



## Are there any self-storage portfolios left to buy? - by Nick Malagisi

January 25, 2022 - New York City



Are there any self-storage portfolios left to buy?

That's an interesting question to ask now that the "icon" of independently owned self-storage portfolios "Manhattan Mini Storage," has just been purchased by a joint venture (JV) involving the Storage-Mart family and their new JV partner, Bill & Melinda Gates Foundation.

In the past 18 months, Public Storage purchased a 32-store portfolio of storage properties for \$1.8 billion owned by a family in Washington, DC; CubeSmart acquired a 59-store portfolio in California; Blackstone with their Simply Self Storage operating partner has acquired a Texas portfolio and Life Storage just closed on a 23-property portfolio for \$369 million from a long well-established operator in Chicago with the assets located in five different states. Sales prices are not always available on

these transactions.

Yes, the self-storage industry is largely made up of large family-type organizations; but now Wall Street investment bankers, like Blackstone, are competing for these niche assets in addition to the six publicly traded REITs in our industry.

Actually, these purveyors of great capital did our industry a favor by entering our industry years ago because they brought a new standard of development that took us from building rows of single-story buildings to three-to-four-story buildings with orange, green, blue or red “big boxes” that look like office buildings. The planning and zoning boards across America are now rewriting their zoning regulations to allow such structures to be permitted to be built in commercial areas on Main St. instead of facilities being buried in an “industrial” zone along with other warehousing users.

This wave of new development has been spurred by the changing demographics and lifestyles of employees now working “remote” from home instead of commuting daily to an office, as well as the Millennials coming of age to start a family, buy a home or whatever “displacement” has occurred in their life recently, in part because of the COVID pandemic.

The need for self-storage is still stimulated by the four “Ds”: Death, Divorce, (natural) Disaster and Displacement, but the American public has found ways to use self-storage that we in the industry never dreamed of 30-35 years ago. The pandemic has helped introduce self-storage to many people that never needed the service before and created a new “propensity to rent” factor. Occupancies in facilities across America have risen 4-6 % on average once the pandemic restrictions were lifted from many businesses. It certainly helped that most states declared self storage an “essential business” to keep their doors open to the public.

While larger companies, especially retail developers with large, “big box” stores going dark are entering the industry, the recent Self Storage Association (SSA) Demand study states that the majority of owners in America own one to three storage facilities, leaving the industry still ripe for consolidation, despite the sale of portfolios developed and/or accumulated over time by individual operators. As institutional money continues to seek out self-storage investments, family offices and individual investors/operators will need more sophisticated advisors to help them successfully navigate this next frontier for self-storage investment.

Nick Malagisi, SIOR, is the managing director at SVN Commercial Realty, Buffalo, NY

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540