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Self-storage and economic development - by Albert Franke

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We all have too much stuff. Some of us are hitting the age when we are downsizing and in doing so, need somewhere to store all of that stuff. Millennials, many of whom are deferring home purchases and prefer apartment living, need extra storage for their belongings. Gen-Xers and Boomers have accumulated a lot of things and when downsizing, also need a place to store them. While it can be cathartic to purge ourselves of things we've collected over the years, we tend to hang onto them, for fear that we'll need them the minute we throw them out. The answer: self-storage.

The market area for self-storage facilities is generally measured by drive times. We want to be close to our stuff. A 2017 self-storage demand study showed that 36% of all customers drove less than 10 minutes to get to their storage unit. Another 34% drove between 10 minutes and 19 minutes. It makes sense that such places would be located within a reasonable drive time from residential and business areas. In 2017, there were 325 self-storage facilities in Connecticut totaling over 17 million s/f. On the basis of population, that equals almost five s/f per person, slightly below the national average of about seven s/f per person. All good, right? Not necessarily. From the economic development perspective of many municipalities, self-storage facilities take up a lot of land, are low-traffic uses and generate few jobs.

Milford, CT, for example, enacted a 6-month moratorium on self-storage development in late 2018 to study the impact of such development in the context of its overall Plan of Conservation and Development. This August, the city made changes to its zoning regulations restricting the location of any new self-storage development to a mixed-use industrial zone along the Housatonic River. There was considerable concern that a new facility would be proposed for the busy Rte. 1 commercial corridor, according to Julie Nash, director of economic and community development. Nash stressed that while new self-storage development is a plus for the tax base and that the city welcomes investment, the location of such development must be such that it doesn't adversely impact other vibrant commercial areas of the city nor become a haven for people's junk. "In a time when we are trying to increase multi modal options and lessen the expanse of parking, we should not now encourage the parking of things." Self-storage space in the Milford market area exceeds the national

per capita average.

In 2018, Rock Hill, S.C. also instituted a six-month moratorium on new self-storage development while it studied potential zoning changes. Concerns about the facilities being located in redevelopment corridors, high-visibility and walkable commercial locations drove the action. Interestingly, Rock Hill has about nine s/f of self-storage area per person and may be over-supplied.

Arvada, Co also instituted a six-month moratorium in 2018 to study the issue of new self-storage development and nearby Denver took a stronger stance in banning self-storage facilities from some areas of the city. In addition to other concerns, Denver city council member Mary Beth Susman questioned the architectural aesthetics of such buildings. "Often these places look like boxes that hold boxes," said Susman. "It's not a very good use of our land." Similar bans and moratoriums were instituted in NYC, and in Ferndale and Federal Way, Washington as well as elsewhere around the country.

These reactions were in response to the strong growth of the self-storage sector between 2011 and 2016. Six publicly-traded real estate investment trusts that owned or managed about 20% of U.S. self-storage properties were offering attractive returns to investors, fueling further development. Revenue growth began to normalize in late 2016 in the Northeast, with an increase in supply and a domestic out-migration to cities south and west.

Self-storage certainly is an important factor in the economic development of towns, cities and regions. This asset class, like most others, is very susceptible to shifts in demographics, population movement and the economy, among other things. Thoughtful planning by administrators and developers alike continues to be necessary to appropriately position new development. This, until we all get rid of our stuff.

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