



## self-storage trends

# Private Storage In Multifamily Buildings

## A New Niche For A Different Type Of Operator

By Tammy LeRoy

In eastern hubs such as New York City where storage space is precious, adding in-house self-storage units built in the basements of multifamily buildings is a trend on the rise. Convenience and the rising costs of outside self-storage and are the primary drivers, along with building owners' desires to clean up unexploited or inefficiently used areas in buildings. Moreover, owners and association boards gain a new source of income without raising fees.

An article in the real estate section of *The New York Times* last year (Nov. 12, 2006) noted that developers of new buildings are touting basement storage units as an amenity almost on a par with a gym or a door attendant. The story went on to say that wire-mesh storage cages sell for as much as \$40,000 when purchased as an option, and enclosed storage units can sell for twice as much. In older buildings, however, co-op and

wire cage solution is that the contents of the unit are visible to anyone with access to the area, they are easy to break into, and they are exposed to damage from water, dust, and pests. The benefit, however, is their low cost compared with steel partition units.

Romulus, Mich.-based S & C Inc. is one of the many manufacturers of wire units, which come with either hinged or sliding doors. Double-tier storage locker

an issue. "Usually, these tenant storage lockers are of an economy line of wire mesh—not real sturdy, not real secure. A pair of bolt cutters can cut right through them," he says. "It only keeps the honest person honest."

The company offers a heavy-duty wire mesh product, which is a little more secure. "But when we build this," says Murray, "we cut the wires with bolt cutters, so ... ." Attaching vinyl tarps to the inside of the cages make the units less appealing to thieves, however, anyone who is determined can get into the units.

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condo boards are finding ways to retrofit storage units that tenants can rent. The number of units that can be installed frequently falls short of demand, and waiting lists that run for years are often the result.

### A Longstanding Solution

A solution that has long been employed for tenant storage in apartment and condominium buildings is the wire mesh storage cage. The biggest downfalls of the

units are an option where space is limited. S & C's starter units are 3-by-3 but add-on units can increase the unit size. Backs and tops are optional. The starter unit lists at \$312 with discounts depending on volume.

Darren Murray, president of Corona, Calif.-based California Wire Products Corporation, says many of his customers charge residents a small fee to rent the units. Although wire storage units are a convenience, he admits that security is

### A Unique Self-Storage Operation

A much more secure option is to install the type of enclosed, steel-partitioned storage units found in commercial self-storage facilities. Some developers are adding these to new buildings as an amenity for each resident. Especially in older buildings, however, many co-op and condo associations simply don't have the money to install storage units. This is where Long Island City, N.Y.-based Bargold Storage Systems comes in.

Bargold installs custom tenant storage units in apartment and condominium buildings at no cost to the property

owner, co-op, or association. Then, the company takes over all of the management functions for the units, kicking back 25 percent of net rental receipts to the building owner or association.

The principals of Bargold began a traditional self-storage operation in 1985, which grew to nine facilities. In 1998, the facilities were sold to a national self-storage operator, and the company ceased developing traditional self-storage sites. Bargold first installed storage units in the basement of a condominium in 1995.

"We right now have over 1,000 buildings in New York and New Jersey, and we may expand into Connecticut," says Josh Goldman, a principal of Bargold. "We keep our focus to be about a 200-mile radius from the office so that someone can get to the site in two to three hours to service the property." The company has 10 staff members in the field responsible for leasing and move-outs. A construction staff consists of three teams, and a maintenance staff in the field consists of three teams. "We do what we have to do to make our storage area look new again,"

says Goldman. "No one wants to rent a unit in a dilapidated area of a basement."

The units generally rent for about half the going rate for outside self-storage in the area, and because it is rare that there is enough space to build units for every resident, there are often waiting lists for these spaces. "We sign people up, maintain the unit, and come back at any move-out or any mishap," Goldman says. The company uses a standard self-storage rental agreement. Lien sales are infrequent, but Bargold abides by the two states' self-storage statutes.

The units Bargold builds are 26-gauge corrugated steel with 16-gauge steel doors. "They're a lot stronger than the products you see out there at the shows, which deal with the lighter sheet metal," says Goldman. "That's not to say those are bad, but we're in environments where I don't have total control over what's going on. I need to build them so I don't have to worry about the structure." Although expensive to install, these heavy-duty units can last for decades and require almost no maintenance.

Goldman explains that for multiple building owners who are good customers, there is no minimum or maximum number of units Bargold is willing to install. Generally, available space dictates the buildout. The company has installed as few as two units to as many as 1,000 units in one project.

### Barcode Inventory System

One of the most interesting aspects of Bargold's system is the company's

inventory system. "We have bar-coded all of the doors to the storage units. The staff goes around with handhelds and scans the unit and tells us what's going on with it," Goldman explains, "and that's fed into our system in the office. The main system then will point out any discrepancies, like if our employee finds it unlocked but we have it listed as rented."

The company now has 14,000 units in the field, all of them bar-coded. Goldman receives a weekly report showing any units not seen in three months, and one staff member is assigned to visit those units. "We are the first in self-storage to do bar-coding," he says, "We built the system in house."

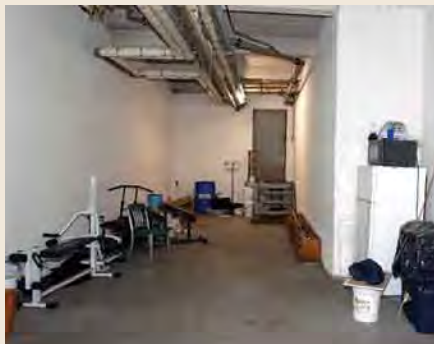
With an average of 14 units per building, how is the operation profitable? "It's a very slow, slow crawl," Goldman explains. "We make money after a long time. These are very expensive storage units overbuilt for the environment. We're not looking for right now." Indeed, Goldman says that after a decade, the company is finally beginning to enjoy notable profits. In the underserved markets Bargold

operates in, this niche self-storage operation is sure to succeed. ■



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### Before and After



Photos (left to right) courtesy of Bargold Storage Systems; Cal-Wire.