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JV Partners to Invest Up to \$90M in Self-Storage

With New Construction at a Premium, Passco and Partner Should See Strong Return

Passco Companies Development, LLC is breaking into self-storage -- in a good way. Looking to tap into the lucrative market for specialized real estate, Irvine-based Passco has formed a joint venture with a self-storage expert to launch a company that expects to develop up to \$90 million in the facilities across the nation.

Patriot Self-Storage Management LLC, headed by President and CEO Hal Perdew, will focus on the development, management and leasing of self-storage facilities nationwide, said Passco Cos. President William H. Winn.

Patriot Self-Storage will initially invest \$70 million to \$90 million to build 25 or more self-storage facilities in secondary and tertiary markets in Florida, Georgia, South Carolina, North Carolina, Arizona, Minnesota, Texas and Alabama, among other states. The JV is gearing up for two land acquisitions and subsequent development projects in Florida.

Winn said self-storage development and ownership "provides a tremendously high risk-adjusted return, and we look forward to building a significant self-storage company and portfolio with our partners."

Extremely low levels of new supply should counterbalance moderation in demand for self-storage space, maintaining the healthy supply/demand dynamic that has driven strength in the self-storage industry in recent years, said Citigroup's Craig Melcher in a recent investment report.

Self-storage construction starts during the fourth quarter appear to have dropped precipitously, with starts down 36% since third quarter 2006 levels to 2.2 million square feet -- the lowest numbers seen in the last couple of years and well below the historical average of about 4 million square feet per quarter since 1995, according to Melcher.

Perdew, who heads JV partner Perdew Development LLC, has a track record in the niche. He was previously regional vice president for Public Storage Pickup and Delivery, a subsidiary of Glendale, CA-based Public Storage Inc. (NYSE: PSA), the world's largest self-storage REIT.