



SELF STORAGE SALES NETWORK

Market Monitor

America's Premier Self Storage Brokers

Issue I-2019

A Road Map for the New Year

by Ben Vestal

Over the last several weeks, top executives from around the self-storage industry have gathered in New York City and Aspen to discuss industry trends, investor sentiment and the overall market outlook for 2019. The consensus was that industry executives remain cautiously optimistic about self-storage performance in 2019, in light of the interesting changes that we saw in the last few months of 2018. Much to my surprise, we saw the ten-year treasury decline to the mid 2.5%-2.8% range, self-storage development seems to be slowing or a least cooling off and we clearly have an abundance of capital still looking to invest in the space.

Meanwhile, the phone has been ringing off the hook with owners wanting to find out what their property is worth. In some cases, their interest is only curiosity, but in many cases, they are interested in financing, estate valuation or selling. Argus is now offering a FREE 2018 sales comp report for each of your markets. Argus has tracked and inventoried more than 1,000 self-storage sales comps for 2018 and we were involved in more than 100 transactions nationwide in 2018, which puts us in a unique position to advise our clients. If you would like to receive this free report, please contact your local Argus broker.

Below are a few industry trends that will shape the self-storage investment market this year.

Certificate of Occupancy Deals

Gone are the days of C of O deals! For the lucky few that were able to sell a C of O deal, it was a short window but like all real estate trends, if you hit it right it was a beautiful thing. In 2018 the five Self-Storage REITs closed on less than five C of O deals nationwide. There are a few private equity sources that continue to market themselves as C of O buyers, but the reality is that they are only looking for steals and many times their offers are less than the developer's cost to build the project, resulting in frustration for most involved. Obviously, there is always an exception to the rule: if you have a site that is approved with little to no competition, strong rental rates and demographics, and located in a major market there is undoubtedly a buyer at C of O. But why would you sell if you are able to land this type of deal?

The C of O buying philosophy that was first socialized in 2014/2015 was not ill-conceived, but the rising cost of construction (25%+), new supply, difficult and costly entitlements, and rising real estate taxes have driven the cost to build new Class A self-storage projects to a level that does not allow for appropriate risk-adjusted returns.

Lease Up Deals

2019 will be the year of the lease up deal and we expect to see

a number of deals in lease up coming to market. Many developments around the country that opened in the last 6-24 months are not achieving the rental rates they projected. In many markets rental rates are off by as much as 20%-30% and this, along with slower than anticipated absorption, is beginning to cause concern for some owner/developers. This is compounded by the rising real estate taxes and rise in operating expenses that self-storage properties are getting hit with in many markets around the country.

Most of the new self-storage projects that have been built this cycle are multi-story and located in major markets with strong population and job growth. These projects will stabilize, but the question is when? Most self-storage developers underwrite 2-3 years to stabilization. In reality, it may take some of these new projects 5-8 years to stabilize due to the large number of new projects that have been built this cycle. This puts owners who are overleveraged or undercapitalized at a meaningful disadvantage and creates opportunity for buyers with long term investment horizons. This is the biggest value-add opportunity in the industry today, but it is not for the faint of heart!

Stabilized Deals

Stabilized deals are still the gold standard in self-storage investments. We have seen little to no cap rate expansion for stabilized deals in good markets. There is meaningful buying competition for stabilized self-storage assets today which is driving prices to near-record highs. 2019 will prove once again that stabilized self-storage deals are a very durable and constant income producer.

Financing

The financing market is undoubtedly the biggest wild card in the self-storage investment market today, and for that matter, the entire economy. After more than five years of historically low interest rates, responsibly aggressive underwriting, and an abundance of debt providers, one might think we are in for a slow down in 2019. However, after seeing the ten-year treasury bounce above 3% for the first time in a while in late 2018, we are off to a bang in 2019 with the ten-year treasury declining to the 2.5%-2.8% range. We find ourselves with a very competitive and fluid debt market with more tools than ever before.

The increase in industry awareness among institutional-type lenders, better information providers, quality third-party management platforms and overall understanding of the self-storage space has allowed lenders to get comfortable with making self-storage loans. Make no qualms about it, as the financing market goes, so goes the self-storage market. **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

Melbourne, FL

\$1,800,000

- 146 Units **NEW!**
- 2.69+/- Acres
- Boat/RV facility with 26 traditional storage units
- Only covered Boat/RV storage within 3.5 miles
- Upside potential with below market rental rates
- Over \$270K in recent renovations
- Facility set up to be run remotely

**Josh Koerner
& Frost Weaver**

904-591-0140

jkoerner@weaver-realty.com



Canton, GA

\$4,850,000

- 168 Units **NEW!**
- 55 Parking Spaces
- 56,356 RSF
- 4.7 Acres
- Located in Cherokee County, just north of Atlanta
- Upscale area and demographic base
- Current moratorium on any additional storage being built along Highway 20

J. Kris Knowles

720-323-2055

jkrisknowles@yahoo.com



Jacksonville, FL

\$750,000

NEW!

- Self-Storage Development Site
- 4.2 Acres
- Proposed 3-story climate controlled facility
- Prime development location with mix of dense retail and residential units
- Well-positioned site with traffic count of 53,000 cars per day

**Josh Koerner
& Frost Weaver**

904-591-0140

jkoerner@weaver-realty.com



Billings, MT

\$1,490,000

- 135 Units **NEW!**
- 24,320 RSF
- 2.42 Acres
- Located in an industrial area in Lockwood, MT, a suburb of Billings
- Outdoor storage can be converted to additional indoor units
- Refurbished in 2018
- On site manager

**Kim Vandelinder
& Larry Hayes**

406-544-1921

vrealty4062@gmail.com



Marysville, CA

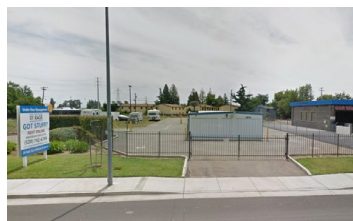
\$695,000

- 49 Units **NEW!**
- 5,000 RSF
- 1.79 Acres
- Seller financing available
- Newer construction
- 100% occupied
- Facility is approved for up to 214 units with available expansion land
- Located in close proximity to Yuba College and Beale Air Force Base

Jim Rueter

805-815-8105

argusnorcal@gmail.com



Eagle, MI

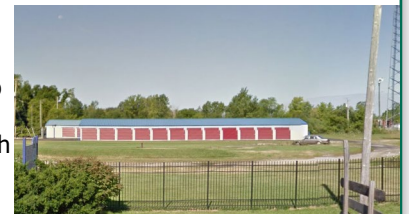
\$580,000

- 70 Units **NEW!**
- 8,700 RSF
- 2.04 Acres
- Located in Eagle, a suburb of Lansing, MI
- Great visibility location with traffic exposure to 46,000 cars per day
- Opened in 2002
- Excellent access from I-96
- Expansion potential to double current size

Jim Soltis

810-494-2026

jsoltis@previewproperties.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	SOLD	Bill Barnhill/Stuart LaGroue	251-432-1287
Fultondale	SOLD	Bill Barnhill/Stuart LaGroue	251-432-1287
Spanish Fort	\$890,000	Bill Barnhill/Shannon Barnes	251-432-1287

Arkansas

Cabot	\$429,000	Larry Goldman	913-707-9030
Hot Springs Vlg	\$1,600,000	Larry Goldman	913-707-9030
West Memphis	\$9,645,000	Larry Goldman	913-707-9030
Wynne	\$5,172,000	Larry Goldman	913-707-9030

California

Marysville	\$695,000	Jim Rueter	805-815-8105
Placerville	\$895,000	Jim Rueter	805-815-8105
Whittier	\$2,967,000	Peter Pappageorge	532-269-4844

Colorado

Colo. Springs	\$8,700,000	Joan Lucas	720-855-6587
Longmont	\$2,800,000	Joan Lucas	720-855-6587

Florida

High Springs	\$2,880,000	Frost Weaver/Josh Koerner	904-591-0140
Jacksonville	\$750,000	Frost Weaver/Josh Koerner	904-591-0140
Maccleenny	\$2,425,000	Frost Weaver/Josh Koerner	904-591-0140
Melbourne	\$1,800,000	Frost Weaver/Josh Koerner	904-591-0140
Pensacola	\$3,800,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Stuart	\$2,500,000	Frost Weaver/Josh Koerner	904-591-0140

Georgia

Canton	\$4,850,000	J.Kris Knowles	720-323-2055
Cumming	\$950,000	Mike Patterson	770-301-1886
Lithia Springs	\$950,000	Jane Sauls	770-328-2379
Mableton	\$895,000	Jane Sauls	770-328-2379
Mableton	\$490,000	Jane Sauls	770-328-2379

Illinois

Bloomington	\$2,350,000	Bruce Bahrmassel	312-518-3550
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Indiana

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

Altoona	Call Broker	Corly Wilkerson	612-282-2670
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Kansas

Manhattan	\$5,400,000	Larry Goldman	913-707-9030
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Maine

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

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

Eagle	\$580,000	Jim Soltis	810-494-2062
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Minnesota

Columbus	\$2,200,000	Tom Flannigan	612-790-3747
Forest Lake	\$2,800,000	Tom Flannigan	612-790-3747

Minnesota, cont.

Two Harbors	\$1,200,000	Tom Flannigan	612-790-3747
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Mississippi

Canton	\$850,000	Bill Barnhill/Stuart LaGroue	251-432-1287
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Missouri

Jefferson City	\$599,000	Larry Goldman	913-707-9030
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Montana

Billings	\$1,490,000	Kim Vandelinder	406-544-1921
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New Hampshire

Enfield	\$6,700,000	Joe Mendola	603-668-7000
Hinsdale	SOLD	Joe Mendola	603-668-7000

New Jersey

Sparta	\$7,450,000	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 York

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

Hickory	\$750,000	Jamey Cox	704-632-1030
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North Dakota

Bowman	\$950,000	Tom Flannigan	612-790-3747
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Ohio

Empire	\$1,500,000	Alec Pacella	216-455-0925
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Oklahoma

Broken Bow	\$1,650,000	Jared Jones	918-583-3483
Commerce	\$390,000	Larry Goldman	913-707-9030
Tulsa	\$1,780,000	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
Vale	\$1,600,000	Scott King	541-890-6708

Pennsylvania

Albion	\$450,000	Alec Pacella	216-455-0925
Bechtelsville	\$1,350,000	Chuck Shields	610-828-0100

Tennessee

Afton	\$1,675,000	Paul Grisanti/Mike Helline	502-296-4586
Kingsport	SOLD	Paul Grisanti/Mike Helline	502-296-4586

Texas

Anna	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Katy	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

Washington

Sedro-Woolley	\$409,950	Thomas Wolter	206-200-3325
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ARGUS SALES



Congratulations to **Linda Cinelli, CCIM** of LC Realty who sold a self-storage development site in Shirley, NY! Contact Linda at 908-722-5661 for details.



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



Congratulations to **Bill Barnhill, CCIM** and **Stuart LaGroue** of Omega Properties, Inc. who sold the Budget Storage portfolio in Childersburg, AL and a self-storage development site in Fultondale, AL! Contact Bill and Stuart at 251-432-1287 for details.



Congratulations to **Mike Helline** and **Paul Grisanti, CCIM** of Grisanti Group Commercial Real Estate who sold Store-It-Rite Self Storage in Kingsport, TN and a self-storage property in Louisville, KY! Contact Mike and Paul at 502-253-1811 for details.



Congratulations to **Josh Koerner** and **Frost Weaver** of Weaver Realty Group who sold High Springs Mini Storage in High Springs, FL! Contact Josh and Frost at 904-591-0140 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

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

312-518-3550
612-790-3747
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 & Faith Pate
David Etzold & Avi Kotkowski
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 & Avi Kotkowski
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
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406-544-1921
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720-855-6587
805-815-8105
562-269-4844
206-200-3325

NM
AZ, NV
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OR
CO
Northern CA
Southern CA
WA