

From Zero to Amazing... In 35 Years

Demand for self storage has evolved over the decades, with some surprises along the way

By Mark Wright

Self storage started as the answer to a question people didn't know they should ask.

"We had to teach people what the business was for," recalls industry pioneer Buzz Victor (Self Storage Hall of Fame 2005). "It's important to remember that in the early days,



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Mini-Storage Co.

the game was as much educating people about how self storage applied to them as anything."

Victor, managing partner of Mini-Storage Co. in Greenwood Village, Colorado, saw that education process bear fruit over the years. "When I'm sitting on a plane and someone asks what I do, I tell them 'self storage'. Back then, they'd ask, 'What's that?' But now they say, 'Gee, I hear really good things about that business.'"

Fellow pioneer Bill Kenney agrees. Kenney, managing general partner of San Mateo, California-based All American Self Storage, says the main change over the past quarter century is that people have gradually become familiar with self storage. Consumers' knowledge of the industry "has changed quite a bit," he observes. "In 1990 or so, the Association had an extensive study done and found that something like one in 20 people knew what self storage was and how it worked. People thought of them more as warehouses, where goods would be entrusted to operators. Now, two-thirds of people surveyed know what it is and how to use it."

Since opening his first facility in 1976 as president of Northfield, Illinois-based Lock Up Development Group, Robert Soudan, Sr. has likewise watched demand take off. "Having been around since close to the beginning, I would say demand has definitely changed and been fully

exploited, like most normal businesses. When self storage was first discovered, demand was overwhelming and whatever people built got filled up. Then, as the product went from first generation to second generation and beyond, it got more sophisticated. Customers found you. Today, it's much different."

Some of the industry's pioneers thought they would initially attract primarily businesses that needed storage space, however, early adopters of self storage generally turned out to be people who were relocating. Self storage was coming into its own just as large numbers of people were moving from the nation's traditional population centers out to new high-growth areas, often in the west and south. They were drawn by both economic and demographic changes, but whatever their motivations they realized self storage could help ease their transition to a new place.

"Americans have become far more mobile over the past 25 years," observes Cris Burnam, president of Columbia, Missouri-based StorageMart. "They move several times during their life. As Americans became highly mobile,



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All American Self Storage

that generated a need for storage. So, the consumer end became far and away the single biggest component."

Over time, the mix of people seeking storage grew more complex. As personal wealth grew, and with it the number of personal belongings, more and more people sought to extend their household storage capacity via self storage.

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Two Customer Types

Burnam says he's always thought of the storage market as being divided into two buckets, so to speak. One bucket contains people who have had an event in their life that compelled them to rent storage. People in the other bucket use self storage as a lifestyle choice—they want to store belongings because it makes their life easier, creates more room in their condo, what have you.

Overall market penetration has increased over the years, says Mike Strausser, president of Tempe, Arizona-based Economic Consulting Associates. "Demand has increased from four percent of households and businesses renting in 1989 to 9.5 to 10 percent in 2007 or so."

Some say demand grew as the industry got better at educating consumers and as the product improved.

"As facilities got better, offered security and a nicer atmosphere, using self storage became socially acceptable," observes Soudan. "People look at where their goods will be safe and where they're comfortable leaving them. The industry has done well over time at changing its image and serving the customer."

Burnam echoes that conclusion. "As the industry matured and evolved, facilities became much more convenient and added far more amenities. We've refined the product so it's very superior to the facilities of 25 years ago. Along the way,



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*~ Robert Soudan, Sr.
Lock Up Development Group*

customers became more sophisticated as well, and would seek out a property that had a better value proposition for their money. We did a good job of educating consumers about what to look for.

"As a result of all that, today we have a real supply saturation issue," Burnam adds, "while our customers have become more demanding and particular than ever. But they have a right to, because self storage has become a bigger line item in people's budgets for those who use storage. In some cities now, you can easily spend \$200 to \$250 a month on self storage."

Victor says educating the consumer has proven to be a mixed blessing. "The smarter the consumer gets, the better the business must be. Imagine a person who has used self storage before. One day he moves and drives up to a facility in his new community but says, 'That place is junky, I'm not going to rent there.' In the past, they didn't know. The education of people has been a double-edged sword, but it deepens the market.

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"I think the education continues to go on for commercial users," he adds. "A lot of businesses don't think self storage is designed for them. That's changing. More and more understand that self storage can apply to them, so there the market over time will get deeper still."

Shifting Demographics

Soudan notes a subtle but powerful demographic trend among customers: "Women have overtaken men as decision makers. Fifty to 60 percent of rental decisions today are made by women. So, appealing to them became more important. Women felt more comfortable in a nice place than in a not-so-nice place—and they were willing to pay a little more to have that."

Kenney noticed the same trend—but put the female decision-making percentage even higher, at about 70 percent. "Women seemed to always drive the decision," he recalls. "I think it's still the case. So, we always built facilities with the thought in mind that a secretary or wife could come and feel comfortable and not feel it was a dirty place. We put windows in so you wouldn't feel like you were in a tunnel. We added music, panic buttons, and kept facilities neat, clean and dry."

To some extent, demand for storage has also had a generational component. For example, Victor says that sometime during the 1990s, college students became regular storage users.

"Virtually everybody who goes to college has self storage experience by the time they get out," Victor observes. "Either they bring stuff home and realize that mom and dad don't have room, or several students get together to pool their stuff. So, that's the first American generation where self storage will be with them forever. They know how to get into a facility and what to ask for. They know we exist."

Other Variables

Demand can vary considerably, even within smaller markets, says Strausser. He notes that developers sometimes find pockets of healthy demand not far from pockets of product saturation—all in the same area.

"National data can be quite deceptive. Demand varies depending on the geographic area around the country," Strausser explains.

Demand also varies by unit size, he adds. "Another trend that has been very significant is that there has been an increase in the average size of unit rented. People used to rent a 10 x 10. That was the industry standard. Today,

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apartment dwellers often rent a 5 x 10 or smaller unit, while homeowners usually go for a 10 x 10 or a 10 x 20.”

Demand for different types of storage has also changed over time—but on a regional level. For example, wine storage might be big in parts of California, but much less so in other parts of the country. Likewise, climate controlled space and RV storage appeal to specific markets. “So much of that didn’t exist a long time ago,” recalls Victor. “Nobody was doing climate control for the first 20 years of the business. As the industry grew, people wanted to throw more bells and whistles at it and distinguish themselves, so they added those sorts of things. There were geographies that were open to it.”

Recession Taking a Toll

While conventional wisdom used to hold that self storage was recession resistant, the industry has not been immune to pain during the latest downturn. Remember Burnam’s two “buckets?” He sees the first group—people who rent space because they must—remaining a firm, important part of the client mix; it’s probably even grown slightly. He says the lifestyle renters, however, have taken “a real hit. We’re seeing fewer discretionary purchases over the last two years.”

“But the single largest shift we have seen is among our small business clientele,” he continues. “Our small businesses are downsizing and reducing their budgets. Self storage is starting to look like a luxury instead of a necessity, especially for small contractors who have really taken a major hit. Small plumbing contractors, electricians, landscapers... have been hit very hard by the construction slow-down, so that’s where we’ve seen a notable softening of demand.”

Does the evolution of demand offer any clues about its future? Our industry pioneers don’t expect the days of “build it and they will come” to return. But a healthier economy, combined with a nice dose of growth in population and housing, would help.

That—and sticking to the basics. “Running a good facility helps expand the market,” observes Kenney.

“Every industry has a lifecycle,” says Strausser. “That’s also true for self storage. We are more than mature—which means we have to be more and more careful where and when we build.” ❖