



A BUY-SIDE FIELD GUIDE

HOW BUYERS UNDERWRITE YOUR FACILITY

What the Other Side of the Table Actually Sees, and What
Makes Them Walk Away

INTRODUCTION

We spent five years buying storage facilities. This guide lays out exactly what we looked at, and what made us walk away.

That sentence carries more weight than the usual marketing line, because it is literally true. Our co-founder spent five years as a VP of Acquisitions on the buy side of self-storage, underwriting roughly \$500M in acquisitions across sourcing, financial modeling, deal execution, and investor communication. Before that came investment banking and private equity, work that touched roughly \$1.7B in transaction volume over a career. The point is not the numbers. The point is the seat. We have sat in the buyer's chair, run the model, and decided which deals to pursue and which to pass on. Oakside now negotiates against that exact seat on behalf of owners.

Here is the problem this guide exists to fix.

When you list a facility, you tend to see it the way a proud owner sees it. You know the renovations you funded. You know the tenants who have stayed for years. You know the rate you have been able to push. Your broker, if you use a generalist, often presents the property in that same flattering light: a clean trailing-twelve, a confident pro forma, a story about upside.

The buyer underwrites it a completely different way. The buyer does not pay for your story. The buyer pays for a risk-adjusted return they can defend to an investment committee and a lender. Every line you present optimistically gets a haircut. Every gap in your records gets priced as risk. Every assumption gets stress-tested against the buyer's own market data, not yours.

The distance between how your facility is presented and how it is underwritten is not a rounding error. On a real transaction, it can be hundreds of thousands of dollars, sometimes more. Closing that gap, before the buyer ever opens your financials, is worth real money to you.

This guide walks through the buyer's evaluation step by step, in plain language, so you can see your own facility the way the math will see it. Read it as a pre-sale checklist. The owners who win on price are almost always the ones who underwrote their property like a buyer first.

THE BUYER'S EVALUATION, STEP BY STEP

STEP 1: THE FIRST FILTER, BEFORE THEY EVER OPEN YOUR FINANCIALS

Buyers reject most deals on geography long before they look at a single number. The first filter is market, submarket, and location.

At the market level, a buyer asks whether the metro is growing, stable, or shrinking. Population trend, household formation, and job base set the ceiling on demand. At the submarket level, the questions get sharper: what is the three- to five-mile population around the facility, what is the median household income, how many renters versus owners, and how mature is storage penetration in that pocket. A facility can sit in a strong metro and still occupy a weak submarket.

Location itself is the third cut. Visibility from a main road, ease of access, the quality of the immediate trade area, and the barriers to building new supply nearby all move the needle. A site that is hard to find or hard to enter loses lease-up velocity, and buyers know it.

If your facility fails this first filter, no amount of clean financials brings the buyer back. If it passes, the buyer opens the books. Everything that follows assumes you cleared Step 1.

STEP 2: NOI ANALYSIS, WHAT THEY BELIEVE VERSUS WHAT YOU REPORT

Net operating income is the engine of value, and it is the first place your reported numbers and the buyer's accepted numbers diverge.

You report a number. The buyer builds their own. They start from your trailing-twelve actuals, not your pro forma, because actuals are what happened and pro forma is what you hope happens. They strip out anything that will not transfer to a new owner: one-time income, related-party arrangements, revenue from a tenant who is leaving, any line that cannot be documented.

Then they normalize. Normalizing means rebuilding your expenses to what they will actually cost a typical institutional operator, not what they cost you. If you self-manage and pay yourself nothing, the buyer adds a management fee anyway, because they will hire management. If your insurance is underpriced because of a legacy policy, they reset it to market. If your taxes will reassess on sale, they underwrite the reassessed figure.

The result is a normalized NOI that is almost always lower than the NOI you believe you are selling. That is not the buyer being difficult. That is the buyer underwriting the asset they will own, not the asset you have owned. The owners who are surprised by this are the ones who never did the math exercise themselves.

STEP 3: RATE GROWTH ASSUMPTIONS, STREET RATE VERSUS IN-PLACE

Storage revenue lives on the gap between what new tenants pay (street rate) and what existing tenants pay (in-place rate), plus the buyer's ability to grow both over time.

Owners love to point at the street rate. A buyer treats the street rate as a target, not a fact. They look at your in-place rates, your rate of existing customer rate increases, your churn when you raise rates, and your concession history. A facility quoting strong street rates but sitting on a base of deeply discounted long-term tenants is not worth what the street rate implies, because capturing that gap takes time and causes move-outs.

Then they haircut the projection. If you hand a buyer a pro forma that assumes rents climb at an aggressive rate every year forever, they do not accept it. They model conservative rate growth, often in the low single digits, and they test what happens if growth is flat. They also model the cost of pushing rates: every increase risks vacancy. A defensible, modest rate story underwrites better than an optimistic one, because the buyer can finance the defensible version.

The lesson for owners: in-place performance you can document beats projected upside you cannot.

STEP 4: EXPENSE ANALYSIS, THE LINE ITEMS BUYERS ADJUST AND WHY

This is where the most value quietly leaks out of a sale, because buyers adjust specific expense lines almost every time.

Management fee. Even if you self-manage, the buyer loads a market management fee, commonly a percentage of effective gross income. This reduces NOI on day one of their model.

Insurance. Premiums have risen sharply across the sector. A buyer underwrites current market cost, not your renewal-protected legacy rate. If your number is below market, they reset it up.

Property taxes. Many jurisdictions reassess on sale. The buyer underwrites the post-sale assessed value, which is often materially higher than what you pay today.

Payroll. The buyer staffs to their operating model. If you run lean or use family labor, they add the cost of professional staffing.

Each adjustment lowers NOI, and because value is NOI divided by cap rate, each adjustment lowers price. None of this is hostile. It is the buyer pricing the asset under the cost structure they will actually run. The owners who anticipate these adjustments, and who can defend their real expenses with clean documentation, give the buyer less room to over-adjust.

STEP 5: CAPITAL EXPENDITURE RESERVES, DEFERRED MAINTENANCE COMES STRAIGHT OFF PRICE

Buyers separate operating expenses from capital needs, and capital needs come directly out of what they will pay.

During diligence, a buyer inspects the physical asset and prices what it will cost to bring it to standard. Roof condition, the gate and access control system, security and camera infrastructure, paving, doors, unit condition, drainage, and any deferred maintenance all get a number. They also set an ongoing capital reserve for future replacements.

Here is the part owners underestimate: deferred maintenance is rarely a negotiation. It is a deduction. If a buyer determines the roof needs \$200,000 of work, that figure typically comes off the offer dollar for dollar, because they will spend it whether you do or not. A facility with a failing gate, an outdated camera system, or a roof near end of life is, in the buyer's model, a lower-priced facility.

The implication is direct. Capital you should have spent, but did not, becomes a discount the buyer takes at closing. Addressing visible deferred maintenance before going to market is often one of the highest-return moves an owner can make.

STEP 6: NEW SUPPLY RISK, THE 1-MILE, 3-MILE, 5-MILE CHECK

Self-storage is a supply-sensitive business, and buyers study supply with discipline.

A buyer runs a supply analysis at the one-mile, three-mile, and five-mile radius. They count existing square footage per capita, and then they go further: they check entitlements, permits, and planned projects. A competitor that has not broken ground yet, but holds an approved permit a mile away, changes the underwriting today.

Why it matters so much: new supply caps your rate growth and threatens your occupancy precisely during the years the buyer is counting on for returns. A facility in an undersupplied, hard-to-build submarket underwrites with confidence. A facility staring at a permitted competitor down the road underwrites with a discount, because the buyer has to model softer rates and slower lease-up.

Owners cannot control whether a competitor builds. But owners can know the supply picture before listing, because the buyer certainly will, and being able to speak credibly to it removes a source of fear-driven price reduction.

STEP 7: RETURN THRESHOLDS, THE RETURNS A BUYER MUST HIT

Buyers do not pay what an asset is worth to you. They pay what lets them hit their required return. Three measures govern the decision.

IRR (internal rate of return). The annualized return across the full hold, accounting for the timing of cash flows and the eventual sale. Institutional buyers carry a target IRR they must clear to justify the investment to their capital partners.

Cash-on-cash return. The annual cash the deal produces relative to the cash they put in. This governs whether the deal pays its way while they hold it.

Equity multiple. The total dollars returned divided by dollars invested over the hold. It answers a simple question: how many times do they get their money back.

A buyer reverse-engineers price from these thresholds. They start with the return they must hit, layer in their financing and their underwritten NOI, and solve for the most they can pay and still clear the bar. If your ask sits above that number, the math does not work, and no amount of enthusiasm fixes it. Understanding that price is an output of required return, not an input, is the single most useful mental shift for a seller.

STEP 8: DEBT ASSUMPTIONS, HOW FINANCING CAPS WHAT A BUYER CAN PAY

Most buyers use leverage, which means the lending environment, not just the buyer's appetite, sets the ceiling on price.

A buyer's offer is shaped by the interest rate available, the loan-to-value a lender will extend, and the debt service coverage ratio the lender requires. When rates rise, the same NOI supports less debt. Less debt means the buyer must write a larger equity check to hit the same price, which lowers their return, which lowers what they can offer. The asset did not change. The cost of money did.

This is why offers on the same facility can differ across rate environments by a meaningful margin. It is also why a buyer with a strong lending relationship or assumable financing can sometimes pay more than a buyer without one. As an owner, you cannot set the rate environment, but you can present a facility whose clean, documented NOI lets a lender underwrite confidently, which preserves the leverage that supports a stronger price.

STEP 9: THE WALK-AWAY FACTORS, WHAT KILLS A DEAL BEFORE IT STARTS

Some issues do not reduce the price. They end the conversation. These are the things that make a buyer walk.

A messy rent roll. If the rent roll does not reconcile to the financials, or units are mislabeled, or occupancy cannot be verified, the buyer loses trust in every number you have given them.

Unexplained expense swings. A line item that jumps or drops year to year with no explanation reads as either a hidden problem or sloppy books. Either way it raises the risk premium, and sometimes ends interest.

Environmental flags. Anything that surfaces a potential environmental liability, from a former use of the land to an adjacent contamination concern, can stop an institutional buyer cold, because their lenders and partners will not accept the exposure.

Single-tenant or single-source concentration. If an outsized share of income depends on one tenant, one corporate account, or one channel, the buyer prices in the day that income disappears, and many simply pass.

An aggressive ask with no support. A price far above what the underwriting supports, presented without data to justify it, signals an unrealistic seller. Sophisticated buyers have limited time and walk rather than spend weeks negotiating down from fiction.

The common thread is trust. Buyers walk when the records do not hold up or the expectations are not grounded. Most walk-away factors are preventable with preparation, which is exactly why preparation is where price is won.

HOW TO MAKE YOUR FACILITY MORE ATTRACTIVE TO BUYERS

Everything above points to a short list of moves that map directly to the buyer's steps.

Clean your books and rent roll first. Make actuals reconcile, label units correctly, and be ready to verify occupancy. This protects you at Steps 2 and 9.

Document your real expenses. If your insurance, taxes, or payroll are genuinely below the adjustments a buyer will make, have the records to prove it, so the buyer cannot over-normalize. This protects Step 4.

Address visible deferred maintenance. Fix the gate, the cameras, and obvious wear before going to market. Deferred capital becomes a dollar-for-dollar discount, so spending ahead of a sale often returns more than it costs. This protects Step 5.

Build a defensible rate story. Show in-place rate trends, increase history, and modest documented growth rather than an aggressive pro forma. This protects Step 3.

Know your supply picture. Understand the one-, three-, and five-mile competitive and permit landscape before a buyer raises it, so it cannot be used to drive a fear discount. This protects Step 6.

Set a supported ask. Price to what the underwriting can defend, with the data to back it. This protects Steps 7 and 9.

None of this is cosmetic. Each move closes a gap the buyer would otherwise price against you.

THE COMPETITIVE-PROCESS ADVANTAGE

A single off-market buyer has every incentive to price your facility to the quiet end of the range. They are not competing, so they do not have to stretch. Many owners accept that number simply because it arrived without friction, and it looks like the path of least resistance.

A targeted competitive process changes the dynamic entirely. When several qualified, motivated buyers underwrite the same asset at the same time, each one prices against the others, and the number moves toward the top of the range rather than the bottom. The difference between a quiet off-market sale and a well-run competitive process is commonly a 15 to 25 percent delta on price.

What makes that process work is the quality of the buyers in the room. Oakside runs to relationships built over more than a decade, buyers we have been working with for ten years because we sold them deals ten years ago. Competition is also deepest in the \$10M to \$30M range, where cap rates are tightest, and thinner below \$5M and above \$30M. Knowing where your facility sits in that landscape, and bringing the right buyers to it, is the difference between a fair price and top dollar.

THE BRIDGE

If you read this guide and recognized your own facility in any of the nine steps, you already understand the value of seeing it the way a buyer will, before the buyer does.

That is the work we do first for every owner we advise. Oakside underwrites your facility the way a buyer would: the normalized NOI, the expense adjustments, the capital deductions, the supply risk, the return math, and the walk-away factors. We do it from genuine buy-side experience, because we have run that exact model from the other side of the table.

If you are considering a sale this year, or simply want to know what your facility would actually fetch under real underwriting, we offer a confidential pre-sale read. No obligation, no listing agreement, just an honest look at how the math lands and where the gaps are. You will know what to fix, what to document, and what your number could realistically be.

When you are ready, reach out. The owners who win on price are the ones who close the gap early.

ABOUT OAKSIDE

Oakside Companies is a national, advisory-focused commercial real estate firm working exclusively in self-storage and boat/RV storage. Boutique by design, with institutional sophistication and a single-sector focus, the firm provides primarily sell-side advisory to owners and operators.

Oakside was co-founded by Nolen Masserman and Cameron Vale. Nolen Masserman, Managing Director and Partner, spent five years as VP of Acquisitions at a self-storage firm on the buy side, underwriting roughly \$500M in acquisitions across sourcing, financial modeling, deal execution, and investor communication, after earlier work in investment banking and private equity, for roughly \$1.7B in career transaction volume. Cameron Vale, co-founder and President, brings roughly ten years in self-storage brokerage, is a former U.S. Air Force Captain, holds an MBA, and led a brokerage team at Berkshire Hathaway before co-founding Oakside.

The self-storage market remains highly fragmented and early in its maturation, with heavy institutional capital entering the sector over the past five to seven years. Oakside helps owners meet that capital from a position of strength.