

Self-Storage Investing — Workbook

This workbook turns the course into a working deal file. Each section matches a course module and walks you through real underwriting: you will reconcile a rent roll to bank deposits, separate physical from economic occupancy, normalize a seller's operating statement, size debt to DSCR, build a going-in and stabilized model, and plan the first 90 days of ownership and the value-add. Run it against an actual facility you are evaluating and you will finish with a defensible offer price, a financing plan, and an operating roadmap, plus reusable templates you can apply to the next deal.

How Self-Storage Makes Money

Build fluency in the metrics, then prove you can extract truth from a rent roll and a trailing-12 operating statement.

Worksheet: NOI and cap rate calculator

Take a real or sample facility and fill in each line to compute NOI, then derive the implied value at two cap rates. Use normalized expenses, not the seller's, and exclude any mortgage payment from NOI.

Gross potential rent (all units at current asking rate, annual)

Less vacancy and concessions (dollar amount)

Plus ancillary income (insurance, fees, retail, commissions)

Effective gross income (subtotal)

Operating expenses (taxes, insurance, payroll, utilities, R&M, marketing, admin, management fee, reserves)

Net operating income (EGI minus operating expenses)

Implied value at lower cap rate (NOI / cap %)

Implied value at higher cap rate (NOI / cap %)

Exercise: Physical vs economic occupancy

Using a rent roll, calculate both occupancy figures and explain the gap. Physical occupancy is rented units (or square feet) divided by total; economic occupancy is rent actually collected divided by gross potential rent.

- What is the physical occupancy (rented units or square feet over total)?
 - What is the economic occupancy (collected rent over gross potential rent at asking rates)?
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- How large is the gap, and how much of it is below-market in-place rents versus discounts versus delinquency?

- Roughly how much annual NOI would closing that gap add, and which lever (ECRI, ending discounts, or collections) recovers most of it?

Exercise: Reconcile the rent roll to the bank

Practise the most important diligence habit. Annualize the in-place rents on the rent roll and compare to the rental income on the T-12 and to actual bank deposits. Flag any material gap.

- What annual rental income does the sum of in-place rents imply?

 - What rental income does the T-12 show, and what did the bank statements actually deposit?

 - If the figures disagree, is the cause delinquency, concessions, off-the-books income, or misrepresentation?

 - What price adjustment or re-trade, if any, does the gap justify?
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Checklist: Document request checklist

- Current rent roll exported directly from the management software, not hand-built
- Trailing-12-month operating statement, month by month
- Last two to three years of bank statements and federal tax returns
- All current tenant leases and the lease template in use
- List of all service contracts (landscaping, pest, security monitoring, software)
- Property tax bills and any pending reassessment notices
- Insurance policy, loss runs, and any prior claims
- Capital improvement history and any known deferred maintenance

Finding and Evaluating Markets

Source candidate facilities and judge the trade area with real supply, demand, and physical-condition data before underwriting.

Worksheet: Trade-area saturation analysis

Define the rings around a subject facility and compute square feet per capita for each. Add competitor square footage to the subject for total supply, then divide by ring population. Compare to the 6 to 7 sq ft national average.

Subject rentable square feet

Competitor facilities in 3-mile ring (count and total sq ft)

Competitor facilities in 5-mile ring (count and total sq ft)

Population in 3-mile ring

Population in 5-mile ring

Square feet per capita, 3-mile ring (total supply / population)

Square feet per capita, 5-mile ring (total supply / population)

Verdict (undersupplied < 5, balanced 5 to 8, saturated > 8) and any permitted supply in the pipeline

Worksheet: Competitor rate comp set

Shop competitor websites and call for current rates on three common unit sizes. Compare to the subject's asking and in-place rents to gauge how much rate upside exists.

Competitor name and distance from subject

Climate-controlled (yes/no) and access type (drive-up / interior)

Rate for a 5x10 unit

Rate for a 10x10 unit

Rate for a 10x20 unit

Subject's asking rate vs in-place rate for the same sizes

Estimated rate gap to close (per cent)

Exercise: Physical site walk and lock audit

Tour the facility as both a customer and an owner. Then perform a lock audit: walk every row and record which units carry a tenant lock versus a facility lock or none, and compare your count to the rent roll.

- Roof, doors, pavement, gate, cameras, and lighting: what is the condition of each, and what are the likely capital costs?

- Lock-audit occupancy (tenant-locked units over total) versus the rent roll's claimed occupancy: how big is the discrepancy?

- Which vacant units, when opened, are truly rentable versus damaged or full of the owner's belongings?

- Would you store your own belongings here, and what would you fix first for curb appeal and security?

Checklist: Go / no-go market screen

- Square feet per capita is balanced or undersupplied in both rings
- No large new facility is permitted or under construction within roughly two miles
- Population is stable or growing with meaningful renter or apartment density
- Unit mix broadly matches local demand (e.g. climate-controlled lockers in dense markets)
- Facility size is above the practical floor (roughly 25,000 sq ft / 200 units)
- Owner appears to have under-managed rates or lacks a tenant-insurance program (clear upside)
- No disqualifying environmental, flood-zone, or access problems
- The site is visible, secure, and credible to a paying customer

Underwriting and Financing the Deal

Normalize the seller's numbers, size debt your income can carry, stress-test it, and translate the analysis into a protective offer.

Worksheet: Normalization adjustments worksheet

Start from the seller's operating statement and rebuild it as it will run under your ownership. Record each adjustment and its effect on NOI, then carry the normalized NOI into your valuation.

Management fee added (5 to 6 percent of EGI, even if self-managing)

Insurance adjusted to current market quote (dollar change)

Property taxes re-estimated at likely post-sale reassessed value

Replacement reserve added (10 to 25 cents per rentable sq ft per year)

Owner add-backs removed (personal vehicle, phone, travel, unpaid labor)

One-time / non-recurring items removed

Seller-reported NOI (starting point)

Normalized NOI (after all adjustments) and the dollar change

Exercise: Going-in vs stabilized model

Build two cases. The going-in case uses today's normalized income and expenses. The stabilized case applies your plan (rate increases, insurance attachment, occupancy gains) over a 24 to 36 month horizon.

- What is the going-in NOI and the going-in cap rate at the proposed price?
 - What specific moves drive the stabilized case (ECRI percentage, insurance attachment rate, occupancy target, added units)?
 - What is the stabilized NOI and the resulting yield on cost?
 - Is the gap between going-in and stabilized realistic given the market, or is it wishful?
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Worksheet: Debt sizing and DSCR stress test

Size the maximum loan from NOI and the lender's required DSCR, then stress the deal. Confirm it still covers debt under a higher rate, lower occupancy, and higher taxes and insurance.

Normalized NOI

Lender required DSCR (e.g. 1.25)

Maximum annual debt service (NOI / DSCR)

Interest rate and amortization assumed

Implied maximum loan amount

Down payment / equity required at the proposed price

DSCR under stress (rate +2%, occupancy -10%, taxes and insurance +20%)

Pass / fail: does stressed DSCR stay above ~1.10?

Checklist: LOI and due-diligence checklist

- Purchase price and deposit defined, with the deposit going hard only after due diligence
- Due-diligence period of 30 to 60 days with a free cancellation right
- Full document delivery list named in the LOI
- Financing contingency included (or consciously waived) and a clear closing date
- Rent roll reconciled to bank statements during diligence
- Lock audit completed and compared to the rent roll
- Roof, pavement, gate, and environmental (Phase I if warranted) inspected
- Property-tax reassessment exposure and zoning / expansion potential confirmed
- Re-trade or credit pursued for any material finding (deferred maintenance, overstated income)

Operating and Adding Value

Plan the takeover, the revenue levers, and the exit so the value your underwriting promised actually gets built and harvested.

Checklist: First-90-days takeover checklist

- Migrate tenant data and the rent roll into modern management software and verify every unit
- Take over the merchant account and online payments so rent flows to you from day one
- Claim and correct the Google Business Profile and aggregator listings (SpareFoot and similar)
- Send tenants a calm ownership-change notice with the new payment method and contacts
- Review the delinquency list and start the lien / auction process per state law on long-overdue units
- Audit access control and cameras and fix any security gaps immediately
- Confirm physical and economic occupancy on a dashboard before changing anything

Worksheet: ECRI rate-increase plan

Design a staggered existing-customer rate-increase schedule. Keep each bump modest, wait for tenant tenure, and track move-outs so you can ease the cadence if churn spikes.

Tenant tenure before first increase (months)

Increase size per cycle (target 8 to 15 percent)

Increase cadence (months between increases)

Number of tenants in each stagger group

Projected annual NOI lift from ECRI

Move-out rate observed after the first cycle

Adjustment to size or cadence if churn is too high

Exercise: Ancillary income and occupancy plan

Identify every additional revenue line and the occupancy moves available, then estimate the NOI and value impact at the market cap rate.

- What tenant-insurance attachment rate can you reach, and what monthly margin does it add?
 - Which fees and retail or commission lines (admin fees, locks, truck rental) are missing and worth adding?
 - How will you fill vacant units (Google profile, online rentals, listings, pricing), and what is the NOI from each filled unit?
 - Is there unused land or convertible space for added units or RV / boat parking, and what would it cost versus add?
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Worksheet: Exit and value-harvest model

Quantify the value you build by converting the stabilized NOI lift into value at the market cap rate, and decide how to harvest it.

Going-in NOI

Stabilized NOI after the value-add plan

NOI lift (stabilized minus going-in)

Market exit cap rate assumed

Value created (NOI lift / exit cap rate)

All-in basis (purchase price plus capital invested)

Harvest choice (sell / refinance / hold) and rationale

Your Action Plan

1. Pick one target region and build a list of independently owned facilities from assessor records and the Radius+ or Storage Search directories
2. Run the go/no-go market screen on your top candidates and eliminate saturated or shrinking trade areas
3. Request the full document package (rent roll exports, T-12, bank statements, tax returns, leases, service contracts) on any survivor
4. Reconcile the rent roll to bank deposits and calculate physical and economic occupancy to find the real income
5. Normalize the seller's operating statement and compute going-in NOI, cap rate, and the honest

upside

6. Tour the site, complete the physical inspection, and run a lock audit to verify occupancy with your own eyes
7. Size debt to the lender's DSCR, stress-test the deal at a higher rate and lower occupancy, and confirm a margin of safety
8. Write an LOI with a 30 to 60 day diligence period, a full document list, and a re-trade clause, at a price your numbers defend
9. On closing, execute the first-90-days takeover checklist: migrate software, take over payments, claim listings, and start collections
10. Roll out the value-add: staggered ECRI, tenant-insurance attachment, ancillary income, and an occupancy-filling push, then re-measure NOI

