

What Does It Mean to Be a VAD?

By Madeline B. Schussel



Even in a saturated self-storage market, your facility must find a way to be one in a million. A **Value Added Developer/Operator (VAD)** can achieve success in our industry by increasing profit, revenue, and overall value with every expansion opportunity.

But how exactly do we maximize our assets, and turn big problems into bigger rewards? We sat down with Brett Henry, CEO of [Trojan Storage](#), to get his perspective on just what it means to be a VAD.

Set Your Sights on Being a VAD

Brett started out at the lowest job in his first corporate office, a small storage operation run by three owners. Within a few years, he was helping to run the company. Seven years later, his experience had given him a strong idea of how to be a successful self-storage operator. And he wasted no time in doing just that: He set out and founded his own business with a partner, Trojan Storage, with the goal of being a Value Added Developer/Operator.

Focus on Entitlement and Deal Flow

You need to always be looking for opportunities to add value, whether through acquisitions, buying and expanding other operations, or developing new ones. But existing facilities are also becoming increasingly expensive, if they are available at all. "There's 50,000 storage facilities in the United States, and not many of them are up for sale, especially in key markets," Brett told us. So the best way to add value may be to focus on the entitlement process, finding pieces of land in appealing markets, where there is bound to be plenty of deal flow for your development. Spend the time to entitle, develop, and operate these brand new facilities in premium locations.

All storage operators will have some challenges with deal flow, especially in markets that are already dense. But if you can build efficiently in areas where there is a demand for storage, you will maximize your value over buying and altering expensive, existing facilities. And no matter where you are, if deal flow is your challenge, you may simply need to do bigger deals.

"For us, it's really not a decision of buy versus build," Brett explained. "It's where do we find value and how many deals can we really put together that make sense for us."

Embrace Barriers to Entry

Of course, whenever possible, you should try to develop where other people can't. "I'm not the only guy building in Los Angeles," Brett noted. "Do it where other people just fundamentally aren't." Whenever possible, you want to be in markets that are undersupplied, not the opposite. So try to find places where there are enough barriers to entry that you aren't going to see six or seven new facilities pop up while you are building, which eats away at your projections, taking a huge toll on deal flow.

"The bigger the problem, the better the reward," Brett told us. If you can find tougher places to build, you should reap the benefits of less competition.

Let Inflation Increase Your Revenues and Profits

In development, there are also building challenges, such as the [scarcity of steel](#). But self-storage facilities are a hedge against inflation. "Projects [specifically in the last two or three months] get 17, 18, 19 offers from qualified buyers," Brett explained. "Costs are rising, and the projects are becoming more challenging, [but] the value is better than it was 10 or 15 years ago." Lenders, like insurance companies, are offering to storage developers long-term, often securitized debt at 3 to 3.5% *fixed* for 10, 12, 15 years. As prices rise with inflation, self-storage rates rise naturally, too. But as a developer/operator, your rates tend to be 70-75% stronger than your expenses (the biggest of which is debt!) Even if revenues and overall expenses both grow by 8%, your profit margins will continue to rise, protecting you and your investors through inflation.

Awareness

Being a pioneer of added value in self-storage development may be more about your awareness of the advantages already at your fingertips. Once you've entitled appealing land, the right design, supply, and installation plan can set you up for the deal flow you require. [The experts at Mako/Rabco](#) have supplied VADs like Brett nationwide with the materials and guidance to execute their visions, leaving their revenues in the hands of a rising market with great margins. *Know* what's out there, and take advantage of all the resources available to you as you build your self-storage assets into huge, and lasting, accomplishments.