



Raising Rents: Determining Your Best Strategy

by Mel Holsinger

It’s time for some good news! As the economy slowly improves, we have observed an increase in rental rates and occupancy of self storage properties around the country. It is important to note that there are still some parts of the country that are struggling more than others, and even the improving economy will not solve an ill-conceived project as the market is more competitive today than ever before. Below I have outlined the basics of raising rents and the possible benefits it has to your bottom line. In today’s age of revenue management systems and sophisticated operators, it is more important today than ever to have a plan in place when raising rents!

Once a self storage facility has reached a stabilized occupancy level, a common business practice for owners to explore is an increase in rents in order to increase income. Of course, controlling operating expenses and negotiating deals for supplies and services can improve a location’s bottom line each year, but even in the best cases, it is hard to significantly improve NOI without raising rents on a regular basis. Now, the key word is *regular*, not annual, semi-annual or other, but *regular*. Let’s take a look at why this is important.

Let’s assume that we have 500 units and our unit mix is as follows:

Size	Number of Units	Rate	Occupancy	Rented Units	Monthly Income
5x10	100	\$50.00	95%	95	\$4,750.00
10x10	100	\$75.00	96%	96	\$7,200.00
10x15	100	\$100.00	90%	90	\$9,000.00
10x20	200	\$150.00	95%	190	\$28,500.00
Total:					\$49,450.00

If we raise our rents by 5%, both for existing and for new customers, our monthly income potential goes up as follows:

5x10	100	\$52.50	95%	95	\$4,987.50
10x10	100	\$78.75	96%	96	\$7,560.00
10x15	100	\$105.00	90%	90	\$9,450.00
10x20	200	\$157.50	95%	190	\$29,925.00
Total:					\$51,922.50

Over the course of one year, this could result in as much as \$29,670 in additional income and possibly even more should the unoccupied units get rented. Remember though, we said that regular increases are the key. Thus, let’s assume that we raise our existing and new customers and after a three or four month period, the new customers are not resisting the new price. Should we raise the “board” or “asking” price again? The answer is yes. As long as we continue to push the rates and do not receive any new customer resistance, we should look at this each month and ask ourselves if we can raise them again.

The hard question arises when raising the issue with our existing customers. How often could or should we raise their rents? Is one time a year reasonable, or can we push the issue and raise them every 6 or 9 months?

The answer is not always clear-cut, but here are some questions to ask yourself:

- 1) Are we at or above our competition?
- 2) Do we turn over our property every year? In other words, in a 500-unit facility, do we have 500 or more new customers each year?
- 3) Are we willing to risk losing existing customers over a rent increase, knowing that we will probably get a new customer at the higher rate over a reasonable length of time?
- 4) Are our expenses increasing at a higher rate than our rent rates?
- 5) Are we treating our facility as our own, and getting too personal with our customers?

If the answer to one or more of these questions is yes, then it is obvious that you should look at increasing rents on a regular basis.

Most owners wish that the on site management team would continually raise rents because it creates more revenue for

(continued)

them. Managers have a hard time raising rents for existing customers because often times they become friends with the customers and they do not want to make their “friends” unhappy.

In most cases, managers are willing to raise “board” rates for new customers. My guideline is this: do this first and see if you get price resistance from potential customers. If you do not, then slowly increase your existing customers. For example, increase your 5 x 10’s first and see how the customers react. If you do not have many move out due to this alone, raise another size. Keep trying this and you will probably end up with very few customers being so upset that they will move out. And if they do, remember that if you are doing a good job of selling units, the next customer will be paying the new rate anyway.

I have a company wide policy that if we are 95% occupied or higher for three consecutive months in any size, we will raise the board rate. I have had cases where we have raised the board rates 3 or 4 times in one given year, and have still maintained a high occupancy. Our policy is to also raise rates for existing customers if they have been storing with

us for 9 months or longer and our occupancy rate is over 95%. This way, I know I can increase my income steadily, not have too many customers at any one time getting rate increases, and still have the ability to back off if I run into price resistance.

Self storage managers take pride in building and maintaining occupancy. While a 100% occupied facility sounds good, in reality it usually means you are pricing your unit mix too low. I would rather have a facility 92% occupied and increase the rents 3 or 4 times a year than have a facility 100% occupied for the entire year at lower rates. Usually, a store at the lower occupancy rate will make more money than the one that is 100% occupied.

After all, isn’t making money our primary objective?

Raising rates always is delicate work, but the rewards of a higher income property will always pay off in the long run.

Mel Holsinger is a Principal of Argus Professional Storage Management, a full service third party management company. He can be reached at 520-319-2164 or mel@argusstoragemanagement.com.

There is still time to register for our FREE Webinar that will give you valuable insight into the current self storage market!

“Navigating the Self Storage Transaction Market”

Date: Tuesday, May 22, 2012

Time: 2:00pm Eastern

Cost: Free

Participants will learn about what creates value in today’s market and how to arrive at a realistic value for their property. We will also discuss the role that Cap Rates and Interest Rates play in the transaction process and how these factors can affect your value.



Call 800-557-8673 for more information or [Click Here](#) to register for the Webinar!



Property Showcase

Siloam Springs, AR • \$1,515,000

- 343 Units
- 52,329 RSF
- 4 Acres
- Bank owned - motivated seller!
- Attractive, new facility with climate control and outdoor storage
- Manager's office and apartment
- Owner financing available



Larry Goldman, CCIM
913-339-0641
lgoldman@selfstorage.com

Chapin, SC • \$2,875,000

- 2 Property Portfolio
- 394 Units
- 54,500 RSF
- 7.1 Acres
- Great opportunity in the Columbia, SC area
- Facilities are modern and well-maintained
- Covered and open boat/rv spaces



Joey Godbold
704-632-1027
jgodbold@pmcre.com

West Melbourne, FL • \$249,000

- Development site
- 3.34 Acres
- Rare BU-2 zoned land for a wide variety of commercial uses including self storage
- Approved for 26,000 SF building
- Retention pond on site
- Located in South Brevard County approx. 60 miles east of Orlando



Adam Rathbun, CCIM
321-752-1199
arathbun@southtrend.com

Houston, TX • \$950,000

- Price Reduced!
- 185 Units
- 20 Boat/RV
- 22,370 RSF
- 1.77 Acres
- Great location near the intersection of FM 1960 and FM 2100
- Very well maintained
- Fully stabilized occupancy
- Upside potential in rents



Bill Brownfield, CCIM
713-366-3134
brownfield@selfstorage.com

Fayetteville, NC • \$895,000

- 234 Units
- 30,260 RSF
- 9.9 Acres
- Bank foreclosure with significant upside potential!
- Modern facility with excellent visibility and accessibility
- Valuable zoned land included for expansion and/or mixed use development



Joey Godbold
704-632-1027
jgodbold@pmcre.com

Egg Harbor, WI • \$289,000

- Price Reduced!
- 74 Units
- 12,000 RSF
- 4.99 Acres
- 3 Buildings
- Onsite manager's office
- Room for expansion
- Great location across the street from 220 owner-occupied vacation homes.



Chris Hitler
262-236-0612
chris.hitler@ires-llc.com



Sells Self Storage Nationwide!

Check out our current inventory of 73 properties listed in 22 states and contact the listing broker for more information or visit www.argus-selfstorage.com!

Alabama

Eight Mile	\$825,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Jasper	\$1,250,000	Bill Barnhill/Shannon Barnes	251-432-1287
Mobile	\$3,800,000	Bill Barnhill/Stuart LaGroue/ Shannon Barnes	251-432-1287

Arizona

Blk Cyn City	\$1,500,000	Jeffery A. Gorden	480-331-8880
Lakeside	\$2,600,000	Jeffery A. Gorden	480-331-8880
Strawberry	\$200,000	Jeffery A. Gorden	480-331-8880
Vernon	\$1,000,000	Jeffery A. Gorden	480-331-8880

Arkansas

Fayetteville	\$2,100,000	Larry Goldman	913-339-0641
Fort Smith	\$1,100,000	Larry Goldman	913-339-0641
Gravette	\$800,000	Larry Goldman	913-339-0641
Siloam Springs	\$1,515,000	Larry Goldman	913-339-0641

California

Chester	\$299,900	Tom de Jong	408-282-3829
Fairfield	\$8,100,000	Tom de Jong	408-282-3829
Orland	\$2,099,000	Tom de Jong	408-282-3829
Vallejo	Make Offer	Tom de Jong	408-282-3829

Colorado

Cortez	\$1,150,000	Joan Lucas	720-855-6587
--------	-------------	------------	--------------

Florida

Live Oak	\$599,999	John W. Hill	386-362-3300
Maccleeny	\$1,725,000	W. Frost Weaver	904-265-2001
West Melbourne	\$249,000	Adam Rathbun	321-752-1199
Wildwood	\$849,000	Reggie Caruthers	352-748-1182
Wildwood	\$799,000	Reggie Caruthers	352-748-1182

Georgia

Canton	\$300,000	Bill Barnhill/Allen Barnhill	770-487-9006
Canton	\$650,000	Bill Barnhill/Allen Barnhill	770-487-9006

Illinois

Crete	\$400,000	Bruce Bahrmassel	312-518-3550
Freeport	\$1,290,000	Bruce Bahrmassel	312-518-3550
Metamora	\$1,499,000	Bruce Bahrmassel	312-518-3550

Maryland

Baltimore	\$2,300,000	Grady Riggs	301-468-0606
-----------	-------------	-------------	--------------

Michigan

Albion	\$370,000	Jim Soltis	810-494-2062
--------	-----------	------------	--------------

Mississippi

Flowood	\$3,500,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Meridian	\$2,795,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Vancleave	\$499,000	Bill Barnhill/Shannon Barnes	251-432-1287
Vicksburg	\$550,000	Bill Barnhill/Shannon Barnes	251-432-1287

Missouri

Farmington	\$2,950,000	Larry Goldman	913-339-0641
Mount Vernon	\$1,170,000	Larry Goldman	913-339-0641
Ozark	\$1,200,000	Larry Goldman	913-339-0641
Sedalia	\$775,000	Larry Goldman	913-339-0641
St. Joseph	\$650,000	Larry Goldman	913-339-0641

New Hampshire

Claremont	\$305,000	Joe Mendola	603-668-7000
Rindge	\$900,000	Joe Mendola	603-668-7000

New Jersey

Pemberton	\$975,000	Linda Cinelli	908-722-5661
Pennsauken	\$1,300,000	Linda Cinelli	908-722-5661

New Mexico

Las Cruces	\$625,000	Noel Woodwell	915-491-9610
Santa Fe	\$3,250,000	Joan Lucas/ David Etzold & Noel Woodwell	720-855-6587 915-845-6006

New York

Hicksville	\$4,200,000	Linda Cinelli	908-722-5661
Islip	\$3,400,000	Linda Cinelli	908-722-5661
Lynbrook	\$2,550,000	Linda Cinelli	908-722-5661
Middletown	\$450,000	Linda Cinelli	908-722-5661
Peekskill	\$8,000,000	Linda Cinelli	908-722-5661
Port Jervis	\$1,600,000	Linda Cinelli	908-722-5661
Yorktown Hgts	\$2,750,000	Linda Cinelli	908-722-5661

North Carolina

Chapel Hill	SOLD	N.J. "Joey" Godbold	704-632-1027
Fayetteville	\$895,000	N.J. "Joey" Godbold	704-632-1027
Statesville	\$695,000	N.J. "Joey" Godbold	704-632-1027

Oklahoma

Commerce	\$585,000	Larry Goldman/ Jared Jones	913-339-0641 918-665-1210
Hugo	\$1,850,000	Jared Jones	918-665-1210
Tulsa	\$1,180,000	Jared Jones	918-665-1210

Pennsylvania

Bechtelsville	\$1,350,000	Chuck Shields	610-828-0100
Glen Mills	Call Broker	Chuck Shields	610-828-0100
Matamoras	\$1,100,000	Linda Cinelli	908-722-5661
Olyphant	\$850,000	Chuck Shields	610-828-0100

South Carolina

Camden	\$895,000	N.J. "Joey" Godbold	704-632-1027
Chapin	\$2,875,000	N.J. "Joey" Godbold	704-632-1027

Texas

Canutillo	\$575,000	David Etzold	915-845-6006
Canutillo	\$625,000	David Etzold	915-845-6006
Flint	\$599,000	Richard Minker/TylerTrahant	817-335-5600
Forest Hill	\$2,450,000	Richard Minker/TylerTrahant	817-335-5600
Gonzales	\$3,200,000	Bill Brownfield	713-366-3134
Horizon City	\$350,000	Noel Woodwell	915-491-9610
Houston	\$1,800,000	Bill Brownfield	713-366-3134
Houston	\$950,000	Bill Brownfield	713-366-3134
Missouri City	\$2,500,000	Bill Brownfield	713-366-3134
Richmond	\$1,850,000	Bill Brownfield	713-366-3134
San Antonio	Call Broker	Bill Brownfield	713-366-3134
TX Portfolio	Call Broker	Richard Minker/TylerTrahant	817-335-5600

Wisconsin

Egg Harbor	\$289,000	Chris Hitler	262-236-0612
------------	-----------	--------------	--------------

Argus Sales



Congratulations to Broker Affiliate **Joey Godbold** of Percival McGuire Commercial Real Estate on the **SALE** of Ironclad Self Storage in Chapel Hill, NC! Joey can be reached at 704-632-1027 for details!

Upcoming Events

Join Argus and our local Broker Affiliates at the following events:

Kansas Self Storage Owners Association
Spring Meeting
May 23, 2012
Leawood, KS
www.kssoa.org

Great Lakes Self Storage Expo
June 6, 2012
Conrad Hotel, Chicago, IL
www.glss-expo.com

California Self Storage Association
8th Annual Owners Summit
July 19, 2012
Newport Beach, CA
www.californiaselfstorage.org

Contact an Argus Broker Affiliate

NORTHEAST

Guy Blake, CCIM
Linda Cinelli, CCIM, CEA & Sean Bortel
Joseph Mendola
Chuck Shields

Company

Pyramid Brokerage Company
LC Realty
NAI Norwood Group
Beacon Commercial Real Estate

Phone

845-522-5900
908-722-5661
603-668-7000
610-862-1645

Territory

Upstate NY, Western CT
Northern NJ, NY (NYC, Long Island)
MA, ME, NH VT, Eastern CT
Eastern PA, Southern NJ, DE

SOUTHEAST

Allen Barnhill
Bill Barnhill, CCIM
N.J. "Joey" Godbold
Frost Weaver (FL Commercial Brokers Network)

Omega Properties, Inc.
Omega Properties, Inc.
Percival McGuire Commercial Real Estate
Weaver Realty Group, Inc.

770-487-9006
888-801-4534
704-632-1027
904-733-0039

GA
FL Panhandle
NC, SC
North, Central & South FL

NORTH CENTRAL

Bruce Bahrmassel
Robert K. Brehmer, CCIM
Larry Goldman, CCIM
Mike Helline & Paul Grisanti, CCIM
Peter Hitler & Chris Hitler, MBA
Jim Soltis

Landstar Realty Group
NAI Daus
RE/MAX Best Associates
Grisanti Group Commercial Real Estate
Investment Real Estate Specialists
Preview Properties.com

312-518-3550
216-831-3310
913-339-0641
502-253-1811
262-236-0612
810-494-2062

Northern IL, Northern IN
OH
KS, MO, AR, Southern IL
KY, Southern IN
WI
MI

SOUTH CENTRAL

Bill Barnhill, CCIM
Bill Brownfield, CRE, CCIM
David Etzold & Noel Woodwell
Jared Jones, CCIM
Ricky Lennard
Richard D. Minker, CCIM & Tyler Trahand

Omega Properties, Inc.
MKP Self Storage LLC
Etzold & Co.
Bauer & Associates
Lennard Properties, LLC
CASE Commercial Real Estate Partners

888-801-4534
713-366-3134
915-845-6006
918-665-1210
318-792-1960
817-335-5600

AL, MS
South & Central TX
West TX
OK
LA
North TX

WEST

Jim Berry, CCIM
Steve Boldish, CCIM
Tom de Jong
David Etzold & Noel Woodwell
Jeffery A. Gorden, CCIM
Larry Hayes
Joan Lucas

CRG Utah
Coldwell Banker Commercial NW
Colliers International
Etzold & Co.
Eagle Commercial Realty Services
Hayes & Associates
Joan Lucas Real Estate Services, LLC

801-560-5601
541-776-1031
408-282-3829
915-845-6006
602-778-5134
406-728-0088
720-855-6587

UT, NV
OR
Northern CA
NM
AZ
ID, MT
CO