



COLORADO

Too Much Of A Good Thing

In the Colorado self-storage market, there may be too much of a good thing. The state and local CBSAs (core based statistical area or metropolitan statistical area) are oversupplied. There are unique characteristics of the Colorado market, such as urban environments surrounded by rural, small markets. Therefore, local analysis in the trade area is particularly important in this diverse market. Conditions are summarized in the table on page 49.

The data suggests a strong concentration in rural markets and highlights the challenges of correct self-storage facility counting by U.S. Census data and SIC code (particularly in rural markets where "storage" can sometimes be a private warehouse facility, not self-storage). Nevertheless, this data can be used for trend analysis and benchmarking.

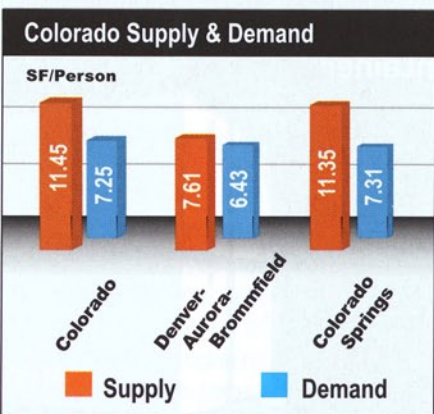
There are trade areas that have strong demand characteristics and are even undersupplied with self-storage product in Colorado. As new

construction has declined over 75 percent from prior years, market conditions will even out with economic and capital markets recovery. The fundamentals of supply and demand for self-storage are linked to demographics such as population growth. Over time, markets will return to equilibrium. Eventually, as vacancy falls, rents will rise.

Market conditions for self-storage are best measured in a small trade area, generally approximately a three-mile ring. Analyzing occupancy at competitive properties are good indicators. Vacancy less than 10 percent is considered very strong and suggests the market is underserved. Vacancy of 20 percent or less suggests the market is near equilibrium. However, markets with more than 20 percent vacancy may be considered over served, unless there are newer projects in absorption phase. In these cases, try to determine the pace of absorption (ideally at least 2.5 percent of the project total per month or more).

Like most self-storage markets, Colorado requires careful analysis at the local trade area or neighborhood to determine if self-storage is underserved, oversupplied, or at equilibrium. However, benchmarking can be useful as the first step in a process that drills down to local market indicators. ■

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