

Broker Basics

Industry Experience Adds Value

By Mark Floria

If you are planning to sell your property, you may assume a commercial real estate broker is sufficient. But have you considered using a broker who specializes in self-storage?

The real estate market is complex. You should expect any broker to help you navigate the pitfalls of selling your property and help guide you through the process every step of the way. He/she should offer you an accurate valuation, develop a marketing plan to reach and pre-screen potential buyers, handle personal showings, and, of course, handle the logistics of sales negotiations and the closing. What you may not realize is that self-storage is unique and has different challenges than other types of real estate. A broker who specializes in self-storage understands your business, who you compete against, and who is likely to buy your property.

Here are three very good reasons to work with a self-storage broker, and why it is best to do so before you list your property:

1. A self-storage broker is not just a specialist in selling real estate, but also an expert in the self-storage industry.
2. A self-storage broker will analyze your business and show you how to make the property more valuable so that you achieve the highest price.
3. A self-storage broker knows buyers for every type of self-storage property, both large and small, and knows how to market to the right buyer.



Since a self-storage broker knows the industry well, he/she is better equipped to accurately analyze your facility than someone who is a “jack of all trades” and sells other property types. Brokers have extensive knowledge of self-storage facilities in your area, allowing him/her to have a realistic picture of what sells in your market and how to get top dollar for you. A broker who specializes in self-storage can develop a step-by-step plan to improve your business to make the property more valuable and desirable to buyers. This additional effort will not only get you more money at closing, but also attract a larger number of potential buyers. But, you must plan ahead.

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Pre-Sale Planning

Ideally, the time to contact a broker is six to 12 months before you plan to sell. This will give you and your broker the time to develop a plan to maximize your income and an improvement schedule so your property shows well when it is put up for sale. Don't wait until you need to sell. Make a plan to get the most from your property. That is when a broker's knowledge of the self-storage industry will be the most beneficial.

If you are like many sellers, you may be seeking a price that can only be achieved through superior facility management. It is the job of the broker to evaluate whether that is a realistic opportunity and be able to demonstrate it to potential buyers. Professional management can often make a dramatic difference, and a broker that specializes in self-storage can educate the buyer about what they could be doing to improve and add value when possible.

In addition to management, self-storage brokers are well-versed in a buyer's typical “checklist” for self-storage properties. Location is important, of course, as is size (net rentable square feet). However, the focus should be items on the checklist that can be improved by the seller prior to listing, including the following:

- **Professional appearance of the office.** Does your office look more like a “home office?” Spend some time to make sure your office is organized and professional and that your computer system is current.
- **Security of the property.** The buyer will notice security red flags when visiting your property. Is the facility’s entrance gate sometimes left open? Are security cameras outdated or damaged? Are all doors functioning properly? Be sure everything is in working order, and upgrade or replace items as needed.
- **Appealing facility entrance.** Aesthetics matter. Be sure landscaping is maintained, grass is regularly mowed, and weeds are removed. Your sign should be professional, without peeling paint or damage. Ask yourself if your property looks well cared for and has good curb appeal.
- **Revenue potential.** Obviously, the sales price is heavily dependent on the facility’s projected income potential; that is where the value is. Are your rental rates competitive? Have you regularly increased rates for existing or new tenants? Are rent payments up to date with documented collection records?

These are just a few items on the list. Your broker should work with you to develop a list for your facility and determine which improvements will bring the best return.

Finding Buyers

Once you are confident that you have improved your property, it’s time to find potential buyers. A broker who specializes in self-storage will know the buyers of self-storage; this allows him/her to skillfully market the property to pique the interest of those buyers. Self-storage brokers know that there is a distinct difference between selling a small property to a local buyer who plans to manage the property personally and selling

a large property to a regional buyer or one of the Real Estate Investment Trusts (REITs). He/she knows what is needed and what information is important for each type of buyer. No matter what size property you have, a specialized self-storage broker will give your sale the attention needed to market the property to the right buyer.

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A broker’s marketing efforts are likely to include communication through targeted online advertising as well as a professionally prepared Offering Memorandum (OM) detailing all the facets of a property, its competitors, the geographic area, demographics, and anything else a buyer

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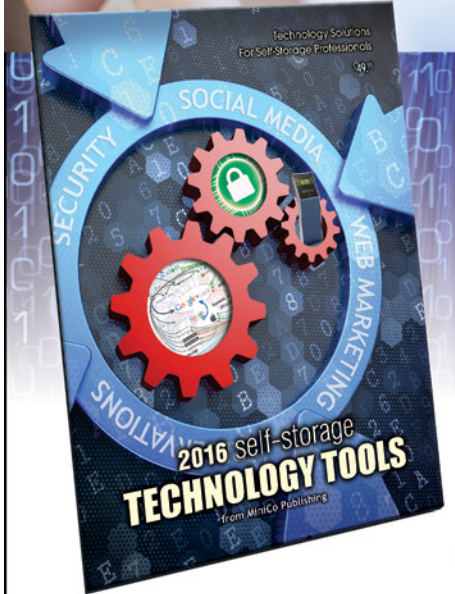
needs to know. It is important that buyers feel confident that the OM is accurate and complete, with all the information needed to assess the property; it should not be misleading or filled with inflated projections. As an example, brokers who are not familiar with self-storage will often provide inaccurate square footage and not understand the difference between gross square feet and net rentable square feet or include outside RV/boat storage. Of course, personal showings allow a self-storage broker to further market the property and explain the property's income history and potential. He/she is also well-versed in typical operating expenses for self-storage properties and will provide additional guidance when certain expenses are inflated or deficient, giving the buyer a more accurate view of the property's potential.

Take the time to go to your state conferences and trade shows and talk to the brokers in attendance to see who is most knowledgeable and meets your needs best.

So, if you are planning to sell your property in the next year, the time to contact a self-storage broker is now. Look at your local market and seek a broker who specializes in self-storage. This will likely be the largest and most important sale of your career. Take the time to go to your state conferences and trade shows and talk to the brokers in attendance to see who is most knowledgeable and meets your needs best. All these steps will ensure that your sale will go as smoothly as possible and that you will achieve the highest price that the market will bear. 

Mark Floria has been a sales agent for Pogoda Companies since 2011. He has facilitated the sale of over 40 storage properties with a value in excess of \$100 million. Pogoda Companies is located in Farmington Hills, Michigan, with sales focused in Michigan and the Midwest.

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