Photo courtesy of the Huntsville/Madison County Convention & Visitor's Bureau

SUPPLY & DEMAND

Compared to a national average of 4.94 square feet of self-storage per person, the state of Alabama has more 7.15 square feet of self-storage per person, suggesting a general market condition of over-supply. However, these macro views are only of limited usefulness for the unique self storage asset class—best used as a benchmark. Conditions can vary significantly from one neighborhood to another in an MSA or state classified as over-supplied. It is important to remember that self-storage is primarily a neighborhood specific business.

The chart below demonstrates the conditions of supply and demand of the state and one key MSA (metropolitan statistical area). The data is based on peer group analysis and is published for all 50 states and top 100 MSAs in the country in the *2005 Self-Storage Almanac*. Clearly, the market is over-supplied with self-storage product suggesting stable rents in a competitive market while the market returns to equilibrium. The twin pillars of recovery in self-storage are population, growth, and time (assuming slow growth of new product). Job growth and stable economic conditions are key to job growth.

Source: Self Storage Economics

This brief analysis of Alabama market conditions demonstrate that supply based analysis is insufficient to understanding the self-storage asset class. The demand characteristics and depth of demand must be quantified to avoid overbuilding.

Even in over-supplied markets the cure to over-building is time as the pipeline of new construction slows. In the meantime, the winning development opportunities will be in urban and high density neighborhoods (such as conversion buildings), in-fill sites, or parcels located in cities that are difficult to entitle for self storage development.

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