



SELF STORAGE SALES NETWORK

# Market Monitor

America's Premier Self Storage Brokers

Issue X-2014

## A Word to the Wise *A Look at Feasibility Studies* by Ben Vestal

Here comes the self storage development train. After living through two booms and two busts in my real estate career, it has become clear that real estate peaks and troughs are very much accelerated by the development of new product, which typically begins near the middle of the real estate cycle. In order to make the most of their development efforts, we have learned that the two most useful tools in a developer's toolkit are 1) a rational and critical feasibility analysis (RCFA) and 2) luck. Luck is immensely helpful but it can be highly unpredictable. The good news is that "Lady Luck" frequently seems to be accompanied by a good RCFA. Because my space is limited, I am going to focus on a few points you should consider when looking for a RCFA. This is not to say that cost and timing factors are not important, but only that they are usually somewhat less subjective. It has been my experience that while mistakes in estimating project costs are certainly no fun, they are usually less frequent and not as devastating as "missing the market."

### A Short History of Self Storage Development:

At one time or another we have all heard the saying "Build it and they will come." During the first generation of self-storage development, the industry experienced a field of dreams and a feasibility analysis was, at best, folder filler for lenders who were so daring to lend on this new revolutionary product. During this same period the demand was so great for self-storage that "Lady Luck" graced even the most risky developers with her presence. Times have now changed. With more than 50,000 self-storage properties around the United States, storage clients have a far wider choice of amenities, locations and prices than any time in the past. Thus

a RCFA has become a very critical tool for the developer who is considering a new self-storage development project. Now the emphasis has switched from properly papering the loan file to finding out if the project will really work and accessing the downside risk. Please note that the words rational and critical in my redefinition of a feasibility study are intended to differentiate the nature and quality of feasibility studies.

### Financing:

It is clear that many developers believe that if they get loan approval they infact have proven up the feasibility of the project. Two very serious problems with this misconception are 1) that it assumes that the lenders know something about self-storage and 2) that the lenders are doing you a favor by lending you the money. It is rare to find a lender that understands self-storage and it is never true that a lender is lending you the money as a favor- they love to rent you the money! So just because you got "the money" does not mean your project is feasible! Remember, lenders may be less particular on new development projects because most will have recourse to your other assets.

### The Right Answer:

First and foremost, a feasibility analysis should be unbiased. Many times the firms that are doing feasibility studies are often listening to the desires of their clients and consequently their reports reflect the client's prejudice and not actual market insight. Being human, the people who write the feasibility reports want to please their clients. Thus when hiring a firm, the first thing you should consider asking is: "how many of the last ten self-storage stud-

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ies you've done suggested that the project not be built?" I am not sure what the right answer should be, but by asking the question you are allowing the firm to present you with examples of studies where they have taken an unbiased approach. A good, unbiased feasibility report will cost only a fraction of the \$3.5M+ development project you are considering, but it can make all the difference. So when you commission a RCFA you should get recommendations from people you know and trust, request samples of reports and talk with past clients to make sure you are dealing with the right firm. Remember that some analysts use that proven sales method of "if you can't dazzle them with brilliance, you baffle them with volume." Interview several firms - what they say should make sense. It is always good to keep in mind that you want a rational and critical analysis, not a good sales job, so forgive the analyst if he is really into details - he should be!

### **The Backstop, Take a Peek at the Downside!**

Once you have your RCFA in hand, you now must do one more very important thing, verify it. To quote President Regan, "trust, but verify." Take the report to the building and planning departments and see if all of the projects with permits or pending plans are shown in the report. The last thing you need is a surprise competitor. Then actually visit each of your project's competitors and objectively compare them to your project with regards to visibility, access, location, traffic, amenities, pricing, construction quality and occupancy. If you find that the information you collect is different from what is contained in the report, a bell should go off. A few other things to be aware of: Rents- if you must ask higher rents than your competitors are actually getting, or if rents have been declining or concessions increasing; Occupancy - if occupancies have been declining or the average occupancies are below 85%. If you find problems in rents or occupancies it

is time to take a deep breath and rethink the project.

The last step in the review of your feasibility report is to do a sensitivity analysis. You can do this easily by merely re-running the income proforma and reducing the rents by 7%-10% and reducing the occupancy by 5%-10% and see how it impacts your NOI, cash flow after debt service and how it recalculates the amount of debt the project will carry. My guess is that changes of such magnitude will cut the projected cash flow by between 50%-60% or more. These projects are very sensitive to changes in revenues. The issue that you are trying to resolve with this test is to see how much error in the estimate of demand and pricing you can tolerate and still think the project risk is acceptable. You may want to try some other variations after you have seen the results of the first test. There is usually a lot of leverage in self-storage projects, both operating leverage and financial leverage, and it cuts both ways. In the end, you must be comfortable that the projections of demand and pricing and their relative reliability are consistent with the margin of risk you are willing to accept.

### **Conclusion:**

The most important step is to verify the information that is provided in your RCFA because only you can ultimately judge your level of comfort with the proposed project. Remember that good RCFA's are never perfect, and even the very best rely largely on the judgment of the analyst and his real estate experiences. Let's not forget that Lady Luck will also play a major role in the success of your project but a good RCFA will at least put her on your side. Good luck!

*Ben Vestal, President of the Argus Self Storage Sales Network, can be reached at 800-55-STORE or [bvestal@argus-realestate.com](mailto:bvestal@argus-realestate.com).*



# Property Showcase

## Palatine, IL

• \$499,000

**NEW!**

- 84 Units
- 11,900 RSF
- 0.67 Acres
- High density area
- Great visibility on busy commercial street
- Located in Chicago's Northeast suburban market
- Fully fenced and gated
- Enormous upside potential

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



## Spring City, PA

• \$5,250,000

**NEW!**

- 566 Units
- 59,000 RSF
- 6.964 Acres
- Stabilized income and expenses
- Well maintained
- Good demographics in a developing area of Chester County
- 5 approved building pad sites ready for construction

**Chuck Shields**  
610-828-0100  
cshields@beaconcre.com



## Howell, NJ

• \$990,000

**NEW!**

- Self-Storage Development Site
- 118,800 Proposed RSF
- 4.7 Acres
- HD-1 zoning
- High visibility
- Site is approved for a 3-story self storage facility with 25 parking spaces and 5 loading spaces
- Close to new housing development

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



## Enoch, UT

• \$950,000

**NEW!**

- 295 Units
- 49,600 RSF
- 5 Acres
- Exceptional cap rate of 9.42%
- Significant upside potential
- Approx. 1.5 acres of buildable land
- High visibility for I-15 and Hwy 91
- Fully fenced and secured project

**Bill Nicoloff**  
801-671-7324  
bnicoloff@ngacres.com



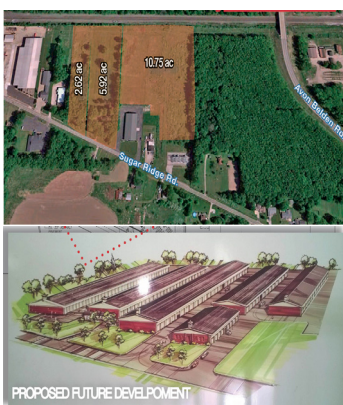
## North Ridgeville, OH

• \$375,000

**NEW!**

- Self-Storage Development Site
- 19.29 Acres
- 3 parcels sold individually or in combination
- Land has been cleared and is ready to build
- All underground complete
- Utilities run to property
- Drainage and detention ponds completed

**Alec Pacella, CCIM**  
216-455-0925  
apacella@naidous.com



## Williamsburg, VA

• \$6,490,000

- 45,000 +/- RSF
- 6+ Acres
- Currently operates as the Williamsburg Antique Mall
- Additional 2+ acres for expansion
- Great opportunity to purchase income producing real property at 9.25 Cap on actual earnings
- Over 13% Cash on Cash return

**Stuart Wade, Jr.**  
757-618-3597  
swade@thenicholsoncompanies.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

Dothan	\$4,795,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Phenix City	\$1,725,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Pinson	\$1,270,000	Bill Barnhill/Shannon Barnes	251-432-1287
		Stuart LaGroue	251-432-1287

## Arizona

Bullhead City	\$249,000	Jeffery A. Gorden	480-331-8880
Bulhead City	\$431,000	Jeffery A. Gorden	480-331-8880
Fort Mohave	\$500,000	Jeffery A. Gorden	480-331-8880
Glendale	\$1,260,000	Jeffery A. Gorden	480-331-8880
Yuma	\$6,500,000	Jeffery A. Gorden	480-331-8880

## Arkansas

Avoca	\$2,347,000	Larry Goldman	913-339-0641
Hiwassee	\$599,000	Larry Goldman	913-339-0641

## California

San Jose	\$13,500,000	Tom de Jong	408-282-3829
Vallejo	In Contract	Tom de Jong	408-282-3829
Vallejo	\$1,850,000	Tom de Jong	408-282-3829
Woodland	\$6.50 PSF	Tom de Jong	408-282-3829
Yreka	\$590,000	Tom de Jong	408-282-3829

## Colorado

Colo Springs	\$2,700,000	Joan Lucas	720-855-6587
Colo Springs	<b>SOLD!</b>	Joan Lucas	720-855-6587
Colo Springs	\$7,200,000	Joan Lucas	720-855-6587
Cortez	\$1,185,000	Joan Lucas	720-855-6587
Fort Collins	\$2,500,000	Joan Lucas	720-855-6587
Loveland	\$2,400,000	Joan Lucas	720-855-6587

## Florida

Lake City	\$325,000	John W. Hill	386-362-3300
Melbourne	\$9,500,000	W. Frost Weaver	904-265-2001
New Port Richey	\$425,000	Chuck Grey/Jeff Grey	727-849-2424
Tavares	\$1,525,000	W. Frost Weaver	904-265-2001

## Georgia

Douglasville	\$1,460,000	Mike Patterson	770-241-9070
Jackson	\$2,520,000	Mike Patterson	770-241-9070
Lawrenceville	\$3,200,000	Mike Patterson	770-241-9070
Villa Rica	\$1,200,000	Mike Patterson	770-241-9070
Winston	\$292,000	Mike Patterson	770-241-9070

## Illinois

Danville	<b>SOLD!</b>	Larry Goldman	913-339-0641
Palatine	\$499,000	Bruce Bahrmassel	312-518-3550
S. Beloit	\$1,100,000	Bruce Bahrmassel	312-518-3550

## Kansas

KC Portfolio	<b>SOLD!</b>	Larry Goldman	913-339-0641
Iola	\$530,000	Larry Goldman	913-339-0641
Junction City	\$1,895,000	Larry Goldman	913-339-0641

## Michigan

Brooklyn	\$925,000	Jim Soltis	810-494-2062
Sturgis	\$369,000	Jim Soltis	810-494-2062

## Missouri

Arnold	\$1,330,000	Larry Goldman	913-339-0641
Branson West	\$895,000	Larry Goldman	913-339-0641
Lee's Summit	\$2,650,000	Larry Goldman	913-339-0641
Mount Vernon	\$498,000	Larry Goldman	913-339-0641
Sunrise Beach	\$1,870,000	Larry Goldman	913-339-0641

## Mississippi

Brandon	\$650,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Brandon	\$3,449,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Canton	\$850,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Leland	\$220,000	Bill Barnhill/Stuart LaGroue	251-432-1287
3-Prop. Portfolio	\$4,500,000	Bill Barnhill/Stuart LaGroue	251-432-1287

## Montana

Billings	\$2,700,000	Larry Hayes	406-544-1921
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## New Hampshire

Claremont	\$290,000	Joe Mendola	603-668-7000
Londonderry	<b>SOLD!</b>	Joe Mendola	603-668-7000

## New Jersey

Branchville	\$1,300,000	Linda Cinelli	908-722-5661
Hackettstown	\$4,400,000	Linda Cinelli	908-722-5661
Howell	\$2,350,000	Linda Cinelli	908-722-5661
Howell	\$990,000	Linda Cinelli	908-722-5661
Montague	\$1,600,000	Linda Cinelli	908-722-5661
Ogdensburg	\$1,600,000	Linda Cinelli	908-722-5661
Orange	\$750,000	Linda Cinelli	908-722-5661
Pemberton	\$975,000	Linda Cinelli	908-722-5661

## New Mexico

Mesilla Park	\$625,000	David Etzold/Noel Woodwell	915-491-9610
Ruidoso	\$790,000	David Etzold/Noel Woodwell	915-491-9610

## New York

Bayport	\$2,200,000	Linda Cinelli	908-722-5661
Hicksville	\$4,200,000	Linda Cinelli	908-722-5661
Islip	\$3,995,000	Linda Cinelli	908-722-5661
Middletown	\$450,000	Linda Cinelli	908-722-5661
Modena	\$775,000	Linda Cinelli	908-722-5661
Monticello	\$4,500,000	Linda Cinelli	908-722-5661
Peekskill	\$3,500,000	Linda Cinelli	908-722-5661
Port Jervis	\$1,600,000	Linda Cinelli	908-722-5661
West Hurley	\$4,000,000	Guy Blake	845-522-5900

## North Dakota

Watford City	\$1,200,000	Bruce Bahrmassel	312-518-3550
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## Ohio

Ashtabula	\$379,000	Alec Pacella	216-455-0925
Canton	\$2,500,000	Alec Pacella	216-455-0925
Canton	\$1,150,000	Alec Pacella	216-455-0925
N. Ridgeville	\$375,000	Alec Pacella	216-455-0925
Painesville	Call Broker	Alec Pacella	216-455-0925
Sheffield Vill.	\$1,050,000	Alec Pacella	216-455-0925

## Oregon

Medford	\$641,000	Steve Boldish	541-776-1031
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## Pennsylvania

Bechtelsville	\$1,350,000	Chuck Shields	610-828-0100
Matamoras	\$1,100,000	Linda Cinelli	908-722-5661
Olyphant	\$850,000	Chuck Shields	610-828-0100
Spring City	\$5,250,000	Chuck Shields	610-828-0100

## Texas

Conroe	\$950,000	Bill Brownfield	713-907-6497
Fort Worth	\$4,600,000	Tyler Trahan/Richard Minker	817-840-0055
Galveston	\$8,500,000	Bill Brownfield	713-907-6497
Houston	\$22,960,000	Bill Brownfield/ Joan Lucas	713-907-6497 720-855-6587
Schertz	\$5,000,000	Bill Brownfield	713-907-6497
Spring	\$6.00 PSF	Bill Brownfield	713-907-6497

## Utah

Enoch	\$950,000	Bill Nicoloff	801-671-7324
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## Virginia

Chesapeake	\$750,000	Stuart Wade	757-618-3597
Portsmouth	<b>SOLD!</b>	Stuart Wade	757-618-3597
Williamsburg	\$6,490,000	Stuart Wade	757-618-3597

## Wisconsin

New Franken	\$730,000	Matson Holbrook	414-270-4108
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# ARGUS SALES



**Congratulations to Larry Goldman, CCIM of RE/MAX Commercial** who sold the 3-Property Metro Self Storage Portfolio in Kansas City, KS! Contact Larry at 913-339-0641 for more information.



**Congratulations to Joe Mendola of NAI Norwood Group** who sold Arrow Self Storage in Londonderry, NH! Joe can be reached at 603-668-7000 for details.



**Congratulations to Stuart Wade of the Nicholson Companies** who sold American Patriot Self Storage in Portsmouth, VA! Contact Stuart at 757-618-3597 for more information.



**Congratulations to Joan Lucas of Joan Lucas Real Estate Services** who sold a 2-Property Portfolio in Colorado Springs, CO! Contact Joan at 720-855-6587 for more details.



**Argus is proud to welcome our newest Broker Affiliate to the Network! Bill Nicoloff, of Newmark Grubb Acres** is a managing partner and one of the founders of Newmark Commercial Real Estate in Utah. Bill has worked in the commercial real estate sector, focusing on industrial, investment, and self-storage since 2001. Completing over 720 commercial real estate transactions, he has consistently proven himself to be a top producer of the firm. Bill has also owned a self-storage facility for the past 7 years. Bill covers the states of Utah and Nevada for the Argus Self Storage Sales Network. He can be reached at 801-671-7324 or [bnicoloff@ncagres.com](mailto:bnicoloff@ncagres.com).

## 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 (FL Commercial Brokers Network)

Omega Properties, Inc.  
Percival McGuire Commercial Real Estate  
Commercial Realty Services of West Georgia  
The Nicholson Companies  
Weaver Realty Group, Inc.

888-801-4534  
704-632-1027  
770-241-9070  
757-618-3597  
904-733-0039

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

### NORTH CENTRAL

Bruce Bahrmassel  
Alec Pacella, CCIM  
Larry Goldman, CCIM  
Mike Helling & Paul Grisanti, CCIM  
Matson Holbrook, CCIM & Max Schultz  
Jim Soltis

Waveland Commercial Real Estate, LLC  
NAI Daus  
RE/MAX Commercial  
Grisanti Group Commercial Real Estate  
Siegel-Gallagher, Inc.  
Preview Properties.com

312-518-3550  
216-831-3310  
913-339-0641  
502-253-1811  
414-270-4108  
810-494-2062

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

### SOUTH CENTRAL

Bill Barnhill, CCIM  
Bill Brownfield, CRE, CCIM  
David Etzold & Noel Woodwell  
Larry Goldman, CCIM  
Mike Helling & Paul Grisanti, CCIM  
Jared Jones, CCIM  
Richard D. Minker, CCIM

Omega Properties, Inc.  
MKP Self Storage LLC  
Etzold & Co.  
RE/MAX Commercial  
Grisanti Group Commercial Real Estate  
Porthaven Partners  
CASE Commercial Real Estate Partners

888-801-4534  
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913-339-0641  
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918-583-3483  
817-335-5600

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

### WEST

Steve Boldish, CCIM  
Tom de Jong  
Gilbert Enciso  
David Etzold & Noel Woodwell  
Jeffery A. Gorden, CCIM  
Larry Hayes  
Joan Lucas  
Bill Nicoloff  
Jason Wilcox, CCIM

Oregon Self Storage Brokers  
Colliers International  
Torrey Pines Commercial  
Etzold & Co.  
Eagle Commercial Realty Services  
Hayes & Associates  
Joan Lucas Real Estate Services, LLC  
Newmark Grubb ACRES  
RAVEN Commercial Real Estate

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915-845-6006  
480-331-8880  
406-728-0088  
720-855-6587  
801-671-7324  
206-919-7643

OR  
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Southern CA  
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