SELF-STORAGE FEASIBILITY

Self-Storage facilities continue to be built nationwide. What goes into the construction of a facility is a lot of time, effort and money. In order to build the best facility, you need to plan and make sure you set yourself up for success; this includes conducting a feasibility study. We asked loan officer, Anna Taylor, to elaborate on what a feasibility study is and why they are critical to any self-storage construction project.

Q: What is a feasibility study?
   A: A feasibility study is a detailed report performed by a self-storage expert. He or she will collect demographic information, mystery shop competitors to get a sense of occupancy and market rates and check for other storage projects under construction. They do all this work to see if the target market can absorb the proposed square footage of the project.

Q: Why does Live Oak require a feasibility study?
   A: A feasibility study is an independent, third party study which determines the success of the proposed facility. The report helps the bank structure your financing so the project has a sufficient interest-only period as well as adequate working capital reserves to get your project to stabilization.

Q: All the facilities in my area are full, why do I need a feasibility study?
   A: Your biggest competitor may not be an existing facility! Feasibility studies save people from going into markets where there are other construction projects in process that will absorb all excess demand prior to your facility being built. Additionally, there is so much more to a feasibility study than a simple thumbs up or thumbs down. The study will recommend a unit mix based on the occupancy rates of your competitors, as well as a recommendation on the mix of climate-controlled vs. non-climate-controlled space. The study will also examine if rental rates are high enough in your market to justify the cost of construction.

Q: Doesn’t an appraisal give you the same information?
   A: Not at all! An appraiser assigns value to real estate. The scope of their work is broad—they could appraise a gas station one day and a strip mall the next. Feasibility studies are performed by self-storage experts who have spent years in the industry and are often facility owners themselves. An appraiser will not mystery shop competing facilities to get a sense of market occupancy, nor will they provide guidance for a unit mix, site layout, and pricing considerations.

Q: There are lots of feasibility study providers out there. Do you accept them all?
   A: When examining feasibility study providers, check with your lender to see if they’ll accept a study from that vendor. At Live Oak, we have a short list of experts whose work we trust. We are constantly refining that list so that only the most qualified professionals are recommended to our clients.

If you are interested in financing, contact our loan team to learn more about the option that best fits your project.