



REDUCE RISK & OVERCOME DECLINING NET OPERATING INCOMES

Strategies the Storage Industry
Needs To Win





DRIVING OCCUPANCY IS JUST THE BEGINNING

Net Operating Income (NOI) has long been considered one of the most important performance indicators in the self-storage industry for both operational and financial health. Historically, operators have been able to consistently achieve their target NOI by focusing almost exclusively on driving occupancy. Over the last couple of years though, excess supply hitting the market has caused market oversaturation, resulting in both declining rental rates and increased costs per lead. As a result, operators have been forced to answer an uncomfortable—and frankly unfamiliar—question...

HOW ELSE CAN I IMPACT MY NOI?

MARKET FORCES IMPACTING NOI

LET'S BEGIN

This eBook is meant to act as a guide to help storage operators better understand both current and future market forces as well as equip them with practical steps to thrive in a changing environment.

Over the course of this eBook, you'll learn about:

REDUCING THE RISK TO YOUR INVESTMENT

CREATING AN INCREMENTAL REVENUE STREAM

MARKET FORCES IMPACTING NOI

NEW CHALLENGES ON THE HORIZON

The storage industry continues to be a strong investment, however some concerning shifts have emerged that are worth tracking. These changes mean new challenges for owners and operators that impact how they build and execute on strategies both now and in the future.

SUPPLY OVERSATURATION

The secret is out; the storage industry is a good investment. Though the attention that the industry has received is well deserved, it has attracted a significant amount of investment which has driven substantial over-building.

Excess Supply

In the past 36 months alone, 2,808 new facilities have been brought online across the United States.¹

Market Over Saturation

Because of this excess supply, we've seen 40% of the top 100 markets pass the equilibrium tipping point to reach oversaturation, where supply exceeds demand.¹

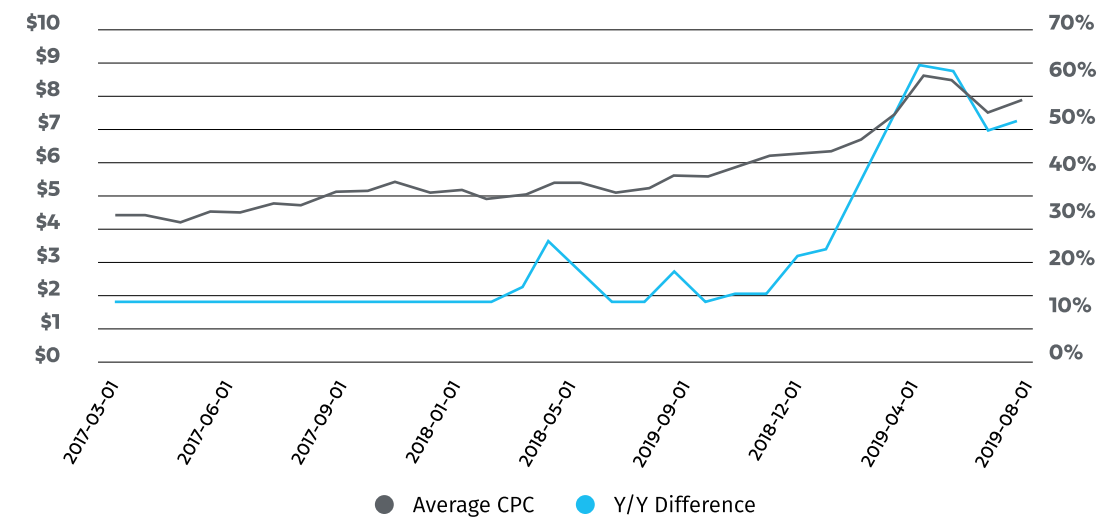
Declining Rents

All of this available inventory has put major pressure on rents. For example, average national rents have declined for 10X10 units by 12% and 10% for climate control and non climate controlled units respectively.¹

COSTS PER LEAD ON THE RISE AND STANDING OUT IS A REAL CHALLENGE

It's also becoming increasingly expensive to source tenants, given operators are having to compete now more than ever. Google Paid Advertisement, which typically is a significant channel in operator's marketing mix, is up 63% year over year.²

GOOGLE SEARCH AD COST: NON-BRANDED SELF STORAGE



UNDERSTANDING THE LANDSCAPE

It's been awhile since the self-storage industry has seen more supply than demand in the market. Unfortunately, this has put noteworthy downward pressure on revenue rates for operators. We've also been experiencing simultaneous increases to both marketing and labor costs. These two forces have created a compounding effect that pinches operators from both sides of the NOI equation. What's an operator to do? Where else should you be focused to ultimately impact your NOI? [Let's take a look.](#)

OCCUPANCY ISN'T EVERYTHING

THE GAME HAS CHANGED

Over the last few years, operators could go after leads and maximize occupancy to hit their NOI — done and done. Unfortunately, this tactic will no longer cut it. It's time to think outside the storage unit and create real strategies for generating revenue, optimizing what's already working in your business, and reducing the risk to your investment.

INCREMENTAL REVENUE PER TENANT

Instead of focusing on your metrics at the facility level, let's start thinking about opportunities at the tenant level. What kind of valuable services can you offer to your tenants to generate incremental revenue streams? By maximizing the amount of revenue collected per tenant and on an ongoing basis, you'll be able to offset the impacts of both lower rental rates and higher costs per lead.

WORKFLOW SIMPLIFICATION OR AUTOMATION

There's always an opportunity cost associated with how you choose to spend your time. If you're having to focus on delinquency and collections, what else could you be doing? Getting more tenants in the door? Turning happy tenants into advocates? Improvements around the facility? Time is money.

Find tactics or tools to help you simplify or even automate your day-to-day operations. Now you can rest easy, knowing the most important tasks are being completed correctly and efficiently while you spend time driving value in other ways around your facility.



OPTIMIZE EVERYWHERE

As you can see, mastering your NOI is no longer as easy as maxing-out occupancy. To evolve with the market, you need to look at your business to find efficiencies and new opportunities. By focusing on tenant value-adds, you can increase costs per lead and offset decreasing rental rates. Thinking big picture about your business takes time. That's why it's important to optimize your processes so you don't get lost in the day-to-day tasks of your business. So, all of this leads us to the next question: What are some ways I can make changes to take advantage of these opportunities? Let's dive in.



CREATING AN INCREMENTAL REVENUE STREAM

UTILIZE TENANT INSURANCE AND PAYMENTS PROGRAMS TO REDUCE RISK AND IMPACT NOI

A tenant insurance program is one of the best ways to protect your investment at no cost to you. It provides peace of mind for facility management staff and an incredibly valuable service for your tenants – it's truly a win-win. Another easy and valuable way to reclaim your time and drive value to your business is by implementing a payments program. Lastly, revenue management tools help ensure you're collecting the most revenue possible from each tenant and unit at your facility.

SECTION
THREE

PROTECT YOUR TENANTS AND YOUR BOTTOM LINE

You've invested a lot of time and money into building and maintaining your facility, so you want to make sure it's protected. Of course, you carry your own insurance policy, but many policies don't cover tenant belongings and may carry hefty deductibles if they do. And, while most operators have lease language in place to protect them from liability in the event of damage or loss to tenant items, the headache of dealing with irate tenants on top of the hit your reputation can take for "not taking care of customers" is something you simply don't have time for and that can significantly impact your bottom line. That's why it's important to ensure that every tenant has some form of insurance for their belongings while storing at your facility.

KEEPING TRACK OF ENROLLMENT

An effective tenant insurance program is one of the easiest ways to avoid the pitfalls that come with uninsured or under-insured tenants. Most operators offer protection at the point of move-in, but many tenants decline additional protection, either assuming their homeowner's policy will cover a loss (it may not), or they assume your policy will cover their items in the event of a loss.

Additionally, what happens if a tenant's policy lapses? Are you following up with those tenants to request updated proof or offer tenant insurance as an option? Are you tracking tenant-provided proof of insurance and when their policy expires?

If you're like most operators, you rely on your in-store management to handle this process correctly with minimal guidance and technology support. You think, "How hard can it be to ask a question and add the extra charge or check the "declined" box?" The reality is, if you don't have a system for administering your tenant insurance program, you're missing a huge opportunity to protect your facility without adding any costs to do so.

MAXIMIZING ENROLLMENT THE EASY & RIGHT WAY

The best way to maximize tenant insurance program participation is through a combination of people, process, and technology.

The successful implementation of Freedom Storage Management's Tenant Insurance program increased tenant participation by 3X in just four weeks following these four techniques.

01 Training

It all starts with your team. If your in-store manager doesn't buy into the value of additional protection for your tenants, how successful do you think they'll be discussing it with your customers? It's critical they're properly trained to confidently and effectively articulate the value of insurance to your tenants.

02 Expiration Tracking

It's important to provide managers and staff with the tools necessary to log and track insurance-related information about your tenants. If a tenant opts to use their homeowner's policy as protection, you'll still want to capture the expiration date so you can follow up about an additional plan if that policy lapses while they're renting a unit. Even better, some software products will automate this outbound communication for you.

03 Integrated Workflows

We live in a digital world, and self-storage is no exception. More and more customers are browsing and booking online, which means your business processes need to be automated to offer protection options in your workflows. When managers are working directly with your customers, these automations will enable them to select pre-populated coverage options, taking the guesswork out of what type or how much insurance a tenant needs to feel protected.

04 Reporting

Always track your progress. Make sure you have access to reporting tools that make it easy to identify whether a tenant has coverage or not, and that give you insight into the overall health of your tenant insurance program. This kind of information will help you identify where you're succeeding and where you have opportunities to improve.

CHASE DREAMS, NOT PAYMENTS

Customers today demand that you take credit card payments — that's a given. Unfortunately, some of the larger headaches for operators come from chasing down discrepancies in payments between their facility management software and payment processor. A healthy payments program should be fast, simple, and secure so that you don't need to think about it. As it fades into the background, you can focus on what's happening front and center with your business.



SPENDING YOUR TIME PLAYING DETECTIVE?

There's no reason your tenant and payments data sets shouldn't exist in the same location. By marrying the two, you can see everything you need to know about your tenants at a glance. Last time you had a discrepancy in these data sets, how long did it take you to resolve it? Can you think of better ways you could be spending that time? Some software solutions even utilize automated workflows to ensure these data sets always tie out.

MAXIMIZE YOUR POTENTIAL REVENUE USING REVENUE MANAGEMENT TOOLS

Maximizing your revenue doesn't mean increasing prices. It means understanding the market, your competition and outlining a strategy for how to garner the most revenue possible from each unit.

When accessing pricing, you'll need to account for variables such as amenities you offer, competition, and location. If you're charging 20% more than your competition for the exact same product, you may need to rethink your pricing structure. If you're providing above the competition at an optimal location, you may be able to raise your rates.



Once you ensure you're competitive with other facilities in your area, you can utilize your facility management software to automate this process. Make sure your software can systematically execute revenue management for both your available and occupied units separately. After all, tenants in occupied units are likely more flexible with price increases due to the pain of moving their belongings to another facility.

SMALL CHANGES. BIG IMPACT.

Any operator that has already attempted to shift their optimizing of NOI from the facility level down to the tenant level knows it's more complicated than it sounds. It requires an ongoing discipline and application of technology to get it just right. But, by making small changes in how you do business by building out a tenant insurance program and seamlessly utilizing a payments program can help you position yourself for success in a changing marketplace. As the industry faces decreasing rental rates and increasing costs, creating these additional revenue streams and efficiencies, boosts your business and frees up time to focus on growth or adding value to your business in other ways.

CONCLUSION

Any operator that has already attempted to shift their optimizing of NOI from the facility level down to the tenant level knows it's more complicated than it sounds. It requires an ongoing discipline and application of technology to get it just right.

HELPING YOU GET THERE

At Storable, we believe technology shouldn't be a liability, it should be a competitive advantage. That's why we've built the industry's first fully integrated platform that offers facility management software, facility websites, marketing programs and services, payments, and deeply integrated tenant insurance capabilities all in one solution.

Our Insurance product helps operators achieve next-level enrollment rates by leveraging a technology-first approach that focuses on deep workflow integration, enhanced management accountability, and expanded performance tracking.

Our Payments product acts as an extension of our facility management software to fuel your business rather than bogging it down by focusing on speed, security, and simplicity.

We would love to talk to your team about how we can help you align people, process, and technology to maximize your Net Operating Income and position your brand to thrive in whatever market conditions tomorrow brings.

[Contact us for more information and let's discuss how we can do more for your business.](#)

1. Behrens, P., Lucas, D., & Shatzer, E. (n.d.). 2020 Self Storage Almanac: 28th Annual Addition. MiniCo Insurance Agency LLC, (28).
2. Vojt, E. (2019, November 5). Raw SpareFoot Marketplace Paid Media Trend Data.
3. McMahon, T. (n.d.). Unemployment Rate (Adjusted and Unadjusted). Retrieved January 10, 2020, from <https://unemploymentdata.com/unemployment-rate/>.
4. Barragan, C. (2019, May). Storable Insurance Enrollment Case Study.