Using Occupancy to Maximize Profits

As long as your facility is fully occupied, you're performing the best you can...right? Across the country, countless self-storage operators have higher than-average occupancy but lower-than-average profit, confirming that occupancy rate is just one small piece of the overall profit picture.

Experts suggest looking at occupancy in three ways:

1. Unit (or physical) occupancy: Total units available divided by units rented
2. Economic occupancy: Gross potential income divided by actual income
3. Square footage occupancy: Total square feet available divided by square feet rented

Example:

Unit Occupancy	Economic Occupancy	Square Foot Occupancy
$\frac{\text{92 units occupied}}{\text{100 units total}}$	$\frac{\text{\$12k in rent collected / month}}{\text{\$15k in rent collected / month}}$	$\frac{\text{9,400 sq ft occupied}}{\text{10,000 sq ft total}}$
92% Unit Occupancy	80% Economic Occupancy	94% Square Foot Occupancy

By looking at all three measurements, you can easily identify discrepancies. As seen in the example shown above, if you have 92 percent unit occupancy but only 80 percent economic occupancy, it's probably time to raise rates for some of your existing customers. This discrepancy might also indicate that it's time to reevaluate your size mix. Keep in mind that smaller units usually have higher costs per square foot. By increasing both the quantity of small units offered as well as the unit occupancy for your smaller unit sizes, you can improve economic occupancy and get the most out of your property.

You really don't want unit occupancy to be more than 90 to 92 percent, according to M. Anne Ballard, President of Training, Marketing, and Developmental Services for Universal Storage Group. "When unit occupancy is higher than 92 percent, it means you won't have anything available for the person who pulls up in his moving truck and is willing to pay top rates to unload immediately," Ballard says. "You want to keep something to sell."

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