



Key Questions to Include in Your Feasibility Study

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Inside Self-Storage and the Self-Storage Training Institute*



Introducing Our Presenters...

Having worked in the industry for more than 20 years, ***Stephan Ross*** is a recognized expert in the field of self-storage. In addition to performing audits and feasibility studies, he has supervised the daily operations of more than 2 million square feet of storage and handled site inspections for prestigious organizations such as City Bank, First Union Bank and the RTC. In February 2000, he and his wife, Tammy, created Cutting Edge Self-Storage Management & Consulting, which manages properties in Florida, Idaho, Nevada, Texas and Utah.

After working in the industry for more than 20 years, ***Tammy Ross*** possesses a wealth of self-storage expertise. In February 2000, she and her husband, Stephan, created Cutting Edge Self-Storage Management & Consulting, which manages properties in Florida, Idaho, Nevada, Texas and Utah. As a top industry consultant, Tammy has developed training and marketing resources, and is known for her ability to provide creative marketing ideas and improve the performance of store managers and operations quickly and efficiently. She is a frequent speaker and trainer at *Inside Self-Storage* expos.

For more information, visit www.cuttingedgeselfstorage.com.

Cutting Edge

Self-Storage Management & Consulting

5630 So. Waterbury Way Suite B-101; Murray, UT 84143
801.273.1267 801.273.1634 FAX
E-MAIL cuttingedgemgt@comcast.net
www.cuttingedgeselfstorage.com



FEASIBILITY: QUESTIONS TO ADDRESS IN YOUR STUDY.

Your stocks aren't performing as you would like and you've been told self-storage is a "Cash Cow", but where do you start. There are a few things you need to find out before you start the field work on a feasibility study.

- First - Will the municipality allow self-storage and if so in what zonings?
- Second - Does the site you've picked out need a zoning change or just a conditional use permit? What type of signage will they allow?
- Third - Does the site pass the Phase 1 Environmental Assessment?
- Fourth - What type of return are you or your investor going to be happy with and will this property meet these objectives?

These are questions you must answer before starting the actual feasibility report, the days are gone when you could have the philosophy of "If I build it they will come". If your answers to the above three questions are acceptable then the rest of this article is for you. The following will outline what is needed in a feasibility study and what you should look for when deciding to build all types of storage i.e. Typical outside access units or hallway units, climate controlled units, outside parking, covered parking or even wine storage. Remember you should consider all types of storage when deciding what your area needs.

THE FIRST STEP IS COMPETITION:

You must first map out all existing self-storage facilities within the projects community. Then you must personally visit all facilities. The best way to get correct information is to act like a perspective customer. If you tell them you are interested in building another facility in the area they will tell you they have a lot of vacancies and are giving heavy discounts, nobody wants competition building in their area. Once you are in the office pay attention to the office and managers appearance, what are their office hours, access hours, is the access the same for typical and climate controlled units. Are there climate controlled units? Get as many prices on different sizes as possible. Do they charge a security deposit or an administrative fee or both? Did they offer you any move in special or long term rental specials. Take a picture as you leave, after you visit a few facilities you forget which ones you were looking at. Remember a picture is worth a thousand words. After you get back to the office have someone else call each facility and shop them on the phone. How is their phone technique? Are they offering the same pricing and specials on the phone as they are during the personal visit? Keep track of the security features each facility offers and whether or not the manager explains these features to you. Remember you need to get as much information on the competition as possible as they will be who your facility will compete against for new tenants. You want to find your own niche!

IS THERE ALREADY TOO MUCH STORAGE BUILT?

When doing your competition study you must determine what your actual market is. This could be as far as ten to fifteen miles in some rural areas or as little as a few blocks in some metropolitan locations. Once you have determined your target market you need to establish what the occupancy rates are in that area. This can be determined in a number of ways. When visiting the competition you can ask the manager, while looking at the units, how full they are and how many total units they have. This way you will have an exact occupancy rate. Most managers are all too happy to talk about themselves and their property, given they are asked the right questions. Some managers however, will not tell you anything. Then you have the choice to either rent a small unit, come to the facility after office hours and count locks or if it's a facility without gates dive through any time. Once you know their occupancy you need to determine their actual square footage. Again there are a number of ways to figure this, you can either measure the outside of each building, if you are dealing with inside storage figure it at 70% coverage or you can take the number of total units and multiply by what the average units size is. This is usually between 100 and 130 square feet with the smaller being in the metropolitan area and the larger the more rural areas.

Now that you know how much storage there already is in the area you can use the original "Square Footage Calculation" or the "Households & Business Usage Calculation" (as seen in the Self Storage Demand Study 2005 edition distributed by the Self Storage Association) or both. I personally believe people put too much faith in these numbers as I have seen facilities fail in areas with a positive demand number and facilities succeed in areas with a negative demand. However currently according to the 2005 Fact Book the national square foot per person is 4.94 feet. You can also get state averages and some city averages in the Fact Book. Once you know the amount of storage that is currently built and what the occupancy rates of your competitors are it should become clear if there is still a demand for self-storage in the area. A word of caution: Just because the facilities in an area are full does not mean there is a demand. Are you visiting facilities in a market that is located in a college area during summer break when everyone is full? There are a number of reasons why facilities may be full during certain times of the year and not during others.

HOW DOES YOUR FACILITY COMPARE TO THE COMPETITION?

The following factors need to be compared between your facility and the competition: Visibility, Traffic Count, Management, Security, Accessibility, Appearance, Structure and Demographics. Review the demographics to determine if the area is experiencing good growth. What is the median household income? Generally you should look at areas with at least a \$40,000 median income. If you are building parking or are considering 12' wide doors on outside units to allow for vehicle storage, what percent of households have three or more vehicles? What zoning restrictions are in place which might forbid the area residents to park their play toys i.e.: boats, 4 wheelers, jet skis etc. on their own property? All of these factors need to be considered however, do not decide not to build just because the facility is lacking in one area. I've seen facilities do very well in economically challenged areas. I've also seen facilities do very well in areas which appear overbuilt but because the existing competition is poor a new facility performs well because both new and existing storage clients will rent at the nicer location.