

Self storage at the mid year - by Nick Malagisi

September 22, 2020 - New York City

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The COVID-19 Pandemic is still with us and, despite recessionary pressures, the stock market excluded, self storage appears to be holding its own as in the last recession of being "recession resistant." Self storage thrives on changes in a person's life, whether it be a death or divorce, a natural disaster or a job/ lifestyle change.

Right now, demand for self storage is extraordinarily high with millennials purchasing homes at a record pace; people having the freedom to work from home and leave their daily commute; Baby Boomers retiring and downsizing into a new patio home or condo, and logistics and "last mile" destination needs creating new business opportunities for entrepreneurs.

The Pandemic appears to have accelerated the demise of many in the traditional retail industry with more medium sized stores (Toys R Us) to "big box" vacancies leaving large holes in the typical suburban and urban shopping centers.

With the demand for self storage increasing, its use can be a profitable alternative for owners of these centers and contribute to the concept of repositioning a retail center or a mall into a "mixed-use" property.

This is especially true if the shopping center vicinity has a high percentage of smaller living units and/or residential units built slab-on grade without basements and/or garages.

Since self storage generally has a low intensity of use compared to most other uses, it probably won't help the existing tenants in a retail center bring additional foot traffic. However, it does serve the needs of the community residents and is certainly a passive, unobtrusive use of a large amount of space and, of course, will provide a very welcome additional revenue stream to the property owner.

There are obstacles to overcome in adding a self storage facility to a retail center. Its planning use is generally not regarded as a retail use for planning purposes and is usually placed in an industrial

zoning category of some type, primarily based on its origins as a "mini-warehouse." Self storage use today is considered more mainstream and even desirable in some cases because of its low intensive use (cars per hour) than alternative retail uses.

Other potential obstacles could be:

The need for a minimum size building to convert to be profitable suggesting that a new build is the more cost effective and practical use;

Height limitations in existing buildings;

Floor load capacity with existing multi-story buildings; and

The need for the self storage developer to own the building suggesting an absolute net ground lease or a severance and sale because this is traditionally a stand-alone income producing investment asset.

Give us a call to discuss possible joint venture opportunities with a reputable self storage developer/operator who can make the venture a win-win for all parties.

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