



SELF STORAGE SALES NETWORK

# Market Monitor

America's Premier Self Storage Brokers

Issue VI-2017

## The Importance of Market Selection & Deal Structure

by Ben Vestal

The self-storage acquisition market continues to be robust and we are seeing many new investors, both large and small, entering the space for the first time. However, today's buyers are different from the usual suspects of previous years. Many of the REITs and other household names are taking a more conservative approach to acquisitions in 2017. Because we have so many new buyers in the marketplace, I thought it might be helpful to review a couple of the necessary steps one must take to ensure a smooth transaction and complete a successful closing.

### Selecting a Market:

Selecting the market or markets you would like to invest in is the first step in identifying self-storage investment opportunities. You can start by looking at markets that have certain demographic traits that you feel make for a good storage market, such as a large percentage of renters, income levels, total population, proximity to your home or office (2.5-hour flight or less), population growth percentage, number of new self-storage developments underway and size of housing units, just to name a few.

After you have identified several markets that meet the general criteria you are looking for, you can start to break down each market into submarkets (typically 4 submarkets for a small city and 6 to 8 for a large to mid-sized city). This will allow you to narrow your investment search to available properties within a submarket. To correctly evaluate a submarket, you should plan on spending a day or two in each city touring the areas so you can have a good understanding of how each market works. Doing your due diligence on a market and submarkets will help you better evaluate investment opportunities that present themselves and give you the confidence to move quickly when an investment opportunity arises.

Today, it is important to remember that many times the large and mid-sized cities are inundated with very so-

phisticated self-storage investors so if you are new to the business you might be well served to look at smaller markets. We have had several clients uncover some strong investment opportunities in secondary and tertiary markets where the competition from other buyers is less significant.

### Making an Offer:

When you are visiting the markets you have identified as targets, take the time to meet with your local Argus broker as well as a local self-storage appraiser to discuss the nuances of the market. Visit potential development sites and understand what terms would be expected when you make an offer on a property. I think you will be surprised about how much the market rate terms (cash closing, due diligence timeframes, financing contingency, amount of earnest money, etc.) will vary from one market to another. When submitting an LOI make sure your terms are in-line with the marketplace. Today, price is not the only consideration we are reviewing and discussing with our clients; we are reviewing the amount of earnest money (2%-5%), due diligence timeframe (30-60 days), closing time (15-30 days) and financial capability (broker references, bank references, etc.), just to name a few.

Be prepared to move quickly when you see an opportunity. We have seen several buyers miss out on deals that fit their investment criteria because they were too slow in submitting an LOI. It is still a seller's market!

### Structuring Your Acquisition:

If you are in the market as a buyer or seller of a self-storage property, it is important to understand that the structure of the deal can be as important as the purchase price. It is critical to identify your investment goals and before making an offer so that you can structure your LOI and Purchase Contract to maximize the profitability.

Too often the parties only focus on the purchase price,

*(continued)*

and glaze over the structure without considering the implications of the non-financial aspects of the transaction. There are two main deal structures that are typically utilized when selling or purchasing an entity or its assets; specifically, they are an asset purchase (real estate contract) and an entity purchase (LLC or stock purchase). Below I have outlined some of the pros and cons of these two structures. It is important to remember that I am not an accountant or an attorney so please seek tax and legal advice from your council when structuring a deal.

#### **Asset Purchase:**

There are two significant advantages to the buyer when structuring a deal as an asset purchase. First, the buyer maintains a “step up” cost basis for tax treatment for all purchased assets which allows them to enjoy full depreciation. Second, the buyer can choose what assets he wants to purchase and avoid contingent and unknown liabilities, which are often costly and burdensome. The main disadvantage to a buyer is that an asset purchase may trigger a reassessment of real estate taxes after the sale is complete, and with the very aggressive valuations self-storage properties have been receiving, this reassessment can be detrimental to the investment’s ongoing yield.

#### **Entity Purchase:**

The overriding benefit to both the buyer and seller of structuring a deal as an entity purchase (stock purchase) is the simplicity and convenience. However, this type of

structure is not the norm in self-storage real estate transactions. The buyer receives all of the company’s assets and liabilities, eliminating the need for title transfer, reducing the number of third party consents (except where there are change of control restrictions) and minimizing the vast transactional costs associated with an asset purchase. The two main disadvantages of an entity purchase for a buyer are increased exposure to liability and the loss of tax benefits. Although a thorough corporate review and contract review can help a buyer mitigate the go-forward liabilities, the buyer will need to be OK with an increase in liability. Additionally, a buyer will need to talk with their accountant to see what tax strategies can offset and mitigate the loss of tax benefits.

As you can see, there are many factors to be weighed when determining how to structure a deal. Prior to drafting a purchase agreement or marketing your property for sale, it is crucial that proper consideration be given to all aspects of a potential traction. Early planning and preparedness can prove to be beneficial to both buyers and sellers and can substantially cut transactional cost and attorney fees. All of the information above is generic and should not be construed as advice for any specific deal. If you are a potential buyer or seller of a self-storage property, I would strongly recommend that you seek advice from your local Argus broker, attorney and tax professional. **MM**

*Ben Vestal, President of the Argus Self Storage Sales Network, can be reached at 800-557-8673 or [bvestal@argus-realestate.com](mailto:bvestal@argus-realestate.com).*

## YOU’RE INVITED

Join Argus for an informative webinar!

### Self-Storage Mid-Year Market Update

The self-storage investment market is rapidly changing as meaningful new supply is coming online in 2017. In order to properly position your self-storage investments for success, or if you are looking to develop a new self-storage project, this webinar will help you understand how the recent changes in market underwriting, real estate tax assessments, financing and valuation are evolving in today’s very competitive self-storage investment market.

Wednesday, June 28 at 2:00pm Eastern

[Click Here or call 1-800-557-8673 to register!](#)

## Concho, AZ

\$350,000

- 112 Units
- 14,900 RSF
- 2 Acres
- Excellent visibility with frontage on State Route 61
- Well-positioned for increases in revenue, cash flow and value
- Land available for expansion

**NEW!**



**Jeff Gorden, CCIM**  
480-331-8880  
jgorden@selfstorage.com

## Carrollton, GA

\$1,500,000

- 281 Units
- 35,360 RSF
- 4.69 Acres
- Established facility built in 1998
- Excellent visibility with high traffic counts
- Minimal competition within a 5-mile market
- Rental rate upside

**NEW!**



**Mike Patterson, CCIM**  
770-301-1886  
ebrooker@msn.com

## Gilbert, AZ

Call Broker for Price

- 287 Units
- 167,705 RSF
- 11.37 Acres
- Vehicle storage facility with covered and uncovered parking
- Recently renovated
- High income community
- Convenient highway access

**NEW!**



**Jeff Gorden, CCIM**  
480-331-8880  
jgorden@selfstorage.com

## Rockford, IL

\$5,100,000

- 2-Property Portfolio
- 625 Total Units
- 99,003 Total RSF
- 7.07 Total Acres
- Two facilities located 1.5 miles apart with great visibility
- Good historical occupancy rates
- Significant room to expand

**NEW!**



**Bruce Bahrmassel**  
312-518-3550  
bruce@selfstorage.com

## Mayer, AZ

\$1,650,000

- 335 Units
- 57,175 RSF
- 7.91 Acres
- Great location and visibility on I-17 and AZ-69
- Room for expansion
- Benefits from two property operating efficiencies

**NEW!**



**Jeff Gorden, CCIM**  
480-331-8880  
jgorden@selfstorage.com

## Shirley, NY

\$11,500,000

- 546 Units
- 46,730 RSF
- 1.79 Acres
- Property consists of two 2-story buildings totaling 57,450 GSF
- Located in proximity to Sunrise Highway and William Floyd Pkwy
- High visibility location

**NEW!**



**Linda Cinelli, CCIM**  
908-722-5661  
linda@lcrealtyusa.com

## Fort Collins, CO

\$2,150,000

- 261 Units
- 20,134 RSF
- 1.93 Acres
- New project featuring container storage and a two-story climate controlled building
- Opened in July 2016
- Great signage, access and visibility from Mulberry

**NEW!**



**Joan Lucas**  
720-855-6587  
jlucas@selfstorage.com

## Kingsport, TN

\$1,650,000

- 135 Units
- 15,480 RSF
- 1.376 Acres
- Significant upside potential
- Property is profitable at below market rental rates
- Potential for supplemental income streams

**NEW!**



**Mike Helline & Paul Grisanti, CCIM**  
502-296-4586  
mike@grisantigroup.com



# Sells Self Storage Nationwide!

For property details, visit [www.argus-selfstorage.com](http://www.argus-selfstorage.com) or contact your local Argus Broker Affiliate!

## Alabama

Cullman	\$260,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Montgomery	\$22,000,000	Bill Barnhill/Stuart LaGroue	251-432-1287

## Arizona

Bisbee	\$270,000	Jeffrey A. Gorden	480-331-8880
Concho	\$350,000	Jeffrey A. Gorden	480-331-8880
Gilbert	Call Broker	Jeffrey A. Gorden	480-331-8880
Lakeside	\$760,000	Jeffrey A. Gorden	480-331-8880
Nogales	<b>SOLD</b>	Jeffrey A. Gorden	480-331-8880
Vernon	\$795,000	Jeffrey A. Gorden	480-331-8880

## Arkansas

Hot Springs Vlg	\$1,600,000	Larry Goldman	913-707-9030
Hot Springs Vlg	\$180,000	Larry Goldman	913-707-9030
Russellville	\$1,495,000	Larry Goldman	913-707-9030

## California

CA Portfolio	Call Broker	Tom de Jong	408-282-3829
Antioch	\$3,500,000	Tom de Jong	408-282-3829
Lincoln	Call Broker	Tom de Jong	408-282-3829
San Jose	\$10,500,000	Tom de Jong	408-282-3829

## Colorado

Colo. Springs	<b>SOLD</b>	Joan Lucas	720-855-6587
Denver	<b>SOLD</b>	Joan Lucas	720-855-6587
Denver	\$2,150,000	Joan Lucas	720-855-6587
Fort Collins	\$3,500,000	Joan Lucas	720-855-6587
Fort Collins	\$2,150,000	Joan Lucas	720-855-6587
Loveland	\$1,270,000	Joan Lucas	720-855-6587

## Florida

Live Oak	<b>SOLD</b>	Frost Weaver	904-265-2001
Middleburg	\$1,300,000	Frost Weaver	904-265-2001
Navarre	Call Broker	Bill Barnhill/Shannon Barnes	251-432-1287
Starke	\$920,000	Frost Weaver	904-265-2001

## Georgia

Carrollton	\$1,500,000	Mike Patterson	770-241-9070
Dallas	\$2,489,307	Mike Patterson	770-241-9070
Jackson	\$3,200,000	Mike Patterson	770-241-9070
Lithia Springs	\$1,600,000	Mike Patterson	770-241-9070

## Idaho

Salmon	\$430,000	Larry Hayes	406-544-1921
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## Illinois

Byron	\$389,000	Bruce Bahrmassel	312-518-3550
Macomb	\$950,000	Bruce Bahrmassel	312-518-3550
Rockford	\$5,100,000	Bruce Bahrmassel	312-518-3550
Seneca	\$699,000	Bruce Bahrmassel	312-518-3550

## Indiana

Plymouth	\$3,475,000	Bruce Bahrmassel	312-518-3550
Terre Haute	\$1,100,000	Paul Grisanti/Mike Helline	502-296-4586

## Kansas

Basehor	\$650,000	Larry Goldman	913-707-9030
Junction City	\$380,000	Larry Goldman	913-707-9030

## Kentucky

Cynthiana	\$875,000	Paul Grisanti/Mike Helline	502-296-4586
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## Massachusetts

Sutton	\$550,000	Joseph Mendola	603-668-7000
Upton	\$5,165,000	Joseph Mendola	603-668-7000

## Missouri

Belton	\$198,000	Larry Goldman	913-707-9030
Waynesville	\$2,360,000	Larry Goldman	913-707-9030

## Mississippi

Canton	\$850,000	Bill Barnhill/Stuart LaGroue	251-432-1287
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## New Hampshire

Claremont	<b>SOLD</b>	Joe Mendola	603-668-7000
Weare	\$435,000	Joe Mendola	603-668-7000

## New Jersey

Branchville	\$1,390,000	Linda Cinelli	908-722-5661
Ewing	\$2,100,000	Linda Cinelli	908-722-5661
Howell	\$2,350,000	Linda Cinelli	908-722-5661
Pemberton	\$975,000	Linda Cinelli	908-722-5661
Ventnor City	\$1,999,000	Linda Cinelli	908-722-5661
West Berlin	\$5,450,000	Linda Cinelli	908-722-5661

## New Mexico

Mesilla Park	\$530,000	David Etzold/Noel Woodwell	915-491-9610
Ruidoso	\$790,000	David Etzold/Noel Woodwell	915-491-9610

## New York

Islip	\$6,250,000	Linda Cinelli	908-722-5661
Monticello	\$3,700,000	Linda Cinelli	908-722-5661
Shirley	\$11,500,000	Linda Cinelli	908-722-5661

## North Carolina

Asheboro	\$350,000	Joey Godbold/Jamey Cox	704-632-1030
Greenville	\$1,250,000	Joey Godbold/Jamey Cox	704-632-1030
Wadesboro	\$758,000	Joey Godbold/Jamey Cox	704-632-1030

## Ohio

Gloucester	\$299,000	Alec Pacella	216-455-0925
LaGrange	\$1,300,000	Alec Pacella	216-455-0925

## Oklahoma

Ada	\$2,500,000	Jared Jones	918-583-3483
Edmond	\$650,000	Jared Jones	918-583-3483
Pryor	<b>SOLD</b>	Jared Jones	918-583-348

## Oregon

Beaverton	\$3,200,000	Tom de Jong	408-282-3829
Central Pointe	\$1,975,000	Scott King	541-890-6708

## Pennsylvania

Bechtelsville	\$1,600,000	Chuck Shields	610-828-0100
Olyphant	\$925,000	Chuck Shields	610-828-0100

## South Carolina

Lancaster	<b>SOLD</b>	Joey Godbold/Jamey Cox	704-632-1030
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## Tennessee

Kingsport	\$1,650,000	Paul Grisanti/Mike Helline	502-296-4586
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## Texas

Arlington	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Fort Worth	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Fort Worth	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Killeen	<b>SOLD</b>	Richard Minker/Chad Snyder	817-335-5600
Mineral Wells	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Red Oak	Call Broker	Richard Minker/Chad Snyder	817-335-5600

## Virginia

Windsor	\$1,100,000	Stuart Wade	757-618-3597
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# ARGUS SALES



Congratulations to **Frost Weaver and Josh Koerner** of Weaver Realty Group who sold Budget Storage in Live Oak, FL! Contact Frost and Josh at 904-265-2001 for details.



Congratulations to **Richard Minker, CCIM and Chand Snyder** of Colliers International who sold FM 439 Storage in Killeen, TX! Contact Richard and Chad at 817-335-5600 for details.



Congratulations to **Joey Godbold and Jamey Cox** of SVN Percival Partners who sold Bonus Room Self Storage in Lancaster, SC! Contact Joey and Jamey at 704-632-1030 for details.



Congratulations to **Jared Jones, CCIM** of Porthaven Partners who sold Pryor Creek Self Storage in Pryor, OK and represented the buyer of Southland Storage in Tulsa, OK! Contact Jared at 918-583-3483 for details.



Congratulations to **Joan Lucas** of Joan Lucas Real Estate Services who sold the Bargain Storage Portfolio in Denver, CO and a self-storage development site in Colorado Springs, CO! Contact Joan at 720-855-6587 for details.



Congratulations to **Joe Mendola** of NAI Norwood Group who sold Profile Self Storage in Hooksett, NH and Twin States Leasin & Storage in Claremont, NH! Contact Joe at 603-668-7000 for details.



Congratulations to **Jim Soltis** of Preview Properties.com who sold Lapeer Mini Storage in Lapeer, MI! Contact Jim at 810-494-2062 for details.

## Contact an Argus Broker Affiliate

### NORTHEAST

Guy Blake, CCIM  
Linda Cinelli, CCIM, CEA  
Joseph Mendola  
Chuck Shields

### Company

Pyramid Brokerage Company  
LC Realty  
NAI Norwood Group  
Beacon Commercial Real Estate

### Phone

845-522-5900  
908-722-5661  
603-668-7000  
610-862-1645

### Territory

Upstate NY, Western CT  
Northern NJ, NY (NYC, Long Island)  
MA, ME, NH VT, Eastern CT  
Eastern PA, Southern NJ, DE

### SOUTHEAST

Bill Barnhill, CCIM  
N.J. "Joey" Godbold  
Mike Patterson, CCIM  
Stuart Wade  
Frost Weaver

Omega Properties, Inc.  
SVN Percival Partners  
Commercial Realty Services of West Georgia  
The Nicholson Companies  
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888-801-4534  
704-632-1027  
770-301-1886  
757-618-3597  
904-733-0039

FL Panhandle  
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### NORTH CENTRAL

Bruce Bahrmassel  
Tom Flannigan  
Rusty Hike  
Alec Pacella, CCIM  
Larry Goldman, CCIM  
Mike Helling & Paul Grisanti, CCIM  
Jim Soltis

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402-291-2500  
216-831-3310  
913-707-9030  
502-253-1811  
810-494-2062

Northern IL, Northern IN, WI  
MN, ND  
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### SOUTH CENTRAL

Bill Barnhill, CCIM  
Bill Brownfield, CRE, CCIM & Tommy LeBlanc  
David Etzold  
Larry Goldman, CCIM  
Mike Helling & Paul Grisanti, CCIM  
Jared Jones, CCIM  
Richard D. Minker, CCIM & Chad Snyder

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AL, MS, LA  
Central & South TX  
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AR  
TN  
OK  
North TX

### WEST

Steve Avanzino  
Tom de Jong  
David Etzold  
Jeffery A. Gorden, CCIM  
Larry Hayes  
Scott King  
Joan Lucas  
Doug Shea & Peter Pappageorge  
Thomas Wolter

Kidder Mathews  
Colliers International  
Etzold & CO LLC  
Eagle Commercial Realty Services  
Hayes & Associates  
Merit Commercial Real Estate  
Joan Lucas Real Estate Services, LLC  
INCO Commercial  
RE/MAX Commercial

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406-728-0088  
541-890-6708  
720-855-6587  
562-498-3395  
206-200-3325

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