Self-Storage News

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A Look Back
...and a Look Forward

MERGERS + ACQUISITIONS
2019 IN REVIEW AND EFFECTS

State of the Industry:
How You Doing?

TIS THE SEASON OF GIVING
The Heart of Giving

2019
CONFERENCE IN PHOTOS

FEATURES

DEPARTMENTS

A Busy Time for Supplier MERGERS & ACQUISITIONS

by Jason Meeker

Corporate mergers and acquisitions are fascinating to watch.

Sometimes they make perfect sense, like when Disney bought Pixar from Steve Jobs for $7.4 billion in 2006. Both companies had already worked together for years on the creation and distribution of wildly successful animated movies. By all accounts, it was a corporate marriage made in heaven and their run of popular movies and movie-themed amusement parks continues to this day.

In other cases, a merger or acquisition can be seen as a sign of desperation like when Kmart bought Sears for $11 billion in 2005. (Anyone remember that?) Few say that was a great merger. Over the years that followed, consumers turned to online purchasing and away from shopping malls. After hundreds of store closings, thousands of layoffs and a bankruptcy, the future of Kmart and Sears remains uncertain.

Some mergers and acquisitions require approval from Uncle Sam. To stop a monopoly or a monopsony (a market situation where there is only one buyer) from forming, the Federal Trade Commission's Bureau of Competition will step in and prevent mergers and acquisitions when they are "likely to reduce competition and lead to higher prices, lower quality goods or services, or less innovation," according to its website.

The self-storage industry is smaller and doesn't get as much media attention when it comes to mergers. However, we had some big ones this past year.

The ball started rolling in January 2019 when Storage Commander was acquired by Fullsteam.

Over the summer, three self-storage technology providers, SpareFoot, SiteLink and storEDGE banded together to create the Storable brand, now based in Austin.

SpareFoot provides online listings for self-storage units. SiteLink offers cloud-based management software and payment processing services for storage operators, and storEDGE management software helps self-storage operators build their websites.

Chuck Gordon, the CEO of Storable, says the rationale behind the Storable brand was to better serve the needs of self-storage operators.

"Technology has historically been very disjointed, and operators have to use lots of different vendors to accomplish everything they're trying to accomplish in today's Internet and software-driven world. You have to use five to 10 different vendors to just run your day-to-day business, all of whom are using separate systems that may or may not talk well to each other. And there's a massive amount of inefficiency and administrative burden for everyone to actually manage that," says Gordon.

Gordon started SpareFoot in 2008 with partner Mario Feghali while he was attending UCLA and led it to become the largest provider of third-party leads to self-storage operators. He explains that his vision to deliver an "all-in-one solution" started with the acquisition of SiteLink in 2018, and shortly after that his company acquired storEDGE.

In September, Storable added the insurance providers Storsmart and Bader to its inventory of companies.

Gordon is the first to admit that Storable is part of a trend found in many other industries to create a tightly-linked suite of solutions, but also explains that his overall goal is to make his customers' lives easier.

"There's a whole bunch of different things we can do that basically make our customers' lives easier. And I think if you look up in a couple of years, our customers who are using multiple products will say, 'Hey, this is really great. Storable has brought a lot of new innovation and they've really simplified my operations compared to the way it was before,'" says Gordon.

We asked one of his customers, Melissa Stiles, the director of marketing for Storage Asset Management, to share her experience with the newly-merged Storable.

"The mergers have positively impacted our relationship with Storable. Storable is proactively seeking feedback and listening to customers. We have been continually asked for our ideas on how Storable can improve their products and services. The feedback has then been used to release new features. Seeing the feedback (taken from us and other operators) being implemented has been impressive and appreciated. Storable is really listening to customers," says Stiles.

ARE MORE MERGERS & ACQUISITIONS AHEAD?

If Shakespeare is correct and what's past is prologue, then the answer is yes. One merger or acquisition usually creates a domino effect as CEOs make moves to stay one step ahead of their competition.

Storable competes with Easy Storage Solutions, Yardi, Storage Commander and a number of other management software providers. We'll have to see how this plays out long term.

Storable isn't the only major merger to happen. In August, New State Capital acquired a majority stake in Mako Steel, a major name in the design and construction of self-storage facilities.

We spoke with David Blechman, founder and senior principal of New State Capital Partners and Caesar Wright, CEO of Mako Steel, while he was attending the 2019 Texas Self Storage Association Big Ideas in Storage Conference, about what the acquisition means for their businesses and the self-storage industry in 2019 and beyond.

Blechman explained that the acquisition is the result of Mako's track record and the strong state of the self-storage industry.

"Mako Steel has built a very impressive reputation over a long time. I think they have a great culture and that fits with what we look for in companies we want to invest in. The industry itself, I think, has a lot of macro-economic tailwinds in terms of the need for more storage," says Blechman.

Wright saw that boat and RV sales were one of his business growth drivers.

"It's a market that is still growing very rapidly…2019 is on a record pace year for both [traditional storage and boat/RV storage]. Boat and RV storage is still a market that has a lot of room for growth," says Wright.

Wright also intends to keep growing by acquiring other construction companies.

"One of the ways we are looking to grow is by acquisition, and so if there are smaller players in the market who are in the construction side of things, we'd love to talk to them," says Wright.

Are more mergers and acquisitions ahead? If Shakespeare is correct and what's past is prologue, then the answer is yes. One merger or acquisition usually creates a domino effect as CEOs make moves to stay one step ahead of their competition.

Only time will tell how these will play out and affect consumers of these products and services, as well as how it affects competition in the industry. It's an exciting time for the industry as new innovations come to fruition. ■

Jason Meeker is a freelance writer in Austin, Texas. He specializes in writing for up-and-coming businesses in real estate, technology, financial services, energy and public affairs. Meeker can be reached through his site www.jasonmeeker.com.