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These Luxury Storage Units Cost More Than a Starter Home

Basement storage units in Manhattan luxury condos are selling for sky-high rates per square foot

By Patrick Clark



The condominiums at 93 Worth St. in Manhattan's Tribeca neighborhood are appointed with high ceilings, bathtubs deep enough to drown a small horse, and rich shared amenities: a rooftop kitchen, children's playroom, and fitness facility.

Those extras help sell apartments in the former bank building, where a penthouse is listed for \$9.9 million. The building perks that convert most readily to cold, hard cash, however, are in the basement: 4-foot-by-8-foot steel storage cages into which residents pile the accumulated stuff that doesn't fit into their apartments. Developer Eldad Blaustein said he recently sold one such box for \$65,000. That works out to about \$2,000 a square foot—a higher rate than he has gotten on some of the building's apartments.

<http://www.bloomberg.com/news/articles/2015-06-29/these-luxury-storage-units-cost-more-than-a-starter-home>

“I mean, the rationale behind it, it’s hard to justify,” said Blaustein. “We all still live in a space which is smaller than we want to. That extra space is always the most valuable.”

Irrational or not, such hard bargains for basement storage units have cropped up more and more in Manhattan’s luxury real estate market. In 2011, reports surfaced of a \$200,000 basement storage unit in a luxury building near Central Park. Two years later, a buyer paid \$300,000 for a 200-square-foot storage cage in a residential tower in Tribeca.

Six Basement Storage Units You Can't Afford to Live In¹

1. 56 Leonard St.: \$300,000, or \$1,500 per square foot, according to the *New York Post*
2. 157 W. 57th St.: \$216,000, or \$4,000 per square foot
3. 432 Park Ave.: \$190,000, or \$2,500 per square foot
4. 252 E. 57th St.: \$155,000, or \$1,220 per square foot
5. 520 Park Ave.: \$95,000, or \$2,065 per square foot
6. 93 Worth St.: \$65,000, or \$2,031 per square foot, according to Blaustein

The rise of basement storage units priced in the ballpark of Blaustein's steel cages reflects two converging long-term trends: the soaring prices of Manhattan condos and the self-storage boom.

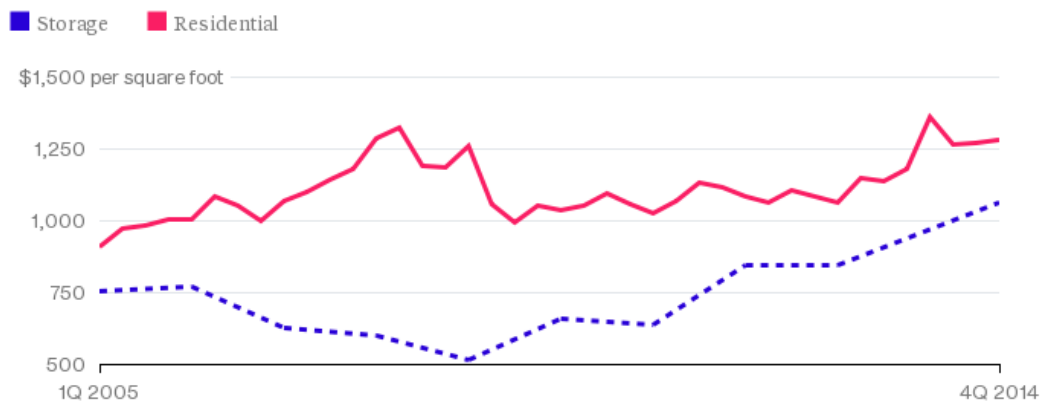
Wealthy buyers have poured assets into new luxury abodes while developers have vied to build the tallest, most expensive towers. As land gets more expensive, builders have become motivated to think of new ways to get a return on their investments.

“There's been a shift over the last 15 years or so to maximize every square inch of a building,” said Jonathan Miller, co-president of the appraisal firm Miller Samuel and a contributor to Bloomberg View. That includes hallways, rooftops, and even unused dumbwaiters, to name some spaces that Miller has appraised in recent years. At some buildings, basement storage is included in the cost of the apartment, or offered at a nominal charge—a strategy that probably leaves money on the table. “If you’re selling a \$5 [million] to \$10 million apartment, a 25-square-foot storage room gets lost in the shuffle. It’s more of a revenue opportunity to sell it separately,” said Miller.

Storage prices have risen apace with residential prices in recent years. The chart below, based on data from real estate website StreetEasy, shows the median price per square foot by year. StreetEasy recorded 96 storage sales in 2006, the most for any year in the survey. The residential data describes the average price per square foot on a quarterly basis and was furnished by Miller Samuel.

Manhattan Transfers

The chart shows median prices for basement storage; average prices for residential



Source: StreetEasy; Miller Samuel

Bloomberg

Across the U.S., meanwhile, the number of self-storage warehouses has more than doubled in the last 15 years as Americans have inched closer to grasping our manifest destiny to fill every inch with last year's styles. There are 48,500 storage facilities in the U.S., making it physically possible, in the somewhat creepy formulation of an industry trade group, for "every American [to] stand—all at the same time—under the total canopy of self storage roofing."

As with Manhattan's residential real estate, demand for storage is outpacing supply and prices are rising as a result. Thanks largely to a lull in construction during the recent recession, self-storage occupancy rates are at 90 percent nationally, according to John Egan, editor-in-chief at SpareFoot, a storage industry website. "There's no secret that we're a consumer society; people acquire various things," Egan said. "As more people are moving to the urban core, there's a good chance they're not going to have as much space to keep stuff."

Of course, expensive is a relative term. Some people spend more for a single flight on a charter jet than a young professional makes in a year. The monthly rent for a horse stable or a marina berth can cost more than the mortgage on a starter home.

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Looked at one way, the storage units sold in tandem with luxury condos can actually be a good deal. A 50-square-foot storage unit at Gotham Mini Storage—the closest facility to 93 Worth St., according to SpareFoot—costs \$269 a month. At those rates, 30 years would cost more than \$96,000—more than enough to pay for one of Blaustein's storage units.—*Peter Reford contributed reporting.*