

How Has the Self Storage Industry Changed in Two Years?

By Gary Camp

A lot has changed in self storage in the past two years.

We asked a few industry veterans for their thoughts on how the self storage landscape has changed with the economic turndown a couple years ago, and the slight improvement in recent years. From financing to marketing, it's a whole new ballgame in 2011.

The Spigot Was Turned Off

Maurice Pogoda is president of Pogoda Companies which owns and operates approximately 40 self storage properties in Michigan and Ohio. Most are under the banner of National Storage Centers.

"What really changed immediately, more than two years ago, is that for those of us who are in the ownership side of the business and the buying side of the business looking to buy new properties, the world turned topsy-turvy. The spigot from the financial sector was cut off," Pogoda said.

"From a broader perspective, consumers stopped spending. Our commercial tenants became very, very frugal and where they could pull out of our storage spaces, they did. Residential tenants started pulling back, by either downsizing or getting rid of them completely," he said. "Or they just found other places to store, like garages, basements, or getting rid of their stuff completely.

"2009 was probably the worst year we have ever experienced in self storage."



"For those of us who are in the ownership side of the business and the buying side of the business looking to buy new properties, the world turned topsy-turvy."

~ Maurice Pogoda
Pogoda Companies

Keeping faith in the mantra that everything comes and goes in cycles didn't make business any easier. "It has been a cycle, but a more difficult one than past cycles," said Gary Sugarman, chief operating officer at Edison Properties in Manhattan. Edison owns and operates 17 facilities under the Manhattan Mini Storage name.

"This was truly a crash," he said. "But in 2010, we started seeing demand slowly but surely inching back as the

economy started to pick up. We started to see some glimmers where you could start to raise rents.

"From a buying side there were opportunities out there," said Sugarman. "Some mom and pops that weren't ready to continue weathering the storm, we found opportunities out there. The people who fared the best were those that had cash.

"The banking situation didn't really start to improve dramatically until the fourth quarter of 2010, and this continues in 2011. Local banks are becoming more normalized, their rates are now pretty good," he said.



"From a buying side there were opportunities out there... the people who fared the best were those who had cash."

~ Gary Sugarman
Edison Properties

"In 2009 and early 2010, the most you could finance was a 50 percent loan to value, and you can't easily operate your business that way," said Sugarman. "A lot of people were really in trouble. By the end of 2010 you were getting more towards 65 to 70 percent, which is better. You were able to refinance properties, assuming you weren't underwater. You may have to put some money into it, but you were able to survive."

That has continued to get better in the first quarter of 2011, and self storage operators are focused on streamlining their processes to continue on the road to recovery.

Marketing

Marketing is a major component to this recovery.

"The way we market our properties has definitely changed," said Bobby Mann, chief operations officer of StorageMax Management LLC, which owns and operates seven properties in Raleigh, N.C. "We used to dump thousands and thousands of dollars into Yellow Page ads. But that has changed.

"People are now creating much more sophisticated websites to keep up. Companies are now developing apps for mobile phones, so customers can pay bills on their phone, and do more on the go. Technology is now really driving our business."

See Industry Changes, p. 50

Chateau



SELF STORAGE ASSOCIATION PARTNER

Replace Your Old Style Latches The E-Z Way!



New **E-Z** design, just insert and push to lock, no keys required.



Fits into all of the **BEZEL** system latches.



E-Z lock, RED overlock key, three nylon headed keys



100% SELF STORAGE

Try the New **E-Z** cylinder locks designed to fit all of the **BEZEL** system latches. The **E-Z** cylinder locks have a dynamic new keyless installation. You just push the lock into the **BEZEL** and it locks without the keys. You just need the key to unlock the unit. Each lock comes with 3 special nylon headed keys in a tamper proof package. The New **E-Z** cylinder locks have an overlock function built in. The manager can use the **E-Z** overlock key to turn the lock so that the past due customer cannot use their key until they have paid the past due rent. The **E-Z** lock also comes in a twin pack keyed alike for customers who have 2 units.

E-Z™

Exclusive Keyless Locking

ITEM#	DESCRIPTION	10	100	500
C-480-EZ-CD-KD	New E-Z Cylinder Lock (Packaged)	5.19	4.79	4.19
C-4802-EZ-CD-KA	New E-Z Twin Pack Cylinder Locks (Packaged)	10.39	9.69	
C-480-EZ-BK-OL	New E-Z Overlock Keys	2.25		
C-480-EZ-KB	E-Z Key Blanks	.95		

(CD-Carded, KA-Keyed Alike, KD-Keyed Different, BK-Bulk)

ORDER TODAY 1.800.833.9296
FREE SHIPPING ON ORDERS OF \$250. OR MORE

P-800.833.9296 • F-800.235.1405
www.CHATEAUPRODUCTS.com

Pogoda used the downturn as a chance to scrutinize everything they do.

“We have looked to up our game,” said Pogoda. “We focused on our marketing, and began really measuring every program that we do,” he said.

“We made sure we were analyzing everything, and that we were quantifying everything, and looking to get the results based on our quantification. We did it before, but when everyone is happy and clicking along, that stuff gets looser,” Pogoda said.

“But when things get tough, you really hone in to make sure you are analyzing every aspect of your business.”

Better Times Ahead

“In that two year timeframe, we have really seen that the industry has kind of ‘rubber banded,’ but not sprung all the way back,” said Sugarman.

“We have, over the course of the last 12 months, sprung back somewhat. But we certainly are not all the way back,” he said.

The trend to vacate self storage units has largely subsided, and financing opportunities are becoming more attainable.



“The way we market our properties has definitely changed... technology is now really driving our business.”

*~ Bobby Mann
StorageMax Management*

“On the development front we are still not yet anywhere near where it was,” Sugarman continued. “Even though financing opportunities have improved somewhat—from having dried up completely—the fact of the matter is that those other economic drivers, and the impact they have had on the demand, has meant that the industry is over-saturated with inventory. It will take us a while to catch up.

“When the dust settles to the ground, we will see that we have too much inventory around the county, and we have a lot of catching up to do.

“Financing is now at least a discussion, whereas it was a non-starter not too long ago. It’s not about being able to build—it’s about not wanting to build just yet.

“We have been inching back on those metrics the better part of the last year or so,” Sugarman said.

“We are not at the base of the mountain anymore, but we’re certainly not at the peak.”

And when things seem to be at their worst, they can only get better.

“We want to put 2009 into the far recesses of our mind and forget about it,” said Pogoda. “Those that were looking to the future used 2009 as a chance to tighten their belts, to really look at their operations.

The recession, for an operator like Pogoda, provided a chance to really analyze all facets of their operations.

“We looked at situation and we said, ‘We know we’re not doing a whole lot on the revenue side right now, so we have to attack the spending side.’”

And no matter how much things have changed in the past two years, the way of measuring success is still the same.

“We have to make sure that everybody is focused on the most important measure that we have, and that measure is revenue,” said Pogoda.

“People say, ‘What is your occupancy?’ But that doesn’t mean a darn. All that really matters is how much money are you making?” he said.

“We could have 75 percent occupancy, versus someone with 95 percent, and we could be making more money than them.” ❖



GLOBE

Find current and archived copies
of the SSA Globe Magazine
online at

www.ssaglobe.org

