

Strong Potential for a Bright 2015

Vendors say conditions are right for the best year ever.

By Laura Williams-Tracy

There's little that business owners and investors love more than certainty in the future. At the risk of wearing rose-colored glasses, vendors serving the self storage industry are almost unanimously positive about 2015 and the prospects for strong economic performance.

Targeted new project development is in full swing, but markets aren't yet over-built. New innovations in technology are driving advances in management software and security. An improved lending market and drive toward consolidation means deals are flowing.

SSA *Globe* magazine sought out vendors with products and services to sell to the self storage industry to get their forecast for 2015. What follows are their responses (in alphabetical order of company name):



Andy Fawcett, All From 1 Supply, Inc.

My prediction is that sales will be up in 2015 by as much as 25 percent. We are a construction-related supplier, providing door coatings and LED lighting among other things. Based on my communications with contractors, there will still be plenty of work as the industry consolidates and larger

companies buy smaller ones. When they do that, reimagining happens to bring the new facility under the image standards of the company. Those facilities that are not acquired will still be under pressure to remain competitive, which includes the constant upgrade of their facility.



Maureen Lee, Bader Company.

There's growth in the industry, and that's good for us when our clients are building new properties. Our current client base is in a healthy position, and the larger operators and owners are acquiring new properties. As an insurance provider, it's important to us to see an aggressive legislative agenda for

limited lines insurance licenses in 2015. For us, we also hope to see more standardization in terminology surrounding tenant insurance and a landscape that reduces concerns from the regulators and lawsuits in the industry.



Bob Hayworth, Baja Construction Inc.

We concentrate on RV and boat storage, and I think 2015 is going to be a great year. The RV industry is predicting more than a 10 percent increase in sales and production. Basically, all of the baby boomer guys like me are going out and buying their toys, and they've got to find a place to

put them. No one has built any RV or boat storage since 2008, so there's pent-up demand. We're busy all over the United States. 2008 was our best year ever, and I think we'll hit those same levels and maybe pass them.



Nancy Martin Wagner, Chateau Products.

I see an increase in unit sales across the country, especially in urban areas where new facilities are being built and existing facilities expanded. Packing supplies, furniture protection, moving supplies and security supplies will increase at a steady rate in 2015.

The improved housing market is helping our business tremendously. Banks are selling off foreclosed properties and low interest rates are helping people buy and sell houses. Job growth means new housing starts in many states and people are relocating. Older generations and empty nesters are downsizing and needing storage.



Chris Marr, CubeSmart.

We believe that positive storage industry trends will continue into 2015 given fairly steady economic conditions driving demand and a continuation of limited new supply. In this environment, the larger operators will continue to capture a disproportionate share of customer demand and achieve more

pricing power through increasingly sophisticated Internet marketing strategies and revenue management systems. Third-party management platforms will continue to grow as owners seek and realize the advantages of large operating platforms. The transaction market will remain competitive and industry participants will increasingly look to development to augment external growth strategies.

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Glenn Hunter, Domico. I predict that 2015 will bring a lot of change. Most of it will be good for growth, and some of it will be very bad. Money is pouring into the industry, and with a lot of expansion taking place, decisions about technology happen haphazardly. Existing companies and new companies will offer products with

which they have little experience. Smart buyers will consider who is the company behind the product? What is their track record? How well do they support their current products? And what credential do they bring to the table?



Louis Gilmore, Miller Buildings, Inc. After several years of development drought, the self storage industry is experiencing new interest in facility start-ups. Veteran self storage developers are dusting off plans and upgrading with modern designs, ready to build the next generation of storage facilities using new materials

like insulated panels and high-tech offices. These merchant developers will penetrate urban and suburban areas, raising the bar in mature markets. There will be a flood of inexperienced developers. First-time developers need to utilize the expertise of a consultant or they will find it challenging to succeed in this business.



John Fogg, Sentinel Systems. New construction has been increasing over the last 18 months. Certainly, it's not like it was 10 years ago, but it's going in that direction. Because of the age of the industry, operators are assessing whether it makes sense to replace worn out systems with modern systems. Newer keypads contain the

gate codes and keep working even if the computer system goes down. It's never an issue until someone is caught inside a gate. Especially in metropolitan areas, we expect developers will continue to use individual unit door alarms.



Markus Hecker, SiteLink Software. 2015 will be a year of increasing expectations for management software as more owners look to their management programs to tie into existing operating platforms, integrate with their websites and ensure data security and streamlined credit card

processing. Software must integrate with websites to offer customers a place for payments, reservations and rentals. Management software also will be increasingly expected to include electronic leases and signatures. And data security will be an even bigger concern after infractions at major retailers. Storage owners will be expecting stellar support and product reliability with web systems that tie into more platforms than older Windows programs.



Jim Grant, Storage Treasures. We expect to double our company in size. In 2015, we are combining Storage Battles and Storage Treasures with live auction listings and online auctions under the Storage Treasures name. We are currently doing auctions for 5,500 facilities and expect to be near 10,000 [this year]. Our new site will

offer a new feature called Treasure Chest, which is a way for people who buy units to sell and trade things they find through social media without us taking a commission. The advantage for the storage industry is that you could rent the unit you buy, take pictures of the stuff you want to sell, and put it in our virtual store and sell it. We're also entering the Canadian market in 2015.



Michael Mele, Marcus & Millichap Real Estate Investment Services. Interest rates will remain low and steady. We will continue to see consolidation in the industry, with larger institutions buying properties and mom-and-pops exiting the industry. We'll see REITs branching out into secondary markets, which will cause the prices

in these markets to increase and cap rates, on average, to go down. The REITs are running out of product to buy in the major markets, and there's not enough construction there to keep the appetite of these larger groups fulfilled. I don't foresee any large portfolio transactions, just a lot of individual sales.



Wayne Woolsey, Kiwi II Construction, Inc. Building activity is much stronger, and it looks like activity will pick up in 2015. Money is the key, and there's money for some but not money for others. Guys trying to borrow \$4 million are having a hard time. But for well-heeled guys trying to borrow \$20 million, that money seems to be

as easy as going to the ATM. Multi-level projects are the most popular, making up about 60 percent of our work. All of the good land is gone, so people are finding old buildings that are convertible and in an A location. We are doing more retrofits than in the past.

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Kevin Kerr, Storage Commander. We are noticing an increased demand in versatility with an expanded interest in evolving technology. Web-based software seems to be taking hold of the market, with strong emphasis on the digitization of signatures and check images, which are required for electronic deposits. Furthermore, with the migration of payments to EMV (pin and chip) processing in 2015, it will be paramount for operators to choose technologies that will be able to adapt to the needs of an ever-changing market.



Tom Garden, Syrasoft Self Storage Software. Things look very positive with activity at the trade shows and phones ringing again. Psychologically, people are opening their wallets. We are expecting a wonderful year, with sales up easily 20 percent. Our cloud-based product will be ready to roll out in the new year. Clients will see that response time for online payments and online reservations will be quicker than the desktop and they will have better connectivity. Our larger clients are requiring data to be stored in the cloud. It's very scalable.



Peter Nemiroff, Universal Storage Containers, LLC. We have seen a steady trend in 2014 of increased portable storage container orders internationally and in the U.S. market. Our customers are telling us that they are confident that 2015 will continue with a significant increase in their sales that will drive the need for more portable

containers to meet their growth. We already have many customers who have placed their 2015 orders with us.



Jason Lopez, US Storage Centers. 2015 will be the most competitive and innovative yet. 2014 was a great year for most operators, US Storage Centers included, in terms of acquisitions and revenue growth. But the competitive landscape has rapidly changed and the operators who invested wisely over the years in technology, marketing

and operations will benefit the most. It will be a harder year for the operators who did not. ❖

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