

GETTING STARTED

IN SELF STORAGE

**A STEP-BY-STEP GUIDE TO
LAUNCHING YOUR BUSINESS**



CONTENTS

CHAPTER 1:

> What is Self Storage?

CHAPTER 2:

> 6 Reasons to Invest in Self Storage

CHAPTER 3:

> Industry Overview

CHAPTER 4:

> Your Step-by-Step Guide

CHAPTER 5:

> Marketing your business

CHAPTER 6:

> Financing your facility



WHAT IS SELF STORAGE?

When setting up a business in a new industry, it's crucial to know the basics. So, what does the term self storage actually mean?

Self storage is a shortened name for “self service storage” or “device storage.”

Essentially, self storage is space for business or domestic customers to rent, on a short-term (more typical) or long-term basis. Historically, units have been secured by tenants' personal locks and padlocks, but with technological advancement, there are now wireless options that allow for remote access and management.

The first self storage businesses were established in the United States but can now be found in a growing industry across the globe. The self storage sector has to date proved resistant to economic uncertainty and can be a great way to diversify a stock portfolio.

Storage facilities vary in size and can range from a handful of units to over 1,000 units in some of the largest stores. Sites often have a range of different unit sizes available for the numerous customer needs and requirements.

The key to any business succeeding is developing a thorough understanding of the target customers and their requirement for your products or services. Industry experts refer to the Four D's, the long-running mnemonic device that explains the drivers of self storage demand:

- 1. Death**
- 2. Divorce**
- 3. Downsizing**
- 4. Dislocation** (e.g. relocation or marriage whereby the couple now has duplicate items)



6 REASONS TO INVEST IN SELF STORAGE?

Self storage investment offers the following benefits:

1. PORTFOLIO DIVERSIFICATION

This is essential to a successful investment strategy. Some of the unique benefits of the industry that illustrate why it is a good diversification solution include: rental rate adjustment frequency, diverse tenant base and relative resistance to recession.

2. LOW STAFFING REQUIREMENTS

Traditional self storage businesses rely on one to three staff for everyday operations, which keeps employee costs relatively low. However, the availability of innovative automation solutions means owners can now control facilities remotely. With fewer outgoings, these businesses are an increasingly profitable investment opportunity.

3. REALISING YOUR GAINS

Many owners have their exit strategy planned from the day they break into the self storage industry. Nearly every major player in the market has built their brand by investing in a series of facilities, stabilising occupancy and growing revenue over a period. After reaching this point, many owners will sell to a larger operator or explore higher, better uses for the underlying property.

4. GROWTH POTENTIAL

With the growing interest in self storage across Australasia, it doesn't take long for new facilities to start filling up. This demand can provide enough cash flow for future expansion.

5. MAXIMISE ASSET UTILISATION

Self storage sizes can range from 1 sqm to 100 sqm and beyond. Utilising unused space (internal or external) within a facility or on a piece of land by building self storage will help operators maximise revenue.

6. RETURN ON INVESTMENT

Across Australasia, self storage companies are delivering impressive double-digit returns. Self storage owners generally experience continual growth over the life of their investment, which is one of the many reasons why investors choose to stay in the industry long term.

INDUSTRY OVERVIEW

Self storage is experiencing exponential growth right across the globe. Australia and New Zealand alone are home to approximately 2,000 facilities, from purpose-built multilevel properties to simple ranch style set-ups. The growth in the number of high quality facilities across Australasia coincides with increasing consumer demand and resilience in the face of global events. Combined with underlying property valuation growth and recurring rental cashflows, self storage can be a lucrative investment opportunity.

State on the industry 2021, Self Storage Associations of Australasia



Average occupancy level is 5% above pre covid-19 levels.



Current operators optimistic about the future



55+ developments in the pipeline



YOUR STEP-BY-STEP GUIDE

Here's a helpful checklist to ensure your venture is a success.

1. MARKET RESEARCH

Before starting out in self storage, it's important to understand your local market inside and out. Get in touch with the **Self Storage Association of Australasia** as they're a great source of industry information and advice.

There is also a number of property economists, valuers and market research companies across Australasia that can help you build a clear picture of your chosen location and primary audience, including their mean income, any suburb trends and factors motivating purchases. It's important to know the presence, size, rates and occupancy of local competitors to help you model the potential of your facility. These insights will guide you in the choice of the location of your self storage facility and enable you to consider the size requirements of your store, the different sizes of storage space (also known as unit mix) and the rents you can charge.

2. BUSINESS PLAN

A detailed strategic business plan is essential for anyone setting out on a new venture, particularly one that requires financing or external investment.

Now that you have your market research, consumer demand potential and competitor activity you can begin to consider any gaps or opportunities and start making plans.

This breakdown of the facts, figures, operational activities, marketing campaigns and future plans increases the likelihood of successful backing and supports strategic decision making.

3. LOCATION, LOCATION, LOCATION

Self storage is all about convenience and accessibility. Like other real estate investments, location is everything. Good visibility, access to arterial roads and passing traffic make it easier for future customers to access your services. No matter whether you're building or buying, location is important!

4. PRODUCT CHOICE

Your choice of self storage product is one of the most critical decisions you'll make, as it will impact your business throughout its life cycle. There are a wide range of options for storage products, including different types of partition systems, doors and lockers, as well as relocatable storage units for indoor or outdoor use. Many customers value the convenience and security of digital locks and app-based access, so you'll need to consider smart access control for your facility too.

Here are some examples of how your choice of self storage product impacts your business at various stages:

- > **Pre-Investment Period:** A knowledgeable and experienced product supplier can design a fit-out that maximises the value of your asset, help plan the optimal unit mix for your location and support any development, planning and/or building compliance applications and submissions.
- > **Investment and Build Period:** A streamlined installation and fit-out process will ensure operations can commence as early as possible.
- > **Operational Period:** The quality and durability of materials will impact the ongoing maintenance requirements and longevity of your setup.
- > **Exit Period:** Top-rated self storage products are recognised in the due-diligence and valuation process, which can increase the value of your business and help support a profitable exit.



5. BUDGETING

There are costs to consider beyond the initial purchase and/or rental cost of your building and fit-out. You'll need to consider:

- External building requirements such as parking, gardens and signage
- Internal building requirements such as reception or retail space fit-out, bathrooms, lighting, bins, fire safety and any climate control
- Self storage facility set-up including partitioning, lifts, doors and lockers
- Insurance premiums
- Business services including any technology costs
- Planning applications
- Utility bills
- Personnel costs
- Marketing expenses
- Any ongoing maintenance costs

6. EXECUTION

The executional and operational stages of your self storage venture come after you've built or secured a building. These implementation stages include:

- Structural engineering
- Fire safety
- Architectural design
- Mechanical ventilation and electrical design
- Planning approvals
- Building preparation works
- Manufacture of self storage partitions/doors
- Self storage construction
- Project management
- Security systems including gates and perimeter fencing
- Smart access control solutions

7. OPERATIONS

To help your facility run smoothly from day one, you'll need to:

- Create a helpful and informative website for your business, with excellent design and functionality – including the ability to book online
- Have a self storage insurance offering for customers in place
- Choose a quality self storage management software, preferably one with invoicing and customer relationship management capabilities that is compatible with your security and access control software
- Set up a welcoming, retail-style office of at least 50 square metres, where customers can enquire about and sign up for a storage space
- Use your retail space to present any complementary merchandise, like boxes, tape, padlocks, self storage shelving, etc.
- Have load-handling equipment in place – trolleys/pallet jacks, etc.
- Have a customer storage agreement in place that is legally recognised in your country, so you can sign up customers from day one
- Arrange branded uniforms and hire staff trained in sales and customer service to help secure customers for your facility
- Ensure that all staff understand your operational procedures, including fire safety and any other compliance requirements



MARKETING YOUR BUSINESS

Effective external communication is hugely important for all self storage businesses in order to generate enquiries, regardless of whether you're a start-up or an established operator. Here are some top tips:

- A good company website is absolutely essential so that potential customers can find your business and submit enquiries. Your site must be accurate in terms of locations, contact details, site information and opening hours. It's vital that all pages, the navigation and links work and it goes without saying that your site must be optimised for desktop, tablet as well as mobile use. Keep refreshing your branding, layout and visuals to ensure that the site looks great too. Customers will expect a user-friendly layout and excellent functionality. A slick online booking system can be really advantageous in addition to apps such as the Nokē Smart Entry system that enable tenants to check in to their unit online. Make the process as convenient as possible to create a brilliant first impression and convert leads into customers
- SEO / Google Ads- you need to ensure that your online search terms and Google Ads are working for you. Getting this right from the beginning will be worth the time, money and effort invested, so utilise either your in-house marketing team or ask a specialist SEO agency for support. Set a monthly budget to stay in control. It's important to review and update your SEO settings and Google account regularly to ensure that you understand what key words and ads are generating results and which ones aren't. Furthermore, making sure that your Google My Business is complete and set up accurately will also improve your ranking
- Social media offers another excellent and cost-effective channel for attracting new prospects and engaging with existing tenants. Test a few different platforms to figure out which ones work for your business. It's often best to concentrate on a select few platforms rather than spreading yourself too thin. Use social to enhance your brand, share positive customer reviews, communicate business updates such as new facilities and promote special offers



FINANCING YOUR FACILITY

Typical financing scenarios for a self storage start-up are as follows:

- You or your company/partnership has equity for the set-up of a self storage facility or to buy an existing site
- You or your company/partnership owns land or a building that can be leveraged against a bank loan (or obtain a bank loan through other means) to build on or convert to self storage
- You are backed by other individuals, single or multiple fund-based entities, a partnership of funds (or yet another backing solution) to set up or buy an existing self storage business

When your self storage business grows and you want to expand, you have other options to raise capital. Many larger self storage businesses started with a single site and, as it grew, gained considerable wealth by using one of these popular financing options:

- As a recognised self storage operator, you could use debt financing to support expansion. Secured mortgages are available as with any real estate acquisition. Some banks also fund the capital investment of the construction or fitout
- Involve other private shareholders – this is easier once you have one or two sites in operation
- Many private equity funds and other large investors see self storage as an attractive addition to their portfolios. A profitable self storage operator is in a good position to attract capital
- IPO (initial public offering) or stock market launch – sell shares in your company to the general public to raise expansion capital
- Convert your business into a Real Estate Investment Trust (REIT) as a sponsor and/or sell/lease back your underlying asset to a REIT to generate growth capital. A REIT is a company that manages a portfolio of real estate to earn profits for shareholders. REITs can be publicly, or privately held and public REITs may be listed on public stock exchanges. REITs can be very tax efficient, as the property company pays no corporation or capital gains on profits made from property investment. Each country has its own criteria for REIT conversion, for example, a certain percentage of revenue must be derived from rents and/or a certain percentage must be paid out to shareholders





WE WOULD LOVE TO WORK WITH YOU

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