Hidden Secrets of
Tenant Length of Stay

Tenant Length of Stay (LOS) is a crucial success metric for the self-storage industry. LOS measures the total time a tenant spends renting a unit at a facility, from move-in to move-out.

The SpareFoot analytics team compiled this white paper to help self-storage facility owners and operators identify length-of-stay trends and best practices for understanding LOS.

This white paper will answer four main questions:

1. What is LOS and why does it matter?
2. What factors impact your average LOS?
3. How does LOS affect your bottom line?
4. What should you consider when running your own LOS analysis?

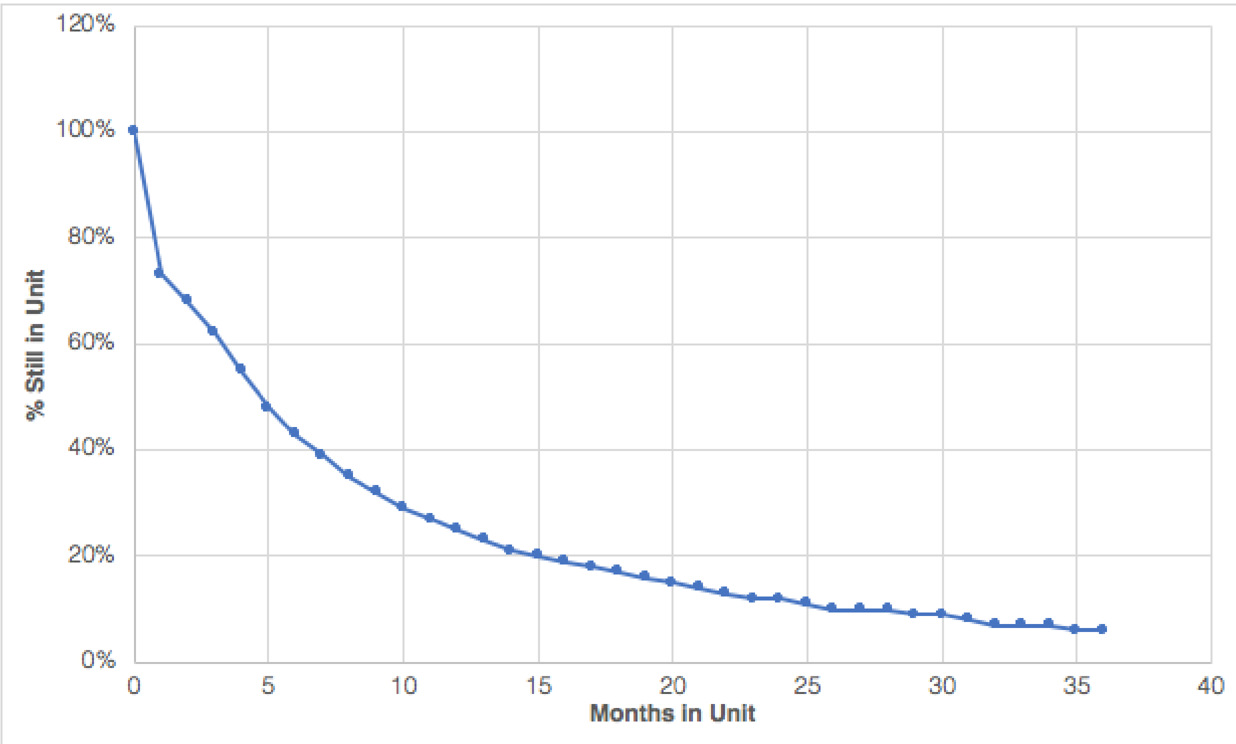
Understanding Length of Stay

Length of Stay (LOS) = the total amount of time a tenant occupies a unit at a given facility

It is important to understand your length of stay so that you can measure the lifetime value of your tenant, and ultimately how much money you are making from each tenant. This will also help you determine the efficiency of your marketing spend on channels like SpareFoot.

In its most basic form, the LOS curve has a long tail effect, with a gradually declining number of tenants who stay for several years.

Here's what a sample LOS curve looks like:

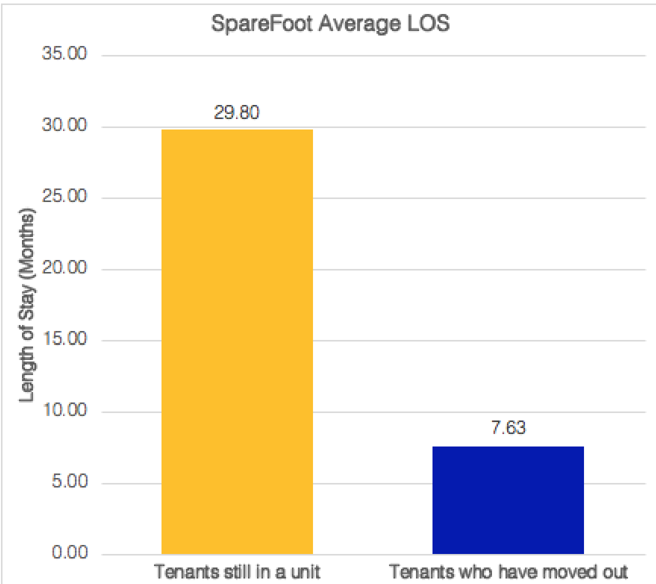


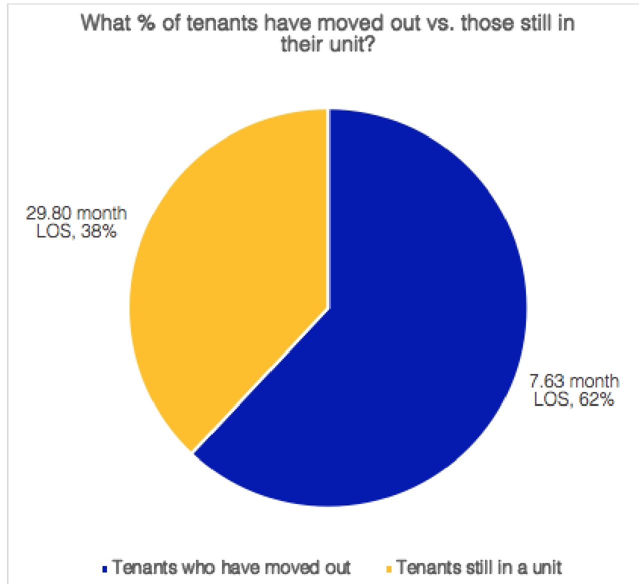
- In this curve, 50% of people are still in their unit at 5 months, and 9% of people are still in their unit at 30 months.
- This scenario depicts an average LOS of 9.44 months.

There are a whole host of things that can impact your LOS calculation. First, we'll take a quick look at SpareFoot's average LOS, which can be divided up into 2 groups:

1. Tenants that move in and out within the sampled time period; and
2. Tenants that are currently still occupying their units.

Using a data set of ~286,000 rentals, with move-in dates from January 2013 through April 2018, here's how SpareFoot's LOS breaks down:





As you can see, 62% of tenants who moved in within the time period in this data set have also moved out, and their average LOS is 7.63 months. The remaining 38% are still in their unit today.

Based on this data, the weighted average of tenants that moved out, and tenants that are still in their units equates to an overall LOS for SpareFoot tenants of almost 16 months.

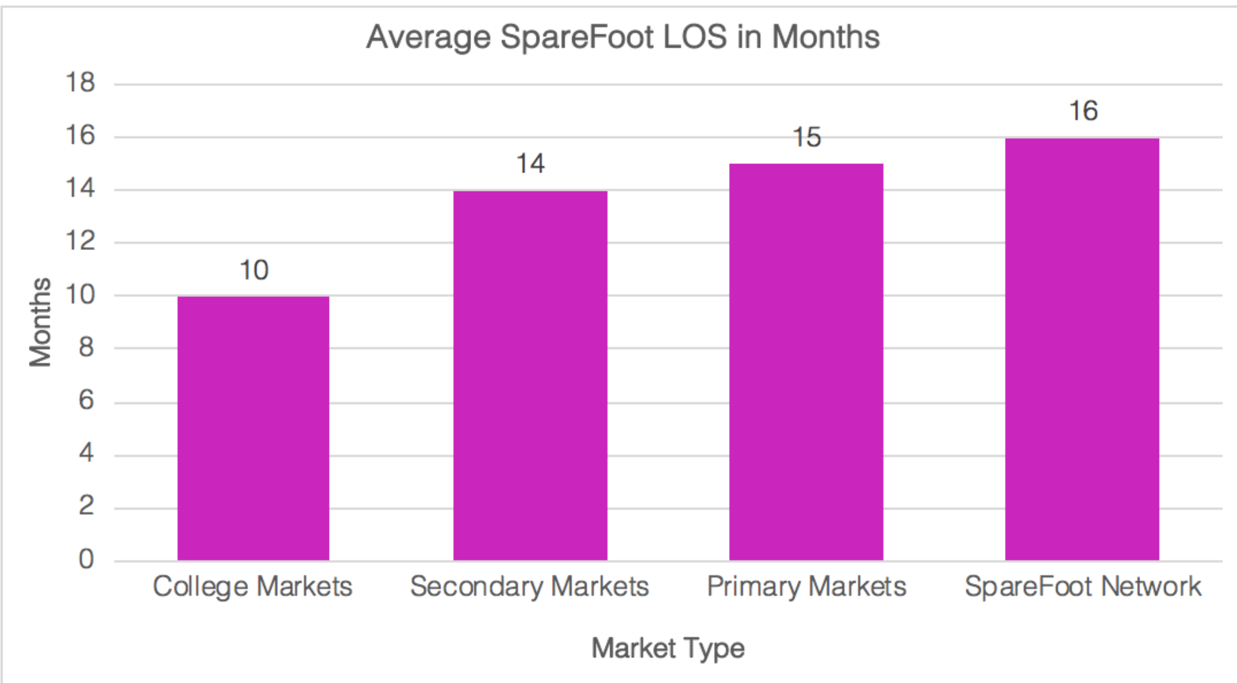
Weighted average is calculated by summing the total of all days, of all tenants, in all units, and dividing it by the total number of tenants.

Factors that impact your LOS

Some of the biggest things that may impact your LOS calculation include market location, seasonality, and unit size. Below, we'll explore each of these based on the same data set.

Market Location:

Where is the facility located?

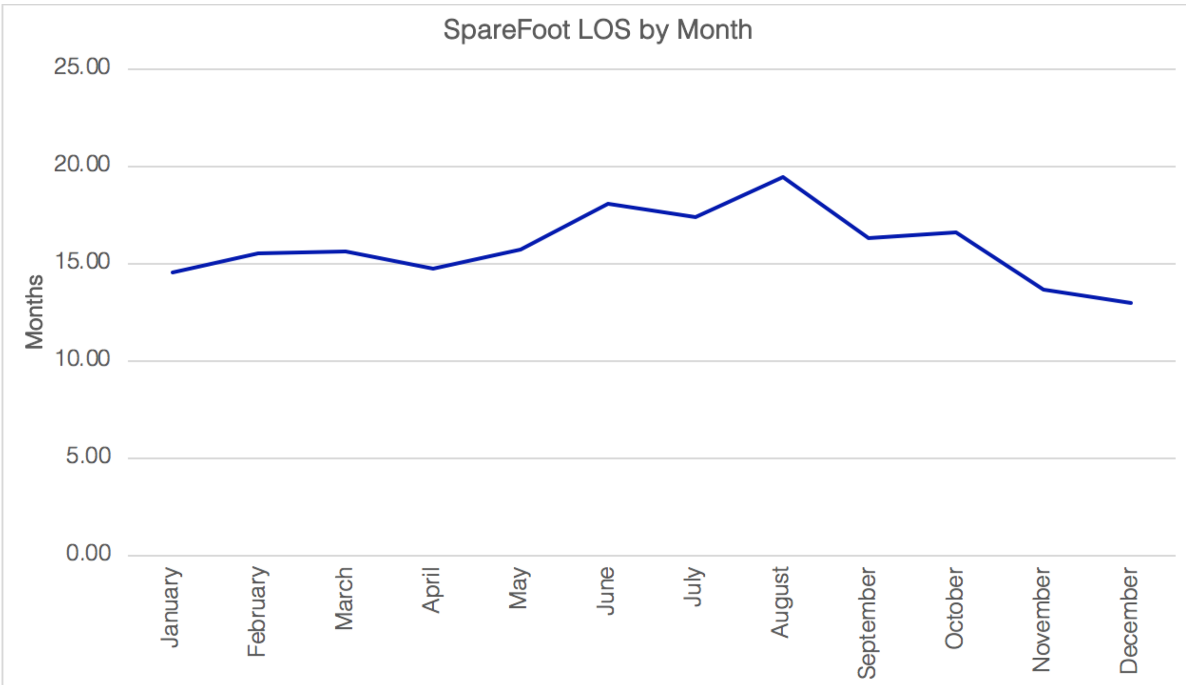


~10 cities are analyzed per individual market, based on US Census data. College markets include US cities with the largest college populations in the country. Primary and secondary markets are as defined by CBRE publication.

Primary and secondary markets do not vary by a great amount. College markets have the most notable influence on LOS, with tenants staying 10 months on average.

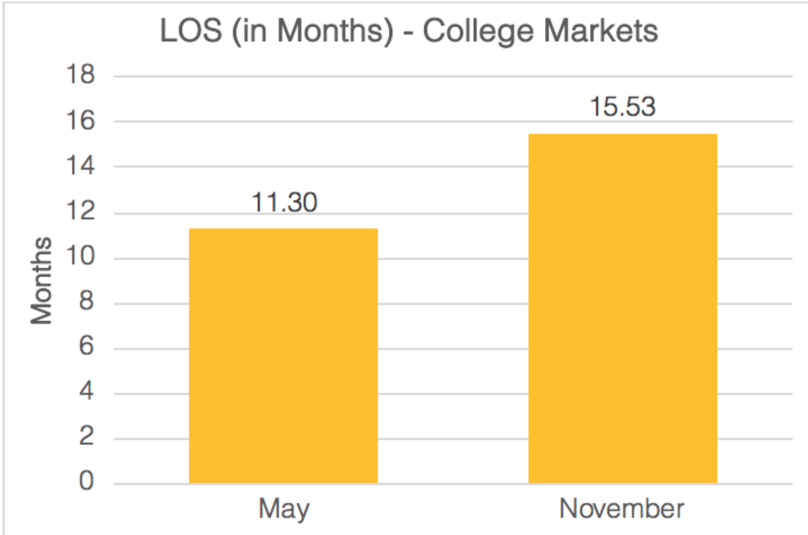
Seasonality:

What time of year did the tenant rent the unit, and did weather patterns impact how long they stayed?



Tenant LOS can vary based on the month that the tenant moves into their unit. For example, SpareFoot tenants that move into their unit in mid-late summer months have the highest LOS.

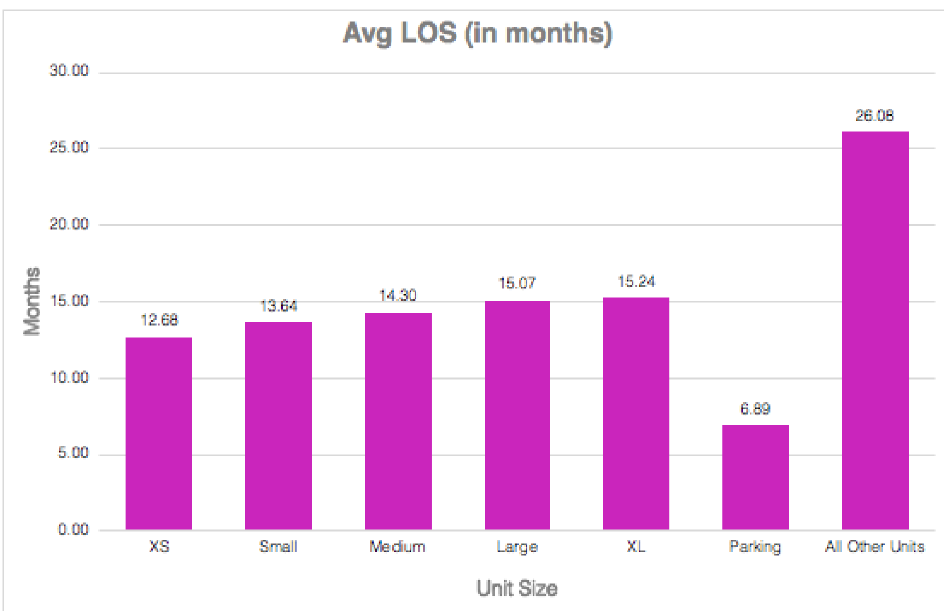
Now let's take a look at how seasonality affects college markets:



As expected, LOS is shorter when tenants move-in during May than in November in college markets.

Unit Size:

Do tenants who rent smaller units stay less than those who rent larger units?



Unit sizes are defined as follows: XS: 0-25 sq ft; S: 26-50 sq ft; M: 51-90 sq ft; L: 91-150 sq ft; XL: >150 sq ft; Parking (P): 0 sq ft; Other: units that don't fit any other category.

As expected, the data shows that parking tenants do not stay as long as self storage tenants, while larger units tend to have a longer LOS than smaller units. Additionally, units that do not fit easily into a particular size (labeled as "All Other Units") have been separated in order to avoid skewing the data set.

LOS can also impact which promotions you decide to run. As one example, you may not want to run a "first month free" promotion in a college market, where the bulk of your tenants may be students who are not staying long.

There are other things that can impact LOS as well, including weather patterns, or even your revenue management practices. For example: snow storms may prevent tenants from moving out (which would increase their LOS). Similarly, if rates never increase, tenants are less likely to move out--thereby inflating LOS. However, this scenario would typically mean less money for the facility since existing customers would be paying a constant rate--whereas new customers might be willing to move in at higher rates.

How LOS impacts your bottom line

Now that you have an idea of factors that can impact tenant LOS, you can start to figure out your return on investment (ROI).

How much is a SpareFoot tenant worth to you, the facility owner/operator?

Here's a quick formula for determining your tenants' lifetime value:

Average tenant lifetime value = Average rental rate X Average tenant length of stay

In real numbers, that means a facility with an average rental rate (unit price) of $100, and a LOS of 16 months, would provide a total tenant lifetime value of $1,600. And that's not even including any admin fees, tenant insurance, merchandise revenue, etc.

How much money can you make from a SpareFoot rental?

It would be great if everyone was a walk-up customer, and you didn't have to spend any money to get a rental. But in 2018, using online channels is essential in remaining competitive and attracting customers. In order to effectively evaluate your marketing channels, consider your return on investment for each channel.

ROI = Total revenue earned - total cost of investment

So let's take that same tenant, and assume an average SpareFoot fee of $150 and the above tenant lifetime value of $1,600:

$1,600 (total rental revenue) - $150 (one-time SpareFoot fee) = $1,450 per tenant ROI (or 967%).

So, on average, this facility is making $1,450 for each SpareFoot tenant that it receives. Not bad!

It is important to keep in mind that this does not factor in additional revenue streams, such as locks, insurance, administrative fees, or other miscellaneous items/services that generate more revenue from each tenant. On the other hand, there are certainly fixed costs for paying your facility manager, keeping the lights on, maintenance and upkeep, and more. This ROI calculation is looking strictly at the incremental cost to acquire a new tenant through SpareFoot.

Things to consider when calculating your own LOS

Don’t let the data fool you! If you’re conducting your own LOS analysis, an incorrect calculation or consideration could severely impact your numbers. And if you’re using these numbers to make decisions on your business, make sure they are correct.

Here are some key factors to incorporate into your LOS calculation:

- **Date range:**
  Make sure that the date range you sample is at least a few months old, and a few years in duration. Otherwise, you risk skewing the data set with tenants that are too new or too old. Identical date ranges are especially important when comparing two cohorts, such as SpareFoot and non-SpareFoot tenants. For example, if your storage facility has been around for 25 years, but you’ve only been a SpareFoot client for the last three years, only factor in tenants who have moved in during the last three years.

- **How you categorize past vs. current tenants:**
  Decide whether your LOS analysis will factor in only people who have moved out, and/or tenants that are still in their unit at the time of consideration. Tenants who are still in their unit will undoubtedly increase the weighted average of your LOS calculation.

Note: A weighted average is a good way to blend tenants who have moved out, with ones who are still in their unit. Weighted average can be calculated by summing the total of all days, of all tenants, in all units, and dividing it by the total number of tenants.

- **Sample size:**
  Make sure you have enough data to compare. A good sample size is dependent upon the size of your facility and tenant base, but generally having at least a 1,000-5,000 tenants is a good start.

Note: Having a sample size of less than 1,000 tenants can skew a LOS calculation depending on the LOS of each individual tenant.

- **Unit transfers:**
  Multiple unit records for a single tenant must be grouped together by condensing based on at least two (but preferably more than two) match criteria--like phone number + facility, for example. The SpareFoot team often sees tenants who move into one unit for a few days and then transfer into another and stay for several months. You shouldn't treat the stay in the first unit as its own LOS.

Note: Having more than one match criteria (i.e., phone, email, address, etc.) increases the accuracy of your calculation. Duplicate/multiple unit tenants can happen up to 20% of the time, so this is important to consider!

Making Data-Driven Business Decisions

Now that you know a bit more about tenant length of stay, you're ready to conduct your own analyses and start making data-driven decisions for your own business. A positive return on investment means that you're making money on each tenant. Let the numbers speak for themselves!

SpareFoot has a dedicated client care team standing by that is more than willing to answer any questions on LOS or to help you reach your business goals and objectives. Contact us at support@sparefoot.com, or 855-427-8193 option 2.