

## UTILIZING STORAGE CONTAINERS

# Maximizing Space In Self-Storage Facilities

By Rod Bolls

**E**conomic downturns affect most businesses, and even though resilient, the self-storage industry is not immune to the negative environment. To paraphrase Plato, “necessity is the mother of invention,” to which I would add, challenging times require innovation and different responses.

In times of slow growth and lower revenues, traditional self-storage operators often overlook taking advantage of unused spaces on their property. This can easily be remedied by utilizing storage containers.

Vacant or unused space can result from a number of factors. Building challenges can create extra, unused space—uneven foundation elevations, water drainage, roadways, and other construction restrictions. In addition, limited access to capital can inhibit expanding or building a larger facility on existing open space. Current structures, such as parking lots, multi-purpose buildings, and other facilities converted to self-storage units, can go underutilized or unutilized. Any one or combination of these factors can create unused space at self-storage properties.

The self-storage marketplace has grown increasingly intolerant of non-revenue producing space. Operators have two main strategies to generate revenue from this extra space. One strategy is to rent the space for RV, boat, or automobile storage, while the second strategy and focus of this article, is to purchase storage containers as a source of potential rental revenue.

Photo courtesy of Universal Storage Containers



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### Land Use And Other Challenges

Storage containers can be divided into two types: ISO shipping containers, and portable storage containers. ISO shipping containers are widely available as new and used containers in the marketplace. The most common sizes are 20 or 40 feet long, and 8 feet wide and 8 feet high. New or used ISO shipping containers present a number of challenges to self-storage operators, including their heavy weight, poor aesthetics, and government regulations.

The empty weight of a 20 feet long container is 4,850 lbs and a 40 feet container is 8,380 lbs, requiring a heavy duty forklift for relocation on the property or elsewhere. The excessive weight of the ISO container can be problematic, with the danger of sinking into gravel, dirt, or other natural surfaces. Another difficulty of the ISO shipping container is that aesthetically it is less appealing to the eye; with its

vertically corrugated wall panels that succumb easily to rust and dents. Lastly, the municipal restrictions on ISO shipping containers can vary widely from city to city. Customers are recommended to contact local or county municipalities to determine if there are any local ordinances against the containers

**Portable Storage Containers Provide Advantages to the Operator and End User**

Portable storage containers are primarily and widely available as new containers in the marketplace; they are sometimes referred to as mobile storage containers. The most common sizes are lengths of 16, 19, and 20 feet, with 8 feet width and height. They are also available in lengths of 10 and 20 feet, and 10 feet widths. The chief advantages of these containers are they avoid many of the problems that plague the ISO containers.

One of the most important benefits is the tax advantage. The storage container qualifies for an aggressively accelerated depreciation schedule when compared with traditional self-storage. Also, there is considerably less construction cost and capital investment in portable storage containers in contrast to traditional methods of self-storage. In addition, construction or assembly time can be as little as a single day. Depending on the storage container company, assembly times vary from 15 minutes to a couple of days, which is substantially less time than traditional self-storage construction. The equipment required to assemble the storage containers is easily purchased or rented. Normally, the assembly of storage containers only requires two or three people; there is no need for a general contractor, varying levels of government bureaucracy, or armies of laborers. Because of the reduced investment, potential for immediate rental income, and the tax advantages, the return on investment is quickly realized using storage containers.

Aesthetically, portable storage containers are more visually appealing and very low-maintenance. Almost all portable storage containers come with options for different wall panels, colors, and signage. This allows the self-storage operator to

match the finish, color, or signage to the existing facility. Depending on the container and make, there can be little to almost no maintenance of the container; this is primarily due to the stringent quality control measures used by many storage container manufacturers. Self-storage operators should request the quality control measures used by each storage container manufacturer and view a demo of the product before purchasing to ensure the storage product is of the highest quality.

Before purchasing these containers, self-storage operators must determine

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how waterproof and soundly constructed are the units. They will need to ensure the storage container's ability to carry up to 10,000 lbs., to withstand winds of up to 120mph, and to meet fire standards. There are several companies offering a pitched roof for water runoff. The favorable weight differential of portable storage containers compared to ISO shipping containers is significant, allowing for ease of handling and moving.

Also, portable storage containers have forklift sleeves, facilitating repositioning and relocation. A number of self-storage operators add the mobile storage component to their fixed self-storage with portable containers and a truck for container transport. Options are available (removable wheels, tie down rings, pull rings, etc.) that can be added to portable storage containers for easy transition into mobile self-storage.

The portable storage container can be a valuable resource for advertising as well. By adding signage to the sides of the container, the unit becomes a cost-effective, mobile advertisement. The self-storage operator needs only to ensure strategic placement

either on the property facing a busy road or repositioning in a high-traffic or highly visible area. The container then doubles as a marketing vehicle with the operator's contact information and branding.

In the absence of lot space, storage containers may be placed in adjacent properties or open fields. With the addition of a fence or other security feature, the operator can create a new, low maintenance storage facility with just a few containers.

Self-storage operators can become distributors or re-sellers of these units as well. Due to the novelty of portable storage containers in the self-storage industry, there are a large number of self-storage properties looking for a low quantity of storage containers, but there are only a handful of distributors. If the self-storage operator was interested in purchasing a large quantity of storage containers there may exist an opportunity for resale and an additional revenue stream. The main point here is that the storage container is a versatile, multi-purpose asset that can be easily relocated, resold, or reused in various capacities.

**Maximizing Space and Use**

The bottom line is that there are many valuable ways that self-storage operators can utilize the storage container to maximize space. Storage containers can generate income on previously vacant space on the property, or in adjacent parking lots. Not only are there tax advantages for the self-storage operator, but there are low capital requirements, low maintenance, and quick construction time when compared to traditional self-storage. Depending on the make of the container, self-storage operators can transition into the mobile self-storage business at a future date, expanding their revenue base. Storage containers represent an additional and expanded source of revenue for the self-storage industry, particularly in an economy in which maximizing resources is key to stemming revenue erosion. 



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