

Winning the Pricing Strategy Game

by Ben Vestal

It has been well-documented that self-storage REITs have pushed street rates down in recent months, and we are now seeing evidence that the so called "race to the bottom" is clearly affecting self-storage valuations and performance. Today unit pricing and Existing Customer Rate Increase (ECRI) programs have more to do with the success or failure of a project than ever before. In some markets we are finding that REIT-operated properties have street rates as much as 50% lower than non-REIT operated properties. This has allowed REITs to steal occupancy from the smaller operators that are slow to respond. However, when you dig into the unit pricing strategy of the REITs, it is much more complex than just lowering street rents.

REITs have been able to hold in-place rents relatively flat by implementing very aggressive ECRI programs. The lack of transparency in the market on in-place rents has made valuation and new development more of an art than a science today. Most sophisticated operators have access to revenue management programs that assist with unit pricing and ECRI's - these programs are very good and do create meaningful value for the owner/operators. However, if you are a diligent owner/operator you can still be successful without these programs. But before you start cutting rates to match your competition, there are a few things to consider which I have outlined below.

Unit Pricing:

The first step in pricing your units correctly is identifying your competition and determining if your units are similar in nature (i.e. climate controlled, non-climate, drive up, elevator, etc.) Once you do this, you will need to set up a schedule or program to collect the competition's rental rates on a daily basis, making sure you account for a website rate and on-site rate (yes, they are different) and then apply the new unit pricing accordingly to your units. You should develop a strategy and decide if you want to be slightly lower or higher on rates than your competition, taking into account your occupancy per unit size and if any of your units deserve premium or economy pricing due to unique attributes. Once you develop your unit pricing strategy and start collecting your competition's rental rates, you will be surprised by what you learn. Like all programs and strategies, consistency is key, and you must make adjustments and run tests to see what works.

ECRI Program:

It has been established that the new lower rental rates are moving customers in at below market rents. To protect and increase your cash flow and value you must be diligent and aggressive with your ECRI program to make sure you are keeping your in-place rental rates at an appropriate level. At Argus we have found that customers who move in on a "move-in special" sometimes 50%-75% below the in-place market rents should receive their first ECRI in month 3 or 4 of occupancy. This first ECRI should be aggressive and bring the customer's in-place

rent to, or close to the desired rental amount. Today we are learning that customers are staying longer and absorbing ECRI's in a meaningful way - this is good news! We have also found that tenants who receive a rental rate increase in months 3 or 4 will absorb another ECRI 6-8 months after the initial increase. No matter how much you communicate the introductory move-in rate and the timing and intent of the ECRI program, there will be some upset customers so please read the next paragraph.

Site Manager Training:

The increased frequency and amount of the ECRI's needed when implementing a move-in special or introductory rate pricing strategy will inevitably lead to some upset customers. The site manager will be the first person the upset customer calls when they receive the ECRI. You must give the site manager the right tools to handle the situation and hopefully save the rental. This starts with training the site manager to educate the customer during the move-in process that the customer is receiving an introductory rate or move-in special and that the rate is temporary and only good for the first few months. Second, when the upset customer calls, the site manager should anchor the unit pricing by educating the customer that the new price of the unit is still much lower than what the property's standard rate is for that unit size. And third, the site manager must have the ability to work with the customer by reducing or waiving the ECRI. This will empower the site manager to hopefully save the rental if the customer is going to move out.

Reputation Management:

You are not going to be able to save all the rentals and will see some upset customers move out. Some of these customers will post bad reviews on the property's website so you need to be proactively monitoring your reviews. We often find that the best response to a bad review is to respond quickly and explain the situation, reiterating the temporary move-in rates. This will defuse the situation and the bad review will be less impactful. You can also call the upset customer, discuss the problem, offer some concessions and ask them to respond to your response to the bad review. This will help mute the bad review and give it less weight. If this all seems like a lot to manage, there are services such as Chat Meter and Birdseye that you can pay to monitor your reviews and online reputation.

It is clear that unit pricing has a big impact on the success of your property in today's market. You must have a plan and be strategic and calculated when rolling out your unit pricing and ECRI program. Contact your local Argus Broker to receive a free rental rate survey; this will get you started and allow you to evaluate your current unit pricing, occupancy, and overall revenue management plan. **MM**

Ben Vestal, CEO of Argus Self Storage Advisors, can be reached at 800-557-8673 or bvestal@argus-realestate.com.

NEW

Zephyrhills, FL
\$2,990,000

- Development Site
- 143,000 GSF
- 4.73 Acres
- Population of 56,000+ within 5 miles with an AHHI of \$55,434
- 700+ new homes under development across the street and over 9,000 units coming into the market area

Josh Koerner, Carrie Stowell & Frost Weaver
904-591-0140
josh@coastalstorage.com



NEW

Yonkers, NY
Call for Price

- Development Site
- 60,680 GSF
- Approximately 40,644 Net RSF
- 0.51 Acre
- Site Plan Approvals for a 6-Story Class A Self Storage Facility
- 387,000 population within 5 miles, <5 SF per Capita
- Excellent visibility and frontage on Saw Mill River Road

Linda Cinelli, CCIM & Edan Cohen
646-630-8511
edan@lcrealtyusa.com



NEW

Pacific Junction, IA
\$400,000

- 9,560 RSF
- 60 Units
- 71% Occupied
- Well-located facility off of Interstate 29 with visibility to over 13,000 cars per day
- Priced below replacement cost at \$42 per rentable square foot with land for expansion
- Fenced with gate system and security cameras

Tom Flannigan
612-790-3747
tom@selfstorage.com



NEW

Temple, TX
Call for Price

- Development Site
- 85,000 RSF
- 5.481 Acres
- Recently rezoned tract of land to accommodate self storage development
- Planned to develop 94,950 gross square feet
- Approximately 1 mile from I-35 and ½ mile from HK Dodgen Loop in NE Temple

Tyler Trahant & Chad Snyder
817-901-7600
ttrahant@dominuscommercial.com



NEW

Antioch, IL
\$2,450,000

- 16,818 RSF
- 213 Units
- Mom-and-pop managed property with management upside
- Chance to increase revenue with tenant insurance; adding portable storage containers
- House, apartment, and warehouse are a part of the sale

Bruce Bahrmasel
312-518-3550
bruce@selfstorage.com



OKC & Mustang, OK
\$18,750,000

- 2-Property Portfolio
- 145,115 RSF
- 986 Units
- 8.2 Acres
- Stabilized assets with strong operating history
- Compelling scale for new entrant into the Oklahoma City market
- Well-positioned properties with attractive trade area demographics and supply/demand

Jared Jones
918-948-3941
jjones@selfstorage.com



Our complete list of available properties is detailed below. For additional information, visit www.argus-selfstorage.com or contact your local Argus Broker Affiliate.

Alabama

Daphne	\$10,900,000	Bill Barnhill/Sharon Wright	251-510-1822
Daphne	\$5,650,000	Bill Barnhill/Sharon Wright	251-510-1822
Mobile	\$5,400,000	Bill Barnhill/Josh Koerner	904-591-0140
Mobile	\$1,851,300	Bill Barnhill	251-432-1287
Mobile	\$398,000	Bill Barnhill/Brian Rowley	251-421-0919

Arizona

Casa Grande	\$2,800,000	Jeff Gorden	480-331-8880
Lake Havasu City	\$5,300,000	Jeff Gorden	480-331-8880
Mesa	\$5,950,000	Jeff Gorden	480-331-8880
Mohave Valley	\$900,000	Jeff Gorden	480-331-8880
Safford	\$590,000	Donnie Dodson	480-331-8880
Sedona	\$1,150,000	Jeff Gorden	480-331-8880
Sierra Vista	\$17,000,000	Jeff Gorden	480-331-8880
Tuscon	\$2,825,000	Jeff Gorden	480-331-8880

Arkansas

Danville	\$800,000	Larry Goldman	913-707-9030
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Colorado

Grand Junction	Call Broker	Cole Carosella/Matthew Cox	720-909-8602
Henderson	SOLD	Cole Carosella/Matthew Cox	720-909-8602
Lafayette	\$850,000	Cole Carosella/Matthew Cox	720-909-8602

Florida

Arcadia	\$1,400,000	Josh Koerner/Frost Weaver	904-594-0140
Delray Beach	\$4,800,000	Josh Koerner/Frost Weaver	904-594-0140
Fort Myers	\$3,250,000	Josh Koerner/Frost Weaver	904-594-0140
Holly Hill	\$2,900,000	Josh Koerner/Frost Weaver	904-594-0140
Ocala	\$2,200,000	Josh Koerner/Frost Weaver	904-594-0140
Palm Bay	\$2,300,000	Josh Koerner/Frost Weaver	904-594-0140
Port St. Joe	Call Broker	Linda Cinelli/Edan Cohen	908-722-5661
Sarasota	SOLD	Josh Koerner/Frost Weaver	904-594-0140
Sarasota	\$2,700,000	Josh Koerner/Frost Weaver	904-594-0140
Vero Beach	\$6,800,000	Josh Koerner/Frost Weaver	904-594-0140
Zephyrhills	\$2,990,000	Josh Koerner/Frost Weaver	904-594-0140

Georgia

Albany	\$3,300,000	Ryan Haney/Josh Koerner	904-591-1556
Cataula	Call Broker	Brooks Dove	678-439-8441
Douglas	\$2,500,000	Ryan Haney/Josh Koerner	904-591-1556
Hahira	\$3,900,000	Ryan Haney/Josh Koerner	904-591-1556
Richmond Hill	\$1,650,000	Ryan Haney/Josh Koerner	904-591-1556

Illinois

Antioch	\$2,450,000	Bruce Bahrmassel/Cole Carosella	312-518-3550
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Indiana

Elkhart	\$980,000	Rob Schick	317-403-1205
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Iowa

Pacific Junction	\$400,000	Tom Flannigan	612-790-3747
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Iowa Continued

Shenandoah	\$2,100,000	Tom Flannigan	612-790-3747
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Kentucky

Elizabethtown	\$9,950,000	Rob Schick	317-403-1205
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Minnesota

Bemidji	\$8,500,000	Tom Flannigan	612-790-3747
Cambridge	\$850,000	Tom Flannigan	612-790-3747

Mississippi

Greenwood	\$5,400,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Pascagoula	\$4,800,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Sherman	\$775,000	Bill Barnhill/Brian Rowley	251-432-1287

Missouri

Fenton	Call Broker	Larry Goldman	913-707-9030
Harrisonville	Call Broker	Larry Goldman	913-707-9030
Harrisonville	\$2,400,000	Larry Goldman	913-707-9030
Wright City	\$1,400,000	Larry Goldman	913-707-9030

New Jersey

Egg Harbor	Call Broker	Linda Cinelli/Edan Cohen	908-722-5661
Wharton	\$3,495,000	Linda Cinelli/Edan Cohen	908-722-5661
Williamstown	Call Broker	Linda Cinelli/Edan Cohen	908-722-5661

New York

Yonkers	Call Broker	Linda Cinelli/Edan Cohen	908-722-5661
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North Carolina

Salisbury	Call Broker	Jamey Cox	704-995-9168
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Oklahoma

Moore	\$850,000	Jared Jones	918-948-3941
OKC/Mustang	Call Broker	Jared Jones	918-948-3941

Oregon

Medford	\$375,000	Scott King	541-890-6708
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Pennsylvania

Bechtelsville	\$1,350,000	Chuck Shields	610-828-0100
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Texas

Bay City	\$5,700,000	Faith Pate/Bill Brownfield	713-805-2907
Houston	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
La Marque	\$995,000	Faith Pate/Bill Brownfield	713-805-2907
Mexia	SOLD	Chad Snyder/Tyler Trahant	817-813-5642
Temple	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642

Washington

Hoodspport	\$710,000	Ryan Layton/Greg Meager	509-435-2424
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Wisconsin

Bailey's Harbor	\$800,000	Bruce Bahrmassel	312-518-3550
Plover	\$1,750,000	Bruce Bahrmassel	312-518-3550

Wyoming

Cheyenne	Call Broker	Cole Carosella/Matthew Cox	720-909-8602
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RECENT SALES



Congratulations to **Chad Snyder and Tyler Trahant of Dominus Commercial** who sold BlackCat Storage in Mexia, TX! Contact Chad and Tyler at 817-242-2361 for details.



Congratulations to **Cole Carosella and Matthew Cox of Argus Self Storage Advisors** who sold All Secure Self Storage in Henderson, CO and ModBox Storage in Arvada, CO! Contact Cole and Matthew at 720-909-8602 for details.



Congratulations to **Josh Koerner and Frost Weaver of Coastal Storage Group** who sold a development site in Sarasota, FL! Contact Josh at 904-591-0140 for details.



Congratulations to **Tom Flannigan, Alex Ihrke, Matt Haugen and Nathan Gottlieb of Area CRE Services**

who sold New Ulm Storage in New Ulm, MN! Contact the team at 612-790-3747 for details.

ARGUS
SELF STORAGE ADVISORS
NOW AVAILABLE!
FREE RENTAL RATE
SURVEY
MAXIMIZE YOUR VALUE

Maximizing your value in today's market is essential. Argus is offering free Rental Rate Surveys to self-storage owners. Reach out to your local Argus Broker Affiliate to request a report!

CONTACT AN ARGUS BROKER AFFILIATE

NORTHEAST

Guy Blake, CCIM
Linda Cinelli, CCIM, CEA
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

Bill Barnhill, CCIM
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Coastal Storage Group

251-432-1287
704-995-9168
770-530-8441
757-474-5364
904-591-0140
904-591-1556

FL Panhandle
NC, SC
North GA
MD, VA
FL (except Panhandle)
South GA

NORTH CENTRAL

Bruce Bahrmassel
Tom Flannigan
Alec Pacella, CCIM
Larry Goldman, CCIM
Rob Schick

Area CRE Services
NAI Pleasant Valley
Goldman Investment Advisors
Schick & Associates

312-518-3550
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216-831-3310
913-707-9030
317-403-1205

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KS, MO, Southern IL
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Bill Barnhill, CCIM
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Samuel Livingston & Jacob Livingston
Faith Pate
Chad Snyder & Tyler Trahant

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251-432-1287
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918-948-3941
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713-805-2907
817-980-7276

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Central & South TX
North TX

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Jeff Gorden, CCIM
Jeff Gorden, CCIM
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Scott King
Ryan Layton
Cole Carosella & Matthew Cox
Ken Miller
Tenere Williams
Thomas Wolter

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530-768-1650
626-788-7774
206-200-3325

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