



SELF STORAGE SALES NETWORK

Market Monitor

America's Premier Self Storage Brokers

Issue VIII-2019

Time to Look Around the Corner

by Ben Vestal and Bill Barnhill, CCIM

Congratulations, America! We've gone longer without a recession than at any time since economists began keeping track of such things. The economy has been expanding for 122 months, beating the previous record of 120 months which was set in the 1990s. However, over the last 30 days we have started to see the rock and roll of changing times; inverted yield curve, market volatility, and to top it off we have an election year looming next year. Economists like to say that expansions do not die of old age. The average U.S. expansion has lasted just 58 months, less than half as long as the current one, but periods of extended growth have been common in many other nations. Australia is enjoying its 28th straight year of growth. Canada, the U.K., Spain and Sweden had expansions that reached 15 years and beyond between the early 1990s and 2008. Without the Sept. 11th terrorist attacks the U.S. might have, too. The current US expansion has seen GDP grow just under 25%, the slowest GDP growth of any modern-day expansion. The economy has grown about 2.3% per year since June 2009 when the great recession ended. That's almost half the 4.3% average growth rate of the 10 previous economic expansions.

Looking back over the last 25 years in the self-storage business, it became apparent that during recessions – especially the Great Recession - many self-storage owners and investors were caught off guard by the timing and severity of such deep downturns. Although self-storage fared much better than other real estate sectors, self-storage owners experienced occupancy declines, some mortgage defaults, and many had difficulty maintaining net operating income and cash flow.

While it is difficult to predict when the next recession will occur, we don't see a major recession currently on the horizon. However, a small stealthy recession may be in the near future and it is prudent to prepare for it now. The tricky thing about recessions is that we will already be in a recession by the time the economic data from the previous two quarterly reports provides the confirmation that we are indeed in a recession. We will most likely slip into a recession without even knowing it.

From 2013 through 2018 (5 years), the self-storage development wave was in full swing around the country, with tapering off expected in 2019 and 2020. Due to product awareness, developer confidence, low interest rates and very fluid debt and equity markets, we have seen an abundance of new self-storage projects built in every major market around the country.

With the currently low short-term interest rates and the dip in long term rates, this market condition has continued to push strong market valuations and further compression in cap rates. The Fed just announced a decrease in short term rates by 25 basis points on July 31, 2019. It appears this was done as a preemptive measure to cushion the economy from a global slow down and trade tension uncertainties. However, this should be a warning sign to everyone that the

economy is not growing as fast as it once was and we should proceed with caution.

Let's pause and think through what we can do to prepare for a stealthy economic slow-down that may be looming. The greatest risks to self-storage are overbuilding, rising interest rates, or even worse, the genuine lack of available new financing to take down maturing construction loans or to refinance maturing debt. Below we have listed a few suggestions that will help self-storage owners prepare for a slow-down:

1. Lock in long term debt! We are seeing some of the lowest interest rates in recent times. Be sure you have enough term on your debt to endure several years of a stalled economy and debt market. Do not over-finance, keep the loan-to-value in line so that you can endure lower rental rates and lower occupancies if the slowdown comes.
2. Utilize professional management practices and keep current with new management tools such as the ability to rent online, remote management, and use of dynamic pricing and revenue management.
3. Maintain your property! If there are any major maintenance projects that need to be completed, don't delay. It is better to replace a roof now than when under the stress of more competition, lower rental rates and other challenges during a recession.
4. Maintain substantial cash reserves. It will make you sleep better at night and having the ability to act quickly when new acquisitions opportunities present themselves will lead to value creation a more diversified real estate portfolio.
5. With an election looming next year, it is unlikely we will see any real change in the economy over the next 6-12 months but anticipate changes in fiscal policies that could affect the economy in general, and in particular, the availability and cost of capital. Stay informed about the economy and continue to learn more about how to stay competitive in your self-storage business.

Although the U.S. economy is still growing, albeit rather slowly, it is possible that other countries could pull us into a global recession. Watch for signals like defaults on consumer debt such as car loans, credit cards and student loans that often precede more serious slow-downs. The time to prepare is now! The U.S. economy by most measures is healthy and doing well - but that can change in a matter of a few quarters. Ultimately, we must prepare now for an inevitable downturn in the economic cycle. **MM**

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Bill Barnhill, CCIM is the Argus Broker Affiliate representing the Gulf Coast and he can be reached at 251-432-1287 or barnhill@selfstorage.com.



Property Showcase

Ormond Beach, FL

\$1,200,000

- 41 Units
- 14,125 RSF
- 2 Acres
- Significant upside with below average rents
- Long term tenants with low turnover
- Mix of Office/Warehouse and storage units
- Conveniently located off US-1

NEW!



**Josh Koerner &
Frost Weaver**
904-591-0140

jkoerner@weaver-realty.com

Alexandria, MN

\$2,200,000

- 265 Units
- 45,870 RSF
- 22.19 Acres
- Two well-located facilities in a growing market
- High quality construction
- Significant opportunity for operational improvement
- Current rents are below market
- Ample land for expansion

NEW!



**Tom Flannigan &
Alex Ihrke**
612-790-3747

tom@selfstorage.com
alex@selfstorage.com

Boone, IA

\$275,000

- 45 Units
- 6,420 RSF
- 0.25 Acre
- Newly renovated facility opened mid-2018 with a strong lease up trend
- Clean and secure facility
- Great location adjacent to dense residential and retail areas

NEW!



**Tom Flannigan &
Alex Ihrke**
612-790-3747

tom@selfstorage.com
alex@selfstorage.com

Ardmore, OK

\$300,000

- 171 Units
- 26,968 RSF
- 5.52 +/- Acres
- Below market rates and occupancy provide significant upside
- Ample room for expansion
- New gate, exterior lighting and security cameras
- On-site office and two apartments

NEW!



Jared Jones, CCIM
918-948-3941

jjones@selfstorage.com

Gardner, KS

\$6,690,000

- 587 Units
- 84,525 RSF
- 3.46 Acres
- Recently expanded Class A facility with climate and non-climate units
- Located in high growth Kansas City suburb
- Excellent occupancy history
- Two-story design with all drive-up units



Larry Goldman, CCIM
913-707-9030

lgoldman@selfstorage.com

Magnolia, TX

\$1,500,000

- 128 Units
- 22,800 RSF
- 3 Acres
- New construction, priced below replacement cost
- Surrounding residential market is growing quickly
- Property can easily be expanded to 40,000 SF

NEW!



**Bill Brownfield, CRE, CCIM
& Faith Pate**

713-907-6497/713-993-7692

bill@wbrownfield.com
faith.pate@avisonyoung.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.

Arizona

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

Arkansas

Cabot \$429,000 Larry Goldman 913-707-9030
Hot Springs Vlg \$1,600,000 Larry Goldman 913-707-9030
N. Little Rock \$5,100,000 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

Whittier \$2,659,000 Doug Shea 562-773-4000

Colorado

Conifer \$500,000 Joan Lucas 720-855-6587
Loveland \$5,700,000 Joan Lucas 720-855-6587

Connecticut

Danbury \$25/NRSF Linda Cinelli 908-722-5661

Florida

Chieffland \$1,500,000 Josh Koerner/Frost Weaver 904-591-0140
Melbourne \$1,800,000 Josh Koerner/Frost Weaver 904-591-0140
Miami \$2,500,000 Josh Koerner/Frost Weaver 904-591-0140
Naples \$2,650,000 Josh Koerner/Frost Weaver 904-591-0140
Ormond Beach \$1,200,000 Josh Koerner/Frost Weaver 904-591-0140
Stuart \$2,500,000 Josh Koerner/Frost Weaver 904-591-0140
Vero Beach \$4,425,000 Josh Koerner/Frost Weaver 904-591-0140

Georgia

Alpharetta \$695,000 Jane H. Sauls, CCIM 770-328-2379
Lake Park \$2,200,000 Luke Sauls 770-841-4591
Mableton \$895,000 Jane H. Sauls, CCIM 770-328-2379
Tifton \$2,700,000 Jane H. Sauls, CCIM 770-328-2379

Illinois

Chillicothe \$1,399,000 Bruce Bahrmassel 312-518-3550
Elgin **SOLD** Bruce Bahrmassel 312-518-3550
Rockford \$3,250,000 Bruce Bahrmassel 312-518-3550

Iowa

Boone \$275,000 Tom Flannigan 612-790-3747
Cedar Rapids \$650,000 Tom Flannigan 612-790-3747

Kansas

Andover \$4,200,000 Larry Goldman 913-707-9030
Derby \$1,400,000 Larry Goldman 913-707-9030
Eudora \$3,650,000 Larry Goldman 913-707-9030
Gardner \$6,690,000 Larry Goldman 913-707-9030
Iola \$565,000 Larry Goldman 913-707-9030
Liberal \$1,850,000 Larry Goldman 913-707-9030
S. Hutchinson \$625,000 Jared Jones 918-609-0541

Kentucky

Shepherdsville \$750,000 Mike Helline 502-296-4586

Massachusetts

Northampton \$595,000 Joseph Mendola 603-668-7000

Michigan

Addison \$1,060,000 Jim Soltis 810-494-2062
Eagle \$530,000 Jim Soltis 810-494-2062

Minnesota

Alexandria \$2,200,000 Tom Flannigan 612-790-3747

Missouri

Branson West Call Broker Jared Jones/Larry Goldman 918-609-0541
Jefferson City \$499,000 Larry Goldman 913-707-9030

Montana

Billings **SOLD** Kim Vandelinder 406 698-6850

Nebraska

Lemoine \$1,550,000 Joan Lucas 720-855-6587

New Hampshire

Boscawen **SOLD** Joe Mendola 603-668-7000

New Jersey

Sparta \$7,450,000 Linda Cinelli 908-722-5661
Ventnor City \$2,000,000 Linda Cinelli 908-722-5661

New York

East Hampton Call Broker Linda Cinelli 908-722-5661
Islip \$5,700,000 Linda Cinelli 908-722-5661

North Dakota

Bowman \$950,000 Tom Flannigan 612-790-3747
Watford City \$2,500,000 Tom Flannigan 612-790-3747

Ohio

N. Ridgeville \$1,500,000 Alec Pacella 216-455-0925

Oklahoma

Ardmore \$300,000 Jared Jones 918-609-0541
Tulsa \$2,250,000 Jared Jones 918-609-0541

Oregon

Lakeview \$835,000 Scott King 541-890-6708
Medford \$375,000 Scott King 541-890-6708

Pennsylvania

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

Texas

Anna Call Broker Richard Minker/Chad Snyder 817-335-5600
Bryan/ColStn Call Broker Bill Brownfield/Faith Pate 713-907-6497
Honey Grove Call Broker Richard Minker/Chad Snyder 817-335-5600
Magnolia \$1,500,000 Bill Brownfield/Faith Pate 713-907-6497
Rockwall Call Broker Richard Minker/Chad Snyder 817-335-5600

Wisconsin

Tomah **SOLD** Bruce Bahrmassel 312-518-3550

ARGUS SALES



Congratulations to **Richard Minker, CCIM and Chad Snyder** of Colliers International who represented the buyers of Scotty's Self Storage in Killeen, TX and Saf-T-Lok in Dallas, TX! Contact Richard and Chad at 817-335-5600 for details.



Congratulations to **Jared Jones, CCIM of Jones Investment Properties** who sold Pryor Creek Self Storage in Pryor, OK and Liberty Storage in Broken Arrow, OK! Contact Jared at 918-948-3941 for details.



Congratulations to **Tom Flannigan and Alex Ihrke** of KW Commercial who sold Bald Eagle Mini Storage in Hugo, MN! Contact Tom and Alex at 612-790-3747 for details.



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



Congratulations to **Larry Hayes and Kim Vandelinder of Hayes & Associates** who sold AAA Metra Mini Storage in Billings, MT! Contact Larry and Kim at 406-544-1921 for details.



Congratulations to **Bruce Bahrmassel** who sold ACL Self Storage in Elgin, IL and Eze Storage in Tomah, WI! Contact Bruce at 312-518-3550 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
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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
Jamey Cox
Mike Patterson, CCIM
Stuart Wade
Josh Koerner & 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
904-591-0140

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 & Aaron Willis
Jim Soltis

KW Commercial
NAI Pleasant Valley
RE/MAX Commercial
Column Realty
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502-296-4586
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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 & Aaron Willis
Jared Jones, CCIM
Richard D. Minker, CCIM & Chad Snyder

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Etzold & CO LLC
RE/MAX Commercial
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915-845-6006
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502-296-4586
918-948-3941
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
Sandy McCleve
James Rueter
Doug Shea & Peter Pappageorge
Thomas Wolter

Etzold & CO LLC
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Merit Commercial Real Estate
Joan Lucas Real Estate Services, LLC
McCleve Real Estate, LLC
Pacific Brokers
Centennial Advisers
RE/MAX Commercial

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