

## VIEWPOINT

As the RV and boat storage industry continues to grow, we are seeing more condominium-style storage projects being built or planned. Our question for this edition of ViewPoint: Will condominium-style storage affect the self-storage industry in the next decade?

— Poppy Behrens



**Ted Deits • Eucalyptus at Beaumont RV, Car, Boat Storage Condominiums**

Yes, I believe it will—in some cases. However, will it affect the typical 8-by-10 storage unit? Very doubtful. It really depends on the value of the items you are storing. For someone to outlay what could be thousands of dollars to store household items is at best a “reach;” however, those people who would like to store high value items such as boats, RVs, cars, or even those who want incubator-style mini-industrial storage/office space, it makes complete sense from both an economical and a practical standpoint.

Demand for RV storage (including boats, ATVs, jet skis, etc.) is at an all time high. Land values are also at an all time high, making the feasibility of building storage for this type of rental facility very difficult, if not impossible. Given that 60 percent of the land is wasted due to the huge turning radius’ of RVs (compounded by those pulling trailers), this type of rental storage is not the highest and best use of land—especially in Southern California.

The condominium concept, while gaining ground at an incredible rate across the U.S., is a niche market at best, targeted to a specific market with a specific need. It fits nicely in some markets; in other markets it is like trying to fit a size 12 foot in a size six shoe. It just won’t work.



**Caesar Wright • Mako Steel, Inc.**

I don’t see how the condominium trend in RV and boat storage would have any real adverse long-term effect on the overall rental market. There are “X” number of RVs and boats that are going to be available to the market to potentially be stored. These vehicles are going to be stored either in a rented unit or a purchased condominium unit. Almost all of the entrepreneurs who are developing condominium projects are also already involved in the rental storage side. Therefore, if the numbers are structured properly, it is storage industry owners making the same amount of profits, if not more.

These developers are utilizing the same vendors to build condominiums as would be used to build any other storage facility. So on one hand, yes, this segment of the market is purchasing rather than renting a unit. On the other hand, it is “attached” to the same body. I see it as simply two ways to get to the same point. If a tenant moves out, they will most likely rent or buy a unit in another location. It will be interesting to see how the “re-sale” market for condominiums will develop.



**Eric Snyder • Buchanan Storage Capital**

We are seeing some operators successfully building self-storage condos in select markets. We have seen developments located near recreational activities such as lakes be successful for individual buyers who want to own a unit to house their boats, RVs, ATVs, and other recreational vehicles.

One of the biggest concerns for self-storage condo developments is whether or not there is financing available for the individual purchasers of the individual units. Some buyers may pay all cash to purchase a self-storage condo unit, but others may have to go to a local bank for the purchase financing. This issue has been mitigated by some developers who package the sale of the condo unit in partnership with a local lender who will provide the purchase financing.

Another concern for the purchasers of self-storage condo units is their ability to resell their unit in the future. Is the market deep enough so that someone will buy a unit if the owner needs to sell it in five years? To mitigate this concern, these units should be located in an area that is heavily utilized for recreational activities so there is always demand for RV and boat owners in the future. ■■■



**Greg Call • Self StorageWorks**

Storage condominiums have been around for a long time in the self-storage industry, and much in the same way as door-to-door containers for mobile storage, condominiums seem to have always done well. As storage markets become more sophisticated, their constituents ask for more service and condominiums have fulfilled a small portion of the storage market where the customer actually becomes an investor and receives a return on equity.

A leased self-storage space will always have an advantage to a larger percentage of the market due to the larger capital outlay required to purchase: Having said that, turning an expense (a leased space) into an investment in real estate with a condo unit will make sense to a segment of the market. The majority of users will be in the RV, boat, and business sectors. The self-storage condominium will have a positive impact on the market but not to a major degree in the next five years.