



SELF STORAGE SALES NETWORK

Market Monitor

America's Premier Self Storage Brokers

Issue XII-2015

Everyone Is Happy...For Now!

3 Things We Learned in 2015

by Ben Vestal

Sounds like good news – and it is! Never before have prices been higher for self-storage properties – either in absolute dollars or in relation to the income they produce. Over the last 3 years or so, selling prices of self-storage have risen dramatically. A typical owner could look at their facility and find that their value (without any increase in rents or occupancy) went up by about 27%; even more if your operating results improved. The really important result is that your equity went up by an astonishing 100%+ (assuming 75% LTV and 25% equity). This large jump in value comes almost exclusively from the compression in cap rates by 150-200 basis points. You may be wondering what risks will affect the self-storage investment train in the coming year? Let's take a look at three things we learned in 2015 that will continue to impact investment opportunities in the self-storage space.

First, it is clear that interest rates may go up. The Federal Reserve has certainly been trying to get them up for almost a year. Rising interest rates will reduce self storage values – remember if the bank gets more income, you get less, and therefore have less income to sell. However, I think we have all learned that the Federal Reserve moves very slowly and any increase in interest rates will be at a very moderate pace. The overall investment market, including self-storage, will price the moderate interest rates into market pricing well before the actual interest rates are increased. However, if you are complacent and uninformed, you might find yourself relying on old information and end up with a value or interest rate that may be meaningfully different than the last 6-12 months.

The second issue is overbuilding – you guessed it! The great returns have drawn a crowd! In 2015 we saw the start of the next self-storage development boom with the first large scale amount of new self storage projects open in more than 7 years. However, because we have not seen any meaningful new supply in awhile, many of the new projects delivered in 2015 and 2016 will be well-received and they will be absorbed at an astonishing rate. In 2016 and 2017 we expect to see more new projects come online and we will start to feel the effects of all of the hype. Many major markets will see the first meaningful increase in supply in several years. This situation has the potential for creating an oversupply in

some micro-markets and will impact many major markets over the next few years. It is clear that the major markets such as New York, Colorado, Texas, D.C, Virginia, California and Florida (just to name a few) will see most of the new development. Secondary markets will remain very stable and consistent as it is clear most of the new development is focused on the major markets. However, in our company's 21 year history, it has been our experience that about 40%-50% of the development projects we track will actually get built in the current real estate cycle. So if this holds true, we should expect to see a 2-4% increase in new supply over the life of the current real estate cycle. As I mentioned above, some micro-markets will be more impacted than others as developers all seem to be looking for the same type of markets with strong demographics. If overbuilding happens to your market, it doesn't matter if it is a great real estate market, the values will be impaired and performance will be diminished.

Lastly, an owner's/developer's/broker's ability to properly evaluate future demand is the single most important thing in making the right decision now and in the coming year! Many industry experts have pointed out that the pent up demand that existed for most of the last few years is largely being satisfied by new development and have also driven up occupancies to historically high levels. As we see more and more new investors entering the market, it is important to be mindful and understand that we will not always be at 90%+ occupancies. Most owners/developers at some point will need to rely solely on population growth rather than on an existing population base with pent up demand. As this market matures, industry data and information is getting better, but the ability to properly evaluate the market is still critical to the success or failure of a project.

These are absolutely the best of times in real estate for both CAREFUL buyers and sellers. The prize will go to those who ANALYZE their competitive situation and take appropriate ACTION during this very unique time in the real estate cycle. Remember, many of the topics discussed above are out of your control and a change in any one of them may eliminate your options. *It is always better to be a year too early than a day too late!* Happy Holidays! **MM**

Ben Vestal, President of Argus Self Storage Sales Network, can be reached at 800-55-STORE or bvestal@argus-realestate.com.

Chelsea, AL • \$3,000,000

- 207 Units
- 28,000 RSF
- 19+/- Acres
- Located in high growth area of Shelby County
- Fully fenced and gated
- Includes 32-unit mobile home park
- Approved self-storage expansion

NEW!

**Bill Barnhill, CCIM
& Stuart LaGroue**

251-432-1287

stuart@selfstorage.com



Mason City, IA • \$1,500,000

- 221 Units
- 49,967 RSF
- 3.4 Acres
- 92% Unit Occupancy
- Warehouse and office buildings included
- 14,500 SF brick warehouse approved for conversion to temperature controlled storage

NEW!

David Dunn

402-660-5610

dunndavid1@me.com



Mohave Valley, AZ • \$300,000

- 38 Units
- 9,550 RSF
- 0.46 Acre
- Income producing self-storage facility
- Well positioned for substantial increase in revenue, cash flow and investment value over time
- Excellently visibility and frontage

NEW!

Jeff Gorden, CCIM

480-331-8880

jgorden@selfstorage.com



Nevada Portfolio • \$26,500,000

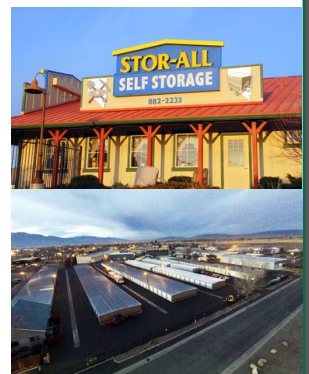
- 5-Property Portfolio
- 3,239 Total Units
- 620,245 Total RSF
- Properties located in the northern Nevada towns of Winnemucca, Dayton, Elko and Gardnerville
- Self-storage, Boat/RV parking and commercial space

NEW!

Tom de Jong

408-282-3829

tom.dejong@colliers.com



Canon City, CO • \$2,585,000

- 443 Units
- 40 RV/Boat Spaces
- 66,850 RSF
- 12 Acres
- Two locations just 0.9 mile apart
- Both properties fully fenced with electronic gates
- Well-run properties are overseen by part time manager

NEW!

Joan Lucas

720-855-6587

jluucas@selfstorage.com



Plymouth, PA • \$850,000

- 222 Units
- 25,000 RSF
- 0.75 Acres
- In-town location
- 3 story building
- Antique car/motorcycle storage
- 97,000 gross SF building has potential to convert additional 42,656 SF to storage

NEW!

Linda Cinelli, CCIM

908-722-5661

linda@lcrealtyusa.com

Chuck Shields

610-828-0100

cshields@beaconcre.com



East Point, GA • \$1,250,000

- 220 Units
- 26,650 RSF
- 1.06 Acres
- Great location inside perimeter near international airport
- 76% climate control units in two-story building with elevator
- Excellent condition
- Owner-operated with significant upside potential

NEW!

Mike Patterson, CCIM

770-241-9070

ebroker@msn.com



Caldwell, TX • Call Broker for Price

- 114 Units
- 19,300 RSF
- 1.43 Acres approx.
- Located in Central Texas near College Station and Brenham
- 90 miles to Houston or Austin
- 9.4% cap rate on proforma
- 11.3% Year 1 cash-on-cash return

NEW!

Bill Brownfield, CRE, CCIM

713-907-6497

bill@wbrownfield.com





Sells Self Storage Nationwide!

For property details, visit www.argus-selfstorage.com or contact your local Argus Broker Affiliate!

Alabama

Atmore/Brewton \$3,182,000 Bill Barnhill/Stuart LaGroue 251-432-1287
Chelsea, AL \$3,000,000 Bill Barnhill/Stuart LaGroue 251-432-1287

Arizona

Fort Mohave \$450,000 Jeffery A. Gorden 480-331-8880
Gold Canyon \$2,000,000 Jeffery A. Gorden 480-331-8880
Mohave Valley \$300,000 Jeffery A. Gorden 480-331-8880
Tucson \$260,000 Jeffery A. Gorden 480-331-8880
Vernon \$825,000 Jeffery A. Gorden 480-331-8880
Yuma \$6,600,000 Jeffery A. Gorden 480-331-8880

Arkansas

Avoca \$2,347,000 Larry Goldman 913-339-0641
Hot Springs Vlg \$180,000 Larry Goldman 913-339-0641

California

San Mateo \$1,400,000 Tom de Jong 408-282-3829
San Rafael **SOLD!** Tom de Jong 408-282-3829
Vallejo \$1,850,000 Tom de Jong 408-282-3829
Woodland \$2,050,000 Tom de Jong 408-282-3829

Colorado

Canon City \$2,585,000 Joan Lucas 720-855-6587
Monument \$8,000,000 Joan Lucas 720-855-6587

Florida

Fanning Springs \$1,725,000 Frost Weaver 904-265-2001
Lake City \$325,000 John W. Hill 386-362-3300
Panama City \$850,000 Bill Barnhill/Shannon Barnes 251-432-1287
Pensacola \$2,700,000 Bill Barnhill/Stuart LaGroue 251-432-1287

Georgia

Carrollton \$1,275,000 Mike Patterson 770-241-9070
Douglasville \$1,580,000 Mike Patterson 770-241-9070
East Point \$1,250,000 Mike Patterson 770-241-9070
Newnan \$1,200,000 Mike Patterson 770-241-9070
Tifton \$750,000 Mike Patterson 770-241-9070
Winston \$292,000 Mike Patterson 770-241-9070

Iowa

Mason City \$1,500,000 David Dunn 402-660-5610

Illinois

Macomb \$950,000 Bruce Bahrmassel 312-518-3550
Peoria **SOLD!** Bruce Bahrmassel 312-518-3550
Rockford \$5,100,000 Bruce Bahrmassel 312-518-3550

Indiana

Fort Wayne \$6,400,000 Bruce Bahrmassel/Neal Gussis 312-518-3550
847-922-3750

Kansas

Fort Scott \$170,000 Larry Goldman 913-339-0641
Iola \$400,000 Larry Goldman 913-339-0641
Junction City \$1,145,000 Larry Goldman 913-339-0641
S. Hutchinson \$650,000 Jared Jones 918-583-3483

Louisiana

Avondale \$6,000,000 Bill Barnhill/Stuart LaGroue 251-432-1287

Massachusetts

Sutton \$1,575,000 Joseph Mendola 603-668-7000

Michigan

Roscommon \$305,000 Jim Soltis 810-494-2062

Minnesota

Plymouth Call Broker Steve Libert 847-452-2082

Missouri

Clinton \$268,000 Larry Goldman 913-339-0641
Sedalia \$1,338,000 Larry Goldman 913-339-0641
Waynesville \$2,360,000 Larry Goldman 913-339-0641

Mississippi

Brandon \$650,000 Bill Barnhill/Stuart LaGroue 251-432-1287
Canton \$850,000 Bill Barnhill/Stuart LaGroue 251-432-1287
Terry \$1,350,000 Bill Barnhill/Stuart LaGroue 251-432-1287

Nevada

Reno/Sparks \$3,500,000 Bill Nicoloff 801-416-1026
NV Portfolio \$26,500,000 Tom de Jong 408-282-3829

New Jersey

Branchville \$995,000 Linda Cinelli 908-722-5661
Franklinville \$849,000 Chuck Shields 610-828-0100
Howell \$2,350,000 Linda Cinelli 908-722-5661
Howell \$890,000 Linda Cinelli 908-722-5661
Pemberton \$975,000 Linda Cinelli 908-722-5661
Pennsauken \$1,300,000 Linda Cinelli 908-722-5661

New Mexico

Alamogordo \$5,450,000 David Etzold/Noel Woodwell 915-491-9610
Mesilla Park \$530,000 David Etzold/Noel Woodwell 915-491-9610
Ruidoso \$790,000 David Etzold/Noel Woodwell 915-491-9610

New York

Bayport \$1,395,000 Linda Cinelli 908-722-5661
Hicksville \$4,200,000 Linda Cinelli 908-722-5661
Monticello \$4,500,000 Linda Cinelli 908-722-5661
Peekskill \$3,500,000 Linda Cinelli 908-722-5661

North Carolina

Powells Point \$560,000 Stuart Wade 757-618-3597
Statesville \$2,000,000 Joey Godbold/Jamey Cox 704-632-1030

North Dakota

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

Ohio

Gloucester \$299,000 Alec Pacella 216-455-0925
Howard \$1,550,000 Alec Pacella 216-455-0925

Oklahoma

Edmond \$810,000 Jared Jones 918-583-3483
Stillwater \$2,300,000 Jared Jones 918-583-3483

Oregon

Selma \$589,000 Steve Boldish 541-776-1031

Pennsylvania

Bechtelsville \$1,350,000 Chuck Shields 610-828-0100
Olyphant \$850,000 Chuck Shields 610-828-0100
Plymouth \$850,000 Linda Cinelli/Chuck Shields 908-722-5661
Spring City **SOLD!** Chuck Shields 610-828-0100

South Carolina

Anderson \$4,800,000 Neal Gussis 847-922-3750
Joey Godbold/Jamey Cox 704-632-1030

Texas

4-Prop Portfolio Call Broker Bill Brownfield 713-907-6497
Austin Call Broker Bill Brownfield 713-907-6497
Bridgeport Call Broker Richard Minker 817-840-0054
Caldwell Call Broker Bill Brownfield 713-907-6497
Marble Falls Call Broker Bill Brownfield 713-907-6497

Utah

Helper \$310,000 Bill Nicoloff 801-416-1026

Virginia

DeWitt \$450,000 Stuart Wade 757-618-3597
Williamsburg \$4,900,000 Stuart Wade 757-618-3597

Wyoming

Gillette \$2,750,000 Joan Lucas 720-855-6587

ARGUS SALES



Congratulations to Tom de Jong of Colliers International who sold Stow-A-Way Self Storage in San Rafael, CA and a development site in Petaluma, CA! Contact Tom at 408-282-3829 for details.



Congratulations to Chuck Shields of Beacon Commercial Real Estate who sold Depository Self Storage in Spring City, PA! Contact Chuck at 610-282-0100 for details.



Congratulations to Bruce Bahrmassel of Waveland Commercial Real Estate who sold All Star and Puro Mini Storage in Peoria, IL! Contact Bruce at 312-518-3550 for more information.



*Happy Holidays from all of us at the Argus Self Storage Sales Network!
On behalf of our staff and Broker Affiliates, we wish you a
prosperous and joyful New Year!*

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
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SOUTHEAST

Bill Barnhill, CCIM
N.J. "Joey" Godbold
Mike Patterson, CCIM
Stuart Wade
Frost Weaver (FL Commercial Brokers Network)

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Percival Partners
Commercial Realty Services of West Georgia
The Nicholson Companies
Weaver Realty Group, Inc.

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904-733-0039

FL Panhandle
NC, SC
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Larry Goldman, CCIM
Mike Helline & Paul Grisanti, CCIM
Matson Holbrook, CCIM & Max Schultz
Jim Soltis

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Larry Goldman, CCIM
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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
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David Etzold & Noel Woodwell
Jeffery A. Gorden, CCIM
Larry Hayes
Joan Lucas
Bill Nicoloff

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