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Auctions: how to avoid them in the first place

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If you've ever been to a self-storage meeting or conference, chances are you've listened to a presentation or participated in a discussion about the dreaded auction process. In fact, it's probably safe to assume the discussion was heated and everyone had something to say. It seems as though we never get tired of talking about it, nor should we - it's an important part of our business/industry and we should strive to ensure that every operator is following procedures correctly.

However, I'd like to take a little time to talk about avoiding the auction process, because, after all, we're not in the business of selling customers' goods/belongings, we're in the business of providing a safe, secure, and professional environment in which they can store them. Anything operators can do to avoid auctions is money/time well spent and in everyone's best interest.

Successfully collecting rents and, thus, avoiding the auction process starts with planning. Yes, you need to plan to NOT have an auction. Like just about everything in business (and life, for that matter), thinking ahead pays off. Don't just "wing it" when it comes to collections. Spend some time to plan out your collections program and strategize how best to handle different delinquent rent scenarios. Most importantly, set and share expectations with your staff because they know best what's happening on a day-to-day basis.

Part of your plan should include leveraging the legal tools that are available. We're very fortunate as an industry to have lien laws in almost every state that afford us the auction remedy, but all too often we avoid mentioning this to customers and wait until the last minute to do so. Instead, you should educate your customers - they need to know that you have a lien on their property and that you do hold auctions periodically. By no means am I suggesting that this should be the focus of the relationship when you rent a room to a new customer, but there's a polite and professional way to make sure every customer is informed. Most importantly, you must determine the right time to use the "A" word when a customer owes you money. Right or wrong, some customers will respond once they hear the word auction, so don't be afraid to threaten them when necessary and appropriate. It's not the first day they are late, but it's also not the 100th. It might be sooner for the customer with a history of being behind in rent, while it might be later for the customer who has never been a problem before. But either way, if mentioning the "A" word is what gets a response, use it accordingly. Of course, you must also get your message across without being "the boy who cried wolf." If you're going to threaten an auction, then be prepared to hold one, otherwise you'll never have any leverage.

Your plan to not hold an auction should also include a collections agency. Why? Partly because you actually will get checks on occasion (after an auction) - money from heaven as far as I'm concerned, but more importantly, because a collections agency is another tool that can (and should) be leveraged to avoid an auction. In some situations, a customer may not care about the contents of the room (i.e. tells you to "go ahead and sell my stuff, I don't want it anyway"), but may care about

his/her credit history when you explain the remaining balance after auction will go to collections. Again, the goal is to not hold the auction, so get the most out of your collections agency by involving them early in the process and making sure customers know you mean business.

It may be common sense, but going the extra mile pays off huge dividends when planning to avoid an auction. Of course, you should always make repeated attempts to contact delinquent customers - call regularly and document everything, and you should be able to do this efficiently and effectively via your management software. But you should also routinely review and double check notes, tenant files, changes of address, etc. With hundreds of customers (which is typically the case) it's far too easy to make a mistake or miss something along the way - maybe a phone number was incorrectly input, maybe a change of address was filed away before the computer was updated, or maybe a payment was misapplied. The day before, or the day of, the auction is not the time to be checking for these things. You should be doing these things before you ever consider an auction.

When all else fails, you should try to make deals to avoid auctions because the partial payments you might get from your non-paying customers are almost always going to be more than the money you will get at auction. You may have a customer who fell into bad times and a payment plan will work to get them out of the hole, but most of the time the deal should require that the customer make a payment and vacate by a certain date. The more relevant point, however, is that you shouldn't be afraid to make a deal before starting the auction process. Most of the time we make deals after auction notices have been sent and the clock is ticking, but why not make the deal earlier and save yourself all of the aggravation, added expense, and exposure to liability? Some would argue that you get more out of your customers as the deadline approaches, which may be true in some cases, but I would remind them that they will have the chance to make (at least some of) that up by re-renting the room.

Inevitably, every self-storage operator will (and should) hold auctions periodically, but those who make it a habit of doing everything in their power ahead of time to avoid them will almost always come out ahead. Most importantly, always make an auction the last resort.

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