

Transformers

For storage facility builders, conversions can make a lot of sense...and dollars.



The former Sears Parts and Repair Center exterior in Deerfield, Illinois... became the current Metro Storage exterior in 2014.



A look at the rear area of the former Sears building... and when construction was in progress to add new units and a drive-through.



The former office area of the Sears building was transformed to... the beautiful main office entrance area of Metro Storage.

By John Dunlap

Let's say there's this really nice building in a perfect location that used to be an auto parts and repair center and was recently vacated. The building offers 54,000 square feet of room as well as enough property to allow for further building. Do you buy it? Do you convert it into self storage?

The answer was "yes" and "yes" for Metro Storage LLC, based in Lake Forest, Illinois, in 2014. Metro Storage operates 78 locations in 11 states and is a firm believer in conversions, having converted a former electronics store, liquor distribution center, car dealership and the aforementioned auto parts and repair center to self storage, all within the last year.

The former Sears Parts and Repair Center is located in Deerfield, Illinois, and Metro Storage's renovation of the facility started exactly a year ago. The conversion consisted of demolition of the existing warehouse interior and the installation of 383 interior climate-controlled units. Two additional buildings were added to the property with 314 units of standard and climate drive-up and interior climate-controlled storage.

P.J. Richards, director of learning and project management for Metro Storage, checked in with some fellow employees in construction and acquisitions for reasons why conversions can be so appealing to any self storage company. Here are some of their responses:

- Ability to find high-end retail locations that fit within self storage parameters.
- If it involves a location that has been sitting vacant for a while you can typically get the project approved faster through a municipality as a new use.
- A conversion typically can be completed in a much faster time period than new construction. Typically you are working with a completed structure with all the services including the site work, drainage requirements, utilities, etc., already in place.
- Sometimes it's an easier zoning approval.
- Lower total project costs (especially if it's a dark space).

Where To Start?

BETCO, Inc., based in Statesville, North Carolina, believes in conversions, but only if all the elements line up correctly. So, where does one start when considering doing conversions?

"First of all, make sure that the building is located in a good market for storage," said Terry Campbell, director of sales and marketing with BETCO. "Then, make sure that the building is in good shape...the roof, the electrical systems, sprinkler systems, HVAC, etc. Make sure that the layout of the building will allow the customers to have easy access. Does the exterior of the building have good curb appeal or will you need to update it and dress it up?"

Other questions that Campbell thinks bear consideration are: Is it visible and easy to access? Where is it located in respect to competitors? Is there enough market for you and your competitors to do well? Is there enough height in the building to put in another floor? Is there plenty of clear area free of columns and other things that could affect the unit mix layout and amount of rentable square feet? Is it free of lead paint and asbestos? Are the current openings into the building friendly to the layout that you would want to have?

"Conversions are becoming more and more commonplace," Campbell added. "Finding that 'just right' piece of dirt is getting harder and more expensive, so if you can find a building that is in a good location and doesn't need much work, you can save time and money. Neither the owner of the building nor the local authorities want an empty building just sitting there, so you may be able to



Above: A warehouse formerly used by a moving company in Matthews, North Carolina.

Below: Showing the conversion into a self storage facility by BETCO.



Above: Miller Building did this conversion at what is now Glenolden Storage Center in Glenolden, Pennsylvania.

Below: This beautiful corridor was part of a Miller Building conversion at Read Street Self Storage in Portland, Maine.



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get a good deal on the building and less friction from the city or county because they want these empty buildings put to use.”

Key Factors

For Louis Gilmore and Miller Building, Inc. (based in Flourtown, Pennsylvania) it all starts with the actual demand for self storage in the area where the conversion will take place.

“If you are considering converting an existing building into a self storage facility, you must determine that there is significant demand in the market to the point that the customers are willing to overlook the lack of convenience presented by interior storage,” Gilmore said. “The most attractive demographics for conversions tend to be in urban markets.

“The location of the storage facility is the most critical part of the formula to its success,” Gilmore added. “There are parts of urban markets that are undesirable for self storage; a gem in the rough is still in the rough. Easy and safe access to the facility is the primary benefit. There are physical features in a building that make it ideal for self storage—drive-up loading, elevators, sprinklers, ceilings greater than nine feet, and drive-up access to multiple floors (split level).”

Gilmore and Miller Building also have to deal with the element of zoning. Generally, the common zoning for self storage is light industrial, but the self storage company needs to check on local zoning. An architect should be employed to provide a life-and-safety plan that meets local codes. According to Gilmore, zoning approval and code enforcement are the two biggest challenges to achieving a certificate of occupancy, and it is not uncommon for the process to take a year or two.

Gilmore points out that drawbacks to converting existing facilities can include pre-existing conditions that need help. Among those, here are the most common: roof leaks, internal drains that leak, poor HVAC, antiquated sprinklers, lack of natural light, bad visibility, contamination, deteriorated floor, lighting issues, unsafe loading areas, old elevators and bad odors.

Location, Location, Location

Rick Dodge works for Paramount Metal Systems in Rossville, Tennessee. Paramount does its fair share of self storage conversions, primarily with mezzanine systems, creating an elevated deck system that will allow multi-level storage within an existing building. And like everyone else doing conversions, Dodge sees the value of the projects normally outweighing the inconveniences. When looking at buildings that were once other businesses, what elements need to stand out to make them desirable for conversion?



Work being done by Paramount Metal Systems creating a Storage Plus in Brooklyn, New York.

“Like all real estate deals—location, location, location,” said Dodge. “Also, the purchase price of the building and the cost of bringing it into usable condition along with the cost of the actual conversion versus the return as determined by market area. You need to consider how many units you can get into the usable space. Is there enough height in the building that a mezzanine can be added in order get enough units in the building to get a good return?”

“We have done conversions in all types of buildings, including old movie theaters, grocery stores, warehouses, sanitation dump buildings and retail buildings. It’s all about cost and return.”

According to Dodge, you always have to be aware of codes. Doing your homework is important.

Converting to Conversions

When Wayne Woolsey, a principal with Kiwi II Construction, Inc., thinks about possible conversion projects, he has two very basic elements that must line up.

“For our scope, the two critical items are: one, is the slab on grade designed to take the storage loads? Most older projects are rated for a load of 80 lbs per square foot and self storage requires 125 lbs per square foot. And two, clear floor-to-floor height. Can a second or third level be added?” said Woolsey.

Woolsey also points out that on any building used by a former business he would want to have solid existing access to the building and good location of the doors and windows to the street view.

On the whole, Woolsey is a believer in conversions.

“The building is existing and ready to be converted, and depending on building cost, could be a lower point of entry against land and construction costs,” Woolsey added. “There is also potential for a great location in a developed part of town. Conversions are becoming more common in certain areas. I would say on average a conversion should be more cost efficient.” ❖