



## AN INTRODUCTION TO SELF STORAGE

### COMPETITIVE ENVIRONMENT

Looking at the state-of-the-art facilities across the country, it is hard to believe that less than 50 years ago our industry was a “*Mom and Pop*” operation. The lack of information on building and operating storage properties in the '60's and '70's forced owners/operators to rely on their own business intuition and knowledge of community needs.

However, these early entrepreneurs had a significant advantage, because there was virtually no competition in the marketplace! In almost every instance, the customers' demands for self storage space were far in excess of supply.

Today's storage investor operates in a very different environment, facing a highly competitive marketplace, and keeping abreast of the competitive edge requires a new level of sophistication in choosing your location and developing your project for maximum profits.

### POWER OF A PROFESSIONAL ASSOCIATION

The **Self Storage Association** has compiled information with the “third generation” owner/operator in mind. Self storage, like other forms of real estate, is a fixed investment with relatively little fluidity. However, knowledge is power and the **SSA** is providing a variety of tools for the self storage professional to maximize profitability, reduce liability, and prepare for an ever changing business environment. As with all real estate ventures, the adage “location, location, location” is the key when choosing your site, thus stressing the importance of “doing your homework” by obtaining a feasibility study from a reputable company. Therefore, it is no longer advisable to build out your “5 acres” without knowing the storage saturation level in your market area. And, the **Self Storage Association** can provide access to self storage vendors, education products, certification programs, trade show and conferences that are providing valuable information to new developers as well as seasoned storage owners and managers.

### WHAT IS SELF STORAGE

*Self storage* is the term applied to facilities offering rental on a month-to-month basis where the tenant applies his lock, *hopefully one that you have sold him from your retail sales inventory*, and has sole access to his unit. Basically, we do not want to create a **bailment** by taking the **care, custody or control** of the customer's goods. While many types of structures have been

converted from warehouses, car dealerships, and other prior-use buildings, the most common types of facilities were designed specifically for the purpose of storing a customer's goods.

A typical storage facility might be on approximately 2.5 to 5 acres with five to seven one-story drive up buildings, possibly one to two story buildings, with a good unit size mix of (forty to eighty-thousand square feet of rentable space), large roll-up doors and direct drive-up access to conventional outside units. It may also offer outside parking for boats and motor vehicles.

Some storage properties offer climate controlled units, whether newly constructed or renovated buildings, usually offer access from interior hallways. Multi story construction, popular for climate control, also provides access through interior hallways and elevators. Usually, dollies and furniture carts for moving customer goods are provided as a customer service tool.

Facilities vary in size, quality, construction, materials, and surveillance measures, and added services may include:

- 10,000 square feet to an excess of 100,000 square feet.
- Wide range of standard sizes - 5' x 5' to 10' x 30' or larger with the average unit size being about 100 square feet (10x10).
- Outside parking for RV's, boats, etc.
- Single and/or multi level facilities.
- Resident Manager apartment on-site.
- Converted buildings (old supermarkets, big box retail warehouses, etc.).
- Units divided by corrugated steel panels (most widely used), chain-link fencing, plywood upon stud and drywall or stud and particle board.
- Movable module units (storage containers).
- Automatic gates with keypad computerized access.
- Surveillance cameras and monitoring stations.
- Individual door alarms.
- Well lighted.
- Completely fenced.
- Paved or concrete driveways.
- Retail merchandise available.
- Ancillary income sources (e.g. cell towers, US Postal service, private mailboxes, eBay, overnight shipping, business centers, utility payments, etc.).

## REAL ESTATE CHARACTERISTICS

The following is a list of the distinctiveness you will find in the self storage business which includes:

1. Simplified building structures.
2. A short construction period enabling rapid initial rentals.
3. Low operating expenses and non-energy intensive.
4. Month to month leases, highly responsive.
5. Adjustable unit mix due to movable partitions.
6. Not labor or maintenance intensive.
7. High building rentability (near 100% for single story, 75% for multi story).
8. Many tenancies, spreading vacancy risk factor.
9. Basic function resistant to economic shifts.
10. Cash flow oriented real estate investment.

Historically, the storage industry is marked by past success. As a real estate investment, storage compares favorably with other real estate investments which benefited from inflation during the 1970's. In the past, the formula, simply stated, was to build inexpensively and expect big dollar returns. With increasing land costs, escalating city and county building requirements, developers are getting more creative at finding and developing self storage sites.

## SELF STORAGE HISTORY

We believe that personal storage first began in England when British banking institutions were asked to safeguard valuables for clients embarking on extended voyages. Overcrowded vaults quickly forced bankers to seek storage in lofts from drayage (moving) companies. In the 1850's, the first warehouse specifically constructed for household and personal items was built. This two story structure was built with packing on the lower floor and private storage rooms on the second. For the next sixty years, the storage industry stayed relatively unchanged. Warehouses began increasing in size to as much as ten stories utilizing freight elevators to reach the storage rooms. During the 1950's, the storage industry was faced with rising cost of warehouses and land. As a result, palletized warehousing was developed. Tenants' goods were crated and stacked three high in wooden boxes moved around with a forklift. While the concept worked well, it was inconvenient and costly to the customer. In the mid 1960's, Texas saw the first generation "self storage" facilities as we know them today. Becoming immediately successful, development of facilities spread quickly to the west coast and then throughout the United States and Canada. Then, the concept of "self storage" was being constructed in Australia, Europe and around the world. The majority of facilities operating today may be classified as "**second generation**" self storage. These include: typical row buildings, some multi story facilities and conversion of older buildings.

The "**third generation**" of self storage is characterized by the following: retail locations, light commercial or even multi family residential neighborhoods (rather than the traditional industrial corridor or location in heavier commercial areas). These newer facilities emphasize aesthetics in construction, designed to blend in with the "retail" nature of the neighborhoods they serve.

Landscaping has also become a prime consideration, as well as development of storage in conjunction with a planned tract of offices, retail stores, or business park development, combining “incubator” office space with storage or “super centers” (retail strip mall with storage complex). All this with the goal of creating a stable, secure, upscale image that develops a strong perception of trust among local consumers.

## **RENTAL RATES**

The first projects which, in 1969, were renting for .15 cents per square foot per month in 1985, were renting for .60 cents per square foot per month, in the late 90’s averaging \$1 per square foot, and the 20<sup>th</sup> century has seen average rents of \$1.50 up to \$4 per square foot per month in high population markets.

Investors were attracted to storage early on because of the return on investments and the perceived ability to increase that return with a "small dollar" rent increase which yields a considerably larger percentage of return.

Will this ability to raise rents continue? The past few years have witnessed the first signs of strong competition in specific local markets. In some areas the supply of storage units has begun to outstrip the demand. Older projects (at least those which were poorly or cheaply built) have suffered, with an increasing share of the market dollar going to the more sophisticated and aesthetically pleasing facilities that meet the market's demand for upscale, high tech product.

These newer facilities will be considerably more expensive to construct than the facility of the past. The value of the land in a favored location can now be as much as 50 percent of the project, with debt service a significant factor in the cost. All these factors must be considered by the prospective investor or lender prior to entering the mini storage market as it exists today.

Self storage has matured as a viable real estate form and is now prevalent throughout the United States and several foreign countries. While still viewed by many in the real estate industry as an "ugly duckling", self storage has proven its value as a basic real estate product with many unique, high performance characteristics. Self storage has spread, survived good and bad economic conditions, and developed as an industry with its own association and specialized suppliers. It has also demonstrated great popularity as an investment, and begun to attract substantial new interest in the real estate community with the evolution of "third generation" properties which maximize both the business and real estate aspects of the industry. The upheavals in the real estate industry the past few years have left self storage in a much more favorable position in comparison with other real estate types.

As self storage has spread, the market has become familiar with it, in some places to a greater extent than in others. This familiarity has brought higher tenant awareness, affording them the ability to compare and choose among today’s available storage facilities. Some older facilities, while faced with heavy competition from modern facilities, if well managed, maintained and marketed, still achieve a high financial performance.

## **GROWTH PATTERNS**

Initial development of self storage facilities occurred primarily in the western United States and the Sunbelt states. Contributing factors were: a transient population moving to new jobs and better climate, retirement condominiums, apartment and townhouse residences, slab construction, etc.

Many facilities were developed prior to 1979, with 1978 generally acknowledged as one of the greatest growth years in the industry. As the decade of the 1980's began, increased self storage construction activity occurred along the eastern coast of the United States, with increased interest in Canada, Europe, Australia and other countries of the free world. The early 90's recession saw many foreclosed facilities purchased at "fire sale" prices by savvy local or national operators, now enjoying substantial cash flow.

Estimates of the overall number of self storage facilities operating in the United States vary greatly. Most industry veterans estimate that there are over 50,000 self storage properties currently in operation. Validity of these figures depends upon what types of operations are included in the facility count. Including boat storage, records storage, security vault operations, resort and outdoor storage, postal boxes and very small storage facilities located in rural areas will yield figures on the higher side.

As the population became more familiar with self storage, the demand for off site storage expanded to accommodate the growing needs of the business community (e.g., storing files, medical records, excess inventory, equipment, etc). In some areas business storage accounts for 30 percent or more of the total tenancy of the facility. Easy access, convenient office hours, short term rental agreements and no long term commitment to pay for space which may not be needed in the future, make the self storage facility extremely attractive to the retail customer, contractor, home based businesses, manufacturers and pharmaceutical representatives, etc.

## **COST AND OPERATING EXPENSES**

As with all types of real estate, building and operating costs vary widely with self storage. The following cost are based upon results from many self storage facilities and are obtained from operators in the industry, articles from various real estate and financial publications, and from numerous offering proposals on public record. Averaged nationally, operating costs range from a low of 25% to a high of 40% (plus or minus) of actual stabilized income.

Expenses include:

- **Maintenance**  
This includes supplies, pest control, contract services, equipment, building, doors, gates, elevator, and landscaping.
- **Taxes**  
Property taxes.

- Utilities  
Includes electric, gas, water, sewer, and garbage fees.
- Insurance  
Includes fire, property, liability, sales and disposal, customer goods, employee dishonesty, legal liability and general business insurance.
- Administrative  
Includes legal and accounting fees, office supplies, printing, computer supplies, and postage.
- Advertising  
Includes Yellow Page advertising, promotional items, marketing and direct mail.
- Operational  
Includes tenant auctioning, telephone, security services, computer software, mileage, truck operations, equipment rental.
- Capital improvements  
Improvements such as new roof, asphalt repairs, major expense items.

## LAND PRICE

The "proper" price for land has long been debated in the self storage industry as it is in any real estate scenario. At \$1.25 per gross square foot and assuming 40 percent coverage, net cost for land is \$3.13 per rentable foot of building. This used to be the "upper limit" rule of thumb in the self storage industry. However, this cost has been exceeded successfully many, many times. The current general rule of thumb for land cost is 25-30 percent of total development cost. It should be mentioned that two-story, or higher, self storage facilities are no longer uncommon (even in northern states), and numerous three and four-story facilities do exist. Ultimately, the rental rates in the market drive the cost that a developer can pay for land.

The most common cost/operating description of self storage is the comparison with apartments. As a general rule, self storage projects will generate the same per square foot income as medium priced apartment properties in a market area. They can achieve this performance at roughly one-half the construction cost and at one-half the operating expenses.

The most common "state of the art" facility will be about 60,000 - 80,000 net rentable square feet, cost \$45-65 per square foot, outside of existing land costs, to construct and have break even operating expenses in the 40-60 percent range (not including debt service) of total stabilized income.

A well designed and located facility will successfully operate in the 83-93 percent occupancy range, with many projects having been successful at occupancies as low as 70 percent, depending upon cost, rental rates and the method of financing applied and age of project. As a general rule, the investor should open his facility in the spring of the year and allow at least 18-

24 months for it to realize its potential in a competitive market, 36+ months for “Jumbo” 100,000 square foot size facilities to reach stabilization.

### **SITE SELECTION CONSIDERATION**

Location of a self storage facility is measured by several factors: visibility, ease of access, proximity and density of customers, expected growth, current storage saturation level (competition), availability of land, appropriate zoning and commuter traffic patterns.

A growth area, for example, generally will produce a much faster rent up, and high ratios of multi family residences will create a demand for smaller units, and smaller units generally pay a higher return on the dollar invested. A location near the center of a dense urban area, preferably on a major artery, is ideal. A freeway location is somewhat less desirable than a major artery that passes through the neighborhood the facility is intended to serve.

### **MARKET SURVEY**

How does one conduct a realistic market survey? Begin with a demographic study which uses census material to obtain information about a one, three and five mile radius surrounding the proposed facility site. This information should include current population, anticipated growth, the population mix (renter/owner, multi/single family) and average income. Several industry vendors provide these types of demographic packages called feasibility studies.

Competitors (both existing and planned) should be plotted on the map of the area. An on-site visit should be made to all existing competitors. This visit should include conversation with managers to determine unit mix, rental rate, occupancy level to calculate average rent rates and income of area facilities. Most of the aforementioned information can be found in the local planning department.

Following on-site visits, total number of square footage of storage in the market area should be tabulated, as well as the number of individual units. Previously, saturation was thought to occur somewhere between two-four square feet of rentable space per person and depending upon the population, housing and commercial mix in the neighborhood. There is no real definition of market saturation as some sub markets now have eight-ten square feet per capita or the point at which over building occurs; it definitely varies from one market area to another.

In particular, communities which absorb larger amounts of storage space are found in the Sunbelt area, where people have more opportunity to be outdoors and to own more recreational equipment. The type of housing (e.g. basement, enclosed garages, large homes with closets or no frills housing, military bases, condominiums and apartments, and the density of older housing which may not have adequate storage space) also has an impact on how much storage space the market will accommodate. Age of population, mobility rate, employment status and income are other important measures.

## CONSTRUCTION

Construction and development costs in self storage have several interesting characteristics. While many facilities have been very cheaply and crudely constructed at low cost, there is a high end limit which, if exceeded, changes the nature of the product and is less enticing as an investment. There will be future facilities supplying different degrees of service. Consequently, there will be varied rental rates and development cost in the storage industry.

Another construction cost characteristic of self storage is that a large portion of the construction expense is for manufactured components versus hand built construction. Doors, mullions, header panels, steel panel partition systems, prefabricated roof systems, pre cast support and appearance columns, wall panels, etc. comprise the majority of the structures. This situation permits more stable construction cost over time, reduced impact of unfavorable weather during construction, and a shortened construction period. The use of these components also results in a similar level of cost for structures in all regional areas.

The typical self storage facility design includes a management office and a resident manager's apartment within the site, either as a separate structure or a two story all in one. Some operators have chosen to operate the self storage project without a residential apartment with a great deal of success. Typically, the off site management company/person will determine whether or not a residence is desired for the specific location. The management office is usually 1,000-2,000 square feet and is used for the rental office, the showroom for retail products, truck rental, and other ancillary services.

Given these general comments, there are no absolutes pointing to the "perfect design" or the "best construction" in the self storage industry. Construction techniques depend upon a number of variables. These variables include: climate, building code requirements, zoning restrictions, and neighborhood surroundings (the facility should blend in with the other structures in the area). In addition, certain areas may best lend themselves to renovation or conversion of an existing structure and sometimes the use of movable modules or modified inter modal containers to house storage units.

When a new facility is being built, there are several choices as to type of construction. Basically, these include:

- Metal buildings
- Combination metal and block
- Tilt-up
- Wood frame
- Modular

Each has its advocates; each type has advantages and disadvantages.

A visit to one of the many industry trade shows will demonstrate the various types of construction used in the "state of the art" self storage structures. Literature and exhibits on these are available each spring and fall at the **Self Storage Association's** Convention and Trade



Shows. Additionally, information on vendors of construction systems and materials can be obtained from the **SSA** or by contacting the vendors who advertise in industry magazines such as the *SSA Globe*. Whatever the construction technique selected, proper design of a facility achieves many purposes.

Accommodation of the site is a primary consideration. Single story, two story (with ground level access to the second floor), split level and renovation of an older structure - all are possibilities. The choice usually depends upon the price and availability of suitable land and the surrounding neighborhood, including density of structures and topography of the site.

Design of the rentable space depends primarily upon the type of tenants anticipated. Commercial customers create longer tenancies and fewer delinquencies. A high ratio of multi family units will create a demand for smaller units. Business tenants generally prefer larger units, whereas college students and young singles prefer smaller units. Another function of good design is to enhance effective management of the facility. An attractive design will encourage upper middle income tenants and business tenants to choose the facility. Additionally, proper design of a facility can provide for built in control by the manager and greater security. For example, design of the office area can assist the manager in controlling the activities of tenants.

The proper design of the facility can minimize parking and traffic problems and make it possible for emergency access. Width of driveways and loading areas are not casual decisions. It is an all too common mistake to sacrifice needed paved areas for turning (i.e., semi trucks, moving vans, etc.) to provide for greater utilization of land for rental space.

Special attention to design is necessary with the multi storage facility which utilizes elevators, lifts or ramps and in which an enclosed hallway may provide the sole access to some units. Such "housekeeping" considerations as lighting, drainage, etc. are affected by design as is the type of landscaping used at the facility. Lighting, door alarms, video surveillance, fencing, and gates determine the level of security at the facility.

## **SIGNAGE**

Signage, although not strictly a part of the facility's design, is an essential part of the overall plan. Normally, there are many restrictions placed on the signage you may have at a business. So, it is important to have it well designed and placed on the property. Additional signage assists and instructs the tenants and may contain such items as information on gate hours and access, rules and regulations for tenants, location of office and/or auxiliary retail sales, payment schedules and late fees. Information on business hours, holidays, and emergency contact should be featured on visible signage.

The manager's apartment, if an on-site manager is employed, may be directly adjacent to the facility office or may be located in another area of the facility. Each location has points in its favor. The apartment may possibly be built on the second level so that it affords an unobstructed view of the facility grounds and access areas and lowers construction costs. However, in today's more sophisticated developments storage offices do not have doors directly leading into managers apartments as was the style in years past.

## FINANCING

Self storage is highly decentralized, and it is reported that 85 percent of the facilities are owned by parties with three or fewer properties. This fact and the usual \$3 million plus loan amount indicate that the vast majority have been financed by local bankers, insurance companies, or through invested equity.

Self storage has also become very popular as a Real Estate Investment Trust (R.E.I.T.). Some self storage R.E.I.T.'s (e.g. Public Storage, Extra Space Storage, U-Stor-It and Sovran) have shown investor popularity in years past. Passive investors like self storage because it is basic, logical and low risk. They also are encouraged because real estate is sold on its cash flow performance, rather than on its tax advantages. The many sales of facilities in the early 90's have demonstrated excellent appreciation potential as well.

Initially, financing was not easy with self storage for several reasons. The major difficulties were its "newness" ("who's going to rent such a small space?"). The loan amounts were often too large for a local bank and too small for a large lender for a "single purpose structure" (although most real estate is "single purpose"). Bankers were fearful of the investment due to its short term leases, possible overbuilding, and the lack of data about the quality of the investment. Two other important factors were that the old mini storage projects looked "tacky" and too many "mom and pop" investors were getting involved in self storage.

What has changed is that there are currently sufficient modern storage facilities in the marketplace to demonstrate that there is a customer base that is now educated to use self storage. Short term leases look better today than many long term leases due to the volatility of cost and money, and the storage industries ability to increase rental rates on a daily basis if necessary. Most self storage projects being built are very eye appealing. Self storage has matured and is becoming more sophisticated as an industry.

The most attractive method of financing depends primarily upon the individual requirements and resources of the investor. A proprietorship or simple partnership will have limitations and debt service considerations very different from a limited partnership venture, Limited Liability Company or R.E.I.T. stock.

For these reasons, investor and lender attitudes toward the self storage industry have changed dramatically over the past few years. Initially, the industry was an "unknown" in the real estate marketplace. Recourse loans were common and an investor often needed a strong line of credit previously established with his local bank or lending institution. After all, he was selling an unproven type of venture to be housed in a one purpose building.

After a time, investors began to be attracted to self storage as a "real business." They perceived high returns on the dollar. Also, the perception that continued rent increases are almost always possible helped to "sell" self storage to the financial community.

## **SUPPLY AND DEMAND**

During the early and mid '80s, '90's, and into the 21 century, investors heard more and more about "saturation" of a market. That's the possibility that supply in certain areas may be surpassing the demand from customers for storage. Higher monthly turnover, shorter term tenants, increased vacancy rates, longer initial rent up periods, and move in discounts are all danger signals that there may be over building in a given area.

Such saturation may be temporary in an area where construction of new housing units and business buildings will eventually "catch up" to the demand for storage. On the other hand, overbuilding in an area plagued by vacant buildings and declining neighborhoods may be a permanent problem - or at least one that will endure for a very long time.

Other factors which are changing the financial community's view of self storage include: higher land cost, increased construction cost and higher interest rates. All of these factors tend to lower loan values. Many storage owners may know very little about the management techniques needed to produce a profitable self storage business in the current market environment. Financiers see the inexperienced operator as a major area of concern. For these reasons, the individual wishing to develop self storage must do his homework before building a storage property.

## **MANAGEMENT AND OPERATIONS**

Many people falsely assume that self storage involves a simple management process. This may hold true in the facilities of yesteryear, but not in the high tech facilities of today's market place.

The increasingly competitive nature of the business has intensified the management requirements associated with running a facility. More emphasis is placed on the hiring and training of appropriate management personnel. Recent innovations in management techniques include the widespread use of computer software designed for self storage operation and the addition of auxiliary businesses to the self storage complex, thereby increasing the utilization of the manager's time. Today's managers are well versed in the laws of jurisdictions in which the facility operates, including state laws governing handling of accounts, auction, abandonment, overlooking the customer's space, etc. Professionally trained managers, well versed in sales, customer service, marketing, light maintenance, accounting and computer operation, etc. are the keys to a successful business.

A fairly recent development is the growth of professional mini storage management companies. These companies provide management of several facilities, belonging to various owners. The management company may or may not operate its client facilities under a common trade name. The management company is generally responsible for hiring the facility managers, training, and providing supervision through a well established chain of command. Other services included in management services include, but are not limited to, pre-development projects, monthly financial reports, payroll, monthly customer invoicing, accounts payable, etc. The typical management fee is usually 6-8% of the monthly gross income or a flat fee, whichever is higher, usually during

the initial stages or lease up. Inexperienced operators may find it beneficial to use a management company during the rent up period to affect a quicker rent up schedule.

## **MARKETING TECHNIQUES**

Conventional wisdom has it that the principle markets for self storage are multiple housing residents and families moving from one place to another. Business tenants, comprising the remaining 20-30 percent, have been stereotyped as small jobbers, tradesman, manufactures' representatives, people working out of their homes, etc.

The market is, in fact, much more broad. A quality property in a proper location will draw the biggest businesses, greatly expanding the market. This is another reason why a well designed and operated property will be more attractive to businesses.

A primary influence on customer utilization of self storage is market awareness on the part of those customers. As mentioned previously, in terms of distribution and market awareness, areas of the west and south are most heavily developed. Market introduction (pioneering) is over. Market growth and maturation has occurred. Several examples follow:

- Tenants stay longer than the customer assumes they will rent.
- Storage properties will experience a regular turn-over rate; however, most of the tenants stay for long periods (and some tenants never leave!).
- People will select a facility (not just go to the closest one) based upon specific features and advantages. They will knowingly pay more for those features.
- Storage properties will find tenants scattered up to a 5-7 mile radius. Rural locations may have a 10-15 mile customer base.

Marketing is a fact of the self storage industry which is growing in importance to the competitive investor/operator.

Advertising in the Yellow Pages has been the storage industry's main source of advertising. Other promotional tools that can be considered, in addition to Yellow Pages advertising and depending upon the local market, includes the following:

1. **Signage:** This might include attractive on-site signage with high visibility. Also, to be considered is off site signage. Perhaps signs placed on trucks or other vehicles or even a strategically located billboard. This may include eye catching signs such as, reader boards, murals, clocks, etc.
2. **Brochures:** Brochures, flyers, and leaflets advertising "special discounts" or simply familiarizing the public with the concept of self storage are used in various markets. Additionally, the **Self Storage Association** has brochures available for marketing purposes.
3. **Radio/TV Advertising:** Although the use of radio and television advertising has so far been limited in the self storage industry, mainly Public Storage, some operators

have used the broadcast media very successfully in particular market areas. The Self Storage Association offers a "DECLUTTERFY™" Radio Advertising Campaign; print ads are also available.

4. **Newspaper, Penny Savers, and Local Publications:** These can be utilized for display or classified advertising that can be very effective. Also, feature articles about storage can sometimes be encouraged.

5. **Banners, Pennants, and Flags:** All of these attract a person's attention to the storage property. They also assist in selling ancillary products and services such as, boxes, climate controlled spaces, free move-in truck, truck rental, FedEx, UPS, etc. Banners are also effective for announcing specials.

6. **Referrals:** Storage operators can increase their market presence through word of mouth and referrals. Current customers, moving companies, relocation services, real estate brokers, truck rental agencies, and apartment managers are among contacts that encourage customer referrals. Best of all are storage competitors who are full, and have prior tenants returning.

7. **Web Site & Internet:** Web site and internet exposure is becoming an increasingly important element of the business marketing plan.

## LEGAL AND LEGISLATIVE CONSIDERATIONS

Self storage was born without a legal status. Because individual storage units are rented or leased and the facility operator does not assume "care, custody or control" of the goods stored, self storage is not classified as a warehouse operation. On the other hand, the traditional landlord/tenant relationship between an apartment house owner and his tenant, is not workable in most jurisdictions because of the expensive eviction procedure and time consuming court process which must be used in dealing with delinquent tenants.

Years ago, the **Self Storage Association** began sponsoring state level legislation which accomplished two basic objectives: (1) it specifically defined the self storage facility and clarified that such a facility is not a warehouse and (2) it provided a specific procedure for dealing with the delinquent tenant's property, lending protection to tenant and facility operator alike.

Today, most states have enacted some version of the **Self Storage Association's** model lien law legislation. The association, through its legal counsel and its headquarters office, keeps abreast of legislative and judiciary developments. Many sources of information as well as the **Self Storage Association's** subscription to State Net (an "on-line" method of tracking) are utilized to identify legislative proposals, both favorable and unfavorable to association members.

Legal guidance is essential in developing the language of a self storage Rental Agreement and in setting out procedures which must be used in dealing with delinquent tenants. The "**Rental Agreement Handbook**" is a detailed reference/resource tool for use in putting together your own

lease. Publications, as well as zoning and statistical data on our industry, are available from SSA Headquarters or at [www.selfstorage.org](http://www.selfstorage.org).

## STORAGE IN REVIEW

The rewards of the self storage industry traditionally have been high returns, low maintenance and the ease with which rental rates can be increased. Similarly, the ability to raise rental rates at will has been adversely affected by competition, particularly as customers have begun to demand a more sophisticated and creative product from self storage operators. In such a climate, the capacity of the market to absorb additional square feet of storage becomes questionable. There are no longer any hard and fast rules which will guarantee success.

Today's storage investment must be approached with caution by an experienced developer (or by one who is willing to do the necessary homework). Primary qualifications for a successful project also include acceptable location, the ability to manage effectively, and the financial strength needed to wait for growth and development of an area while carrying the debt and operation cost of the project. Proper concept, planning, and management are all essential in the self storage marketplace.

## SELF STORAGE ASSOCIATION LEADERSHIP & EDUCATION

Self storage has evolved and matured as an industry largely due to the formation of the Self Storage Association in 1975. As in the case of most associations, the SSA brought people together and created a forum for the sharing of experiences, observation of trends, and the aggregation of a market which encouraged the development of many products and services tailored to self storage operations. In 1981, the SSA engaged its own full time management staff and has now grown to almost 6,000 direct and indirect company members. The association has undertaken successful legislation to improve collection procedures, to improve communication within the industry, to provide leadership and educational and training opportunities, and to serve as a forum in which the trends for the industry take shape.

Much of the rapid rate of growth has occurred in the **SSA** because of the "third generation" development of self storage now in progress. It has caused present developers to be competitive and to be bring their properties up-to-date in order to expand market share. Many older projects will soon be comparatively obsolete and unable to compete, among educated clientele with the "state of the art" business-oriented self storage facilities, without updating. "State of the art" means a positive identity which sets a facility apart from its competitors. It means physical plant design to convey security to tenants through such means as "tenants only" site access, secure perimeter appearance, video surveillance system, ancillary products and services, etc.

There is also a scramble for effective marketing tools to enable a facility to expand and protect its market. There is intense interest in products and services which may be added to boost property income and tenant convenience. To assist its members in these efforts, the **Self Storage Association** has been rapidly building its resources for the benefit of its members in the industry, and towards the encouragement of orderly and continued services in the growth and maturation of this basic and popular real estate form.

Like other forms of real estate, self storage started from humble beginnings. Early development did not have to contend with competition or a particularly enlightened market. It now has passed from the novelty stage and attracted many new participants interested in advancing the real estate form and its market through ever increasing improvement and sophistication. The association is playing a major role in this process and in the encouragement of higher levels of performance in this real estate segment. For further information, contact the **SSA** at:

**Self Storage Association**  
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