



SELF STORAGE SALES NETWORK

Market Monitor

“America’s Premier Self Storage Brokers”

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A Checkup You Can’t Afford to Miss

by Amy Hitchingham

My calendar recently reminded me that it was time to schedule my regular dental checkup, and even though it can be an unpleasant experience, I called for an appointment because I want to avoid serious problems in the future. We all know it is important to maintain our physical health, but how often do we assess the health of our business?

As long as the phone keeps ringing and units are renting, you may think that everything is fine, but when was the last time you took a good look at the state of your facility and how it stacks up against competitors? Would you be prepared to handle a new rival in your market? In these uncertain economic times, a facility checkup is a crucial exercise to ensure a healthy future for your business.

Symptoms to Look For

Several key indicators can help you determine the health of your local self storage market and your own facility. First, track the frequency of the phone and internet inquiries that you receive from renters and determine how many of those inquiries turn into paying customers. Compare those percentages to previous years and months to see if your facility has kept pace or if calls and conversions are declining. This could indicate that a more serious market condition is at play. How long has it been since you raised your rental rates? Did you lose customers as a result? If you have had trouble raising your rates, that may be another red flag. It is also important to look at your economic occupancy. Have you had to increase concessions and incentives to keep your occupancy levels up? If so, read on - because your market could be in for some trouble!

Many owners try to explain away these potentially serious symptoms. Maybe it’s just a seasonal change or the unstable economy is contributing to the slump, but do you know for sure? In many areas of the country, increased competition and the threat of overbuilding are the true culprits behind a declining market, and the effects can be devastating. Overbuilding has become a major problem in many metropolitan areas and even some rural markets. For example, we recently reviewed a project in a major city that has six self storage projects in a three mile radius with a total supply of 330,000 square feet and an average occupancy of 85%. This means that the current total demand for the market is 280,000 square feet. Four new projects in the same market nearing completion would add an additional 270,000 square feet to the market, and another project is being zoned! Of course, such drastic overbuilding is not happening everywhere, but even a little overbuilding in an average market can be very harmful to your facility’s health.

What You Can Do

Luckily, you have access to one of the premier experts on your local market – yourself! You are the ideal doctor to run the checkup on your market because you have valuable experience and knowledge not available to an outside observer. However, you must be relentless in obtaining all of the facts and impartial in evaluating the information you find in order to make your assessment useful. With a detailed checkup, you will be surprised at what you can learn.

It is important to have a plan when beginning your analysis so we have developed a form that you can use to evaluate your market. A sample form is included at the end of this article for illustration, and you can find a blank form on our website at www.selfstorage.com/argus/toolbox/checkup.htm. The form works as a guide to objectively compare your operation to current and potential competitors. Feel free to add

additional items to the analysis that you think are important in your specific area. The more you put into the evaluation, the better your results will be.

The first step in the checkup process is to define your market area, generally a 5 mile radius from your location. Once you've determined your radius, get a map and plot all of your current competitors on it so you can get a visual picture of the market supply. Next, visit your local planning and building department to find out if there are any self storage projects being planned and include these locations on your evaluation list. Visit each facility and spend some time chatting with the manager or owner. Immediately after your visit, use the checkup form to evaluate the critical items on the list – location, visibility, access, signage, traffic counts and appearance. Rate each item on a scale from 1 to 10 and be as objective as possible. You will also need to obtain the rental rates for each competitor. If you can't get these when you visit, try calling each competitor to get their rates over the phone as a potential customer would. This also allows you to get an idea of their salesmanship and what offers they are currently making to renters. A word of caution: discussing rental rates with a competitor could be interpreted as antitrust price fixing under Federal statutes, so be careful how you obtain their rates.

How Does Your Facility Stack Up?

Now is the time to perform the same evaluation on your own facility, being as objective as possible. Compare your score to your list of competitors and see where you stand. Poor scores indicate areas you'll have to address in order to remain competitive. Do you have some deferred maintenance that could be completed to add to the appeal of your facility? Or perhaps it is time to invest in a lighted sign for your entrance. Anything you can do to increase your facility's scores relative to your competitors will put you in a better position to compete in the future.

Sample Facility Checkup Form

	8 th & Main	Ash & 4 th	First St.	New Project	Our Facility	Average
Location	8	6	9	9	9	8.2
Visibility	7	8	7	7	6	7
Access	4	10	8	7	9	7.6
Signage	5	5	7	8	5	6
Traffic	10	4	8	10	8	8
Appearance	9	6	8	10	8	8.2
Total Points	43	39	47	51	45	45
Occupancy	83%	63%	87%	N/A	91%	81%
Rates						
5x10	\$70	\$85	\$69	N/A	\$75	\$74.75
10x10	\$115	\$130	\$110	N/A	\$119	\$118.50
10x15	\$145	\$155	\$140	N/A	\$149	\$147.25
10x20	\$160	\$185	\$150	N/A	\$160	\$163.75

Let's review the sample checkup to see what the future looks like for this hypothetical market. The property at 8th & Main earns average scores among the group and also has competitive rates. Their greatest advantage is the high score in traffic exposure, which is a factor that an owner has little control over. Ash & 4th is pricing their units significantly higher than the rest of the group, which is likely hurting their occupancy. If they bring their rates down to a more competitive level they could impact the market as they enjoy a high visibility location with excellent access. The facility on First Street is a strong competitor with good occupancy and high scores in all of the categories. The New Project entering the

market has the potential to do some major damage. They have a high traffic location and an appealing appearance, plus the facility will likely have all the bells and whistles to attract new customers. Our Facility is in a relatively good position for now. Our occupancy is the highest among all the competitors and rates are average for the market. Once the new project opens, we will have to address the low scores in signage and visibility to avoid falling victim to the inevitable drop in occupancy that will occur.

After completing your market check up, you will be armed with some valuable information that can help you plan for and react to a changing market. We recommend that the checkup be completed every year so that you can stay on top of any pricing changes or new competitive threats. With a potential recession looming and problems in the credit markets, every step you can take to prepare your business will be important in your ability to weather tough times. Even if you find that you have the best property in the market, you will know how to retain that competitive advantage and capitalize on any weaknesses that you see in your competition. Regardless of the results of your checkup, you will have a distinct advantage to be proactive rather than reactive. As we know from our visits to the dentist, catching a small problem now can save us a lot of trouble in the future!

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