

**STORING  
UP  
PROFITS**

**Capitalize on  
America's Obsession with STUFF  
by Investing in Self-Storage**

**PAUL MOORE**

**FOUNDER & CEO OF WELLINGS CAPITAL**



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# *Praise for* **STORING UP PROFITS**

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“As the host of a real estate podcast with more than 2,000 episodes, I have interviewed quite a few syndicators and investors in the self-storage arena, but I have yet to see a helpful book on this topic. Paul Moore has written that book. Whether your goal is to build or buy and operate self-storage or just to invest, this book is a valuable guide to teach you the fundamentals at an understandable level.”

—**Joe Fairless, author, podcast host,  
and co-founder of Ashcroft Capital**

“The information [in this book] is the one-stop-shop to making self-storage part of your investing platform.”

—**John Cohen, founder of Toro Real Estate Partners,  
owner of JC Property Group, and co-host of  
*The Real Estate Investing Experience***

“Paul understands that real estate is an amazing way to build wealth, keep up with inflation, and ethically lower your tax burden. [This book] is an amazing resource on how you can take advantage of these benefits and grow your wealth!”

—**Jake Stenziano, host of the podcast  
*Wheelbarrow Profits***

“The world of self-storage investing can be a very lucrative one, but it is not as highlighted as many other real estate investment vehicles. Paul Moore’s book is both timely and extremely well written ... [a] thorough explanation of what it takes to be successful with these types of investments. For any investor looking to diversify, it’s a must-read.”

—**Matt Faircloth, co-founder of The DeRosa Group and  
author of *Raising Private Capital***

“I have been in the self-storage business for more than twenty-five years, and I have to say that this is one of the best and most complete books on the business of self-storage. ... A lot of good, useful information in between the covers of this one.”

—**Terry Campbell, executive vice president  
of Live Oak Bank’s small business banking,  
America’s top SBA self-storage lender**

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SECTION I

**WHY SELF-  
STORAGE?**





## CHAPTER 1

# THE BASICS OF SELF-STORAGE

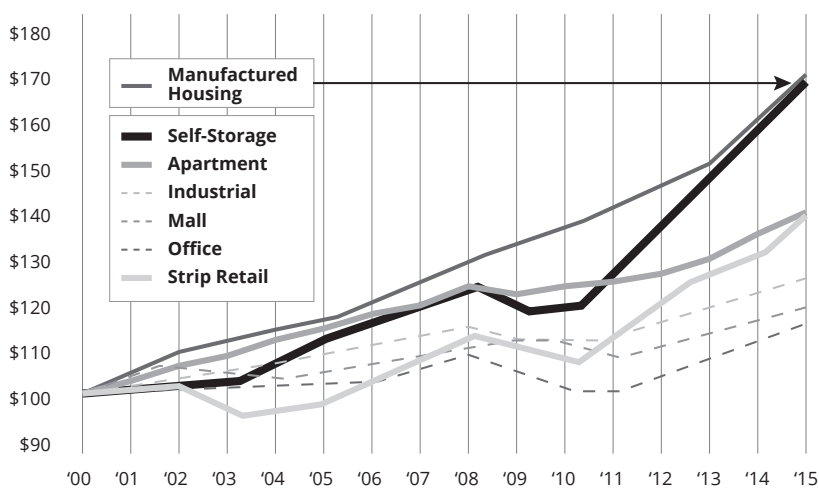
When I originally heard about self-storage, it sounded awfully boring. Where are the value-adds? We're talking about four pieces of sheet metal, some rivets, a door, and a slab of concrete. No countertops to upgrade. No cabinets. No carpet or hardwoods. Multifamily just seemed a lot more exciting. Perhaps that's why multifamily podcasts and books and training programs abound, while those for self-storage are rare.

I was surprised to learn that self-storage has a wide variety of value-add opportunities. As I will demonstrate later, there may be more value-add opportunities in self-storage than in most multifamily properties currently. This trend may continue for years to come due to the fractional nature of self-storage ownership in the United States versus higher corporate ownership in the more mature and consolidated multifamily realm.

Check out the same-property net operating income (NOI) growth in these various commercial asset classes. Manufactured housing and self-storage lead the pack!



## Same-Property NOI Growth



Source: SNI Financial "Indexed Same Store NOI Growth Publicly Traded REITs." Assumes \$100 starting point

Self-storage has intrinsically powerful drivers behind its income and equity growth. We'll review many of these in the coming chapters, but one of the reasons for this sector's recent surge in popularity among investors is *overflow*. There is overflow from other asset classes, such as single-family and multifamily. As of now, multifamily is overheated and pricing has reached such a boiling point that investors of all sizes are looking for value elsewhere.

This can be good news for self-storage syndicators and investors, but it can also mean that this sector is becoming overcrowded too. As we'll see, the fragmented nature of self-storage ownership plays a balancing role here.

## Why Is Self-Storage Hot?

Self-storage shares several characteristics with multifamily. For instance, multifamily economics are based on commercial real estate valuation principles. Later, you'll see that this is a powerful driver toward your investing success and perhaps the reason that most of the world's wealthiest invest in commercial real estate. (Hopefully you're about to join them.)



Like self-storage, multifamily has powerful demographic drivers that are predictable for decades to come. Baby boomers, millennials, immigrants, and Gen Z tenants are all flocking to multifamily. Additionally, both self-storage and multifamily performed well during the last downturn, with very few foreclosures. Government faux pas, complicit lenders, and irresponsible buyers starting in the mid-1990s drove an unnatural homeownership boom that burst in the mid-to-late 2000s. Multifamily has been on the rise ever since.

Unlike self-storage, though, multifamily is a sexy asset class. Apartments are a cool investment; self-storage is decidedly uncool. That made it difficult to get excited at first. But I soon learned that the value-add opportunities in self-storage actually outweigh those of multifamily. While many of the demographic drivers are the same, the tenants are far stickier (less likely to leave due to rent increases), and the market is far more fragmented. (Fragmented markets, those dominated by mom-and-pop operators, provide some of the best opportunities in the real estate world.) Plus, self-storage is easier and less costly to manage. All these qualities make self-storage much more exciting than multifamily at this moment, and frankly, I believe it's a better opportunity.

Self-storage, like multifamily, can be overheated. But this is true only in certain locations rather than throughout the entire market. The fragmented nature of this asset class creates opportunities that simply don't exist in the multifamily and single-family space right now. I'll explore these in detail later.

## Self-Storage by the Numbers

1. According to the Self Storage Association (SSA), the self-storage industry has been one of the fastest-growing sectors of the U.S. commercial real estate industry for more than 40 years.<sup>1</sup>
2. Total rentable U.S. self-storage space is approximated to be over 2.3 billion square feet. This represents more than 78 square miles of rentable self-storage space—three times the size of Manhattan—and a total storage capacity of 7.3 square feet for every person in the United States.<sup>2</sup>

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<sup>1</sup> [https://www.selfstorage.org/LinkClick.aspx?fileticket=fjYAow6\\_AU0%3D&portalid=0](https://www.selfstorage.org/LinkClick.aspx?fileticket=fjYAow6_AU0%3D&portalid=0)

<sup>2</sup> <https://www.laingselfstorage.com/post/2017/05/15/5-facts-about-storage>



3. The SSA breaks down the distribution of self-storage facilities as 36 percent urban, 51 percent suburban, and 12 percent rural.<sup>3</sup>
4. Approximate national average monthly rental rates are \$1.25 per square foot (non-climate-controlled) and \$1.60 per square foot (climate-controlled) for a 10 × 10 unit.<sup>4</sup>
5. The national average occupancy rate for self-storage facilities is 92 percent as of 2018, according to Neighbor.com.<sup>5</sup>
6. The 2020 Self Storage Demand Study estimates that 10.6 percent of U.S. households rent a self-storage unit.<sup>6</sup>
7. The SSA puts the average size of a “primary” U.S. self-storage facility (a storage facility that is the main source of revenue for a business) at about 57,000 square feet, and the average facility size is 546 units.<sup>7</sup>
8. Facilities offering boat and/or RV storage total 18.7 percent; 31 percent offer truck rentals.<sup>8</sup>
9. The top six companies (U-Haul and five real estate investment trusts) own about 12 percent of all self-storage facilities, according to the SSA.<sup>9</sup> That amounts to about 31 percent of all rentable self-storage square footage.<sup>10</sup>
10. Neighbor.com estimates that about 17 percent of all self-storage renters will rent for less than three months; 20 percent for three to six months; 17 percent for seven to twelve months; 21 percent for one to two years; and 15 percent for three to five years. The average rental duration is 14 months.<sup>11</sup>
11. Approximately 72 percent of self-storage tenants live in a single-family home and 26 percent live in an apartment or condo, according to the SSA.<sup>12</sup>

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<sup>3</sup> Self Storage Association, *Self Storage Demand Study 2020 Edition* (Self Storage Association: Alexandria, VA, 2020), p 6.

<sup>4</sup> [https://www.selfstorage.org/LinkClick.aspx?fileticket=fjYAow6\\_AU0%3D&portalid=0](https://www.selfstorage.org/LinkClick.aspx?fileticket=fjYAow6_AU0%3D&portalid=0)

<sup>5</sup> <https://www.neighbor.com/storage-blog/self-storage-industry-statistics/>

<sup>6</sup> SSA, *Self Storage 2020*, p 4.

<sup>7</sup> [https://www.selfstorage.org/LinkClick.aspx?fileticket=fjYAow6\\_AU0=&portalid=0](https://www.selfstorage.org/LinkClick.aspx?fileticket=fjYAow6_AU0=&portalid=0)

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> <https://www.sparefoot.com/self-storage/news/1432-self-storage-industry-statistics/>

<sup>11</sup> <https://www.neighbor.com/storage-blog/self-storage-industry-statistics/>

<sup>12</sup> SSA, *Self Storage 2020*, p 18.



12. Approximately 68 percent of tenants have a garage but still rent a unit, 53 percent have an attic in their home, and 40 percent have a basement.<sup>13</sup>
13. The income of 61 percent of self-storage tenants is less than \$75,000 annually; 44 percent have an income of under \$50,000.<sup>14</sup>
14. Of self-storage tenants, around 4 percent are military personnel.<sup>15</sup>
15. About 84 percent of all U.S. counties have at least one “primary” self-storage facility.<sup>16</sup>

## Self-Storage: A Brief History

According to Neighbor.com, ancient China is the birthplace of self-storage, though there is no hard evidence to back up this claim. Other stories tell of enterprising British explorers who stored personal contents at a bank while they sailed away. When the banks filled up, their items were brought to a warehouse.<sup>17</sup> This is all speculation, so take this with a grain of salt. But it’s not hard to believe that for as long as humans have been on the move, they’ve needed places to hold their stuff.

When it comes to the history of self-storage in America, the facts are clearer. Brothers Martin and John Bekins of Omaha, Nebraska, founded the Bekins Van and Storage Co. in the 1890s. The business entailed three horse-drawn vans, aka buggies. They later expanded to Los Angeles, California, and eventually built the city’s first reinforced steel and concrete warehouse building. They expanded across southern California in the first half of the 20th century.

According to SpareFoot.com, the first facility with garage doors was constructed in 1964 by Russ Williams and Bob Munn in Odessa, Texas, for the oil industry. I’m not sure about their marketing acumen, since they succinctly named their facility A-1 U-Store-It U-Lock-It U-Carry-The-Key. The facility was created for oil workers to store their tools and supplies. Other companies followed their model, and an industry was born.<sup>18</sup>

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<sup>13</sup>SSA, *Self Storage 2020*, p 18.

<sup>14</sup>Ibid.

<sup>15</sup>Ibid.

<sup>16</sup>[https://www.selfstorage.org/LinkClick.aspx?fileticket=fjYAow6\\_AU0=&portalid=0](https://www.selfstorage.org/LinkClick.aspx?fileticket=fjYAow6_AU0=&portalid=0)

<sup>17</sup><https://www.neighbor.com/storage-blog/history-of-self-storage/>

<sup>18</sup>“A Brief History of Self-Storage,” SpareFoot, last modified January 18, 2013, <https://www.sparefoot.com/self-storage/blog/3230-a-brief-history-of-self-storage/>.



It's interesting to speculate about the change in mindset of Americans from the Great Depression to the recent Great Recession and how self-storage played into that change. I've seen photos of furniture—chests of drawers, couches, bed frames—left along the road during the Depression, perhaps abandoned by people making the brutal trip west to California in search of work on farms.

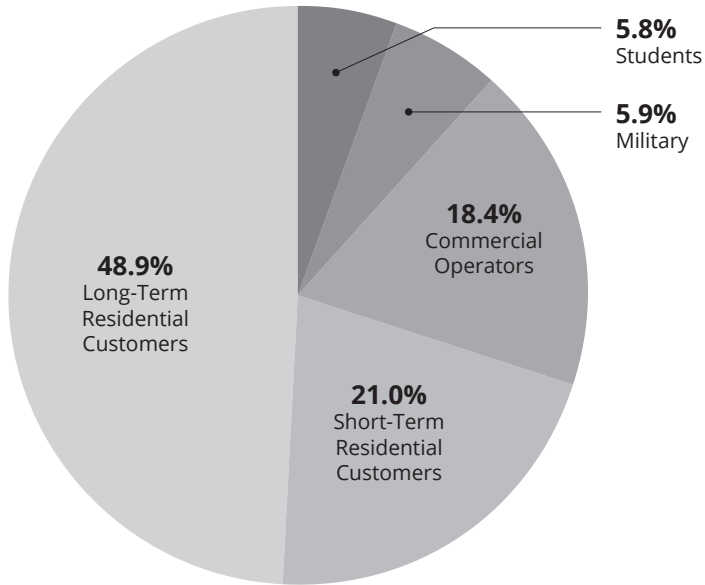
I don't recall seeing any photos like that from the recent recession. Do you? These days, I can't imagine most Americans ditching their stuff, especially with the opportunity to utilize self-storage at a relatively low cost (compared to a mortgage or the rent for an apartment). Perhaps that's one of the reasons self-storage weathered the last recession relatively well compared to other asset classes.

## **Who's Renting Self-Storage?**

As you can see in the following graphic, almost 50 percent of the customers in this 2020 study are long-term residential tenants. The second-largest group is short-term residential tenants, followed by commercial operators, and a few other segments.



## Major Market Segmentation



Source: [www.ibisworld.com](http://www.ibisworld.com)

## Why Are People Renting Self-Storage?

Industry experts often reference life's four Ds as the reasons for self-storage demand. These are:

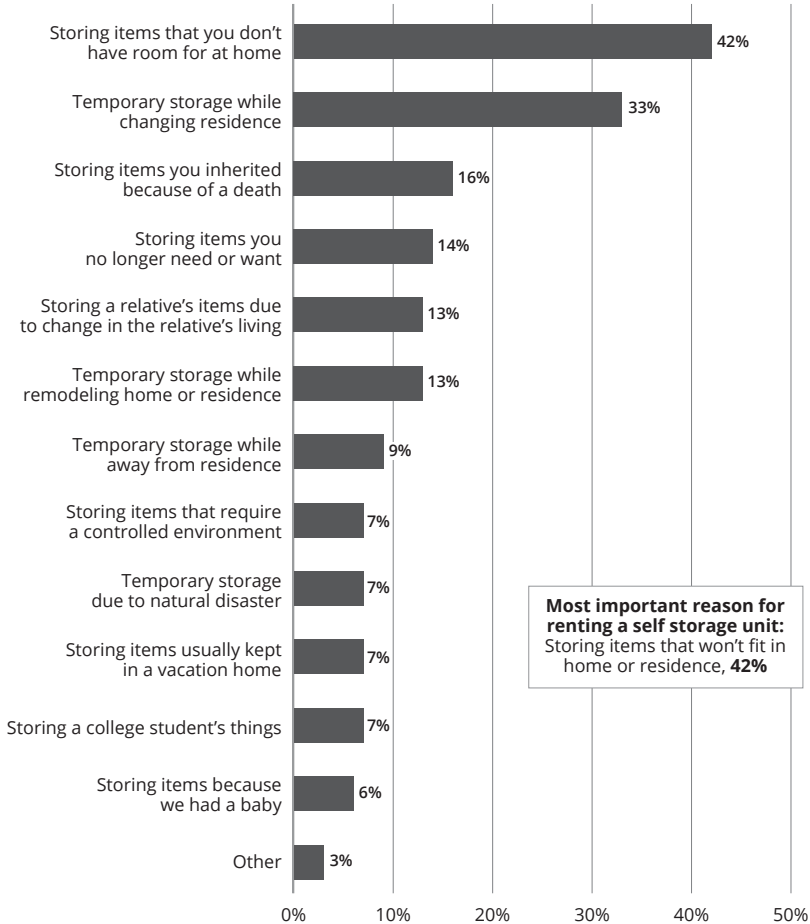
- Downsizing
- Divorce
- Death
- Dislocation

The first three are self-evident. The last D refers to a variety of situations, such as a renter relocating and needing temporary space or a couple moving in together and facing a temporary situation of duplicate furnishings.



A Self Storage Association (SSA) self-storage demand study breaks down a dozen reasons people use self-storage. The top two by far, at 42 percent and 33 percent respectively, are storage of items that users don't have space for at home and temporary storage while changing residences.

### Reasons for Renting a Self-Storage Unit: Individuals

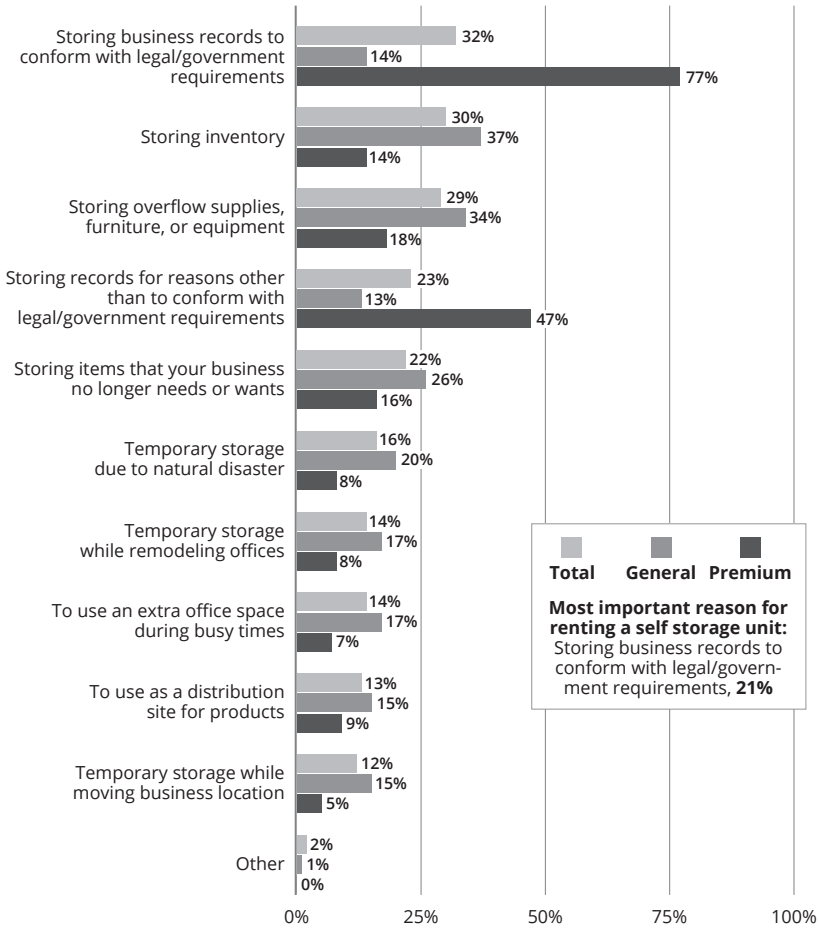


Source: SS Demand Study 2020. Note: Respondents could select more than one option.



Like individual consumers, businesses have a variety of reasons for renting self-storage as well. Here is a breakdown from the 2020 demand study.

### Reasons for Renting a Self-Storage Unit: Businesses

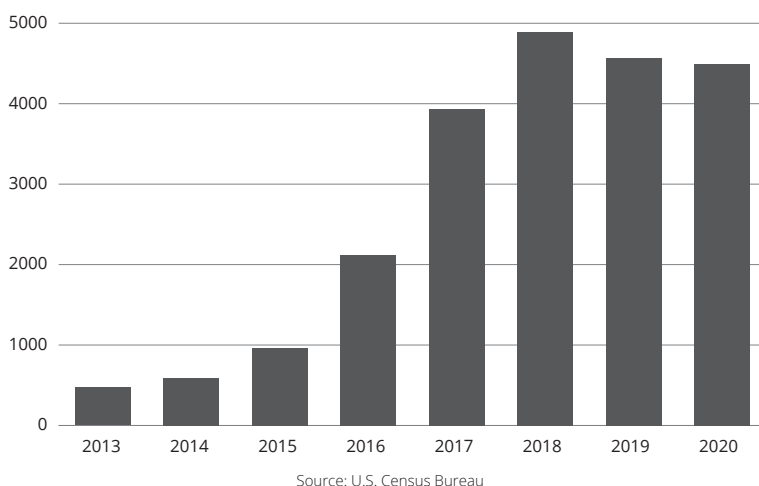


Source: SS Demand Study 2020. Note: Respondents could select more than one option.

What has been the impact of the sector’s popularity on self-storage construction over the past decade and a half? Self-storage construction spending has risen from under \$500 million in 2013 to around \$4.5 billion in 2020, as you can see in the following chart .



## Self-Storage Construction Spending by Month 2013–present



Perhaps you're concerned that the self-storage business is overbuilt and you may be too late. That is a valid concern and should not be taken lightly. In the next chapter we will consider the powerful role of fragmentation in providing continuing opportunities in the self-storage sector.

What's the bottom line for you? If you're interested in self-storage, these statistics should give you cause for cautious optimism. Did I hear you say, "Wait, that's it? You're just advocating *cautious optimism*?"

Before this phrase scares you away, consider that this is where you should always be as a prospective investor.

- It was *wild optimism* that drove the tulip bulb craze (aka tulip mania) of 1636. It ended in an awful crash in 1637, and many lost fortunes. Lest you think those investors were cavemen...
- It was *wild optimism* that drove investors to make unsound bets on overpriced tech stocks in the late 1990s, only to watch their fortunes dry up a few years later.
- It was *wild optimism* that drove Bitcoin to dizzying heights in 2021, before it lost about half of its value in a few days.

That's why I'm not a huge fan of wild optimism, at least when it takes the form of irrational exuberance. Even though wild optimism may not be my favorite, there are stories of wild profits that have been made, and