



## ***Four leading storage builders candidly discuss the past, present and future of their companies and the industry.***

*By Tom Comi*

We're all familiar with the adage, "If you don't have something nice to say, don't say anything at all." And if that sentiment is indeed true, then this probably isn't the best time to do an article on the self storage building industry.

But sometimes it takes tough times and straightforward conversations to appreciate what we had in the past and the realistic possibilities we face in the future. And let's make no bones about it: 2009 was not a banner year for builders in our industry.

According to the SSA's latest *Self Storage Industry Facts & Trends Report*, fewer than 300 new facilities were built through September of last year. This marked a low point in storage construction since the mid-1980s, with 2005 being the high water mark. The report goes on to state that there was a 79 percent decline in new construction from 2004-05 to 2008-09.

In order to put all of this into perspective, the SSA contacted executives from four leading builders in the storage industry. While all of them admit that they are weathering very tough times, they also see signs that the future can be positive. Although the reality exists that we may never return to the boom times of several years ago, they all agree that better days are ahead.

"There are a few deals getting done, but these are projects with loans contracted late in 2008 or early in 2009," said

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*Chester Heights Self Storage in Pennsylvania was completed by Miller Building Systems in October 2009.*

Wayne Woolsey, principal with Kiwi Construction. "The challenge for [new projects] is financing to get started, and for the general and subcontractors the challenge is fierce competition with the lowest price points we as a company have ever seen by far."

Terry Campbell, vice president of sales and marketing for BETCO, cites several reasons for the decline.

"Some existing owners are experiencing drops in occupancy, which is causing them to delay expansion," he said. "In some cases, with existing [owners] and newcomers to the business, financing is the issue causing holdups. And for others, it is just a wait-and-see approach."

Louis Gilmore III is the president of Miller Building Systems, which has been constructing steel buildings since the early '70s. In his 20-plus years in the storage industry, he admitted 2009 was the worst he has seen.

"New construction is frozen," he said. "Most of the new facilities being built have been in the pipeline for so many years, and there is too much to lose to cancel the project. Self storage developers are finding it impossible to justify new construction while there are increased vacancies, declining rates and increasing discounts. The demand is just not there right now."

Trachte Building Systems has been around since 1901, and self storage has been its main product for almost 40 years. Like his counterparts in the business, Trachte

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marketing manager Steve Hajewski says financing is the major culprit in slumping sales.

“The past year has certainly been a shockwave that rolled through the industry,” he said. “In fall of 2008, bad economic news and restricted lending practices brought new construction to a temporary halt. Most of our business in 2009 was developers adding buildings to existing sites. Financing remains the biggest challenge for most potential developers with new locations.”



*BETCO recently completed this three-story facility called Ultimate Storage Company, located in Fayetteville, North Carolina.*

## Making Ends Meet

Regardless of the reason for the decline in storage construction, the reality is that builders have no choice but to ride out the storm. Some are taking on smaller storage jobs than they might have accepted in the past, and others are branching out into other industries. In this economic climate, diversity is your best friend.

Miller Buildings provided roof coatings for The Storage Depot in Lancaster, Pennsylvania, and it has done unit reconfigurations for buildings that needed to increase their inventories of small sizes or to introduce climate controlled units. The company has also delved into other projects not related to storage.

“While self storage development is on ice, we have been building warehouses, flex space, retail buildings, even churches,” said Gilmore of Miller Buildings. We recently completed a Family Dollar Store in Providence, Rhode Island, and we also recently shipped a pre-engineered, refrigerated warehouse for ice storage for the U.S. Navy in Jabuti, Africa.”

Woolsey admits that diversity “is very important” during a time like this, and said Kiwi is currently working on two projects in Utah for S.L.C. Developers.

“New storage building numbers have been on a decline since 2006, and we all have had to make changes to our way of doing business and who is doing business,” he explained. “We have had to find new product areas to work in, and we are looking into different markets every week. Our system is compatible with many other construction types, but the problem is breaking into that market and learning what and where the demand exists.”

Campbell also stressed the importance of not relying solely on one industry. He said BETCO is relying on its relationships both here and abroad and added that BETCO is expanding into the domestic agricultural market with

a poultry house package that includes everything needed to construct the buildings.

“We are blessed to have diversity within our company, one of which is an international division that provides several different types of agricultural buildings around the world,” he said. “One of the major things that we have done is to form an alliance with a very experienced and successful investment banking firm that can make financing work for people. We have just introduced this alliance and already we have lots of people coming our way to investigate.”

Trachte is working on a four-story facility in Iowa measuring just under 100,000 square feet, but it also has the luxury of serving other industries. Hajewski said his company is also focusing on educating its customers and has increased its seminar program to include 16 cities across the U.S. and Canada this year.

“We are fortunate that we have multiple business units both here and internationally,” he said. “Our self storage business itself is diversified with various products, including traditional buildings, boat/RV buildings, conversion systems, micro storage, portable storage and canopy projects. But beyond these buildings, Trachte’s family of companies includes Trac-Rite Door, Inc. and Fire Facilities, Inc., which makes a fire training tower generally sold to government customers. This has helped us weather the storm.”

## Light at the End of the Tunnel?

With so many factors coming into play regarding the building industry, you could very well turn to a Magic 8-Ball or Ouija Board for answers on what the future holds. The bottom line is there are no concrete answers. Most of the builders interviewed for this article proceed with cautious optimism that things will get better in 2010.

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“Hopefully, in a year from now we see the jobs market in a better position and unemployment down,” BETCO’s Campbell said. “One of the things that definitely has to happen is that lending has to get better in order for businesses to start up or expand, so that jobs can be created to get the economy back on track. Some people who are going to be ahead of the curve are actually moving forward and building, so when the economy picks up they will be ready to capitalize on it.”

Said Woolsey of Kiwi: “How I would like to see the economy and how it actually will be may well be two different paths. To help make things better for us in the building industry, financing needs to loosen up and start to lend. There are a lot of good, qualified owners and developers who have great projects that cannot get loans.”

Gilmore admits that the self storage development from 2001–2006 may never be duplicated again, but he also sees signs that things will get better than they are now.

“If occupancies begin to surge following tremendous home sales, rates could begin to climb and discounts could start



In addition to building storage facilities, Miller Building also constructed the Family Dollar Store in Providence, Rhode Island.


to fade away,” he said. “Then we might see a pick-up in the development of storage facilities.”


Like Gilmore, Hajewski points to higher occupancies in existing facilities leading to the building of new ones. And he said most of Trachte’s customers are reporting steady occupancies.


“There’s a light at the end of the tunnel, and we can see it getting brighter, albeit slowly,” he said. “Property values seem to be stabilizing, which is a major step. Financing, job creation and consumer spending are all necessary to improve the economy, but all must grow rationally and responsibly to be sustainable. Hopefully, consumers find that happy medium that lies between overspending and saving every penny.” ♦


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