

XYZ Marina Storage



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1.0 Executive Summary

This business plan describes a proposed boat-storage facility to be established in Lake of the Ozarks, MO involving the conversion of an existing building. Total project costs are estimated at \$1,054,487 including purchase price, conversion costs, and pre-opening expenses (see section on Start-up Summary). Based on current and projected strong demand for self-storage units, rental revenue is projected to grow rapidly as units fill up from the first year's target of \$320,000 to \$684,000 by year three. After tax profits will grow sharply from \$55,000 in the first year to \$288,000 in the third year.

Highlights (Planned)

1.1 Objectives

After achieving experience and success in their present self-storage facility in Plainfield, Missouri. The principals of this proposed project plan to take advantage of the strong demand in the boat storage industry to achieve a major presence in Plainfield. The ownership connection with Stote Marine will assist in gaining full occupancy quickly. Goals have been set to rent 50% of the proposed 300 unit spaces within the first six months of 1999. An additional 25% will be rented in the second half of 1999, with the remainder to be filled in 2000.

1.2 Mission

The mission of the principals is to serve the Lake of the Ozarks area, local residential and commercial boat storage needs.

1.3 Keys to Success

The keys to success in the boat storage business are:

1. To provide dry, secure, and clean facilities with convenient access.
2. To have good connections in the marine industry to direct customers needing temporary storage space.
3. To be able to adapt as storage and market needs change.

2.0 Company Summary

XYZ Marina Storage is a start-up project to be located in Plainfield. The owners are experienced in the boat storage, owning a well-established boat transport company (Stote Marine Movers) and a successful self-storage facility in Plainfield (Plainfield Storage). The building to be purchased for this project is a large metal building originally constructed as a bleachers around 1910. This building as well as surrounding buildings, were connected with the now dying leather industry which flourished a few decades ago. A large building of similar size located next door and connected by a walk bridge has already been converted successfully and is operating well. The XYZ Marina Storage building contains three levels of heavy-duty steel beam construction ideally suited to the planned purpose of boat storage units. The building is heated by oil. One of the two elevator shafts will be the home for a new over-sized passenger elevator suitable for transporting storage contents from the ground level to the units on the second and third floors. A large separate parking lot area comes with the building but will not be needed for this project. This lot could be sold or could be the site of additional future storage units to be set up using one of several one-story steel storage systems. It is estimated that, with purchase of the building taking place in June of this year, the conversion into storage units could be completed and ready for occupancy by the end of the year. Demand for the units is strong, as evidenced by the market

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survey of existing boat storage facilities. Bank financing for 70% of the project costs is expected with the remainder supplied by shareholder equity.

2.1 Company Ownership

The company will be incorporated as an S Corporation, and will be owned by three individuals: Roger Black, Sebastian Stote and Daley Thompson. Each will own 1/3 of the stock. Roger Black and Sebastian Stote are 50-50 owners of Plainfield Storage which is a 110 unit selfstorage facility converted in 1993 from a former piano factory. All units are fully rented. Sebastian Stote is owner of Stote Marine Movers, which is a family business providing residential and commercial moving since 1917. In addition to being the source of many of the rentals at Plainfield Storage, Stote Marine Movers has 52 filled 45-foot trailers located in Roslyn-by-the-Sea. These trailers contain customers' boats pending delivery at a new location.

2.2 Start-up Summary

Advertising and promotion will rely heavily ads in the Yellow Pages, as well as initial local newspaper ads at the time of opening. We are assuming three directories for Yellow Pages ads with 1/8th page ads costing \$165/month each. The ads in the local papers (*Springfield News* and community newspapers) are estimated to cost \$300 monthly for the first year only. They will be reduced in the second year to half this amount and eliminated in the third year. Property taxes (\$11,946) are projected at the actual rate of the tax year 7/1/96-6/30/97. Significant increases are not expected.

Building maintenance is not normally a very substantial item on a boat storage building of this size. However, the roof has been completely redone fairly recently and the basic structure of the building is very robust. The start-up costs reflect adequate amounts to ready the building for opening in good order. Also, it should be noted that expenditures for building maintenance would need to be larger if the building were being used for other uses rather than storage. We assume an annual amount for maintenance equal to 5% of the purchase price which works out to \$27,500.

Utilities:

- Water and sewer assumed at historical levels of \$262 per year.
- XYZ Marina Municipal Light's bills totalled \$13,714 last year when the present tenant was operating production with full staffing. As a self-storage facility electricity is needed only to power the rows of low-draw tube lighting. We estimate electricity to run about \$250/month.
- Fuel oil for heating ran \$13,881 last year. Since as a boat storage facility the level of heating does not need to be nearly as high, we estimate an annual bill of half this amount, or \$7,000.
- Trash removal is projected at historical levels of \$536 per year.
- The total for utilities is estimated to be \$900 monthly.

Insurance:

Property and Liability Insurance amounted to \$15,000 annually for the present tenant. We'll assume the same annual cost.

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Telephone:

Most of the telephone bill will be the charges for the Yellow Pages ads. These costs are already included in advertising and promotion. We assume the telephone bill to amount to \$150/month.

Bookkeeping/auditors/legal:

Bookkeeping and billing will be handled by the same system used at Plainfield Storage and charged at a rate of \$300 per month. Auditor charges will run about \$4,000 annually.

2.3 Company Locations and Facilities

XYZ Marina Storage will be located in Plainfield, in a central location about 1/2 mile from the monument in the center of the city. The owners' present self-storage facilities are located at in North Plainfield with further storage capacity in 52 trailers in Roslyn.

3.0 Services

XYZ Marina Storage will provide short- and long-term boat-storage services in the North Shore community. The company owners have extensive experience in the storage business as well as the good connections in the moving business. The later will help utilize the storage space at the maximum capacity. XYZ Marina Storage will provide about 45,000 square feet of well maintained boat-storage units that will be offered for both residential and small business renters.

3.1 Competitive Comparison

All boat-storage facilities that could be found in XYZ Marina or the area bordering XYZ Marina were surveyed with the following results:

Prices average at \$9 per ft. per month. Mean price is closer to \$10.

4.0 Market Analysis Summary

In a similar split experienced by management's existing storage facilities, XYZ Marina Storage is expecting to rent 70% of its available units to non-commercial renters and the remaining 30% to the commercial sector of the market. A total of 300 boat-storage units of various sizes will be created and offered for rent by XYZ Marina Storage in a central location in downtown Plainfield. The present supply of these units is insufficient to meet the demand as evidenced by a survey of all boat-storage facilities within easy reach of XYZ Marina residents. The price realized by these existing units is more than double the national average.

4.1 Market Segmentation

Boat-storage units are needed by residential customers for storage of personal items as well as by commercial customers for storage of inventory. It is envisioned that 70% of the planned boatstorage units will be taken up by the residential segment of the market and the remaining

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30% will be directed toward the commercial segment. This split is expected based on the existing customers of management's present boat-storage facilities in Plainfield. The commercial segment are small businesses, many of which are run out of people's homes such as an interior designer who needs space to store hundreds of expensive sample fabric books, or a retail shop with inadequate on premises storage. The market research shows that the annual market potential for the commercial boat-storage service in the XYZ Marina area is about 10,000 customers. As stated above, these are mostly small businesses. The residential segment potential is substantially higher at 150,000 customers per year and is based on the Marine Association's assumption that 40% to 55% of population has used boat-storage facilities. This estimate includes individuals who need storage facilities due to moving arrangements or to store excess household property. Both of the market segments are expected to grow at a 5% annual rate. The table and chart below outline the market potential for the both customer segments.

Market Analysis

4.2 Target Market Segment Strategy

Since the demand for local boat-storage services substantially exceeds the local supply, XYZ Marina Storage will simultaneously market its services to the two major customer segments-- residential customers and small business customers. The company will not pursue large business segment due to the limited service scope it can provide to such customers at the existing facilities.

The market analysis shows that local boat-storage rates are substantially higher than the national averages. XYZ Marina Storage will position its boat to the both customer segments as a conveniently located and affordable quality boat-storage facility. Both customer segments will be effectively reached via the local Yellow Pages ads and through the referrals of State Marine Movers owned by one of the XYZ Marina Storage's co-owners.

4.2.1 Market Needs

Customer needs in the boat-storage industry have certain similarity across different market segments. The underlying need is for a reliable, safe, dry and accessible boat-storage facility. Due to the overwhelming demand, customers are less price sensitive and consider convenient location as the major buying decision criterion.

Residential customers use boat-storage facilities to store their boats as a result of zoning restrictions. Such customers usually rent a storage space for long periods to keep their oversized property like boats or other equipment that either does not fit in their garages or is not used on a constant basis. Small business customer segment requires boat-storage facilities to temporarily store their stock or inventory. These customers may use the storage facilities more often than residential customers and they benefit from convenient loading areas, extended operating hours and better equipped storage units of bigger size.

4.3 Industry Analysis

According to an article in the November 15th issue of *Inside Boat-storage* the national industry average rental income generated by boat-storage units is \$10.00 per foot per year for an average 26 foot boat, or \$260 per month. In the market to be served by XYZ Marina Storage the average storage rate (see section on Competitive Comparison) is more than double this amount.

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Washington Storage in Plainfield is a typical example. They charge \$280/month for a 26' boat, which works out to \$10.75 per ft. month. The story concerning availability was uniform. Either the facility was full or only had one or two available units to choose from. E-Z Mini Storage in S. Centreport said, "There's some turn-over at the end of every month. Leave your name and we will call you when one becomes vacant." Extra Space Storage in Springfield said, "We need one week advanced notice." North Shore Boat-Storage said, "We have nothing available on the ground floor." U-Haul reported, "We have one 22' space available, otherwise we are all full."

The boat-storage industry really only started in the late 1970's when a few far-sighted people recognized the growing need for residential and commercial storage. The industry has doubled in size each decade. Returns on investment have been very impressive--often twice that of other forms of real estate investment. The reasons for this have been the mobile society, the tendency to live in rental apartments, and the general increase in the accumulation of property, especially leisure articles such as skis, wind-surfers, exercise equipment, etc. The industry lends itself relatively easily to financial modeling. The magazine article mentioned earlier explains the economics of an average boat-storage project which is of similar size to the proposed XYZ Marina Storage project. The total building square footage in the model is 41,000 (XYZ Marina Storage is approximately 45,000 after deducting the office space portion of 9,600 sq. ft.). The model shows total gross income based on \$6.00/sq. ft. or \$240,000 annually. (XYZ Marina Storage's gross revenues will be more than double that.) Total project costs for the model come to over \$1,150,000 versus \$1,054,500 for XYZ Marina Storage. The loan amounts are virtually the same as well as the interest rates used (8.5%). Normal operating costs generally come to about \$2.00 per sq. ft. XYZ Marina Storage's operating costs are projected at nearly twice this amount due to generous provisions for maintenance and payroll. However, the model's net operating income is slightly less than \$4/sq. ft. versus XYZ Marina Storage's \$11.40/sq. ft. It could be argued that the higher than national average rates enjoyed by local boat-storage facilities may not continue indefinitely, but there is no indication of any downward pressure at this time. It should also be pointed out that during an economic down-turn the boat-storage industry does not suffer to the extent that other industries suffer. Should the supply of boat-storage units begin to outstrip demand, XYZ Marina Storage should be well positioned to deal with the competition due to its ability to offer heated units (nearly all competing units are unheated).

4.3.1 Industry Participants

Although there are a few nation-wide players in the boat-storage market, the industry is still fairly dispersed in which many small companies take part. (See the section on Competitive Analysis for a complete listing.)

4.3.2 Competition and Buying Patterns

Convenience is probably the single most important factor in the decision of where to rent a boatstorage unit. For example, Hicksville and Huntington have no boat-storage facilities. Residents choose to rent one in a nearby town probably based on proximity to the route taken by the renter to and from work. If no units are available nearby, then renters will travel further afield. Units on the ground floor are favored, especially if no elevator is available.

4.3.3 Main Competitors

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See the section on Competitive Comparison for names of competitors. In the present market situation, competition plays a very weak role.

5.0 Strategy and Implementation Summary

The sales and marketing strategy is fairly simple by virtue of the fact that boat-storage facilities are in short supply. XYZ Marina Storage will simply have to inform the public of its existence by advertising in local newspapers, and by placing Yellow Pages ads.

5.1 Competitive Edge

Although the current local demand exceeds the supply and XYZ Marina Storage will have no problems fully utilizing its capacity, the market situation may change in the future. The company will fully utilize its management's seasoned experience in the storage business in order to establish a strong foothold in the local community. This will be reached by providing excellent service and offering extra service features like the heated and well-lit rental units, which will supplement the great location of the storage facility.

5.2 Sales Strategy

Most inquiries will come through the Yellow Pages ads. Proper telephone manners and professional handling of on-site inquiries are essential. Even though there is an excess of demand over supply, an unfriendly manager or clumsiness over the telephone will cause needless lost sales.

As is the case with the owners' present boat-storage facility in Plainfield, many sales are directed through Stote Marine Movers, who are in constant contact with people on the move and, therefore are most likely to require storage.

5.2.1 Sales Forecast

Due to the fact that demand has been outstripping supply in this market, XYZ Marina Storage may well be able to rent out all of its new units within the first year of operation. Prices paid for boat-storage units reflect this strong market demand. The ground floor units will rent at \$1.40 per sq. ft. per month and the upper floors, served by an over-sized elevator will rent for \$1.20/sq. ft. per month. It is assumed that half of the units will rent in the first six months of operation. The second half of 1999 will see a further 25% of the total space rented, leaving the final 25% to be reached in the year 2000. Within these time spans, the growth, for projection purposes, will be assumed to be straight line, i.e. the first 50% of the total space will be reached in equal monthly increments during the first six months, and so forth.

The building measures 240 ft. X 380 ft. A section at one end (40' X 80' =3,200 sq. ft. per floor) will be reserved for future offices. This leaves total space dedicated to boat-storage units of 48,000 sq. ft. Some space is lost when the partitioning is done. 16,000 sq. ft. (200' X 40' X 2') would be reduced somewhat to allow walkway/passages on the sides. So instead of 28 boats per level, we would end up with about 24. Total boat storage net rentable space would be 45,000 sq. ft. The 15,000 sq. ft. on the ground floor would rent for \$21,000 monthly and each of the other level would rent for \$18,000 each on a monthly basis. Sales for the first month would be \$4,750 (50% of total \$57,000 divided by 6). The second month would have \$9,500 in sales, etc. Many

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boat-storage companies charge administration fees to first-time customers. Deposits are also not uncommon. In addition to these sources of income, the sale of certain related items such as cardboard boxes, tape, packing materials, storage containers, plastic mattress covers, etc. can be substantial. However, for projection purposes, it is assumed that income from these sources will wash out any credit losses.

Sales Monthly (Planned)

5.3 Strategic Alliances

An important strategic alliance is the common ownership connection to Stote Marine Movers. By virtue of its contact with people changing addresses, Stote Movers is in a position to direct a lot of storage business to XYZ Marina Storage.

5.4 Milestones

The following table shows the milestones that XYZ Marina Storage has established.

6.0 Management Summary

The management of XYZ Marina Storage will rest with Roger Black and Sebastian Stote, both of whom are successful in the moving and boat-storage industries.

6.1 Personnel Plan

Operating hours are planned to be 7 a.m. to 7 p.m. Monday through Friday and 9 a.m. to 5 p.m. on Saturdays. XYZ Marina Storage will be closed on Sundays.

The manager will work a normal 40 hour week at an annual salary of \$35,000. A maintenance man will be employed at a salary of \$24,000. A night watchman will be employed at a salary of \$24,000.

Table: Personnel (Planned)

6.1 Operational Plan

A separate outline is attached explaining basic operating format, maintenance and inspection schedules.

7.0 Financial Plan

A commercial loan needs to be negotiated to finance approximately 70% of the total project costs. A 15-year mortgage will be applied for with an 8.5% interest rate. First drawdown upon agreement of the seller and buyer concerning the terms of sale of the building. Last drawdown around the end of the year when all conversion to boat-storage units should be completed. First repayment of principle is planned in April of 1999 with monthly installments of interest and principle to continue until the loan is fully repaid in 2013.

7.1 Important Assumptions

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Interest rates for commercial loans as of this writing are 8.5% fixed for three years or 8.75% fixed for a five year period. Beyond this time frame, rates are quoted at 1% over the Fleet Bank floating rate.

Table: General Assumptions

7.2 Key Financial Indicators

The following chart shows the benchmarks for XYZ Marina.

Benchmarks (Planned)

7.3 Break-even Analysis

The weighted average rental for one square foot of boat-storage space at XYZ Marina Storage is \$1.26 (\$1.40 for the ground floor units and \$1.20 for the upper levels).

The total operating costs are \$14,476 monthly and the interest expense runs \$4,898. This gives a total fixed cost of \$19,374.

The break-even chart shows that in order to break even 15,376 sq. ft. of space needs to be rented. This amounts to a little over one third of the total boat-storage space available for rent.

Table: Break-even Analysis

7.4 Projected Profit and Loss

Advertising and promotion will rely heavily ads in the Yellow Pages, as well as initial local newspaper ads at the time of opening. We are assuming three directories for Yellow Pages ads with 1/8th page ads costing \$165/month each. The ads in the local papers (*Plainfield News* and community newspapers) are estimated to cost \$300 monthly for the first year only. They will be reduced in the second year to half this amount and eliminated in the third year. Property taxes (\$11,946) are projected at the actual rate of the tax year 7/1/96-6/30/97. Significant increases are not expected.

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Bookkeeping/auditors/legal:

Bookkeeping and billing will be handled by the same system used at Plainfield Storage and charged at a rate of \$300 per month. Auditor charges will run about \$4,000 annually.

Table: Profit and Loss (Planned)
Pro Forma Profit and Loss

7.5 Projected Cash Flow

The following chart and table represent the cash flow for XYZ Marina Storage.

Cash (Planned)

Table: Cash Flow (Planned)

7.6 Projected Balance Sheet

The following table presents the balance sheet for XYZ Marina Storage.

Table: Balance Sheet (Planned)

7.7 Business Ratios

Business ratios for XYZ Marina for the years of this plan are shown below. Industry profile ratios based on the Standard Industrial Classification (SIC) code 4225, General Warehousing and Storage, are shown for comparison.

Table: Ratios (Planned)

8.0 Appendix & Charts