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Could This Start-Up Solve Your Commercial Vacancy Problem?

Nov 02, 2021 by **Nell McPherson**

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Much of the recent talk around commercial real estate has been positive. The pandemic-induced retail bankruptcies and closures finally slowed way down, and the holiday shopping season is off to a strong start.

Still, for many commercial landlords, filling all those vacancies is taking longer than they had hoped. And not all commercial sectors are in the same boat right now. Office space, for example, still faces an uncertain future.

The pandemic also led to changes in the way many of us live in our homes. Some of those changes, from in-home offices to home gyms, could be permanent. Many people also made big moves as they gained the freedom to work remotely for good. These changes have all created a need for more storage space.

In fact, according to Bisnow [subscription required], self-storage occupancy rates are currently hovering in the mid-to-high 90% range.

Sitting at the intersection of these two trends is self-storage marketplace Neighbor. This start-up can help commercial landlords fill vacancies by leasing out their space for self-storage. Let's take a closer look.

A beautiful day in the neighborhood

My colleague Jeff Piltch wrote back in April about Neighbor's $53 million Series B funding round, as well as the growth the self-storage marketplace

start-up had been experiencing during the pandemic.

Founded in 2017, Utah-based Neighbor's investors include both leaders in real estate and marketplace experts, including Andreessen Horowitz, Fifth Wall, and the CEOs of **DoorDash**, **Uber**, **Overstock**, and StockX.

Neighbor CEO Joseph Woodbury tells me that in just 18 months, the company has seen commercial square footage on the platform grow nearly 25 times. A former **WeWork** space in San Francisco and a former retail storefront in Brooklyn are two examples of commercial properties now being repurposed indefinitely for storage.

But it's not just vacant indoor commercial square footage, such as retail or office space, that can be repurposed. Landlords can even rent out parking spots.

In fact, Woodbury says, "Vehicle storage is one of the quickest and easiest ways for Neighbor's commercial hosts to add millions to their revenue."

This can open up a lot of options for commercial landlords who have found themselves with more parking or other outdoor space than they need.

As Woodbury explains: "Anyone with surface lots, garages, development sites, and unpaved lots can list that on Neighbor's marketplace. Commercial hosts in nearly every state are enjoying low effort, steady revenue from renting spaces to store or park renters' cars and other vehicles, assets that were literally wasting away."

Leasing out part of a larger commercial space, such as a mall or shopping center for self-storage, can also bring an additional benefit to other businesses in the space: added foot traffic.

"Overall, commercial hosts can enhance the value of their portfolios via improved cash flows that Neighbor brings them, positioning them more favorably when refinancing the assets," Woodbury says.

The Millionacres bottom line

The self-storage market is booming, with no signs of slowing down. If you've had trouble filling vacancies in your commercial space, you may want to look into how you might take advantage of that fact. You could soon be bringing in steady, reliable revenue again and increasing foot traffic to your existing tenants in the process.

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