

Deciphering Data

The latest SSA 'Self Storage Demand Study' brings the market into sharper focus.

By Mark Wright

As Sherlock Holmes said in Sir Arthur Conan Doyle's *A Study in Scarlet*, "It is a capital mistake to theorize before one has data." In that spirit, the Self Storage Association does some serious sleuthing every few years to gather and analyze industry data, distilling it into an easy-to-understand publication: SSA's *Self Storage Demand Study*.

The 2017 edition's colorful but deliberately out-of-focus cover is a perfect reminder that this industry is less about steel buildings, locks and boxes, or rental rates, than it is about people—and the importance of getting a clearer picture of their changing storage needs and preferences.

This latest study employed the same research methodology as in the past, said George Leon, senior vice president of Philadelphia-based Naxion Research, author of this edition and of prior demand studies. More than 13,000 households and businesses were screened, with an in-depth survey of 1,502 consumers and 501 businesses.

Over the years, he said, the research team has added and removed various questions to ensure relevance. In 2013, for example, the survey included a question about surviving the recession, which they didn't ask

this time. On the other hand, this survey inquired about various payment methods that didn't even exist in earlier years.

There was one big difference in the 2017 study, Leon noted. "This time, we took a generational look [at the data]," he said. "It was quite revealing."

Millennials' Impact

While past demand studies included some age breaks in the data analysis, those studies didn't really look at demand by generation. Baby boomers have been the 800-pound gorilla in market behavior for so long that, until now, other generations were not as statistically significant.

As baby boomers slowly cede their market dominance to millennials, however, generational analysis becomes more important. Leon said the same pattern can also be seen in other industries.

"Millennials are coming up fast in spending on home improvement," he observed, "so we see a similar story unfolding there as in self storage."

Leon explained that, although millennials are not the largest portion of self storage unit renters (baby boomers still hold that distinction), millennials have twice the demand for storage as boomers.

Millennials' strength among self storage renters is "good news for our industry," said Alyssa Quill, co-owner and vice president of Storage Asset Management in York, Pennsylvania. "As the millennial generation ages, we can hope that the demand for self storage will continue to grow."

Big Picture

The 2017 data shows a small increase in consumer-market penetration of 0.44 percent since the 2013 survey, with 11,806,381 out of 126,067,560 households renting self storage—a market penetration of 9.4 percent. In other words, almost 1 in 10 households rents self storage.

Penetration numbers look different seen through a generational lens:

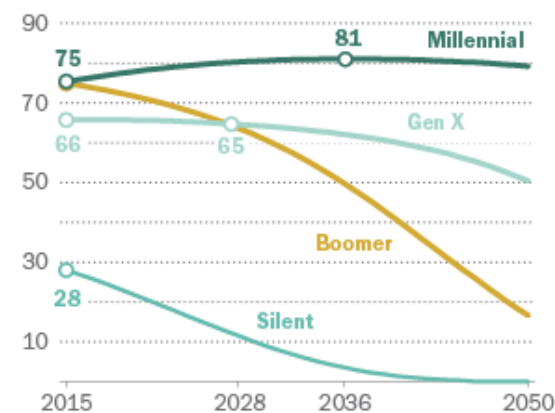
- Millennial renters account for 3,802,835 out of 26,620,491 households (14 percent).

See Demand Study, page 18



Projected population by generation

In millions



Note: Millennials refers to the population ages 18 to 34 as of 2015.

Source: Pew Research Center tabulations of U.S. Census Bureau population projections released December 2014 and 2015 population estimates

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- Gen-X has 3,976,895 renters out of 37,161,483 households (11 percent).
- Baby Boomers have more households (44,783,612) than the other generations, but have 3,146,383 renters (7 percent).
- Greatest Generation renters account for 880,267 out of 17,501,974 households (5 percent).

Penetration for the U.S. business market remained steady compared to 2013, at 11.1 percent, with 1,332,000 out of 12 million U.S. businesses renting storage.

Size Surprise

The survey revealed a shift in the sizes of units being rented. Leon said the smaller units are in style among younger renters, especially students, while Gen-Xers like the larger sizes. The change caught the attention of Quill.

“I was surprised that 5x10s are now as popular as 10x10s,” she said. “Twenty-two percent of self storage users want each of those sizes, followed by 15 percent looking for both 5x5s and 10x20s.”

Leon attributed the increase in rentals of smaller units to a growing trend toward urbanization. Storage facilities in cities are likely catering to people who don’t require a drive-up unit and who view storage as an extension of their closet, he said. As for the increase in rentals of larger units by Generation-X customers, more analysis is needed to understand that trend.

Quill said another surprise for her “was that every generation of self storage user, in every geographical region, said they’d be willing to pay extra to rent at a facility that they knew had preventive pest control done frequently. Actually, pest control ranked second, after gated access, in features worth paying more for.

“In the past, we’ve shied away from advertising the fact that we have pest control contracts, not wanting to bring attention to the fact that pests can be an issue at storage facilities,” she said. “Now that we realize potential renters know that anyway, we should let them know that we hear them and are addressing their concerns [proactively] in our marketing.”

Smarter Business

The demand study is not a dry, academic report. It’s meant to be used as a practical tool by self storage businesses of all sizes, from REITs to mom-and-pops. The study results—

and the accompanying data mapping tool—can help any owner/operator make smarter decisions.

“I find it useful, because you can see industry-level data that’s separate from your business,” said Joel Keaton, senior vice president of operations for CubeSmart in Malvern, Pennsylvania. “The demand study data is a baseline for us. CubeSmart has 900 stores, so we see trends within our own data; but with the SSA data, we can compare our company’s results to the whole industry and see how we might need to improve. You start to see trends and changes, which helps predict what might happen three years from now.

“The study sort of sets the bar in what you can expect for your performance,” added Keaton. “For example, there’s a lot of talk about millennials in our industry but not a lot of data on how they choose to use storage, so [the demand study] is an unbiased and beneficial source. Millennials are no different than anyone else. They just came of age during the recession, so they found it hard to find jobs. As the economy has improved, they’ve moved forward. They’ve gone from living at home to buying their

own house [and needing storage]. If millennials are continuing to become a bigger percentage of the market, what are we doing to tailor our offering to them?”

Quill agreed. “The demand study goes into further detail, and helps us understand the unit mix demands by geographical region (northeast, south,

west, midwest), community type (metropolitan, suburban, rural), and generation,” she said. “We’ll use this data to help intelligently design a unit mix that fits each development and expansion we’re working on.”

Keaton added that SSA also offers a searchable data Mapping Tool (Excel, Macros-Enabled, format which includes a tutorial) that enables operators to search detailed data sets from all four Demand Studies. The Mapping Tool is critical when considering how to position your storage business for success in an ever-changing market.

With more than 275 pages plus 466 tables and graphs packed with information that won’t be found anywhere else, SSA’s demand study has the added benefit of being affordable for storage companies of all sizes. Moreover, said Leon, Naxion can provide additional services for member companies, including customized demand studies on particular metro areas, for example, or providing some data cuts at a deeper level. ❖

To purchase SSA’s 2017 Self Storage Demand Study or the Demand Study Mapping Tool, visit selfstorage.org.