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The Self-Storage Conversion Process: Success Through Existing Buildings

Presented by

Jim Ponti, Regional Sales Manager

Janus International

The Conversion Process

- ✓ Feasibility
 - Demand
 - Rental rates/mix/pro-forma
- ✓ Financing
 - Options available
- ✓ New construction
 - Cost
 - Design options
 - Operational configuration
 - Hurdles



The Conversion Process

Provided you have covered the basics:

NOI \leftrightarrow PERCEPTION

PRICE - PRODUCT - PEOPLE



What Storage Customers Seek

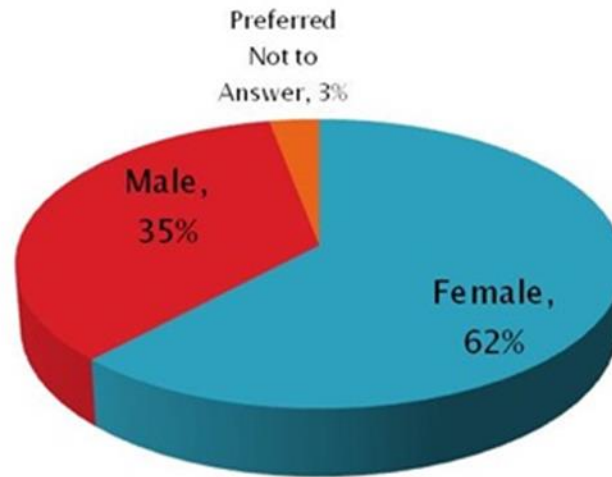
- Convenience
- Security
- Competent and friendly management
- Cleanliness
- No detrimental conditions

Can a conversion provide all of this? Absolutely, if planned properly.



What Storage Customers Seek

Who is the primary decision-maker in choosing a self-storage facility?



Consumer Trends in Self-Storage

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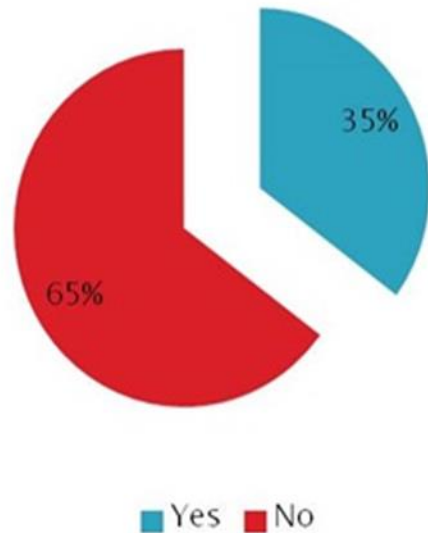
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What Storage Customers Seek

Does the lowest price always win?



Only 35.2 percent of customers choose the lowest-priced unit available in their city at the size they need, according to July and August 2012 data from SpareFoot.com, SelfStorage.com and SelfStorageDeals.com.

The remaining 64.8 percent were more concerned with special features, amenities, free-truck deals, add-on services, unit availability, facility location, reviews and photos.

Consumer Trends in Self-Storage

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What Storage Customers Seek

Which marketing channels send our facility the most tenants?

- Our own websites - 57.37%
- Walk-ins - 66.04%
- Aggregators - 49.22%
- Yellow Pages (print) - 12.64%
- Yellow Pages (online) - 12.02%
- CityGrid Media - 3.66%
- Billboard or other outdoor advertising - 12.23%
- Radio or TV ads - 1.25%

Participants could select up to three channels. Data from SpareFoot 2014 survey.



New Development

- Better sites are getting more expensive and harder to find.
- Permitting of a new facility—always months, sometimes years and maybe never.
- Often other potential development sites are also located in the same area.



Converting an Existing Building

- Obsolete buildings are available.
- Conversion costs can be significantly less than new construction.
- Time to convert is generally significantly less than new construction.
- Rental rates charged are generally at least equal to new facilities.
- Converted facilities sell at similar pricing to new facilities.



Converting an Existing Building

- MEP systems are usually in place and exceed requirements.
- Demographics can be surprisingly good.
- Municipalities are motivated to fill black buildings.
- Inexperienced developers can be less stressed in the process.
- Often few, if any, available sites for new competition.



Converting and Existing Building

Shopping Centers/Retail

Positives

- Often excellent demographics remain
- Roof height may allow two stories
- Possible outparcel sale

Negatives

- Strip mall vs. free standing
- Building size relative to market demand—requires a different strategy if too large
- Possible environmental concerns



Converting an Existing Building

Office Buildings

Positives

- Large availability of structures of various sizes
- Potential mixed use

Negatives

- Sometimes sophisticated heating/cooling systems
- Potential height/area issues
- Operational configuration and elevator size
- Floor loading
- Possible environmental concerns



Converting an Existing Building

Hotels

Positives

- Large availability in some markets

Negatives

- Conversion cost generally high
- Odd unit size
- Floor loading
- Possible environmental concerns



Converting an Existing Building

Manufacturing/Warehouse Buildings

Positives

- Typically very strong building
- Larger clear spans

Negatives

- Possible environmental concerns
- Tired/basic buildings = higher costs
- Location?



Converting an Existing Building



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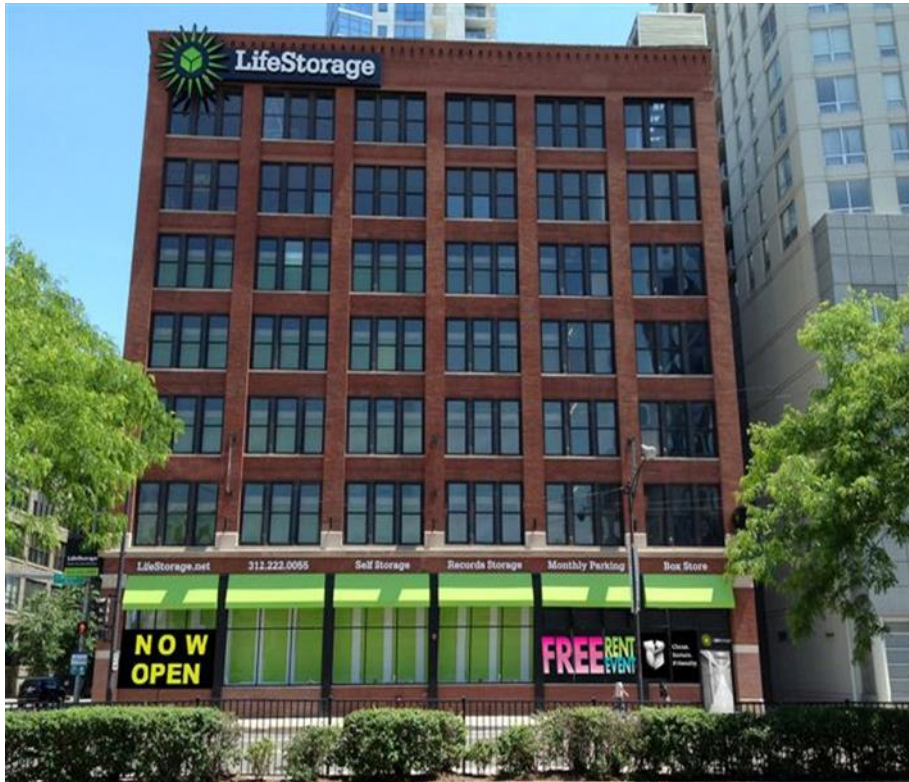


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Conversions: Building Evaluation

- Zoning
- Physical condition/design/MEP/sprinklers
- No sprinklers—verify adequate water supply
- Verify sprinkler head clearance requirements
- Environmental issues
- Location
- Competition possibilities/existing
- Ownership type/cost
- Roof condition/insulation—add insulation if reroof (energy-conservation code)



Conversions: Building Evaluation

- Interior efficiency—best is +/- 80%
- Cost/legality of adding to existing building
- Legality of dummy doors/display areas
- Possibility of re-subdivision/outparcel sale
- Possibility of mixed use/drive through/other
- Possibility of portable units over easements/setbacks
- Operational configuration(s)
- Clear height—mezzanine/multi-story
- Slab engineering/thickness/soil type



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Artistry

Facility function meets beautiful form
with color, class and plenty of pizzazz

In this issue:

- Building Interiors and exteriors
- Offices
- Landscaping
- Signage
- Specialty space



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Conversions: Building Design

Office – 500 square feet minimum

- **NOI <-> PERCEPTION**—colors/design/finish
- Finishes should reflect your desired quality perception
- No public bathrooms! Manager's bathroom?
- Controlled area—separate from meeting rooms, etc.

Hallways

- +/- 5-foot standard—possibly wider for central entrance hall

Lighting

- Use existing if possible
- Motion sensors and banked with 24/7 fixtures
- 24/7 fixtures at camera locations and strategic locations
- Energy (conservation code) efficiency evaluations—LED/T12/T8/T4?
- Placement—depends on clear height and fixture type
- Maintain serviceability—never over units

Conversions: Building Design

Elevators – 6x9 car – one or two-plus

- Protect interior
- Well-lit
- Controls—always program to first floor—floor-access controls?

Unit mix

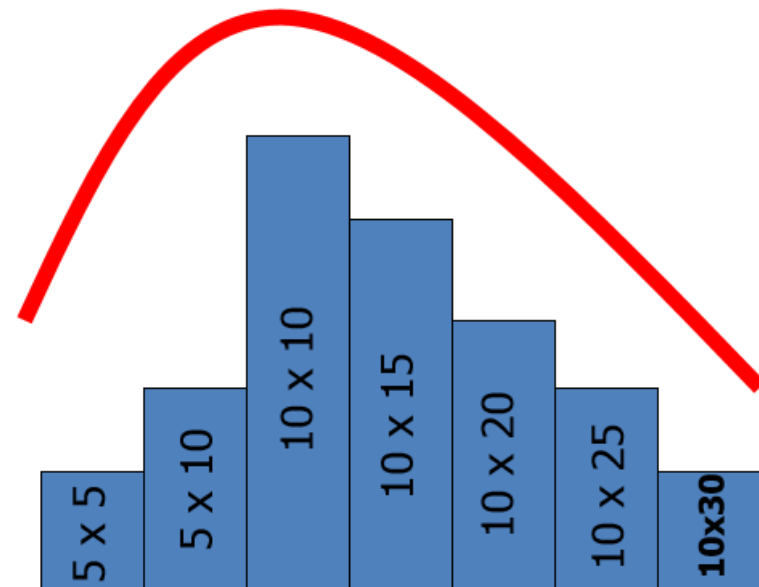
- Driven by area demographics/density—not the most squares that fit
- Larger units closer to access points/elevator(s)
- Maximum walk distance +/-180 feet and two turns
- In open areas, avoid putting large units back to back
- In open areas, unit walls perpendicular to hall to be installed first
- Maximize efficiency as much as practicable—certainly avoid single-loaded perimeter hallways whenever possible
- Typical unit mix and average unit-size drivers—density/housing costs/location

Conversions: Building Design

Unit-Mix Calculations

Bell curve application of unit sizes

5%	5x5s
10%	5x10s
30%	10x10s
20%	10x15s
18%	10x20s
12%	10x25s
5%	10x30s



Conversions: Building Design

Unit Size	Square Feet	Percent of Total	Quantity	Extended
5x5	25	5%	150	3,750
5x10	50	10%	150	7,500
10x10	100	30%	225	22,500
10x15	150	20%	100	15,000
10x20	200	18%	67	13,400
10x25	250	12%	36	9,000
10x30	300	5%	12	3,600
		100%	750	74,750
Average = 101				

Percent of Total	Quantity	Extended
10%	300	7,500
15%	225	11,250
25%	187	18,700
20%	100	15,000
15%	56	11,200
10%	30	7,500
5%	12	3,600
100%	910	74,750
Average = 82		



Conversions: Building Design

Fire exits

- Always direct to outside if possible

Operational design

- Max walk distance 180 feet and two turns
- Layout issues already discussed
- Automatic doors at main storage access points—
4-foot-wide minimum
- Cart area at all main storage access points
- Office points already discussed
- Vestibules in the design?



Conversions: Building Design

HVAC

- Interior temperature 60/80 degrees typical—relative humidity < 55%
- Arid areas—no real humidity issues—load calculations/efficiency especially multi-story
- Non-arid areas—need to control temperature and humidity to do it right —also look out on load calculations—especially multi-story
- Generally 1,350 to 2,500 SF/ton—can extend to 4,000 SF/ton+
- Long line length issues

Ductwork

- Separate office and interior systems
- Energy (conservation code) efficiency evaluations
- Humidity control
- Equipment sizing is crucial under all circumstances but another option is needed too
- Thermidistats—don't work well with standard air handler units
- Rooftop units—easy —Carrier Moisturemiser or equivalent—proper sizing—lead/lag compressors if using existing
- Split units – variable speed air handlers and correct unit sizing—minimize line lengths
- Dehumidifiers?

Conversions: Building Design

1 TON = 12000 BTU → Table 1—Estimated Percentage of Nominal Cooling Capacity Losses*

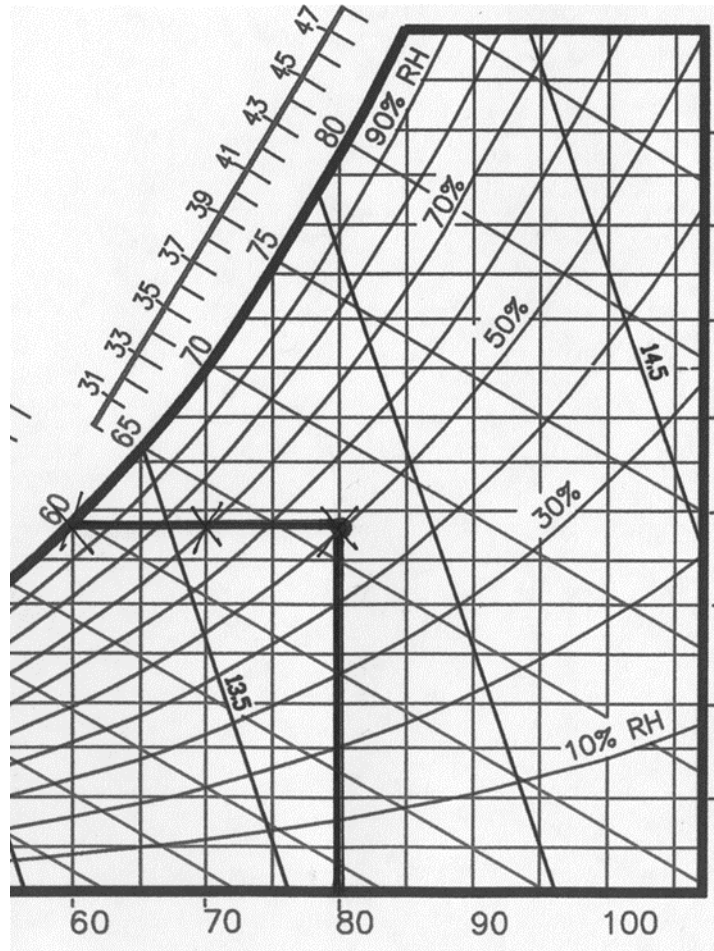
UNIT NOMINAL SIZE (BTUH)	LONG-LINE VAPOR LINE DIAMETER (IN.)†	EQUIVALENT LINE LENGTH (FT)					
		50	75	100	125	150	175
18,000	5/8	5	7	9	12	12	14
	3/4	1	3	4	5	5	7
24,000	5/8	6	9	13	16	19	22
	3/4	0	1	1	2	3	4
30,000	5/8	6	8	10	13	15	17
	3/4	2	3	4	5	6	7
36,000	3/4	7	10	14	17	21	NR
	7/8	2	4	6	8	10	11
42,000	3/4	7	10	13	17	20	23
	7/8	3	4	6	7	8	10
	1-1/8	0	0	1	1	2	2
48,000	3/4	10	14	18	22	NR	NR
	7/8	4	6	7	9	11	13
	1-1/8	0	0	1	1	2	2
60,000	7/8	7	9	11	14	16	19
	1-1/8	1	2	2	3	3	4

* The estimated percentage of cooling capacity that must be subtracted from the Detailed Cooling Capacities data specified in outdoor unit presale literature for any given indoor/ outdoor combination.

† Vapor line diameter that may be selected for a long-line application. If smaller vapor lines are selected but not specified within the table, large capacity losses will occur and defrost capabilities will be reduced. If larger vapor lines are selected but not specified within the table, refrigerant oil return will be impaired due to velocity losses. NR—Not recommended due to excessive loss of capacity.



Conversions: Building Design



Conversions: Building Design

ADA

- Entry, office, bathrooms, parking, etc. are a generally known requirement
- 2010 Accessibility Guidelines for Buildings and Facilities (ADAAG)—
new and existing
- Facilities must identify a specific number of units as accessible to be compliant
- 5% if less than 200 units
- 10 units plus 2% if more than 200 units
- Dispersed among classes of available spaces

Required inclusions/modifications (roll up door)

- A pull must be installed on the door exterior $\geq 15''$ and $\leq 48''$ from the floor
- All pulls must have a loop large enough for a fist to fit into
- When the door is fully open, a pull must be available that hangs $\geq 15''$ and $\leq 48''$ from the floor
- A pull must be available to unlock/lock the latch at $\geq 15''$ and $\leq 48''$ from the floor
- An accessibility plaque with braille must be clearly displayed outside the unit
- Door lift max force of 5 lbs. through fully open position (not just initial opening force). Generally requires a dual spring dead axle design door (third generation)— older door types with a single spring or dual springs with dual tensioners won't generally meet opening force requirements particularly over the long term
- Max threshold of half inch cut at 45 degrees

Conversions: Building Design

Interior System

- Bright white interior hallway system—not flat white or grey white
- Avoid fully corrugated interior hall systems—very outdated—new construction, too
- No need for vertical studs—system should be self supporting with only floor attachment (except lower floors of mezzanines)
- Avoid dark colors—maximum light reflectivity is good
- Unit partition should be run vertically to minimize holding dust (except structural)
- Minimum system height is 8'4" for 7' high doors
- Mesh above units is a non issue—lets in light and air—sprinkler requirement? Security issue?
- Larger doors (8'8" and 3'8" wide) provides a lower cost hallway with the best unit access
- Mid span bracing for interior walls is a big plus and must be included
- Swing doors?

Conversions: Building Design



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Mezzanines

- Light-gauge—typically minimum 4-inch slab—new construction, too
- 10x10 grid—typically minimum 6-inch slab or footings—new construction, too
- Full
- Island
- Variation
- Stairs, lift or elevator?
- Without elevator, should be completed with smaller units—max by access type
- Cost: about \$18 to \$22 square foot gross for full (structure and units only—installed—customer handles concrete, stairs, fire walls)

IBC

- Sprinklers, requirements, etc.



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Conversions: Building Design

Floors

- Use what's there if possible
- Avoid paint and epoxy
- Strongly consider acrylic sealer on bare concrete instead— polished is nicer but more expensive

Parking

- National survey average is eight visits per 100 units per day
- Most conversion opportunities have excessive parking

Phasing

- Outdoor storage and boat/RV—don't block view—
boat/RV on side/back
- Interior as well—get to know your market first for the optimum layout by
area/floor

Conversions: Building Design

Signage

- Use what's there if possible—replace—grandfathering
- Your primary signage should be doors exposed to the main traffic, if possible

Loading/unloading

- Minimum covered at primary entrance—14 feet clear
- Drive through—typically requires CO monitor, exhaust fan and sprinklers

Security

- The fewer entry points the better
- Control entry points via keypads
- Minimum = entrances, office and perimeter
- Sell via monitors customers can see in office—24/7 light camera areas
- Individual door alarms
- Music
- Operational access—standard, extended and 24-hour

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Conversions: A Summary



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Conversions: A Summary



Conversions: A Summary

- Evaluate the market *and* the property.
- Think outside the box.
- Think the details through and bring in those that can truly assist.
- Don't build it so "they will come."
- If phasing, plan out the whole project first.
- Minimize the cost of converting.
- Remember that the justified price leader generally has the highest occupancy.



Conversions: A Summary



Contact the Presenter



Jim Ponti

Regional Sales Manager

Janus International

504.253.1048

jimp@janusintl.com

www.janusintl.com



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INTERNATIONAL GROUP

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