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Buying and Operating Your First Self-Storage Property: Year-One Success

Presented by
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Year One in One Hour or Less

The learning curve for new self-storage owners can be steep, from the stress and confusion that can accompany your first acquisition to wrapping your arms around the ins and outs of operating the facility.

- Must-haves when preparing to buy a property
 - Practical due-diligence tips for single-asset owners
- What to expect when taking over an existing facility
 - How to deal with the drama of employees, customers and crises
 - How to set realistic goals to measure year-one success



Who Are You?

- Owner or executive of a company that owns multiple self-storage properties
- Owner or executive of a company that owns a single self-storage property
- Owner or executive of a company that is just about to close on its first property
- Owner or executive of a company that is thinking about “getting into” self-storage



The Hunting Party



Who's Shot Was It?

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Must-Haves When Preparing to Buy a Property

Money

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Money

Expectations for your capital: risk vs. reward

Self-storage investments

Self-storage REITs

Market risks – control risk – asset allocation

vs.

2014 overall

+28.86%



Money

Cost of your capital: interest vs. equity

Low interest rates

High and higher loan-to-cost/value

vs.

You never know who's not wearing a
bathing suit until the tide goes out.



Must-Haves When Preparing to Buy a Property

Feasibility and Market Study

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Feasibility and Market Study

- Supply-and-demand analysis
- Market pricing and momentum
- Market and corporate expense model
- Deferred maintenance and capital replacement requirements
- P&L and ROI analysis
- Your plan to add value



Must-Haves When Preparing to Buy a Property

Due Diligence to Prove (or NOT) Your Analysis

Never believe your own press.



Due Diligence

Physical engineering inspection:

Water

Sewer

Landscape

Irrigation sprinklers

Fire-suppression sprinklers

Life safety

Structural

Foundations

Asphalt

Age of doors/springs

Roofs

Elevators

HVAC

Electrical

ADA compliance



Due Diligence

Environmental and soils engineering inspection:

Phase I

Phase II

Remediation plans

Monitoring wells

Vents

Hygienic report asbestos

Other outgassing substances

Disposal history



Due Diligence

Civil engineering inspection:

- All planning, zoning, C of O permits and approvals in place
- Any outstanding inspection/remediation issues
- All uses permitted?
 - Trucks
 - Outside parking
 - Retail
 - Manager's apartment
 - Entrance and egress



Due Diligence

- Reconciliation of inspections to feasibility study, business plan and fiscal expectations
- Are you still going to make any money?



What to Expect When Taking Over an Existing Facility

Hope for the best.

Plan for the worst.



What to Expect When Taking Over an Existing Facility

Every body hates change.

Everybody loves improvements.



What to Expect When Taking Over an Existing Facility

Everybody hates change:

- Branding
- Rental agreement
- Customer policies and procedures
 - Don't make customers do anything
- Increases with improvements



What to Expect When Taking Over an Existing Facility

Everybody loves improvements:

- Your plan to add value to the asset and customer
 - Communicate the positives
 - For your convenience...
- Prioritize deferred maintenance and capital expenditures
 - A little paint and a few shrubs can go a long way



What to Expect When Taking Over an Existing Facility

How to Deal With the Drama of Employees, Customers and Crises ...



What to Expect When Taking Over an Existing Facility

**How to Deal With the Drama
of Employees, Customers
and Crises ...**

DEAL WITH IT.



What to Expect When Taking Over an Existing Facility

**How to Deal With the Drama
of Employees, Customers
and Crises ...**

EVERBODY IS FIRED.



How to Set Realistic Goals to Measure Year-One Success

If you waited until you bought the place to create a budget (yard stick) and plan of attack, you missed step two:

Feasibility

Market study

Due diligence

Your plan to add value



Answers Are Only Good If You Know the Questions

It's no longer build it and they will come.

Having a management company in place:

- Plan and resources to drive occupancy, maximize revenue
- Systems, vendors and discipline to manage expenses
- Policies, procedures, software, rental agreements, forms, letters, and delinquent-tenant management process to be open for business on day one
- Asset and operational safety, physical plant longevity and liability protection



Thanks to Smart Guys

- NGKF Capital Markets – Self Storage REIT Report 4Q2014
- Marcus & Millichap
- CBRE Self Storage Advisory Group – REITs at a Glance
- Argus Self Storage Sales Network – Market Reports
- Inside Self-Storage
- Self Storage Association
- Advantage Advisors LLC



Contact the Presenter



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Thank You!

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