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SPECIALIZING SOLELY IN SELF STORAGE

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SERVING: THE NORTHEASTERN AND MID-ATLANTIC STATES

HOLDING UP WELL, WE ARE!

by Dan Wolf

As we prepare for the Spring/Summer season, how are we, as the Self Storage Community, doing?

On a national level, the self storage sector outperformed every other asset class in 2008, which was a big losing year for the commercial REITS according to the National Association of Real Estate Investment Trusts (REITs). Industrial was down -67.47%, regional malls down -60.60%, lodging/resorts down -59.67%. Even so, the storage sector had a 5.05% return, the only positive return in the entire industry!

Obviously '08 was no banner year for anyone, but as an asset class we are currently outperforming all other segments of commercial real estate. Self storage has been the stronghold.

However, each market is different. Within discussion groups in our industry, it has been noted that delinquencies are up from typical levels, and call-in and walk-in volume has slowed. But if your market isn't over built, occupancies have remained relatively stable.

Some markets are up in occupancy due to less than favorable economic conditions. In certain areas people are moving for work reasons, foreclosure activity has people needing space, and some businesses are scaling down long term leases and warehousing, opting for the month-to-month lease term of self storage.

Since the major metro markets are relatively mirrored by the self storage REIT reports, it's important to note that many of the secondary or rural markets are performing very well. In fact, some markets have remained absolutely bullish in this economy.

These markets have been overlooked by the larger institutional buyers and large operators due to demographics. But what it says is that the local entrepreneur can make an extraordinary run of it, even in these times. Take a sampling of non-major markets, and here is what you'll find. The Winter's Mini Storage chain operating in the greater Roanoke, VA, market was up nearly 5% in revenues in 2008. West End Mini Storage in Elmira, NY, has less than 5 vacancies out of nearly 200 units. All Around Mini Storage in Front Royal, VA, is running at a 95% occupancy rate. Affordable Self Storage in Erie, PA, is running at 95% occupancy and is pre-leasing the new building under construction. Route 68 Self Storage, north of Pittsburgh in New Brighton, PA, is running at 90%, even after adding more units in 2007. Adamsburg Self Storage in suburban Pittsburgh is also running at nearly full occupancy. Three different states, five completely different markets, but complete success stories in this, what has been termed, our "worst economy" ever.

So what we can see here is that depending upon your market, self storage remains an excellent investment and relatively safe haven for your money. Financing is available through local and regional banks.

Also keep in mind that Bush's tax cuts, particularly the capital gains tax, is set to expire in 2011 - so it's more important than ever if you're thinking of selling to watch your expenses show a solid net operating income number.



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