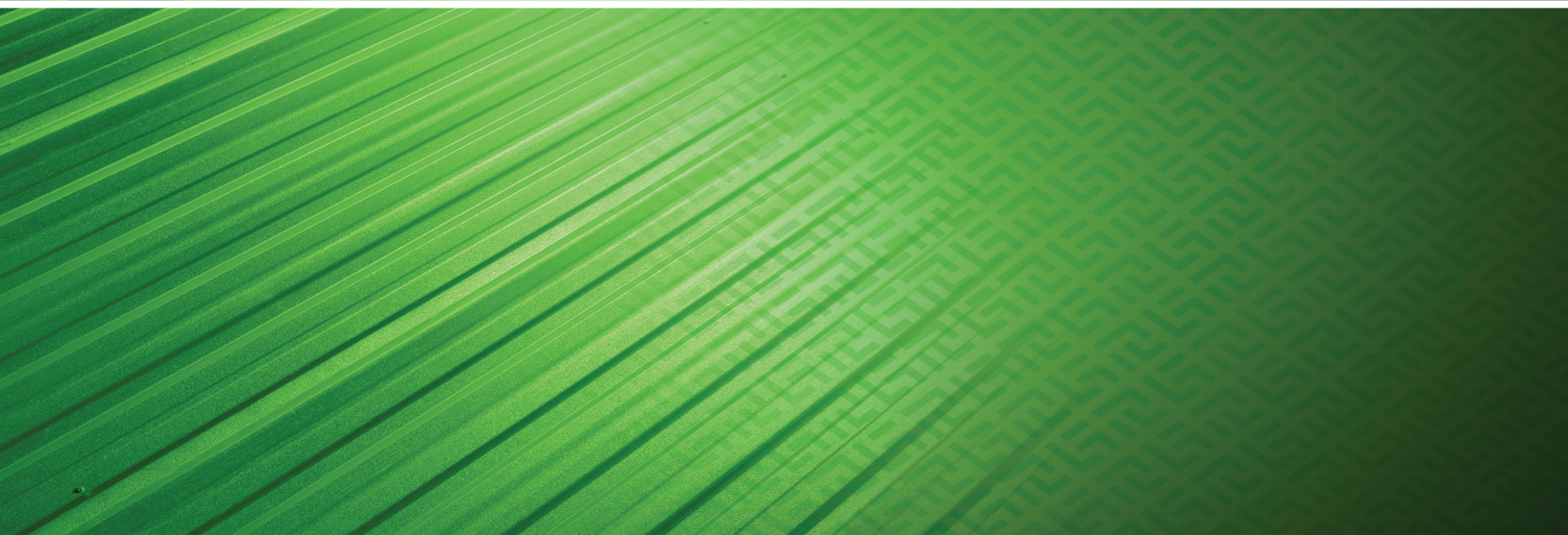




FORGE
BUILDING COMPANY



SELF-STORAGE INVESTING





LETTER FROM THE FOUNDERS

Forge has undergone a remarkable evolution in the past decade as we have pursued our vision to become the nation's leading self-storage builder. But one of the most profound changes over this time has been the richer understanding of—and deeper commitment to—our customers, communities, and employees.

We maintain our absolute commitment to client relationships and satisfaction, integrity and transparency. We are constantly enhancing our technology and risk management capabilities to ensure that you have the most state-of-the-art building company at your fingertips. We work extraordinarily hard to maintain an open dialogue with our clients to ensure that we continue to deliver products and services that you value.

Our excellent customer support team is available to help you with any questions. You can contact them at sales@forgebuildings.com or **208-629-2952**.

Your satisfaction is a priority for us, so feel free to share any feedback you have – we take your opinion seriously and will do our best to implement solutions for you.

We thank you for entrusting your business to us or considering our services for future projects.

Regards,
Hamish Bell & Hayden Farrell



HAMISH BELL
CEO | Co-Founder



HAYDEN FARRELL
VP | Co-Founder

WHY INVEST IN SELF-STORAGE?



[S]elf storage investing can be a great way to obtain tremendous cashflow in spite of a pending recession. This is in large part due to its large income potential with low overhead. Self-storage has lower construction costs than other commercial real estate asset classes, as well as lower maintenance and overhead costs. Many small to mid-size facilities require only part-time management and can use various forms of technology (online and kiosks) to allow new tenants to get started.

As of December 2021, the average annual revenue for the self-storage industry was \$40 billion plus, with one in three Americans using self-storage.¹ Demand for storage will likely continue to grow as the traditional drivers – divorce, death, natural disasters, and demolitions – continue. The pandemic also added in “decluttering”. There is also a surge due to baby boomers and other generations transitioning into their next stage of life and downsizing into smaller living areas.

IN SUMMARY, SELF-STORAGE IS AN APPEALING ASSET FOR SEVERAL REASONS, INCLUDING:

- High returns and recession resiliency
- Rent growth and positive net operating income
- Easy to maintain and low overhead
- Positive cash flow and many tax benefits
- Average tenancy of 2.5+ years²





[S]elf-storage investing is not new, but over the past few years (and especially since the pandemic started), this niche of commercial real estate investing has grown in popularity, now with over 1.7 billion square feet in an estimated 45,000 to 60,000 facilities nationwide.³ Investors looking to diversify their assets in the highly competitive and high-priced market are looking to an alternative investment like storage.

If you're considering investing in self-storage, learn how self-storage investing works, the pros and cons of self-storage, and tips and resources for investing in this industry before getting started.

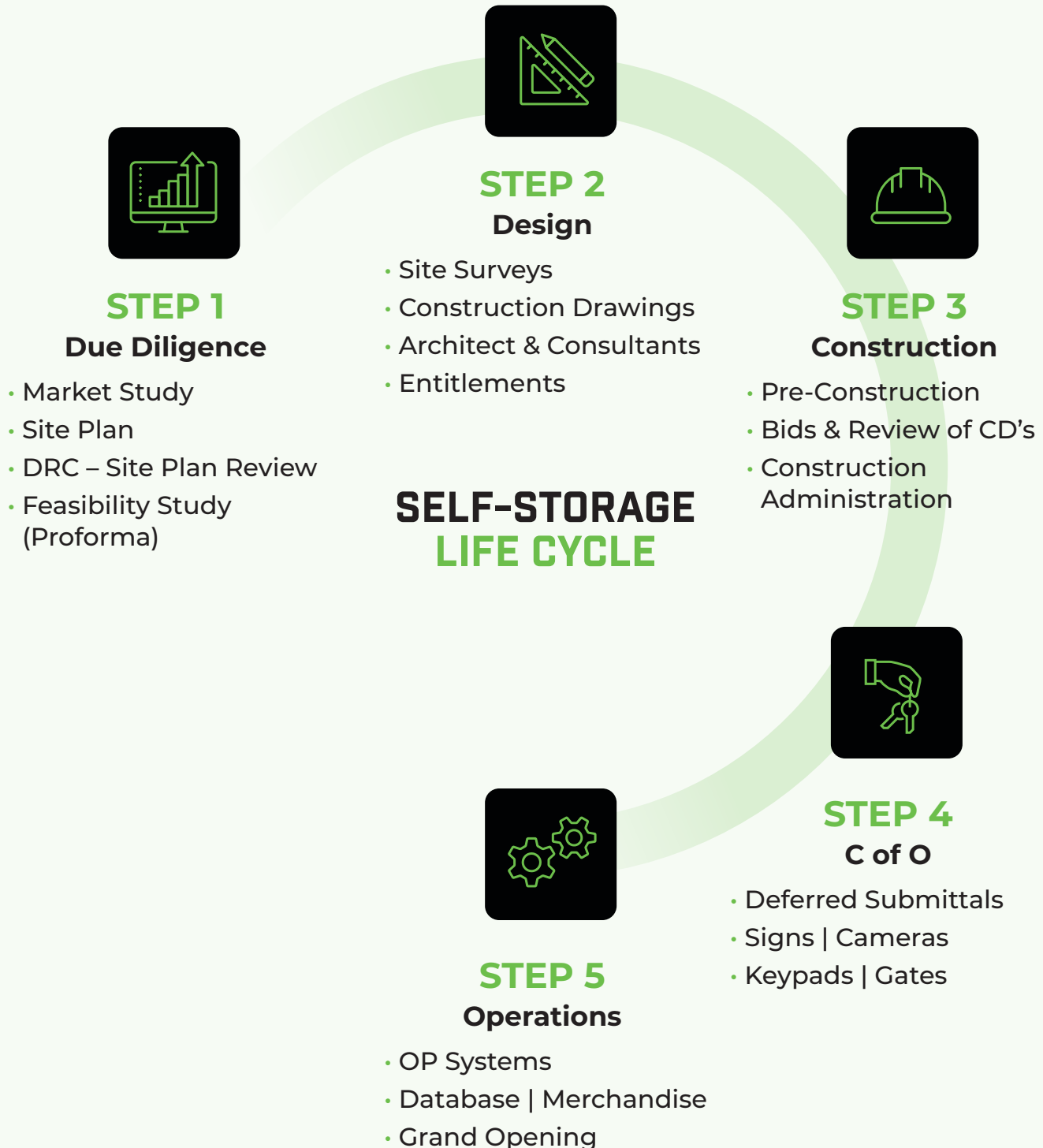
For many real estate investors, self-storage is an appealing asset class because it has large income potential with low overhead, lower construction costs than other commercial real estate sectors, and relatively low ongoing management. A small to mid-size self-storage business can run very lean and effectively with only part-time management.⁴

With no residential tenants on the property, there are fewer building components that can go wrong. Leases are month to month, allowing owners to capture rental rate increases faster.

UNDERSTANDING THE ENTIRE LIFE CYCLE OF SELF-STORAGE



[U]nderstanding the entire life cycle of a self-storage facility allows us to help you develop a plan with operational performance in mind. We are capable of assisting you every step of the way, from determining your projects viability to operations.



INTRODUCTION

Welcome to Forge's Self-Storage Investing Playbook

[W]hether you've been in the self-storage business for many years operating just one facility and are looking to expand that facility, or you're contemplating opening your very first self-storage facility, the path from the initial stages of planning to opening day can be challenging with unforeseen obstacles that may pop up along the way.

Though breaking ground on a brand new self-storage facility, there are many common problems that many self-storage buyers go through, and **FORGE** has been in the business long enough to anticipate those problems.

Because we value our clients and their success, we've created this eBook to help you navigate the process of self-storage investing and ownership.

Our goal is to equip you with the tools you need to build or find the best self-storage facility. So, if you're looking to jump into the self-storage business, this is the best place to start!



LOCATION OR SITE SELECTION

[T]he first step in building a self-storage facility is to investigate how populated the area is where you're looking to build. Most potential customers will want to be able to load their car or truck with their belongings and get to their space as soon as they can to unload.

Typically, you will want a location that is highly visible with good access, and on a major road. The optimal site would be one that is in a high-growth area or one that's in the path of progress. Additionally, you should look for a good combination of demographics, with higher-than-average household income and population growth within a three-mile trade area. Ideally, the location should also have minimal existing or planned competition, especially within the first mile.

Studies have shown that 75% of self-storage customers live within 2 miles of their unit. Also, experts say that you should build your facility within 3 miles of a city or town that has a population of a minimum of 50,000.⁵





KNOW YOUR COMPETITION

[A]s in any business, it is always imperative that you know and understand your competition. Self-storage is no different. Ideally, when building a self-storage facility, you want to make sure that the area is densely populated, in an area that doesn't have too many competitors, but is close enough to potential customers so you can attract the best tenants.

Visit your competitors (and their websites) to gain a better understanding of their layouts. What size units do your competitors have available regularly? Which ones are booked all of the time? Do they have deals on particular units? If they're reducing prices on certain sizes, this will give you a better understanding on which sizes are in higher demand and which may be harder to rent. This information will be key for you to know when determining the unit mix for your facility.

LOCATION, LOCATION, LOCATION

Visibility

[T]he first impression that your self-storage facility will have on any potential customers is the building itself. You want to make sure that your facility is visible, has curb appeal, and even stands out to traffic. The most powerful marketing tool you can use is having attractive self-storage doors visible from the road.

Ideally, your storage facility should be as close to your potential customers as possible. Most people want convenience more than anything else, so your target market will be people living within a couple of miles from your facility.





DOES SIZE MATTER?

[Y]es. The plot of land is one of the most important considerations to make when deciding where to buy or build your potential self-storage facility. The size of the land will determine how much space you can rent to your future tenants.

In many areas of the U.S., a typical self-storage site is about four acres or more. Each acre allows the owner to rent out approximately 17,500 – 18,000 square feet.

In larger cities, those nice large parcels disappear requiring investors and owners to build multi-story buildings. Two-story buildings cost quite a bit more to construct but will still provide a good return on investment.

UNIT MIXTURE AND DIVERSITY

[D]etermining your unit mix is key when you're setting up your first storage facility. Self-storage unit mix is normally a product of population density and income levels. So, it is key that you understand the market in which you are building the commercial storage-units. For example, areas of higher income will typically demand more security and climate-controlled features; apartment dwellers will want smaller units, say 5-by-10s; and suburban or commercial-oriented markets will call for larger spaces, such as 10-by-20s.

It's important to note that your financial return per square foot (PSF) usually diminishes as the size of the unit increases. For example, if your market will support \$70 for a 5-by-10, you're achieving a rental rate of \$16.80 PSF. It's doubtful the 10-by-20 will support that same rate. This doesn't mean you should build a higher proportion of smaller units, though. A store with 50,000 net rentable square feet might have more than 500 storage units or as few as 300, depending on the market. You must build the unit mix to the market, not to skew the PSF return.





PERMITS & ZONING LAWS

Zoning Laws and Requirements

[F]ollowing are some important zoning laws and requirements that you might encounter when building your first self-storage facility. However, it is key that you check your local laws because these regulations differ from state to state⁶:

- Maximum property coverage of storage buildings and pavement is 50%.
- Self-storage facilities can only be located in the industrial park zone.
- Only 1 building permitted on a single parcel.
- No development or restricted development permitted within 150 feet of the wetlands.
- 1 parking space required per 1,000 square feet of building.
- Required onsite drainage detention, which requires large areas of land.
- Fire codes or building codes can override zoning codes for driveway widths, requiring 30 feet between buildings.

Remember, if the land is not correctly zoned, rezoning could cost you a lot of time and money. So, make sure you have all of the pertinent information about zoning before you break ground.

LAND

[T]he price of land varies from state to state and even within different regions of each state, but, according to Forge Building Company, a good criterion to utilize when purchasing the land for your self-storage facility is that you should spend about 25%-30% of your total project development budget on land.

Different Classes of Self-Storage Facilities

If you're shopping for a new self-storage facility, you may notice that there is a class rating attached to the listing price and building information. Here's the 3 different classes of self-storage facilities⁷:

- Class A:** These are builds constructed in 2000 or newer and situated in ideal neighborhoods.
- Class B:** These are 80s or 90s builds, which are owned by mom and pop operators, and have had steady numbers over a reasonable period of time.
- Class C:** These are much older builds, with more maintenance issues, and often in poor or risky neighborhoods.



FINESSING THE TIMELINE

[C]reating a development checklist that is in the proper order and tied to a timeline is key to ensure you stay on track. Components should include:⁸

- Completing due diligence
- Closing on your loan and property acquisition
- Finalizing facility design
- Obtaining project approvals
- Collecting construction bids



There are a lot of things that can go wrong if the timing is off. One example is if you make the land-purchase option too long or short, you risk losing the property.

Plan ahead and contemplate what you can work on ahead of time. For example, contacting lenders well in advance to understand the loan options available.

A checklist will give you the tools necessary to mitigate many of the risks involved in your project. Begin compiling information as soon as possible and add requirements as you go.



IT'S ALL IN THE DETAILS

[T]he self-storage business can be very rewarding and profitable, but you must have a good game plan and checklist. Using this eBook should put you on the right path!



YOUR ULTIMATE **CHECKLIST** FOR SELF-STORAGE

10 Important Steps for Building a New
Self-Storage Facility Development:





Choose Your Site: Site selection is key.

Obtain a Market Analysis: Obtain all information you can about your market. Visit other facilities in the area you're looking to build to learn about most rentable unit size and average number of units. Use this information to determine how you will build your facility.

Research the Demographics: Know who your potential tenants will be. Learn everything you can about them including population, average household size, percentage of renters versus homeowners, and average income.

Get Your Property Surveyed: A land survey provides basic information about your property and shows any discrepancies between the legal description and the actual use of the land.

Go Through the Zoning Process: Sometimes the land that you purchase is already zoned appropriately for storage, and sometimes it's not. Rezoning may be necessary. A zoning consultant can help you with this process.

Decide on a Unit Mix: Know your potential customers. Renters tend to opt for smaller units, whereas homeowners usually choose larger units and may want them to be climate controlled. Knowing your audience and understanding what is renting best in your area is key.

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Know Your Competition: Regardless if you're building single-story or multistory, it's important to design your facility with a modern look and feel. With new design trends such as brick, stone, façade panels and more, your self-storage facility will be well-accepted in the community.

Secure Financing: Lenders tend to look favorably on self-storage due to their success rate. There are many loan options available, so choose one that best suits your needs.

Choosing a Development Partner: From the beginning to the very end, it's very easy to get overwhelmed. Choosing a development partner that's experienced in making this process easier from start to finish can give you a huge advantage. Consider a total solutions provider, such as Forge that offers everything from consultation and design to manufacturing and installation to eliminate unique structural and developmental challenges as well as the construction headaches.

Decide on a Developer: There are hundreds of thousands of construction companies in the US, so how do you decide? There are several things you should consider: making sure they're licensed; looking at their previous projects; talking to customers. Ideally, you want a steel building contractor, such as Forge, that has over 15 years of experience in the self-storage industry.

Forge Ahead !

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WE'D LOVE TO WORK WITH YOU!

For more information about getting started
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or visit: forgebuildings.com today!

