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Conversions: A smart self-storage option and a viable alternative to the conventional

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While self-storage conversions seem to be getting a lot of attention these days, they certainly aren't a new idea. Since the late 80s and early 90s, conversions have become not only a viable alternative to conventional self-storage, but in many cases, a preferable investment.

Why Conversions are a Good Idea

Let's start with zoning. Any conventional self-storage owner will tell you that zoning laws alone are becoming more restrictive, complicated, and costly. Plus, the approval process can be convoluted and discouraging to an owner who has done all the right things, but sees zoning officials delaying his project.

By contrast, conversions often times bypass zoning headaches because in many cases, structural and site work is less involved -- things like excavation and grading, foundation pours, landscaping, irrigation, electrical and HVAC systems may not be an issue because they are already in place. And if much of the site and structural work has been done, it also means a savings of money and time. Remember, speedier occupancy for owners and investors means a faster return on investment.

Next, the potential owner is faced with what has become a pair of chronic problems in real estate of late: Escalating land prices and scarcity of available real estate. If an investor has to find a piece of land he can afford, in the proper location for self-storage, he may give up before he even gets started. But an inexpensive, existing building in a high-density location is a good candidate for conversion.

There is no question that the first priority for success in self-storage is location and the beauty of conversions is this: Many existing buildings, originally built for retail establishments, offices, hotels, warehouses, or specialty stores, are usually located in heavily-populated urban areas, ideal for self-storage use. This is because the owner has already solved one of his biggest challenges -- the need for good demographics and the ability to tap into a sufficient number of potential customers in his market area.

It's a fact that higher rents are often received for the convenience of a shorter drive and easy access. In-town locations also lend themselves to a rental truck operation, which can generate a considerable amount of additional income.

But an urban location is not the only opportunity for conversions. Suburban communities are beginning to undergo changes in zoning and in the retail landscape. Many department stores have abandoned smaller structures for the larger "big box" concept, so this frees up more existing suburban buildings for self-storage.

Convert or Conventional?

Conversions are not a panacea by a long shot. The potential owner must ask himself some hard questions before deciding to convert.

What about the condition of the building you may be considering? Here is where one has to be very careful. Make sure the roof is in good condition because if it isn't, this could be the single most unexpected expense the owner has to face. Is it a single story or multistory building? If it is a multi-story building, are there working elevators in the proper locations? What about the condition of the electrical system? Most self-storage facilities today offer climate controlled units. Is the building's HVAC system still operational and equipped to handle this?

Many existing buildings have heating systems that run continuously from Fall to Spring, then cut off for the summer months. This problem can be solved as easily as having a thermostat installed to turn the system on and off as necessary. This can pay for itself in as little as one day of operation.

The Importance of Access

How about access to the building? Is it located in such a way that potential renters can easily drive to and from the entrance to the building? Can they load and unload their valuables without difficulty? Once inside, can they find their units easily? Try and keep units no further than 100 feet from the nearest point of entrance. Will renters need mechanical assistance? If so, have hand carts and flat carts available at entrances and docking areas, if your building includes these. Since docking areas are normally above ground level, think about installing ramps to meet handicap regulations. Make sure the interior of the building is clean and painted. Remember, 60% of self-storage shoppers are women and they want their valuables stored in an attractive environment.

Where the Cost Is Likely to Fall

Unless the building you convert is old and requires substantial foundation and structural improvements, the cost will fall on the interior build-out of doors and partitions. Cost will vary according to unit mix and wall height and will include a metal mesh over the tops of the units for security. One needs to consult a reputable manufacturer's representative, who will assess these costs and help to determine the overall expense of the conversion. This will be time well spent.

Just make sure that you look at both sides of the issue. If the advantages of converting outweigh the disadvantages, the decision becomes academic. Go for it.

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