ARGUS
SELF STORAGE SALES NETWORK

Market Monitor

America's Premier Self Storage Brokers **Issue VI-2013**

Secondary Markets Get No Respect!

by Ben Vestal

During Argus' 19-year history in the self-storage business, the perception about the industry has changed dramatically along with the profile of self-storage investors. Gone are the days when almost all self-storage investors were entrepreneurial, mom and pop investors who looked to benefit from their ability to effectively manage these assets. Today's investors take a more institutional investment approach. This change in the investor profile has caused the pricing for certain assets to reach historically high levels and many entrepreneurial investors are simply looking elsewhere for compelling opportunities. However, in light of mainstream real estate investors now racing to the self-storage business I believe there are still better opportunities for the entrepreneurial investor today in self-storage than any other real estate asset class.

As we continue down the road of the next real estate boom, we are being forced to be more creative, invest smarter and most importantly, seek opportunistic investments that are outside the box of the traditional investment criteria. I often find myself pondering what might be the next great opportunity as I am constantly reviewing the 75+ self-storage listings that Argus has at any given time. It has occurred to me that the opportunity today is no doubt in secondary markets! Below I have outlined some observations and deal characteristics that will give you the sense that now is the time for secondary market deals.

Simple Economics:

As we all know the self-storage business is all about CASH flow. By way of example, prices are higher per dollar of NOI (lower cap rates) in major markets than they are in secondary markets. As indicated in the chart below the secondary market property has a 13.76% cash on cash return which is a 57% greater return than the major market property with an 8.75% cash on cash return.

	Major Market Property	Secondary Market Property
Revenue	$500,000	$500,000
Expenses	$200,000	$200,000
NOI	$300,000	$300,000
Cap Rate	6.75%	8%
Value	$4,444,444	$3,750,000
Deal Economics		
Equity	$1,111,111	$937,500
Loan Amount	$3,333,333	$2,812,500
Debt Service	$202,668	$171,000
Cash Flow	$97,332	$129,000
Cash on Cash Return	**8.75%**	**13.76%**

While there may be many reasons for the difference in the cash on cash return and value, most will likely relate to the number of buyers and sellers in the market rather than some intrinsic valuation issue. When you consider that a self-storage market is measured by a five mile radius (approximately) around each property, the difference between a major market property and secondary market property is less about the city or town that the property is located in and more about the location of the property within the city or town. In other words, a well located property in Ft. Collins, CO or Oklahoma City, OK is probably equal to a comparable, well located property in Los Ange-

(continued)

les, CA or Montclair, NJ as it relates to the property's ability to generate a stable and growing income stream.

One of the main reasons that self-storage is such a great real estate investment is both a blessing and a curse. The reason, of course, is the lack of glamor and ego. You don't buy a self-storage property to drive your golfing buddy by and show him your property. It is a blessing because all of the value comes from the cash flow and not ego satisfaction. The curse, however, comes when you sell your property. Buyers are seldom ever so smitten with a self-storage property that they "fall in love" with a project and forget about the numbers. In almost every case the buyer of a self-storage property knows the market cap rate and operating costs and refuses to overpay for a property.

Clearly, there is value in understanding what affects the market cap rates in self-storage. The reward is obvious and makes the game worth playing, but the trick is to make sure the difference is really in the price and not the market or quality of the project! It is easy to see why the former "ugly duckling" of real estate now enjoys the respect of all types of investors. The potential for growth in secondary markets, combined with the impressive cash flow has elevated this opportunity to a whole new level- one that will rival the most glamorous of property types for years to come. MM

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

Argus is proud to participate once again in the ISS 2013 Best of Business poll! Please vote for **Argus** as the **Best Real Estate Brokerage** and cast your vote for all of your favorite industry vendors and suppliers!

Voting ends June 30, so click here to submit your vote today!

WINNER ISS INSIDE SELF-STORAGE 2011 BEST OF BUSINESS BEST REAL ESTATE BROKERAGE

WINNER ISS INSIDE SELF-STORAGE 2012 BEST OF BUSINESS BEST REAL ESTATE BROKERAGE

Property Showcase

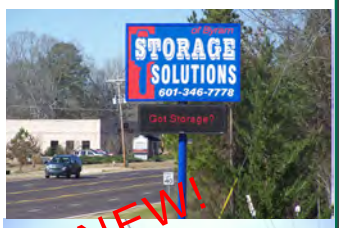
Yreka, CA • $750,000

- 133 Units
- 18,920 RSF
- 2.71 Acres
- Professionally managed facility with pride of ownership evident throughout!
- Land for expansion with plans for additional 100 units
- Fully gated, secured and well-maintained
- Owner is selling for health reasons

Tom de Jong
408-282-3829
tom.dejong@colliers.com

Mississippi Portfolio • $4,500,000

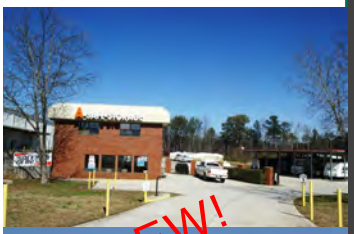
- 3-Property Portfolio
- 994 Total Units
- 139,250 Total RSF
- 9.58 Total Acres
- Properties located in Byram, Terry and McComb, MS



Bill Barnhill, CCIM & Stuart LaGroue
251-432-1287
barnhill@selfstorage.com,
stuart@selfstorage.com

Villa Rica, GA • $1,275,000

- 167 Units
- 23,950 RSF
- 5.15 Acres
- Great location in high traffic corridor with strong growth
- Flat site with door visibility and dual road access
- Minimal competition within 5 miles
- Thrift store and propane income pays onsite payroll



Mike Patterson, CCIM
770-241-9070
ebroker@msn.com

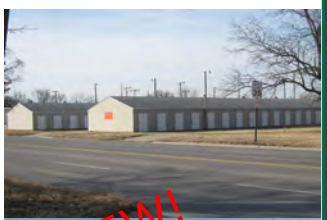
Fitzwilliam, NH • $710,000

- 108 Units
- 14,900 RSF
- 42 Acres
- Plenty of land for expansion
- Located 2 miles from the Massachusetts border
- Lower priced compared to storage in MA
- Approvals for additional 8,225 SF of storage

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

Iola, KS • $530,000

- 3-Property Portfolio
- 140 Total Units
- 23,600 Total RSF
- Location 1: 50-Unit self storage with 6,800 RSF
- Location 2: 90-unit self storage with 10,800 RSF
- Location 3: 6-unit apartment property with 6,000 RSF approx.



Larry Goldman, CCIM
913-339-0641
lgoldman@selfstorage.com

Columbus, OH • $1,800,000

- 278 Units
- 49,645 RSF
- 4.55 Acres
- Great location in continuously growing area
- On-site 3 bedroom manager apartment
- Income from Billboard and 3 warehouse buildings
- Expanded in 2003

Michael Venesky & Alec Pacella, CCIM
216-455-0886
mvenesky@naidaus.com,
apacella@naidaus.com

ARGUS Sells Self Storage Nationwide!

- Over $103 million in self storage properties currently for sale, with prices ranging from $150,000 to over $7 million to meet the needs of every buyer.
- For property details, broker information and helpful industry articles, visit www.argus-selfstorage.com or contact your local Argus Broker Affiliate listed on the back of the Market Monitor!

Alabama			
Foley	$999,500	Bill Barnhill/Shannon Barnes	251-432-1287
		Stuart LaGroue	251-432-1287
Theodore	$300,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Arizona			
Bisbee	$150,000	Jeffery A. Gorden	480-331-8880
Bullhead City	$403,750	Jeffery A. Gorden	480-331-8880
Bullhead City	$357,000	Jeffery A. Gorden	480-331-8880
Kingman	$3,875,000	Jeffery A. Gorden	480-331-8880
Phoenix	$1,500,000	Jeffery A. Gorden	480-331-8880
Arkansas			
Hiwasse	$599,000	Larry Goldman	913-339-0641
Little Rock	$2,675,000	Larry Goldman	913-339-0641
		Richard Minker/TylerTrahant	817-335-5600
Little Rock	$525,000	Larry Goldman	913-339-0641
California			
Orland	Make Offer	Tom de Jong	408-282-3829
Vallejo	Make Offer	Tom de Jong	408-282-3829
Yreka	$750,000	Tom de Jong	408-282-3829
Colorado			
Colorado Springs	$7,012,000	Joan Lucas	720-855-6587
Cortez	$1,243,500	Joan Lucas	720-855-6587
Florida			
Live Oak	$599,999	John W. Hill	386-362-3300
Macclenny	$1,725,000	W. Frost Weaver	904-265-2001
Panama City	$900,000	Bill Barnhill/Shannon Barnes	251-432-1287
		Stuart LaGroue	
Georgia			
Carrollton	$270,000	Mike Patterson	770-241-9070
Oakwood	$1,499,000	Mike Patterson	770-241-9070
Villa Rica	$940,000	Mike Patterson	770-241-9070
Villa Rica	$1,275,000	Mike Patterson	770-241-9070
Illinois			
Byron	$300,000	Bruce Bahrmasel	312-518-3550
Dupo	$807,000	Larry Goldman	913-339-0641
Freeport	$1,050,000	Bruce Bahrmasel	312-518-3550
Rochelle	$899,000	Bruce Bahrmasel	312-518-3550
Kansas			
Iola	$530,000	Larry Goldman	913-339-0641
Junction City	$1,895,000	Larry Goldman	913-339-0641
Topeka	$1,795,000	Larry Goldman	913-339-0641
Michigan			
Lapeer	$785,000	Jim Soltis	810-494-2062
Missouri			
Marshfield	$2,550,000	Larry Goldman	913-339-0641
Sedalia	**SOLD!**	Larry Goldman	913-339-0641
St. Joseph	$2,350,000	Larry Goldman	913-339-0641
Mississippi			
3-Prop. Portfolio	$4,500,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Brandon	$650,000	Bill Barnhill/Stuart LaGroue	251-432-1287
		Shannon Barnes	
New Hampshire			
Claremont	$290,000	Joe Mendola	603-668-7000
Fitzwilliam	$710,000	Joe Mendola	603-668-7000
New Jersey			
Branchville	$1,950,000	Linda Cinelli	908-722-5661
Hackettstown	$4,500,000	Linda Cinelli	908-722-5661
Haledon	$725,000	Linda Cinelli	908-722-5661
Montague	$1,600,000	Linda Cinelli	908-722-5661
Pemberton	$975,000	Linda Cinelli	908-722-5661
Pennsauken	$1,300,000	Linda Cinelli	908-722-5661
New York			
Hicksville	$4,200,000	Linda Cinelli	908-722-5661
Middletown	$450,000	Linda Cinelli	908-722-5661
Modena	$1,400,000	Linda Cinelli	908-722-5661
Peekskill	$3,500,000	Linda Cinelli	908-722-5661
Port Jervis	$1,600,000	Linda Cinelli	908-722-5661
Shirley	$5,700,000	Linda Cinelli	908-722-5661
North Carolina			
Chapel Hill	**SOLD!**	Joey Godbold	704-632-1027
Whiteville	$3,750,000	Joey Godbold	704-632-1027
North Dakota			
Watford City	$1,200,000	Bruce Bahrmasel	312-518-3550
Ohio			
Cleveland	$2,300,000	Alec Pacella/Michael Venesky	216-455-0886
Columbus	$1,800,000	Alec Pacella/Michael Venesky	216-455-0886
Copley	$1,425,000	Alec Pacella/Michael Venesky	216-455-0886
Elyria	$2,699,000	Alec Pacella/Michael Venesky	216-455-0886
Franklin	$775,000	Alec Pacella/Michael Venesky	216-455-0886
Painesville	$315,000	Alec Pacella/Michael Venesky	216-455-0886
Oklahoma			
Hugo	$1,650,000	Jared Jones	918-665-1210
Stillwater	$750,000	Jared Jones	918-665-1210
Tulsa	$950,000	Jared Jones	918-665-1210
Verden	$249,500	Jared Jones	918-665-1210
Oregon			
Bandon	$749,000	Steve Boldish	541-776-1031
Pennsylvania			
Bechtelsville	$1,350,000	Chuck Shields	610-828-0100
Glen Mills	**SOLD!**	Chuck Shields	610-828-0100
Matamoras	$1,100,000	Linda Cinelli	908-722-5661
Olyphant	$850,000	Chuck Shields	610-828-0100
Texas			
Fort Worth	$1,790,000	Richard MInker/Tyler Trahant	817-840-0055
Fulshear	**SOLD!**	Bill Brownfield	713-366-3134
Gonzales	$3,200,000	Bill Brownfield	713-366-3134
Horizon City	$350,000	Noel Woodwell	915-491-9610
Richmond	$1,850,000	Bill Brownfield	713-366-3134
Washington			
Friday Harbor	$1,890,000	Jason Wilcox	206-919-7643
Morton	$697,000	Jason Wilcox	206-919-7643

Congratulations to the following Argus Broker Affiliates on their recent sales!

WINNER ISS INSIDE SELF-STORAGE 2012 BEST OF BUSINESS BEST REAL ESTATE BROKERAGE

Bill Brownfield, CRE, CCIM of MKP Self Storage LLC sold Bluebonnet Mini Storage in Fulshear, TX and represented the buyer of Eagle Lake Storage in Humble, TX!

Larry Goldman, CCIM of RE/MAX Commercial sold West 50 Self Storage in Sedalia, MO!

Chuck Shields of Beacon Commercial Real Estate sold Chester Heights Storage in Glen Mills, PA!

Joey Godbold of Percival McGuire Commercial Real Estate sold Farrell's Self Storage in Chapel Hill, NC!

Argus is proud to welcome our newest Broker Affiliate! **Stuart Wade** of The Nicholson Companies will represent Argus in Virginia and Maryland. Stuart has been involved with the self storage asset class since 2004 and has held a Virginia Broker's license for over 20 years. He also serves on the Board of the South Carolina Self Storage Association. As an owner of a self storage facility and as a trusted advisor to many owners, Stuart really knows the ins and outs of the self storage business. He can be reached at (757) 618-3597 or swade@thenicholsoncompanies.com.

Contact an Argus Broker Affiliate

	Company	Phone	Territory
NORTHEAST			
Guy Blake, CCIM	Pyramid Brokerage Company	845-522-5900	Upstate NY, Western CT
Linda Cinelli, CCIM, CEA & Sean Bortel	LC Realty	908-722-5661	Northern NJ, NY (NYC, Long Island)
Joseph Mendola	NAI Norwood Group	603-668-7000	MA, ME, NH VT, Eastern CT
Chuck Shields	Beacon Commercial Real Estate	610-862-1645	Eastern PA, Southern NJ, DE
SOUTHEAST			
Bill Barnhill, CCIM	Omega Properties, Inc.	888-801-4534	FL Panhandle
N.J. "Joey" Godbold	Percival McGuire Commercial Real Estate	704-632-1027	NC, SC
Mike Patterson, CCIM	Commercial Realty Services of West Georgia	770-241-9070	GA
Stuart Wade	The Nicholson Companies	757-618-3597	MD, VA
Frost Weaver (FL Commercial Brokers Network)	Weaver Realty Group, Inc.	904-733-0039	North, Central & South FL
NORTH CENTRAL			
Bruce Bahrmasel	Landstar Realty Group	312-518-3550	Northern IL, Northern IN
Alec Pacella, CCIM & Michael Venesky	NAI Daus	216-831-3310	OH, Western PA
Larry Goldman, CCIM	RE/MAX Best Associates	913-339-0641	KS, MO, Southern IL
Mike Helline & Paul Grisanti, CCIM	Grisanti Group Commercial Real Estate	502-253-1811	KY, Southern IN
Jim Soltis	Preview Properties.com	810-494-2062	MI
SOUTH CENTRAL			
Bill Barnhill, CCIM	Omega Properties, Inc.	888-801-4534	AL, MS
Bill Brownfield, CRE, CCIM	MKP Self Storage LLC	713-366-3134	South & Central TX
David Etzold & Noel Woodwell	Etzold & Co.	915-845-6006	West TX
Larry Goldman, CCIM	RE/MAX Best Associates	913-339-0641	AR
Mike Helline & Paul Grisanti, CCIM	Grisanti Group Commercial Real Estate	502-253-1811	TN
Jared Jones, CCIM	Bauer & Associates	918-665-1210	OK
Richard D. Minker, CCIM & Tyler Trahant	CASE Commercial Real Estate Partners	817-335-5600	North TX
WEST			
Steve Boldish, CCIM	Oregon Self Storage Brokers	541-776-1031	OR
Tyler Clay, Bob Southern & Nicholas Maerz	Coldwell Banker Commercial Clay & Associates	775-829-5900	NV
Alan Davidson, CCIM	Realty One	949-424-1680	Southern CA
Tom de Jong	Colliers International	408-282-3829	Northern CA
David Etzold & Noel Woodwell	Etzold & Co.	915-845-6006	NM
Jeffery A. Gorden, CCIM	Eagle Commercial Realty Services	480-331-8880	AZ
Larry Hayes	Hayes & Associates	406-728-0088	ID, MT
Joan Lucas	Joan Lucas Real Estate Services, LLC	720-855-6587	CO
Jason Wilcox, CCIM	Gleason & Company Commercial Real Estate	206-919-7643	WA