

Now Is Not The Time ...



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What a difference a couple of years can make. It was not too long ago that most of us were battenning down the hatches, discounting like crazy, and furiously seeking every penny we could find whether on the revenue or expense side. Now just a few years after the “Great Recession,” a newcomer would wonder what all the fuss was about. With self-storage leading most property types in total returns, occupancies once again reaching into the 90s, operators raising rents for current and new tenants, sales of existing properties selling at all time low cap rates, and new construction right around the corner—one might think we were on easy street.

Not so fast. Now is not the time to get lazy and let these hard fought gains slip through our fingers. Now is not the time to loosen the reins on our operations but to tighten them. Now is not the time to say enough is enough and be satisfied with the revenue gains and expense reductions of the last couple of years.

For those of us that have been around for a while, we know that real estate runs in cycles that typically last three to five years. For most of us, the recession did not start in 2008 with the collapse of Lehman Brothers, but in early 2007. The recession lasted through most of 2010, a period of about three years. Self-storage began its turnaround in late 2010 and really started picking up steam in 2011. So, if we do our math, we will see that, if we’re lucky, we have another year or two to solidify and grow our gains.

So, what should you be doing now?

If you are one of the good operators, you will continue to operate as you always have: The fundamentals never go out of style. While it may sound quaint, the good operators always know their markets, always pay attention to the concerns and needs of their tenants, always watch their pennies and seek ways to reduce expenses, always train their employees well, always measure their employees’ performance against preset benchmarks, always monitor the effectiveness of their marketing programs, and always change as the market changes.

We live in a dynamic world and self-storage does not exist outside of it. If you still rely on the *Yellow Pages* as your only advertising tool, you might want to review your marketing plan. If you are “scared” to raise your rents because a tenant or two may move out, you should pay attention to the success of the REITS and the large operators and see why they are making so much more money than you are. If you are getting complacent and think that the good times will last forever, try to search your memory and remember what things were like just a few short years ago. If you don’t remember, don’t worry; you can always call me and I will remind you.