



SELF STORAGE SALES NETWORK

Market Monitor

America's Premier Self Storage Brokers

Issue VIII-2018

2018: A View From My Perch

by Ben Vestal

It is easy to spot the signs that summer is coming to an end. School supplies are on sale and kids everywhere are trading beach towels, skateboards, and baseball gloves for backpacks. It also appears that the current run-up in self-storage values is coming to an end. Over the last 120 days we have seen interest rates uptick 25-50 basis points and there seems to be a bifurcation in pricing between “core” assets and everything else. While I would agree that many elements of the economy appear to be stable and growing, the confidence of entrepreneurial self-storage investors seems to be wavering with new supply hitting the market, overall lower occupancies, and slower rental rate growth. As a result, many entrepreneurial investors are being more conservative when underwriting self-storage investments today. On the other hand, “core” assets are still demanding historically high values due to the lack of supply of core assets in the self-storage space. If you are like me, much of the current market signs don't seem to fit into a neat package and this makes the remainder of 2018 difficult to predict. However, if you will indulge me, I will give you two thoughts on the current self-storage real estate market that will hopefully provide some perspective for you to consider as the summer winds down.

Not Everyone's Debt Costs the Same:

The last 5-7 years was a great time to get a real estate loan; rates were low, loan proceeds were high, and the debt market was very fluid. As the economy recovered from the great recession (2011-2016), we saw self-storage values soar which allowed lenders to make very aggressive loans without much risk. Over the last few quarters, many lenders have scaled back their aggressive underwriting and this has led to lower loan proceeds and higher cost of debt to entrepreneurial investors. While industry veterans still feel today's loan terms (5%-5.5%, 70% LTV, 25 yr. am) are very aggressive, the increase in debt cost to entrepreneurial investors has affected the value of many “non-core” and value-add assets that are being marketed for sale today. As a result, many owners/sellers are wondering why they can't sell their secondary market, non-core asset for the record high prices they are reading about in the industry publications.

One major difference between the self-storage boom of 2000-2008 and today's self-storage boom is that the institutional buyer pool is larger today than ever before. The 25-75 institutional buyers who are active today have institutional debt facilities that give them a tremendous advantage over the deal-by-deal entrepreneurial investor. These institutional buyers are

still able to borrow in the 3.75%-5% range and many times have some component of interest only on the front end of the debt. This allows them to be more aggressive on acquisitions and is creating a bifurcation in the investment market between institutional assets and non-institutional assets. One positive takeaway is that institutional investment criteria has broadened significantly from the last real estate run, meaningfully increasing the number of institutional properties in the market today.

The Investment Market for Self-Storage Properties:

The strengthening economy has had an impact on the marketability of self-storage properties. With more investors looking to buy self-storage properties today than ever before, the buyer pool for institutional and smaller entrepreneurial properties has never been bigger. However, the changes in the financing markets along with the increasing investment return from other alternative investments have started to put downward pressure on self-storage pricing. Prices of self-storage properties (per dollar of net operating income) hit absolute all-time highs in early to mid-2017. Buyers would accept the validity of just about any projection and would finance the project to the maximum allowed. The 2018 market has seemed to find equilibrium at a level that is about 5%-10% below the historic highs.

The current market equilibrium may not prove to be very durable for the longer term for several reasons. For example, if the financing market becomes either less liquid or more expensive, the prices for a property will fall. The math is simple, if you pay the lender more, you cannot pay the seller more and if you put in a larger investment you need to receive a larger return. Additionally, the improved yield from less risky investments has started to cause the potential buyer to be more cautious when valuing a self-storage property. A 10 percent decline in revenue for a self-storage property equates to a drop in value (at a 7 cap rate) of about 10 percent and if the property is leveraged at 75 percent, the value of the equity would drop about 40 percent. Clearly, any of these events could have a material impact on the owner's investment if the investment horizon is short term (3-5 years). Thus, if you are planning on selling in the not-too-distant future, you may want to give some thought to accelerating the process. Remember, it is hard to go broke taking a profit! **MM**

Ben Vestal, President of the Argus Self Storage Sales Network, can be reached at 800-557-8673 or bvestal@argus-realestate.com.



Property Showcase

High Springs, FL

\$2,880,000

- 313 Units
- 38,000 RSF
- 3.9 Acres
- History of high occupancy
- Good traffic exposure on US Highway 27
- Close proximity to Gainesville
- Fenced and well-lit with security cameras

NEW!



**Josh Koerner
& Frost Weaver**
904-591-0140
jkoerner@weaver-realty.com
fweaver@weaver-realty.com

Bixby, OK

\$4,200,000

- C of O Opportunity
- 387 Units
- 57,034 RSF
- 8.32 Acres
- Brand new project to be delivered in December 2018
- Institutional quality facility located in affluent Bixby, OK (Tulsa MSA)
- Great forward-trending demographics

NEW!



Jared Jones, CCIM
918-583-348
jjones@selfstorage.com

Lemoyne, NE

\$1,700,000

- 224 Units
- 95,000+ RSF
- 6.28 Acres
- Boat & RV Facility
- 99% occupied
- Located at popular Lake McConaughy in southwest Nebraska
- Closest facility to the lake's beach

NEW!



Joan Lucas
720-855-6587
jlucas@selfstorage.com
Mark Billingsley
402-960-6026
mark@hikerealestate.com

Vale, OR

\$1,600,000

- 189 Units
- 28,234 RSF
- 3.25 Acres
- Only facility in town with one location on Glenn St. North and the other on Highway 20
- Approx. 1 acre available for expansion
- Great cash flow
- Consistently high occupancy
- Rental rate upside

NEW!



Scott King
541-890-6708
scottking@gmail.com

Hinsdale, NH

\$1,280,000

- 190 Units
- 17,710 RSF
- 6 Acres
- Frontage on Route 119
- Developable land
- U-Haul truck rentals
- 3,750 SF auto repair garage can be converted to climate controlled storage
- 93% Occupancy

NEW!



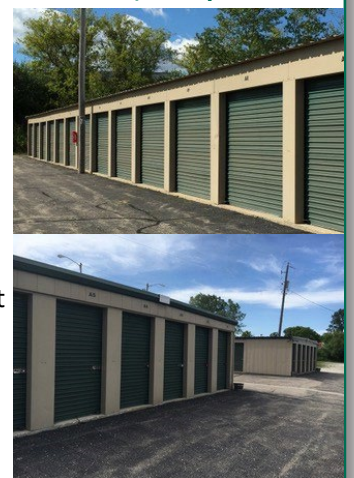
Joe Mendola
603-668-7000 ext. 203
joe@nainorwoodgroup.com

Franksville, WI

\$599,000

- 59 Units
- 8,350 RSF
- 1.75 Acres
- 34 outdoor parking spaces
- Excellent traffic exposure along west frontage road of I-94 in Milwaukee's south suburbs
- Tremendous upside with expansion room
- Great current income with a list Cap Rate of 9%

NEW!



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



Sells Self Storage Nationwide!

Our complete list of available properties is detailed below. For additional information, visit www.argus-selfstorage.com or contact your local Argus Broker Affiliate.

Alabama

Childersburg	\$768,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Daphne	\$530,000	Bill Barnhill/Shannon Barnes	251-432-1287
Fultondale	\$699,000	Bill Barnhill/Stuart LaGroue	251-432-1287

Arizona

El Mirage	\$4,250,000	Jeff Gorden	480-331-8880
-----------	-------------	-------------	--------------

Arkansas

Portfolio	\$28,659,000	Larry Goldman	913-707-9030
Hot Springs Vlg	\$1,600,000	Larry Goldman	913-707-9030
Jacksonville	\$299,000	Larry Goldman	913-707-9030

Colorado

Bennett	SOLD	Joan Lucas	720-855-6587
---------	-------------	------------	--------------

Florida

Atlantic Beach	\$5,470,000	Frost Weaver/Josh Koerner	904-265-2003
Fanning Springs	\$2,500,000	Frost Weaver/Josh Koerner	904-265-2003
Ft. Myers	\$725,000	Frost Weaver/Josh Koerner	904-265-2003
High Springs	\$2,880,000	Frost Weaver/Josh Koerner	904-265-2003
Maccleddy	\$2,425,000	Frost Weaver/Josh Koerner	904-265-2003
Stuart	\$2,500,000	Frost Weaver/Josh Koerner	904-265-2003
Wildwood	\$7,750,000	Frost Weaver/Josh Koerner	904-265-2003

Georgia

Cumming	Call Broker	Mike Patterson	770-301-1886
Elijay	\$1,225,000	Jane Sauls	770-328-2379
Lithia Springs	\$950,000	Jane Sauls	770-328-2379
Mableton	\$895,000	Jane Sauls	770-328-2379
Mableton	\$538,000	Jane Sauls	770-328-2379
Warner Robins	\$549,000	Jane Sauls	770-328-2379

Illinois

Bloomington	\$2,350,000	Bruce Bahrmassel	312-518-3550
Byron	\$389,000	Bruce Bahrmassel	312-518-3550
Rockford	\$5,100,000	Bruce Bahrmassel	312-518-3550
Yorkville	\$970,000	Bruce Bahrmassel	312-518-3550

Indiana

Terre Haute	\$1,100,000	Paul Grisanti/Mike Helline	502-296-4586
-------------	-------------	----------------------------	--------------

Iowa

Altoona	Call Broker	Tom Flannigan	651-269-6307
---------	-------------	---------------	--------------

Kansas

Derby	\$1,300,000	Larry Goldman	913-707-9030
Hayesville	\$785,000	Larry Goldman	913-707-9030
Lawrence	SOLD	Larry Goldman	913-707-9030
Maize/Park Cty	\$2,300,000	Larry Goldman	913-707-9030
Manhattan	\$5,400,000	Larry Goldman	913-707-9030

Maine

Naples	\$850,000	Joseph Mendola	603-668-7000
--------	-----------	----------------	--------------

Massachusetts

Methuen	\$9,500,000	Joseph Mendola	603-668-7000
---------	-------------	----------------	--------------

Minnesota

Forest Lake	\$2,800,000	Tom Flannigan	651-269-6307
Ramsey	\$1,066,000	Tom Flannigan	651-269-6307

Missouri

Jefferson City	\$672,000	Larry Goldman	913-707-9030
Sedalia	\$4,696,000	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
--------	-----------	------------------------------	--------------

Nebraska

Lemoyme	\$1,700,000	Joan Lucas	720-855-6587
---------	-------------	------------	--------------

New Hampshire

Hinsdale	\$1,280,000	Joe Mendola	603-668-7000
Littleton	SOLD	Joe Mendola	603-668-7000

New Jersey

Kearny	Call Broker	Linda Cinelli	908-722-5661
Sparta	Call Broker	Linda Cinelli	908-722-5661
Ventnor City	\$1,725,000	Linda Cinelli	908-722-5661
West Berlin	\$5,400,000	Linda Cinelli	908-722-5661

New Mexico

Ruidoso Downs	\$618,000	David Etzold/Avi Kotkowski	915-845-6006
---------------	-----------	----------------------------	--------------

New York

Islip	\$5,700,000	Linda Cinelli	908-722-5661
-------	-------------	---------------	--------------

North Carolina

NC Portfolio	\$2,050,000	Jamey Cox	704-632-1030
Hickory	\$750,000	Jamey Cox	704-632-1030
Laurinburg	SOLD	Jamey Cox	704-632-1030
Raleigh	\$2,300,000	Jamey Cox	704-632-1030

Oklahoma

Bixby	\$4,200,000	Jared Jones	918-583-3483
Guymon	SOLD	Jared Jones	918-583-3483

Oregon

Central Point	\$1,875,000	Scott King	541-890-6708
Lakeview	\$835,000	Scott King	541-890-6708
Medford	\$375,000	Scott King	541-890-6708
Talent	\$2,790,000	Scott King	541-890-6708
Vale	\$1,600,000	Scott King	541-890-6708

Pennsylvania

Bechtelsville	\$1,350,000	Chuck Shields	610-828-0100
---------------	-------------	---------------	--------------

Tennessee

Kingsport	\$1,150,000	Paul Grisanti/Mike Helline	502-296-4586
-----------	-------------	----------------------------	--------------

Texas

Anna	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Arlington	SOLD	Richard Minker/Chad Snyder	817-335-5600
Bacliff	Call Broker	Bill Brownfield	713-907-6497
Mineral Wells	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Rockwall	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Seminole	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Texas City	Call Broker	Bill Brownfield	713-907-6497

Wisconsin

Franksville	\$599,000	Bruce Bahrmassel	312-518-3550
-------------	-----------	------------------	--------------

ARGUS SALES



Congratulations to **Richard Minker, CCIM and Chad Snyder** of Colliers International who sold Arlington Stor-More in Arlington, TX! Contact Richard and Chad at 817-335-5600 for details.



Congratulations to **Jared Jones, CCIM** of Jones Investment Properties who sold Guymon Econo Storage in Guymon, OK! Contact Jared at 918-583-3483 for details.



Congratulations to **Joan Lucas** of Joan Lucas Real Estate Services, LLC who sold Centennial Self Storage in Frederick, CO! Contact Joan at 720-855-6587 for details.



Congratulations to **Jamey Cox** of SVN Percival Partners who sold Butler Mini Storage in Laurinburg, NC! Contact Jamey at 704-632-1030 for details.



Congratulations to **Joe Mendola** of NAI Norwood Group who sold Lahout's Mini Storage in Littleton, NH! Contact Joe at 603-668-7000 for details.



Congratulations to **Larry Goldman, CCIM** of RE/MAX Commercial who sold Plaza Storage in Lawrence, KS! Contact Larry at 913-707-9030 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 & Jamey Cox
Mike Patterson, CCIM
Stuart Wade
Frost Weaver

Omega Properties, Inc.
SVN Percival Partners
Commercial Realty Services of West Georgia
The Nicholson Companies
Weaver Realty Group, Inc.

251-432-1287
704-632-1030
770-301-1886
757-618-3597
904-733-0039

FL Panhandle
NC, SC
GA
MD, VA
North, Central & South FL

NORTH CENTRAL

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

Waveland Commercial Real Estate, LLC
KW Commercial
NAI Daus
RE/MAX Commercial
Grisanti Group Commercial Real Estate
Preview Properties.com

312-518-3550
651-269-6307
216-831-3310
913-707-9030
502-253-1811
810-494-2062

Northern IL, Northern IN, WI
MN, ND, IA
OH, Western PA
KS, MO, Southern IL
KY, Southern IN
MI

SOUTH CENTRAL

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

Omega Properties, Inc.
Brownfield & Associates, LLC
Etzold & CO LLC
RE/MAX Commercial
Grisanti Group Commercial Real Estate
Jones Investment Properties
Colliers International

251-432-1287
713-907-6497
915-845-6006
913-707-9030
502-253-1811
918-583-3483
817-335-5600

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

WEST

David Etzold
Jeff Gorden, CCIM
Larry Hayes
Scott King
Joan Lucas
James Rueter
Doug Shea & Peter Pappageorge
Thomas Wolter

Etzold & CO LLC
Eagle Commercial Realty Services
Hayes & Associates
Merit Commercial Real Estate
Joan Lucas Real Estate Services, LLC
Grand Ave. Realty
Centennial Advisers
RE/MAX Commercial

915-845-6006
480-331-8880
406-544-1921
541-890-6708
720-855-6587
805-815-8105
562-269-4844
206-200-3325

NM
AZ, NV
MT
OR
CO
Northern CA
Southern CA
WA