

Spruce Grove Storage

Status

Active Investment

Location

Lower Lake, CA

Asset Type

Self Storage Facility

Date of Investment

October 2002

Investor Return to Date

8% cash-on-cash, plus an additional 3-5% in annual non-cash tax depreciation benefits. Total return of 11-13% annually, not counting capital appreciation which will be captured at the time of sale.

Overview

Spruce Grove Storage is a 414-unit self storage complex with approximately 60,000 square feet of rentable space located on approximately 8.15 acres of land.



Value Add:

The Challenge

At the time of the investment, the property was financially stable with occupancy ranging from 88% to 90% but under performing relative to its competition for the following reasons:

- ◆ Lack of professional management and slow collections
- ◆ Inconsistent branding and advertising
- ◆ Dated curb appeal

The Solution

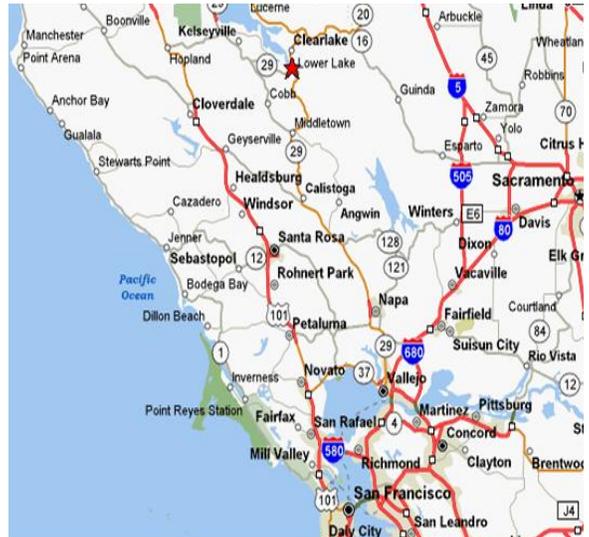
- ◆ A new customer service focused property manager was hired
- ◆ Technology was deployed that improved cash collections and enhanced unit level pricing
- ◆ Signage was improved
- ◆ Branding for the property was rationalized and consistently applied to all customer communications
- ◆ A targeted advertising program was implemented, including a customer referral program
- ◆ A community outreach sponsorship program was put in place to help fund local youth sports and charitable organizations

The Results

- ◆ Occupancy and cash collections increased significantly
- ◆ Rental prices have consistently risen year over year
- ◆ Investors are receiving an annual 8% cash-on-cash return, plus an additional 3-5% in annual non-cash depreciation benefits for a total return of 11-13%, not counting capital appreciation which will be captured when the property is eventually sold

The Property:

- ◆ A one-story complex consisting of 11 stand alone buildings.
- ◆ Newer construction, built in two major phases; the first in 1985, with a second phase added in 1998.
- ◆ Well located on the perimeter of the growing town of Lower Lake; adjacent to Highway 29 which is the major north-south traffic thoroughfare in Lake County; three miles from Hidden Valley, the largest planned housing community in the county.



The Market: Lake County, CA

- ◆ Over the past decade, Lake County has been one of the fastest growing counties in California. The population has more than tripled in size since 1970. Self storage demand is highly correlated to population size and the rate of new home construction.
- ◆ Undeveloped industrial land zoned for self storage development is significantly limited in the county, reducing the likelihood of future competition. Agricultural land, while abundant, is difficult to rezone for industrial development, in particular self storage facilities which generate no sales tax revenue for the county.
- ◆ Lake County is an increasingly popular retirement destination because of its clean air, recreational activities associated with Clear Lake which is the largest freshwater lake in California, and the county's affordable housing stock. More than one-third of the county's residents are age 60 or older and constitute the fastest growing population segment. Retirees are frequent users of self storage, primarily due to downsizing of home size.

About Ratel Investments:

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