

Episode #17

Date: January 30, 2008

Episode Title: Investment Opportunities in Self-Storage

Peter: Real estate, if purchased well continues to be the single best investment one can make. Welcome to Income Property Investment Talk, a program dedicated to providing investors eager to invest well in real estate with the knowledge, the resources and the tools to generate increased wealth. Each week we bring the powerhouses of commercial and residential real estate to our show for you to learn from and to call at 1-866-472-5790. My name is Peter Mosca and my co-host just happens to be one of those powerhouses, Dean Essa. Dean how are you?

Dean: Fantastic, thank you Peter.

Peter: Hey Dean as you know the self-storage industry is the fastest growing sector of the United States commercial real estate industry over the period of the last thirty years. When you count the number of new companies, new facilities and the amount total square footage, self storage facilities you drive by everyday, they could be potential gold mines; real estate investment opportunities that in some markets outperform typical commercial real estate offerings like multi-family, retail and apartments. So whether or not you've considered an investment in self-storage or developing a self-storage facility, this show will introduce you to or help you get off the fence about self-storage as an investment in your future. Consider this before we introduce our guests. Self-storage is now a 22.6 billion dollar industry in terms of gross sales, much larger than even the recorded music industry or the U.S. motion picture production industry. Our guests today are specialists. They're powerhouses in self-storage and the self-storage industry. Let

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me introduce you first to Peter Ingersoll, president of Sperry Van Ness/Pinnacle Realty Partners. Peter, how are you today.

Peter I.: Good morning.

Peter: Peter, before we bring in Jim McNamee, Mike Burnam, Craig Olson and Tim Hobin, let me ask you about Sperry Van Ness. I have been doing workshops and commercial real estate for several years now. I appreciate what Sperry Van Ness does and I think it's important for our listeners to know how Sperry operates, what you do differently than perhaps some of the competition out there and maybe you can talk to us about your Pinnacle Realty and what you do in self-storage.

Peter I: Well, thanks. Quickly, I think in order to be successful in real estate markets, you got to understand how they operate and there are three questions that kind of illuminate this window into the marketplace. Here are the three questions. What percentage of all buyers do private investors represent in the market for investments greater than five million, first question. Second questions, what percentage of market share do the top five investment brokerage firms represent? Last question is, what percentage of all commercial real estate transactions involves an outside broker? The answer to the first question, what percentage of buyers are private investors, the answer is 83%. What market share do the top five brokerage firms represent, 13 to 15%, what percentage of all commercial transactions involve an outside broker, only 20%. So, the commercial real estate markets are characterized by an abundance of private investors over 83% of the number of buyers and 15% percent of the transaction volumes, no one has market share, the top five brokerage firms do not represent a significant market share

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and only 20% of the transactions involve two brokers, meaning 80% of the transactions are hidden. As a seller, that means one thing; as a buyer, that means another. Here's what I mean by that. As a seller, what we want to do is to do the ebay model and offer our property to the widest possible market. We want to create a national MLS, which in fact doesn't exist. As a buyer, this represents opportunities. The market is inefficient and if we work and look we can find hidden gems.

Peter: I just want to cut in here real quick Peter and just let the audience know that when you're saying we that's what Sperry Van Ness does. That's really what I believe the "Sperry Van Ness difference is." how you approach the seller and how you approach the buyer and the importance that you put on getting the transaction done.

Peter I: Well we very much believe in a national MLS. It doesn't exist but our entire company is oriented to present it to the marketplace as if one did exist. 70% of the time we cooperate with outside brokers and this is just common sense. If there's 4000 private investors out there, I cannot have a relationship with every one of them. The only way I can get a relationship with them is through their broker, the broker that they use, which means I need to pay them. Common sense.

Dean: So basically what you're saying, if I understand you right, the large brokerage firms tend to want to try to keep those transactions in house as much as possible so they can capture the commission on both sides, where Sperry's philosophy is "let's really serve the customer, let's get the customer or client to have the best possible price and exposure to the marketplace globally and so thus the national MLS would be able to reach out in a way that's never happened before. Is that basically what you're saying?"

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Peter I: That's basically correct.

Peter: Okay. Let's do this and let me let the listeners know that we do have a new website up. If you want to learn more about Peter and the rest of the guests today, just go to [incomepropertyinvestmenttalk.com](http://incomepropertyinvestmenttalk.com), [incomepropertyinvestmenttalk.com](http://incomepropertyinvestmenttalk.com) and you can click on listen live or today's show, or guests and you can find out more about the self-storage industry, Pinnacle Realty, that Peter works for. Jim let me open it up to you. Jim McNamee is president of the California Self-Storage Association. Jim, in 2008, this year marks the 33<sup>rd</sup> Anniversary of the Self-Storage Association or I guess you call it the SSA for short. It's a national, U.S. more than 6000 member company. Can you tell our listeners a little bit about the Self-Storage Association, what you do and how it impacts them as investors?

Jim: Sure. The Self-Storage Association is basically the national representative for all owner/operators in the country and for a fairly nominal price you have access to a tremendous amount of information and products. There are several educational seminars available as well as several industry shows and anybody in the industry or interested in getting in the industry would benefit by going to those shows so that you can avoid critical errors that are common to all real estate asset classes. I am president of the California association so in addition to the national association there are state associations around the country and those also provide pivotal support for local operators that are both in the business and looking to get into the business. I think we all know while you can have a national presence in real estate, to make effective real estate decisions, you really have to a local flavor and feel and the state associations help support operations locally.

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The combination of the national organization and the state associations really provide good support to existing operators and those who are looking to get into self-storage.

Peter: If I can, Mike Burnam as CEO of StorageMart, the thirteenth largest operator in the United States, I assume that you are an active member of the association as well.

How does it help you in terms of being this thirteenth largest operator and reaching out to investors who might be interested in the self-storage investment?

Mike: Well, as a matter of fact, we've been members since 1976, and the first meeting was held in Denver. In 1994, I was president of the association and sat on the National Board of Directors twice since then. As far as the assistance the SSA gives those people already in the business or those looking to get at the industry is pretty phenomenal. I know that we would not be where we are today if it were not for the people that we met through a lot of the trade shows, through the vendors that go through the exhibit at the tradeshow, and just the networking opportunities that take place at the various tradeshow. As a matter of fact, we have one coming up the first week of April in Orlando at the Gaylord Palms Hotel. We invite all listeners to go through and please try to stop by and consider attending it if you want to know anything more about the self-storage industry or about the SSA; I encourage you to attend this meeting. As far as the industry and the association from the education of managers, we have new online education programs; we have multiple networking opportunities around the country. So it just gives you great opportunity to talk to other people in the business and to find out how to avoid some of the mistakes that they've made in the past.

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Peter: That's a great point and again we do have some of that information online at our site at [incomepropertyinvestmenttalk.com](http://incomepropertyinvestmenttalk.com). Tim Hobin, you're director of the development for the William Warren group. I know you have a lot of properties across the West Coast, I believe in California, Arizona, Colorado, Hawaii, or some of the areas that I talked to you earlier about. Why is it that an investor should consider investing in self-storage? What are some of the benefits of doing that?

Tim: Thanks, Peter. One thing that I think is a big difference in self-storage is that we've been able to have annual rent increases in about the 5% range and all of our tenants are on a month to month basis, so at first that was a concern for Wall Street because they thought there was no stable tenancy base, but since we don't have any big chunk of space moving out each month, it has been stable and if you have a \$100 unit and your rent goes up \$5, the question is are you going to go rent a rental truck to move out just to save \$5? It really doesn't happen so we've been real successful and kind of pushing rents on a steady basis so we just have this ever increasing cash flow which is quite different to commercial or retail where you have tenants that are locked in to five or ten year terms.

Dean: Then just not having a physical tenant would have to be good too.

Tim: That's true, and when a tenant moves out, we sweep out the unit and we re-rent it.

Peter: I mean those are great points. Craig Olson, president of A-American Storage Management who has 110 locations nationally, is that something that you can agree with?

Craig: I agree with it 100%. We've been in the business thirty-five years and we absolutely love it. There have been cases where we've had mixed-use properties with

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both mini-industrial incubator tenants, as well as self-storage. I gotta tell you many times even at a higher rent per square foot I've sent those people packing and converted to self-storage. It's just a much easier operation. We're in the business of capturing customers in but occasionally you get a problem tenant and in the commercial aspect of things you usually have to get a hold of an attorney to get them out. It's not the case in self-storage. Again, our business is bringing people in but in those instances where you do have problem tenants, it's very easy to invoke a simple month-to-month lease and say "Hey if you're not happy, I'm not happy, see you later."

Dean: Walk over with the lock, right?

Craig: Yeah, sometimes it's not quite that easy.

Dean: Yeah, I know I'm just being facetious.

Craig: As Tim eluded to we can do regular rental raises and in most cases, you're just not going to have that many people that are going to move out because you've increased their rent by 4 or 5%.

Peter: All right, let's do this; we're coming up on a short break. When we get back, we'll talk to Peter, Jim, Mike, Craig and Tim more about self-storage. If you have any questions give us a call 1-866-472-5790.

**BREAK**

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Peter: Welcome back, we're here with Peter, Jim, Mike, Craig and Tim and if you do want to learn more about these individuals please go to our site at [incomepropertyinvestmenttalk.com](http://incomepropertyinvestmenttalk.com). Craig, before we left we were talking about a multitude of different issues and we were talking about the benefits of investing in self-storage markets, entrepreneurial. Are you seeing; is there a standard investor who is involved in self-storage? Do you have to have some type of, I don't know, a profile to do something like that?

Craig: I don't think you have to have any particular type of profile. We see people from all walks of life that are in it. I see a lot of people that have come out of the apartment industry that have started investing in self-storage, same as people who are in the mobile home parks. I guess you're storing one thing or another, whether it's people or whatever, but I don't think there's any one profile that I could point a finger to.

Peter: Hey Peter, what's happening in the market today? Is there a difference between the self-storage markets today versus the market ten years ago? What do you see in the future? Maybe we can have a discussion about the self-storage market and you can kick that off.

Peter I: Well, the rest of the guys can weigh in, though the primary thing from my perspective is that in early years, and for the first twenty, twenty-five, thirty years there was much more demand than there was supply. In most markets, I would characterize the markets as the supply has caught up with demand. Now there's a variable there and that is, only one in eleven families use self-storage. The demand could increase over time. So we have a stable market and I think most operators are noticing that their

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revenues are flat or slightly up. It takes longer to rent up facilities and those are two very important indicators that supply and demand are sort of in balance. That's why it's so important to find a fantastic site, a well-located site. I'm gonna let some of the other panelists talk about what those characteristics are. The second thing that has happened recently is that some reality has returned to the marketplace. In 2005, 2006 and part of 2007 there was over-exuberance and frankly prices got bid up. Buyers are no longer willing to pay those optimistic prices, as we probably all intuitively know and the market is somewhat stagnant in terms of transactions at the moment because there's still a gap between what sellers are hoping to get; they're hoping to get 2006 pricing and what buyers are willing to pay. So I think those are the two most important major trends that impact, selection of sites and also the transactions that are being done in the market today.

Dean: So this is critical, this selection of the site from many aspects I would imagine, from the cost perspective, the location perspective, anything you can do to hedge against what you describe as getting to that point of equilibrium. So tell us about selecting a site, give us some things to do and definitely not to do.

Peter I: Well, let me set the stage and then I'll turn it over to the rest of the panel. It used to be you could build a self-storage property pretty much anywhere and there was so much demand that it would fill up very quickly. You can't do that anymore and the way I explain it to my clients is that you can't build a self-storage facility at the back of an industrial park; it's not going to work. You have to be out in the main corridor where people travel in their day-to-day lives. The term I use is the next generation self-storage

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facilities are much more retail oriented at least in location and their feel and even if a market seems to be overbuilt, if you can get a superior location, you will take market share from those first generation older facilities that are sort of hard to see, hard to find or in the back of the industrial park with all the trucks and the trailers and those types of businesses. You the consumer that makes the decision about self-storage wants it to be a retail experience and so it is possible to build in a “overbuilt market” and be very successful, but you have to be very selective.

Dean: So, number one key would be frontage and signage and the position perhaps in rush hour going back and forth where there's a lot of traffic count.

Tim: Peter, this is Tim Hobin. I think there's a big distinction that needs to be made between the suburbs and kind of urban infill. It all really circles around barriers to entry and when you're out in the suburbs, you've got a lot more land availability, it's easier to get them done, therefore, your competitors can get it done as well. Urban infill, is kind of where we focus, more recently, and there you have excellent barriers to entry, whether it's a hard entitlement process or a lack of available land, and there you're seeing the pricing power there in those markets because of that, so your operators can push rents harder because less competition comes online. It's important to realize that, but they are kind of two markets, it's kind of the suburbs and urban infill.

Peter: Hey Mike, do you agree with what Tim just said? I mean if you're the thirteenth largest operator in the states, you must have a good perspective on that. Do you see what Tim's seeing?

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Mike: Oh absolutely. I'm going to add in there a rural perspective also. The urban infill sites obviously are capitalizing on downtown Los Angeles, downtown Miami, and New York, Chicago, those type situations where you have huge amount of demographic potential. Then you move out to the suburbs where it's much more automobile oriented and from what Tim was saying is absolutely correct. I'll put some numbers to that.

About 70 to 73% of our customers come to us as a direct result of drive by. So if you can't see the facility, typically it's not going to rent and going back to what Peter had said of out positioning some of the older mom and pops absolutely. That's taking place all over the country. Looking at this industry, you add the rural perspective, you don't have to drive very far out in the country to go through and find every small town having one or two small facilities that are out there and whether it be fifty units behind the Exxon station, or a thousand units in downtown Los Angeles, it's all the same business. All people do is store stuff in here. But the location, this is a real estate business, however, most people don't understand that it is a very retail oriented business. My perfect location is, I want to be able to smell McDonald's and see Wal-Mart.

Dean: This is great, retail flavor without the expense.

Mike: You know the expense at this point and time, we're fighting with Walgreen's, we're arguing with Wal-Mart on where the best location can be. We want to be as close to those major retailers as possible because we know what drives our business and that's the retail aspect of it. That's the reason most of us are going through and creating that retail environment in our stores, making them look more like a Williams and Sonoma than an Exxon gas station if you will.

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Dean: Excellent, so the expense of the dirt may be in competition, hopefully the expense of the operation is not like retail.

Tim: One thing there though with the dirt is that typically we have a very low parking requirement, so Walgreen's would have a forty thousand foot retail store and two hundred parking spaces, we'd have a eighty thousand foot store and eight parking spaces, so we can get more rentable footage. We can compete with the retail users on the price per square foot for dirt.

Peter: Hey Craig, what do you describe as an ideal site for self-storage? Do you agree with these guys?

Craig: I agree 100%. I've gone to many of the same conventions to see these guys to listen to them as speakers and panelists and whatnot and as Mike said, put me between the McDonald's and the Wal-Mart. We bought a lot of properties in the '90's. We kind of took advantage of other people's problems and we were known as turn around specialists. We would buy the properties that weren't doing well, that weren't managed well, the mom and pops, many of them located on secondary streets and we had concerns when we did that. But, with good yellow page ad placement and good well trained managers, we were able to fill those properties up. We see that changing right now. Across the board this last year was not a good year compared to many years in the past and I see that that's going to continue to be a struggle and many of our struggles are on our properties on secondary streets and the yellow page advertisement is not drawing them in. Yellow page advertising is becoming less and less important and Internet presence and drive by presence is really, really making a big difference.

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Peter: Well let's do this; we're coming up on our next break. When we get back we'll talk more about what's working, what isn't working, and we do expect to hear from Stan Hanks today, our mortgage minute about what's happening with commercial financing. So when we get back we'll welcome Peter, Jim, Mike, Craig and Tim back to the airways to talk about self-storage and the investment opportunities that exist in that market.

**BREAK**

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Peter: Welcome back. Like I said in the beginning of the program, gentlemen, real estate continues to be the single best investment one can make and Jim I was wondering two things, if you could answer for me. Number one, with your association the SSA; Self-Storage Association, is that open to investors, number one, and number two, from your perspective, should investors be bullish or bearish on putting their monies into self-storage right now?

Jim: Well, Peter absolutely self-storage is open to investors. The association is really open to anybody who wants to get educated about that sector, so that includes investors, vendors, operators, a whole spectrum of people who would want to be involved in self-storage. In terms of being bearish or bullish, I think investors should be very bullish. Self-storage continues and self-storage use continues to be very attractive. You have tremendous amounts of accumulation of items that consumers have and there's a constant need for self-storage very regularly, as well as you have business inventory storage so I

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think that there's a constant need for self-storage and it's ongoing. The depths of the markets are really incredible. I was with **Shorguard** for twenty years and I remember when we first started, we built a store in Seattle and we thought okay well now we'll have to move to Tacoma to build our next store. We thought we had built out Seattle with that one location. Well now there's three hundred and fifty locations in the greater Seattle area, so the depths of the markets is really remarkable.

Peter: Tim, you have facilities, like I said, across the west, California, Arizona Colorado, are you bearish or bullish on your markets right now?

Tim: I'm extremely bullish; I mean we see a number of factors that's actually increasing the demand. You always have to be careful about the supply side, and like I said, it's nice to have barriers to entry but with, for example ebay, ebay was a fantastic boom for our industry. We thought at first it was going to allow people to get rid of that junk they were storing in their units, but in actuality, it's created a whole number of new kind of home based businesses, a lot of which operate out of the garage. When they outgrow the garage, they become a storage tenant. Another factor, we have, in the west especially, we have multiple generations under one roof with the high cost of living, you have a college student graduates, he comes back home and lives with mom and dad, the grandparents at some point potentially even move into the house so you have multiple generations under on roof creating more of a need for extra space. So the long term, in some markets it's so hard to get these projects built but I think there's a tough time keeping up with demand.

Dean: Wow, go ebay.

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Peter: Well that music from Pink Floyd indicates to me that Stan Hanks from RealSource Commercial is here to talk about commercial lending. Stan, is there money available to these guys to build new storage facilities across the country?

Stan: Oh sure there is money available. I thought I'd give a piece of interesting side note here as we get ready for the Superbowl, just in case anyone's interested, a thirty second spot is now \$2.7 million up from last year. So there's still advertising that's happening at the Superbowl, which is going to be kind of fun to watch.

Dean: I'll be at that Superbowl in case anybody cares.

Stan: Don't rub it in.

Dean: I'm sorry I had to say it.

Stan: A couple other items that are impacting the commercial industry that we're facing, obviously this is the first time in forty years, they just announced that home prices actually have fallen in 2007, going back for forty years. So, that's impacting us. Obviously, we have foreclosures that are up now 75% in 2007 compared to the year before. So, with that **segway**, the commercial lending environment is still available, is still out there, there's still opportunities, but everyday is a new day. We just heard for example yesterday, that one of our lenders, who normally is a straight cash flow lender as long as the property cash flows at a leased 1.2 debt coverage ratio, they said, not only does it need to be there, but it has to always be at or it has to be at least at 90% occupancy. We used to have much more flexibility. That's an example of what's happening out there. The other is we are seeing more and more lenders have a million dollar lending limit. They just are finding challenges with sub million-dollar loans. It

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doesn't mean that you can't get them. So here at RealSource, we have options for our under a million dollar loans but, the terms will just not be what they have been before.

Give us a call, let us see if we can give you a quote and get you into a commercial property whether it be in a multi-family, an office or one of these self-storage that's being talked about today. Just be ready to be flexible as needed.

Peter: Hey Stanley, thank you for coming on the program. How does someone give you a buzz? What's your number over there?

Stan: Our number here is 800-929-2150, that's 800-929-2150. Ask for Stan or Matt and we'll take care of you.

Dean: Stan, I told them that you walked around with fistfuls of fifties; they all said collectively they needed a bigger wad.

Stan: Yeah, we all do.

Dean: Thanks Stan.

Stan: Thanks.

Peter: Have a good one. Hey Craig, before Stan popped up with that mortgage minute, we were talking about being bearish or bullish, how do you feel on that?

Craig: Well, overall we're very bullish, however we've seen some markets where there's been building that we don't think makes sense and we continue to see that occurring here and there, so we're a bit bearish on that. As I said before, I think this is going to be a much tougher year for the self-storage business in the larger metropolitan markets. The competition is out there, a lot of it's really good, some of it's not so good. You have some areas where you got a lot of mouths fighting for the same scraps and that goes back

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to developing a property, make sure you do all the right studies and everything else that insures that you're going to be able to support and fill up that facility. We've seen some large facilities get built and I can't say that they'll ever get filled, at least not with the current population base.

Dean: Well, that was my next question is what can we do, what kind of advice can we give to those people who want to jump into this market. I would imagine first join the local association or get affiliated with you guys, then after they've secured the right lot, can you just briefly touch on the entitlement process. How difficult is it in this environment that you're seeing across the country to be able to get the zoning to put up the storage in the retail type environment that you referred to which is crucial to success of the project in this environment?

Craig: Well, I think in some markets you've got some great barriers to entry and some of the cities that I operate in, they have relegated self-storage to secondary streets. We've touched upon it before; I think you need to be on main streets. To be on a secondary street is going to make it very tough. Many cities seem to look down upon storage, they seem to be running seminars telling people why they, cities why they don't want to have storage in their towns. Let's face it from retail sales, sales tax and so on and so forth, labor, we don't provide the opportunities on a piece of ground that we may take up that a retail box store might provide or the car dealerships, and therefore, the cities aren't excited about having us there. They look at us as sometimes a black hole in some places. As Tim alluded to before, there are some great infill opportunities here and there but you really have to be careful. I certainly would recommend getting in with an association,

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both state and national and finding someone who's well respected and knowledgeable that can do a really good feasibility study for you and then I wouldn't just rely upon that, I'd go out and I'd do my own study in conjunction with that.

Peter: Hey Peter, let's jump on top of what was just said there, what else can we alert the investor, what other advice can you give the investor before entering into self-storage investment opportunity.

Dean: Like someone touched earlier on making the property look much nicer, make it look, I've seen some architecture renderings of gorgeous storage I've looked at, I said gosh I wouldn't mind occupying a little space in there, I'd live in there it was so nice. Talk to us about that too as you dovetail into what Peter just asked.

Peter I: Well, I'd love to. Let me give a shameless plug for the California Self-Storage Association before I do that. There are three of the panelists are directors on the association and I can't stress how important it is for investors and/or established operators to learn before you make investment decisions. There are two ways to contact the association, you can go to the website at [www.CAselfstorage.org](http://www.CAselfstorage.org) or you can call at 888-887-CSSA which is 2772 that's 888-887-2772. Membership is an investment. All it takes is one contact, one contract or one idea to pay dividends. So I would strongly recommend investors seek out their peers, learn from their peers and avoid some of the mistakes. What you don't want to do is build a first generation store in this market environment, which is really calling for that retail orientation. I think what I can add to that to the discussion about success in locations is traffic count is really important. As we all know, gas stations and hamburger joints love hard corners. If you can get a hard

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corner, if you can be visible in your major intersection near a major freeway, if you can be across the street from a major shopping center and have the visibility so that the people in that community are driving by it everyday, and they're not thinking about storage, they're not thinking about storage, and then boom, the day they need storage they go "oh yeah I remember the place down by the coffee shop." I think one of the most important things you can do is location but when you're doing your feasibility study check your traffic counts and check your traffic patterns. Make sure you can turn into the facility driving from both directions. If your site is sort of orphaned, another words you have to go up, take a u-turn, come back, take a left, take a right and then get into the site, that doesn't work. You want to be able to make a simple left or a simple right into the site.

Peter: Okay when we get back from this short break, we'll talk more perhaps about feasibility studies, business plans and maybe redirecting or getting over some of the negative publicity that exists in and around owning self-storage investments.

#### **BREAK**

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Peter: Jim, the majority of the discussion so far, we've talked about making the investment decision, looking at location, doing feasibility studies, but I think one of the things we haven't discussed just yet, which is vitally important when you're dealing with multi-family and apartment real estate is the manager of the property. Is the manager of a

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self-storage facility, I would think is vitally important to the success for the investor. Is that true?

Jim: I'd say it's critical, in fact, I would argue that the manager and the investment in the management company and their training and development is the most important decision you can make for a lot of reasons. One is I think Peter mentioned earlier, that only about 10% of people use a self-storage unit. That means there's very low consumer familiarity. It would be akin to going to a service advisor at your auto dealership. Whatever the service advisor recommends, you typically do because you don't know anything about your car engine. Well, the customer doesn't know anything about self-storage so that retail person, if they're educated and they're solving your problem, you're just far more likely to go with them. The other practical reality is the demand in any given area is relatively fixed, so the only thing that you can really influence is trying to take more of the demand that comes to you than your competitor and the manager is really the person that does that.

Dean: Well, let's talk about that for a second. So typically when someone thinks about the management of self-storage, they think about an older retired couple living on the premises. How do you find, what's the personality profile of the right type of manager, who now in this day has to have the quality of salesmanship, has to understand the product, who can be available. Give us the profile of who, when we're looking for a manager, who should we be looking for?

Jim: Sure, I think you have to have a very retail, outgoing, friendly person and so again I think as you're looking to build an organization or let's say you're looking to invest in an

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existing self-storage company, one of the things I would certainly be on the lookout for is a company who has great HR systems. In other words, they have good recruiting systems, they're trying to hire good talent, they have good orientation and training programs to train people, let them know what's expected, they measure in incentive whatever they're expecting in their people and they have very regular feedback processes. They're giving their employees reviews every six or twelve months because these employees are out there 95% of the time by themselves, so they are the company, effectively. So the experience the customer has is going to be directly related to that manager and to the extent that you treat your manager exceptionally well, it's much more likely they'll treat the customer exceptionally well. If you don't they won't. They're going to treat others pretty much as they're treated. So management is critical and if you're not willing to do it as an investor, you ought to hire a third party Management Company, which there's several good companies out there in every market.

Peter: Fantastic advice Jim. Listen this last segment of the program is the shortest one, so I want to make sure that all of our guests have the opportunity to leave our listening audience with the golden nugget. Peter Ingersoll, perhaps I can start with you, as president of Sperry Van Ness/Pinnacle Realty Partners, what is the golden nugget for the audience?

Peter I: I think the nugget in self-storage is that it's a multi tenant property with minimal headaches. It has predictable low operating expenses relative to let's say an apartment building and it has stable income. The other aspect I love is that it is a very entrepreneurial market. 85% of the facilities are owned by small owners that own one or

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two locations so while it may seem like the major players such as these panelists dominate that market, it's not true, only 50% of the market are controlled by the major companies so there's a lot of room for small investors. Hopefully, the information on this call will help them focus on the sites that will be a success.

Peter: Mike Burnam, CEO of StorageMart, what say you?

Mike: Location, location and location. The worst reason to get into this business is owning a piece of dirt you don't know what to do with. Keep in mind that all of your customers, a majority of your customers come to you as a direct result of drive by and use that to go through and locate your next facility.

Dean: Location, location and what was the last one? Just kidding.

Peter: All righty, Craig Olson, president of American Storage Management, with 110 locations nationally, what's your golden nugget?

Craig: I'll go back to what Mike just said, location, location, location and then I will add in feasibility study. Get a real expert, someone who has good references that actually knows what they're doing. There's a million people out there that'll give you a feasibility study and we have property examples where it wasn't done well. Then do your own, check the competition yourself. Make sure that you can bring another property into the market, especially in the established, larger metropolitan areas.

Peter: Okay and Tim Hobin, director of development for the William Warren group with properties throughout California, Arizona, Colorado and Hawaii, what is your golden nugget for the audience today?

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Tim: Well, mine is barriers to entry, barriers to entry, barriers to entry. I mean it's definitely similar to location but you gotta look at the chance that someone else is going to come in and build something right down the street from an investment you're looking at. I would say if there's more than six square feet per capita, for example if there's 50,000 people in the market, that's 300 rentable square feet, once you get more than that the market could get towards saturation, be wary of that. If you've got the barriers to entry you're going to be successful.

Peter: Outstanding gentlemen. I thank you again for joining us on Income Property Investment Talk. If you want to learn more about Peter Ingersoll, Jim McNamee, Mike Burnam, Craig Olson and Tim Hobin, go to our website at [incomepropertyinvestmenttalk.com](http://incomepropertyinvestmenttalk.com). Gentlemen would love to have you on in the future again to talk about self-storage. Thank you for coming on the program today. Hey Dean, next week we have an exciting program. I wanted to leave a few minutes to talk about that. We are going to be discussing a new SEC exemption that all of our realtors listening to us today should be aware of and we're going to have two prominent individuals, two prominent realtors, a CCIM and a member of the NAR Realtors Commercial Alliance joining us next week to detail the process, to talk about how realtors now commercial realtors, and real estate agents and brokers across the country across this great country of ours can now earn commissions and referral fees on ticks securities deals for their clients.

Dean: I wish I'd have had that ten years ago. And one more thing I wanted to say was on February 7<sup>th</sup> the National Association of Real Estate Investors is coming to present an

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incredible presentation on real estate investments in Arizona in Chandler, on the southwest corner of Arizona Ave. and Ocatio, from 4:00-6:30, wine, cheese, hor d'oeuvres and 4:00-6:30 on February 7th. Make sure you come.

Peter: Yeah and Dean the big thing about that too and this is really why we created our website at Income Property Investment Talk, we're trying to deliver like we talk about on the program the powerhouses of commercial and residential real estate to our airwaves, but we also are doing some impressive workshops across the country. Now you talked about the one that's going on there. We're going to have workshops that are going to be happening across this country, where investors can learn about multi-family, apartment, self-storage, we're actually going up to Canada in a couple of months to talk to Canadian investors about how they can get into the market and purchase real estate here in this country because real estate continues to be the single best investment one can make. So, next week on the 6th of February, we'll have on two gentlemen H. Blaine Walker and Adrian Arriaga, talking about the SEC exemption for commercial real estate agents and brokers across the country to start earning commissions and referrals and Dean on February 7th...

Dean: We're going to be in South Chandler, in the Phoenix metropolitan area from 4:00-6:30.

Peter: Hey Dean, another great program, you know that self-storage, those guys couldn't work them in, but we did the best we can.

Dean: Those guys are heavy hitters.

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Peter: We look forward to talking to our realtors next week about the SEC exemption.

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and our guests.

Dean: Sounds great.