

Tips for Selling Your Self Storage Facility



In the United States, there continues to be extremely strong demand in the self storage asset class. Investors are seeing shrinking returns from a variety of other real estate asset classes and are looking for better and more stable returns elsewhere. This coupled with the perspective of some investors that that the boom economy may be coming to an end has them looking for recession resistant investments like self storage. With that in mind, it's a very attractive time to be a seller in this market. If you're at a place where you're

considering selling your self storage facility, we're including some tips as you navigate the process.

Get the Facility Financials In Order

All potential buyers for your self storage property will want as much financial information as possible about the property. Be ready to provide full and accurate documentation on both the income and expenses of the facility. If you have an accountant, they may have already prepared Profit and Loss Statements (aka P&Ls) for the facility. Ideally, potential buyers will want these if available for the last 2-3 years of operations.

The price most buyers are willing to pay will be closely tied to the amount of net income that the self storage facility generates.

Increase Rental Rates If Possible

Some storage owners have not kept up with market rents at their facility either intentionally or unintentionally. To maximize the sale price of the facility, it's recommended to raise rents to be "at market" with the other facilities in your area. This increase in revenue will make the financials more appealing to perspective buyers, but also be appealing

because they may not need to increase rents immediately upon their ownership. This can increase good will for the new owner if the previous owner does the “dirty work” of raising rates.

Prepare The Rent Roll

If you don't already have one, you'll need to create a list of each unit at your facility and it's individual features. This would include whether or not it's climate controlled, drive up or interior, what size it is, price, etc. This is a crucial piece in determining the unit mix at the facility as well as helping the future owner project what the potential income may be based on their changes.

Address Vacancy Issues At The Property

If your plan is to list the property, you will want to address vacancy at your self storage facility prior. This is especially true if there has been a significant amount of vacancy. If the existing vacancy is higher than the industry norms as your facility, this will lead potential buyers to question whether or not the market is over built. Filling vacant units is also a great way to increase the income of the facility and thus the potential selling price. Typically it takes time to fill vacancies, so make

sure you begin working on it well before you plan to list your facility if at all possible.

Create an Up To Date Facility Site Map

A site map is a drawing of the layout of your facility and typically includes the sizes of units as well. Potential buyers will want to understand the layout of the existing facility as well as understand if there's any expansion potential at the property.

Create or Update Price List

While it's likely that the new owners of the facility will implement their own pricing model, it's important for them to understand what's in place today. Keep in mind this pricelist would be of your advertised pricing or "street price" for each unit size and it's features (i.e. climate controlled, drive up access, etc.).

Focus on Curb Appeal

It's a good idea to make sure that your facility will show well to potential buyers. Whether or not we like to admit it, the curb appeal of a facility has a big impact on the way that the facility is perceived by both potential buyers and customers. Luckily these aesthetic improvements don't need to cost a lot of money.

Simple things like updating signage and taking care of landscaping around the property can make a huge difference. Some other things to consider are painting offices or road facing surfaces that are easy to see. Also making sure that any trash and junk (which includes the owner's junk) are removed can do a lot for the perception of the facility. Sometimes it's helpful to have a fresh set of eyes take a look at the property as owners who have had facilities for a long time can easily overlook things that might be unsavory to potential buyers.

Take on Select Improvement Projects

Depending on your facility, some improvements may be worthwhile if you're trying to maximize the sale price of the property. That said, keep in mind it can sometimes be very difficult to determine the return on some of these investments when it comes time to sell. Be very discerning when choosing what to improve and push for improvements that could make you more competitive in the market as well as improvements that could increase revenue. It's not recommended to take on any large capital improvements unless necessary because of the risk it entails.

Address Government Violations

Any existing facility violations, whether they be code, environmental, state, local, or federal MUST be handled before selling the facility. Not only is this a huge liability and likely deal breaker for any potential buyer, but many banks will refuse to lend on the property unless these issues are resolved. Do yourself a favor and immediately begin taking the steps necessary to resolve any of these issues at your self storage property. As clearing these up often involves working with bureaucratic government organizations, it can often take time and patience to resolve these. Start now!

Improve Security if Necessary

Security is always a top concern at self storage properties and it should be no exception at yours. Perspective buyers will understand that their ability to attract customers will hinge on the public's view of how secure the facility is. If you have no fence, no gate, and no cameras, you're going to be at a serious disadvantage when it comes to selling your self storage facility.

While gates and fences can be fairly expensive up front, they can make a facility much more attractive to buyers and customers. While it's not always the right choice to spend this money prior to selling, it's something that should be considered.

That said, security cameras have never been cheaper or easier to install. Camera systems with 8-12 cameras and backup harddrive systems are available on Amazon for well under 1,000. Employing a local contractor for the install rather than a specialized national security firm can also save you thousands in labor costs.

Finally lighting at the property is critical. It's amazing how many owners neglect simple lighting maintenance that can not only improve safety and security, but overall appeal of the facility. Many technological advancements have been made with lighting over the past 10-15 years, so it can be appropriate to look what newer options are available when replacing broken lights. That said, be careful not to spend too much as new ownership likely won't value these upgrades as much as you might like.

Sale Price

This is the big one and can be tough to know where to even begin. It's important to be honest with yourself as you work to self value your self storage facility. Think not only from your perspective, but also from the perspective of the buyer. Be aware of the strengths and weaknesses of the property and be realistic about whether the property is "turnkey" for the next owner, or if some work still needs to be done.

With that in mind, understand that many buyers will look at metrics related to the income and expenses of the facility to determine what they're willing to pay. The metrics (such as Cap Rate, ROI, and IRR) can vary depending on the age, location, market, and size of the facility. It makes sense for you to look at real time data in your market to help determine the value you should be shooting for.

Working with a Broker or Selling Direct

It has never been easier to sell a self storage property direct. Companies like Central Penn Group frequently work with sellers who want to sell their properties direct and make the process easy and straight-forward. Another huge advantage of selling direct is the ability to

sell the property as-is without necessarily needing to do many of the improvements or repairs that we referenced earlier. Also, because the property is sold directly, there is no commissions to be paid to a real estate agent or broker. This can be a massive savings when considering these six or seven figure types of transactions. A direct buyer like Central Penn Group can also creatively structure the sale to help save on taxes from the sale. If you'd like more information on what that might look like, please call us at 717-687-1883.

If you do decide to list the property with a real estate broker, it's important to make sure to only work with someone that's very experienced in self storage specifically. It's also recommended to vet these brokers by calling past clients and getting a sense of their experience. Remember that brokers may only pass along clients that they are sure will give them a good recommendation, so it may benefit you to do your own research into their past sales.

Also, if you list with a broker, be sure to understand all of their commissions and fees before signing anything. It's important to also understand the listing contract and how you're bound to it in the event the property doesn't sell or you feel like they're underperforming.

About Central Penn Group

Central Penn Group is a family owned company based in South Central Pennsylvania. We purchase and operate self storage properties throughout the Eastern US and beyond, priding ourselves on helping self storage owners who are ready to transition out of the business to sell their properties as easily and stress-free as possible. We strive to find fair, win-win solutions for our sellers and hold ourselves to the highest standards of ethics and transparency.

Contact us for more information!

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