Why Self-Storage Investing with Scott Meyers Is Such A Simple And Powerful Strategy

Hosted by*:* Joe McCall
Guest: Scott Meyers

Joe: Hey, guys, welcome to the Real Estate Investing Mastery podcast. I'm Joe McCall. I got a special guest on today named Scott Meyers. A lot of you guys have heard him. He has been big in the business of self-storage and commercial projects for a long, long time. And I'm just honored to have Scott here on the podcast. Thank you for being here. Scott, first, guys, a couple of homework things. If you haven't already subscribed to the podcast, go to I don't know what your favorite podcast app is. Mine is Apple podcast, and I have another one I like called Pocket Casts. There's one hundred of them out there. But subscribe to the show, please, if you like the show. We released two or three episodes a week and a lot of you all, if you don't subscribe, you don't know that a new episode came out and so you got to check it out. We also do about two or three videos a week on my YouTube channel.

Joe: Go check out the YouTube's, go to just search for Joe McCall. You'll see my channel there with a lot of good content. Even my coaching business partner Gavin releases content out. I'm in the middle right now of a series called Deals Gone Bad. We're interviewing people that have done bad deals and we all have and you'll see the whole series of those episodes as well. So go subscribe to the podcast. And if you like the show, let us know. Leave us a review and iTunes or Apple podcast, whatever it's called. Now, we'd appreciate it and like and share the videos and YouTube and stuff like that. I got one more announcement here. A lot of you guys know about my book, in fact, called Simple Options. And you guys get this for free when you watch my webinar and talk all about how to do lease option deals by subtitle here, the easiest and fastest way to do more deals in any market.

Joe: Scott may disagree with me. He might like other types of deals better, but this book you will get for free. If you attend the webinar, you go to SLOClass.com. The link will be in the show notes SLO stands for simple lease options. SLOClass.com. Go watch the webinar and get my book for free. All right. Enough of the intro stuff. Scott, how are you, sir?

Scott: I am fantastic. Joe, good to see you again. How about yourself?

Joe: Doing well. We saw each other a few weeks ago. At a mastermind. Now I'm looking outside right now in St. Louis. It's raining and overcast. I'm assuming it's probably in low 40s. It's about the same where you are.

Scott: I think it's a mirror image here in Indianapolis, correct?

Joe: Yes. So we were meeting last time in Florida. And you're in Indianapolis. You've been in the business a long time, Scott. How long have you been doing real estate in real estate?

Scott: Since nineteen ninety-three. So I bought my first single family rental on and I've been in storage since 2005.

Joe: 2005. You're one of the people in the industry that have been around for the longest who has done the most self-storage deals, one of the largest commercial investors in the country doing this type of stuff. You've been really busy. Will you talk a little bit about how you and why you got started in real estate? And then I want to ask you about why you chose self-storage.

Scott: Sure. Well, I think like many of us, Joe, that gets turned on to a real estate. It's usually a book that we've read or a guru that we've run across. And in my case, it was a reading Rich Dad Poor Dad. And it was at a time back in nineteen ninety-three, I just got my first job and the book was released that early. Yeah. It was something that has been around for a long time, if I'm not mistaken. And maybe it came shortly after that. But it was at a time when I was looking around and learning about how to invest in Wall Street stocks, bonds, mutual funds to pad my 401k. And the more people I talk to in the more I looked around to real estate, the more people had made wealth and real estate than any other type of investment, including the stock market.

Joe: And so I remember hearing about the book in ninety six.

Scott: Is that right? Yeah. OK, so it was somewhere right around that time.

Joe: The book had already been out a few years that. Yeah.

Scott: Yeah. So that's what kind of sparked and that was, that was really the mind shift and still maxing out my 401K with my employer, but then started buying single family rental houses and putting them up with a lease option on rehabbing them, trying to get to the top of the market in terms of the after repaired and appraised value refinance, pull that cash out and then go plunk that down in others. So also following, as I mentioned, one of the gurus at the time, both Ron LeGrande and Carlton Sheets, the whole model of wanting to get up to the place where I hit about fifteen rentals or so they were own free and clear and then lease optioning some selling some off along the way to pad the cash flow and make sure that we were safe and secure. So that's how I got into the business and then realized I was still doing this part time and it was I guess, a hobby.

Scott: And so it wasn't really focused on it wasn't really paying attention to the numbers as well as I should have been just green, you know, learning the things that you don't really learn or experience until you're in it. I didn't find all the cash flow in the freedom in the mailbox money like the gurus had told me. And so I thought, well, I just need to double down. And economies of scale will fix this issue. And so I started buying apartments, working a full time job at the time. Correct. So nights searching for properties, weekends, doing a lot of the rehab on my own, and then with the help of some handyman and then managing it on my own as well.

Joe: And this was you were doing this in Indianapolis, correct?

Scott: Yep. All in Indianapolis. And then in ninety-seven is when I got married and my wife and I have an agreement. Well sort of. An agreement I would go on to create the messes and she would follow behind with the pooper scooper and clean them all up and put things in place. And she was the detail person until she said either I quit or you fire me. I'm not spending all my weekends doing this in business. And so that's when we begin to get more help to get more serious and start buying apartments so that we could get that economies of scale and get to a level that we had the ability to hire property managers and other folks to be able to handle that side of the business. When we ran our life and we both had two jobs at the time, we get up to about four hundred twenty apartment units and multiple complexes around central Indiana and realize that just kind of compounded the problem and still didn't have the cash flow in the freedom like I wanted.

Scott: Then at the end of the day, when somebody doesn't pay and they destroy your property to go to court to get a little piece of paper for them, only to say, well, this is nonpayment of rent and excessive wear and tear, and here's the amount of good luck. Go try to get them when essentially these folks are legally stealing from us and destroying and vandalizing our properties, no matter how you look at it, and I thought, yeah, there's got to be another way to get out of this business. But staying into real estate. To your original question, Joe, I mean, the reason why I got into real estate is hopefully the same reason we all do. And that is there's no other investment out there where we can borrow money to buy it.

Scott: We can leverage to buy it. Whatever the source, when we buy it, we can create value. We can force the appreciation by fixing it up. And then we put a renter in the property to pay down our basis or pay off our basis. And we still have a hard asset that produces income that we can also depreciate. At the same time. I'm sure your folks know this and you've been preaching this forever, but there's no other investment out there that allows that. So if I can just figure out a way to get rid of the tenants in toilets and trash, I'd be happy. And so it's the parking lots or self-storage. And so you can't really create a lot of value in a parking lot. So I began looking into self-storage and what I saw.

Joe: OK, so this is real interesting because everybody has their kind of journey into whatever preferred real estate strategy they like. The houses aren't for everybody. Apartments aren't for everybody. There was a big video yesterday of my friend Alex Pardo it was really good. It was a debate between two House guys and two apartment guys talking about I don't know if you saw this. It was really good. Alex Pardo from the Flip Empire podcast. You guys should go check it out. And it was very cool to watch these two guys argue back and forth about which was better houses or apartments. And I would imagine if you would have been on that, you would have been able to bring up some really good points about why maybe there's another strategy that you should also look at.

Scott: Absolutely. Interesting you say that I've been on some of those panel discussions where people in the multiple asset classes are talking about all the challenges. And I'm usually the guy who sits there and smiles and says, I don't have a problem. I don't have those problems. I don't have to deal with that anymore. So and a couple of times a little fun with that. That was the larger crowds of some of the larger events. But yeah, yeah. That's once we got into this side. When people don't pay and self-storage storage, we have the ability to put a lock on the unit, just hold it over lock, and then if they still don't pay their bac rents and all the late fees, we don't take it off until they do. And if they don't, after 90 days, we get to sell their stuff and we recoup our veterans in our late fees. So that alone is worth the price of admission and getting out of the side of the business.

Joe: So let's talk about what self-storage is and maybe what it isn't. Self-Storage. You know what I when I think of self-storage, I think of a of a place kind of out in the suburbs. But actually, you're seeing more and more of them being built in cities right now. When I when I think of self-storage, I think of these rundown places way out in the sticks with fence that looks tattered and beat up and place where you can rent and put your stuff there. But nobody ever goes there, built like my dad growing up. My dad was a janitor and a cleaning business and hardest working guy I know, but he couldn't afford an office or a warehouse, so he just got self-storage units and kept his cleaning supplies in there and had his office in there. He actually had a desk in the garage of the storage unit. So anyway, what is a storage unit facility and what is not?

Scott: Well, first of all, the has come a long way since then when your perception was as you mentioned. Now, if you look around, self-storage come to Main Street and you see the bright shining three story glass front facilities, all temperature controlled. Right. It's the Walmart and people's path of travel when they're on their way to the grocery store and in school and church or what have you. It is no longer those single-story sheds that are out in the middle of a farm field or talk back in an industrial park. Yeah, it's an essential business and it has be in the literal sense as we've gone through this pandemic. It is one of the central businesses and it's a central need. One in ten households rents one or more. So storage rental units, it's involved in cities. Master plans is an essential business. And when they're laying out the city, they know that they're going to need storage and so they build it. They will come and stick up some garages out in the sticks is not essentially what this is any longer.

Scott: So we've we cut our teeth and we made a lot of money in those secondary and tertiary markets, not way out in the suburbs or in the farm fields, that buying these class facilities that are in the path of progress and then taking it from a class C to a class B as the growth comes in, adding the defense and security and additional buildings and taking the gravel parking lot and making it to asphalt and putting in the security and the person behind the counter, that is a well-trained salesperson with a nice logo shirt on instead of the gentleman that used to be behind the counter wearing a dirty wife beater tank tops cigar on the desk when somebody and beer. So that's where we come.

Joe: Well, I've seen them everywhere being built out here in the suburbs where I am in St. Louis, have really nice facilities. I'm thinking, wow, these can't be cheap building. But I'm guessing they're cheaper to build than apartment buildings. Would they be?

Scott: Yeah. So the traditional style, if you want to call it so. That single story all steel buildings that are still being built in the secondary markets, in the suburbs, tertiary markets, those are roughly thirty, thirty-five dollars a foot, all in, minus the land to build. And that includes fencing, security and all the technology that we put into them. So, yes, considerably less than when you get into the multi-story facilities, adding an elevator and the different type of style of structure and concrete footings that you need to build those. We're still only at anywhere from roughly fifty-five dollars on the low end, you can go up as high as a hundred dollars, roughly fifty-five to eighteen dollars to build the multistory facilities, all temperature controlled with elevators and all the bells and whistles. So absolutely.

Scott: And compared to an apartment building which is about what per square foot to build, you're still at one hundred one hundred twenty in many cases, depending on the class and where it's located. That's of course, all minus the land that comparing apples to apples. One of the interesting pieces to that is that when we look at the industry averages for apartments, they get to roughly a dollar a square foot per month in rent average across the country. And so storage is averaging about 10 a square foot. So it costs less to build it. And we get ten cents more roughly on average per square foot to rent it. So you can see why the asset classes need a lot of popularity for investors and Wall Street like.

Joe: Ten dollars more. Ten times more?

Scott: Ten cents per square foot more.

Joe: Wow, that's really good. Now, some people look at self-storage and think, well, first of all, let me let me rewind a little bit more for a beginner. Somebody just getting into it. Are you teaching them how to build huge storage facilities or find existing ones, that need some work and fix them up?

Scott: Absolutely. It's finding an existing facility. First of all, the easiest and the fastest way to get into this sort of business is to buy an existing one, but also for folks that are new to self-storage when they go. If they were to go to the bank and say, hey, I want to build this nine million, three story building. So storage facility, they're going to say, well, what experience do you have? And therefore quickly ushered out the door. But if you have an existing facility in a secondary market and you can show the value and you can show historical track record of occupancy and what this thing brought in, and then a solid business plan, which is we're going to take it from a C to a B, we're going to raise rents. Here's what we're gonna do in marketing. We're going to add a website where the mom and pop owners never had one and some of the technology that reduces the expenses and show them the path to profitability.

Scott: And that is what bankers like to see. And they're looking more to the strength of that property and that project more than they are to the strength of the borrower and their W2 like they would if they're just buying a single-family resident to live in. So that combined with the fact that self-storage also has the lowest loan default rates of all commercial asset classes, bankers are that they really like to have some storage facilities on their balance sheet because it just makes sense and it does so well during good times and bad times.

Joe: Nice. OK, so how do you find these mom and pop self-storage facilities?

Scott: That's a secret, Joe. I know you got a large audience and I can tell everybody your secret can come on.

Joe: All right. But there is a way to find them.

Scott: There is. So we teach as well. We invest and we have an education business and we've been teaching people how to do just that. And so my favorite way is still doing direct mail to the owners finalist. You're reading the list of all the facility owners. We tell our students to start with a two-hour radius of their home. And number 10 envelope looks like a letter from handwritten against a generic letter that really hasn't changed in the past 15 years, minus a few tweaks here and there. Sometimes our logo on top, sometimes without be testing on it doesn't matter too much, but we're still getting six to eight percent response rate on that mailer to these owners. That's what we have.

Joe: That's huge. That's like eight times more.

Scott: That isn't we were getting two to three percent when we were sending them up our houses and even our small apartment complexes and duplexes in roughly six to eight percent. And that's what we're getting on the story it's on.

Joe: I thought direct mail is dead, Scott.

Scott: Absolutely. No. And it's our favorite way that along with running off the ground balls, which is making those relationships, creating those relationships with the brokers in your area, the ones that are listing and doing a lot of self-storage deals. And then also this is I guess is one of the secrets, Joe, and that is the mom and pop owners, many of them look. At this there there's no storage facility as a small business versus a commercial real estate, and it is I can't make that argument or the debate. You put one hundred self-storage owners in a room and ask them to raise their hand, 50 percent will say the business, 50 percent say it's real estate to them. And then almost all of them agree that it's both. And so we go to the small business brokers and many, many of these facilities end up listed there with these small business brokers.

Scott: And even though it's in the public eye and we all want pocket listings, I guess the secret sauce is the fact that many of these business brokers don't know how to evaluate a sale storage facility like we do as commercial real estate in terms of an NOI and a cap rate. They're looking at it from EBITA earnings before interest, taxes, depreciation and amortization. And when you use that model for evaluating these, there are many, many undervalued storage facilities for sale out there. If people are willing to go out and take a look and understand and learn how to underwrite these things properly.

Joe: What would you say to somebody who is just maybe a little intimidated about self-storage? I mean, they're having a hard time getting their head around the house. I get it. And now they're interested or they're intrigued with self-storage. They're thinking, oh, man, that's going to be too complicated. It's going to be too hard. What do you say to somebody who thinks that?

Scott: I'm sure you've had this discussion and many folks have heard this before, is that it takes about the same amount of time to get into a small commercial property than it does as it does to do a single-family house or something along those lines. It truly does. The time we're talking about a 90-day time frame from the time you identify something as an opportunity and then underwrite it and it and turn it into a deal and get it closed. So maybe a little longer time frame. But the difference is you have a different skill set instead of saying, here's what I'm going to pay for this house, here's what it's going to cost in repairs. And from the content I see here's the after repaired repair value. Here's the yield. Here's my spread. Well, self-storage, it's a little different and it is a longer road to get to that. And that is what are all the income and the expenses of this facility.

Scott: Once I find out my net operating income, then I apply a market cap rate, essentially appraising it myself and then take a look at where I'm buying it versus where I can take it. If I raise the rents to the market rate and doing some market analysis and then understanding when I sell it, when I exit, which is where we always make the money, well, that's when we receive the money that we made because of all the homework we did on the front end. It's understanding that piece and the art and the science behind the math of underwriting a self-storage facility, much like you would an apartment complex or a retail strip center or anything else. It's looking at it from that income and expense NOI and cap standpoint versus our standpoint, if that makes sense.

Joe: Yeah, good. So your goal with these things, when you're looking for them, is it to buy and hold and keep them? Are you trying to, is your goal to sell them and make some money?

Scott: A little bit of both. But we were buy and hold in the beginning. Well, in the beginning, my real estate career, period, and then looked at doing that with apartments and then self-storage. But it's interesting, I read a book by Brian Burgess, I think Bergess. It's how to buy and sell apartment buildings. This is also an older book. I'm going back a little bit. But he had a graph that was in the front of this book and he talked about that model, the buy and hold model versus the buy value and sell. And if you extrapolate and look at the math, if you were to find undervalued apartment buildings in his case, where we find undervalued self-storage facilities and we ramp it up and create that value in three years, five years for development projects, and then we sell and recapture that and then redeploy that capital and do it with bigger projects or more. You exponentially explode your wealth by that model versus buying creating value and then tying up all that working capital in that facility or in that apartment complex. You just eke out some increases each year for three to five percent increases in rent.

Scott: Once your depreciation burns off, you know, there's there is a holding cost and that's why your internal rate of return, it goes down over time once you created that value, which is kind of steady. So along with an answer to your question, we're in the mode right now where we syndicate and we bring a lot of investors in and they want to put their money to work. So as soon as we get that, then our target value, we're going to sell it or we're going to refinance and everybody gets their money back and we do it again with a larger pot of money to do more deals or bigger deals. So we will keep some, but for the most part, five year fold on most of our projects until I decide to slow down a little bit more. But that's not coming any time soon.

Joe: It's interesting here. I'm just writing some notes. Can you talk about an example deal? One of your students have done a good typical example deal from one of your students and what did they do to find it? And then what did you what did you do with it?

Scott: Yeah, it's like it's some most of these up. Our students are starting at the same place that we started. Our sweet spot is in these facilities that are maybe as low as one hundred units, but usually around one hundred fifty units on up to four hundred units in size. That's anywhere depending upon the market. Five hundred thousand depending upon the occupancy and the condition, it's in five hundred thousand to maybe a million and a half going in. And then the idea behind that where we search for is these value and they haven't raised rates in ten years because they just want to stay full. They haven't added technology and thereby reducing their accounts receivable and reducing the payroll, the person behind the counter.

Scott: We like to find some projects where they're on four to five acres, but they only have buildings on three to four and they're in a market that has demand. So we build additional buildings and then we fill those up. And once we get them stabilized at 85 to 90 percent occupancy, that we can either refinance or sell. And the goal is a multiple on these. So provided for five hundred twenty four million in three years or so. I'm buying it for me and I want to sell it to three million so that is roughly the goal and the model that we follow and what our students are doing. And of course some of them are not going to be much greater than that. And putting a million and a half to two million dollars in their pocket after three to four years on one single project. And those are real numbers. Those are that's not pie in the sky. That's the beauty of commercial real estate and the power of the cap rate.

Joe: For these kinds of deals, can you get as much depreciation from them as you can with an apartment building?

Scott: And I would say even more so because of the nature of the construction of this. We have a steel that is a moving part. We have movable walls, we have doors, and that makes up the bulk of the cost of a storage facility. So when we do a cost segregation analysis and if you compare it in a nutshell, I'll explain the theory behind it.

Scott: But in real numbers and self-storage as a comparison gets a roughly 20 percent more in terms of cost. What we can depreciate at an accelerated rate versus apartments because all those are fixed and other a long, longer term use, whereas ours they move, they have screws in and we can move our walls, we can take those doors down. So much more is able to be depreciated at an accelerated rate in that seven-year time frame. So it makes it much more attractive to us as the primary investors, but also in our syndications for our equity partners to come along with us. That's another benefit. And why we're able to attract more folks, because if they invest in a passive investment with us versus an apartment complex, they not only get high returns, but they also get that accelerated depreciation that rules through to their one and to their bottom line.

Joe: I wanted to ask that. So if you are raising money with other private investors, can you share the depreciation with them?

Scott: Absolutely. And by nature, the way that our funds are set up, when we create a fund for a self-storage project, they all get shares. They get anywhere from 30 to 70 percent of the shares. And so depending upon the percentage that they own, they get to share in that same percentage of the depreciation on that project. And it rolls all down because they are equity partners.

Joe: Oh, that's nice, because that's better than just we'll give you a certain interest, which might be good, but it is that this is better. This is way better if you're tired of paying taxes certainly helps. So when you are, I'll talk about raising money here in a minute. So in terms of cash flow, I know you said you're flipping them now. You're stabilizing them, you're increasing the values and then you're selling them and really getting good returns. Are some of them do you just keep for long term cash flow?

Scott: Yeah, we do. And we will. And we've got a conversion project up in Michigan then we're going to keep for the foreseeable future. That's just a cash monster for us. And I mean, that alone is taking care of us. So we've got others that we're looking at and some that we like. We've structured primarily to refinance and hold on to. One of those is in Birmingham, Alabama, and another one outside of Tampa. Those are, and one in Wisconsin. Those are the four that I can think of off the top of my head. We've got roughly forty-one projects right now that we're in various process of in lease, development or in stabilization. So more and more to come. I still don't know about yourself, Joe, but kind of like the cobbler's children who have no shoes.

Scott: We've got I've got a plot of land here in Indianapolis that we've been looking to build on for two years, but we've been just very busy and very blessed and fortunate that we've got a lot of joint venture folks and developers and owners and operators that come to us that want to get us involved and need help assisting with raising capital and on the operation side as well. And our first priority is always tied to our students and the folks that we coach and mentor and consult with as well. And so they bring projects to us that we're working on. So eventually we'll do more of that than are on our own. But right now, we're taking a small piece of a lot of other projects out there, and we want to make sure that all those folks are taken care of because we've put ourselves out there and that's what we said we do. And so that's what we're doing.

Joe: What would be an example deal that, let's say at one-hundred-and-fifty-unit facility, what are the example? What are some numbers on that work? Would one expect for cash flow? That makes sense.

Scott: Obviously, the answer to all of your questions, Joe, is it depends. And in that range, some of the prices that we bought were in that hundred fifty to maybe I'd say three hundred units range. We're expecting to see maybe going into the four to five thousand dollars a month in positive cash flow. But the good news is, is that a very, very low-down payment. We've got B loans that go up to 90 percent of that for projects that people are doing for the first time. And we can also bring our equity partners in so much greater than that. But that is roughly what you can expect of a good project sometimes going into it. It doesn't need much assistance, but certainly on the back end, once you get it stabilized and I get the rents up and occupancy up with some repairs to a. Again, depending upon the project that I would expect that most facilities and sites across the country to expect somewhere between four to five thousand dollars a month net, net, net.

Joe: And I'm assuming these are recession proof, aren't they?

Scott: We never say recession proof do we, Joe. Nothing's recession proof. However, self-storage is very recession resistant and inflation resistant. You know, when times are good, like what we've experienced for the past 10 years in this booming economy, people are buying more stuff. They have a need for more stuff and they have a need to store more stuff. And so it goes into storage and we have benefited from that greatly. But during a recession, it absolutely is the very it is considered the most recession resistant asset class, because when the development faucet dries up, meaning the banks shut that off, they're not doing speculative deals for a while like we saw back in 08. That's one. We have no new supply coming in or very, very little. We have businesses that are downsizing and are putting their excess inventory or goods or machinery or office equipment into storage until things turn back around again or they're subleasing their office. And that's what we're seeing right now. And then individuals, if they are at the unemployment rate, goes up.

Scott: They can't afford a house or the apartment that they're in. They're moving in with each other. They're moving back home. The extras are small Olin replace the extra stuff goes into storage. And so that's what we're seeing. Will we always see during a recession? And that's what we've been preparing for, for the next one. And layer on top of that, the moment that we're in right now with and the students were sent home very quickly from college and the spring. And so there was a rush to put all the things in storage businesses. Many of them were decimated immediately and had to put inventory and goods into storage right away. And then combine that with the fact that a lot of W2 workers were sent home from the office.

Scott: And so one maybe two workers, mom, dad and the household were left scrambling to find a workspace in a spare bedroom or the kitchen dining room. And so all that furniture went into storage. And so we've had three huge bumps in occupancy and demand for storage even before we head into the recession, where once the free money is gone and we see the jobless rate continue to rise and the pain of that, more people will be doing just like they've done in every other recession. And again, we don't celebrate a pandemic and we don't celebrate a recession, but quietly we know that our industry is going to benefit from that and we've been preparing for it.

Joe: OK, let's talk about financing a little bit here. Sure. How it sounds to me like because of the style of type of business that it is, it's maybe a little easier to get financing for these things, isn't it, than a traditional multifamily unit apartment?

Scott: You know, and that's what we found. We're going to take an example from single family going to apartments. Again, banks are looking at the strength of the project or the property more than the strength of the borrowers. So once you do that, you make that jump into commercial real estate or beginning to do so. I think that's the biggest fear. So that's probably the biggest point to get across everyone is the sooner the better to begin looking at commercial value. Everybody feels like they haven't paid their dues or have the right to do so. I'm telling you, you do. And in self-storage, it is a little bit easier. And I know every answer than women makes it sound like this is the best thing since sliced bread. But when my back was against the wall and my credit, I had no cash. When I was in the apartment and housing business, I found it very easy to get into self-storage because the nature of the business, the industry itself is your airline because it has the lowest loan default rate compared to its other asset classes.

Joe: You're also getting business loans, is that right? You can get an SBA loan. Yep.

Scott: For our acquisitions that have a component to that where we're expanding, we're doing extensive repairs. We can layer in two different SBA loans, the five to four in the seven eight four for the business of self-storage interest are going up to 90 percent LTV on those. And they are very less restrictive in terms of the borrowers that they're looking to come in less stringent. I should say, from an underwriting standpoint, that's the SBA's job is to get money in to new business owners’ hands to continue to spark the economy and keep it going.

Joe: So that correct me if I'm wrong, you can't get an SBA loan on an apartment building, can.

Scott: That is correct. That is correct. Again, unique to self-storage. And we're very thankful that we have the ability to tap into the SBA for these types of loans. That and the community banks, credit unions, savings and loans, those community banks. Those are the folks that we go to that want the portfolio loans that want to keep loans on their balance sheet. They want the safest. So therefore they just look at the stats. And so they're clamoring for self-storage deals.

Joe: Which makes it easier to buy and raise money for. Right. Because you're not having to raise twenty, twenty five percent down like you would have been building with private money. You're looking at maybe raising 10 percent from private direct, and that just makes it a lot easier. It does.

Scott: And the returns are easier because of that additional 10 percent instead of a seventy-five is also cheaper money than we give our investors. So it is a gift that keeps giving and make the projects much easier.

Joe: So I know it's it depends. I'm going to ask you another question. A typical hundred and fifty-two-hundred-unit facility that needs some updating about how much would that cost.

Scott: Yeah, so if we're looking at secondary to the free market, that's a class facility that we're looking to take to the class B depending on. When it happens and depending upon what the market or competition looks like, will dictate the improvements that we make. If this has a gravel roads and everybody else is paved or 50 percent of the folks have asphalt and paving, we're probably within the budget to keep up with them. If it's some of these rural areas or rural areas and nobody has a fence and it's not needed, somebody happens to break into a unit and steal a bike. Someone's going to see, hey, Johnny, let's put it back. It's like Mayberry. But again, in the in a market in which the rest of the competition or half of them have a sense, we'll put a fence and a security gate up and security cameras, that would be the multi-screen multiplex screens in the back.

Scott: When somebody walks into the office, we may put a kiosk in which is now just an iPad on a pole. When they walk into a quasi-office that is even open after hours where they can complete the transaction, renting units and get access to a gate code to be able to get into the facility to either compete or in some instances, we may be the first in market to implement a kiosk or a Redbox now in front of the facility for people to be able to rent units and then updating of signage, changing the name some branding, adding additional lighting to make sure that it looks safe and secure. And then the rest of it is for we do in any other facility because we find it's usually mom that gets stuck with the task of putting all of dads and their kids stuff into storage. And she wants to go to a nice, clean, secure place. And we want to show them pictures on the website as well.

Joe: So how much would that facility cost that needed all that work?

Scott: If we're adding, doing, updating it, could all of that upwards of two hundred thousand dollars if we're adding all the technology and fencing and asphalt, maybe a little bit more than that. So time and work to get it fixed up ready.

Joe: But then how much would that cost on average?

Scott: So the facility itself, again, if we're looking at a five hundred thousand one hundred seventy five, hundreds of maybe a hundred thousand two hundred on top of it, perhaps those are round numbers, very round number.

Joe: So you would need 750 grand maybe for a facility like that. I'm trying to bring the point up where if you can get a loan for night, if you only need to raise 10 percent, you only have to raise seventy-five grand like some of you guys may think. Oh, that's a lot of money. But really, that's nothing like a lot of you guys listening to this probably have that right now in your own self-directed IRA or soon to be self-directed IRA. Right. And so it's not I'm not. I just want to bring the point in that you don't need to have a million dollars in the bank to start investing in self-storage facilities. And if you don't have the seventy-five grand. Well, it's not that hard to raise that right now.

Scott: You're not even talking to syndication or going through anything lengthy at that point. I mean, you're probably bringing in one partner, friends and family that's coming along with you in this project.

Joe: Nice. OK, let's talk about kind of running the facilities. What's involved with running? Once you get it, you add the lighting in the fence and make it nice. And do you have to have a full-time person there all the time? Do you have to worry about now managing a huge team to manage the rule of thumb for apartments?

Scott: And I don't know if this is still the same. Used to be 10 hours a week for every hundred units you have and in self-storage. Or I can remember what the number was that that's our number. And storage is ten hours for every hundred units that you have. So we have a four hundred game facility. You've got one full time manager. That's so anything less than that, you can kind of dial that back accordingly and have a part time person in there. But then also many of these are developed, built or we are bringing them to other facilities where we as a manager. So that's the management, the leasing piece. But outside of that, I guess one thing made clear is that we don't have tenant issues. We don't it's just not a high touch management type of asset class.

Scott: But we still see too many people. Oftentimes they take a set and forget it mentality with this. And it is not a hobby. It is not a standard forget and you need to walk the four corners of your business, both literally and figuratively, and keep an eye on your baseline. Your is making sure that the marketing is in place. And right now they consist of absolutely a website and belonging to the aggregators, which are kind of like the price lines of self-storage, where multiple facilities come together and pay a fee to get just below the public storage and extra space. And you store it to make sure that you're visible because this is a commodity. When people use storage, when they need it, we're in the trauma and transition business. And so when they need it, that's when they can go to Google it on the phone or on the on the web either way and look for something that's close to them, has a website that shows a facility that's nice and clean and secure and gives them the ability to rent a reserve unit online or the ability to go to the site to do it online and check this off the list of things to do.

Scott: They're not looking to see where this facility is located in terms of the schools or anything else other than is it close by? Is it safe, secure? Is it clean? Can I rent a unit right now and get this task off my list so that those are the bigger. And then all the rest is accounts receivable and just being a rock star to run your small business, when you get to see if you can give people the ability to rent and then have to make sure that no call goes on the answers. And I don't need to voice mail or any solution. I mean, someone to gets the answer because it is a commodity. And if an audience is going on something that's most likely that's really interesting.

Joe: A couple of years ago, I was looking for a storage facility because we were going to Europe for three months. And so we needed a big unit to hold all of our stuff because we were in between moving from houses. And I just want to Google Maps and I did a search, Google Maps search for storage. I think I just said storage and found three or four in my area. Called them all. And I don't remember exactly. This is four years, four, four or five years ago. The first one I talked to, I kind of went to them and I didn't even care about the pricing. I just wanted something that was nice. And I went to their website with the pictures and it was close. So that was that's interesting. And they kept our stuff for six months. It's a long story. The horrible story we went to here that well, we went to Europe for three months. I had a blast live like rock stars and with my wife and four kids, went all over Europe, did my business while I was there. It wasn't a vacation. I worked while traveling, came back and it was harder to find a place to live than I thought it would be.

Joe: And so our stuff stayed in storage for another three or four months while we lived in a camper. Three months. Oh, it's a long story. We didn't find our house until like the week before Christmas. And so imagine being in a camper in November and December in the Midwest, right where it's 20 degrees at night, ten degrees at night. And you're worried about your pipes freezing and you're looking in a little camper with six people. But we finally got our stuff out of the storage unit. So there's definitely places and times where these things are needed. And they are I remember at the time also this is important to think about looking and surprised. There was not more than two or three that I called were full. Yeah. And I remember thinking there's a need for more storage facilities here and that's what we find as well.

Scott: And our market, Joe, is really three miles. I mean, think about it. If you if you remember when you were back looking, you probably weren't going to go more than three miles to be near your stuff. And so when you look at when somebody says that old St. Louis is overbuilt and Denver is overbuilt, there's no such thing because your market is three miles. So maybe a three-mile radius of a site that you found or a building that you're looking to convert or an existing facility that you're looking to ramp up. And you look at the competition in the three-mile radius. And if they're all full, guess what? There's probably a demand for another storage facility in that area.

Joe: So I remember this place is nice, as I was hoping for either it needed a lot of updating. This would definitely be your class C area. And what was interesting was an old abandoned church that they converted to a storage facility and which was interesting. And they had a big yard and gravel lots, but weeds growing everywhere. The coming inside, it just looked really run down inside. And there was a lady there who helped us. We got a big unit. Those were the days. I'm glad we're done with that. Yeah, but that you could have done so much to make that property nicer. Yeah. Utilize more of the space and probably raise rents and they could have done some things to the exterior to make it look not like an old church, you know what I mean.

Scott: Those are the types of properties that we love to find. It is the quintessential the mom and pops then just fallen behind in the times. And there are still things probably cranking out cash. And they were happy with where they were not realizing how much we're leaving on the table if they would just treat their business for what it was, which is a business instead of a hobby.

Joe: And you know what? It was one of the owners who worked there. That's a good sign, isn't it? It is. It was working in the had an office there with her dog, Stinky. Maybe I should send you the address of this place.

Scott: Or go over there yourself and take a peek and see if they're still available. I love it, though. That's exactly what we're after.

Joe: Interesting. OK, let's see. Any questions. Other questions. This is a redundant question, maybe a dumb question. Is it hard to raise money for these properties? If you don't have the money and you find a good deal? Is it hard to raise money?

Scott: The same. I mean, it depends on your offer, what you're offering for people to invest with you. And when we syndicate and put these projects together, for people to invest with this passively, at that point we're in the money game. We're in the money business. And so we're putting the returns on investing with us out there in the market to compete against other syndications or apartment complexes and mobile home parks and retail centers. And so we have to be competitive in terms of our returns, the IRR equity multiples. But what we have working for us is the story that we just told, and even more so is that this is recession resistant and inflation resistant and has the lowest loan default rate. We have the ability to create this much value in this project. Here's how we plan to do it and we can very accurately plot the path to profitability and returns, and that's much easier than we were in some of the other asset classes, and we have fewer outside economic factors that are weighing in on this. I mean, when the economy tanks, happens to tank, surprisingly, which it usually doesn't good we benefit.

Scott: And if it turns around again and things are great, people are buying more stuff and stronger stuff. Fantastic. Where we're insulated from that, it's just we can accurately predict our returns. And so from that standpoint, we have a little bit of a better story to tell. And these folks are they're like hedge fund folks and they're like bankers as well. They're looking at the asset class. They've done their homework ahead of time. And most of the time they're seeking us out. We don't have to convince or persuade many people to invest with us. They are seeking us out.

Joe: I imagine there's two types of people listening to this right now. One is like, I want to learn how to do this for myself, but another person is like, I want to invest in these kinds of deals. And you have to offer opportunities for both.

Scott: We do. We offer opportunities for both.

Joe: How can people reach you?

Scott: So if you're interested on the passive side or people in both camps, if you're looking to invest and look to see what it's like to syndicate these projects as well, go to PassiveStorageInvesting.com, and you can kind of reverse engineer what we're doing. And for those that are looking to invest with this passably, our projects are up there on the site, talks about who we are and what we do and how we've done it. Our track record is all there to see. And for those that are looking to get into and invest in acquiring your first self-storage facility, the converted church that is run by mom with her dog, if it can be turned around and you can refinance or sell for the five hundred thousand to a million dollars a pop, go to self-storage, investing, dotcom, and we've got to free resources on both sides to be able to pull down and get a sense of what it's like to invest in that side of the business. And if you're interested in learning more, that's what we do. We teach people how to do this business.

Joe: Yeah, I'm looking here at passive storage investing, dotcom, passive storage, investing, dotcom. You have over 12000 units, over two million square feet of storage, over 30 facilities in nine different states. And you got some really cool properties. Here are projects where you're looking for some open passive investment opportunities. You call them.

Scott: Correct. What you have is available and more coming down the pike with the ones we have up there right now are very, very strong. And they're filling up quick.

Joe: Nice, good information about you, list of your portfolio, some huge developments, some of these for storage facilities that may and they're nice. They are super cool. And so more information about your company and you guys give a lot of money to charity, looks like, where is this here?

Scott: We build houses in in Mexico and in Mexico and we take the usually two trips a year. We're going to do one in November. We skip the spring one. We're forced to, but we're going to go down and build two more houses. We take a team of people down with us, really anybody that wants to go, whether it's our staff, vendors, students, partners, and we pay for the whole trip except for the flight to San Diego. You get your butt to San Diego and we take care of the rest. And we're there for four days. We build a house in two and give it away. And that's our way of giving back.

Scott: But then also in hopes that the people that go with this, it's a family friendly mission trip and it may be the first experience that they just see what that's like and get a taste of it. And when they come back to where it is that they can serve and what that feels like and how that figures into their heart for serving and to go out and do likewise. So I can't wait to get back in November. And I think I've asked you at least once before, come on one of these trips with us. And so the invitation is open for you and your family to come once again because your accountability, your entire audience just heard.

Joe: Real quick that you have to be an accredited investor to invest with you?

Scott: Not in all of our projects. Many of our projects come out as red five or six as 506C which you have to. And I'd say maybe 30 percent of our projects are reg D 506Bs where we can accept up to thirty-five unaccredited investors that invest in our projects. And we have many of those folks that are coming along with us and giving them the exact same returns as our accredited folks.

Joe: Nice. And if somebody has a self-directed IRA, would that be a good?

Scott: It's the preferred way. Yeah, absolutely.

Joe: Do you help people set up self-directed IRAs?

Scott: We do. We do. We have two sources. We introduce you to both of them and you interview them and pick and choose which company you lifetime. Yet we have access to folks that take a really, really good care of our investors and guide them in a system as to the best vehicle that they can use to either a self directed IRA or a real estate 401K to invest in our projects.

Joe: Nice. There's some good articles here on your website.

Scott: There's a few from the Wall Street Journal about investors flocking to self-storage. I know that are in there. And one that I didn't have up there is, you know, within the past a month or so, both Bill Gates and Warren Buffett have invested huge chunks of money into the storage industry, investing in separate businesses. So there you have it, folks. All the cool kids are doing it. So it's time for you to jump on board.

Joe: Just five tips for finding a good investment, how to develop an investment strategy that works. Five undeniable reasons to invest in self-storage. And you got a bunch more articles in here.

Scott: I write for Forbes magazine, a very, very fortunate me. To speak on behalf of the industry and I read articles for them, so some of our articles, you can go to Forbes or go to our website, and pull down some of those articles that we had written. Yeah, it's quite a bit research on a lot of tips for investing in a self-storage business.

Joe: Again, this website is passivestorageinvesting.com, passivestorageinvesting.com, and if somebody wants to learn to do it themselves. You have self-storage investing, dotcom, right. You've got a webinar coming up here. It looks like. Do you do a lot of webinars if somebody misses this one?

Scott: We do a lot. And some of those are recorded that you can go back. But it's not the same as when you're alive and being able to answer your questions, we get excited when it's when it's webinar being around here, because I get it to take a break from the day to day and do what I love to do, which is to teach and answer questions and help people to get over their fears and move forward.

Joe: And you have a mastermind. Are you still running that?

Scott: We are also one of my favorite things to do because I get to step away from the day to day. And when get ours are a little different than some of those that you were involved in and we've been in together where we focus a lot on deals that people bring and we match up private equity with the deals and wholesale and share still share a lot of best business practices and talk about self-storage and what people are doing and how to grow and scale it. But we have that and a component of moving money and moving deals around in the group. And it's just a ton of fun. And I feel is my highest and best use.

Joe: Your last mastermind, you had over 14 deals presented with ten different deals, over sixty-three million dollars. Your average deal size was four and a half million. Only handpicked participants are invited to raise capital for the deals there. There is only one self-storage mastermind.

Scott: And this is and is correct. Yeah. And we held that in your backyard. We did. Are you ready to come back in November. And Innsbrook, remember, we chatted about this and. That's right. Yes. And we're coming back in November. So we'll have to get together there. Or you can come up to the mastermind and see what it's all about.

Joe: I would love to do that. That would be awesome. Well, I'll talk to you offline about. Yeah, cool. Guys, I've known Scott for a long time. He's got integrity. Very few people in this business care about integrity like Scott does. And so if you guys are at all interested in the self-storage business, I'd really highly reckon the only guy I'd recommend would be Scott Meyers. Check out his website, dig in some information. You can see their actual projects that they are doing that they've done in there. Scott, I appreciate you being on the podcast.

Scott: I really do appreciate the opportunity. Joe, it's always good to connect with you once again.

Joe: And I'll see in a few weeks. Yeah, looking forward to it. Yes. All right. Thanks again, everybody. We'll see you guys all later. Take care. Bye bye. Take care.