

COAST-TO-COAST REALTY ADVISORS DUE DILIGENCE FOR SELF-STORAGE ACQUISITION



Designed to assist the novice operator or the experienced multi-store operator who has deployed their resources in another direction and needs to have accurate, targeted acquisition data. Designed from an audit perspective, the due diligence assignment is not focused on making the decision for the investor, but rather to give the buyer all of the data needed to make their own INFORMED decision.

We use our experience of having designed due diligence protocols for acquisition for major self-storage acquisition departments. With over \$500,000,000 in due diligence analysis, you can trust the experts at Coast-To-Coast to understand the acquisition and report their findings to you.

Audits include:

Unit-by-Unit Physical Inventory

- ❑ A walkthrough and door-by-door check is matched against site records for:
 - Occupancy/Vacancy
 - Overlock
 - Lien Status (tagged)
 - Company Occupied Unit
 - Complementary Unit
 - Vacant units are randomly inspected to make certain they are indeed vacant, and that the doors are operable and there is no evidence of damage to the unit

Lease Sampling

- ❑ A sampling of leases is examined for the following
 - Date of Lease
 - Original Rate
 - Current Rate
 - Proper Signatures
 - Proper Notices for:
 - Rent Increases
 - Delinquency
 - Change of Address
 - Preliminary Lien Notice

Payment Audit

- ❑ An audit trail is completed for a sampling of payments. The payment is tracked:
 - Receipt by Store
 - Computer (Daily Report)
 - Receipt by Bank (Deposit Slip)
 - Posted By Bank (Appears in Bank Deposits on Checking Account Statement)
 - Entered into Financial Statement (Entered in General Ledger)

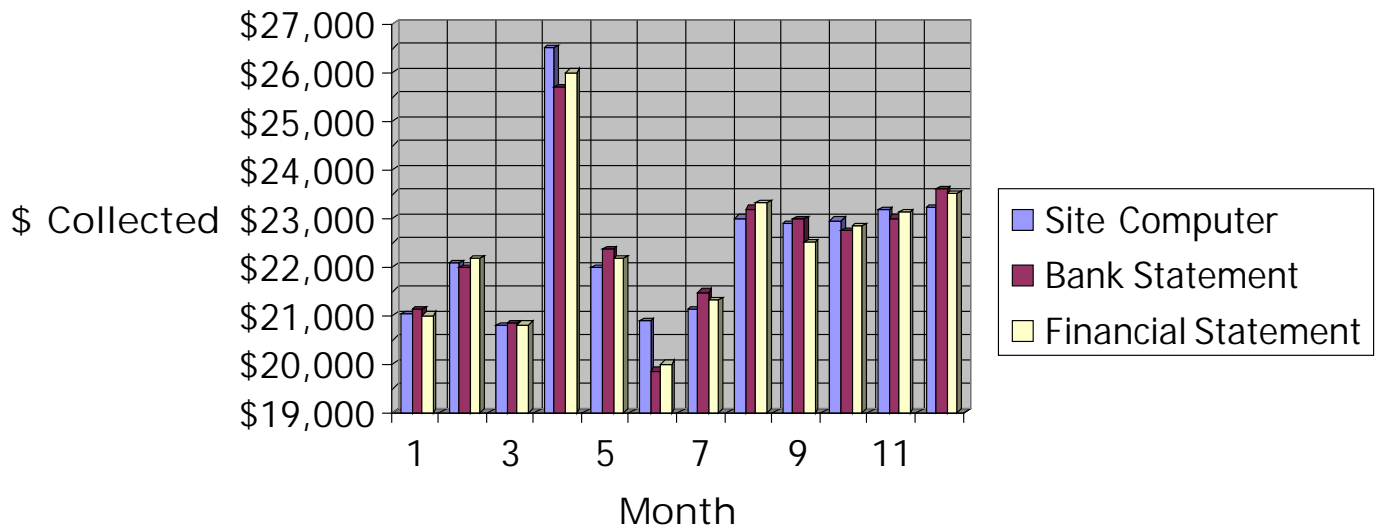
Financial Statement Review

- ❑ This is the heart of the audit. The last year or 12 months are reviewed to examine at a MICRO level the reported income and expenses. This includes:
- ❑ Examination of the detailed general ledger for extraordinary expenses that were expensed instead of capitalized
- ❑ Warning signs of operational deficiencies such as excess legal bills
- ❑ Verification that all utility bills have been accounted for (if there are 10 meters, then there should be evidence of 120 "payments" for the one-year period)
- ❑ Verification of Insurance Premiums paid for the year
- ❑ Verification of Real Estate Taxes
- ❑ Verification of Yellow Page Advertising Analysis of maintenance and repair expenses
- ❑ 12 month NOI graph

Income Statement Review

- ❑ Tracking and analysis of 12 month's revenues. This review is designed to make certain that the monies shown on the financial statements were actually deposited in the bank ... perhaps the most important element of the due diligence process. This includes:
 - Monthly on-site computer entry, matched against
 - Bank Statements (Checking account) matched against
 - Financial Statements
 - 12-month gross revenue graph
 - Graphic comparison of on-site computer compared to Bank Statement compared to Financial Statement

2001 XYZ Self Storage Revenue Analysis



Pricing

- ❑ Pricing: \$2,995.00 per project¹ plus:
 - 100 – 200 \$9.95 per space
 - 201- 300 \$9.45 per space
 - 301 – 400 \$8.95 per space
 - 401 – 500 \$8.45 per space
 - 501 – 600 \$7.95 per space
 - 601 + \$7.45 per space
 - plus travel and expenses.

Staffing

- ❑ Our support team includes up to five dedicated self-storage professionals who are ready to assist you in meeting your due diligence inspection period deadlines. Prepared to travel anywhere in the world, we can be responsive to your due diligence needs. Our team is courteous and professional, and understands that confidentiality is of utmost importance. We know that being discreet, respectful and helpful to Sellers during a very stressful period (the selling of a property), requires great attitudes and pleasant demeanors.

Working “Smarter AND Harder”

- ❑ Much of the work can be done “off-site” to reduce the impact to Sellers on their day-to-day operations. The Purchaser is encouraged to have many of the documents provided in copy form, off-site, where they can be analyzed and returned to the Seller as required.
- ❑ Equipped with state-of-the-art laptop computers and equipment, the due diligence team has the software, forms, and report tools needed to get the task done efficiently and correctly.
- ❑ Travel and expenses can be negotiated to a “not to exceed” limitation.

Call today to interview Coast-To-Coast for your due diligence assignments. We suggest that a pre-acquisition conference be held to outline the specific scope of work, the required documentation, the logistical strategy, timing, and report formats. The earlier you schedule our team, the easier the process is on both Purchaser and Seller.

¹ There is a 200% premium for sites not on a recognized self-storage computerized records application. Time beyond 15 hours of record creation is billed at \$99.50 per hour.

OPTIONAL SERVICES

Market Analysis (OPTIONAL) \$1,995/Property

- ❑ A report is produced that maps and surveys each primary competitor. The report then discusses the market strength of the subject property as compared to the competitors' and includes a graph and matrix for rental rate comparison.
- ❑ Each of the primary competitors are photographed, visited, shopped, catalogued and surveyed for:
 - Occupancy
 - Amenity Positioning
 - Rental Rate Structure
 - Location/Proximity
 - Strength of On-Site Management

Deferred Maintenance Visual Inspection (OPTIONAL) \$995/Property

- ❑ The store is carefully examined for signs of deferred maintenance. This includes items such as:
 - Security Systems
 - Asphalt/Concrete
 - Lighting
 - Office Configuration/Design
 - Paint
 - Bollards
- ❑ For an additional fee, a structural and engineering report can be ordered. This is a detailed inspection with cost estimates and useful life schedules for use by lenders, etc.

Verbal Estoppels (OPTIONAL) \$9.95/Estoppel

- ❑ We will sample tenants with a friendly "courtesy customer service call." This call is designed to:
 - Verify the Move-in Date
 - Current Payment Amount
 - Date Last Paid
 - Listen for Any Customer Service Issues

Management Reviews (OPTIONAL) \$1,995/Property

- ❑ If required, we will analyze the existing management practices and procedures. This can be particularly valuable to owners just entering the self-storage business. We will:
 - Interview on-site employees
 - Analyze potential strengths and weaknesses
 - Have the employees "shopped" in person
 - Have the employees telephone "shopped"
 - Have them complete pre-employment paperwork
 - Arrange for drug screening and background investigations
 - Verify previous references
 - Analyze last auction for:
 - Proper notification
 - Proper handling of funds
 - Auction process
 - Analyze collection policies and procedures
 - Analyze the rental process for:
 - Risk management
 - Tenant screening
 - Proper documentation

Environmental Review (OPTIONAL)

\$Bid/Job

- ❑ We are not lawyers, but have the experience necessary to order and/or examine environmental reports to make risk decisions. We will examine the reports and make recommendations for further testing. Our resources to provide Phase I and Phase II assessments are responsive and economical.

Survey Examination (OPTIONAL)

\$995/Property

- ❑ We can order your surveys, or have existing surveys examined for:
 - Encroachments
 - Easements of record that may challenge the title process
 - Completeness
 - Meeting ALTA Standards
 - Was it the scope of work or the surveyor?
 - Reflection of all title data (requires preliminary title reports)

Zoning and Business Licensing (OPTIONAL)

\$495/Property

- ❑ Our team will contact the municipalities to determine if there are outstanding permit violations, proper zoning, and proper licensing of the business.

Break-in and Crime Report (OPTIONAL)

\$495/Property

- ❑ For an additional fee, we will contact local authorities to determine if there have been any undisclosed police actions on the property. We alerted an unsuspecting purchaser to the fact that the acquisition property had been broken into three times in the preceding six months. A good thing to know, don't you think?

Municipality Review (OPTIONAL)

\$495/Parcel

- ❑ For an additional fee, we will:
 - Contact local zoning departments to determine if there are possible new competitors entering the market

Zoning Report (OPTIONAL)

\$995/Parcel

- ❑ For an additional fee, we will:
 - Contact local zoning departments to determine:
 - Current Zoning of parcel
 - If Self-storage is a permitted use, or under what conditions self-storage would be permitted
 - Signage requirements per the municipal code
 - Set-back and requirements per the municipal code
 - Coverage/F.A.R. limitations per the municipal code
 - Contact local street and public works departments to determine if there are any pending assessments or improvement projects. Imagine your surprise if you close on June 1st and on June 15th, they tear up the street for six months ... IT COULD HAPPEN TO YOU!

Impact of Purchase on Property Taxes (OPTIONAL)

\$795/Parcel

- ❑ For an additional fee, we will:
 - Have our contract property tax advisor examine the last two years' property taxes:
 - Determine if an appeal would have been warranted
 - Calculate new taxes based on the impact of the sale
 - Provide a two-year best-case/worst-case budget for property taxes

Custom Reporting (OPTIONAL)

\$Bid/Job

- We will accommodate established due diligence protocols. If you have specific formats that are required, we can tailor our scope of work and reports to your individual needs.

If you are new to the acquisition game, you may not even know what to ask for in terms of due diligence. Our clients² receive a document call list that requires the Seller to provide the information necessary to adequately assess the purchase risk, and to provide documentation sufficient to finance and operate the properties. This list is customized for each acquisition.

Our team of professionals uses state-of-the-art equipment such as periscopes and scanners to conduct the audits. We know what to ask for and how to interpret the data. From predictive analysis to cutting-edge risk analysis, you can't afford to NOT use our services.



Toll Free: 877 622-5508 x81

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533 Muirfield Drive
City of Atlantis, FL 33462

Offices Also In:

- Murrieta, CA
- Birmingham, AL
- Orlando, FL

The world's leading experts in self-storage consultancy. From London, England to Lancaster, California; from Feasibility Studies to Financing, we are the one-stop shop for self-storage development and ownership.

² The list is available if we do not perform services for \$1,995.00