



DUE DILIGENCE

Other Services Include:

- > Contract Management
- > Feasibility Studies
- > Market and Site Evaluations
- > Business Plans
- > Development Coordination
- > Facility Audits
- > New Facility Startup
- > Consulting

Sterling Management Services has performed dozens of due diligence studies for prospective buyers over the past 14 years.

FACILITY DUE DILIGENCE

Our Facility Due Diligence Study provides critical information to Buyers of existing Self Storage projects. Typically sales price is determined by a market Cap Rate that equates to a percentage number of Net Operating Income (NOI). Market Cap Rates fluctuate based upon demand. That Cap Rate can range from 7 to 11 depending upon the strength of the economy, availability of product (*are there a lot of self-storage on the market or are they hard to find*), and condition of the facility. As an objective third party, our detailed, yet concise study validates to your investors and financial institutions that your purchase is viable, the marketplace stable, and pricing has been based upon reliable NOI numbers. The Study includes:

Competition Analysis - Information collected in the study includes specific data pertaining to competitive facilities within the market area, for example:

- Type of construction
- Type of management
- Occupancy percentages
- Appearance
- Rate Survey
- Combined rate comparison of market
- Amenities
- Number of Units

Location: Specific conditions affecting the proposed site

- New facilities either in construction, proposed or pending approval
- Existing facilities that are planning expansions
- Analyzes ingress/egress, proposed changes in the community, or other factors that could affect the viability of the project.

Pricing - The study will include a complete rate survey along with an average rate by unit size in the subject market. Sterling will then recommend pricing for the subject site to create a Gross Potential Income for the site. This information can then be used to create pro forma projections by the developer and/or will become the basis of the pro forma created in the Business Plan.

Site Audit – Physical inspection of the site and records to include:

- Review computer software used to management the site, and generate relevant A/R and Occupancy reports and histories.
- Review receivables and collection process.
- Review storage agreements to confirm that all tenants have signed a written agreement and review for completeness.
- Move-outs – scan names/units looking for recent move-in/out duplicate activity.
- Foreclosure Units – audit files for adherence to legal procedures; physically inspect units for lockout, seal, inventory of unit/photos.
- Unit Inventory – verify vacant units are, in fact, vacant; rented units match computer; review overlock/vacant unit lock procedure.
- Grounds Inspection – Building exterior condition; hallways, doors, lighting, drives, landscape, signage, office, equipment, cleanliness.
- Procedure Review of all operational forms.

Financial Review – Review financials provided by Seller to determine if NOI is a reasonable reflection of on-site records and operational history (from on-site audit).

PRICING

Facility Due Diligence. This package incorporates many of the elements of a Feasibility Study to help determine the viability of a site. It also includes a review of relevant financial material provided by seller to verify represented NOI. The financial data will be reconciled to the site audit performed by Sterling to confirm accuracy. This is critical information for any buyer since typically sales price is determine by NOI. You will receive a letter finding that includes a summary of our site audit, market analysis, rate survey, and a competition analysis.

COST: \$8,500 (plus travel)

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