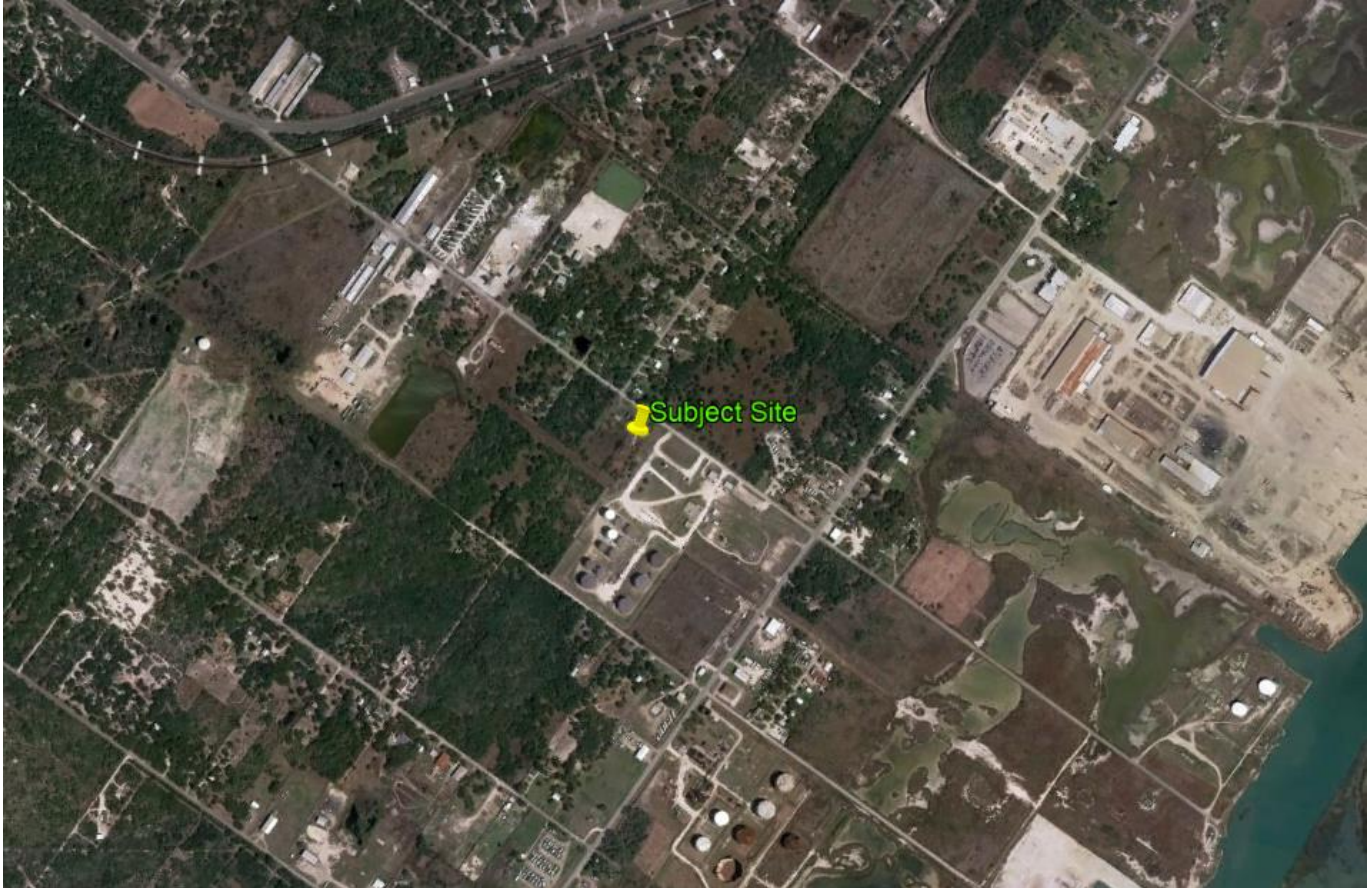


BOAT & RV STORAGE MARKET & FEASIBILITY STUDY



Site Location:
1333 Sunray Road
Ingleside, TX

Client: Jon Dobb

Market & Financial Analysis performed by: Self Storage 101



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FORWARD

The client has engaged Self Storage 101 to conduct a Market & Feasibility Study for a potential vehicle storage development or conversion location. The purpose of this report is to provide a detailed review of the subject site and subject market as related to the potential for vehicle storage development and the financial viability of the project. This study researches sub-markets as related to demographic and competitive data, potential site and location viability within the existing vehicle storage market and a snapshot of the existing vehicle storage markets and the potential site's position within those markets.

When reviewing the 'marketability' of a potential vehicle storage location, Self Storage 101 reviews four distinct areas that are critical in determining the site and market viability:

- 1. The Site and its Location.** As vehicle storage has become ever more a retail-type business, facility location has become more critical than in past times when self-storage facilities were located in industrial parks or behind the local airport.

From a location standpoint, customers typically want their stored vehicles within a convenient distance. Although few do, nearly all new customers perceive that they will be accessing their space frequently. Therefore, they will seek a location that is in close proximity to where they live, work, shop, or otherwise frequent. This would include residential areas, grocery stores, banks, restaurants, or recreational areas. The industry is evolving where the trend is to locate vehicle storage away from industrial areas and into retail and residential areas.

When looking at the specific location, we are evaluating the site for its visibility, accessibility, proximity to potential residential and commercial tenants and its geographical relationship to the other vehicle storage competitors within the subject market. While contemplating a potential site's suitability it is important to review signage and other marketing opportunities necessary to enhance the subject location's 'statement' within the market.

Access: Some vehicle storage facilities are quite visible but have poor access. That is, the customer who wants to visit cannot locate the facility entrance, has difficulty crossing traffic or slowing down, or has a large RV or camper that cannot make a certain turn required to enter the facility. Prospective customers will visit facilities with easy access more often.

Visibility: The typical vehicle storage customer, upon deciding that a storage space is needed, will remember seeing a vehicle storage facility in or around an area that they frequent. They usually will inquire at this facility to determine the price and availability of storage. A visible development, which is clearly a vehicle storage facility, will maximize the number of new customer inquiries.

Traffic Count: It is important to know the traffic count of the roadways in which the facility is visible. This represents the number of cars that will pass by the facility during the average day. Annual average daily traffic information can be obtained from the local department of transportation.

Ideally, the majority of the cars passing the site represent local traffic as opposed to commuter traffic; that is, they carry people who are living, working, or shopping in the immediate area. How much local traffic is necessary depends upon the size of the facility. Facilities that are quite large should have traffic counts in excess of 15,000 cars per day, whereas, small facilities may require less than 5,000.

It is also important to note the following as they relate to market position:

1. **Amenities.** Vehicle storage customers are becoming more discerning about their vehicle storage choices and those facilities lacking in 'market amenities' are finding themselves at a disadvantage.
 2. **Curb Appeal.** Vehicle storage customers sometimes make their decisions regarding a specific site based on the initial look of the facility. A dirty, debris-laden parking lot and trashy landscaping is likely indicative of a poorly managed facility and uncaring managers.
 3. **Specials and Discounts.** The more competitive a market, the more likely it is that a facility will be forced to integrate some type of aggressive move-in discounting in its marketing scheme.
 4. **Statistics.** Most vehicle storage customers 'shopping' for storage end up renting storage. A critical question to ask when reviewing a vehicle storage facility is 'why or why not would a potential customer rent here?'
-
2. **The Market.** Vehicle storage demand in any market is determined by the needs of potential customers and thus, simply having vehicle storage inventory does nothing to increasing that potential demand. A crucial piece of the 'marketability' puzzle is attempting to determine if there is sufficient demand for new vehicle storage supply. New vehicle storage customers can come from only a small number of demand pools: population growth, commercial growth or pent up demand not being met by the existing competitors. An underlying question we must ask in evaluating a new vehicle storage facility is 'why would potential vehicle storage customers rent here?' What about the market indicates that the subject site should garner a share of the move-in activity?
 3. **The Competitors.** Determining the rates, occupancy levels and amenities offered by the market competitors is an important factor in determining the quality of the local vehicle storage market and the propensity for a reasonable occupancy level and revenue growth for a new vehicle storage development. Our in-person evaluations of the market competitors are designed to compile both anecdotal and quantitative evidence of the 'marketability' of a particular vehicle storage facility.

The days of 'build it and they will come' are long over within the vehicle storage industry. More than ever before it does matter what the competitors are offering in order to entice potential customers.

There simply may not be enough potential customers looking for storage in a particular sub-market and any new development will have to be positioned within the market to garner an acceptable percentage of the existing vehicle storage demand.

4. The Manager. There are very few business models that are as ‘manager-centric’ as vehicle storage. Oftentimes, customers do not remember the name of the facility but they almost always know the name of the manager. **We believe that an A+ facility with a C- manager is a C- facility.** It is absolutely critical that a vehicle storage company hire, train and develop on-site managers at the highest level. The view of managers as ‘baby sitters’ reflects a view of the business model that is outdated and becoming increasingly less viable. A vehicle storage manager must have excellent sales abilities, know how to use effective collections techniques and effectively utilize time management skills. In an ever increasingly competitive business cycle, vehicle storage facilities must have a higher level manager than their competitors. Our evidence shows that in any market, the facilities with the most professional managers almost always have the highest occupancy levels and the highest market rates.

This report was prepared exclusively for our client. While every attempt is made to provide the highest level of accuracy and reliability, it must be recognized that the report relies in some part on written and verbal information provided by others. In some instances, these sources are competitors, who may have a vested interest in skewing data. Every attempt has been made to eliminate possible misrepresentations. Self Storage 101 accepts no responsibility and shall not be liable for misinformation, either intentional or accidental, and cannot be held responsible for any decisions the developer may make based on this report. Reliable sources and redundant checks are employed, but there is always an outside chance that data can be missed. One should be aware of that fact in decision making based on this report.

Some preliminary construction costs estimates have been provided within the report. Although we attempt to determine current materials and construction costs, no representation is made as to their entirety or accuracy.

It should be noted that the assumptions herein are based on the use of seasoned professionals in the development, entitlement, design, construction, marketing and management of the property.

Self Storage 101 states that It has no financial interest in the development of this proposed project. The payment of professional fees agreed upon for this report was in no manner contingent upon the results and opinions stated within this report.

A Slightly Different Business Model: How to Successfully Operate Boat/RV Storage in a Self-Storage

Environment

Product and service diversity can be a boon for a self-storage business, which is why many facility operators are exploring vehicle storage, particularly for boats and RVs. This is a slightly different business model, however. Read about the nuances of this profit center and how to operate it successfully.

Michael Wachsman | Jan 12, 2023

People love their toys, and in recent years, sales of recreational vehicles has skyrocketed. It stands to reason that all these boats, campers, RVs, jet skis, etc., need to be parked somewhere, which means offering to store them at your self-storage facility makes perfect business sense. It can help you differentiate yourself in busy markets and bolster your income stream.

How do I know? At Storage King USA, vehicle storage is prevalent throughout our portfolio. Approximately 70% of our 147 locations offer it, and the square footage dedicated to various forms of parking comprises 19% of the 11.8 million square feet we own. That's a significant amount of area.

All this said, boat/RV storage is a unique product with a slightly different business model than traditional self-storage. Read on to learn some of the more critical nuances of this profit center and how to operate it successfully.



Canopy and open boat/RV parking at Storage King USA in Fort Lauderdale, Florida

The Need Is Clear

Why is the need for boat/RV storage so prevalent? It isn't just about the volume of vehicles being sold. For starters, many people live in communities with homeowners-association restrictions that preclude them from parking their big toys on the street or in their yard or driveway. Even when there are no covenants to consider, RVs take up a lot of space. Finally, with a price that can easily run into six figures, an owner may not want to keep their vehicle on the street where it can be subject to damage or theft.

At this point you may be thinking, but why should I offer vehicle parking, which receives less rent per square foot than traditional storage units? There are many reasons, but here are three of the most compelling:

- **Maximize your market reach.** By offering vehicle storage, you're diversifying and expanding your renter pool.
- **Optimize your available space.** If you have unused land, offering vehicle storage is a smart use of the space, generating revenue from what would otherwise be vacant property.
- **Increase your revenue.** Offering this high-demand service can be quite lucrative. It'll draw new customers you may not otherwise have had. Plus, anyone who finds you for boat/RV storage may also need self-storage some day!

Marketing

So, you determined that there's a demand for boat/RV storage in your market and convincing business reasons to offer it. You added it to your existing self-storage facility or new development. Now what? In many ways, it functions much like your self-storage operation, but there are some nuances to this part of the business of which you should be aware.

Of course, you did your research to determine the viability of boat/RV storage at your location, so you know all about the demographics of your market and your potential customer base. The good news is these renters are often willing to travel from farther distances, especially if you're near a campground, body of water or other recreational area. That means you can market your service beyond the typical 3- to 5-mile radius.

Setting the Rules

Your boat/RV-storage tenants will need to follow the same rules as customers who rent your traditional self-storage units; however, there are a few additional guidelines that'll apply specifically to them. Think through all the various scenarios that might arise due to vehicle storage and make sure they're covered in your policies and procedures. For example:

- What are the access hours? People with boats and RVs typically need earlier and later access than self-storage customers.
- Will you allow tenants to dump trash from their vehicles?
- Will they use the same keypad and gate to enter the property as other customers, or will they have their own?

Source: *insideselfstorage.com*, "How to Effectively Operate the Boat/RV-Storage Side of Your Self-Storage Business," by Anne Ballard

Bear in mind that the seasonal demand for boat/RV storage can differ from that for self-storage. Your marketing efforts can—and should—also be different. In fact, it's wise to build a separate advertising strategy for this niche.

Start by clarifying the brand image you're trying to portray. What's your product type and mix? For example, is your vehicle storage enclosed, canopy or completely open? Is it built on dirt, gravel or a concrete pad? What level of security and amenities do you offer? These are the kinds of things you'll want to make clear in your marketing, as they'll affect the quality of tenant you attract and the amount you can charge for rent.

Also, position your offering in the market by fostering relationships with vehicle vendors, apartment owners and homeowners associations. Leverage technology, build a quality website and price optimize to generate the best revenue.

Pricing

Like your marketing, the rental rates you charge for your boat/RV-storage service should be based on your product mix, construction type, amenities and demand. When analyzing the competition and setting your prices, compare your property against like facilities. Also, make sure you pay attention to whether these competing businesses are offering amenities with their service offering that you aren't.



An aerial view of Storage King USA

Amenities

There's more to offering vehicle storage than just space. Many operators partner this product with complementary amenities. Here are several popular options:

- **Electrical hook-ups:** Many RV owners crave this amenity, as larger vehicles can be energy-intensive.
- **Wash station:** This allows vehicles to be cleaned.
- **Dump station:** This allows RV owners to unload wastewater into a septic or sewer system.
- **Valet parking:** This aids in parking vehicles more efficiently, thereby maximizing allowable space and preventing damage to other vehicles.
- **Upgraded security:** Some facility operators offer remote viewing of the site's video surveillance, so renters can keep an eye on their vehicles.

Other possibilities include mechanic and maintenance services, fridge- or cooler-stocking services, washing and detailing services, and more. It's also smart to sell retail products that may be useful to these tenants such as ice, RV toilet paper, life jackets, trailer hitches, cup holders and many others. You're really only limited by your imagination.



More of Storage King USA's canopy parking

There are many important factors to operating a successful boat/RV-storage service, but it makes good business sense for a self-storage operation. You'll be pleasantly surprised by its ability to differentiate your facility, help you reach a broader customer base and bolster the bottom line.

Michael Wachsman is director of acquisitions for Andover Properties LLC , an investment firm that owns, operates and develops commercial property in the United States, including the Storage King USA brand. He joined the company in 2015 with a decade of experience in real estate acquisition and asset management. He's been involved in the acquisition and disposition of self-storage assets totaling more than \$800 million. To reach him, call 212.813.0141 or email info@andoverprop.com .

Trends in Boat & RV Storage

Posted by Caesar Wright on Wed, Jan 08, 2020 @ 07:00 AM

For the last few years, Boat and RV Storage has been the driving force behind the growth of the Storage Industry. It remains one of the top searched topics for new developers looking to get into the Storage Business. The plus side is that Boat and RV Storage is impervious, in many cases, to saturation of the Self Storage markets. In areas where Self Storage might be overbuilt, market demand for RV and Boat Storage is still high.

Part of the reasoning behind this is that Self Storage caters to a different sort of client. The only major common thread between the two types of tenants is the need for space and a willingness to pay for it.

Years ago, someone described Self Storage as a “crisis based business” I’ve always liked that description because it’s the raw truth. Some of life’s biggest catastrophes are the driving force behind a successful self-storage business.

Alternatively, the Boat and RV Storage tenant entrusts a Storage proprietor with the metaphorical “key to their happiness.” Within the spaces they rent, they store the vehicles that connect them to the roads, lakes and National Parks that make America so diverse. They enlist our Self Storage Businesses to safeguard their boats and RV’s that have become more than just vehicles and are now memory-making instruments.

Happiness, however, doesn’t necessarily pay the bills – so while the Boat and RV tenant might be a more long-term and stable tenant, they also pay far less per square foot for the space they rent and take up a whole lot more of the available land. The “key” to any successful self-storage project is to find the right parcel, in the right market, for the right price....and then....build the “right” product.

SELF STORAGE VERSUS BOAT & RV STORAGE

In a side-by-side analysis, on the same parcel with positive demand for both products - Self Storage wins. It’s less land intensive, generates a higher rent per square foot and can be less expensive to develop. The key words are “positive demand” – and that is where Boat and RV Storage has a leg up on its sibling. Developers have shied away from the product because of its downside – creating a supply and demand consideration that has developers re-examining it’s value as a stand alone business.

With many new housing starts incorporating HOA’s that limit the storage on a homeowners property of Recreational vehicles; in conjunction with the fact that property is less expensive and demand getting stronger – Boat and RV Storage Development has gotten the attention of the industry.

BOAT & RV STORAGE SITE CONSIDERATIONS

We've discussed the fact that Boat and RV Storage is more "land intensive" but a common question is "Just how much space do I need to develop a Boat and RV Storage Project?" While there is no true formula that works in all cases, most of the ideal self supporting Boat and RV Businesses are operated on parcel sizes much larger than a standard Self Storage site. We asked Jo Beth White, a Market Feasibility Expert and President of Development Services Inc. to tell us what parameters make for a good Boat and RV Storage site.

"For a facility to be profitable, a large site would need to be chosen, upwards of 7-10 acres to be able to adequately support the cost of the facility versus income generated. Land cost would be predicated on the income levels generated on the site, but in all instances full lease up should occur in 24 months with breakeven occurring in the mid 14-16th months," says Jo Beth.

Using a 50% coverage ratio (which is good – but not always possible)– yields approximately 217,800 sq ft. to 304,920 sq. ft. of space under roof when built out. According to Dr. Richard Curtin, an RV Industry Analyst and Director of Consumer Surveys at the University of Michigan – the average unit size for an enclosed RV Unit is a 14 X 40 or 560 Sq. ft. We recommend to our clients that they offer a mix that ranges from 12' – 15' wide for RV or Boat use.

DO I REALLY NEED THAT MUCH LAND?

Part of the reason that Boat and RV Storage is so land intensive is the drive aisle space that needs to be factored in order to achieve the best and easiest access into the units. We recommend that you accommodate for at least a 50'- 55' drive aisle where you are accessing 40' deep units, and if space is available, to accommodate for more. RVs and Boats with Trailers are difficult to maneuver. The more space you allow your tenants the better the experience they will have.

It's important to note, however, that there are successful Boat and RV Storage facilities operating on parcels much smaller all across the country. Industry averages look at Nationwide Statistics. A business plan that functions in South Florida will not necessarily equate to success in Bozeman, MT. The key is to do a comprehensive cost vs. return on investment analysis and make sure that you have a clear understanding of your market and the propensity to rent.

Market demand is a key driver to the success of any business - Self Storage and Boat and RV Storage not excluded. Proper due diligence will help you to assess how much you can afford to pay for a piece of dirt based on the amount of Rent per square foot of space and the anticipated construction costs.

TYPES OF BOAT & RV CONSTRUCTION COSTS

Open Parking

Less than a decade ago – most Boat and RV Storage sites were situated on “barely developed” land that allowed vehicle parking as a placeholder while the owner waited for something bigger and better to come along. While still a productive method of storing vehicles, many of the RV owners today are taking strides to protect their RV’s and Boats, and are appealing to Storage owners to provide protection and security for their investments. While this type of development is the cheapest way to offer Boat and RV Storage – it does not appeal to the discriminating tenant. It’s readily available in many markets and provides the lowest cash on cash return.

Canopy / Roof Only Structures



Canopies continue to be one of the most sought after products for Self Storage / Boat and RV Storage owners. The roof only structure deters most of the corrosive elements of weather and provides some long-term protection from the elements. While innately not “secure”, it can be constructed economically in most areas – using a light gauge welded “cee” design. When designing canopy storage, there are a few ‘rules-of-thumb’ that we swear by. One of the most important cost savings considerations is in the roof. While we recommend a “Standing Seam” metal roof with Self Storage and Enclosed RV / Boat Storage – Canopy Storage, is by nature, “open”. We recommend utilizing a “Thru Fastened” roof with this product, as breaches can be easily identified and repaired. For the most economical approach, design posts spacing about every 24’0” (accommodating (2) side by side 12’0” parking stalls.) We recommend that you build at a clearance height of about 14’0.” This economical approach to construction ranges from \$20-\$25 psf to “Turn-Key” and compared to it’s “open parking” counterpart – is a small investment to draw in a more selective tenant base.

Enclosed Storage

Fully Enclosed RV / Boat Storage is really the crème-de-la-crème of the storage “for rent”



products, and should be designed and built with the most discriminating tastes in mind. This is a product that caters to the high end Class A RV’s and Boats – and will attract a more affluent and judicious renter. A typical Enclosed RV Building will consist of 14’0 wide units with depths ranging from 30’– 45’. Typical unit sizes should accommodate a 12’ wide X 14’ high roll-up doors. A 14’ tall door will accommodate the tallest vehicle on the road today. This type of construction is essentially single story “Self Storage on Steroids” It’s bigger, it’s fancier, and its more expensive.

If security is paramount and convenience a draw – consider a few upgrades:

- Motorized Door Operators
- Electricity in the Units That Is Individually Metered
- Wash Bay / Dump Station
- Ice Machine / RV Supplies in the office
- 24hr/7day Access

Condo Storage



If the “Enclosed Storage” is in fact, the “crème-de-la-crème” then Condo Storage has indeed figured out how to “best” the best. Condo Storage provides all of the amenities that would be considered standard for an upscale Boat and RV Storage Center, and devised ways to make “buying” a storage condo a considerable alternative to renting. Condo Storage or “For Sale” units – will often provide a selection of larger units and more attractive services and aesthetics. Most “Condo” type facilities offer customizable units (with mezzanine structure) , a clubhouse, insulated or climate controlled environments, and easy “lease to own” financing terms. It might be an expensive and at times, arduous endeavor, but it’s proving to be profitable in some markets, and worth considering.

In Summary

I use this term loosely – and I use it often: This is not rocket science –It’s Self Storage. Like all business endeavors, development is a gamble. The good news is that it is one that has risks that can be mitigated through proper research and by learning from the “mistakes” of the guys and gals that carved the path before you. What I have always loved about this industry is the willingness of the professionals that have found success to share it with other entrepreneurs. I encourage my customers and my staff to use this resource and to treat it like the precious metal that it is. While I would love to say that “Boat and RV Storage Development” is my passion....the truth is....it’s what pays the bills. The “Key to my Happiness” is stored in a 14’0” x 40’0” Storage Unit in Lake Havasu City, AZ.

RVs are on a roll. As Americans seek pandemic-era alternatives to traditional travel, they're buying and renting RVs in huge numbers.

Research released in June by the RV Industry Association shows 46 million Americans planned to take an RV trip within the following 12 months. Eleven percent of the people surveyed wanted to buy an RV within that period and 13 percent wanted to rent an RV. Dealers and rental marketplaces say RV demand has outpaced supply.

At the same time, many recreation-starved Americans are snapping up boats and other watercraft, with some manufacturers reporting that they're struggling to keep up with demand. This rising tide of interest in RVs and boats is making waves in the self-storage industry. Storage operators report increased demand for RV and boat spaces, while storage brokers say few owners of RV and boat storage facilities are willing to sell at this point. In other words, it's an owner's market for RV and boat storage. "It's a good niche for these times," said Mike Mele, vice chairman of Cushman & Wakefield and leader of its national Self-Storage Advisory Group.

Operators seeking RV and boat storage

In fact, it's such a good niche that Mele said he and his team have recently experienced an uptick in calls about RV and boat storage facilities available for sale. Some of those calls have come from big players in the industry. But unless an investor is going through a life change like a retirement or divorce, there's no reason for an owner of an RV and boat storage property to sell it right now, Mele said. For one thing, these facilities generate steady cash flow. Additionally, he said, options for reinvesting the proceeds from a sale have narrowed. Now, for instance, many real estate investors are shying away from the pandemic-battered retail and hotel sectors.

In light of those factors, the value of RV and boat storage facilities will rise, Mele said. "We're seeing a ton of interest from buyers. But ... the owners of these facilities know they've got something that's good, and they're very reluctant to part with it," he said.

The only drawback Mele sees to owning an RV and boat storage facility today is that sales of high-end "toys" might drop off if the recession lingers.

Historically, cap rates for RV and boat storage facilities have been higher than those for traditional self-storage facilities. Whereas a cap rate for a traditional facility might be 6%, a cap rate for an RV and boat facility might be 7.5%, according to Mele. But he believes cap rates for both types of facilities are now hovering around the same level.

A surge in customer demand



Covenant RV & Boat Storage in the Dallas-Fort Worth suburb of Celina, TX

Victor Mendiola, owner and principal of Plano, TX-based Promesa Investments LLC, is reaping the benefits of the pandemic-inspired RV and boat phenomenon. Mendiola said Promesa’s 23-acre RV and boat storage facility — Covenant RV & Boat Storage in the Dallas-Fort Worth suburb of Celina, TX — became fully occupied in June. Prospective renters, roughly 90% of whom are new to RV or boat ownership, are now on a waiting list. Mendiola said he has received more inquiries about buying the property in the past 45 days or so (a few phone calls or emails per week) than he had in the previous two years.

Promesa purchased the facility in April 2018, four years after it opened. Two years ago, it featured over 500 spaces. The company wrapped up a more than 200-space expansion in March 2019. Mendiola said this year’s surge in RV and boat sales and rentals has accelerated Promesa’s plans to build its portfolio beyond the Covenant facility, with a few deals now under contract. He’s confident that demand for RV and boat storage will remain strong. The challenge for growth in RV and boat storage, Mendiola said, is to meet heightened customer demand and to overcome barriers to entry, such as municipalities’ disdain for this type of storage and a thin supply of suitable land for development.

“We’re in the mode of we’re either going to identify future acquisitions and we’ll be able to buy those, or, if we can’t identify any acquisitions, we’ll definitely be in ground-up development mode and pursue our investment strategy that way,” Mendiola said. “I’m either going to buy it or build it — one way or another.”

Expanding RV and boat storage capacity.

Tim Springer, president of Dallas, TX-based Move It Storage, said the RV and boat rush has prompted his company to speed up consideration of RV and boat expansions. That could mean adding more spaces at facilities that already offer RV and boat storage, creating entirely new RV and boat capacity at existing facilities, or even buying facilities that offer at least some RV and boat storage. Move It owns and operates 86 facilities in six states.

“It’s a good add-on product. A lot of people who have an RV also rent a storage unit,” Springer said. “It’s a complementary part of the unit mix.”

Why is the Demand for Boat and RV Storage On The Rise?

Posted by jkoerner On July 6th, 2020



Boat and RV storage has been the catalyst promoting storage industry growth in recent years. It is currently among the topics searched most frequently among new developers researching self-storage. While the industry may have its saturated markets, supply is still insufficient to meet the demand for self-storage of RVs and boats. There are some differences between typical self-storage and facilities that cater to boat and RV owners, and a higher upfront cost is among the reasons investors may shy away. There can be a payoff, however, because the tenants are willing to pay for their high-end storage space.

Where Dreams are Stored

Typical self-storage customers store the throw-away items that aren't considered useful enough to keep at home. Tenants at boat and RV storage facilities, on the other hand, place their most treasured possessions on self-storage property. These high-end customers need the space for their recreational vehicles. They are more than willing to pay for services at a facility that will provide peace of mind between much-anticipated outings. Notably, Homeowners' Associations have been driving demand for more boat and RV storage because of limitations placed on the amount of storage allowed in neighborhoods.

There is a potential downside to storage dedicated to boats and RVs. Because there is more space required for each tenant, more square footage is needed for the storage property. Traditional self-storage requires less land and less upfront expense while generating a greater amount of rent per square foot.

Advantages of Boat and RV Storage

There are plenty of reasons the owners of large recreational vehicles have gravitated to self-storage facilities, and the following are among them.

Weather Damage Prevention

Although boats and RVs are built to withstand harsh weather conditions, relentless exposure to the outdoor elements causes problems. The UV rays from the sun can have devastating effects as the heat builds up on surfaces. Seal damage is a common type of problem caused by the sun as is fading and cracking paint. A covered space is a huge improvement over no covering, making way for the boat and RV storage industry.

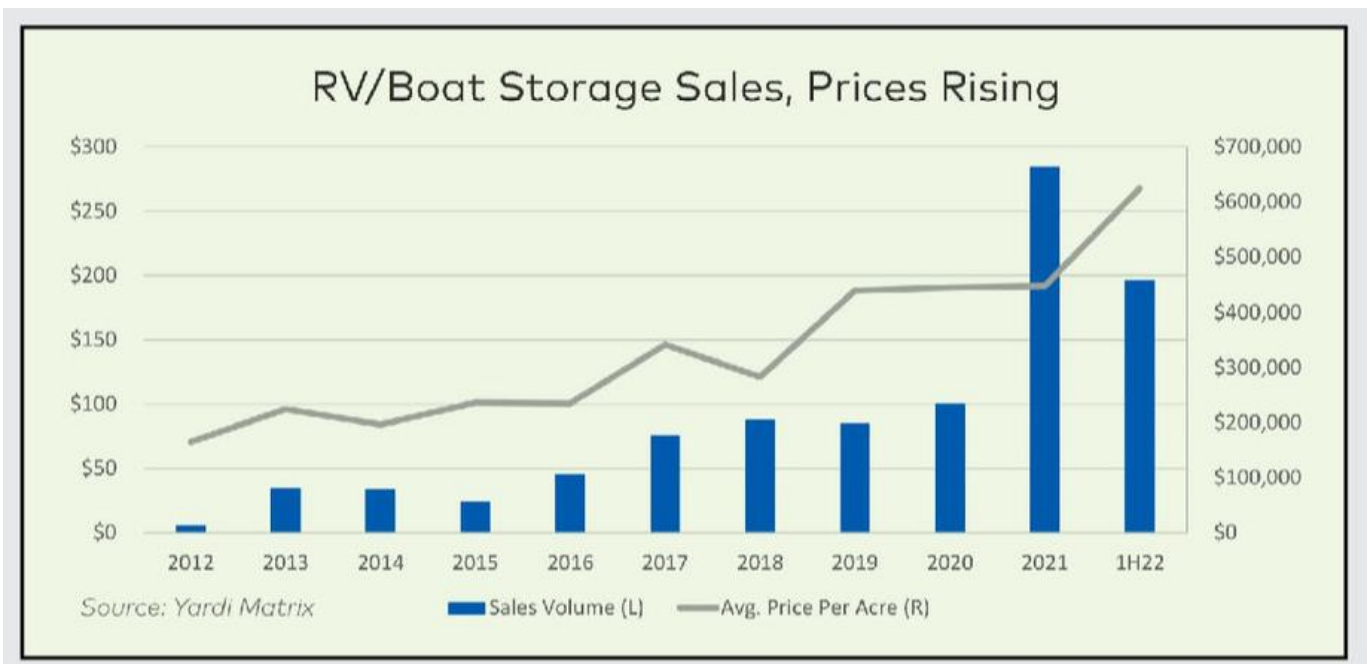
Less Intrusion on Home Property

It can be extremely challenging for homeowners to navigate the necessity of storing their RV. Driveways are rarely large enough to conveniently accommodate a boat or RV. Instead of having to drive around recreational vehicles throughout every week, keeping them in storage is a better option. If your HOA disallows indiscreet RV and boat storage, paying for self-storage at a facility will ultimately be less expensive than paying HOA fines.

Additional Security

Of course, RVs and boats are usually sizeable investments. Owners of boat and RV storage facilities understand that and provide multi-layered security. Without the following features, RV and boat owners will probably keep looking for a more secure storage space:

- Excellent lighting
- A security system with multiple layers
- Security cameras and video surveillance
- Secure entry gates
- Solid fencing



Top States for RV Registrations

State	New RV Registrations Full Year 2021	New RV Registrations Partial Year 2022*	Total New RV Registrations 2017-2022	Total Existing RV Registrations
National	571,423	252,424	2,784,469	6,005,184
California	45,238	17,916	219,896	493,175
Michigan	20,169	9,490	103,025	377,158
Texas	53,619	21,381	256,323	372,688
Florida	30,525	15,558	150,196	323,852
Washington	19,600	8,857	100,601	256,840
Arizona	14,498	6,438	66,994	233,762
Minnesota	14,658	6,392	73,769	198,506
Ohio	16,571	7,174	84,175	197,172
Oregon	15,814	6,268	74,042	192,649
Pennsylvania	16,160	7,161	76,823	191,790
Colorado	16,401	7,592	78,921	181,099
New York	13,674	5,411	67,505	159,194
North Carolina	14,873	7,033	71,446	149,161
Georgia	13,141	5,701	62,489	147,581
Wisconsin	13,098	5,604	62,331	143,407

Source: S&P Global, Statistical Surveys, 2022 data through 1H

Top States for New Motorboat Registrations

State	New Motorboat Registrations Full Year 2021	New Motorboat Registrations Partial Year 2022*	Total New Motorboat Registrations 2017-2022
National	313,243	52,896	1,565,422
Florida	43,469	10,897	215,490
Texas	23,332	4,552	126,775
Michigan	17,379	2,665	87,585
Minnesota	15,310	1,733	71,004
Wisconsin	14,420	1,955	67,935
California	13,511	1,943	64,959
North Carolina	12,722	2,751	64,950
New York	11,291	1,174	54,622
Georgia	9,864	1,822	50,470
South Carolina	9,446	1,005	47,506
Alabama	9,009	1,909	46,749
Tennessee	8,665	1,575	42,084
Ohio	8,244	1,117	41,325
Missouri	8,117	1,326	37,057
Louisiana	5,874	728	34,228

Source: Statistical Surveys, *2022 through 1Q

CONCLUSIONS AND RECOMMENDATIONS

On or about November 12, 2024, the partners of Self Storage 101 updated a Boat & RV Storage Market & Feasibility Study previously prepared for a specific potential vehicle storage project in the Ingleside TX market. The study included an offsite examination of the subject property, a review of the boat & RV storage competitors in the market and the demographic profile of the subject market and a review of the financial viability of the project.

It is my opinion that the market is favorable for the development of the amount of boat & RV storage space as contemplated with the subject project. We do believe it is likely that minimally acceptable financial assumptions and returns can be met, assuming the land and development costs are not unreasonable, and that these return calculations would be impacted by what we would calculate to be an acceptable lease-up period, high development costs and moderate rental rates.

Our opinion is based on the following:

- The subject site's financial viability is impacted by the moderate rental rates in place at the market competitors for fully enclosed boat & RV storage units.
- The boat & RV storage competitors indicate mostly moderately high to high occupancy levels.
- The preliminary financial analysis indicates a project that would have a \$1,948,000 value at stabilization (based on a 6.5% cap rate).
- The financial analysis indicates that the development may be refinanced at stabilization, allowing for a partial return of invested capital and therefore a recalculation of the cash-on-cash returns.
 - Our calculations also indicate an Internal Rate of Return (unlevered) of 14.24% Levered of 22.78% and a Developer's Yield of 9.6%.
 - The development budget noted herein was estimated.

We believe this potential development is represented as a 'B' market and the site is a 'B-' site.

We consider this a 'B' market due to what appears to be mostly moderately high to high occupancy levels, the moderate rental rates for fully enclosed boat & RV storage space, the moderate to moderately high per capita and household income levels, the low population density and modest projected population growth. (We would consider this an 'A' market if the rental rates were higher and if the population density and growth projections were higher).

Market Vacancy – We noted that the market competitors have mostly moderately high to high occupancy levels which would indicate a demand for vehicle storage units in the area.

Population Density – The subject market has a low population density.

Income Levels – The subject market has a moderate to moderately high to very high per capita income level and household income level.

Population Growth Projections – The subject market is projected for +/- 4.3% growth over the next five years.

Factor	Excellent	Good	Average	Poor
Market Vacancy		XX		
Rental Rates			XX	
Population Density				XX
Income Levels		XX		
Population Growth Projections		XX		

We would consider this a ‘B-’ site due to the location with good visibility and access from a low traffic count roadway, the proximity to residential customers and the potential for population drive by opportunities in close proximity. (We would consider this an ‘A’ site if the traffic count was higher and if the population density in closer proximity was higher).

Traffic Counts – The subject site is located on a lower traffic count primary roadway.

Visibility – The subject facility should have a high level of visibility from the roadway.

Access – Customers should have good access to the roadway.

Neighborhood – The neighborhood in closest proximity to the subject site is primarily land parcels and single family homes.

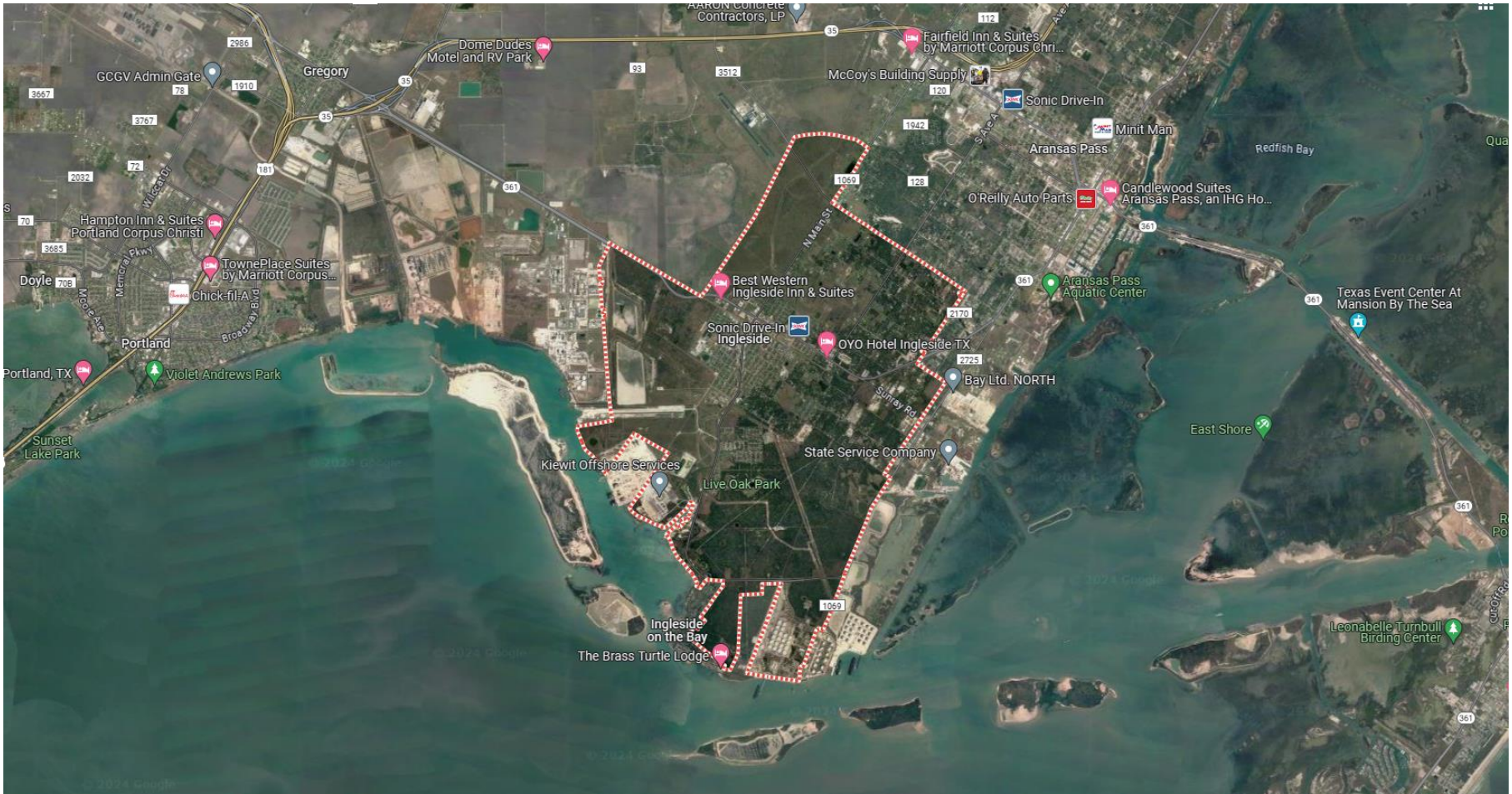
Location – The subject site does not fit particularly well into potential customer’s commute patterns.

Factor	Excellent	Good	Average	Poor
Traffic Counts				XX
Visibility	XX			
Access	XX			
Neighborhood			XX	
Location			XX	

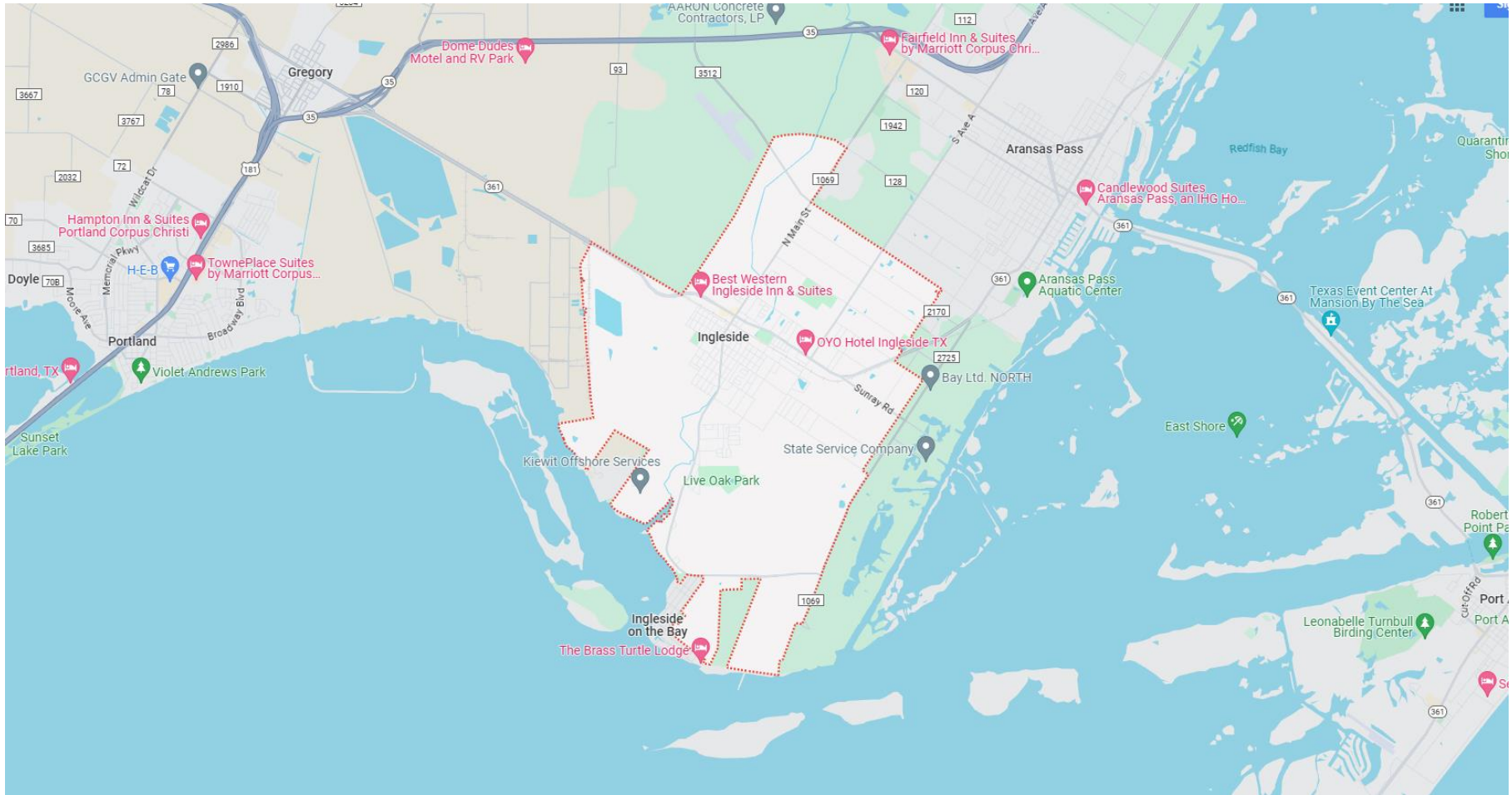
Our Opinions and Recommendations are based on the information contained in the following report and we would recommend that the developer pursue the development of a state-of-the-art vehicle storage facility at the subject site IF the lower financial returns are found to be acceptable to the developer.

SUBJECT MARKET INSPECTION

AERIAL VIEW

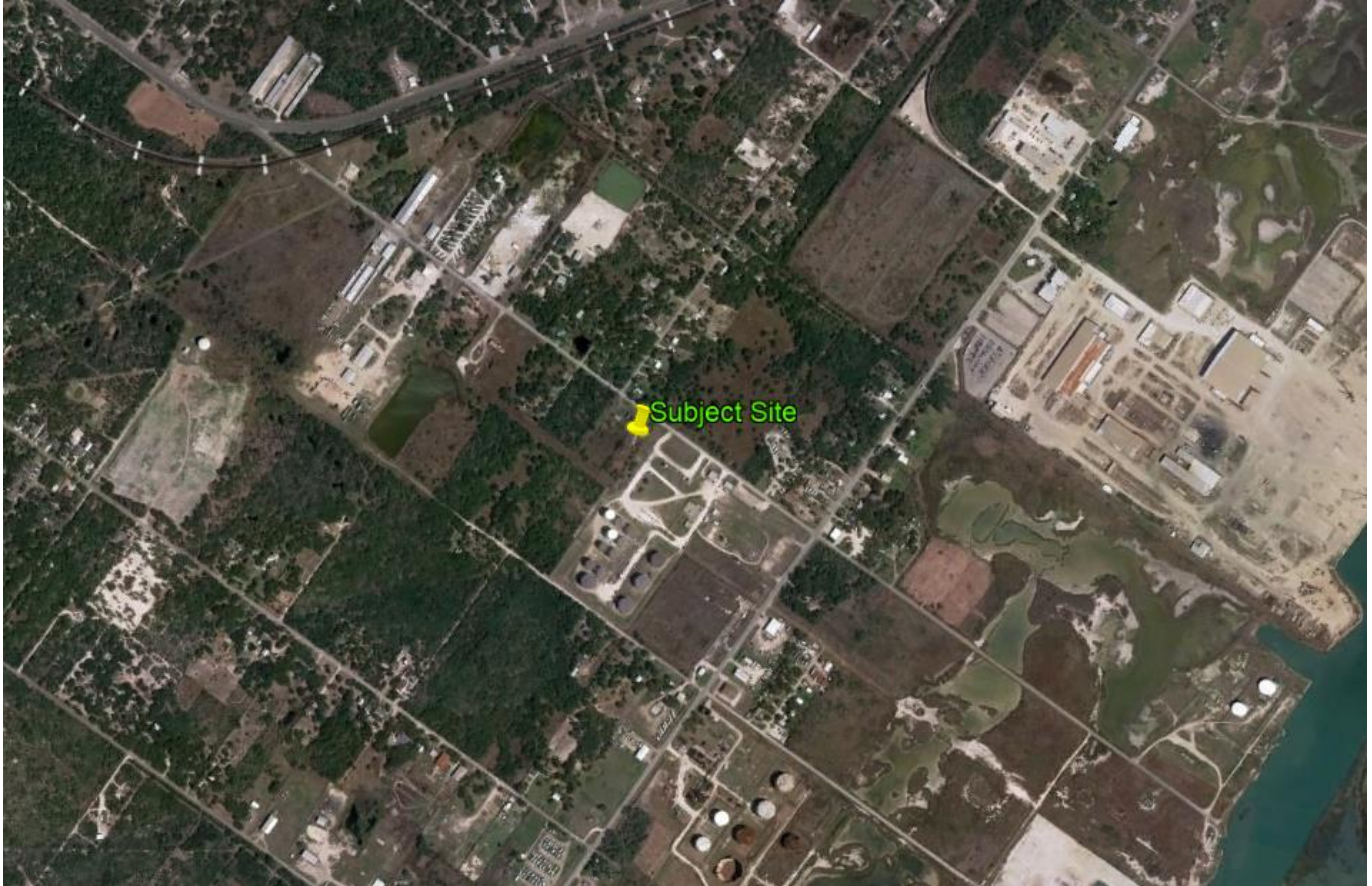


MAP VIEW



SUBJECT SITE EVALUATION

Location: Vacant commercial land parcel located with visibility and access from a lower traffic count roadway in the Ingleside market.



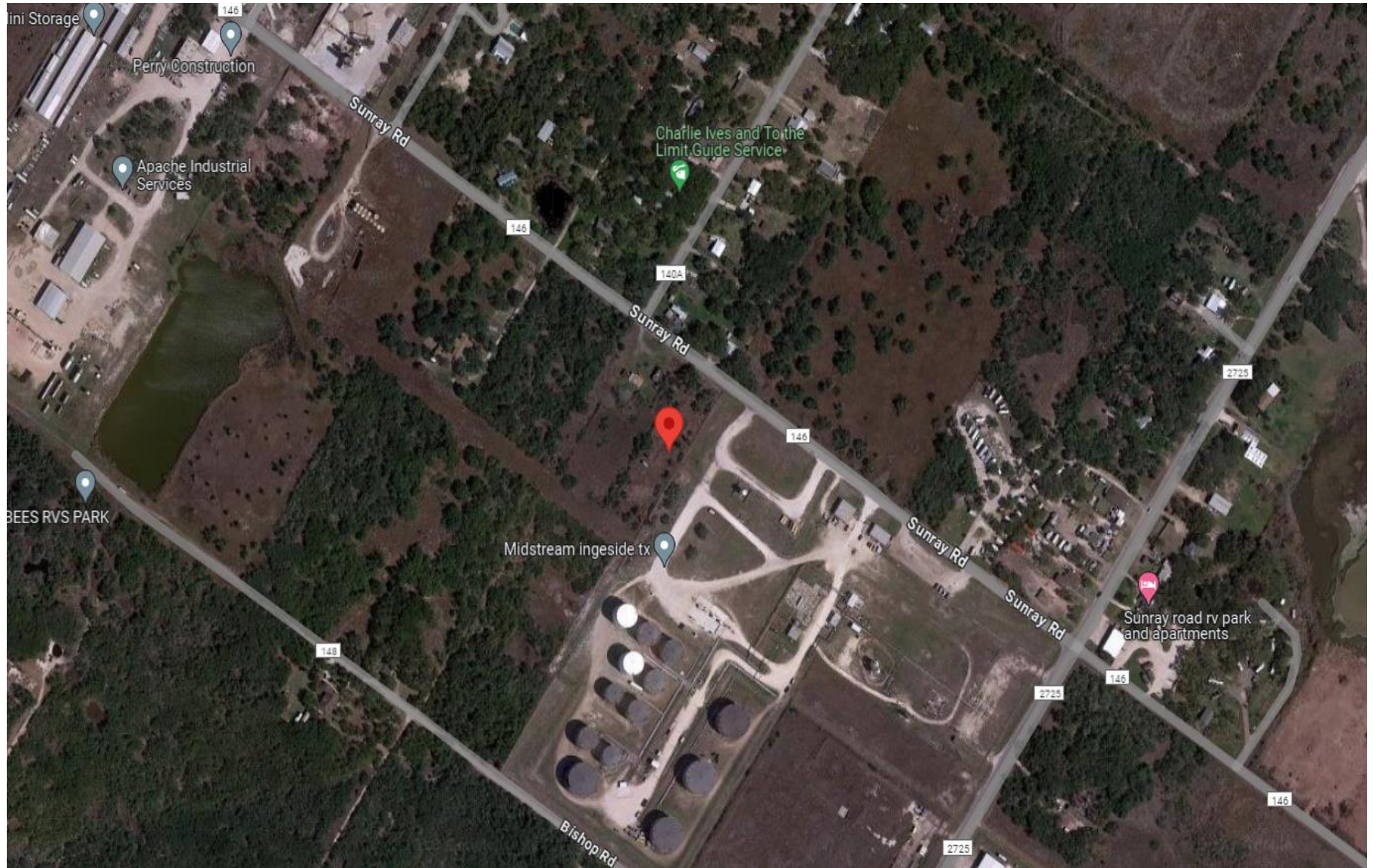
PROJECT DESCRIPTION

A fully enclosed boat & RV storage facility is proposed as a new development project located at a vacant commercial land parcel on Sunray Road in Ingleside TX. The site is approximately four acres and proposed construction would include an inventory of fully enclosed boat & RV storage spaces newly developed on the vacant land parcel. This facility will likely not include an onsite manager's apartment but will include an office conducive to conducting storage rental and sales operations. The feasibility of the project would be contingent upon all approvals, permits and licenses being obtained.

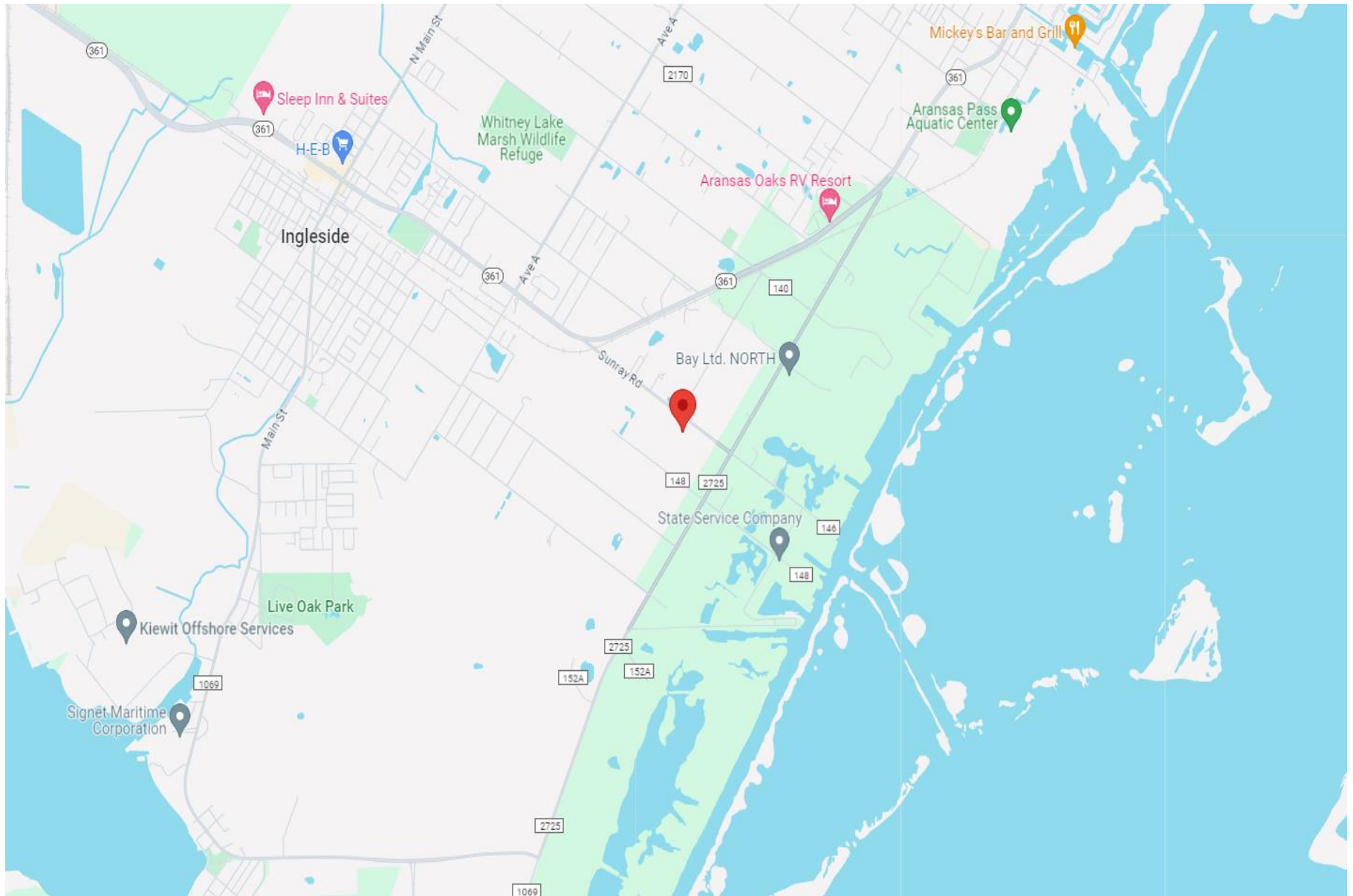
The self-storage facility project will likely have the following attributes:

- An office of approximately 200 square feet of 'A' quality which would be conducive to rental and sales operations.
- The facility would not include an onsite manager's apartment. Consider that:
 - The costs related to completion of a modest apartment can be \$50,000-\$60,000 or more.
 - The space used, approximately 1,200 square feet, cannot be rented, representing a potential loss in income comparable to the per square foot rate of climate-controlled space.
 - Replacing a manager who lives in an on-site apartment can prove to be problematic.
 - Acquisition-minded self-storage companies may not, and likely will not, require or prefer an apartment.
- The layout of the site should include a main entry point with a keypad entry and computer access-controlled entry doors. This design:
 - Allows for better tenant monitoring as access points and histories are documented.
 - Helps control delinquencies as past due tenants are typically not allowed to access their storage unit and are hindered from doing so by way of suspension of their security access code.
- The subject facility will likely have the following amenities:
 - Free ice machine
 - Air compressor
 - Wash down area
- Approximately 15,540 rentable square feet of rentable self-storage space configured as:
 - Approximately 15,540 square feet of fully enclosed boat & RV storage space.
 - Several outside boat & RV storage spaces.

AERIAL VIEW OF SUBJECT SITE



MAP VIEW



SITE EVALUATION

VISIBILITY: The subject site should be developed in such a manner as to have a high level of visibility from Sunray Road, what appears to be a low traffic count secondary roadway in the subject market. When asked “Why did you rent from a particular self-storage facility?” for a Self Storage Market Study conducted by the SSA, customers overwhelmingly responded ‘because I saw it.’ There are few market conditions that can more positively affect a potential site’s viability than high visibility from a high traffic primary arterial. Tenants tend to store close to home and at a facility that ‘fits’ into their normal commute patterns. The subject site should rank high on the ‘visibility’ scale from Sunray Road.



ACCESS: The subject site should have very good access for both directions of travelers on Sunray Road as there are no road dividers in this section of the roadway.



TRAFFIC COUNT: The subject site is located with very good visibility and good access from what appears to be a low traffic count roadway in the subject market. Since a large percentage of potential self-storage customers tend to gravitate to a particular facility because of an initial drive-by, we encourage the developer to take advantage of the lack of internet presence and sophistication on the part of some the market competitors and to take advantage of the visibility from the roadway by maximizing the amount of signage allowed at the site.

We would also encourage the developer to create and implement a robust, effective internet marketing plan, including a professional website with online rates and reservations, as well as concerted SEO (search engine optimization) efforts, to take further marketing advantage over some of the competitors.

LOCATION RELATIVE TO COMPETITORS: The subject site does not appear to enjoy any particular level of location advantage as it is located with good visibility and access from a lower traffic count roadway than some of the competitors.

It is important to note that the subject property should have a distinct management advantage over most of the competitors. Self-storage is a highly 'manager-centric' business model and the level of management expertise in the Ingleside sub-market is mediocre to good. Our opinion is based on making phone calls to some of the competitors, some knowledge of this sub-market and an overall knowledge base of the level of management expertise at all, if not most, of the larger self-storage operators. (For example, Uhaul generally has some of the most consistent 'C' level managers and Public Storage generally has 'B' to 'B-' managers, while Cubesmart, Extra Space and Life Storage generally have much more highly rated onsite managers).

A strong sales-oriented manager will garner his or her fair share of the self-storage market in this sub-market of Ingleside.

MARKET REVIEW

The following demographic profile is based on the concentric map: 1-, 2- and 3-mile radii from the subject site. It is our belief that the primary customer base for the subject site resides within three miles of the subject site.



Understanding the customer demographics of the surrounding market area is essential for storage developers, owners, and operators. Accurately identifying the types of customers, as well as their wants and needs, is critical to form the necessary operational and marketing decisions for a facility.

In a market area comprised of a high percentage of commercial or business tenants, add-ons such as on-site conference rooms, free Wi-Fi, central workspaces, climate control, or other amenities that carry special appeal for business customers can be profitable. In areas with older renters or senior citizens, convenience-oriented services such as professional packing and moving assistance could prove valuable.

The largest proportion of tenants are typically residential customers. While approximately 70 percent of all storage tenants tend to fall in this category, it is important to understand that these numbers can change from market area to market area. In those areas with a predominantly residential customer base, operators need to keep in mind that life changes often drive the decision to need storage. This can range from a divorce or death in the family to remodeling or selling a home.

Depending on the housing specifics in the market area, residential customers may also consist of apartment or condo dwellers who do not have enough storage space where they live. On a national basis while 68 percent of residential customers tend to live in a single-family home, nearly 30 percent reside in multi-family housing.

Another important demographic for self-storage is to know what percentage of your customers are male and female. It is noted that 85 percent of all purchases are made by women and 80 percent of all purchasing decisions are made by women. This means that although men may do the heavy lifting in terms of moving in or out of a unit, the actual rental or decision to rent was likely made by a woman. It should be noted that 57.7 percent of storage renters in 2014 were men and 42.3 percent were women. However, if 85 percent of the decisions on where to rent are made by women, the scales are tipped even farther in favor of women as likely storage customers.

Customer age is another demographic that should be considered, especially in terms of the amenities and services offered at a facility. The largest percentage of renters are between the ages of 46 and 55. Falling right behind that are the 36 to 45 and 56 to 65 age groups at 22 percent and 21 percent, respectively. On average, 13 percent tend to be customers over age 65. Understandably, the smallest percentage of storage customers—3 percent—is represented by millennials under age 25.

DEMOGRAPHICS¹

Description	1 Miles	2 Miles	3 Miles
POPULATION BY YEAR			
Population (4/1/2000)	0	5,750	11,910
Population (4/1/2010)	0	5,617	11,073
Population (4/1/2020)	0	6,573	12,130
Population (1/1/2023)	0	6,682	12,281
Population (1/1/2028)	0	6,969	12,810
Percent Growth (2023/2020)	0.00	1.66	1.24
Percent Forecast (2028/2023)	0.00	4.30	4.31
HOUSEHOLDS BY YEAR			
Households (4/1/2000)	0	2,048	4,009
Households (4/1/2010)	0	1,982	4,059
Households (4/1/2020)	0	2,350	4,532
Households (1/1/2023)	0	2,422	4,651
Households (1/1/2028)	0	2,549	4,896
Percent Growth (2023/2020)	0.00	3.06	2.63
Percent Forecast (2028/2023)	0.00	5.24	5.27
GENERAL POPULATION CHARACTERISTICS			
Median Age	0.0	36.5	38.8
Male	0	3,642	6,490
Female	0	3,040	5,791
Density	0.0	518.0	486.5
Urban	0	5,182	9,866
Rural	0	1,500	2,415
GENERAL HOUSEHOLD CHARACTERISTICS			
Households (1/1/2023)	0	2,422	4,651
Families	0	1,675	3,314
Non-Family Households	0	747	1,337
Average Size of Household	0.00	2.76	2.64
Median Age of Householder	0.0	48.0	50.3
Median Value Owner Occupied (\$)	0	163,538	167,621
Median Rent (\$)	0	964	953
Median Vehicles Per Household	0.0	2.3	2.3
GENERAL HOUSING CHARACTERISTICS			
Housing, Units	0	2,895	5,673
Housing, Owner Occupied	0	1,516	3,284
Housing, Renter Occupied	0	906	1,367
Housing, Vacant	0	473	1,022
POPULATION BY RACE			
White Alone	0	4,058	7,769
Black Alone	0	115	184
Asian Alone	0	108	164
American Indian and Alaska Native Alone	0	55	114
Other Race Alone	0	827	1,379
Two or More Races	0	1,519	2,671

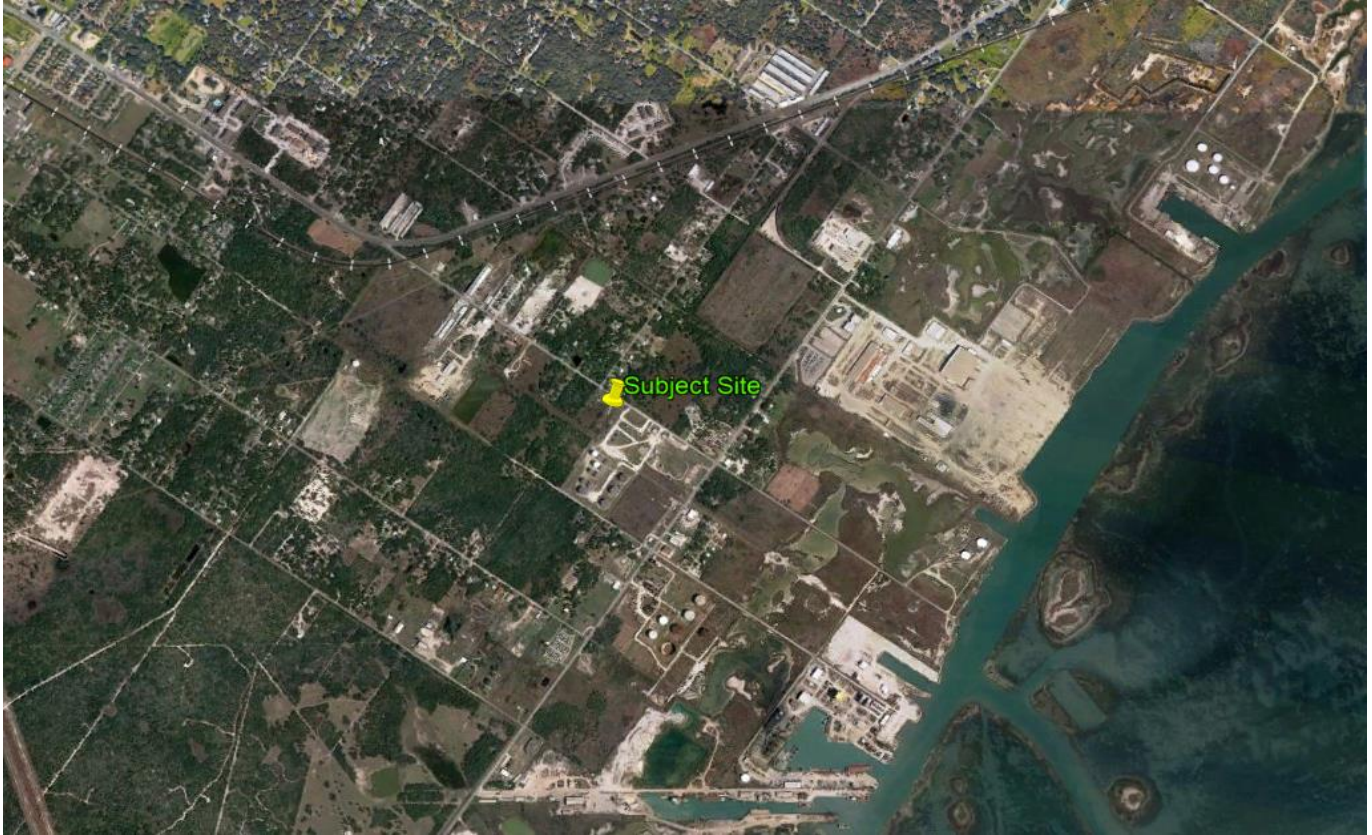
¹ The demographic profile is compiled through a subscription service.
Prepared by Self Storage 101 for J Dobb ©2024

POPULATION BY ETHNICITY			
Hispanic	0	3,107	5,347
White Non-Hispanic	0	2,284	5,104
GENERAL INCOME CHARACTERISTICS			
Total Household Income (\$)	0	244,170,445	461,728,957
Median Household Income (\$)	0	66,176	67,967
Average Household Income (\$)	0	100,814	99,275
Per Capita Income (\$)	0	36,542	37,598
RETAIL SALES			
Total Retail Sales (including Food Services) (\$)	0	159,212	531,178
CONSUMER EXPENDITURES			
Total Annual Expenditures (\$000)	0.0	168,048.1	330,876.6
EMPLOYMENT BY PLACE OF BUSINESS			
Employees, Total (by Place of Work)	0	4,777	6,384
Establishments, Total (by Place of Work)	0	141	261

The demographic profile indicates that the population and household numbers are projected to modestly increase over the next five years. It also indicates that the household and per capita income levels are at moderate to moderately high numbers and the population density is in the low range.

NEIGHBORHOOD

The neighborhood near the subject site is primarily comprised of vacant land parcels, single family homes and residential neighborhoods and several commercial enterprises of various types and sizes.

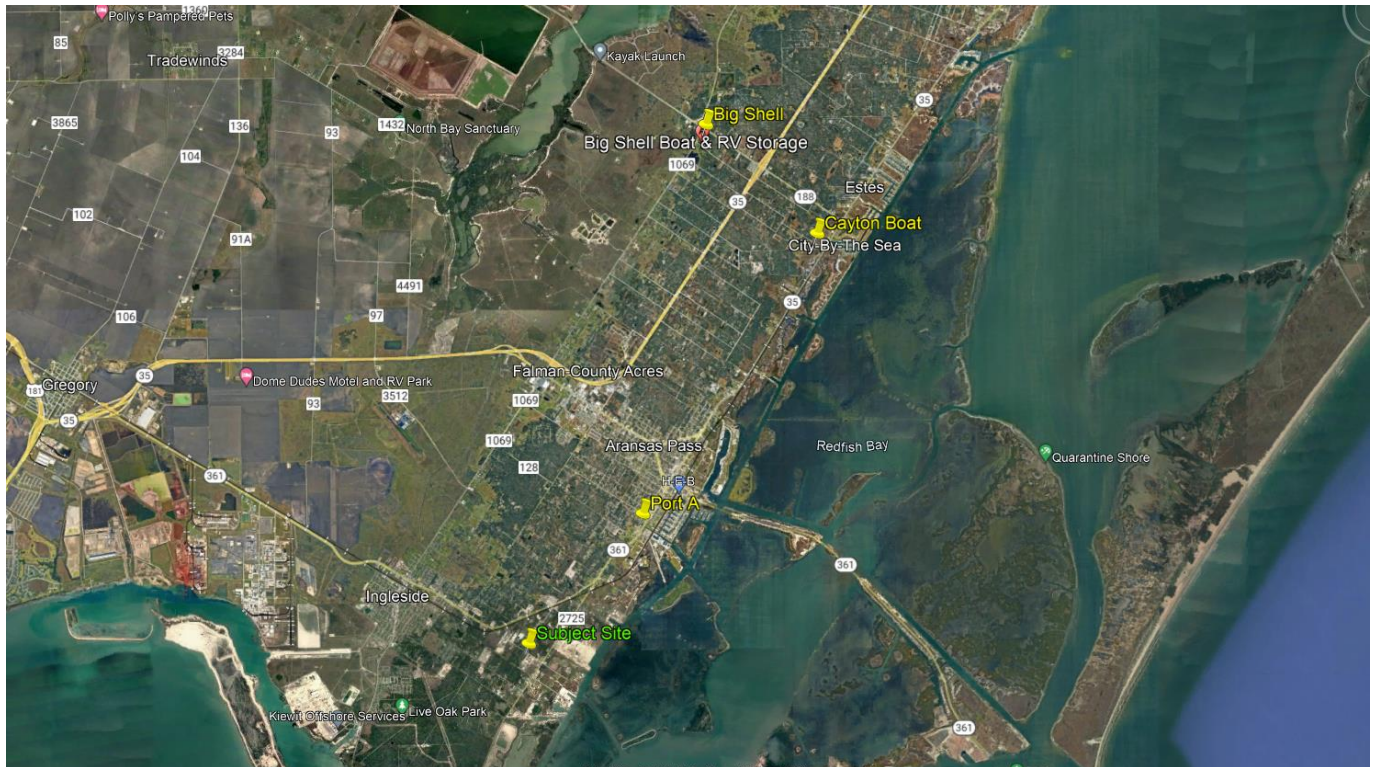








COMPETITORS BY LOCATION



An important step in determining the feasibility of building a boat & RV storage facility at a particular location is the level and quality of competition within the target market area as well as the potential for future competition. The examination of the existing competition must be done using both market demand calculations and a review of the quality of the market competitors.

The 'quality' issues include the examination of the competitive stores' curb appeal, ingress and egress, over-all visibility, the professionalism of the management staff, security features, the facility's Unit Mix between the various types of parking spaces and the competitors' locations relative to the subject site within the target market area.

We should point out that there is a clear delineation between 'primary' and 'secondary' competitors. 'Primary' competitors consist of those boat & RV storage facilities that are the most likely to compete for the same tenant base as the subject site. These competitors are determined by proximity to the primary market, amenity level, marketing prowess and management expertise. A storage facility that is close in proximity may not necessarily qualify as a primary competitor if the level of amenities is low, they have no marketing in place, or the management is of a very low quality.

When deciding on the primary competitors, we ask ourselves 'if a prospective tenant does not rent from the subject site, where would they rent?'

COMPETITOR PROFILES

1. Port A Boat & RV Storage 1500 S Commercial Aransas Pass TX 78336 (361) 230-5426

Distance from Subject	Year Built	Occupancy	Fully Enclosed Parking	Covered Parking	Open Parking	Drive Surface
		95%	Yes	Yes	Yes	Gravel
Property Ratings	Visibility	Location	Traffic Count	Access	Condition	Curb Appeal
	A	B	B	B-	B	B-
Drive Width	Manager	Office Quality	Overall Rating	Office Hours	Office Hours	Access Hours
B+				9-5 Su-Sa		24 hours
Amenities	Keypad Entry	Cameras	Wash Bay	Free Air	Electric	Dump Station
	Yes	Yes				
Website	Online Rates?	Dynamic?	Reservations?	Specials?	Features?	Overall Rating
Yes	Yes	Yes	Yes	No	Yes	A

Comments: enclosed 30' \$199, 34' \$235

Property Photo





1. Cayton Boat & RV Storage 105 Shaver Road Aransas Pass TX 78336 (361) 800-1466

Distance from Subject	Year Built	Occupancy	Fully Enclosed Parking	Covered Parking	Open Parking	Drive Surface
		100%	Yes	No	No	Gravel
Property Ratings	Visibility	Location	Traffic Count	Access	Condition	Curb Appeal
	A	C	C	B	B+	B-
Drive Width	Manager	Office Quality	Overall Rating	Office Hours	Office Hours	Access Hours
B+				9-12 M-F	Closed Sa/Su	24 hours
Amenities	Keypad Entry	Cameras	Wash Bay	Free Air	Electric	Dump Station
	Yes	Yes	Yes			
Website	Online Rates?	Dynamic?	Reservations?	Specials?	Features?	Overall Rating
Yes	No	No	No	No	Yes	D

Comments: over 100 units, all enclosed; 12x32 \$160, 12x37 \$185, 14x45 \$265; ice available

Property Photo





1. Big Shell Boat & RV Storage 1965 TX 188 Aransas Pass TX 78336 (361) 266-2302

Distance from Subject	Year Built	Occupancy	Fully Enclosed Parking	Covered Parking	Open Parking	Drive Surface
		80-85%	Yes	Yes	Yes	Gravel
Property Ratings	Visibility	Location	Traffic Count	Access	Condition	Curb Appeal
	A	B	B	B+	B	B
Drive Width	Manager	Office Quality	Overall Rating	Office Hours	Office Hours	Access Hours
B+				9-12 M-F	Closed Sa/Su	24 hours
Amenities	Keypad Entry	Cameras	Wash Bay	Free Air	Electric	Dump Station
	Yes	Yes	Yes			
Website	Online Rates?	Dynamic?	Reservations?	Specials?	Features?	Overall Rating
Yes	Yes	Yes	Yes	No	Yes	A

Comments: open 40' \$85, 65' \$100; covered 40' \$119, has power

Property Photo







UNIT MIX AND RATES

There are competitive, demographic and other market factors which affect unit mixes. Tenant composition (commercial vs. consumer) also affects unit mix. Dwelling structures (residences) affect unit mix, particularly basements, attics, and three car garages. The basic sizes of residences have dramatic impacts as well, such as Manhattan apartments versus rural farms.

All these criteria, in addition to many others, tend to make formula driven unit mixes inappropriate. Unit mix should be first determined by market conditions and THEN by site constraints.

The final unit mix footage and unit count will likely change at final construction. This proforma suggests the correct mix, given the confines of a preliminary design. Developers are always advised that unit mixes should be derived through market criteria, not construction efficiency.

Rates included are as of this date. Forecasting for future development may allow for some nominal rate increases, and it is assumed that among the primary competitors, the propensity for rate growth is likely. Some of the primary competitors are known to be rate leaders, suggesting that rates will likely continue to move upward over time as occupancy levels increase. It is a common practice in revenue management for rates to increase when occupancy levels reach certain targets. Conversely, when vacancies are high, discounts may be deployed, a function of revenue management. Some of the primary competitors do have a formal revenue management program, which would manage rates by occupancy levels, offering specials in soft sizes, and pushing rental rates on high demand spaces. Given the subject property's proposed amenity package of cameras, paved driveways, a professional office, and professional storage counselors, it is assumed the subject property will be a rate leader in the market.

There are no institutionally owned properties in the market. The presence of institutional properties can positively affect the subject property in its ability to increase rents over time as occupancy levels increase. Institutionally owned properties have sophisticated revenue management tools which drive optimal rent growth. The presence of institutional "players" can be a significant benefit to the profitability and value increase of the subject project. The ability of the subject site to aggressively manage the posted street rates will be negatively impacted by the lack of any institutionally owned facilities in the market.

Typically, we forecast rents to be near the top of the market as if the project were built today. It is common that rates may increase, and while the projections typically do not include rate increases during rent-up, this factors in as a discount, as would be typically given during the absorption period. Simply stated, our rates should be on target, given the lead time between this report and store opening, coupled with rents held at flat levels during stabilization. The assumption is that discounting and rental rate increases during stabilization are a “wash”.

COVERED PARKING						
PROPERTY	Map #	30'	35'	40'	45'	50'
Port A Boat & RV Storage	1	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Cayton Boat & RV Storage	2	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Big Shell Boat & RV Storage	3	\$ 0.00	\$ 0.00	\$ 119.00	\$ 0.00	\$ 0.00
Average		\$ 0.00	\$ 0.00	\$ 119.00	\$ 0.00	\$ 0.00

ENCLOSED PARKING						
PROPERTY	Map #	30'	35'	40'	45'	50'
Port A Boat & RV Storage	1	\$ 199.00	\$ 235.00	\$ 0.00	\$ 0.00	\$ 0.00
Cayton Boat & RV Storage	2	\$ 160.00	\$ 185.00	\$ 0.00	\$ 265.00	\$ 0.00
Big Shell Boat & RV Storage	3	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Average		\$ 179.50	\$ 210.00	\$ 0.00	\$ 265.00	\$ 0.00

OPEN PARKING						
PROPERTY	Map #	30'	35'	40'	45'	50'
Port A Boat & RV Storage	1	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Cayton Boat & RV Storage	2	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Big Shell Boat & RV Storage	3	\$ 0.00	\$ 0.00	\$ 85.00	\$ 0.00	\$ 0.00
Average		\$ 0.00	\$ 0.00	\$ 85.00	\$ 0.00	\$ 0.00

Unit mix for subject site:

UNIT MIX								
SIZE		UNIT SQ FT	SPACE TYPE	% OF SF TOTAL	TYPE SQ FT	# OF SPACES	% OF UNITS TOTAL	
12 x	35	420	Boat RV Fully Enclosed	100%	15,540	37	54%	
12 x	35		Parking	0%	0	32	46%	
				TOTAL SQ FT	AVERAGE	TOTAL UNITS	% OF SPACE	
Boat RV Fully Enclosed				15,540	420	37	100%	
BUILDINGS TOTAL				15,540		37	100%	
Parking				0	0	32	100%	
OUTDOOR TOTALS				0		32	100%	
PROJECT TOTALS				15,540		69		

We have recreated the unit mix as contemplated by the developer.

REVENUE GENERATOR									
SIZE	UNIT SQ FT	SPACE TYPE	ANNUAL REVENUE	RATE PER SQ FT	% OF REVENUE	UNIT PRICE			
12 x 35	420	Boat RV Fully Enclosed	\$ 133,178	\$ 8.57	78%	\$ 299.95			
12 x 35	0	Parking	\$ 38,381		22%	\$ 99.95			
			REVENUES	\$/Sq . Ft.					
			\$ 133,178	\$ 8.57	78%	As a % of Revenue			
			\$ 133,178	\$ 8.57	78%				
			\$ 38,381		22%	As a % of Revenue			
			\$ 38,381		22%				
			\$ 171,559	\$ 11.04	100%				

We have recommended rental rates that we believe will allow the subject site to be competitive within the sub-market and have derived those rates from the local market competitors. We also recognize that the time lapse between the creation of this report and the opening of this site could result in an actual unit mix with the same rates, higher rates, or lower rates, depending on how the market performs over the ensuing months.

Notes:

- The unit mix contains an inventory of fully enclosed boat & RV storage units.
- We have recommended unit rates that we believe would allow the facility to effectively compete with the self-storage competitors in the market.

The creation of a marketable unit mix is an important aspect of the development of an RV storage facility and as such we would point out:

- The unit mix recommendation is created with the assumption that the facility will attract primarily residential tenants in need of higher quality storage options for their RV's and boats.

LEASE-UP PERIOD

To deliver the most successful pricing plans, many factors are evaluated including street rates, discounts, inventory levels, historic trends, and move-in specials. Combining the data to determine optimal target occupancy for a specific self-storage store is somewhat of an art form. As always, business conditions in a facility's immediate market area must be considered when creating occupancy strategies for individual storage stores.

Since RV storage is a highly localized industry, conditions in the immediate market area surrounding the store can have a major impact on occupancy rates. Factors such as a depressed local economy or the opening of a new storage facility in the area can potentially lead to a decline in occupancy.

On the other end of the spectrum, new home developments, an explosion in recruitment at local companies, and other dynamics are often met with sharp increases in occupancy rates.

In general, most industry experts agree that target occupancy rates for self-storage stores in the U.S. should hover in the 90 to 95 percent range. When a store has too many unoccupied units, it is unable to generate money to its full potential. On the other hand, RV storage facilities with too few vacant storage spaces will have to turn customers away—some of whom would have been willing to pay more for a unit than the current tenants are paying. In addition, most unserved potential customers will end up as tenants at competing self-storage stores.

Due to the current unmet demand for RV storage space in the micro market as represented by the mostly high to very high occupancy levels in the market, it is our opinion that the subject facility should anticipate a 3-6 month lease-up period to stabilization. This assumption is predicated upon the belief that the market will remain as strong as it currently is and that the developer will upgrade, manage and market the facility as an 'A+' facility using most, if not all, of the included recommendations. We also predicate this opinion on the recognition that the developer is an experienced vehicle storage operator or will utilize the services of an experienced self-storage operator or third-party management company.

This assumption is based on the following:

- There is clearly some amount of unmet demand for new RV storage inventory near the subject facility based on the estimated and known occupancy levels of the market competitors as well as comments from competitor managers.
- There are no other known potential RV storage projects in development within the subject micro-market.
- The management expertise level at the subject site should afford the new facility a substantial sales and marketing advantage over the market competitors.

FINANCIAL ANALYSIS

The current full development unit mix would calculate, using the current rates, a gross potential of \$171,559. Our analysis assumes a stabilized occupancy of 95% and within the income statement preparation we have used the development costs as are typical for a facility in the configuration of the subject site and expenses as represented by those expenses as reported by the Self Storage Association and we would comment that those provided expenses are well within the ‘industry norms’ we have noted in reviewing actual financial statements.

Basic Development Assumptions:

Name of Project	Sunray Road Boat & RV Storage			
Location	Ingleside TX			
Land Cost:	\$	250,000.00	Land Cost Analysis	
Site Size-Acres:		4	Cost of Land Per Acre (Total Cost)	\$ 62,500.00
Site Size-Square Feet:		174,240	Cost of Land Per Square Foot	\$ 1.43
Number of Floors:		1	Total Land Costs	\$ 250,000.00
Number of Elevators:		0	Total Land Costs Per NR Square Feet	\$ 16.09
Number of Feet of Frontage:		500		
Number of Parking Spaces:		7		
Number of Months For Construction:		12		
Number of Buildings:		1		
Number of Gates:		1		
Building Configuration:	Fortress			
Office Size(Sq Ft)		200	Net Rentable Square Footage Cost Analysis	
Primary Construction Material:	Metal		Total NR Square Feet	15,540.00
Roofing Material:	Metal		Total Hard Costs	\$ 932,400.00
Manager Lives:	Off-Site		Total Hard Costs Per NR Square Feet	\$ 60.00
Current Annual Real Estate Taxes	\$	15,000.00	Total Soft Costs	\$ 93,240.00
Minimum Management Fee:	\$	-	Total Soft Costs Per NR Square Feet	\$ 6.00
Vertical Configuration	Single Story		Total Other Costs	\$ 104,759.53
Purchase Price Or Total Project Cost:	\$	1,436,344.00	Total Other Costs Per NR Square Feet	\$ 6.74
			Total Builders Fees	\$ 55,944.00
			Total Builders Fees Per NR Square Feet	\$ 3.60
INCOME/EXPENSES			Total Land Costs	\$ 250,000.00
Number of Months to Stabilization		6	Total Land Costs Per NR Square Feet	\$ 16.09
Effective Actual Gross Income	\$	171,559	Total Construction Costs	\$ 1,186,343.53
Stabilized Occupancy %		95.00%	Total Construction Costs Per NR Square Feet	\$ 76.34
Other Income %		3.00%	Total Project Cost	\$ 1,436,343.53
Management Fee %		0.00%	Total Project Cost Per NR Square Feet	\$ 92.43
Expenses w/ Management and Reserves %		25%		
Anticipated Increase in rent and expenses				
Gross Income Annual % Increase		4.00%		
Expense Anticipated Annual % Increase		3.00%		
CASH INVESTED				
Down payment Percent of Purchase Price		33.00%		
Total Cash Invested	\$	473,993.52		
Mortgage				
Loan Amount		\$1,590,690		
Perm Loan Amount As % of Stabilized Value		75%		
Annual Interest Rate		6.50%		
Amortization (Months)		300		
Term (Years)		7		
Construction Loan				
Loan Amount		\$962,350		
Interest Rate		8.00%		
Disposition Data				
Sale Price @ Disposition (Year 7)	\$	2,317,290		
Terminal Cap Rate		6.50%		
Terminal Cost of Sales (%)		3.0%		
Proceeds From Sale @ Disposition	\$	696,411		

We should note that the ‘Loan Amount’ of \$1,590,690 listed under Mortgage’ is assuming a refinance at stabilization with a 75% loan to value calculation.

Estimated Development Costs:

	Unit	Unit Qty	Cost	Total	Per Sq.Ft.	% of Hard Cost	% of Project Cost
Land Costs							
Land				\$ 250,000	\$ 16.09	27%	0%
TOTAL LAND COSTS				\$ 250,000	\$ 16.09	27%	0%
Hard Costs							
Enclosed Boat & RV Storage	SF	15,540.00	\$ 60.00	\$ 932,400	\$ 60.00	100%	65%
TOTAL HARD COST				\$ 932,400	\$ 60.00	100%	65%
BUILDERS FEES							
Construction Contingency	%	6%	\$ 932,400.00	\$ 55,944	\$ 3.60		4%
TOTAL BUILDERS FEES				\$ 55,944	\$ 3.60		4%
SOFT COSTS							
Soft Costs	EA	15,540	\$ 6.00	\$ 93,240	\$ 6.00		6%
TOTAL OTHER COSTS				\$ 93,240	\$ 6.00		6%
OTHER COSTS							
Office Furniture/Supplies/Start Up	EA	1	\$ 25,000.00	\$ 25,000	\$ 1.61		2%
Operating Deficit (Including Construction Interest)			\$ 79,759.53	\$ 79,760	\$ 5.13		6%
TOTAL OTHER COSTS				\$ 104,760	\$ 6.74		7%
TOTAL HARD AND SOFT COSTS EXCLUDING LAND				\$ 1,186,344	\$ 76.34		83%
TOTAL PROJECT COST INCLUDING LAND				\$ 1,436,344	\$ 92.43		100%

INCOME STATEMENT INFORMATION

Income generated at a facility, excluding rent revenue, is a major contributor to profit. Managing the other income sources, and recognizing the impact on NOI, is critical to maximizing the profitability of the facility.

Other income sources include:

- Late fees
- Lien fees
- Lock cut fees
- Tenant insurance payments
- Truck rentals
- Moving and packing supplies

It is important to note that expenses can vary widely, particularly when analyzed solely on a single unit of analysis such as per square foot of rentable building area. Therefore, we offer the following clarification on some of the expenses listed above:

- **On-Site Management** – On-site management expenses account for full-time management including assistant managers, relief managers, and payroll-related costs. In today's self-storage industry, hiring quality managers is essential, especially given their direct impact on rental rates, occupancy, and ancillary income such as merchandise sales.
- **Administrative Expenses** – In this category, expenses relate to office functions such as dues, subscriptions, copy machine, professional fees including legal services (eviction costs), data processing, travel expenses, partnership professional fees (legal and accounting), local licensing and permit fees, and other expenses incurred in the operation of a self-storage

Insurance – Insurance includes property, liability and casualty insurance expenses. Due to the significant variables involved when underwriting insurance, lower rates may in some cases be achieved by blanket policies with significant rate reductions.

Therefore, unless there are special circumstances such as portfolio analysis, insurance rates are typically forecast for a single property. Other items that must be considered when seeking insurance are property specific technology in fire, life, and safety construction and design.

- Management Fee – This category includes either:

- Any costs associated with a third-party management service

- All general and administrative costs associated with expenses at the corporate office for a facility operated by vertically integrated ownership.

The cost allocation to this expense generally covers corporate salaries, accounting staff, systems, and all of the other corporate office expenses. Generally, it is charged to the property as a percentage of collected gross revenue.

- Real Estate Taxes – Taxes account for real property taxes only. In most forecasts of income and expenses, real estate taxes are adjusted to market value according to an iterative process that multiplies market value against the tax rate. As a result, there tends to be a “lag effect” in the data which results in current taxes being somewhat higher than those indicated in the historical data. As such, it is imperative that local tax statutes are carefully analyzed and considered when estimating property taxes.

Other expenses that may require clarification are:

- Utilities – This expense category includes natural or propane gas, electricity, water, sewer service, and regular trash service. The age of the facility can have an impact on this category especially given that many newer sites utilize motion detectors to control lighting, thereby reducing utility costs. Moreover, single-level facilities with drive-up access only will have lower utility costs than multi-story facilities with indoor/elevator access.

Maintenance & Repairs – This expense category will be influenced by the age of the facility, the quality of construction, and overall condition of the property. Actual expenses may include but are not limited to items such:

1. Electrical repairs
2. Elevator maintenance and repairs
3. Gate maintenance and repairs
4. Landscaping
5. Pest control
6. Plumbing repairs Roll-up door maintenance and repairs
8. Roof repairs and maintenance
9. Security system, alarms, and monitor maintenance
10. Site clean-up
11. Trash removal

- Other – This category of expenses primarily accounts for all other variables. It is used as a catch-all for miscellaneous expenses that vary between sites, are infrequently used and do not match the other categories. Amounts in this category typically account for less than ten percent of the total expenses at a given property.

Annual Income Statements:

This income statement is intended to give the reader an overview estimation of the stabilized income and expenses of the subject site. We have used typical, customary expenses based on per square foot averages for the various expense categories with some adjustments for the region and location of the subject site. We have included no management fee, a 95% stabilized economic occupancy and a 3% ancillary income percentage.

It should be noted that this income statement is assuming the site at stabilization and as such we assume a 4% increase in the gross potential revenue and 3% increase in expenses and so the gross potential at this point in the 'life' of the facility would be an increase over the gross potential contemplated with the recommended unit mix.

The income portion of the income statement consists of rental income and 'other' income. The other income includes late fees, tenant insurance payments, retail merchandise sales and various other 'ancillary' income sources. This amount would be adjusted up, for example, should the developer add truck rentals to the operation, and would be adjusted down should the developer choose not to offer tenant insurance.

Month	1	2	3	4	5	6	7	8	9	10	11	12	YEAR 1
INCOME													
Gross Potential Income	\$ 14,297	\$ 14,297	\$ 14,297	\$ 14,297	\$ 14,297	\$ 14,297	\$ 14,297	\$ 14,297	\$ 14,297	\$ 14,297	\$ 14,297	\$ 14,297	\$ 171,559
Occupancy	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Rents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Discounts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bad Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL INCOME	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENSES													
Advertising & Promotion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 363	\$ 363
Insurance													\$ -
Management											\$ -	\$ -	\$ -
Miscellaneous & Other													\$ -
Office and Administrative													\$ -
Payroll & Burden											\$ -	\$ 400	\$ 400
Real Estate Taxes	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 15,000
Repairs & Maintenance													\$ -
Utilities													\$ -
TOTAL EXPENSES	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 2,013	\$ 15,763
NOI	\$ (1,250)	\$ (1,250)	\$ (1,250)	\$ (1,250)	\$ (1,250)	\$ (1,250)	\$ (1,250)	\$ (1,250)	\$ (1,250)	\$ (1,250)	\$ (1,250)	\$ (2,013)	\$ (15,763)

Month	13	14	15	16	17	18	19	20	21	22	23	24	YEAR 2
INCOME													
Gross Potential Income	\$ 14,297	\$ 14,297	\$ 14,297	\$ 14,297	\$ 14,297	\$ 14,868	\$ 14,868	\$ 14,868	\$ 14,868	\$ 14,868	\$ 14,868	\$ 14,868	\$ 175,562
Occupancy	18%	35%	51%	67%	83%	95%	95%	95%	95%	95%	95%	95%	77%
Rents	\$ 2,681	\$ 5,080	\$ 7,316	\$ 9,507	\$ 11,884	\$ 14,125	\$ 14,125	\$ 14,125	\$ 14,125	\$ 14,125	\$ 14,125	\$ 14,125	\$ 135,343
Other Income	\$ 80	\$ 152	\$ 219	\$ 285	\$ 357	\$ 424	\$ 424	\$ 424	\$ 424	\$ 424	\$ 424	\$ 424	\$ 4,060
Discounts/Write Offs	\$ (138)	\$ (262)	\$ (377)	\$ (490)	\$ (612)	\$ (727)	\$ (727)	\$ (727)	\$ (727)	\$ (727)	\$ (727)	\$ (727)	\$ (6,970)
Bad Debt	\$ -	\$ -	\$ -	\$ (196)	\$ (245)	\$ (291)	\$ (291)	\$ (291)	\$ (291)	\$ (291)	\$ (291)	\$ (291)	\$ (2,788)
TOTAL INCOME	\$ 2,624	\$ 4,970	\$ 7,159	\$ 9,107	\$ 11,384	\$ 13,530	\$ 13,530	\$ 13,530	\$ 13,530	\$ 13,530	\$ 13,530	\$ 13,530	\$ 129,645
EXPENSES													
Advertising & Promotion	\$ 373	\$ 373	\$ 373	\$ 373	\$ 373	\$ 373	\$ 373	\$ 373	\$ 373	\$ 373	\$ 373	\$ 373	\$ 4,482
Insurance	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 3,361
Management	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous & Other	\$ 133	\$ 133	\$ 133	\$ 133	\$ 133	\$ 133	\$ 133	\$ 133	\$ 133	\$ 133	\$ 133	\$ 133	\$ 1,601
Office and Administrative	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 3,841
Payroll & Burden	\$ 412	\$ 412	\$ 412	\$ 412	\$ 412	\$ 412	\$ 412	\$ 412	\$ 412	\$ 412	\$ 412	\$ 412	\$ 4,944
Real Estate Taxes	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 16,317
Repairs & Maintenance	\$ 173	\$ 173	\$ 173	\$ 173	\$ 173	\$ 173	\$ 173	\$ 173	\$ 173	\$ 173	\$ 173	\$ 173	\$ 2,081
Utilities	\$ 467	\$ 467	\$ 467	\$ 467	\$ 467	\$ 467	\$ 467	\$ 467	\$ 467	\$ 467	\$ 467	\$ 467	\$ 5,602
TOTAL EXPENSES	\$ 3,519	\$ 3,519	\$ 3,519	\$ 3,519	\$ 3,519	\$ 3,519	\$ 3,519	\$ 3,519	\$ 3,519	\$ 3,519	\$ 3,519	\$ 3,519	\$ 42,229
NOI	\$ (895)	\$ 1,451	\$ 3,640	\$ 5,588	\$ 7,865	\$ 10,011	\$ 10,011	\$ 10,011	\$ 10,011	\$ 10,011	\$ 10,011	\$ 10,011	\$ 87,416

Month	25	26	27	28	29	30	31	32	33	34	35	36	YEAR 3
INCOME													
Gross Potential Income	\$ 15,463	\$ 15,463	\$ 15,463	\$ 15,463	\$ 15,463	\$ 15,463	\$ 15,463	\$ 15,463	\$ 15,463	\$ 15,463	\$ 15,463	\$ 15,463	\$ 185,558
Occupancy	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
Rents	\$ 14,690	\$ 14,690	\$ 14,690	\$ 14,690	\$ 14,690	\$ 14,690	\$ 14,690	\$ 14,690	\$ 14,690	\$ 14,690	\$ 14,690	\$ 14,690	\$ 176,280
Other Income	\$ 441	\$ 441	\$ 441	\$ 441	\$ 441	\$ 441	\$ 441	\$ 441	\$ 441	\$ 441	\$ 441	\$ 441	\$ 5,288
Discounts/Write Offs	\$ (757)	\$ (757)	\$ (757)	\$ (757)	\$ (757)	\$ (757)	\$ (757)	\$ (757)	\$ (757)	\$ (757)	\$ (757)	\$ (757)	\$ (9,078)
Bad Debt	\$ (303)	\$ (303)	\$ (303)	\$ (303)	\$ (303)	\$ (303)	\$ (303)	\$ (303)	\$ (303)	\$ (303)	\$ (303)	\$ (303)	\$ (3,631)
TOTAL INCOME	\$ 14,072	\$ 14,072	\$ 14,072	\$ 14,072	\$ 14,072	\$ 14,072	\$ 14,072	\$ 14,072	\$ 14,072	\$ 14,072	\$ 14,072	\$ 14,072	\$ 168,859
EXPENSES													
Advertising & Promotion	\$ 374	\$ 374	\$ 374	\$ 374	\$ 374	\$ 374	\$ 374	\$ 374	\$ 374	\$ 374	\$ 374	\$ 374	\$ 4,493
Insurance	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 280	\$ 3,361
Management	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous & Other	\$ 133	\$ 133	\$ 133	\$ 133	\$ 133	\$ 133	\$ 133	\$ 133	\$ 133	\$ 133	\$ 133	\$ 133	\$ 1,601
Office and Administrative	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 320	\$ 3,841
Payroll & Burden	\$ 413	\$ 413	\$ 413	\$ 413	\$ 413	\$ 413	\$ 413	\$ 413	\$ 413	\$ 413	\$ 413	\$ 413	\$ 4,956
Real Estate Taxes	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 16,317
Repairs & Maintenance	\$ 173	\$ 173	\$ 173	\$ 173	\$ 173	\$ 173	\$ 173	\$ 173	\$ 173	\$ 173	\$ 173	\$ 173	\$ 2,081
Utilities	\$ 467	\$ 467	\$ 467	\$ 467	\$ 467	\$ 467	\$ 467	\$ 467	\$ 467	\$ 467	\$ 467	\$ 467	\$ 5,602
TOTAL EXPENSES	\$ 3,521	\$ 3,521	\$ 3,521	\$ 3,521	\$ 3,521	\$ 3,521	\$ 3,521	\$ 3,521	\$ 3,521	\$ 3,521	\$ 3,521	\$ 3,521	\$ 42,252
NOI	\$ 10,551	\$ 10,551	\$ 10,551	\$ 10,551	\$ 10,551	\$ 10,551	\$ 10,551	\$ 10,551	\$ 10,551	\$ 10,551	\$ 10,551	\$ 10,551	\$ 126,607

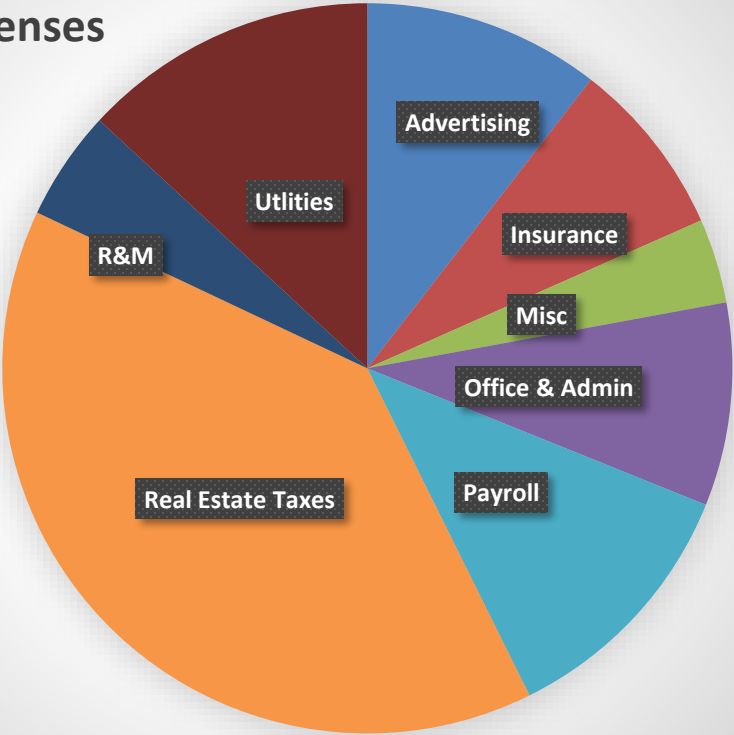
Month	37	38	39	40	41	42	43	44	45	46	47	48	YEAR 4
INCOME													
Gross Potential Income	\$ 16,082	\$ 16,082	\$ 16,082	\$ 16,082	\$ 16,082	\$ 16,082	\$ 16,082	\$ 16,082	\$ 16,082	\$ 16,082	\$ 16,082	\$ 16,082	\$ 192,980
Occupancy	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
Rents	\$ 15,278	\$ 15,278	\$ 15,278	\$ 15,278	\$ 15,278	\$ 15,278	\$ 15,278	\$ 15,278	\$ 15,278	\$ 15,278	\$ 15,278	\$ 15,278	\$ 183,331
Other Income	\$ 458	\$ 458	\$ 458	\$ 458	\$ 458	\$ 458	\$ 458	\$ 458	\$ 458	\$ 458	\$ 458	\$ 458	\$ 5,500
Discounts/Write Offs	\$ (787)	\$ (787)	\$ (787)	\$ (787)	\$ (787)	\$ (787)	\$ (787)	\$ (787)	\$ (787)	\$ (787)	\$ (787)	\$ (787)	\$ (9,442)
Bad Debt	\$ (315)	\$ (315)	\$ (315)	\$ (315)	\$ (315)	\$ (315)	\$ (315)	\$ (315)	\$ (315)	\$ (315)	\$ (315)	\$ (315)	\$ (3,777)
TOTAL INCOME	\$ 14,634	\$ 14,634	\$ 14,634	\$ 14,634	\$ 14,634	\$ 14,634	\$ 14,634	\$ 14,634	\$ 14,634	\$ 14,634	\$ 14,634	\$ 14,634	\$ 175,613
EXPENSES													
Advertising & Promotion	\$ 386	\$ 386	\$ 386	\$ 386	\$ 386	\$ 386	\$ 386	\$ 386	\$ 386	\$ 386	\$ 386	\$ 386	\$ 4,627
Insurance	\$ 289	\$ 289	\$ 289	\$ 289	\$ 289	\$ 289	\$ 289	\$ 289	\$ 289	\$ 289	\$ 289	\$ 289	\$ 3,462
Management	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous & Other	\$ 137	\$ 137	\$ 137	\$ 137	\$ 137	\$ 137	\$ 137	\$ 137	\$ 137	\$ 137	\$ 137	\$ 137	\$ 1,649
Office and Administrative	\$ 330	\$ 330	\$ 330	\$ 330	\$ 330	\$ 330	\$ 330	\$ 330	\$ 330	\$ 330	\$ 330	\$ 330	\$ 3,957
Payroll & Burden	\$ 425	\$ 425	\$ 425	\$ 425	\$ 425	\$ 425	\$ 425	\$ 425	\$ 425	\$ 425	\$ 425	\$ 425	\$ 5,104
Real Estate Taxes	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 1,360	\$ 16,317
Repairs & Maintenance	\$ 179	\$ 179	\$ 179	\$ 179	\$ 179	\$ 179	\$ 179	\$ 179	\$ 179	\$ 179	\$ 179	\$ 179	\$ 2,143
Utilities	\$ 481	\$ 481	\$ 481	\$ 481	\$ 481	\$ 481	\$ 481	\$ 481	\$ 481	\$ 481	\$ 481	\$ 481	\$ 5,770
TOTAL EXPENSES	\$ 3,586	\$ 3,586	\$ 3,586	\$ 3,586	\$ 3,586	\$ 3,586	\$ 3,586	\$ 3,586	\$ 3,586	\$ 3,586	\$ 3,586	\$ 3,586	\$ 43,029
NOI	\$ 11,049	\$ 11,049	\$ 11,049	\$ 11,049	\$ 11,049	\$ 11,049	\$ 11,049	\$ 11,049	\$ 11,049	\$ 11,049	\$ 11,049	\$ 11,049	\$ 132,583

Month	49	50	51	52	53	54	55	56	57	58	59	60	YEAR 5
INCOME													
Gross Potential Income	\$ 16,725	\$ 16,725	\$ 16,725	\$ 16,725	\$ 16,725	\$ 16,725	\$ 16,725	\$ 16,725	\$ 16,725	\$ 16,725	\$ 16,725	\$ 16,725	\$ 200,699
Occupancy	92%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
Rents	\$ 15,387	\$ 15,889	\$ 15,889	\$ 15,889	\$ 15,889	\$ 15,889	\$ 15,889	\$ 15,889	\$ 15,889	\$ 15,889	\$ 15,889	\$ 15,889	\$ 190,163
Other Income	\$ 462	\$ 477	\$ 477	\$ 477	\$ 477	\$ 477	\$ 477	\$ 477	\$ 477	\$ 477	\$ 477	\$ 477	\$ 5,705
Discounts/Write Offs	\$ (792)	\$ (818)	\$ (818)	\$ (818)	\$ (818)	\$ (818)	\$ (818)	\$ (818)	\$ (818)	\$ (818)	\$ (818)	\$ (818)	\$ (9,793)
Bad Debt	\$ (317)	\$ (327)	\$ (327)	\$ (327)	\$ (327)	\$ (327)	\$ (327)	\$ (327)	\$ (327)	\$ (327)	\$ (327)	\$ (327)	\$ (3,917)
TOTAL INCOME	\$ 14,739	\$ 15,220	\$ 15,220	\$ 15,220	\$ 15,220	\$ 15,220	\$ 15,220	\$ 15,220	\$ 15,220	\$ 15,220	\$ 15,220	\$ 15,220	\$ 182,157
EXPENSES													
Advertising & Promotion	\$ 397	\$ 397	\$ 397	\$ 397	\$ 397	\$ 397	\$ 397	\$ 397	\$ 397	\$ 397	\$ 397	\$ 397	\$ 4,762
Insurance	\$ 297	\$ 297	\$ 297	\$ 297	\$ 297	\$ 297	\$ 297	\$ 297	\$ 297	\$ 297	\$ 297	\$ 297	\$ 3,563
Management	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous & Other	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 1,697
Office and Administrative	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 4,072
Payroll & Burden	\$ 438	\$ 438	\$ 438	\$ 438	\$ 438	\$ 438	\$ 438	\$ 438	\$ 438	\$ 438	\$ 438	\$ 438	\$ 5,253
Real Estate Taxes	\$ 1,401	\$ 1,401	\$ 1,401	\$ 1,401	\$ 1,401	\$ 1,401	\$ 1,401	\$ 1,401	\$ 1,401	\$ 1,401	\$ 1,401	\$ 1,401	\$ 16,807
Repairs & Maintenance	\$ 184	\$ 184	\$ 184	\$ 184	\$ 184	\$ 184	\$ 184	\$ 184	\$ 184	\$ 184	\$ 184	\$ 184	\$ 2,206
Utilities	\$ 495	\$ 495	\$ 495	\$ 495	\$ 495	\$ 495	\$ 495	\$ 495	\$ 495	\$ 495	\$ 495	\$ 495	\$ 5,938
TOTAL EXPENSES	\$ 3,691	\$ 3,691	\$ 3,691	\$ 3,691	\$ 3,691	\$ 3,691	\$ 3,691	\$ 3,691	\$ 3,691	\$ 3,691	\$ 3,691	\$ 3,691	\$ 44,297
NOI	\$ 11,048	\$ 11,528	\$ 11,528	\$ 11,528	\$ 11,528	\$ 11,528	\$ 11,528	\$ 11,528	\$ 11,528	\$ 11,528	\$ 11,528	\$ 11,528	\$ 137,860

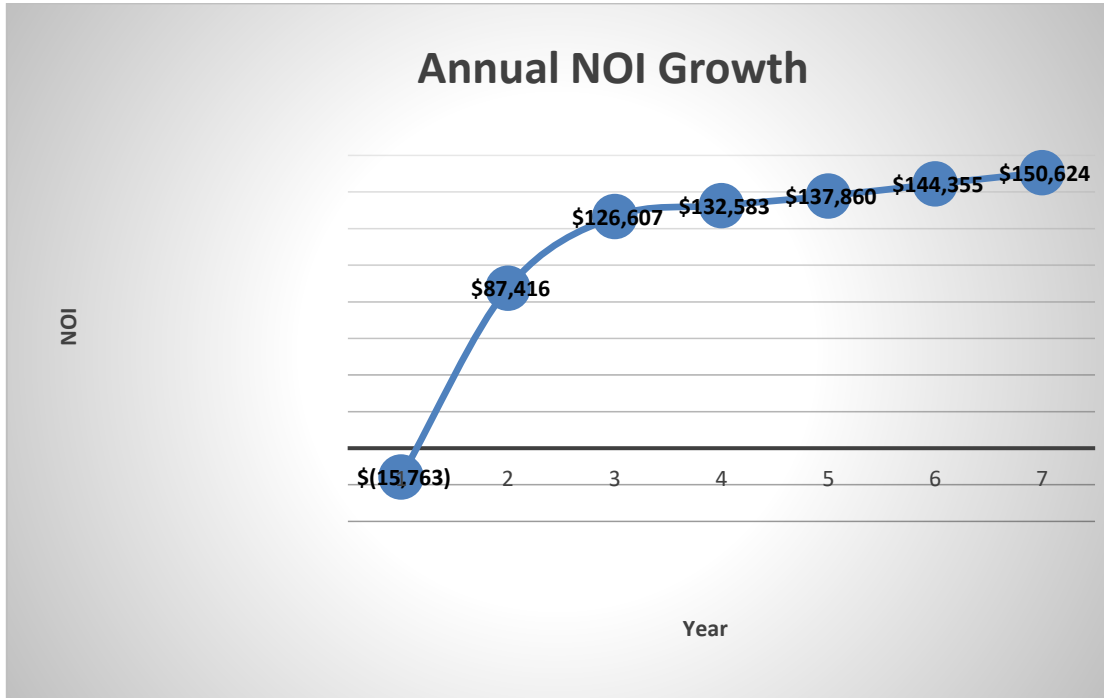
Month	61	62	63	64	65	66	67	68	69	70	71	72	YEAR 6
INCOME													
Gross Potential Income	\$ 17,394	\$ 17,394	\$ 17,394	\$ 17,394	\$ 17,394	\$ 17,394	\$ 17,394	\$ 17,394	\$ 17,394	\$ 17,394	\$ 17,394	\$ 17,394	\$ 208,727
Occupancy	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
Rents	\$ 16,524	\$ 16,524	\$ 16,524	\$ 16,524	\$ 16,524	\$ 16,524	\$ 16,524	\$ 16,524	\$ 16,524	\$ 16,524	\$ 16,524	\$ 16,524	\$ 198,291
Other Income	\$ 496	\$ 496	\$ 496	\$ 496	\$ 496	\$ 496	\$ 496	\$ 496	\$ 496	\$ 496	\$ 496	\$ 496	\$ 5,949
Discounts/Write Offs	\$ (851)	\$ (851)	\$ (851)	\$ (851)	\$ (851)	\$ (851)	\$ (851)	\$ (851)	\$ (851)	\$ (851)	\$ (851)	\$ (851)	\$ (10,212)
Bad Debt	\$ (340)	\$ (340)	\$ (340)	\$ (340)	\$ (340)	\$ (340)	\$ (340)	\$ (340)	\$ (340)	\$ (340)	\$ (340)	\$ (340)	\$ (4,085)
TOTAL INCOME	\$ 15,829	\$ 15,829	\$ 15,829	\$ 15,829	\$ 15,829	\$ 15,829	\$ 15,829	\$ 15,829	\$ 15,829	\$ 15,829	\$ 15,829	\$ 15,829	\$ 189,943
EXPENSES													
Advertising & Promotion	\$ 408	\$ 408	\$ 408	\$ 408	\$ 408	\$ 408	\$ 408	\$ 408	\$ 408	\$ 408	\$ 408	\$ 408	\$ 4,901
Insurance	\$ 306	\$ 306	\$ 306	\$ 306	\$ 306	\$ 306	\$ 306	\$ 306	\$ 306	\$ 306	\$ 306	\$ 306	\$ 3,667
Management	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous & Other	\$ 146	\$ 146	\$ 146	\$ 146	\$ 146	\$ 146	\$ 146	\$ 146	\$ 146	\$ 146	\$ 146	\$ 146	\$ 1,746
Office and Administrative	\$ 349	\$ 349	\$ 349	\$ 349	\$ 349	\$ 349	\$ 349	\$ 349	\$ 349	\$ 349	\$ 349	\$ 349	\$ 4,191
Payroll & Burden	\$ 451	\$ 451	\$ 451	\$ 451	\$ 451	\$ 451	\$ 451	\$ 451	\$ 451	\$ 451	\$ 451	\$ 451	\$ 5,406
Real Estate Taxes	\$ 1,441	\$ 1,441	\$ 1,441	\$ 1,441	\$ 1,441	\$ 1,441	\$ 1,441	\$ 1,441	\$ 1,441	\$ 1,441	\$ 1,441	\$ 1,441	\$ 17,296
Repairs & Maintenance	\$ 189	\$ 189	\$ 189	\$ 189	\$ 189	\$ 189	\$ 189	\$ 189	\$ 189	\$ 189	\$ 189	\$ 189	\$ 2,270
Utilities	\$ 509	\$ 509	\$ 509	\$ 509	\$ 509	\$ 509	\$ 509	\$ 509	\$ 509	\$ 509	\$ 509	\$ 509	\$ 6,111
TOTAL EXPENSES	\$ 3,799	\$ 3,799	\$ 3,799	\$ 3,799	\$ 3,799	\$ 3,799	\$ 3,799	\$ 3,799	\$ 3,799	\$ 3,799	\$ 3,799	\$ 3,799	\$ 45,588
NOI	\$ 12,030	\$ 12,030	\$ 12,030	\$ 12,030	\$ 12,030	\$ 12,030	\$ 12,030	\$ 12,030	\$ 12,030	\$ 12,030	\$ 12,030	\$ 12,030	\$ 144,355

Month	73	74	75	76	77	78	79	80	81	82	83	84	YEAR 7
INCOME													
Gross Potential Income	\$ 18,090	\$ 18,090	\$ 18,090	\$ 18,090	\$ 18,090	\$ 18,090	\$ 18,090	\$ 18,090	\$ 18,090	\$ 18,090	\$ 18,090	\$ 18,090	\$ 217,076
Occupancy	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
Rents	\$ 17,185	\$ 17,185	\$ 17,185	\$ 17,185	\$ 17,185	\$ 17,185	\$ 17,185	\$ 17,185	\$ 17,185	\$ 17,185	\$ 17,185	\$ 17,185	\$ 206,223
Other Income	\$ 516	\$ 516	\$ 516	\$ 516	\$ 516	\$ 516	\$ 516	\$ 516	\$ 516	\$ 516	\$ 516	\$ 516	\$ 6,187
Discounts/Write Offs	\$ (885)	\$ (885)	\$ (885)	\$ (885)	\$ (885)	\$ (885)	\$ (885)	\$ (885)	\$ (885)	\$ (885)	\$ (885)	\$ (885)	\$ (10,620)
Bad Debt	\$ (354)	\$ (354)	\$ (354)	\$ (354)	\$ (354)	\$ (354)	\$ (354)	\$ (354)	\$ (354)	\$ (354)	\$ (354)	\$ (354)	\$ (4,248)
TOTAL INCOME	\$ 16,462	\$ 16,462	\$ 16,462	\$ 16,462	\$ 16,462	\$ 16,462	\$ 16,462	\$ 16,462	\$ 16,462	\$ 16,462	\$ 16,462	\$ 16,462	\$ 197,541
EXPENSES													
Advertising & Promotion	\$ 420	\$ 420	\$ 420	\$ 420	\$ 420	\$ 420	\$ 420	\$ 420	\$ 420	\$ 420	\$ 420	\$ 420	\$ 5,044
Insurance	\$ 314	\$ 314	\$ 314	\$ 314	\$ 314	\$ 314	\$ 314	\$ 314	\$ 314	\$ 314	\$ 314	\$ 314	\$ 3,774
Management	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous & Other	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 1,797
Office and Administrative	\$ 359	\$ 359	\$ 359	\$ 359	\$ 359	\$ 359	\$ 359	\$ 359	\$ 359	\$ 359	\$ 359	\$ 359	\$ 4,313
Payroll & Burden	\$ 464	\$ 464	\$ 464	\$ 464	\$ 464	\$ 464	\$ 464	\$ 464	\$ 464	\$ 464	\$ 464	\$ 464	\$ 5,564
Real Estate Taxes	\$ 1,483	\$ 1,483	\$ 1,483	\$ 1,483	\$ 1,483	\$ 1,483	\$ 1,483	\$ 1,483	\$ 1,483	\$ 1,483	\$ 1,483	\$ 1,483	\$ 17,800
Repairs & Maintenance	\$ 195	\$ 195	\$ 195	\$ 195	\$ 195	\$ 195	\$ 195	\$ 195	\$ 195	\$ 195	\$ 195	\$ 195	\$ 2,336
Utilities	\$ 524	\$ 524	\$ 524	\$ 524	\$ 524	\$ 524	\$ 524	\$ 524	\$ 524	\$ 524	\$ 524	\$ 524	\$ 6,290
TOTAL EXPENSES	\$ 3,910	\$ 3,910	\$ 3,910	\$ 3,910	\$ 3,910	\$ 3,910	\$ 3,910	\$ 3,910	\$ 3,910	\$ 3,910	\$ 3,910	\$ 3,910	\$ 46,917
NOI	\$ 12,552	\$ 12,552	\$ 12,552	\$ 12,552	\$ 12,552	\$ 12,552	\$ 12,552	\$ 12,552	\$ 12,552	\$ 12,552	\$ 12,552	\$ 12,552	\$ 150,624

Facility Expenses







Investment Analysis:

Return on Investment		Cash Flows						
Purchase Capitalization Rate on First Year NOI	-1.10%						% Cash	
Internal Rate of Return (5 Year Unlevered)	14.24%					Cash Flow	on Cash	
Internal Rate of Return (5 Year Levered)	22.78%			Cash Flows year 1	\$ (63,880)		-13.48%	
Developers Yield	9.60%			Cash Flows year 2	\$ 10,428		2.20%	
Cash Invested (Equity)	\$ 473,993.52			Cash Flows year 3	\$ 49,618		10.47%	
Net Sale Proceeds	\$ 2,247,771.45			Cash Flows year 4	\$ 54,609		11.52%	
				Cash Flows year 5	\$ 637,314		134.46%	
TOTAL 7 Year Income	\$ 2,263,241.06			Cash Flows year 6	\$ 15,470		-10.02%	
Less Loan Payoff	\$ 1,566,829.82			Cash Flows year 7	\$ 21,738		-14.08%	
NET CASH AT END OF YEAR 7:	\$ 696,411.23							
Net Operating Income and Cash on Cash Calculation								
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	
Total Actual Income	\$ -	\$ 129,645	\$ 168,859	\$ 175,613	\$ 182,157	\$ 189,943	\$ 197,541	
Less: Expenses	\$ 15,763	\$ 42,229	\$ 42,252	\$ 43,029	\$ 44,297	\$ 45,588	\$ 46,917	
Net Operating income	\$ (15,763)	\$ 87,416	\$ 126,607	\$ 132,583	\$ 137,860	\$ 144,355	\$ 150,624	
Annual debt service	\$ (48,118)	\$ (76,988)	\$ (76,988)	\$ (77,974)	\$ (128,885)	\$ (128,885)	\$ (128,885)	
Cash From Refinance					\$ 628,340			
Cash Flow before taxes	\$ (63,880)	\$ 10,428	\$ 49,618	\$ 54,609	\$ 637,314	\$ 15,470	\$ 21,738	

Notes:

- *Our assumptions include a re-finance in year five which indicates that a percentage of the originally invested cash could be taken out of the assets to then recalculate the cash-on-cash returns.*

The Internal rate of return (IRR) for an investment is the percentage rate earned on each dollar invested for each period in which it is invested. IRR is also another term people use for interest. Ultimately, IRR gives an investor the means to compare alternative investments based on their yield.

Leveraged IRR is calculated in the exact same way as Unleveraged IRR, except that instead of having the negative cash flow in year zero being the purchase price, it is the portion of the purchase price that is not financed – the equity portion. And instead of the cash flow being NOI alone, the cash flows in Leveraged IRR are NOI less debt service. Finally, the sale price is not the full expected sale price of the property, but rather the expected sale price of the property less the expected balance of the loan at the time of sale.

Yield is calculated as a percentage, based on the property's cost or market value, annual income and running costs. It does not consider how much the property increases in value over time (i.e. the capital growth). Yield considers all operational expenses such as payroll, management fees, maintenance costs, utilities and marketing expenses.

Cash-on-cash is one of the most common return formats used in the real estate industry. It is a ratio (usually converted to a percentage) that is derived by dividing cash flow (before tax) by the amount of equity initially invested.

OPERATIONS/MARKETING RECOMMENDATIONS

- **Signage.** We cannot over-estimate the value of highly visible, colorful signage. Storage is primarily a retail business and proper signage is critical. We recommend that the reader consider maximizing the amount of signage allowed:
 - ‘RV Storage’ should be the largest words on the sign
 - Facility phone number in large numerals
 - Manual reader boards are not recommended, but if the budget allows, an electronic reader board can be used to point out specials, community events, time & temperature, etc.
 - We highly recommend that the developer immediately create a ‘Coming Soon!’ sign on the property with an 800# to begin monitoring demand and creating a ‘pre-leasing ‘energy. Such a sign might also work to discourage any potential new self-storage developments in the subject market.
 - The developer might consider having a third party call center answer the ‘Coming Soon’ phone number, especially as the opening of the facility becomes imminent and pre-leasing opportunities start to happen.
- **Call Center.** **Already a proven strategy among the big boys in the U.S. marketplace, the call center concept is noted as one of the greatest competitive advantages in all of self-storage.** Self-storage operators cannot afford to miss prospective customer inquiries and will not miss those calls by using a third party call center. We are surprised that in 2024 that any existing self-storage facility does not use a call center. The call center provides self-storage owners with a remote level of services that range from answering all facility calls, rollover facility calls that give managers the opportunity to answer first, and after-hour facility calls.

Moreover, call centers can handle all incoming calls with 24/7 options. The strategy allows the manager to focus on operational duties, marketing, and face-to face customer service. The value of every rental is far too high to trust to an answering machine. Too many studies indicate that potential customers simply will not leave a message and continue to call through the Yellow Pages or various web sites (or other marketing sources) until they are able to reach someone. Self-storage centers are at a clear marketing disadvantage in their marketing efforts by not using a call center.

- The call center answers the phone when the manager can’t (usually after the third or fourth ring as well as before and after the facility office closes)
- The calls transfer seamlessly to the call center and oftentimes the customer doesn’t know they have reached a call center.
- The call center agent can take a reservation, take a payment, answer questions about the account, etc.
- The call center will increase rentals and increase customer service.
- Managers have to be trained to effectively utilize the benefits of a call center.

Self-Storage Call Center we highly recommend:

- **XPS** – 800-419-2006 <https://www.xpsusa.com/copper/>
- **C3 – Chaise Benton – 865-705-4038**
 - Specializing in remotely managed facilities
- ***State-of-the-Art Security.*** The developer should make no compromises in security technology.
 - Individual door alarms are not recommended for this facility.
 - Access controlled facility entry
 - Recorded security surveillance
 - A large number of security cameras
 - We highly recommend contacting Aaron Harwell at Spider Door, 855-556-9589.
- ***Tenant Goods Insurance.*** The facility should offer the benefit of pay-with-payment tenant goods insurance to the tenants.
 - Tenant goods insurance is designed to protect tenant goods for various maladies typically including theft and natural disasters.
 - We highly recommend contacting the following tenant insurance companies:
 - **Bader Company** – Tim Parnell 888-223-3726 www.baderco.com
 - **StoreSmart Insurance** – Michael Rhoads 888-545-7627
www.storsmartinsurance.com
- ***Property and Casualty Insurance***
 - **World Insurance – Jessica Lamoureux**
 - 860-955-9944
 - jessicalamoureux@worldinsurance.com
- ***Marketing Plan:*** The developer should immediately employ a consultant to develop a complete and detailed marketing plan for the store. The marketing plan should include many of the suggestions listed **including a direct mail 'drip' campaign to local businesses and a 'declutter sale ready' service for realtors.** The marketing plan should give specific costs and implementation strategies.
- ***Sales Management:*** A specific plan for monitoring on-site sales effectiveness and retail sales should be a strong component of the management plan.
- ***Extended Access Hours:*** The store should offer extended access hours and, commensurate with the extended access, increased security. The recommended gate hours are 6:00 am to 10:00 pm, seven days a week. Commercial tenants should be offered extended hours as needed.

- ***Internet Strategy:*** Today, more and more self-storage owners are continuing to incorporate self-service into their website storefronts to compete for added rentals. Consumers are carrying around smartphones—business tools in the palms of their hands. And as a result, storage

companies with optimized websites are enjoying great success by renting units on-demand. For new online tenants, it is a welcome reprieve from the task of visiting a store during office hours and dealing with all the paperwork in person.

Should this trend continue, facilities that dismiss the use of a functional website will find themselves unable to serve and engage a broader customer base through Web and mobile channels. In fact, current case studies reveal how online storage shoppers are responding when facilities implement a personalized Web-mobile rental channel.

The Marketing plan should have an E-Commerce component, and should deploy a strong Internet presence. The E-Commerce strategy should include:

- Website
 - Easy to navigate
 - Clear 'call to action'
 - 'clutter-free'
- On-line rental capability
 - Allows potential customers to conduct business with you when you are not open
 - Research clearly indicates this is a highly desirable service for customers.
- Search engine optimization
 - It is important that facility's website ranked consistently high among web searches within the subject market
- On-line payment options
 - Credit cards
 - Debit cards
 - ACH
- Link to call center during business hours
 - Call center can implement 'live chat' for facility
- Real-time inventory management
 - Accurate availability.
- We highly recommend contacting **The Storage Group**, Jill Baker (407) 392-1485
www.storageinternetmarketing.com
- **Automated Technology.** We recommend that the developer consider adding automated technology to the subject facility. This technology extends the reach of customer acquisition and customer service. In an industry that typically serves customers in person between the hours of 9 to 5, incremental sales and reduced labor costs represent the top drivers that motivate owners to integrate automated technology. In turn, the reality of losing recurring business to nearby competitors marks these new technologies as one of the most prominent strategic solutions. This is because automated technology is always onsite to take care of a new renter—keeping a facility open when others in the marketplace are closed.
 - This technology has several benefits:
 - Low cost for the initial investment.
 - Extends rental hours when tied to one of the third party call centers.

- Reduces staff activities and may allow for reduction of operating hours.
 - Reduced operating costs and increased profits, NOI and asset values.
 - Creates a unique marketing and sales position for the subject facility.
 - Automation allows owners and operators the ability to conduct business both during and outside of normal office hours, thereby helping to maximize income for self-storage facilities.
- **USP:** The store should have a strong Unique Selling Proposition to set it apart from the competition.
 - Fully enclosed RV and boat storage units
- **Affiliations to Gain Sales:** The developer should consider Preferred Partner Programs to increase traffic.
 - RV Sales and Service Dealers
 - Home Owner’s Associations
- **Guerilla Marketing:** The Marketing Plan should address a direct sales effort to area businesses and multi-family communities.
- **Direct Marketing and Community Involvement:** The store managers should be active in the local Chamber of Commerce. **Storage is a local business** that relies on referrals. Chamber members know many people in the community.
- **Direct Mail Campaign:** The Marketing Plan should identify the targets, frequency and nature of a direct mail campaign. The plan may or may not include Val-Pak recommendations.
- **Collateral Materials:** Hire a self-storage marketing consultant to create a logo, brochures, collateral, web page, property signs, etc. The developer can contact the Self Storage Association or the Texas Self Storage Association for recommendations.
- **Competitor Referral Program:** A program to receive referrals from competitors should be developed.
- **Tenant Retention Program:** A specific program for tenant retention should be developed as part of the management plan.
- **B2B Marketing:** A specific marketing effort to attract commercial customers should be presented.
- **Custodial Management:** Commit to keeping the property “clean and green.” There is longstanding value to keeping the property in exceptional condition. Landscaping doesn’t need to be elaborate, just well-maintained.
- **Management Software:** The subject facility should use a web-based management software system. The newer programs now available to the self-storage industry allow owner-operators to review reports and on-site activities in real time and the array of reports allows for more effective oversight of the facility. Owners can more readily review various rent change scenarios, check for rent allowances and discounts and implement tenant rent increases, all without necessarily engaging the onsite manager. (We are not recommending that all functions, such as rent increases, be implemented without manager ‘buy-in.) We highly recommend contacting the following companies about their management software programs:

- A. Syrasoft Mark Somers 315-236-5496, www.syrasoft.com
- B. storEdge Austin Jones 913-954-4110, www.storedge.com
- C. WebSelfStorage Toni Colasso 866-693-6683 www.webselfstorage.com
- D. Sitelink Dave McCormack 919-865-0789, ext 1 www.sitelink.com

10 Federal Finds Success With Self-Storage Automation: A Case Study of Unmanned Operation

The owner of 10 Federal Storage discusses the role of technology in his company's successful operation of 15 unmanned facilities. Learn how they do it and challenges they've faced when implementing new tools.

At 10 Federal, our focus is on operating unmanned, autonomous self-storage facilities. Over the past four years, we've tried numerous technologies and methods to refine the process, and I'm pleased to report the model is succeeding. Properties that have been on our platform for a minimum of six months have increased net operating income an average of 18 percent. With our debt leverage, this equates to a 52 percent increase in the value of equity invested!

What's important to recognize is technology is replacing labor. It doesn't matter what industry you're in—there are more machines, computers and robots than ever performing work that used to be done by people, and productivity is increasing tremendously through technology use. For example, we have one property manager who oversees all 15 of our locations. That's pretty efficient!

Our goal is to find the maximum point on the curve where one axis is customer satisfaction and the other is cost. Effectively, we're looking for the best tenant experience at the lowest rate. We'll look at any technology that can improve convergence. However, the tools we employ can be used by any self-storage operator. Pick one or all. Any will increase the efficiency of your operation and save you time, money or both.

Before I dive into the details of the technology we use, I want to emphasize that the following is not a definitive list. Our industry is full of great vendors who are constantly refining and improving their products. This is simply what we're using for our current model. I'll distill items into three categories: sales, operation and monitoring. I'll also shared challenges we faced to implement new technology and the effect it's had on our customers.

Sales

Our sales revolve around a leasing-enabled website and kiosk as well as a call center. A leasing-enabled website allows a prospective renter to create an account, select a unit, enter payment information, create a gate code, electronically sign the lease and move into the unit all on his own. Twenty-four percent of our tenants rent through our website without ever talking to us. Not only is this optimal efficiency, it gives us a big advantage. We can lease 24 hours a day, whereas our competition can only rent during business hours. We average three to five leases per facility per month through after-hours leasing.

A leasing-enabled kiosk performs all the same functions as the website. Though only 6 percent of our leases originate through this tool, I still recommend having one. The use is enough to justify the investment, and the kiosk doubles as a pay station and information terminal for customers. Further, it establishes an "office" where renters begin their onsite journey.

Another critical item you need if you're operating an unmanned facility is a model unit, since after price, the next most common question from customers is, "What size unit do I need?" We either convert an

existing office or buy a 10-by-20 portable-storage unit to use as the model. We mark the smaller unit sizes on the floor using colored tape. Placing this near the kiosk allows customers to visualize the space they'll need.

The call center is the final and most critical sales channel. Seventy percent of our leases originate here. Units are rented over the phone, or the customer can complete the lease at the kiosk or website. You can't escape having a call center if you go unmanned. We established our own, as unmanned sites were pretty specialized when we started. Now, there are many great call-center options.

None of the above is relevant, however, if the customer doesn't know about your store, so it's critical to have an online presence. Start with getting a Google My Business Listing, then supplement with Google AdWords. I love this advertising channel because you can turn it on and off as needed.

Operation

For payments, we only accept electronic—no cash or checks. We lose 10 percent of customers when we acquire a facility and enforce this requirement, but we recover that loss quickly and the system is very efficient.

Next is the overlock challenge, specifically how to release an overlocked renter if there's no manager onsite. We use a lock system we developed ourselves, but there are other automated lock options in the industry. Even if your facility is staffed, an overlock system will help with efficiency, as the manager won't have to spend time removing overlocks, and locks can be removed even after hours. It's a better customer experience.

We do employ part-time maintenance techs who invest an average of 10 to 20 hours per facility per month. That's still far better than 160 hours per month for a full-time manager. A maintenance tech mows, blows, cleans, overlocks units, takes auction photos and handles other routine tasks. We're experimenting with 360-degree cameras and virtual-reality headsets that will allow our maintenance director to be "present" with the tech to do things such as walk-throughs or troubleshooting a gate.

Monitoring

We rely heavily on our camera system and are experimenting with analytics cameras. A legacy system records what has occurred on site, but an analytics system can be trained to recognize if a door or vehicle gate is stuck open. Plus, the cameras can see thermally, so they can recognize if a climate-controlled building's temperature is outside of its target range or there's water on the floor, indicating a leak. Our goal this year is to make the analytics cameras our central nervous system to monitor all aspects of the facility and actively notify us of exceptions.

Challenges

We have experienced some challenges when introducing technology at our properties, and they can be divided into two categories. The first we've defined as "the incident of failure rate" and the second is simplicity.

With unmanned operations, we have no one on site to deal with things that fail or break; hence, our goal is to get the frequency of something not working as close to zero as possible. There are a lot of amazing whiz-bang technologies out there, but if they're not extremely reliable, they aren't a good fit for unmanned sites.

Also, when you're unmanned, there's no one on site to explain how anything works. Every process must be as simple as possible so anyone without prior self-storage experience can jump right in and execute.

We work hard to get tenants onboard with our technology. When we acquire a facility and implement new tools, we lose 10 percent of the rent roll, on average. That may sound bad, but that same technology allows us to quickly recover those lost tenants. And, by the way, those are our "least efficient" customers—the ones who insist on paying by cash or check—so we're not exactly sad to see them go.

Most tenants are remarkably comfortable with our technology, as we try to keep it in the vein of interfaces they're already used to, such as a website, kiosk or combination lock. It's all familiar to them thanks to online shopping, Redbox and ATMs.

Whether you're thinking of going unmanned or just looking to find new efficiencies, I encourage you to attend industry tradeshows and see the technologies firsthand. Consider things that are easy to implement, such as connecting your gate to your website and management software. Chances are, everything is already in place, you just need your software provider to flip that switch. Then you can rent units 24 /7! This is just one way you can better serve customers and lower your operating costs.

Brad Minsley is a co-founder of 10 Federal Storage LLC, responsible for operations including new-technology development, acquisitions, management functions and finance. 10 Federal operates 17 unmanned facilities in the Carolinas and Virginia

Automation Makes Its Way Into Self-Storage

Many industries are adopting automation to make everyday transactions faster, easier and more convenient for consumers while increasing business efficiency. It was only a matter of time before this trend made it to self-storage. Whether you're depositing a check or buying groceries, many aspects of your daily routine may look very different than they did 10 years ago. Technology has given us tools including bank mobile apps and self-checkout lanes to make everyday transactions faster, easier and more convenient for consumers while increasing business efficiency. Many industries are adopting automation to provide customers and users with fast, real-time results. It was only a matter of time before this trend made it to self-storage. Five years ago, kiosks weren't readily accessible in storage facilities. Customers came in, visited with the manager, went to their units and left. Believe it or not, there wasn't nearly as

much hustle and bustle back in 2013. Many sites didn't even have a website, so payments were made in person or through the mail.

Automation is changing the self-storage landscape, enabling owners to cut costs and enhance the customer experience. The one-on-one interaction between tenants and a real person is still significant, however, there are ways to increase efficiency and return on investment without losing that personal touch.

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Automation is changing the self-storage landscape, enabling owners to cut costs and enhance the customer experience. The one-on-one interaction between tenants and a real person is still significant, however, there are ways to increase efficiency and return on investment without losing that personal touch.

For a self-storage operator, automation allows you to control expenses and increase margins. Online reservations/rentals and keypad gate access will enable you to securely operate your facility beyond traditional business hours, without the incremental cost of an hourly employee. With rental-rate increases slowing down, expense reduction is one way to add more to the bottom line.

Automation may not work at every facility, but it's an option for facilities in rural and urban areas. "Automation can provide a far superior customer experience, which results in higher occupancy and higher rents. We are experiencing these effects first hand on the deals we are acquiring and automating," says Brad Minsely, owner of 10 Federal, which operates 11 self-storage locations in North Carolina.

If you're looking to add technology to your self-storage facility, you're one of many. There are ample benefits to automation.



Bob Copper
Self Storage 101
671 Oak Haven Trail
Columbiana AL 35051
Office: 866-269-1311
Fax: 866-398-5859
www.selfstorage101.com



Consultant Qualifications:

2003-Present Owner, Partner in Charge, Self Storage 101

Founder of Self Storage 101, the industry's leading consultancy firm specializing in Development and Market Feasibility, Operational Improvement and Marketing Implementation. Bob has worked with 100's of independent owners and operators to assist in making informed and profitable decisions in all aspects of self-storage. He has developed, own and managed his own facilities and so has a unique perspective that easily relates to those operators he has consulted with over the years. Bob and the Team at Self Storage 101 specialize in:

- Market and Feasibility Studies
- Acquisition Due Diligence Projects
- Facility Operational Auditing
- Owner, Operator and Manager Training

Bob has authored a number of highly popular books and training manuals related to self storage and is a regular contributor to most of the industry trade journals. He is a regular speaker at national, regional and local self storage meetings and conventions.

2001-2004 Regional Manager, Metro Storage LLC

Oversaw three district managers in four states for Metro Storage, one of the largest operators of self storage facilities in the US. Had complete P&L responsibility as well as asset management, portfolio growth, marketing and adding value to the assets. Developed training programs and assisted district managers with personnel decisions and financial statement reviews.

1998-2001 District Manager, Public Storage

Successfully managed the largest Public Storage district in the country (17 properties). Took over two under-performing districts and turned them into some of the highest performing districts. Responsible for all personnel management, expense control, manager training, property management and operational reporting. Involved in several acquisitions and new-store openings.

Education: Stetson University, 1979-1983

Professional References gladly provided upon request.

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We know storage. www.selfstorage101.com

Bill Copper

Self Storage 101
406 Oliver Approach
Johnson City, TN 37601
Cell 828-381-5631



Consultant Qualifications:

2006-Present Consultant, Self Storage 101

Field Auditor and Data Analyst with Self Storage 101, the industry's leading consultancy firm specializing in Development and Market Feasibility, Operational Improvement, and Marketing Implementation. Bill has worked with dozens of independent owners and operators to assist in making informed and profitable decisions in all aspects of self-storage.

Bill has developed and implemented systems for analyzing and collecting relevant data to:

- Improve operational efficiency
- Measure operational effectiveness
- Assist in determining project viability
- Measure Capital Rate of Return on acquisition projects

Bill has worked closely with clients and industry vendors to aid in market research and development viability for a large number of independent-owner and institutional self storage projects:

- Provide comprehensive market data and analysis to determine unmet demand or over-supply in specific markets
- Participated in a number of community neighborhood meetings, municipal presentations and investment group conferences to provide anecdotal and empirical evidence regarding market demand and viability of specific self storage projects
- Prepared a large number of complete bank package or self storage feasibility studies, documenting "develop or not develop" recommendations

Education: Stetson University, 1980-1984

Professional References gladly provided upon request.

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