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Focus on the self-storage real estate sector

By EDILAINE FELIX

Secovi's director and Asbrass's President said that this type of industry is not related to the conversion of an "old shed" and requires caution; company points out growth in this sector.



Fagundes. *Renting GoodStorage boxes for the storage of the company's products.*

Based on the slowdown of sales and launches of residential and commercial real estate, many investors are keeping an eye on the self-storage sector. With the leasing of spaces by third parties for the storage of personal effects in self-storage units, this sector is regulated as real estate and is classified as subclass real estate rental.

According to the director of the São Paulo State Housing Syndicate (Secovi-SP) and the President of the Brazilian Self Storage Association (Asbrass), Flavio Del Soldato, self-storage is here to offer additional space to store any type of goods. According to him, with the reduction of the size of the apartments, this activity is considered as a solution for major centers.

However, Soldato also informed that even though investment funds are betting on the sector's potential and expansion of new businesses, the search is not in sync with the demand. "Solid demand is still very low and the margins are narrowing down", he claims.

From their point of view, due to lack of information, a major part of the public is still clueless about the advantages and how self-storage spaces can be used. The sizes of the offered self-storage units vary from 1m² to 100 m², and the rental can be selected to variable periods of time without being tied to any fixed costs like utility bills, for example. However, before investing in the sector, Soldato said that it is better to get acquainted with the market as this is totally different from converting an old shed into a self-storage space". He says that just as in the residential and commercial real estate market in general, until 2013, companies presented a steady growth and this was a solid market, but currently, there is lack of resources including for those who would like to use the service.

"Any person who would like to invest in this industry should know the real aspects of the business and keep an eye on this niche. Just like any other real estate market, the return on investment is on a long-term basis. Therefore, it is necessary to analyze the business, the location, the demographic potential and the visibility. There is a lot of room for growth in this sector, but, as he claims, this is not the time for investments".

Research. Based on information from the real estate advisory company Engebanc about the first quarter of this year, in Brazil, there are more than 100 companies that are operating in this niche in 20 cities in 5 states and they are totaling up to an area of 170 thousand square meters.

This study also shows that in 2012, there were 60 self-storage units, that number increased to 83 in 2013, 146 in 2014 and 154 in 2015.

According to Engebanc's industrial and logistics services consultant, Rogério Luz, this is a growing activity. "The south area of the capital city and Vila Leopoldina in the west are high potential sectors for the self-storage market."

According to the study conducted by Engebanc, the average rental price for the smaller self-storage unit is of R\$ 97.40 and the value per square meter for the larger units is of R\$ 63.40 per m².

"The research was conducted based on a sample of 70% of the units in the country and we assessed the size of the self-storage units, the structure and the price",

Engenbanc's Market and Intel Research Senior Manager, Leandro Angelino said, referring to the research on the measurement and values of self-storage unit rentals.

In the city of São Paulo, the average price is 10% higher than the national average and 85% of the users are individuals. According to Engebanc, the usage is as a result of "a lack of suitable urban logistics area" related to its seasonal nature and poor transport.

Extra Tadeu Fagundes, the manager of Marelli Móveis, a corporate furniture company, says that self-storage solution gave them the space they needed to store the furniture that was ready for delivery. "We had a commercial lease contract and we paid the rental for months even though we didn't use the space. We currently have a space (60m²) that really meets our requirements", he says.

According to Fagundes, the property that was rented usually was not used for some time and otherwise was not sufficient to store the furniture. Therefore the self-storage unit option has been used.

Before deciding to use the service, the company assessed all costs. "We achieved flexibility, security, better customer service, without being tied to a long-term lease contract."

Real estate market investor, GoodStorage's president, Thiago Cordeiro, decided to focus his investments in this sector for two years.

Today, the company has seven operating units with plans of opening two more by the end of the year. With 60% occupancy rate, Cordeiro informed that he decided to invest in this sector. "I am aware that this is a long-term investment."

Compact areas. Cordeiro believes that the increase in the number of compact apartments is a factor that has contributed to the advancement of self-storage. "People use the self-storage units as an extension of their own home; consequently, they live in small apartments and rent spaces for the storage of objects."

From the point of view of the client, he stresses emphasis on the advantage to have contracts for different periods (the minimum term is of a month) and without electricity or condominium costs, etc. At GoodStorage, the size of the units varies from 1 m² up to 100 m² – 20 different types. The price of square meter starts from R\$ 70.

"It is a complementary solution for the houses. On a frequent basis, we are developing units within the perimeter of neighborhoods. The location is very important to the industry," says Cordeiro, who manages 30 thousand square meters and has projects in order to reach 100 thousand square meters by 2018.

"My material occupied a lot of space and I decided to rent a unit"

A coordinator in Natura the cosmetics company, Andreia Ferreira Mantuano Lombardi, has been using a rented unit from a self-storage company in Guarulhos for the past two months. She uses the space to store materials used during training sessions. "I have a team of consultants and I offer training and monthly meetings. So I need a large amount of products and other materials that are used for my job", she says.

"I kept the entire stock of products and materials for lectures and courses for saleswomen at home, and it was taking too much of space so I decided to rent a unit". Andrea says that she was not acquainted with the self-storage activity. But after passing at the front of a building that offered the service, she took note of the telephone number and decided to call them in order to get more information. "I liked the concept and rented the unit", she says. According to her, the space is organized, safe, with a parking lot and personal access keycard to enter the premises.

With 80 thousand square meters, the self-storage company, GuardeAqui, owns 14 units and a 15th unit should be operating soon, in Sao Paulo, Rio de Janeiro and Belo Horizonte and units of one square meter up to 50 square meters will be provided at approximately R\$75,00 per m².

Growth. According to Allan Paiotti, GuardeAqui's CEO, the company grew around 400% in rentable area only from January to March this year.

"We also suffered with the market crash in 2008. We were going through a time of growth when we were attracting more public and customers, when the expansion process stopped and we had to look for potential partners. In 2011, there was an acquisition of Equity International and the restructuring plan took place in 2012 and 2013", he said.

Paiotti says that GuardeAqui counts on an accelerated growth program of up to eight new compounds per year, focusing on the South and Southeast.

"It is our intention to communicate and explain that we offer rental areas being in the large consumer centers," he says.

Even with the negative outlook for the real estate market, Paiotti says that GuardeAqui will continue to grow and the expansion plans will be sustained.

Opportunity. "We are excited. We have units spread across the country, more than 80 thousand m² of space for rent, with high rate of market penetration in the regions of local rentable area per inhabitant," he says. "Based on a scenario in which companies are closing and people are moving out from their homes or leaving to live abroad, the self-storage industry are increasing", claims the CEO of GuardeAqui.

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