



Overview: The Ontario Self-Storage Market

Before comparing buying vs building, it helps to understand the current landscape in Ontario.

- Ontario now has about **37.3 million square feet** of commercial self-storage space. **MPAC+1**
- In the past few years roughly **4.2 million square feet** has been added ($\approx 11\%$ growth) to meet demand. **MPAC+1**
- Growth is driven by smaller dwellings (e.g. condos getting smaller), people working from home, renovations, downsizing, and less storage in homes. **MPAC+1**
- In major municipalities (Toronto, Ottawa, Mississauga, Hamilton, etc.), demand is strong. **MPAC+1**

So there is a strong market rationale: demand is growing, especially in or near urban centres. That supports both buying existing facilities and building new ones, but which is better depends on many factors.

Building a New Storage Facility: Pros, Costs & Risks

Pros of Building

- 1. Customization**
2. You can design the facility exactly to your specifications — unit sizes, climate control, amenities, security features, multi-storey structures, drive-in bays, etc. This allows you to tailor to the local market needs and possibly command higher rents.
- 3. Modern design and technology**
4. New construction can incorporate energy efficiency, modern security, better facade/design, more attractive customer experience, which may give you competitive advantage.
- 5. Potentially lower maintenance in early years**
6. Since everything is new, fewer repairs immediately; warranties on many structural, mechanical components; you're not inheriting deferred maintenance or design flaws.
- 7. Better long-term value**
8. The depreciation clock starts fresh; you might get better financing; newer buildings tend to attract premium rents.
- 9. Zoning/building code input**
10. When building, you engage with municipal approval, influence design to meet code, and avoid retrofitting costs later.

Key Costs & Considerations

Building new comes with substantial upfront cost and complexity. Some of the cost drivers:

- **Land acquisition:** price depends heavily on location. Urban/suburban land is expensive; rural land cheaper but may lack utilities or good access.
- **Site preparation:** grading, drainage, utilities, environmental assessments, etc. These can add materially to cost.
- **Construction costs per square foot:**
 - Basic, non-climate-controlled single-story storage units tend to be cheaper. Estimates from several sources: \$25-\$40 / ft² for simple units.
 - Multi-story facilities cost more: \$40-\$70 / ft² or more, depending on design, security, elevators, and code requirements.
 - Adding climate control, security, premium finishes etc. increases cost significantly (15-30% or more).
- **Regulatory / permitting / zoning costs:**
 - Zoning: Where you build matters — whether the land is zoned appropriately; whether self-storage is allowed; whether outdoor storage (vehicles, RVs) permitted.
 - Building code, fire code: If your building is multi-story, has high ceiling storage, or large unsprinklered spaces, you may need sprinklers, fire exits etc.
 - Municipal approvals can add cost and time.
- **Time to build, lease-up, and stabilization**
- Even once built, a new facility may take time to reach high occupancy, to generate cash flows, recover investment.
- **Financing and interest: Carrying costs while building; debt servicing; opportunity cost.**

Risks

- **Overbuilding:** Too much capacity maybe leads to oversupply and pushing down rental rates.
- **Underestimating costs / delays:** Unexpected regulatory hurdles, land issues, rising material costs.
- **Local competition:** In urban areas, you may already have many facilities; pricing pressure.
- **Zoning or community resistance.**

Buying an Existing Storage Facility: Pros, Costs & Risks

Pros of Buying

1. **Immediate cash flow**
2. You purchase a facility already operating (or partly operating), with tenants, lease contracts, established rent flows. Less initial vacancy risk.
3. **Potential cost savings / less risk**
4. Many of the regulatory work, site prep, initial construction issues are already dealt with. Lower upfront complexity.
5. **Possible value-add opportunities**
6. You might be able to improve management, upgrade amenities, reduce costs, increase occupancy, raise rents, expand.
7. **Speed to market**
8. It often takes less time to buy and reposition than to build.
9. **Easier financing in some cases**
10. Lenders may like assets that already have established cash flow and tenants.

Costs & Considerations

- **Purchase price premium**
- Well-performing facilities in good locations typically cost more. You might pay more per square foot (or per unit) than the cost to build new.
- **Existing condition**
- Maintenance, deferred repairs, outdated design or features can cost you later. Roofs, HVAC, security, infrastructure might need upgrades.
- **Operational inefficiencies**
- Existing facility might have suboptimal layout, inefficient systems, poor management, which lowers profit.
- **Less flexibility**
- You may be constrained visually, structurally, by existing leases; might not be able to redesign as extensively as building new.
- **Underlying legal / regulatory constraints**
- Zoning or code violations, unpermitted additions, environmental issues, etc. These can be hidden liabilities.
- **Tenant expectations**
- Modern customers often expect climate control, high security, good aesthetics. Older facilities may under-deliver unless you invest.

Regulatory, Zoning, & Code Factors in Ontario

Any decision to build vs buy must carefully check these in Ontario:

- **Zoning and permitted uses**
- Self-storage facilities are not universally allowed by all municipal zoning bylaws. Outdoor storage (boats, RVs, cars) often has stricter rules.
- **Building codes & fire safety**
- If your building has certain heights, large storage spaces, unsprinklered portions, or you're doing multi-story, you'll have certain building and fire code requirements: sprinklers, egress, structural design. **Permits, variance, environmental assessments**
- Land use approvals, site plan approvals, environmental issues (soil, drainage), maybe traffic or noise impact in urban settings.
- **Taxes and assessments**
- Property taxes, assessment based on building and land value; ownership changes may trigger reassessment. Utilities, insurance.
- **Licensing / regulation**
- While Ontario does not currently require a specific license for most self-storage operators, there are laws about liens (e.g. Repair & Storage Liens Act), consumer protection, building code compliance, etc.

“Should You Buy or Build?”: Key Decision Criteria

Here are the things you should evaluate / compare to help with decision:

1. **Location & land availability**
 - Is suitable land available in the location you want? At what cost?
 - Is existing facility available in that area? If so, what is condition / price?
1. **Capital, financing, and your risk tolerance**
 - Do you have the capital to build (including unforeseen costs)?
 - Can you tolerate the time lag: build → lease up → revenue?
1. **Market demand and competition**
 - Are there enough unmet storage needs? In what type of units (size, climate, drive-in)?
 - What are your competitors doing? What rental rates are they charging?
1. **Regulatory feasibility**
 - Zoning: Is building permitted; will you need variances?
 - Code / fire / environmental: What are the compliance costs?
1. **Return on investment (ROI) & cash flow projections**
 - For buying: price vs current income, occupancy, expenses.
 - For building: forecast of occupancy ramp, likely rents, operating costs, financing costs.
1. **Flexibility / future expansion**
 - If you build, can you expand easily (units, stories)?
 - If you buy, is there space to expand, or to upgrade?

When Buying Likely Makes More Sense

You may favor buying an existing facility if:

- There is a well-located facility available at a reasonable price, with solid occupancy and cash flow.
- You want quicker revenue and lower startup risk.
- You're less comfortable with the risks of construction delays, cost overruns, zoning battles.

- Your capital is constrained or you prefer lower upfront risk.
- You believe you can improve the facility (renovation, better management, enhancements) to increase value.

When Building Likely Makes More Sense

Conversely, building new may be better if:

- You own or can acquire land in a good location at reasonable cost.
- There is a gap in the market: demand for features not well met (e.g. climate control, drive-through bays, premium security).
- You want a facility with modern design and differentiation.
- You have capital, financing, and patience for the longer timeline.
- You expect land in that area to appreciate, making the land + building more valuable long term.

Conclusion & Recommendation

Given what is true in Ontario right now:

- The self-storage market is strong and growing, especially near urban/suburban population centres. If you can locate a good site, there's demand.
- If you find a good existing facility with decent income, buying may reduce risk and get you revenue sooner. But you'll need to do thorough due diligence: financial, physical, regulatory.
- Building allows you to optimize for modern demands and potentially capture higher premiums (e.g. climate controlled, multi-storey in a dense area), if you can manage the cost, regulations, and time.

So, **you should build** when you have a clear competitive advantage (land, ability to finance, knowledge of local market) and you want to make a long-term play. **You should buy** when you prefer lower risk, faster monetization, and there is an opportunity that already matches what the market wants.

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If you are interested in buying or selling a storage facility business or exploring the possibility of developing one email the undersigned directly today without any obligations to discuss further:

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