



SELF STORAGE SALES NETWORK

# Market Monitor

*America's Premier Self Storage Brokers*

**Issue VII-2014**

## **Property Valuation - Time to Ask for Help?**

by Ben Vestal

Over the last 6-12 months, the phone at Argus 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, real estate taxes, estate valuation or selling. Most are looking for a “ballpark” number for planning purposes and have asked Argus to develop a value range so that they can make informed decisions about their investments. Argus is now offering a FREE no obligation opinion of value for any owner who would like us to provide them one. Simply contact your local Argus broker (See page #5) and they will happily walk you through the process.

Valuation is a professional art, and while mechanical number manipulations are a very important part of the process, there is also a large measure of real estate judgment and experience in developing a precise value range. While we cannot elaborate on every point of the judgment necessary to arrive at a precise valuation, we will try to give you the basics for the number crunching that will help get you get in the ballpark of valuation but will also make your conversation with your local Argus broker more productive. We can also point out some anomalies in valuation that can take you right OUT of the ballpark. Since few of these exceptions are easily understood or straight forward to evaluate, we will simply note them and encourage you to seek further advice if they exist in your property.

It should be noted that true market valuation takes

a much more in-depth look at value, noting not only the value based on income, but from a cost basis and market sales comparable basis. The cost method compares the cost of replacing the facility in the market it is located in, and the market sales comparable method compares the value actually achieved in the marketplace by similar facilities in recent sales. Without reconciling the value from each of these three independent methods, one cannot be sure that the right value for the property has been identified. It is a complicated process and one that requires the expertise of a professional who is active in the self-storage business.

In large measure, the value of your property to potential buyers is largely affected by net operating income (NOI) and overall income approach. As you work through the numbers with your local self-storage professional, try changing some of the numbers like dropping the rates 5% or occupancy by 7% or raise real estate taxes by 20% and see what happens to the values. You will learn why a good operation is often the most important factor in creating and maintaining value.

Because buyers today are putting the most amount of weight behind the income approach, it is very important to understand how to develop a clear picture of the operating numbers for your property. A very good place to get the numbers is either from your most recent tax return or your latest operating statement from the previous 12 months. With this information in hand you are ready to begin your investigation. Below I have made some very basic comments on the major areas you will

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focus on (Rental Income, Miscellaneous Income & Operating Expenses) when working with your Argus broker to arrive at a market valuation.

### Rental Income:

Since self-storage is a seasonal business you must take the full 12 months actual rental income rather than extrapolating the best three or six months. You should also evaluate the trend over the last few years to see if the trend is declining or improving. If there is a clear trend it might justify an adjustment in the capitalization rate. If there is a significant vacancy, say over 15% of potential rents, there may also be an adjustment. Very few buyers or appraisers will count revenues in excess of 90% of potential rents, except in very unusual circumstances. When evaluating vacancies it is very important to compare the actual rents received to the potential rent and not just the physical occupancy. It is very possible to be 92% physically occupied and only 80% economically occupied due to discounts and concessions. Additionally, if there are any new facilities being built nearby that are about to open or are in lease up, all bets are off until it is clear that rates and occupancies will remain stable. This is a good place to test sensitivities by changing the revenues to reflect the potential competition.

### Miscellaneous Income:

This is the catchall category for late fees, box sales, truck rental commissions, lock, and insurance sales. If the number is greater than 10% of the rental income, it is possible that a different valuation may be required to properly evaluate this source of income. As this income amount grows larger, it may represent another business and not miscellaneous real estate income. Such business income is usually valued much lower than real estate income and is often not counted by an appraiser for loan purposes.

### Operating Expenses:

It is considered a rule of thumb that operating ex-

penses generally run between 35%-45% with many in the range of 40%. However, this is JUST a rule of thumb and if your project falls out of this range further analysis may be required. The following items listed below are expenses that we typically see but are by no means the only expenses because each project is different. You should not include such expenses as principal and interest loan payments, depreciation and any personal expenses such as convention costs, travel, business lunches, mileage expenses, etc.

#### Typical Operating Expense Categories:

- Real estate taxes
- On-site salaries & benefits
- Property insurance
- Utilities
- Repairs and maintenance
- Off-site management fees
- Marketing & advertising
- Office expenses
- Capital reserves

Understanding and evaluating the operations of your property on a regular basis will allow you to best position your investment for refinancing, estate planning or selling. It may also uncover some hidden value that will help improve your bottom line. Positioning your investment is a very important and complex activity that requires both conviction and planning to achieve the desired result in a reasonable time frame. There are no shortcuts in this process and with more than 20 years of self-storage valuation experience and over \$1 Billion in completed transactions, Argus Brokers have a unique perspective and the ability to assist you in maximizing your investment's position. Please contact your local Argus broker to receive a free property evaluation. **MM**

*Ben Vestal, President of the Argus Self Storage Sales Network, can be reached at 800-557-8673 or [bvestal@argus-realestate.com](mailto:bvestal@argus-realestate.com).*

## Avoca, AR

•

**\$2,347,000**

- 327 Units
- 74,432 RSF
- 11.24 Acres
- High traffic location in Northwest Arkansas
- Excellent visibility with 1,700 ft. of highway frontage
- Fenced and gated

**NEW!**

**Larry Goldman, CCIM**

913-339-0641

lgoldman@selfstorage.com



## Brandon, MS

•

**\$3,449,000**

- 583 Units
- 77,350 RSF
- 5.402 +/- Acres
- Located in high growth suburb of Jackson, MS
- Good visibility
- High occupancy

**NEW!**

**Bill Barnhill, CCIM & Stuart LaGroue**

251-432-1287

barnhill@selfstorage.com

stuart@selfstorage.com



## San Jose, CA

•

**\$13,500,000**

- 957 Units
- 71,779 RSF indoor storage
- 2.686 Acres
- 47,114 SF of wine barrel storage for J. Lohr Winery
- Opportunity for mini storage expansion

**NEW!**

**Tom de Jong**

408-282-3829

tom.dejong@colliers.com



## Billings, MT

•

**\$2,900,000**

- 465 Units
- 65,455 RSF
- 3.584 Acres
- Includes a U-Haul franchise
- 2 bdrm Manager's apartment
- Area benefiting from the Bakken oil boom
- Includes auxilliary location

**NEW!**

**Larry Hayes**

406-544-1921

larryhayes@montana.com



## San Marcos, CA

•

**\$10,950,000**

- Redevelopment Opportunity
- 73,460 SF (divisible)
- 4.21 Acres
- Excellent visibility location with 600+ SF of freeway frontage
- Building top and monument signage
- 270 car parking lot and 4 loading docks

**NEW!**

**Gilbert Enciso**

858-874-8777

gilbert@torreypinescommercial.com



## Ashtabula, OH

•

**\$379,000**

- 108 Units
- 15,200 RSF
- 1.47 Acres
- Historically high occupancy
- Solid construction with concrete drives
- Room for expansion
- Great location close to dense residential development

**NEW!**

**Alec Pacella, CCIM**

216-455-0925

apacella@nadaus.com



## Mt. Vernon, MO

•

**\$498,000**

- 110 Units
- 16,140 RSF
- 2 Acres
- Only climate control facility within 30 miles
- High growth area between Joplin and Springfield, MO
- Expandable

**NEW!**

**Larry Goldman, CCIM**

913-339-0641

lgoldman@selfstorage.com



## Medford, OR

•

**\$641,000**

- Under Contract
- 140 Units
- 17,900 RSF
- 1.17 Acres
- 10 RV Spaces
- Includes adjacent 1,586 SF triplex
- Stable occupancy with many long-term tenants

**NEW!**

**Steve Boldish, CCIM**

541-776-1031

steve@mcpre.com







# Sells Self Storage Nationwide!

- Over \$147 million in self storage properties currently for sale, with prices ranging from \$220,000 to over \$13,500,000 million to meet the needs of every buyer.
- For property details, broker information and helpful industry articles, visit [www.argus-selfstorage.com](http://www.argus-selfstorage.com) or contact your local Argus Broker Affiliate listed on the back of the Market Monitor!

## Alabama

Pinson	\$1,270,000	Bill Barnhill/Shannon Barnes	251-432-1287
		Stuart LaGroue	251-432-1287
Theodore	\$300,000	Bill Barnhill/Stuart LaGroue	251-432-1287

## Arizona

Bullhead City	\$680,000	Jeffery A. Gorden	480-331-8880
Fort Mohave	\$500,000	Jeffery A. Gorden	480-331-8880
Lakeside	<b>SOLD!</b>	Jeffery A. Gorden	480-331-8880
Peoria	\$1,335,000	Jeffery A. Gorden	480-331-8880
Tucson	<b>SOLD!</b>	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
San Marcos	\$10,950,000	Gilbert Enciso	858-874-8777
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	\$493,700	Tom de Jong	408-282-3829

## Colorado

Boulder	<b>SOLD!</b>	Joan Lucas	720-855-6587
Colo Springs	\$2,700,000	Joan Lucas	720-855-6587
Colo Springs	\$5,900,000	Joan Lucas	720-855-6587
Colo Springs	\$7,200,000	Joan Lucas	720-855-6587
Cortez	\$1,185,000	Joan Lucas	720-855-6587
Grand Junction	\$1,500,000	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

## Georgia

Douglasville	\$1,625,000	Mike Patterson	770-241-9070
East Point	\$1,475,000	Mike Patterson	770-241-9070
Lawrenceville	Call Broker	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	\$990,000	Larry Goldman	913-339-0641
Dupo	\$895,000	Larry Goldman	913-339-0641
S. Beloit	\$1,100,000	Bruce Bahrmassel	312-518-3550

## Kansas

KC Portfolio	Call Broker	Larry Goldman	913-339-0641
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

## Louisiana

Bossier City	\$1,098,000	Tyler Trahant/ Stuart LaGroue/Shannon Barnes	817-901-7600 251-432-1287
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## Michigan

Lapeer	\$785,000	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

## Missouri, cont.

Lee's Summit	\$2,650,000	Larry Goldman	913-339-0641
Mount Vernon	\$498,000	Larry Goldman	913-339-0641
Mount Vernon	<b>SOLD!</b>	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	\$2,900,000	Larry Hayes	406-544-1921
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## New Hampshire

Claremont	\$290,000	Joe Mendola	603-668-7000
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## New Jersey

Branchville	\$1,300,000	Linda Cinelli	908-722-5661
Hackettstown	\$4,400,000	Linda Cinelli	908-722-5661
Montague	\$1,600,000	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
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## New York

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	\$880,000	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

## 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
Cleveland	\$1,600,000	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

## Texas

Fort Worth	\$4,600,000	Tyler Trahant/Richard Minker	817-840-0055
Spring	\$6.00 PSF	Bill Brownfield	713-907-6497

## Virginia

Chesapeake	\$775,000	Stuart Wade	757-618-3597
Portsmouth	\$2,100,000	Stuart Wade	757-618-3597
Williamsburg	\$6,490,000	Stuart Wade	757-618-3597

## Wisconsin

Milwaukee	\$2,262,000	Matson Holbrook	414-270-4108
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## ARGUS SALES



**Congratulations to Jeff Gorden, CCIM**, of Eagle Commercial Realty Services who sold Midway Mini Storage in Lakeside, AZ and Kelindale Business Park and Self Storage in Tucson, AZ! Contact Jeff at 480-331-8880 for more information.



**Congratulations to Larry Goldman, CCIM** of RE/MAX Commercial who sold AAA Moore's Mini Storage in Mt. Vernon, MO! Contact Larry at 913-339-0641 for more information.

## SPECIAL OFFER!



The market has changed and we are seeing unprecedented activity for both buyers and sellers! If you want to know what your property is worth today, contact your Argus Broker Affiliate for a FREE, no-obligation Opinion of Value for your facility. You may be surprised at how things have changed!

To receive your analysis, contact your local Argus Broker Affilaite listed below or [Click Here!](#)

### 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 Helline & Paul Grisanti, CCIM  
Matson Holbrook, CCIM & Max Schultz  
Jim Soltis

Landstar Realty Group  
NAI Daus  
RE/MAX Best Associates  
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 Helline & Paul Grisanti, CCIM  
Jared Jones, CCIM  
Richard D. Minker, CCIM

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

888-801-4534  
713-907-6497  
915-845-6006  
913-339-0641  
502-253-1811  
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  
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  
RAVEN Commercial Real Estate

541-776-1031  
408-282-3829  
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915-845-6006  
480-331-8880  
406-728-0088  
720-855-6587  
206-919-7643

OR  
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Southern CA  
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ID, MT  
CO  
WA