

# FULL BUILDINGS, EMPTY RETURNS - THE REIT PROMISE VS. YOUR P&L



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**STORE Management** is a third-party self-storage management firm delivering strategic operations, transparent reporting, and measurable growth for property owners and investors.

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**There is a version of the self-storage** pitch that goes something like this: hand your facility to a large REIT, and the brand does the work. They have the web traffic, the call centers, the yield management algorithms, and the scale. What could a smaller operator possibly offer that those machines can't?

As it turns out, quite a lot. And when you actually start pulling on the threads of the REIT value proposition, it unravels faster than you might expect.

## The Marketing Budget That Isn't Yours

The first question owners always ask is some version of: how are you going to compete with the marketing dollars of a national brand? It's a fair question. Large self-storage companies spend enormous sums on digital advertising, and that spending is visible. What is less visible is where the money actually goes.

When you get into the financials, the marketing bucket at a national operator is a bit of a catch-all. Call center costs get buried in there. Overhead gets allocated in. And when a prospective tenant searches for a well-known national self-storage company (let's call this Storage X) in your market, the search result doesn't take them to your property page. It takes them to a Storage X landing page that helpfully includes a map showing every nearby location, with all their lower prices listed right next to yours.

Storage X does it differently, but not better. They pool marketing contributions across their portfolio,

collect a flat fee from each property, and spend it collectively. What that means in practice is that organic demand, people who found your facility on their own, gets lumped in with paid acquisition. You pay marketing dollars for customers you would have gotten anyway.

The misconception is that a national brand name pulls tenants in on its own. It does, but not in a way that cleanly benefits any single asset. The brand is marketing a portfolio. Your property is just one entry in the catalog.

## Full at the Wrong Price

Lease-up has historically been one of the genuine strengths of the big REITs. They know how to get a facility from empty to 90% occupied, and they know how to do it fast. The problem is the method.

To hit occupancy numbers, they give units away. Deep discounts, first month free, whatever it takes to fill the board. And the board does fill up. But filling up at the wrong rate means you have locked in a tenant base at a price point you now have to unwind, and in an oversupplied market, unwinding is not easy. A tenant who is paying below market rates can simply move down the street to a competitor who is also offering discounts, because every operator in the area is playing the same game.

The result is a property that looks great on an occupancy report and struggles badly on actual revenue. Owners who were told they would generate X in monthly rental income at 90% occupancy find themselves at 90% occupancy

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generating 65 cents on that dollar. The gap is not a mystery. They gave away their best units, and they cannot raise rates without losing the tenants they worked so hard to attract.

## **One Size Fits Nobody in Particular**

There is a logic to the REIT model that makes sense at scale and breaks down at the individual asset level. When you manage hundreds of properties, you build systems. You standardize. You find an approach that works across a wide range of markets and you replicate it. That replication is efficient, and it is also the source of a lot of underperformance.

Large REITs use customer demand-driven scheduling, which effectively means payroll gets cut at high-performing properties. The logic is that a property doing well does not need as much staff. The result, in practice, is that the properties doing well stop doing quite as well. A busy facility with reduced staffing is a facility where customer experience quietly degrades.

The harder truth is that every market is different, and every asset within a market is different. A facility near a university has different peak seasons, different customer needs, and different competitive dynamics than a facility serving a suburban neighborhood ten miles away. A one-size approach to both will be roughly right for neither.

## **What the Operator Owes the Asset**

None of this is abstract. The way a management company treats its employees shows up in the physical condition of the properties they manage.

When staff are paid minimum wage and asked to cover two or three locations in a day, maintenance calls go unanswered, small problems become large ones, and customers notice. The economics of cutting labor costs at the property level show up as R&M costs somewhere further down the line, usually larger.

What owners are owed is a management partner who treats each asset as if it matters. Not a company processing facilities through a pipeline, but an operator who looks at each property individually: what is its competitive position, what does its tenant mix look like, where is its seasonal demand, and what is the right approach for this specific building in this specific market?

That kind of attention does not scale into a REIT. It scales into the kind of third-party management that is built around the asset, not around the portfolio.

## **The Honest Conversation**

When owners sit down with STORE Management and start walking through their current financials, there is often a moment where something clicks. The occupancy number looked fine. The revenue number did not. And once you understand why, the brand premium of a national operator starts to look a lot less valuable than it did in the pitch meeting.

The REITs are not bad at running storage facilities. They are optimized for a different goal than the one most independent owners actually have. They are optimizing for portfolio metrics. Owners are optimizing for a specific building that they own and care about. Those two things are not the same, and the gap between them is where independent operators do their best work.



## ABOUT THE AUTHOR

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David combines real estate investment experience with financial analysis and institutional operations expertise. He brings a disciplined, analytical approach to business development, focusing on identifying and advancing opportunities, supporting owner conversations, and evaluating prospective partnerships across the STORE platform.

Prior to joining STORE, David held senior analytical and leadership roles at Intel Corporation and Solidigm Technology, where he managed P&L performance, capital modeling, and market analysis within large, data-driven organizations. Most recently, he served as Director of Business and Government Relations at El Dorado Holdings, where he supported real estate underwriting efforts, coordinated infrastructure initiatives, and worked closely with public- and private-sector stakeholders. David holds a degree in Finance with a minor in Political Science from the University of San Diego.