Janus Podcast Episode 10: An Interview with Roc Hughes

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Rachael Dempsey: Our guest today is an experienced self-storage expert and he is also part of the Janus family. Roc Hughes has been working in the industry for over 15 years and currently serves as the Vice President of our R3 (Restore. Rebuild. Replace.) Division. We’re so excited to talk to Roc today and get his insight on conversions, door replacements, and helpful tips for owners and operators. So, Roc, welcome to the podcast!

Roc Hughes: Thank you for having me Rachael.

RD: Alright, so let’s jump on in. Can you tell us about yourself and your career in the self-storage industry?

RH: I’ve been in the self-storage industry now for actually over 18 years, but who’s counting, right? Not only as a supplier to the industry of components, but also as a self-storage owner for about 6 years. I’ve been fortunate enough to travel all over the world selling self-storage components and although self-storage is a pretty simple concept, it’s still done widely differently across the world.

RD: So the Janus R3 program is really multi-faceted and conversions are a big part of what the program does. Can you walk us through a conversion from start to finish?

RH: Sure. Conversions, and we live in a very cyclical world in the self-storage industry, so one minute new construction is very in demand and the next moment you have conversions. The number one key to conversions is location, location, location. For instance, right now everyone in the industry is looking for big boxes – Targets, WalMarts, K-Marts, ToysRUs - a lot of the big box brands that have recently moved locations or gone in different directions for numerous reasons, but that is probably why conversions are so hot right now in the industry. New construction is still doing relatively well, but as I said in our cyclical environment, we will see that conversions tend to head a little north while new construction goes a little south for the next few years.

 Conversions are all about location and visibility. Do I have the right location? Can you see me in all the cars passing by? Is it a good location where visibility is key? In a lot of cases, a lot of people say “I have property, so I’m going to put a building on it.” Or “I already own a building.” I always try to ask, “Have you done a market study? Have you done a feasibility study? How do you know it’s going to work? How do you know it’s the right decision? How do you know it’s not a bad decision and you’re going to possibly spend millions of dollars?”

 Doing your homework on the front end is key to really any real estate asset. As we’ve seen in conversions, you really should do a market and feasibility study. Take your own personal bias out of it and have one of the industry experts come in and give you some food for thought, just so you’re comfortable in that final decision, whether you move forward or not. Taking your personal bias out of it and having that comfort and knowing you’ve done everything you could possibly do and looked through any environmental issues or building issues. So, it’s really important to understand that doing a feasibility study on the front end can save you a ton of headache, a ton of money, and helps you in making the right decision for your business.

 Starting in conversions, people say that’s the easiest way to get started in self-storage, and it can be. But once again I always go back to doing the feasibility, check for your visibility of your store, what all is it going to take to bring it up to fruition so you can start renting your units, those types of things. If you start getting into environmental issues, you would want to bring in an expert and hopefully, mitigate or minimize any types of issues going forward. Turning to the experts and really listening to the unbiased opinion is a good way to get started in conversions.

RD: So, let’s say that someone went through and did a feasibility study, everything is getting checked off the boxes, no environment issues, what would they do next? Would they contact someone and start going down the checklist?

RH: I would say at that point I would contact someone, like one of our Janus reps. If you’ve already got a site layout based off what your feasibility study says, or even if you don’t, you can turn to us or architect. It all depends on your local jurisdiction, what you have to do from a local perspective. Do you have to have an architectural drawing? Do you have to submit these mechanical, electrical, plumbing drawings? Once you have a good idea of a unit mix, or if you don’t, I would turn to the experts at Janus or a local architect and based on your demographic and based on your competition as to what type of unit mix is needed for that specific location, that’s where we come in to play.

 We have a whole team that can take it and based on our previous experience with the local areas across the country, we can come in to a very diverse unit mix that will probably be very helpful to your business. It’s all very mix and match if there’s something that a customer doesn’t like or doesn’t feel comfortable with. For example, if you’re in a military town, a lot of times we do larger units, 10x10 all the way up to 10x20. Sometimes in college towns, we may do some smaller unit mixes, 5x5, 5x10, or 10x10. It’s really turning to the local experts and finding out the right unit mix. At that point we can plug and play, and look at different options, and keep in mind, our system is temporary structure, meaning it can be changed out. If somebody’s got 10x10 and 10x20 that back up to each other, and they’re just not renting, it’s movable partition. So you’re not stuck, whereas if you went into a high-rise hotel and tried to convert that. You’re kind of limited. But doing a conversion at one of these big box brands and just basically going in and looking at all the different options and making it as efficient as possible. You’re probably going to lose about 20-30% due to bathrooms, offices, and hallways. You have to take all of that into consideration.

RD: So along those same lines, can you walk us through a door replacement project from start to finish?

RH: Door replacement projects are very simple. We typically encourage any and all customers with facilities that are 15+ years old that could have any type of security or safety concerns at their facilities, especially if it pertains to doors. We do the entire process turnkey from start to finish. Once there’s a request being made we submit that internally, it gets logged and gets sent out to the local field tech who basically handles that geographic area that they need to go to survey the facility. Once they get that information, they go out and do the site visit and check for any kind of unforeseen conditions. Once they’re done making their site visit evaluations, they turn that into a field report. The field report gets turned over to the estimator for processing and proposal. At that point basically they’re going to include materials, freight tax, and the security aspect of doing the job. Once that’s completed, we turn that over to the customer.

 Once the customer agrees, we put it in the system, order the materials, line up installers, line up security, and we also provide a letter template that they can send out to tenants making them aware that we will be onsite in about 30-45 days if they would like to attend from the sheer standpoint that we will have to move tenant items out of the units. So they have the right to be there if they would like to attend. If not, please stop by the office and pick up your new set of keys.

 That kind of gives you a complete start to finish of how we do the door replacement process. And a lot of our insurance companies in the industry now recognize that there is a value add to facilities that do a door replacement so they are offering sometimes even double digit discounts for facilities. That might not sound like a ton but when you do the cap rate over ten or twenty years, that’s quite a saving for doing a door replacement. And if there’s ever a question, we do have plenty of resources that we can get you in touch with that can lay it out for you and define what that discounting schedule would be.

 We also have a resource that pertains to cost segregation. A lot of times customers have an older site, they want to do it, they’re sitting on mounds of cash, but they just don’t know if it’s a value add to their facility. We have cost segregation experts and it’s really important to get in touch with these experts whether it’s insurance or even cost segregation to show you how you can turn a $2 million facility into a $3 million facility just by doing these value add things, from door replacements to remixing unoccupied units to taking an older site and refacing it and giving it a fresh new look with metal panels or metal components to the site as well. All of these different things really give you a value add and make your facility worth a lot more money.

RD: Thank you for that. My next question as a more general construction type, we all know that the construction industry is just like any other with hiccups and bumps. You’ve seen in your career so many project where things pop up. In your experience, what are the most common causes of construction delays that can be avoided?

RH: I don’t know if you can ever avoid everything 100%, but some of the big ones are permitting issues that cause a lot of construction delays. Sometimes you might get them back really quickly, sometimes you might get them back 6-8 months to possibly a year to get a permit to work. Another issue is environmental issues. Sometimes you see what’s there, but without digging a little further into the history of a site or building you want to convert, you just don’t know any types of environmental issues until you have an industry expert come out and say everything looks good. You really have to do your due diligence on the front end.

 For example, when I built my site we took into consideration that we were building a two story building and were going to have to dig down 6-8 feet because of rock conditions. So when doing that, we couldn’t get down far enough because we ran into rock, so we ended up having to blast. That’s environmental type stuff.

RD: Alright so, steering back into conversions, what steps need to be taken to avoid certificate of occupancy delays for converted spaces?

RH: To get your C of O, there’s a lot of potential delays. Do you meet all of the fire, HVAC, plumbing, and mechanical codes? All of those things have to be taken into consideration and approved by your local code official before you can move forward. Those are probably the biggest things besides construction delays, but a lot of times you can get things to a certain point and still get our C of O, even though a few small items may need to be done. But I would do your due diligence on the front end and stay ahead of the curve by bringing the inspector back and try to meet the deadlines that are set so that way you can minimize any delays.

RD: What are some site selection pro tips?

RH: Site selection pro tips. Today there are approximately over 60,000 facilities in the USA. The A&B sites nowadays are pretty much gobbled up and they’re few and far between. So we are seeing more of the C&D sites, which doesn’t mean they’re bad sites. It just means they’re not in the more densely populated areas. But I’ve seen a pretty good focus on those over the last several years because it might be easier to get a permit and get things done. There are benefits to finding those C&D locations. You might not get the top dollar value per square foot that you might on an A&B site, but storage is needed everywhere. Finding these small gold mines outside of the A&B locations is important to our continued growth within our industry. We’re seeing a lot more of that.

 Or the conversion type aspect. If you can find those big box or chain sites for conversions, those are still great avenues to getting into self-storage and looking at going the conversion route. In my experience, doing a conversion is the easiest way to getting into self-storage. With new construction you have to have architects and contractors and that’s all great, but those sites are getting harder to find. The way that our industry has increased over the last 5 years as far as facilities, conversions are definitely worth looking at.

RD: Well Roc, thank you for your time. How can people get in touch with you if they have any questions?

RH: Rhughes@janusintl.com or they can definitely reach my cell at 678-409-1831. I’m available any time.