

OBSTACLE COURSE

Discovering And Overcoming Major Site Challenges

By Benjamin Burkhart

Your market is overbuilt. Your location is a little out of the way. The site has some question marks. Rates are low. The newest guy in town gives away a free month.

These issues are common for the self-storage operator or prospective owner. Yet while nearly every market and every deal has its pros and its cons, you must be able to weigh the variables and decide not only if the good outweighs the bad, but also if the negatives can be improved. Sometimes an obstacle becomes such a glaring red light that it kills the deal; yet other times, areas of concern can become an opportunity for growth and profit.

As self-storage becomes increasingly more prominent in many markets, certain dynamics will present clear challenges. On a purchase or new construction project, for example, it is essential to have a good understanding of current site and market conditions. This includes research about the land itself, the traffic patterns, the zoning requirements, competing stores, the surrounding population, existing storage users, probable clientele, and neighboring businesses. Let's consider some of the potential obstacles you might come up against.

The Tide Of Public Opinion

If you are trying to re-zone a site for self-storage, one of the toughest challenges to overcome may be public opinion. Be sure to develop a professional picture of your proposal when you apply for your rezoning. Digital renderings from multiple angles, enhanced site plans, and "bird's-eye views" of your project showing the quality of your construction can add some additional cost to your pre-development budget; nevertheless, it will be important to the zoning authority. Introduce yourself to local businesses and let them know you are planning to enhance

the business environment with quality development. After all, goodwill goes a long way when you are new to a market.

Can You See It?

Often, poor visibility can kill a project. These types of sites can often be found in quality markets with an existing barrier to entry. If you are considering a site with marginal existing visibility, try looking at a few different angles. Perhaps adding height to the project will provide some visibility. Signage that directs customers to your site can also be effective. Remember also that some tucked-away sites have had success with billboards near the main flow of traffic.

Remediation Required

A Phase I environmental study should be part of your pre-development due diligence, especially if the property was previously occupied. A Phase I study will give you the history of the site and a review of the property, and will identify any need for further investigation. Environmental issues (soil or groundwater contamination, runoff, etc.) are measured in a Phase II environmental study, which should give you some hard data on the level of contamination and a benchmark for any cleanup requirements. Some developers will walk away from a site if any environmental issues exist. However, if location and overall feasibility prove your site has the right potential for storage, the cost of remediation may be worthwhile.

Conquering Low Rates

If your research highlights market rates as an obstacle, you must identify the corresponding causes. If rates are low because the competition is older and outdated, you might be able to enhance your rates



Some site challenges are deal-killers, while others are simply obstacles to overcome.

by offering a better product, more amenities, higher security, or better customer relations. It is not uncommon for the price leader, and the “best store” in the market to lead in both rates and occupancy. If, on the other hand, rates are falling and concessions are driving occupancies, beware of an already oversaturated market.

When considering rate adjustments, look at the features and benefits your

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site offers in comparison with other stores. Are you above average in security? Location? Customer Service? Does your manager promote your features and benefits eloquently?

Be sure your manager is selling your store—not just managing it. Provide your manager with a list of all the features and

benefits that your site and your business model offer. Above all, don't be afraid to raise your rates if you are better than the competition. If you're a Cadillac, don't sell like you're a Chevy.

Market Saturation

When a market becomes saturated, it hurts everyone. Moreover, it can force lower rates and increased operating

expenses in the form of concessions and promotions. Other signs of a saturated market include decreasing occupancy, long periods of lease-up for newer competitors, and declining rental rates.

If a market is saturated or close to saturation, you want to know about it before you build. If, on the other hand,

you choose to build in a market that is nearing a saturation point, you had better have a superior location and business model compared with that of your competitors. Also, be sure to assess your budget and make sure you have the resources and a marketing plan to attack the market effectively. An extended lease-up requires increased operating deficit financing and can be quite painful. But remember that a superior location, effective sales and promotions, and “building a better mousetrap” can eventually help you to lead in a tough market.

If you are already competing in a market that has been or soon will become overbuilt, it is essential to maintain market share. Now is a good time to analyze your business and assess what improvements and adjustments are necessary. For instance, you want tenants that stay longer, and you want an effective sales program that closes more customers on the phone or when they walk in. Therefore, remodeling your office and

Condensation, Mold or Mildew? Despite Climate Control?

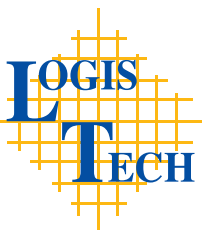
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adding some prominent security features could increase your close ratio. Upgrading your signage can also enable you to send a clearer message to prospective tenants. Investing in additional features and benefits to stay ahead of the competition will enable you to justify higher rates.

More Ideas

Send a mailing to your existing tenants asking for referrals—and reward them with a coupon or gift certificate for each referral that turns into a rental. Host a chamber of commerce or other networking event and invite your existing commercial tenants to attend. Strengthen your referral network by reaching out to those who send you tenants. If you add amenities or services to your store, be sure you let everyone know!

Use your site to market your store with subtle changes. Dynamic signage (check your local ordinances!) can be effective—a reader board sign used correctly can really attract attention. New flowers and green grass will let your community know you have a first-class operation. Floodlights—especially if you change the colors—can add a touch of class to an otherwise bland landscape.

Marketing, Marketing, Marketing

An effective marketing plan should target both strengths and weaknesses of your facility. In your marketing plan, be sure to define explicitly the promotional activities that will create recognition of your site. If your location is off the beaten path, you may want to look for advertising opportunities that increase and broaden visibility (i.e., billboards, newspaper, off-site signage, etc.).

Your marketing plan should also include a detailed sales protocol that identifies the strengths of the store and how you will overcome any obstacles. For example, if your store is not in the best location in the market, maybe it provides easier access for customers with large moving vans. Remember: Identify a strategy for overcoming every competitive obstacle. And develop your marketing plan with every aspect of your product in mind. From pricing and promotion strategies to features and benefits, it should all be in there.

This does not suggest that strong marketing will overcome every obstacle—especially a poorly planned location. That having been said, if your location is marginally acceptable, be prepared to overcome it with effective marketing and sales.

Keep in mind that as markets become more competitive, your business does not have to suffer. In fact, it can be the very

challenge of overcoming obstacles that helps you identify hidden opportunities for growth and profit. ■



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