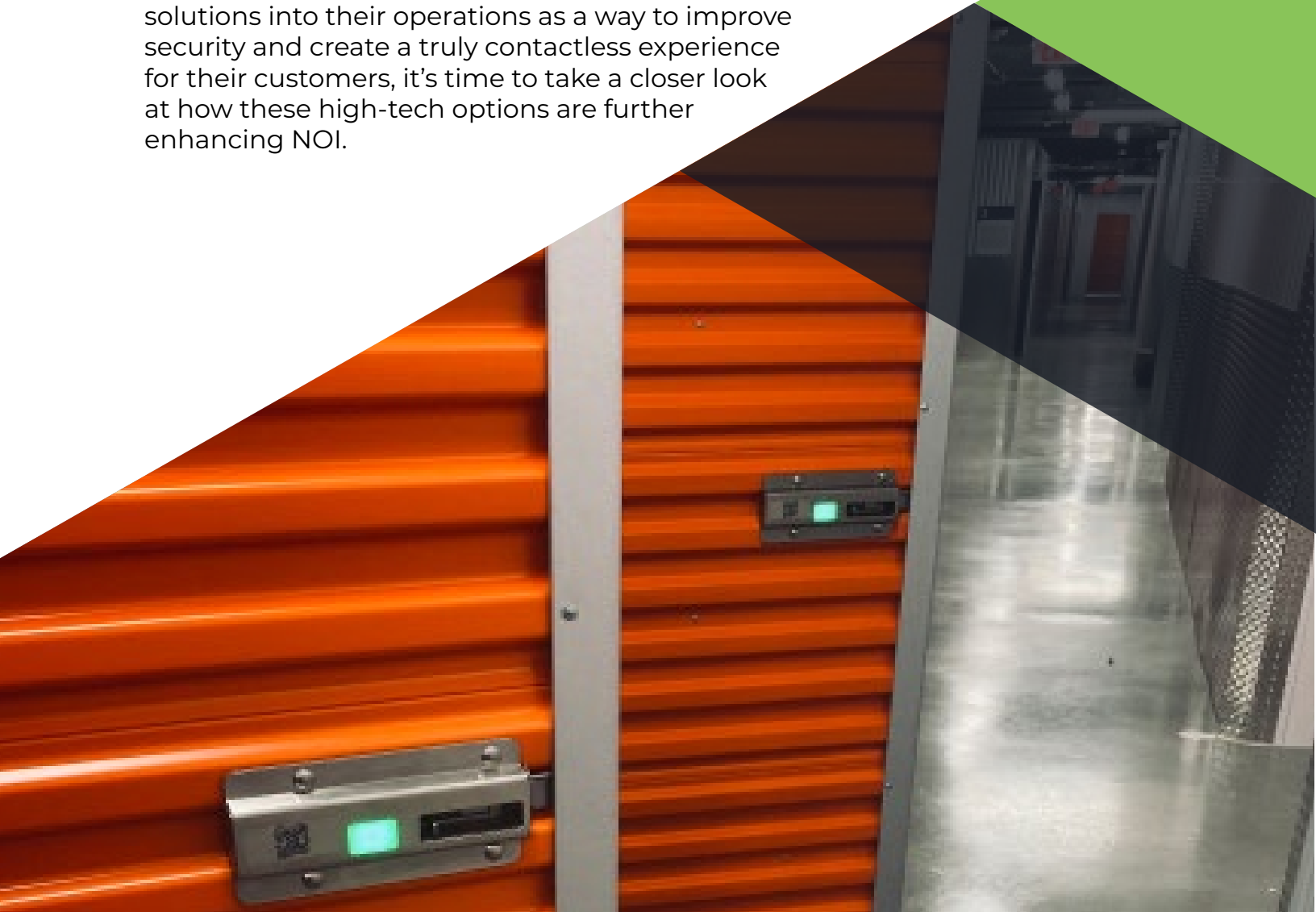


**Securing Profits  
with Nokē Smart  
Entry System**

There's no denying that 2021 has been a great year so far for the majority of self-storage owner-operators when it comes to Net Operating Income (NOI). For the most part, rental rates across the nation have managed to climb each month for both climate-controlled and non-climate-controlled units. What's more, overall rates during the second quarter of 2021 were the highest they'd been in several years.

It seems as though "contactless" rentals were the silver lining of the COVID-19 pandemic for the self-storage industry. Though the ability to complete unit rentals online offered customers the convenience of skipping in-store sales pitches, they may have missed out on possible concessions as well by signing up for whatever rates owner-operators had posted on their websites. Combining fewer discounts with the increased demand for storage space and a slowdown in new supply clearly created a successful scenario for many facilities in the U.S.

Nevertheless, there is another important aspect that needs to be factored into the rental rate equation: smart entry technology. With more and more owner-operators incorporating smart solutions into their operations as a way to improve security and create a truly contactless experience for their customers, it's time to take a closer look at how these high-tech options are further enhancing NOI.



## A Smart Addition

In January 2021, [National Self Storage](#) installed approximately 1,100 smart units at five self-storage facilities in El Paso, Texas. The total cost for this substantial undertaking was nearly \$310,000, but it has proven to be a worthwhile investment for the properties in more ways than one.

For starters, by incorporating the [Nokē Smart Entry](#) by Janus International, rental rates have grown exponentially at all five of those locations. National Self Storage's before-and-after data for its 10-by-10s shows noteworthy gains compared to national averages from StorTrack. At the beginning of the year, prior to installing the Nokē Smart Entry system at the five El Paso facilities, 10-by-10s had an average rental rate of \$82.20, which was slightly below StorTrack's average rate of \$82.56 for the same unit size.



By September, however, rates for 10-by-10s had experienced double-digit growth. StorTrack reported that 10-by-10s had escalated to \$114.92, a \$32.36 increase (21.82 percent), **but National Self Storage posted even stronger rates. Its smart 10-by-10 units had an outstanding average of \$140, which was an increase of \$57.8 or 70.32 percent.** In other words, National Self Storage's smart 10-by-10 units made approximately \$25 more than the standard 10-by-10 units included in StorTrack's data.



The table below shows the extent of the smart entry system’s financial impact. All five properties increased actual occupied rents by more than six percent in less than a year, thus increasing their value (at a 5.5 percent CAP) by nearly \$3.69 million.

Actual Occupied Rent	Total	Actual Occupied Rent				%	Annual Rent	Total Cost
	Units	1/1/2021	9/15/2021	Change				
Store 1	373	\$36,284	\$38,530	\$2,246	8.19%	\$26,952	\$82,008	
Store 2	199	\$42,851	\$52,316	\$6,465	14.10%	\$77,580	\$51,407	
Store 3	144	\$25,022	\$26,542	\$1,520	6.07%	\$18,240	\$39,350	
Store 4	196	\$37,924	\$40,378	\$2,454	6.47%	\$29,448	\$85,779	
Store 5	195	\$42,843	\$47,059	\$4,216	9.84%	\$50,592	\$51,448	
<b>Total</b>	<b>1107</b>	<b>\$187,924</b>	<b>\$204,825</b>	<b>\$16,901</b>	<b>8.99%</b>	<b>\$202,812</b>	<b>\$309,994</b>	
Tax Saving (39.6%)			Stor Track				\$122,757	
Average 10x10		\$82.20	\$82.56			Net Cost	\$187,236	
<b>Payback</b> Increased Value @5.5% CAP							<b>1.5 years</b> <b>\$3,687,490</b>	

Gross Potential Rent	Total	Actual Occupied Rent				%	Annual Rent	Total Cost
	Units	1/1/2021	9/15/2021	Change				
Store 1	373	\$36,134	\$54,725	\$17,591	48.68%	\$211,092	\$82,008	
Store 2	199	\$20,402	\$29,776	\$9,374	45.95%	\$112,488	\$51,407	
Store 3	144	\$10,088	\$17,225	\$7,137	70.75%	\$85,644	\$39,350	
Store 4	196	\$15,112	\$27,001	\$11,889	78.67%	\$142,668	\$85,779	
Store 5	196	\$17,398	\$27,721	\$10,323	59.33%	\$123,876	\$51,448	
<b>Total</b>	<b>1108</b>	<b>\$99,134</b>	<b>\$155,448</b>	<b>\$56,314</b>	<b>56.81%</b>	<b>\$675,768</b>	<b>\$309,994</b>	

Uncontrolled study. Individual outcomes may vary.

However, when it comes to gross potential rent, which would be reached once the existing tenants' rates are raised to match the higher street rates or former tenants are replaced with ones paying the higher street rates, those results are dramatically amplified, **with all properties achieving rent increases of more than 45 percent and a total increased value (at a 5.5 percent CAP) of approximately \$12.29 million.**

According to those gross potential rent projections, El Paso property No. 8, which has 196 units, was poised to incur the most substantial increase of the five locations at 78.67 percent.

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“Over time, it will only get better,” said [Travis Morrow](#), CEO of [Storelocal storage cooperative](#) and President of National Self Storage. “I multiplied my investment by ten and saw a payback in only a half a year with those gross potential rent calculations.

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## Securing Savings

Though the initial cost of a smart entry system may seem expensive by self-storage standards, its high return on investment is certainly enviable. Plus, there are ways to make it more affordable. For instance, the smart entry system can be a tax write-off. With a tax savings of 39.6 percent, National Self Storage was able to reduce the total cost of the Nokē Smart Entry System by about \$122,758, bringing the net investment cost to approximately \$187,237 for all five El Paso properties.

In addition to that tax incentive, self-storage operators with smart entry systems may be eligible for insurance discounts; several insurance agencies are willing to underwrite more favorable costs for facilities that utilize this technology as it has been proven to prevent both thefts and fires by monitoring thermal activity within each smart unit.

While National Self Storage's insurance premium reductions are not incorporated into the data, and discounts vary by property, reducing that expense is another way smart entry systems help facilities boost NOI.

## A Smart Solution

Obviously, the advantages of smart entry systems go beyond the bottom line. They streamline operations for property managers, improve site security, track data, and give customers the kind of convenience they crave.

However, all of those items also provide owner-operators with the ability to reduce expenses and increase income.

When used to their full potential, smart entry systems save managers time by automating the unproductive overlook process and eliminating the risky practice of lock cutting. With smart locks, managers do not need to deal with red locks or yellow locks. Instead, the smart locks can restrict access for late-paying tenants and keep unrented units clean and secure. Then, accessibility can be automatically granted to new tenants or returned to delinquent tenants in real time once a payment has been made through the app. Thanks to smart entry systems, the time managers once spent handling lost keys, forgotten access codes, and delinquency-related lock changes can be used to focus on renting units, marketing, collection calls, cleaning, and other pertinent tasks.

What's more, smart entry systems can tighten operations through data tracking. Owner-operators can review site visitation data to determine the facility's peak hours and adjust its office hours accordingly. This may significantly reduce payroll expenses, as even shaving off an hour a day adds up.

That same site visitation data also gives owner-operators an accurate picture of daily customer activity and generates an opportunity to improve revenue. For instance, customers who use the facility on a more frequent basis would be prime candidates for more aggressive rental rate increases.

Of course, those increases would be justified due to increased wear and tear on the facility and its components. Additionally, smart entry technology enables operators to charge fees or higher rents for different access hours, such as an extra \$5 each month to gain entry after the posted office hours or \$15 per month for 24-hour access. Some owner-operators even charge their tenants a monthly technology fee to utilize the advanced access features.

## Benefits of Smart Locks

- Increased occupancy
- Tax and insurance incentives
- More streamlined operations
- Improved site security
- Data tracking
- Customer convenience
- Easy access or restriction

**...AND MORE PROFIT OVER TIME**

## Meeting Customer Needs

Recent surveys are showing that a growing number of people want smart locks at their homes and apartments. Findings from InnoTech Today show that [63 percent of homebuyers](#) want smart locks and alarms. Furthermore, a survey conducted by Wakefield Research and lock manufacturer Schlage found that of 1,000 U.S. multifamily renters, [86 percent of millennials](#) are willing to pay about one-fifth more for a smart apartment and 55 percent of Gen Y renters are likely to pay more for an apartment that has “high-tech” door locks. You’d expect the same attitude towards self storage.

These statistics speak volumes about the future of door locks. People of multiple generations already want to use smart technologies, and those percentages will most likely continue to grow. As people become more accustomed to keyless entry technology, which is used in other industries and personal residences, it’s only a matter of time until they begin to expect it at self-storage facilities.

**The Bottom Line:**  
**With Nokē Smart Entry, \$300K Investment turned into a \$3M in increased portfolio value.**