
Residents Continue to Move in and Bring Stuff

| By Lisa Brown
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A rendering shows a proposed self-storage facility going up in Austin.

AUSTIN, TX—Austin's population is booming. The metro area of nearly 2 million grew by 3% last year, making the Texas capital the third-fastest growing metro in the country. As more new residents move to the area, so does their stuff—and that's creating a big opportunity for self-storage developers such as locally based **Capella Capital Partners**.

"The secret's already out. Everybody is aware Austin is a good market," said **Scott Moxham**, chief financial officer of Capella. "It's getting harder and harder to find a piece of property. There is lots of competition and not just from storage developers."

Fortunately for Capella, the company got a head start on the current wave of self-storage development overtaking the city. Completed developments consist of a portfolio of office, retail, multifamily and a strong concentration on storage. The company has completed two facilities and has six more on the way.

Capella partner, **Todd Dailey**, tells GlobeSt.com: “In terms of the development cycle, there was very little self-storage development activity from 2008 to 2014. In 2015, development activity picked up substantially in many markets across the country. This trend has continued in 2016 and is expected to continue for a number of years. However, this new supply is barely enough to keep up with demand generated by natural population growth. Current national occupancy levels for the REITs range from 92% to 95%. The Austin market occupancy level average is well north of 90%. It will be a number of years, before new supply coming on the market has an across the board impact upon occupancy levels. Additionally, Capella Capital Partners believes over time the industry will see a meaningful migration from older class-B and C facilities to state-of-the art class-A climate controlled facilities.”

A 90,000-square-foot facility will deliver within the next week at 5431 Williams Dr. The project is a three-story climate-controlled energy-efficient design with a 24 hour keypad access, security cameras, on site management and freight elevators. A second phase of the facility consisting of an additional 45,000 square feet will be added in 2017.

A second Georgetown location (90,800 square feet) is underway at 2100 J.M. Page Ln., and Capella will begin construction on a 73,000-square-foot facility on Ben White Boulevard near Interstate 35 in July and another, a 113,000-square-foot facility, in late August at 2525 Interstate 35 at Oltorf.

Dailey tells GlobeSt.com: “Self storage is becoming one of the most desirable commercial real estate asset classes. Self-storage facilities are generally simplistic building structures with short construction periods and costs per square foot up to 50% less than other asset types. Likewise, the facilities have significantly lower maintenance and operating costs. Upon lease-up, rents per square foot are on par and can exceed multifamily. Additionally, with month-to-month leases, operators have the ability to implement periodic and significant rental rate increases with little impact. All of this results in extremely strong cash flow generation and a breakeven point at relatively low occupancy levels. And, the industry is highly fragmented, with the REITS controlling only 15% of the market, and the top 100 operators controlling only 22% of the market. The industry remains ripe for continued robust acquisition activity, consolidation and increased participation from REITs, strategic institutional capital and long-term financial investors. Cap rates for stabilized class A climate-controlled facilities in top markets can be well south of 6%.”

Overall, Capella will have three to four more facilities break ground by year end and several properties are under contract and in the pipeline. It also has plans to develop seven to 10 facilities per year in 2017 and 2018 throughout Texas and the surrounding states.

Dailey tells GlobeSt.com: “Additionally, the storage industry is highly resistant to economic downturns. Life events such as retirement, divorce, death, moving and downsizing continue despite macro-economic conditions. Strong cash flow generation, coupled with a large degree of operational stability, results in self storage having the lowest default rates of any asset class.”

The company was formed in 2012 by partners, Dailey, **Neil Francois** and **Jarrod Robison** to focus on self-storage development. Its members are area commercial real estate professionals with backgrounds in different asset types. The firm is an affiliate of Capella Commercial, a full-service commercial real estate company.