Mini-Storage Messenger
www.ministoragemessenger.com
Your Online Resource for Self-Storage Information

August, 2006

MISSOURI

Self-Storage In The Show Me State

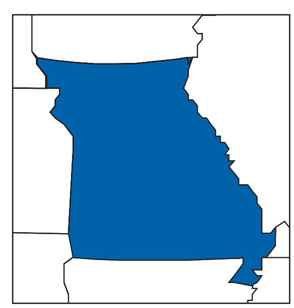
By Larry Goldman, CCIM, and Randy Weisman

Missouri can be described as a microcosm of the entire United States. From major cities like St. Louis with a metro population base of over 2.8 million and the Kansas City metro population of 1.97 million to dynamic but smaller cities in Southwestern Missouri, the storage industry is extremely diverse. In the southwestern cities of Joplin and Springfield, high growth and optimism is reflected with favorable terms by local and national lenders. As with any other part of the country, prudence is warranted as some areas may actually be "over-capitalized" and may see some correction in occupancy in the not so distant future.

Aggregated growth rates can be misleading, though, as one combines the statistics from widely diverse areas of the state into over generalized figures that mirror the rest of the country. For example, per capita personal income in all of Missouri increased by only 4.7 percent in 2005 to $31,899, placing Missouri in 20th place relative to the rest of the country. Nationally, per capita income increased at a similar rate of 4.6 percent to an average of $34,586. Caution is warranted in analyzing these statistics, as there is a huge variance in growth rates in the different regions of the state.

Most of the existing self-storage product in Missouri is first generation storage. Multistory facilities began appearing, mainly in the larger urban areas, only within the past three or four years. The affordability of land and the convenience of drive-up self-storage may be the reason. The newest facilities feature amenities that are not found in the older more established facilities such as video surveillance systems, door alarms, a significant percentage of climate-controlled units, and large retail showrooms. This could create pressure upon some of the existing facilities, forcing them to consider upgrading. Alternatively, lower rental prices and rent concessions, can be used to maintain occupancy. However, if these facility owners do nothing, they run the risk of their facilities becoming obsolete.

COMING NEXT MONTH:
California's Inland Empire



Missouri Market Conditions

Market	Existing Supply	Forecast Demand	Variance	Condition
Missouri	6.30	5.54	-0.76	Over-Supplied*
Kansas City	5.10	4.97	-0.13	Equilibrium
St. Louis	4.07	4.99	0.92	Under-Supply

In St. Louis and Kansas City, historically, there have been few sales transactions, as most facility owners build (or buy) to hold. However, 2006 may be a year of significant activity in those areas, as some owners are considering taking advantage of the seller's market driven by a still relatively low cost of capital. Moreover, some sellers are driven by the increasingly complicated trends in facility management. Increased competition often leads to stagnation of the top line, while increased operating expenses, such as property taxes, insurance, and payroll, often reduces the bottom line. An interesting market condition may exist in some areas of St. Louis and Kansas City where the value of the property of some of the older storage facilities has exceeded the value of the storage business. Self-storage is no longer the highest and best use of the land. This creates possibilities of owners either selling properties for land value or being forced to sell through eminent domain as cities seek sales tax generating developments.

The St. Louis Market

The St. Louis metropolitan area consists of several small municipalities located within three counties in Missouri and two counties in Illinois. Each municipality has it's own independent government and with that, their own zoning regulations. This has created a cluster effect where self-storage facilities are bunched together within close proximity of one another while other areas of the market have no self-storage facilities at all. This may also explain why St. Louis has one of the highest concentrations of mobile storage operations, with six separate companies or franchises offering mobile storage. Because of these clusters, some areas are overbuilt, resulting in slightly lower occupancies and rates. Most of the growth of self-storage facilities has followed the population to the newer suburbs on the outskirts of the metro area.

The Kansas City Market

Similar to St. Louis, with it's clustering of facilities in distinct sub-markets, the Kansas City Metropolitan area consists of seven counties in Missouri and four counties in Kansas. While the Kansas City, Mo., metropolitan area has been considered a market in equilibrium or slightly overbuilt, the Missouri side of the metro is seeing some

MISSOURI

A LOOK AT THE NUMBERS

Missouri Loves Self-Storage

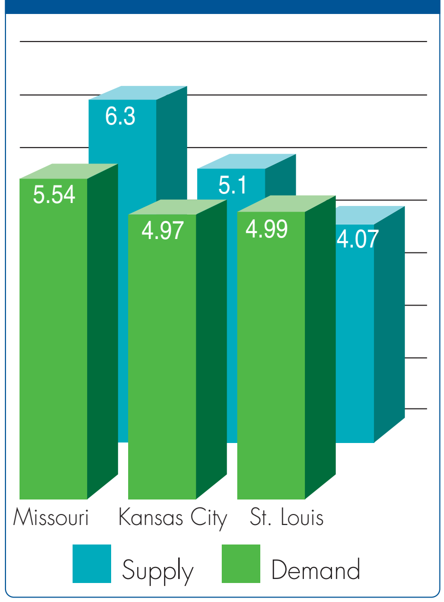
By R. Christian Sonne, MAI

As a state, Missouri is over-supplied when compared to the national average of self-storage per person (square feet). Yet, in two key Metropolitan Statistical Areas (MSAs), the market is described as equilibrium and undersupplied.

The chart below demonstrates the conditions of supply and demand of the state and two key MSAs. The data is based on peer group analysis and is published for all 50 states and top 100 MSAs in the country in the *2006 Self-Storage Almanac*. Clearly, the Missouri market demonstrates varied market conditions from over-supply to under-supply. It is important to note, this analysis does not consider new projects in the pipeline or under construction.

It is important to note as well that the demand characteristics and depth of self-storage demand must be quantified on a neighborhood specific basis. Even in an over-supplied MSA, pockets of demand can usually be found. Conversely, in an under-supplied market, some neighborhoods may be saturated with self-storage properties. Therefore, these analyses by state and MSA are tools of analysis and should be considered only as benchmarks.

SUPPLY & DEMAND



Source: Self Storage Economics

R. Christian Sonne, MAI is President of Huntington Beach, California-based Self Storage Economics, an appraisal, research, and analysis firm specializing in the self-storage asset class. He is also a member of the Appraisal Institute.

stalling in absorption of existing space. Suburbs such as Lee's Summit, Independence, and the Kansas City Northland are seeing some expansion in inventory to meet the increasing demand triggered by population and economic growth. Dominated by national and regional chains, self-storage absorption in Kansas City is slow but steady.

Storage In Southwest Missouri

In contrast, Joplin, Springfield, and Branson, while distinct metropolitan areas, share dynamic growth and highly fragmented self-storage markets. The vast majority of the property owners are local to the area, with a few owners residing in nearby Northeast Oklahoma. Rental rates are significantly cheaper than St. Louis and Kansas City, but occupancy rates are often notably higher. With over 200,000 square feet of new self-storage inventory coming on line in the past few years, Springfield, Mo., (SMSA population: 397,936) has seen remarkable absorption. Fueled by robust population and economic growth, this trend of rapid absorption is difficult to project as additional self-storage development is coming on line later in 2006.

The Central Missouri Snapshot

Columbia, the Lake of the Ozarks region, and Jefferson City are holding their own with significant growth at the Lake. There is some expansion planned at the Lake of the Ozarks and Columbia. Jefferson City is holding its own with little expansion planned in the short term.

The Overview

Whether the facility is located in a rapidly growing area or a more stagnant area in the state, proactive hands-on management is key. Few facilities are under-performing if supervised by focused, responsive owners or supervisors. Aggressive, proactive marketing is essential in either grabbing your piece of the pie, or capitalizing on the larger pie, and that has attracted numerous new competitors. While third party management is still not utilized very widely in Missouri, that reluctance may change in the near future as increased competition narrows the margin for error in facility management.

Larry Goldman, CCIM, is Regional First Vice President of the CCIM Institute, Vice President of the Kansas Self Storage Owners Association, and the Kansas/ Western Missouri Affiliate of the Argus Self Storage Sales Network. Randy Weisman is President of Storage Banc and Lipton Realty. He is also the President and founding member of the Mobile Self-Storage Association.