

Mini-Storage
Messenger
THE ORIGINAL VOICE OF THE SELF-STORAGE INDUSTRY

RV & BOAT
BOOM!
ARE YOU READY?

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SUPPLEMENT TO THE MINI-STORAGE MESSENGER



THE RV & BOAT

Are You Ready For What Could Be The Hottest Ticket In Town?

By Poppy Behrens

There's no doubt about it: The upsurge in RV and boat ownership is adding a new dimension to today's self-storage industry.

The original predecessor to today's RV was built in 1958 in Brown City, Mich., when Ray Frank, owner of a small trailer company, designed and built a custom "house car." Built strictly for his family's personal use, he called this creation a "motor home." While motorists had been adapting their own vehicles as "house cars for family auto camping" trips since

the 1920s, this was the first time that such a vehicle was designed and built from the ground up. Amazed at how popular his invention was with everyone who saw it, Frank bought 100 Dodge chassis and in 1960 began to produce Frank Motor Homes. Six motor homes were produced that first year, with 131 built in 1961 when the name of the company changed to Dodge Motor Homes.

Since that time, motor homes—now called recreational vehicles or RVs—have become a common sight with more than 7.2 million of them on the nation's highways. In 2003, both RV ownership and manufacturing reached record levels with more than 320,000 new RVs shipped to dealerships. The trend continued into 2004 with factory-to-dealer deliveries for the second quarter outpacing forecasts and setting a new quarter-century record—deliveries for the quarter were up 21.2 per-

cent over the previous year's numbers. Overall, the University of Michigan Director of Surveys of Consumers Dr. Richard Curtin predicts that when tallied, total shipments for 2004 will record a robust yearly gain of 12.6 percent over 2003, reaching their highest levels since 1978. And thanks to the year's low interest rates, sales are expected to mirror the same increases, despite escalating gas prices. Just the first five months of 2004 saw an increase of 15.2 percent in sales over the same period last year. Needless to say, this has sparked many RV manufacturers to boost production in order to keep up with the growing demand.

Along with the increase in the number of RV-owning, not to mention boat-owning, Americans, has come another phenomenon: the question of where to keep these large, oftentimes very expensive luxury vehicles, especially since for the most

PHENOMENON

part they are typically used for a weekend, a week at a time, or on occasion a month-long vacation. Unfortunately, many city officials, homeowners associations, and community activists have made it impossible to park RVs on city streets or in neighborhood driveways because they are considered either an eyesore or a safety hazard. Hence, the answer in many markets is to keep RVs and boats at a storage facility.

According to an online survey by RV Traveler, a weekly e-mail newsletter for RVers, 21.9 percent of the respondents store their vehicle at an RV storage facility when it is not being used. Considering that those numbers are based on responses from 2,243 of the site's subscribers, and given the fact that there are more than seven million RVs in the U.S., the potential for the self-storage industry is definitely there.

Continued



Photo courtesy of National Marine Manufacturers Association.



Photo courtesy of RVIA.

Demographics And Details

Why the boost in RV sales and ownership? According to David J. Humphreys, president of the Recreational Vehicle Industry Association (RVIA), the RV industry is booming thanks to increasingly confident, young consumers who recognize

table experiences for adults and children alike," says Humphreys.

Unforgettable indeed! With automatic leveling systems, GPS mapping, flat-screen-TVs, satellite dishes, video game systems, laptop computers, cellular phones, and surround-sound DVD and

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the advantages of RVing over other forms of vacation and leisure. Substantiating this, a 2001 University of Michigan study projected that the number of RV-owning households will increase by 15 percent between 2001 and 2010, outpacing the U.S. household growth of 10 percent.

Attracting this new generation of RV buyers is the fact that today's RVs are loaded with top-of-the-line innovations and ultra-modern gadgets. Fully-equipped kitchens and baths, central heat and air conditioning, queen-sized beds, and high-tech entertainment and communications systems are making RV travel more comfortable and convenient than ever before. "These high-tech homes on wheels are turning road trip vacations into unforget-

table experiences for adults and children alike," says Humphreys. Unforgettable indeed! With automatic leveling systems, GPS mapping, flat-screen-TVs, satellite dishes, video game systems, laptop computers, cellular phones, and surround-sound DVD and CD players with individual headphones, RVs have become the road warriors' paradise. Many include freezers, washer/dryer combinations, moving walls or slide-outs that expand interior space, and fold-out exterior barbeque grills. And while state-of-the-art RVs are a hot item, RVs also come in a variety of sizes and styles priced to fit every budget. While a conventional fifth-wheel RV ranges between \$10,870 and \$120,350, RVs designed on a motor vehicle chassis can run between \$76,275 and \$1.35 million, with some custom-made vehicles priced even higher.

The trend in boat ownership is much the same, with recreational boating predicted to grow 6.1 percent annually through the year 2008. This, according to a recent study by the Freedonia Group (a leading international business research company that publishes more than 100 various industry studies annually), is being driven by a continued shift towards higher-end boats and better-performing, more environmentally-friendly two- and four-stroke engines. An increase is also set to continue in the purchase and ownership of center-console outboards and family-sized personal watercraft.

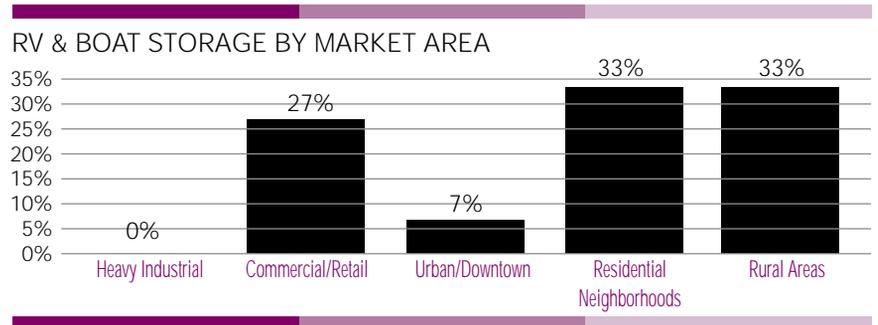
With cumulative figures for 2004 not yet reported, there were 72 million recreational boaters in 2003 according to the National Marine Manufacturers Association (NMMA). The NMMA also reports that in 2003, the cost of inboard boats and ski boats averaged more than \$36,000, with specialty boats having a much higher price tag. Unsurprisingly, if someone spends that kind of money on an RV or boat, they want more than just storage.

According to the *2005 Self-Storage Almanac*, published by MiniCo Inc., on a national basis, facilities reporting RV and boat storage averaged 48 dedicated spaces or units, averaging 15,822 rentable square feet for this type of specialty storage. Moreover, some self-storage owners and developers are dedicating entire facilities entirely to the storage of RVs and boats. In Southern California, for instance, IORBS (Indoor/Outdoor RV & Boat Storage) specializes solely in the storage of RVs, boats, collector cars, trailers, and other types of vehicles. Anticipating and preparing for future growth, IORBS has four facilities currently open, with three additional locations in development. Club Wet Boat & RV Storage also has its sights set on this type of specialty with a location in the Lake Mead area near Las Vegas. While Tucson, Ariz.-based National Self Storage offers some RV and boat storage at many of its facilities, the company is now in the process of building a facility that will be totally devoted to storing boats and RVs. And in Lake Havasu City, Ariz., Lake Havasu RV & Boat Storage was designed with recreational vehicles as its primary tenants and climate-controlled traditional storage as a secondary service.

"At least once every couple of weeks, we get a call from someone who is looking to get into the RV and boat storage

2004 RV & Boat Survey Methodology

The 2004 RV and Boat Storage Survey was conducted by *Mini-Storage Messenger* magazine in October, 2004, for the purpose of identifying and summarizing data about RV and boat storage within our industry. A total of 274 surveys were sent out to boat and RV storage facilities selected from a MiniCo Inc. maintained databank. Survey respondents were asked to respond to 14 questions that focused on various aspects of RV and boat storage. The total number of usable surveys returned was 45, for an overall response rate of 16.42 percent. Facilities located in California and Texas were focused on for the purposes of the *2005 RV and Boat Supplement*.

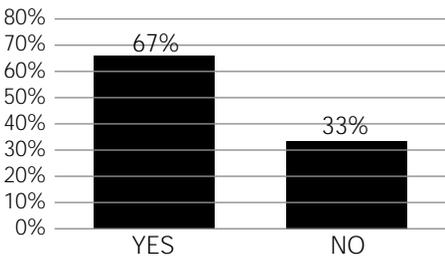


business,” says Tarik Williams, vice president of TLW Construction based in Mesa, Ariz., the construction company for Lake Havasu RV & Boat Storage. “It seems like all of the facilities that we build are incorporating some form of RV and boat storage, whether it is open space for parking, or fully enclosed units.”

Filling A Definite Need

It's no secret that many recreational vehicle owners are having trouble finding a place to store their vehicles. According to a

RV & BOAT STORAGE LOCATED NEAR RECREATIONAL DESTINATION



recent article in *MotorHome*, some owners say that despite tightening rules and regulations, “they couldn't store their vehicles in private storage facilities even if they

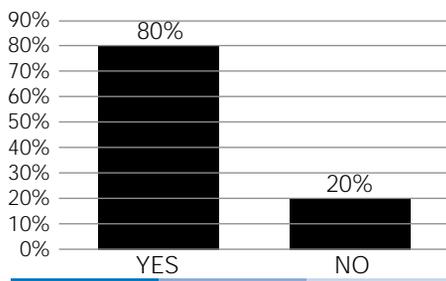
Aside from operational profits, on average, RV and boat tenants tend to stay longer than other tenants, and they tend to pay their rent on time with very few delinquencies.

wanted to” because many municipalities don't have enough RV storage sites available to accommodate all of the vehicles in their jurisdictions. Much like the early days of self-storage, “If you build it, they will come.” And in the right market, those RV/boat spaces and units will fill up fast.

So what areas offer the best location for RV and boat storage? A recent *Mini-Storage Messenger* survey of storage facilities offering RV and boat storage in Texas and California found that 33 percent were located in residential areas with another 33 percent located in rural areas. Additionally, 27 percent of were in commercial/retail areas, with seven percent in urban/downtown markets.

Homeowner and community restrictions are not the only driver for RV storage

RV & BOAT STORAGE LOCATED NEAR DEALERSHIP



As seen in table to the left, 67 percent of the facilities surveyed were located near a recreational destination. These can range from beach resorts or mountain getaways, to national parks, historic sites, or lakes and rivers. In fact, today many RVers will purchase an RV to use primarily at a specific destination location; they will then store their RV nearby, traveling by car, train, or plane to get there. This applies even more so to boat owners. Given that trend, some storage facilities are set up to allow the customer's car to be kept in their unit or parked in their space while they are off on their RV or boat adventure.

RV and boat retail locations also seem to be a magnet for storage opportunities

with 80 percent of those facilities surveyed reporting that they are located near a dealership that sells RVs or boats. This provides an excellent networking opportunity for facility owners and managers to set up a referral program with local dealerships. In addition to referring new RV or boat owners to a facility, the probability exists for the dealership to refer existing owners. After all, if you were new to a community and had a high-dollar boat or RV that needed to be stored, chances are the local dealership is one of the first places you'll call for a recommendation.

From Simple To Superb

Regardless of whether you go with simple outdoor parking or top-notch indoor units, in the right market, boat and RV storage

can definitely add to the bottom line—in more ways than one. First, in terms of profits, when building a site geared primarily for outdoor RV storage, you are talking about asphalt, paving, striping, and putting up canopy or three-sided covers, which runs between \$15 to \$20 a square foot overall, depending on the city, wind load, and live load requirements. On the other hand, the cost to build traditional self-storage units ranges between \$25 and \$35 per square foot or more.

“The rent for canopy-covered RV storage is about the same as mini-storage units,” says Hayworth, “but the cost to build it is anywhere from a third to one-half less than traditional storage, so your return on investment is higher.”

While indoor storage units are more expensive to build, they also command higher rents. Premiums can also be charged for added amenities such as climate control, power doors, interior lighting, insulated units, and electrical outlet access for each unit. One example of this is Caughlin Ranch Mini-Warehouse and RV Storage in Reno, Nev., a facility that caters to RV customers. In addition to outdoor covered parking, it also offers oversized units that are climate controlled. The 15-by-60 heated spaces are approximately 900 square feet and rent for \$500 a month. These premium units have been completely rented since shortly after the facility opened and there is a waiting list for future openings.

Adding special RV and boat amenities can also be profitable. This includes dump stations, wash bays, and service islands, which allow facilities to charge higher rents. While these services are offered free to tenants, some facilities will charge non-tenants for the convenience of being able to come to the site and use the dump station or wash bay. Some facilities are adding profits by offering propane refill services, which can also be offered to non-tenants. When offering non-tenant services, however, it is advisable to implement sufficient security measures. This protects not only the facility owners/operator, but also the tenants who are storing their goods there.

Aside from operational profits, on average, RV and boat tenants tend to stay

Continued

longer than other tenants, and they tend to pay their rent on time with very few delinquencies. In fact, very few facilities that offer this type of storage are faced with lien sales on boats or RVs. That comes as no surprise given that financial institutions consider RVers to be reliable buyers. Why? Less than 1.35 percent of all RV loans are delinquent according to RVIA statistics—a fact that combined with lower interest rates and RV specialty insurance options has made financing easier; this has also been a definite contributor to the boom in new RV sales.

ing requirements for RVs and boats stored at a facility. For instance, each tenant should have a striped and numbered space for outdoor parking that is outlined in the lease. However, because it isn't unheard of for one tenant to mistakenly park in the wrong space, the language in the lease should not be so specific that the misplaced tenant can claim a violation or default of their lease on the part of the facility should they find their space occupied. Some facilities even have several spaces for "overflow parking" in the event that sort of situation arises. Another option is to insti-

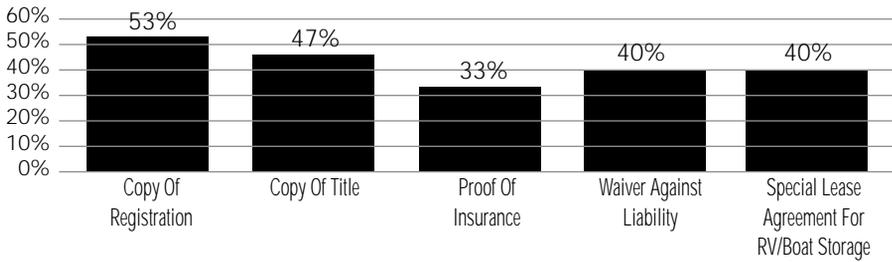
centage than the 79.1 percent seen for traditional self-storage as reported in the *2005 Self-Storage Almanac*. Mirroring the self-storage industry as a whole, security cameras and video surveillance are also a popular component of RV and boat storage security. Of those facilities responding to the survey, 47 percent utilize this option. Computerized access control, predominant at so many self-storage facilities today, is also integral to RV and boat storage with 60 percent of the reporting facilities utilizing this security option. Some facilities, such as U-Haul International's unique self-storage/RV and boat facility located in Anthem, Ariz., also offer individually coded remotes for tenant access to the RV area; in U-Haul's case, this area is situated as a separate site one block away from the main storage center.

Hot, Hot, Hot!

There's no doubt about it—from single-facility owners to the industry heavy hitters, RV and boat storage can be a hot ticket in the right market. After all, according to a survey conducted for RVIA by Robert Hitlin Research Associates of Reston, Va., despite cool temperatures, RVers plan to turn up the heat this fall and winter traveling an average of 29 days—three days more than last year during this period. The good news for the self-storage industry is that those same RVers are going to need a place to keep their luxury toys when they are not on the road. 🚐

Poppy Behrens is the executive editor of the *Mini-Storage Messenger*.

RV & BOAT STORAGE RENTAL REQUIRMENTS



Security First

Protecting tenants' goods is a concern that becomes especially important when dealing with RV and boat storage given the potentially high value of what is being stored. Also of importance is financial and legal protection due to the nature of what is being stored.

While some storage facilities do not require any out of the ordinary rental provisions, many have developed special lease requirements for RVs, boats, and other vehicles. As seen by the survey results in the table to the left, 53 percent of the responding facilities require a copy of the current registration when leasing this type of space or unit. In addition, 47 percent require a copy of the title. Because of the value of today's recreational vehicles, 40 percent of the responding facilities also require that a waiver against liability be signed, with 33 percent requiring proof of insurance at the time the RV space or unit is leased. And speaking of leases, 40 percent of the responding facilities reported that they have a special lease agreement tailored specifically for RV and boat tenants.

In addition to these requirements, it is also advisable to have some specific park-

tute a "penalty" which is clearly indicated in the lease for not parking in the proper place, parking in two spaces, or blocking a portion of someone else's space. Because this aspect of RV and boat storage is so important, it is advisable to consult with an attorney that is familiar with its legalese.

When it comes to physical security for RV and boat storage, options abound. As seen in the table on page 12, perimeter fencing or walls are a given, with 93 percent of the responding facilities utilizing this security method. This is a higher per-

RV & BOAT STORAGE SECURITY MEASURES

