



# Survival of the Fittest

**2013 Self Storage Demand Study, premiering in Philadelphia, indicates that the industry is ready to grow.**

By Laura Williams-Tracy

The first comprehensive look at self storage since the recession and collapse of the housing market reveals a resilient industry that has remained structurally sound while shifting toward more affluent customers who want to do business longer.

The 300-page *Self Storage Demand Study 2013 Edition*, which is available for purchase, reveals that while the economic downturn affected some buyer behaviors and likely resulted in less use of moving trucks and associated services, market penetration remains constant and offers an opportunity to grow.

“The outlook now is rather positive,” said George Leon, PhD, of National Analysts Worldwide and author of the study. “Given that we’ve essentially netted out on shifts in the market, as the economy continues to expand and housing improves there’s a lot of indication that things are going to pick up. Self storage has reasons to be optimistic, both from what we’ve found in the study as well as from general economic indicators.”

The original *Self Storage Demand Study* was launched in 2005 to answer questions about whether the industry had reached a saturation point after years of growth. That first study revealed that no bubble was about to burst. Two years later, a follow up study confirmed the results.

But the deep recession brought about anything but business as usual. The 2013 study looks at how the industry has fared over the past five years and offers a more current look at who’s still buying storage, why and for how long. More than 22,000 households and businesses were contacted and asked if they currently or recently rented a self storage unit or planned to in the next year.

Those answering “yes” were then administered an in-depth survey about their rental needs, uses and future plans. A total of 1,440 households and 459 businesses responded to the in-depth survey. The survey looks at overall data, and then offers a detailed look by geographical region and by four user groups: long-term renters, short-term renters, students and military renters.

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## Renters Look for Longer Leases

The biggest change in the residential market for self storage is a shift away from temporary renters, the study reveals. Five years ago, residential customers using self storage on a temporary basis while they changed residences made up the largest group of residential customers. Today, five years after the housing market crash, long-term renters—those keeping their units for two years or more—make up the largest group of users. A full 30 percent of renters surveyed about the length of their rental said they had kept their unit longer than two years. That's almost twice the 17 percent of responders in 2007 who rented for two years or more. What's more positive is that those planning to rent in the future expect to be long-term renters.

"We see more people who truly look at storage as an addition to their home or a necessity to an apartment or condo," said Debbie Sutherland, owner of Space Center Storage, with 10 facilities in Kentucky.

Long-term customers are attractive because with little turnover their units take less effort to manage, and owners enjoy regular rent collection instead of working around gaps between occupancy. Sutherland said she sees a correlation between long-term renters and timely rental payments.

"I think what we are seeing is what the industry leaders have tried to create," Sutherland said. "The fact that storage looks a lot different than it used to—it's clean and nice and



*"We are, in essence, looking at a dark stretch of road in the rear-view mirror."*

*George Leon, PhD  
National Analysts Worldwide*

more professional—means we have done a lot to create an environment where people want to do business."

Leon said the data show the industry weathered the recession well.

"The industry has hung in there," Leon said. "If you go back to 2005, the big concern and what prompted the association to do the study was the concern that we'd reached a saturation point. Folks weren't sure what the market penetration was."

The 2005 study revealed a market penetration of 9 percent, which grew to 9.5 percent in 2007. The newest study shows market penetration holding steady at about 9 percent even while population grew. Total self storage renter households grew by almost 100,000 customers during the recession. Today the industry has just fewer than 11 million renters.

## Lower Intention to Rent, but for Longer

Perhaps the only significant concerning data from the study are respondents expressing a lower intention to rent storage in the future. All recent, past and non-renters were asked about future intentions to rent again in the next 12 months. About 11 percent of recent renters plan to rent in the next year, as do 3.5 percent of past renters and 2.3 percent of non-renters. Leon said these numbers are lower than those in the 2007 study, but he said this doesn't necessarily mean lower occupancy rates in the future.

"The fact that we have fewer recent renters chops into that group planning to rent," Leon said. He adds that the trends that recent, current and planned rentals all plan to rent for substantially longer periods than was seen in 2007 might offset lower planned rentals.

"Part of what this number may reveal is the legacy of the last several years of the economy," Leon said. "We are, in essence, looking at a dark stretch of road in the rear-view mirror."

## Small Businesses Using More Storage

The survey also found a change among business customers that has moved toward small businesses being the bigger users of self storage.

"We are getting more businesses that have the demand that we be able to accept UPS deliveries for them," said

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**SENTINEL**

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Lisa Barth-Chiappetta, a national director and operations manager for Barth Storage. “We have an outlet mall by us and a lot of them don’t have more room for inventory.”

But the retailers find they can rent storage less expensively than storage within their commercial properties. “We’ve been accepting UPS deliveries forever and for some clients we take the deliveryman straight to the unit.”

Leon said self storage provides an inexpensive way for businesses to add capacity, which is adding to its appeal.

Overall customer growth appears to be trending stronger in suburban and rural areas than in urban areas. Compared to 2007, market penetration dropped in the Northeast, decreased slightly in the Midwest and the West, and slightly increased in the South. Rents paid are relatively unchanged since 2007. Credit cards have become the most popular form of payment, followed by checks, which is a swap in popularity over the last five years.

**Renters Not Willing to Pay More for More**

The study revealed what many operators already know, that differentiating facilities by offering amenities has been a hard sell. The study shows that while customers may

value premium features, only electronic gates command a majority who are willing to pay extra. Use of extra services, such as rented trucks, dollies or carts, and sales of moving supplies are down 20 to 30 percent from five years ago, a trend not surprising with customers renting longer and moving households less often.

The challenge of differentiating based on services and amenities doesn’t surprise Sutherland.

“People want it clean, dry, well-lit and convenient and that’s about it,” Sutherland said. “Some big stores have a Starbucks next to them, and there are probably little niches where you can do that. But probably 99.5 percent of us don’t fit that niche.”

Customers renting longer have helped to off-set losses from a lower volume of customers, Leon said. As the economy, and especially housing, gains strength, Leon predicts growth for the industry.

Barth-Chiappetta said the study is a reminder to value those long-term renters.

“Renters staying anywhere from five to 10 years is now at 18 percent of my renters,” Barth-Chiappetta said. “That’s just showing that we’ve got to take really good care of these people. They are there for a reason and if they aren’t treated well they will go somewhere else and pay that money.” ❖

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