" and "Winebanc",¹⁹ from industrial properties at 22 different locations in Singapore.²⁰

(B) THE TARGET

11. The MSS Target Companies comprise: MSS Holdings 1 Pte. Ltd.; MSS Holdings 2 Pte. Ltd.; MSS Holdings 3 Pte. Ltd.; MSS Holdings 4 Pte. Ltd.; and MSS Holdings 5 Pte. Ltd.²¹ The MSS Target Companies are 90% owned by Asia Self Storage Holdco Limited, a company incorporated in the Cayman Islands, and 10%

errors were mainly typographical in nature and did not have a significant effect on MSS's customer distribution patterns. MSS also re-submitted its Customer Distance Data with rectifications made for the typographical errors as part of its response.

¹⁴ Paragraph 7.1 of Form M1.

¹⁵ StorHub Management Pte. Ltd. manages and coordinates the StorHub Group's self-storage facilities in Singapore. (See paragraph 4.1 of StorHub's 4 April 2022 response to CCCS's 25 March 2022 RFI.)

¹⁶ Paragraphs 8.1 to 8.4 of Form M1; and Annex 2 of Form M1.

¹⁷ Paragraph 7.1 of Form M1.

¹⁸ Paragraph 10.5 of Form M1.

¹⁹ Paragraph 10.7 of Form M1.

²⁰ Paragraphs 10.9 and 10.10 of Form M1.

²¹ Paragraphs 8.7.1 to 8.7.5 of Form M1.

owned by MSS Real Estate Investments I Pte. Ltd., a company incorporated in Singapore.²² The MSS Target Companies are part of MSS, a corporate group which operates self-storage facilities in Singapore under the brand name “Mandarin Self Storage”.²³ The MSS Target Companies do not have any business activities outside of Singapore.

12. Each MSS Target Company wholly owns a subsidiary which operates one of Mandarin Self Storage’s 5 self-storage facilities (the “**MSS Properties**”) in Singapore.

III. THE PROPOSED TRANSACTION

13. The Proposed Transaction involves the acquisition by StorHub of 100% of the shares in the MSS Target Companies, which indirectly own the MSS Properties,²⁴ pursuant to a Share Purchase Agreement dated 5 March 2022.²⁵ Pursuant to the Proposed Transaction, the StorHub Group will merge the MSS Properties into its existing Singapore portfolio of self-storage facilities and will re-brand the MSS Properties with the StorHub brand and relevant trademarks.²⁶ The StorHub Group will not be acquiring the MSS brand and the associated intellectual property rights.²⁷ Following the Proposed Transaction, MSS will exit the self-storage industry entirely.²⁸
14. CCCS assesses that the Proposed Transaction constitutes a merger under section 54(2)(b) of the Act as the StorHub Group will, by virtue of the Proposed Transaction, acquire sole control of the MSS Target Companies.

IV. COMPETITION ISSUES

15. StorHub submitted that the Parties overlap in the supply of self-storage services for personal and business use in Singapore.²⁹

²² Paragraph 8.6 of Form M1.

²³ Paragraphs 7.3 and 10.4 of Form M1.

²⁴ Paragraph 11.5 of Form M1.

²⁵ Paragraph 11.1 of Form M1.

²⁶ Paragraph 11.5 of Form M1.

²⁷ Paragraph 11.5 of Form M1.

²⁸ Paragraph 11.1 of Form M1.

²⁹ Paragraph 15.1 of Form M1.

16. Self-storage services involve the short-term rental of a unit or rooms for use as a mini-warehouse.³⁰ Self-storage units may range on average from 10 square feet (“sq ft”) to 500 sq ft (or slightly higher)³¹. [X].³²
17. The self-storage business typically involves the acquisition or leasing and development of large industrial and/or warehouse buildings for the purposes of operating them as self-storage facilities.³³
18. In assessing the Proposed Transaction, CCCS considered whether the Proposed Transaction will lead to non-coordinated effects and coordinated effects that would result in a substantial lessening of competition (“SLC”) in Singapore.

V. COUNTERFACTUAL

19. CCCS considers that absent the Proposed Transaction, the relevant counterfactual would be the status quo (i.e. StorHub Group and MSS would continue operating independently as competitors), as there is no evidence to suggest that the market structure or competitive dynamics in the counterfactual would differ from the status quo.

VI. RELEVANT MARKETS

20. Based on the Parties’ submissions and third-party feedback, for the purpose of this assessment, CCCS has assessed that the relevant markets are the market for the supply of self-storage services, excluding wine and mobile-storage services³⁴, both nationwide and within smaller catchment areas of certain self-storage facilities operated by the StorHub Group or MSS (specifically, (i) within 10 km from MSS – Site 1 (Hougang)³⁵ for that self-storage facility; and (ii) within 10 km from StorHub – Site 10 (Hougang)³⁶ for that self-storage facility.

(collectively, “**the Relevant Markets**”)

³⁰ Paragraph 18.2 of Form M1.

³¹ Paragraph 11.15 of StorHub’s 4 April 2022 response to CCCS’s 25 March 2022 RFI.

³² Paragraph 11.15 of StorHub’s 4 April 2022 response to CCCS’s 25 March 2022 RFI.

³³ Paragraph 18.1 of Form M1.

³⁴ In assessing that wine storage services are unlikely to be part of the same relevant market as general self-storage services, CCCS took into consideration that it is not common for customers to store items other than wine in wine storage spaces, and that the prices of wine storage services are significantly higher than the prices of general self-storage services. In assessing that mobile storage services are unlikely to be part of the same relevant market as general self-storage services, CCCS took into consideration the differences in storage sizes, prices, and ease of access to stored items.

³⁵ MSS – Site 1 (Hougang) is located at 91 Defu Lane 10, Singapore 539221.

³⁶ StorHub – Site 10 (Hougang) is located at 111 Defu Lane 10, Singapore 539226.

VII. MARKET STRUCTURE

(a) Market Shares

21. For each Relevant Market, the Parties' combined market shares (based on occupied net lettable area) is estimated to be between 20% to 40% with the post-merger combined market share of the three largest firms (CR3) crossing the 70% indicative threshold set out in the *CCCS Guidelines on the Substantive Assessment of Mergers*. However, CCCS notes that post-merger, there will still be other sizeable competitors present in the Relevant Markets.

(b) Barriers to Entry and Expansion

22. CCCS has received mixed third-party feedback on the extent of barriers to entry and expansion. While feedback received generally indicated that regulatory requirements, and the costs and availability of land are the key barriers to entry and expansion, competitors also indicated that the availability of industrial land/buildings for self-storage services may differ depending on the location, suggesting that the extent of barriers to entry or expansion may differ across locations in Singapore.
23. Feedback from competitors also indicated that many of the Parties' competitors are currently operating their self-storage facilities at high capacity utilisation rates. Further, feedback from the Parties' competitors on their ability to (i) increase capacity at existing self-storage facilities; and (ii) set up new self-storage facilities in response to a potential increase of demand for self-storage services (e.g. from customers that desire to switch from the merged entity in the event that the merged entity increases prices or decreases the quality of self-storage services) is mixed.
24. Based on the above, CCCS considers that it is unclear whether new entry or expansion by the Parties' competitors would be likely, sufficient in extent and timely to act as a competitive constraint on the merged entity in the Relevant Markets post-Proposed Transaction.

(c) Countervailing Buyer Power

25. CCCS is of the view that there is little to no presence of countervailing buyer power in the market for self-storage services in Singapore, given that, as submitted by StorHub, approximately 80-90% of self-storage customers are individual

customers, while the remaining customers are SMEs and micro-SMEs.³⁷ These customers are fragmented in nature and would individually constitute a negligible proportion of a self-storage operator's revenue.

26. Accordingly, it is highly unlikely that StorHub Group's and MSS's customers would have sufficient commercial significance to be able to exert any countervailing buyer power.

VIII. COMPETITION ASSESSMENT

(a) Non-Coordinated Effects

27. Based on the information received, CCCS has assessed that on balance, the Proposed Transaction is unlikely to give rise to non-coordinated effects in the Relevant Markets for the following reasons:

- (a) The Parties are not each other's closest competitors in the Relevant Markets;
and

- (b) Due to the homogenous nature of self-storage services, and the presence of other sizeable competitors such as Extra Space, Lock+Store, Work Plus Store and Storefriendly, there would likely be sufficient alternatives for the merged entity's customers in the Relevant Markets post-Proposed Transaction.

28. While capacity utilisation rates of the Parties' competitors appear relatively high, CCCS notes that customers are generally not locked in as the typical contract period for self-storage facilities tend to be short. Further, the spare capacity for self-storage services of [X] available at an aggregate industry level is also not an insignificant amount of spare capacity compared to the market shares of the merged entity.

(b) Coordinated Effects

29. Based on the information received, CCCS has assessed that the Proposed Transaction is unlikely to give rise to coordinated effects in the Relevant Markets for the following reason:

³⁷ Paragraph 18.6 of Form M1.

(a) The ability for firms to (i) align their behaviour in the market for self-storage services; and (ii) monitor and detect deviations from any coordinated behaviour, is limited given the low degree of price transparency in the market for the supply of self-storage services in Singapore. CCCS notes that prices and discounts are usually not displayed upfront on the websites of self-storage operators, and the low degree of price transparency may be exacerbated by the common use of discounts and promotions³⁸, which may differ significantly across the self-storage facilities owned and operated by the same self-storage operator. Furthermore, prices of self-storage services are based on many factors such as the leased unit sizes, the customer's rental period, quality of services, characteristics of the storage units (e.g. accessibility, whether the units are air-conditioned etc), and some of these factors may not be observable to outside parties.

(c) Conclusion on Competition Assessment

30. Based on the above considerations, CCCS concludes that the Proposed Transaction, if carried into effect, will not lead to an SLC in Singapore.

IX. EFFICIENCIES

31. Given that the competition assessment does not indicate an SLC, it is not necessary for CCCS to assess the efficiencies claimed by the Parties.

X. CONCLUSION

32. For the reasons above and based on the information available, CCCS assesses that the Proposed Transaction, if carried into effect, will not lead to an SLC in Singapore and consequently, will not infringe the section 54 prohibition.

³⁸ Factors influencing the quantum of discounts include: (i) occupancy rate of the facility; (ii) popularity of the storage unit size in question; (iii) location of the self-storage facility; (iv) duration of rental period of the customer; (v) seasonality; and (vi) marketing campaigns.

33. In accordance with section 57(7) of the Act, the decision will be valid for a period of one year from the date of CCCS's decision.



Sia Aik Kor
Chief Executive
Competition and Consumer Commission of Singapore