

Self Storage Introductory Guide

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SSA ONLINE
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Distance Learning Center

The Self Storage Difference

- **What is Self Storage?**
 - Unit rental on a month-to-month basis
 - Tenant has sole access to unit
 - Tenant uses his own lock
 - **No bailment** by facility:
 - Facility does *not* provide care, custody or control of renter's goods
- **Self Storage is not for use as:**
 - A residence
 - A place for conducting business
 - A place to store hazmats or perishables

Self Storage Development History

A typical storage facility:

- On 2.5 to 5 acres
- 5 to 7 one-story drive up buildings
- Possibly two-story buildings
- Good unit size mix of 40,000 – 80,000 sq. ft. of rentable space
- Average facility is 46,000 s/f rentable space
- Large roll-up doors
- Many offer climate controlled units
- Outside parking for boats, RVs and other motor vehicles

Self Storage Development History

- ❑ **1st Generation Facilities** - mid 1960's: North America and later to Europe, Australia
- ❑ **2nd Generation Facilities:**
 - Row buildings
 - Some multi story facilities
 - Converted older buildings
- ❑ **3rd Generation Facilities :**
 - Retail locations, light commercial
 - Multi family residential neighborhoods
 - Emphasize aesthetics in construction
 - Designed to blend-in



Growth Patterns

- ❑ **Initially:** Western US & Sunbelt due to job growth & climate there
- ❑ **1978** one of the greatest growth years in the industry.
- ❑ **Mid 80's** increased construction on East Coast of US, and in Canada, Europe, Australia
- ❑ **Early 90's** – economically foreclosed facilities purchased by local & national operators.
- ❑ **2008** -Over 50,000 self storage properties currently in operation in US; 60,000 worldwide
 - Expanded to business tenants - 30% or more of the total tenants in some facilities are commercial accounts

Real Estate Characteristics

- ❑ Typically: simplified building structures-short construction period- rapid initial rentals.
- ❑ Low operating expenses-month-to-month leases.
- ❑ High building rentability, (up to 100% occupancy for single story and usually 75% for multi story).
- ❑ Many tenants, diffusing vacancy risk.
- ❑ Somewhat resistant to economic downturns/shifts.
- ❑ Cash flow oriented real estate investment

Site Considerations

- ❑ Location determined by:
 - Street visibility/ease of access
 - Proximity and density of customers (3-5 mile radius)
 - Expected growth & current storage saturation level
 - Availability and affordability of land
 - Appropriate zoning and commuter traffic patterns.
- ❑ A growth area has much faster lease-up
- ❑ High ratios of single family and multi-family residences:
 - Increases demand for smaller units (5x10 & 10x10)
 - Smaller units generally = higher Return on Investment (ROI)
- ❑ Ideal location = dense urban area, on a major artery, in the neighborhood the facility will serve

Site Considerations (cont'd)

- ❑ Demographic study of a 1-mile, 3-mile & 5-mile radius surrounding the proposed facility site
- ❑ Census material for current population, anticipated growth, the population mix and average income
- ❑ Current and expected competitors plotted on the map of the area

Site Considerations

Market saturation

- Depends on local market characteristics:
 - Areas where more people own recreational equipment
 - Amount of housing with limited storage space
 - Age of population, mobility rate, employment status and income

Site Considerations

Supply and Demand

- Danger signals of “overbuilding”:
 - Higher monthly turnover
 - Shorter term tenants
 - Increased vacancy rates
 - Longer initial lease-up periods
 - Competitor advertising of “Move-in” discounts

Construction

- Manufactured components
- Stable construction cost over time and region
- Shortened construction period
- Construction techniques depend on
 - climate
 - building code requirements
 - zoning restrictions
 - neighborhood surroundings

Construction

□ Building types:

- Metal buildings, Combination metal and block, Tilt-up, Wood frame, Modular
- Choice depends upon price, availability of land, and surrounding neighborhood
- Cost of materials (steel, concrete, asphalt)

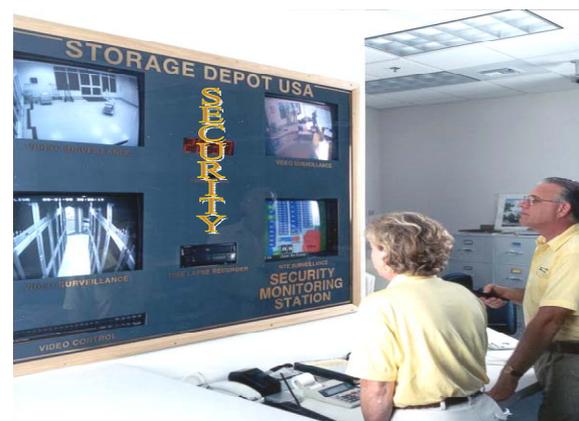


Construction

- Design depends primarily on type of tenants
 - Multi-family unit market: smaller units
 - Business tenants: larger units (10x20 or larger)

- Office design can assist in tenant service

- Security factors (gates, lighting, cameras, etc.)



Common Variations

- ❑ Facility Sizes: Range from 10,000 to 100,000+ square feet
- ❑ Unit Sizes – Range from 5' x 5' to 10' x 20' [average unit size being about 100 square feet (10x10)].
- ❑ Outside parking for RV's, boats, etc.
- ❑ Single and/or multi level facilities.
- ❑ About 50% have Resident manager apartment.

Common Variations

- ❑ Converted buildings (warehouses, big box stores)
- ❑ Movable panels
- ❑ Mobile storage containers
- ❑ Automatic gates with keypad access
- ❑ Surveillance cameras, monitoring stations, individual door alarms.
- ❑ Ancillary Services: Retail store with packing & moving supplies, locks and other ancillary income sources (e.g. private mailboxes, eBay, overnight shipping, or business centers)

Financial

- ❑ 85 percent owners have 3 or fewer sites
- ❑ Usually a \$3,000,000 or more investment
 - owner equity plus local bank, insurance co., friends & family, country club friends or other invested equity.
- ❑ Self Storage is popular as a Real Estate Investment Trust (R.E.I.T.)
- ❑ Sold on its cash flow performance:
 - Appreciation potential
 - Continued rent increases possible

Financial

□ LAND PRICE

- Old rule of thumb
 - @ \$1.25 per gross sq ft w/ 40 % coverage, net land cost = \$3.13 per rentable building ft.
- Current rule of thumb: land cost = 25-30 % of total development cost.
- State of the art facility of 60,000 - 80,000 net rentable sq. ft, cost over \$45-65 per sq .ft..

Financial

- **Break even operating expenses =**
40-60% total stabilized income.
(without debt service)

- **Operating costs on average =**
25% to 40% actual stabilized income

- **Well designed and well located facilities:**
 - 70-95 % occupancy
 - Open in the spring
 - Currently, 18-36 months or more to reach stabilization

Rental Rates

- Typical rents of \$0.50 up to \$4 per sq. ft. per month in high population markets.
- A "small dollar" rent increase yields a large return.
- Self storage less volatile than other real estate types.

Rental Rates

2007 Climate Controlled Rental Rates by Region, Area and Facility Type

NORTHEAST	Fac. type & size	5 x 5	5 x 10	10x10	10x15	10x20	10x30
Urban	Traditional	\$67.40	\$79.55	\$180.38	\$214.11	\$239.53	\$359.17
Urban	Big Box	\$135.29	\$131.71	\$332.79	\$403.64	\$494.29	\$573.80
Urban	Conversion	\$76.89	\$151.30	\$159.20	\$253.25	\$359.25	\$383.50
Suburban	Traditional	\$55.27	\$78.23	\$137.75	\$156.08	\$257.18	\$375.50
Suburban	Big Box	\$38.29	\$52.50	\$70.50	\$200.50	\$252.00	\$31.00
MID-ATLANTIC	Fac. type & size	5 x 5	5 x 10	10x10	10x15	10x20	10x30
Urban	Traditional	\$59.81	\$78.24	\$179.95	\$174.23	\$253.16	\$313.67
Urban	Big Box	\$112.89	\$154.11	\$237.83	\$294.40	\$344.95	\$457.00
Urban	Conversion	\$86.55	\$157.83	\$240.14	\$246.45	\$323.19	\$531.44
Suburban	Traditional	\$41.60	\$65.07	\$130.87	\$142.58	\$221.33	\$213.40
Suburban	Big Box	\$40.00	\$18.50	\$235.50	\$330.50	\$147.00	\$242.50
SOUTH	Fac. type & size	5 x 5	5 x 10	10x10	10x15	10x20	10x30
Urban	Traditional	\$45.47	\$70.83	\$122.29	\$170.70	\$206.68	\$247.38
Urban	Big Box	\$84.43	\$154.81	\$228.10	\$303.81	\$362.43	\$379.27
Urban	Conversion	\$58.07	\$113.94	\$159.56	\$196.11	\$263.60	\$283.40
Suburban	Traditional	\$45.91	\$67.10	\$110.29	\$134.21	\$200.51	\$251.63
Suburban	Big Box	\$10.50	\$113.00	\$175.50	\$256.00	\$40.00	\$556.50

Source: 2008 FinOps

Rental Rates

2007 Climate Controlled Rental Rates by Region, Area and Facility Type

MIDWEST	Fac. type & size	5 x 5	5 x 10	10x10	10x15	10x20	10x30
Urban	Traditional	\$55.00	\$79.95	\$134.45	\$170.56	\$251.46	\$264.00
Urban	Big Box	\$54.60	\$72.90	\$172.35	\$172.55	\$186.50	\$219.38
Urban	Conversion	\$61.63	\$83.00	\$125.33	\$181.56	\$129.78	\$232.50
Suburban	Traditional	\$39.50	\$77.88	\$104.25	\$168.50	\$229.75	\$55.00
SOUTHWEST	Fac. type & size	5 x 5	5 x 10	10x10	10x15	10x20	10x30
Urban	Traditional	\$44.06	\$72.29	\$127.53	\$148.72	\$238.68	\$310.60
Urban	Big Box	\$61.46	\$125.46	\$204.62	\$242.31	\$326.08	\$201.40
Urban	Conversion	\$61.00	\$85.17	\$172.50	\$207.17	\$282.33	\$293.17
Suburban	Traditional	\$52.57	\$77.98	\$125.52	\$132.46	\$206.86	\$301.67
Suburban	Big Box	\$48.00	\$74.00	\$113.00	\$135.00	\$165.00	
WEST	Fac. type & size	5 x 5	5 x 10	10x10	10x15	10x20	10x30
Urban	Traditional	\$43.95	\$61.16	\$78.30	\$171.33	\$155.20	\$155.60
Urban	Big Box	\$77.00	\$185.43	\$265.71	\$255.33	\$524.40	\$424.00
Urban	Conversion	\$89.67	\$125.67	\$191.00	\$194.00	\$159.00	\$327.00
Suburban	Traditional	\$47.60	\$61.60	\$130.60	\$107.25	\$274.33	\$339.00

Source: 2008 FinOps

Management and Operations

- ❑ High emphasis on the hiring and training of appropriate management personnel
- ❑ Many managers have full control over all daily decision-making
- ❑ Most managers are also charged with customer service practices and the marketing of the facility



Management and Operations

- Managers must be well versed in:
 - The state lien law where the facility operates
 - Sales, customer service, marketing, light maintenance, accounting and computer operation, software
- Increased manager skill and responsibility is facilitated by:
 - Standardized industry training such as SSA's on-line education for managers
 - Emphasis on industry professional standards such as those of the SSA Certified Self Storage Manager (CSSM)[©] designation



Management and Operations

- Professional management companies
 - Provide many services, including management of several facilities, typically belonging to various owners
 - Inexperienced operators may use a management company during the lease-up period to effect a quicker stabilization



Competitive Environment

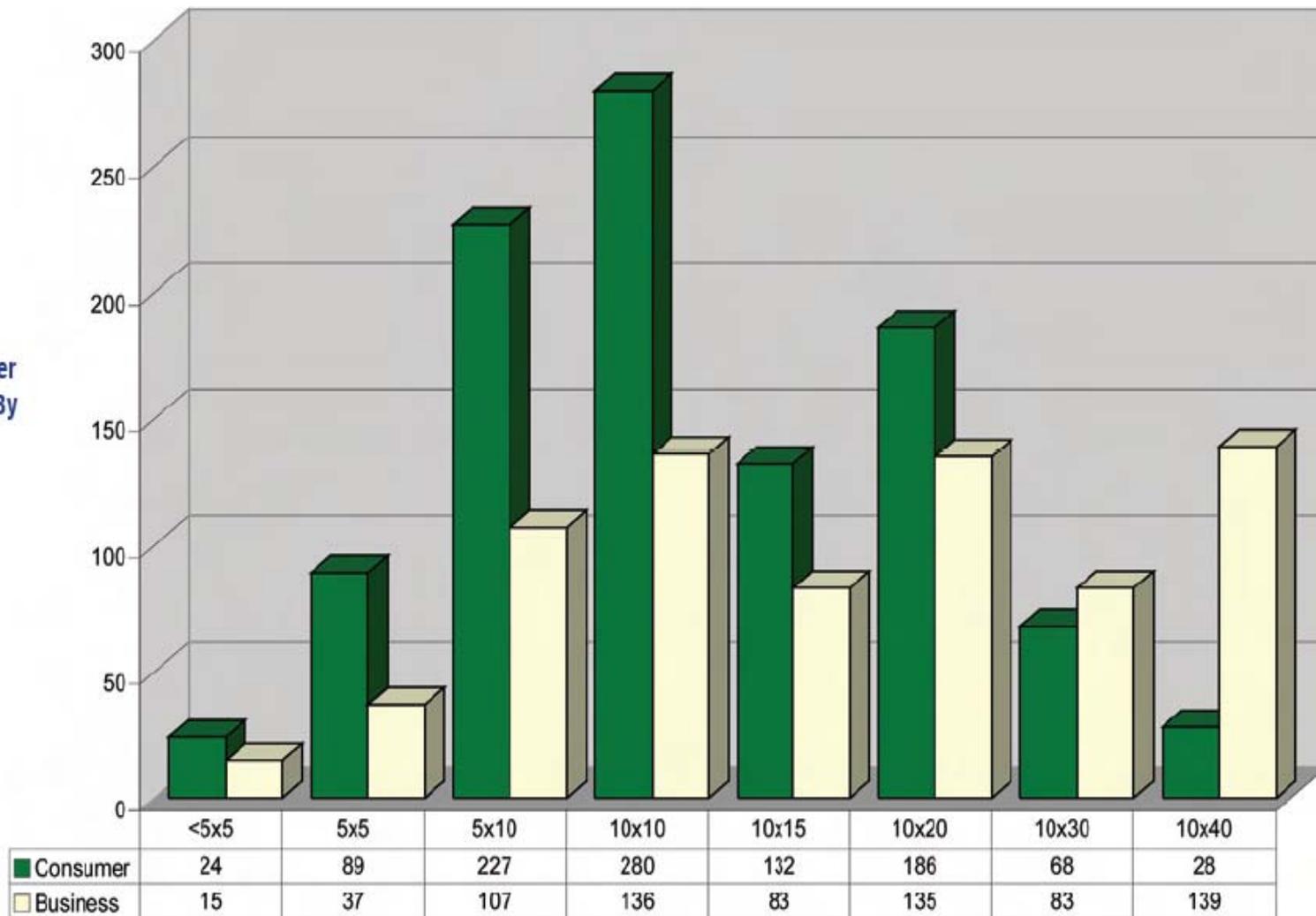
- ❑ Requires a new level of sophistication for maximum profits
- ❑ Adversely impacts the ability to raise rental rates
- ❑ Success in this environment requires:
 - Ideal location
 - Effective management
 - Financing to carry initial debt and operation cost

Understanding the Customer Base

- ❑ Vast majority of customers are individuals storing residential goods
- ❑ Market growth and maturation has occurred in the self storage industry:
 - Regular turn-over rate
 - Residential customers: 1 – 12 months
 - Commercial customers: 12-36 months
- ❑ People will pay more based upon specific advantages
- ❑ Tenants from 3-5 mile radius (10-20 minute drive time)

Understanding the Customer Base

Figure 3.5: Total US Consumer and Business Units Rented By Unit Size - 2007 Estimates



Marketing

Most Common Marketing Techniques

- Advertising: Yellow pages, newspapers, shopper/coupon circulars, other local publications
- Signage, message boards, banners, pennants, and flags
- Website: Internet exposure is becoming commonplace
- Community activities, local charitable sponsorships and networking events
- Customer referral programs
- Direct mail-brochures, flyers, and leaflets advertising discounts –*Less Prevalent*
- Radio/TV advertising- *Less Prevalent*

Legal and Legislative Concerns

- The Self Storage Association sponsored the model lien law legislation most states have adopted:
 - Distinguishes the self storage from warehousing
 - Protects tenant and facility operator in delinquent tenant property issues
 - Delinquent tenant possessions can be auctioned off according to state lien law requirements

Legal and Legislative Concerns

□ **Local:**

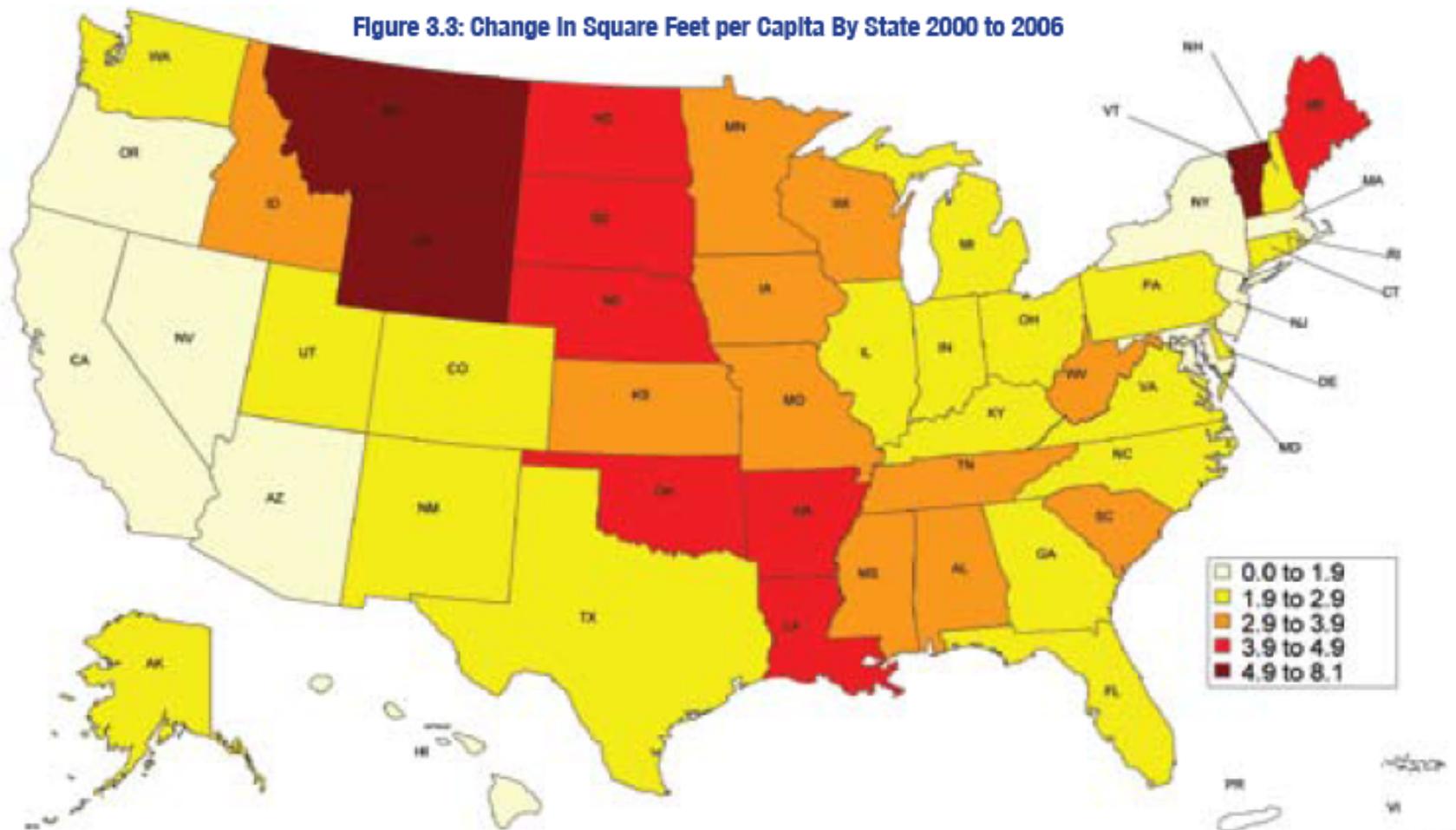
- Building codes, zoning & entitlement process
- Eminent domain for other community projects

□ **State:**

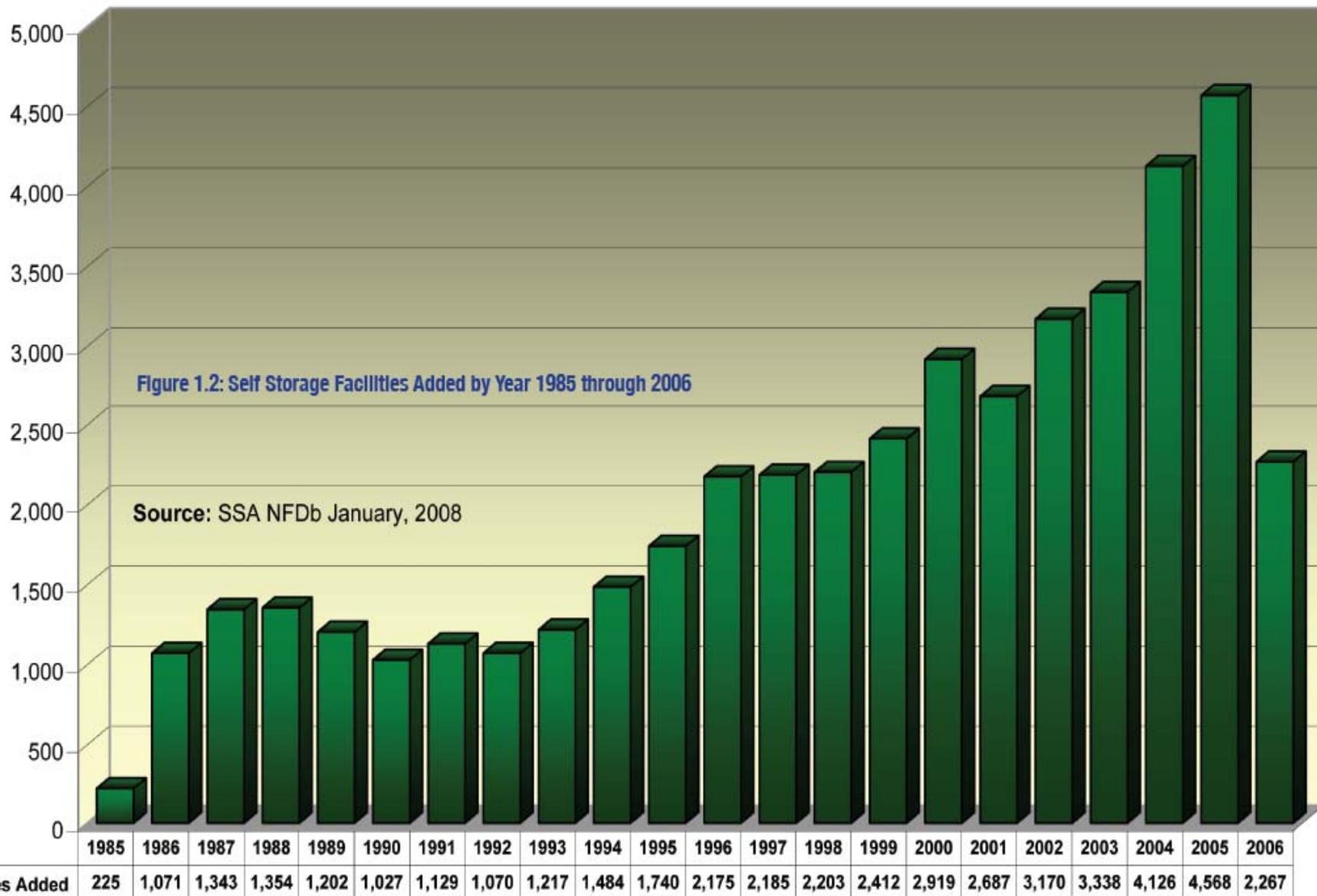
- Sales tax efforts/repeal efforts
- Lien law updates
- Late fee amendments
- Tenant insurance sales licensing

Recent Industry Trends

Figure 3.3: Change In Square Feet per Capita By State 2000 to 2006



Recent Industry Trends



Recent Industry Trends

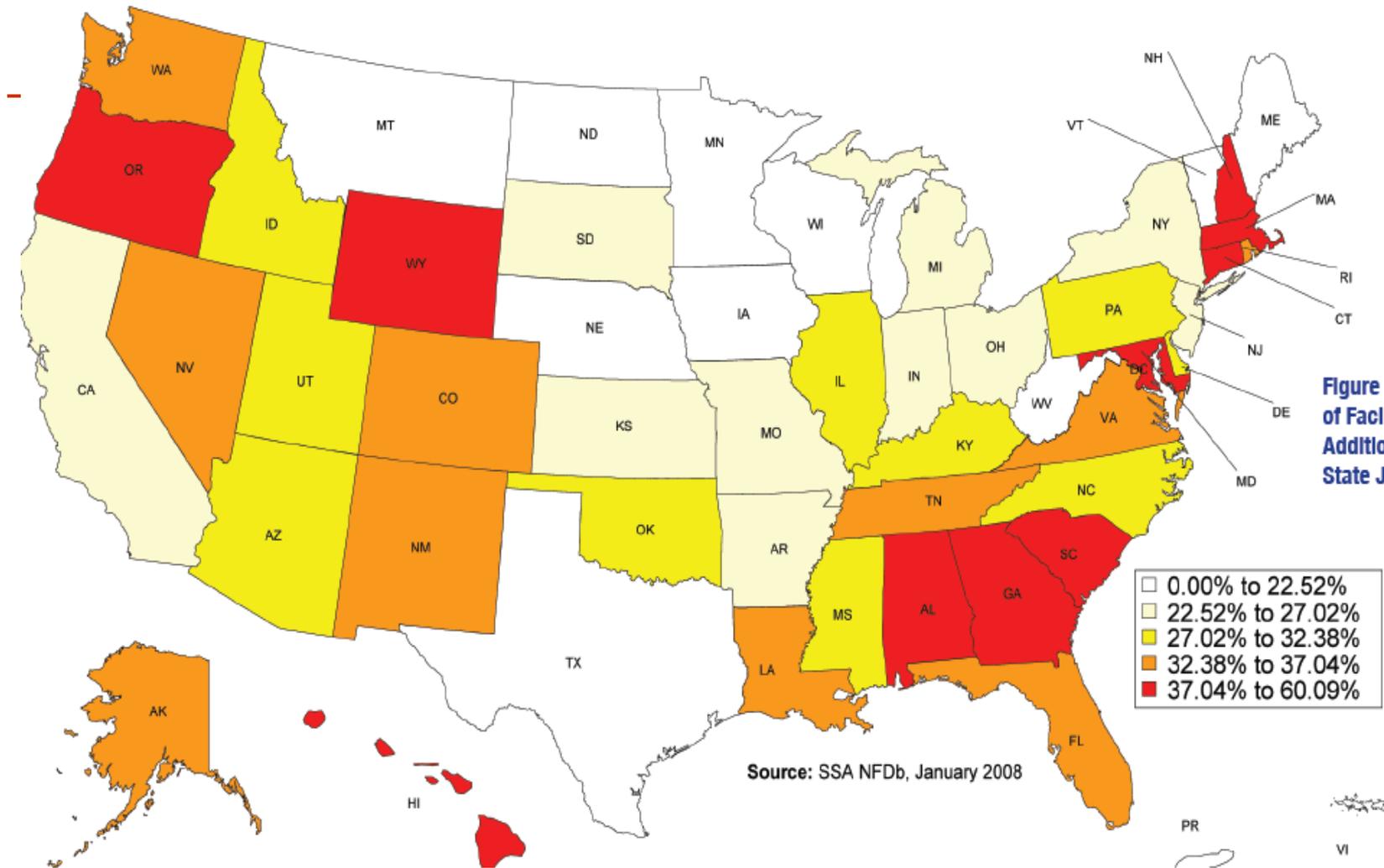
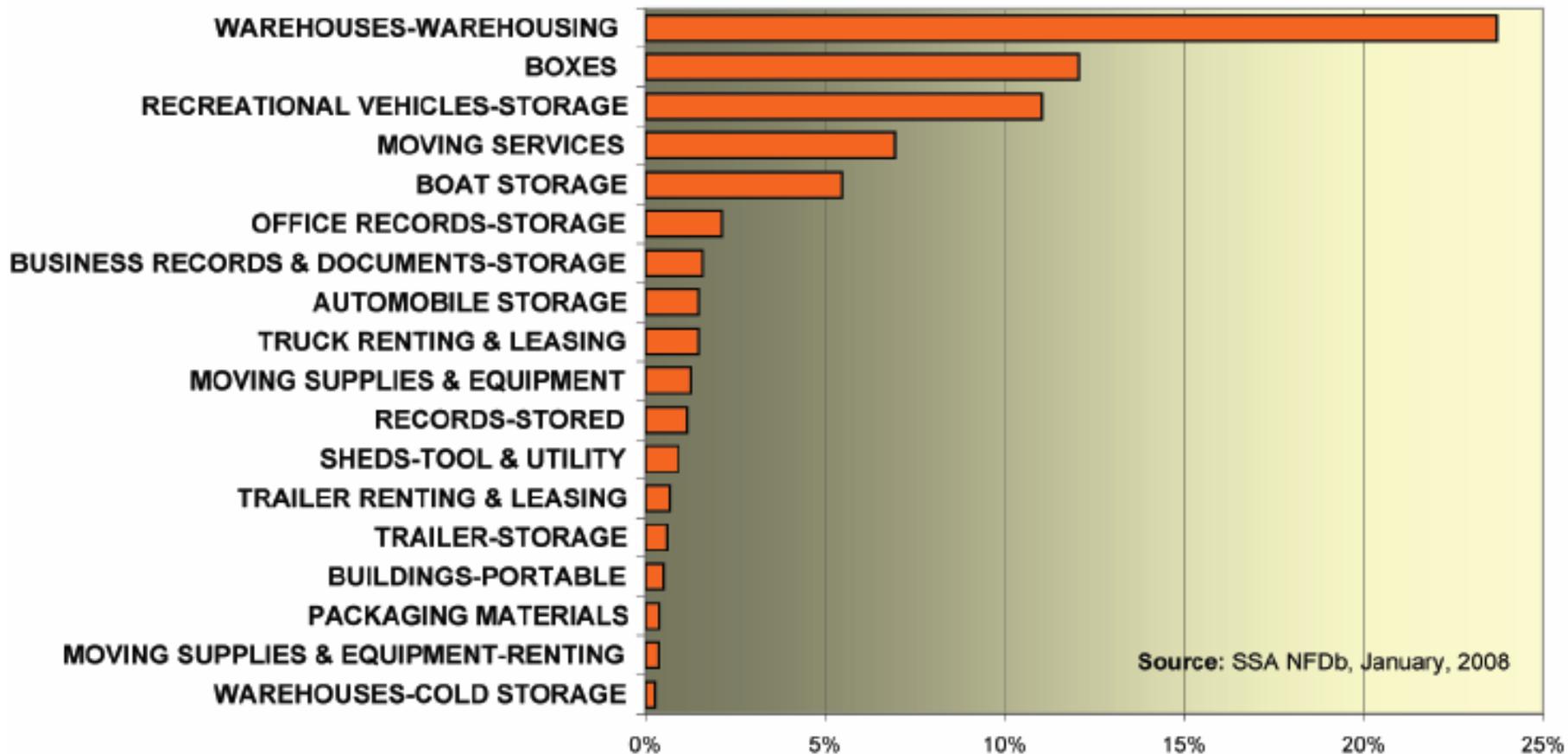


Figure 3.2: Percentage of Facilities Offering Additional Services by State July, 2007

Source: SSA NFD, January 2008

Recent Industry Trends

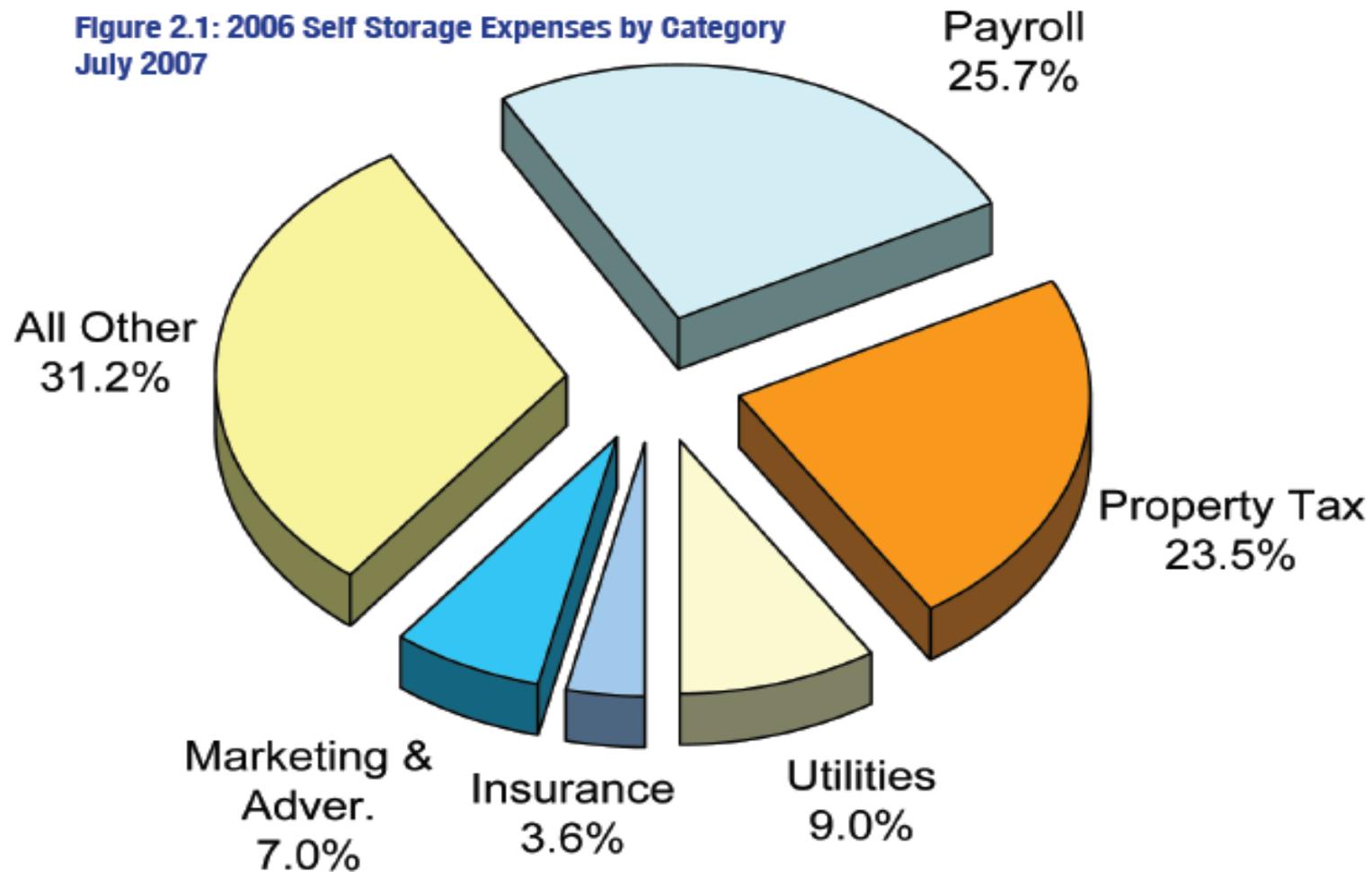
Figure 3.3: Top 20 Secondary Services by Percent Ranking All US Facilities July, 2007



Source: SSA NFDdb, January, 2008

Recent Industry Trends

Figure 2.1: 2006 Self Storage Expenses by Category
July 2007



Recent Industry Trends

Regional View- Facilities, Sales and Employees

Region	# of Facilities	# of Facility On-site Employees	Employees per Facility(av.)	Total 2007 Sales (Gross)	Avg. 2007 Sales/Facility	Total Avg. Sq. Footage	Av.sqft per Fac.
New England	1970	6580	3.34	\$953,573,000	\$484,047	85,369,065	43,335
Mid Atlantic	4948	21491	4.34	\$315,603,700	\$637,841	213,155,915	43,079
Southwest	7563	20059	2.65	\$2,910,639,000	\$384,852	327,882,898	43,354
West	10278	31028	3.02	\$4,574,075,000	\$445,036	444,298,914	43,228
Midwest	12927	41556	3.21	\$5,993,259,000	\$463,623	558,862,278	43,232
South	15166	41964	2.77	\$6,102,743,000	\$402,396	658,025,084	43,388
Total	52852	27113	3.22	\$20,849,892,700	\$469,633	381,265,692	43,269

Source: NFDdb

Self Storage Association

- ❑ Since 1975: The industry's only national not for profit organization
 - Proceeds returned to member services
- ❑ Exists to help Members:
 - Maximize profitability
 - Reduce liability
 - Prepare for the changing business environment
- ❑ Membership of 6,000 direct and indirect company members, national and international



SSA Member Services

Communication and Information

- ❑ *SSA Globe* Magazine (monthly to 16,000+ paid subscribers)
- ❑ SSA Regular Communications
 - Weekly: “Monday Morning Memo”
 - Twice/Month: “TEAM One Newsletter” (1 fac. operators)
 - Monthly: “Facility Managers Memo”
 - Quarterly: “Self Storage Industry Facts & Trends Report”
- ❑ Publications and Marketing Tools- Industry data; Consumer demand studies; Regulatory and legal reference; Advertising tools, Customer brochures.
- ❑ Online Data – Self Storage Demand Generator

SSA Member Services

SSA Events & Online Education

- ❑ **Fall Conference & Tradeshow** in Las Vegas (2,500 attendees)
- ❑ **Spring International Self Storage Convention & Exposition** – Location varies (1,500 attendees)
- ❑ **Ski Workshop** (150 larger operators attend)
- ❑ **Owners-Investors Course** (annual)
- ❑ **SSA Online University** (at www.selfstorage.org)
- ❑ **Monthly webcasts**
- ❑ **SSA Certified Self Storage Manager (CSSM)[®] Program**
- ❑ **Regional Supervisors Program** (For multi-facility overseers)
- ❑ **Self Storage Family Business Owners Program**
- ❑ **State and Regional Super Seminars**

SSA Member Services

- **Legislative/Regulatory Advocacy**
 - Political Action Committee (PAC)
 - State and federal level legislative assistance grants
 - SSA state affiliate action campaigns



Recommended Reading From SSA

- ❑ SSA Globe Magazine
- ❑ *Self Storage Operations Manual & Training Guide:*
 - *Operational & Training Procedures Guidebook*
 - *Glossary of Industry Terms*
- ❑ *Legal Topics in Self Storage*
- ❑ *Financial and Operational Characteristics of Self Storage Facilities (Annual report)*



More Education Online From SSA



- ❑ **Individual sessions available on-demand covering the specifics in self storage:**
 - ❑ Operations and management
 - ❑ Marketing
 - ❑ Construction and renovation
 - ❑ Legal issues

- ❑ **At: www.selfstorage.org**

Prime Networking Opportunities

Networking Opportunities from SSA:

- ❑ Fall Conference & Tradeshow
- ❑ Spring International Self Storage Convention & Exposition
- ❑ Executive Ski Workshop
- ❑ Owners Investors Course Sponsorship

*Upcoming Dates and Locations under
"Education & Events" at*

www.selfstorage.org

Self Storage Industry Suppliers

- Acquisitions
- Advertising/ Marketing
- Appraisal Services
- Architecture/Design/Layout
- Attorneys
- Auctions Lien Sales
- Banners and Flags
- Brokerage Services
- Business Forms
- Call Centers
- Cladding
- Climate Control
- Clothing/Uniforms
- Collections
- Computer Supplies & Equipment
- Construction
- Consultants: Business
- Consultants: Location & Development
- Consultants: Operations
- Credit Card Processing
- Customer Goods Insurance
- Doors & Door Hardware
- Elevators & Lifts
- Employee Benefits
- Engineering Services
- Environmental Services
- Facility Management
- Facility Repair/Painting/Maintenance
- Feasibility Studies
- Fencing/ Gates/Gate Access Systems
- Financing
- Fire Systems
- Franchising
- Insurance-Tenant's and Commercial (Owners)
- Internet Advertising
- Locks
- Mail Boxes
- Maintenance Products/Pest Control
- Manager Training
- Market Research Analysis
- Material Handling

Self Storage Industry Suppliers

- Metal Building Systems
- Mobile/Container/Temporary Units
- Mystery Shopping
- On-Line Services
- Packing/Moving Supplies
- Point of Sale Technology
- Publications
- Record Storage & Services Equipment
- Rental Equipment
- Roof Coating/Waterproofing
- Roofing
- RV/Boat/Auto Storage
- Security
- Signage
- Mail Boxes
- Maintenance Products/Pest Control Manager Training
- Market Research/Analysis
- Material Handling
- Metal Building Systems
- Mobile Container Temporary Units
- On-Line Services
- Packing/Moving Supplies
- Pay Phones
- Point of Sale Technology
- Power Surge Protection
- Publications
- Record Storage & Services Equipment
- Rental Equipment
- Roof Coating/Waterproofing
- Roofing
- RV/Boat/Auto Storage
- Security
- Signage
- Software: Accounting
- Software: Management
- Software: Security
- Tax Consulting/Preparation
- Vehicle Rental
- Vending Machines
- Wall or Facades
- Website Design
- Yellow Pages Advertising

For More Information



Your Not-for-Profit Trade Organization of the Self Storage Industry

www.selfstorage.org

e-mail: info@selfstorage.org

SELF STORAGE ASSOCIATION
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