**Rachael Wheeler Dempsey:**   Hey everybody. Welcome to the Janus Connected Podcast! Today our guest is John Manes, and he’s such a fun guy to talk to because he has so much experience in the self-storage sector. He’s been in the business for over 13 years in different capacities and has so much insight to share. So John, welcome to the podcast and thank you for joining us today!

**John Manes:**  Thanks for having me.

**RWD:**   Alright well let’s just go ahead and jump right into it. Can you tell us how you got into the self-storage industry?

**JM:**   I spent 17 years in retail, like the Wal-Marts and K-Marts of the world, and just got burnt out on it. I was a district manager and regional manager in that environment, and wanted to stay in the multi-store leadership, so I started to apply to things like general manager of warehousing, district manager of multi-family.

I applied to a district manager position in self-storage, and I didn’t even know what I applied to at the time, and it was with this little self-storage company called Uncle Bob’s at the time, which is now Life Storage. It was the fourth largest self-storage company in the United States. I interviewed with them and actually didn’t get the job. I was their second choice, so they offered the job to someone from Public Storage. They ended up deciding to stay with Public Storage, so they called me and asked if I was still interested, and as they say the rest is history.

I went onboard with them as a district manager. I became #1 in sales for three years in a row, so they promoted me to regional vice president, and as a reward they moved me to Buffalo, New York. So that’s how I got involved and it’s been a blast ever since!

**RWD:** And you started out with these large organizations and now you’ve branched out on your own, with two partners, and you’re building and acquiring stores really rapidly. So how has your approach to storage shifted now that you’re working for yourself instead of a large operator, and the process of raising that capital independently?

**JM:**   It’s quite interesting because the second part to that story is that I left Uncle Bob’s and went to work for the Jenkins Organization in Houston, Texas, who had 55 self-storage properties, as their COO. So, if you look at it from the standpoint that Uncle Bob’s is an institutional type of company - publicly traded, a lot of structure, a lot of policy and procedure, a lot of different resources that allow you to build that structure.

 Then you leave there and go to a more entrepreneurial environment, like the Jenkins Organization, where our strength was in acquisitions and development on a small scale, but we did third party management as well. They Jenkins Organization owned 16 stores themselves, and all the rest were third party management. So I learned the institutional side from Uncle Bob’s and the entrepreneurial side from the Jenkins Organization. Now I take both of those sides and implement it inside of my own company.

 From an operational standpoint, we have an employee handbook, ops/training manuals, all that structure that Uncle Bob’s had, we are implementing, but at the same time you take the entrepreneurial spirit and say “If this isn’t working, we can change the policy tomorrow.” We don’t have to go through all these different departments to change those. We have 13 stores right now that we’ve grown over the last 3 years, so it’s pretty easy to move even though you’re trying to implement structure like the big boys do. That’s our advantage right now. We can adapt and overcome a lot more quickly than the big boys do.

**RWD:**   Gotcha. From your perspective, have you encountered a lot of people that have that same experience where they came from a large operator and the same spirit, or are you guys kind of unique and singled out in that aspect?

**JM:**  If you look at the three partners – me, Robbie Dunn, and Eric \_\_ - we not only bring three different personalities to the table, we bring three different backgrounds as well. My background is in retail, sales, and operations, and I do all of the fundraising, and I’ve become ‘the face’ of the company. So but then I run operations after we buy them.

 Robbie Dunn comes out of thirty years of the insurance industry and family office. He’s used to structure, contracts, and all that kind of stuff. Robbie plays the behind the scenes person – he deals with the banks, lawyers, insurance companies, and anything that has a contract to it.

 Eric comes out of oil and gas as a project manager. He was a land guy, so he does all of the construction related stuff. He deals with architects, engineers, contractors, and all of that. If you look at it from a personality standpoint, I’m the extrovert, Eric’s the introvert, and Robbie’s somewhere in the middle. As far as a team goes, it’s probably the most well balanced team I’ve ever worked with as a leadership group.

 And then we’ve added in strengths of people that have 6-10 years of storage experience, and then you have some that just bring business experience in a very creative and entrepreneurial type of way. So that’s what I mean when you bring somebody in from the outside, that doesn’t have storage background but has great ideas; the worst thing you can do is stifle them. We can move a lot faster on policy and procedure in a lot of cases, and those people bring those ideas to the tables. And it becomes really fun because you can do things that nobody else is doing.

**RWD:**    And that’s really what drives innovation and really keeps you a step ahead of everybody so it’s great that you guys have that mix going on.

Taking a step back and looking at the bigger picture, whenever you reflect on your career, what makes self storage such an attractive industry?

**JM:**  Well if I can do it anybody can do it, right? The reality is, and this is what I tell investors all the time, this is a physical asset that you’re buying that has an operating business inside the physical real estate asset that you’re buying. So the advantage that you have when you’re entering into self storage as an investment is that you’ve got to know how to run the business. I always tell people that want to get into storage, if you don’t know how to run storage and you don’t know all the details, vendors, what doors to use, etc. then partner with somebody that knows what they’re doing because that is the key.

 Once you partner with someone that knows what they’re doing, you then have a physical asset. The cash flow off of the business pays for the mortgage and hopefully a return on top of that, so that in the end, you own a business. What happens is, your customers pay your mortgage for you. Over time you create this gap of what the value of the property is, and what the operating business pays the mortgage, and in that gap you get to keep that money! Wow, what a cool thing! When it comes to what I like about it, once you know how to run them and buy them, the advantage you have is time, because the customer pays your mortgage for you. Unlike your personal house, where you’re paying your mortgage yourself, in self storage your customer pays your mortgage for you.

**RWD:**   Let’s get into the operation piece of owning your own facility. For people who are new to the industry or are looking to get into the industry, what is the most critical element of running a successful facility?

**JM:**   I don’t think you can narrow it down to one thing. The first thing is that if you’re looking to get into storage, the best thing to do is get involved. What I mean is, you guys do the Janus Road Tour, go to a couple of them, and learn something. Go to the conferences and luncheons that are held all over your state, go to the different state conferences. Go to the national SSA and ISS conferences. Get involved because it’s like drinking from a firehose.

If I was to have to say, from an operational standpoint, what the top things are, first and foremost is the person you put in the office. Storage has this perception about itself, that it has a little old lady with curlers in her hair, a cigarette in her hand, and a Chihuahua in her other hand. When you walk in the door she says “Yeah, what do you need?” That’s the perception that customers have about self storage. Put a polished salesperson in the office, somebody that has a charismatic personality. Start with the right person in the office. That will change your world.

The second thing is marketing. We partnered with Fineview Marketing, which Christine Alvino owns, and having a person that not only knows how to do websites but knows how to market a facility – it’s not just about your reputation online, but 50% of your customers are walk-ins, and they don’t even touch you online, so because of that you have to have a good presence in the local community. So it’s a balance. Having someone to partner with in the realm of marketing is really key.

Knowing what vendors to utilize for what programs you want to implement. For example, rent online; we have the ability for a customer to rent online, come to our facility, move into a space, and never talk to anybody. They don’t do that, they always come in and say hi to us, but in the end we have those abilities. Who do you partner with that can get that done for you and make sure it’s a smooth process? Who do you use for auctions, a local auction company, or an online auction vendor? It’s all about who you use. Where do you get your doors, who do you use for your HVAC; all of that stuff is probably the third most important thing that we do.

**RWD:** And that’s such great advice because if you think about it, that hits on how your facility is going to go. And I think Marketing especially can be overlooked just in the hustle and bustle of everything.

Along the same lines of image and your facility overall, let’s talk about renovations. Do you think operators are doing enough in terms of restoration and redevelopment to raise the perception of self storage as an industry? How important is it to your model to upgrade and enhance facilities that you’ve acquired whether it’s via door replacements, expansions, relocatable storage units, what’s your opinion?

**JM:** If you walk into Starbucks and there’s leather sofas and Wi-Fi and nice music playing, do you pay more for a cup of coffee in that environment than you do in a rundown gas station that’s got a mechanics office in it? It’s all about the experience. In my point of view, in self storage we cater to the 30-55 year old female. Because of that, they want to know when they walk in the door that they feel safe, secure, and it’s a pleasant, positive environment. That’s what Starbucks brings to the table. You pay $5 for a coffee there, but when you walk into that rundown gas station, you could probably pay 69 cents for a cup of coffee.

What we do is buy undermanaged, under enhanced, and under expanded properties; that’s our strength. The mom & pop that owns a facility like that rundown gas station doesn’t see the value in dumping a couple hundred thousand dollars into a facility. What we do is dump that couple hundred into a facility – repaint, new lights, new gate, gut the office, office remodel, inside the office we put a wine cooler that has water and soda in it, on top of that we put a Keurig with good coffee, we have good candy, not just stale mints, and we make it about the experience. It’s no secret that if you get a customer to come in your door, get them to slow down, they will spend more. Starbucks is brilliant in that manner. It’s not about just going to Dunkin Donuts and grabbing a cup of coffee.

It’s about getting them to come in the door, slow down, and work from there for three or four hours, and you increase your average unit sale by getting them to slow down. That’s exactly what we do. We change the curb appeal, the inside office experience, then when you get on property it looks safer and more secure, and by doing that, you then can charge $5 for a cup of coffee instead of 69 cents. So what it does to your revenue is allow you to increase rent to be compatible with what’s in the market or even be the price leader of what’s in the market, which increases revenue, which increases the value of the property, which gives you a better return on investment.

So, not only do I believe in it, that’s exactly what we do. Then we go in and if there are 30 doors that are broken, we buy new doors from Janus and replace them. If there is space to be had we do an expansion. We build more buildings or if we can’t build we put the MASS units in place of them because they’re a lot easier to work with when it comes to permitting and things like that. We do all of that because that’s where the value is added. The value is added when you buy the property but it’s made when you sell it. A lot of guys will go out there and try to buy these properties, but they don’t budget for the HVAC, the paint, the lighting, the gate, or anything like that. They wonder why they can’t raise rents like everyone else. A customer looks at it like “I can buy this 10x10 for $80 that looks like a dump, or I can go down the street and feel safe and secure and have a pleasant experience and spend $120 on the same 10x10.” People are willing to pay for a better product.

Starbucks proved that. If you go back twenty years, Starbucks didn’t exist and they created their own category. Now people pay $5 for a cup of coffee. That’s what we do in storage. We go in and change the total experience, but we also change the price and that’s where the money is made.

**RWD:**   Very cool. You’re seeing all of these independent operators and owners; what would you say is the biggest and most common pitfall that these owners and operators should try to avoid when they are first starting out in the industry? Or even pitfalls that operators fall into even after they’ve been in the industry for several years?

**JM:**   The pitfall is that the broker didn’t call me and let me buy that property. It’s really silly things like people don’t put their prices online because they’re afraid their competition is going to see them. You say okay, well if your competition isn’t seeing your prices, your customers sure aren’t seeing them either. We’re in a day and age of convenience, and we’ve always as humans had the ‘I need it now’ type of mentality, and it’s more so now with the internet, so because of that, if you don’t have your prices online, you’re like 15 years behind.

Some of the pitfalls are like I mentioned, hiring a warm body and putting that body in the office because you don’t want to go learn what it is to run a storage facility. A lot of times you walk in and see that old lady with the curlers, a cigarette, and the Chihuahua and all that. We don’t allow animals in our office, no dogs, cats, hamsters, and fish, no matter what it is.

The other pitfalls are not partnering with the right marketing company. All the three things that I said were picking the wrong operating software to move in and move out of your spaces. We use Sitelink and it’s what I’ll call it the 10,000 lb gorilla in the industry. They have the most users, but they also do a great job in understanding what the end user wants. There is other software out there that is $35 dollars a month, and that’s really cheap, but that’s what you get. You get a $35 a month product. Knowing and doing the research for what those vendors represent – they go buy the facility, it has an operating software already in place, they look at something like Sitelink and it’s two or three times the money and they decide they aren’t going to pay it because it’s not worth it to me. When in reality if they knew what they were looking at they would know it’s way worth the money.

That’s why I go back to those three points I made earlier. Get involved. Go to the conferences, learn what’s good, walk around the trade show, ask questions, and then work with the best companies and implement those. It will make you more money, I promise. There’s a lot of little pitfalls that they do just out of not knowing. So go get in the know and become the expert. I was blessed to become the expert on other people’s dimes so that when I went out on my own I knew a lot about the little intricate things that are involved in storage. If you don’t have that luxury and you don’t want to take on a job with someone else, go get involved now and learn those things so you don’t make those pitfalls.

**RWD:**What have been some of the biggest challenges that you’ve worked through in your career? Was it at the beginning when you were becoming the expert or was it more on the job experience; can you narrow those down?

**JM:**There’s one glaring one to me and that is that I am that square peg that everyone tries to force into the round hole. I don’t live well in certain boxes, based on my personality and my drive and determination. A lot of times I have a hard time fitting into corporate culture. I’m a real out of the box kind of thinker. That’s been my biggest stumbling block is that I’m not politically correct in meetings; I’m one to say “That’s the problem right there” and people go “Well I’m responsible for that” and they take it personal and get their feelings hurt and next thing you know I’m in trouble. I’ve had a really hard time with that. Now that I own my own company, I can do that all the time. And what it does is make us better. It’s not about blame, it’s about overcoming those pain points and identifying those pain points for everyone involved so we can overcome them and figure out a positive way to fix that solution.

We just went away for our 2019 planning meeting and every year we do this, we’ve done it for three years in a row, and everything is on the table. The three of us go away and look at each other’s categories and poke holes in all of them. The rule is, you can’t take anything personal. Two years ago, I run operations and on the week of planning Robbie says “What if we didn’t run our own properties and we used a third party platform?” I take this big gulp of deep breath and go “Okay. I’m not supposed to take that personal am I?” But we analyze everything and look at it from the standpoint of can it be done better by someone else, and if the answer is yes then why not consider it? Everything gets on the table and we talk about it openly and we’ve had a bunch of pain points, but because we are able to talk about it openly, and what our successes and failures are, it makes us better.

Where in corporate USA, you’re not allowed to do that. Stay in your sandbox. Stay in your silo. That’s really what’s gotten me in trouble. I’m not one to stay in my sandbox. I color outside the lines all the time and in corporate America that gets you in trouble.

**RWD:** Well you’ve definitely turned that into a strength, and leveraged that for your company. That’s a great example of taking something and turning it around to your advantage so that’s awesome.

So my last question for the day is all about people. You have a really interesting approach to hiring and managing and motivating your people. Can you tell us your strategy for that and give some advice on how operators can find and keep the right people?

**JM:** I do what’s called a behavior based interview style. What that means is I don’t sit down and ask people where they see themselves in 5 years or what their strengths and weaknesses are. Those in the audience that knows what this is, I do a Meyers-Briggs style interview. That is, I try to figure out if you’re introverted or extroverted, whether you’re a thinker or a planner, do you like spontaneity or structure, whether you like to create structure or whether you like structure to be created for you, all of those different things because the goal is to build good teams. The goal is not to just hire a good person; you can put an introvert in the same room as an extrovert, both of them great team members, and the introvert says “Man, I wish this person would shut up.” And the extrovert says, “Man, I wish this person would say something.” It’s about building good, solid teams and giving a balance to those teams.

Earlier I talked about me, Robbie, and Eric. Eric is the detail engineer type of person, so when it comes to playing to Eric’s strengths, after I do the high level underwriting on a property to see if it’s a good property to buy, I turn the detail over to Eric and let him beat the detail to death. He comes back and shows his changes. It starts with the interview process of doing a behavior based interview style.

How do you motivate them? To me it kind of revolves around our core values that we put together. The first is have fun. The second is have a juvenile’s thirst for learning. We have that type of mentality inside our company. I want people to question my leadership. I want people to question what we’re doing. In the end when we finally make a decision and move forward with it, that’s the marching orders. But in the meantime, if we don’t have a policy or procedure, let’s beat it to death and figure out the best one.

The next is be competitive. The next is do your best. And the last is, don’t take yourself too seriously. How you keep good people is making them a part of something bigger than yourself; it’s not just about the money. You do have to take care of them from a money standpoint, but if they perceive you as being greedy and they don’t feel that they’re making their ‘fair share’, they get unmotivated and they end up leaving. But money is not the number one motivator. Number 1 motivator is being part of something bigger than yourself and having someone that appreciates that.

Let me give you a little story. We had our little Christmas party yesterday, and we gave out a lot of gifts. We gave out the Rookie of the Year award, the person who’s been on board a short amount of time that’s steadily kicking butt. We gave out the Senior Citizen award to the person that’s been on longest that’s steadily kicking butt. We gave out the Merchandise award. We had one of our top investors at our Christmas party, so we gave out the sexiest Investor award. Obviously we had fun, we gave out cool awards, they got different fun things, and after that was all said and done, the team gave me, Robbie and Eric a photo album where each one of them wrote a handwritten letter why they’re thankful to be part of the company. 45 different letters. Some of them from their kids.

There was a sense of humor and it was heartwarming. That’s what it is about. You have to hire the right person and you have to take care of them. It’s not just about money. It’s about making them feel a part of something and feel appreciated.

**RWD:** Thank you so much for joining us. If our listeners want to get in touch with you, what’s the best way?

**JM:** Three ways. My cell phone 210.818.1496. John@johnmanes.com The other thing is they can go to [our website](https://pinnaclestorageproperties.com/) and read all about us.