To Build or Not to Build: Decision-Making Factors for Self-Storage

Presented by Caesar Wright, President Mako Steel Inc.
Facts

- **One year ago**: There was 7.3 square feet of storage per capita in the U.S., meaning every man, woman and child in the country could theoretically stand within the canopy of a storage building — at the same time.
- **One year ago**: Nationwide occupancy was 87.4%.
- **One year ago**: 9% of American households were storage tenants.

Source: Fourth-Quarter 2013 Self Storage Association Fact Sheet
2015 Self-Storage Development Trends

- Major uptick in new-construction starts
  - 176% increase in new sales in first quarter of 2015 compared with same time frame in 2013
- Huge swing toward new construction vs. expansion
- Average new facility size ranging from 55K to 75K square feet
- Conversions and boat/RV storage more popular than ever

Looking back:
In the peak development years of 2004 and 2005, 8,694 new facilities were opened in the U.S., totaling approximately 480 million square feet.
“It feels like déjà vu all over again…”
–Yogi Berra
Construction Sales Trends

2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
Explaining the Return to Development vs. Acquisition

- Availability of money/loosening of lending restrictions
- Confidence in the concept (even Wall Street loves storage!)
- Stability of the marketplace (88% occupied = stabilized)
“You can observe a lot, just by watching…”

– Yogi Berra
So You Think You Should Build?

Choosing your location

Due diligence

Feasibility

Planning
# Single Story vs. Multi-Story

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<thead>
<tr>
<th></th>
<th>Single Story</th>
<th></th>
<th>Multi-Story</th>
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<tbody>
<tr>
<td><strong>Pros</strong></td>
<td>Easy to build</td>
<td><strong>Pros</strong></td>
<td>More square footage</td>
</tr>
<tr>
<td></td>
<td>Less expensive</td>
<td></td>
<td>More expensive</td>
</tr>
<tr>
<td></td>
<td>Fewer trades</td>
<td></td>
<td>Sprinkler/fire suppression</td>
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<tr>
<td></td>
<td>Flexible unit mix</td>
<td></td>
<td>Inflexible unit mix</td>
</tr>
<tr>
<td><strong>Cons</strong></td>
<td>Land intensive (3-5 acres)</td>
<td><strong>Cons</strong></td>
<td>More secure</td>
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<tr>
<td></td>
<td></td>
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<td>Less land (1.5 acres)</td>
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Insight Into Construction Costs

- Current trends represent single-story “turnkey” costs between $35 and $45 per square foot.
- Multi-story: $45-$55 per square foot
- Costs are on the rise due to increased insurance premiums, worker shortage and gross volume.
- Time to build has increased due to volume.
Beginning Your Project

- Hire an experienced design team, including an architect.
- Allow ample time for design professionals to execute their scope of work. Haste makes waste!
- Qualify your bidders and their bids!
- Read the fine print: **Exclusions** are just as important as inclusions.
“You’ve got to be very careful if you don’t know where you are going because you might not get there.”

— Yogi Berra
Contact the Presenter

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Thank You!
We Have Bright Ideas in STORAGE 2015