

# How Will Maintenance Issues Affect the Sale of Your Next Property?



By Michael A. Mele

Glossing over your self storage facility's maintenance needs will affect daily business, the way others perceive it, and ultimately, your ability to sell the property for a higher price. Whether a problem requires a major repair or a quick fix, it is best to deal with it head on. In doing so, you stay one step ahead of schedule.

Prospective buyers are particularly concerned with potentially costly repairs to the roof, doors, and pavement. If the roof is over ten years old, the entire facility will be more susceptible to the consequences of haphazard weather conditions. In addition, doors that are more than fifteen years old or that no longer function properly will likely require replacement, which both hinders everyday operations and drains the pocketbook. Finally, when large cracks and holes permeate the pavement, it must soon be entirely resurfaced, again at a cost of time and money.

The integrity of any or all of these particulars will have a direct impact on the price of a self-storage facility. Should renovations to the roof, doors, or parking lot be necessary, they must be completed before the sale, unless funds are allocated to the new owner to make repairs. In any case, disclose potential problems early in the game so that rather than kill the deal, they can be taken into consideration.

While everyday, less expensive maintenance issues might not make or break

a deal, per se, they can turn first impressions into lasting impressions, and ultimately, affect bargaining power. Work the property's eye appeal by applying a fresh coat of paint to all areas that need it and by touching up problem spots. Furthermore, maintain a fresh cut lawn that is free from weeds and dead shrubbery. A well-honed landscaping job will accent the property. Post signs that are easy for anyone to read and to understand and position them in conspicuous locations at or just above eye level. Last but not least, although the manager's apartment is his own personal space, it is part of the greater property and must be kept in top-notch shape like everything else.

Maintenance is clearly an ongoing process, but it is paramount to address issues before due site visits. Keep the property free from trash and debris by monitoring the premises as often as possible, but no less than once a day. Broken or open gates warrant prompt repair to prevent crime ranging from vandalism to theft. By neglecting to make repairs in a timely manner, you will create more work for yourself in the end. The management office must be orderly and suitable to conduct business at all times. Along the same lines, in order to ensure maximum visibility, replace burnt-out light bulbs regularly.

Any of these seemingly inconsequential physical attributes could be the difference between your facility being considered an "A" property or a "B" property, or in other words, the difference between an 8% cap rate and an 8.5% cap rate. Consider the following scenario: your facility has a net operation income of \$300,000.00. At an 8% cap rate, the property would sell for \$3,750,000.00. However, at an 8.5% cap rate, the sale price would fall to \$3,529,411.00. Is \$220,000.00 worth a few hours here and there, a couple extra dollars now and again?

By simply fixing repairs as they surface, you can increase the bottom line. While upkeep often seems like a nuisance, it is an integral part of owning property. Remember that maintenance might be the pivotal factor in closing your next deal.

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