



SELF STORAGE SALES NETWORK

Market Monitor

America's Premier Self Storage Brokers

Issue II-2016

Exit Strategies: *Luck Favors the Prepared!*

by Ben Vestal

What a great time for the self-storage industry. We have experienced a record number of transactions over the last several years and each year we seem to be breaking records with regards to low cap rates, rental rate growth, NOI growth, PSF prices and actual value for every dollar of NOI. Many are calling it a generational high in values! The contrarian in me can't help but think that now may be a good time to take some chips off the table. It's clear that some of the "smart money" took steps to take profits and hedge their bets by selling and repositioning their self-storage assets. Below I have outlined a few exit strategies that owners may consider as they assess their exit strategies and overall investment objectives. *Remember - you never go broke taking a profit.*

Outright Sale:

An outright sale is the most clear cut and absolute path for an owner to take when considering an exit strategy. Today, owners are reaping the benefits of very strong market fundamentals, a fluid lending market, and an unmeasurable amount of willing and able buyers looking to invest equity in self storage. Determining if you are a real seller is the single most important decision you can make. A real seller is someone who has a defined reason to sell and is willing to price the property within market values. Overpricing a property is not harmless. The result is that a non-serious seller offends their best prospects. An outright sale provides a clear path to the greatest amount of liquidity and provides the greatest amount of certainty for owners who are considering exit strategies.

Refinancing:

Many owners do not think of refinancing as an exit strategy. Due to the dramatic increase in values of self storage assets over the last few years, many owners have the option of refinancing most or all of their equity out of an asset, all while continuing to own and operate the property in a profitable way. We have seen a 20%-50% increase in value of self storage properties over the last 3-7 years. So let's do some math; if you bought a property in 2010 for \$2,500,000 and you've experienced a 35% increase in value, your property is now worth \$3,375,000. If you refinance the property and achieve a 75% loan to value, your total new loan amount would be \$2,531,000. This scenario would allow you to pull all or most of your equity out of the property and still own it. Refinancing proceeds are tax deferred and would allow you to invest the proceeds in other avenues, maximizing your overall return on investment. Of course, you will need to work with your accountant and make sure the property can handle the additional leverage and that you are comfortable with the

new financial structure of the loan. Refinancing is not technically an exit strategy because you still own the property. But, it can provide a liquidity event and position you to grow your investment portfolio, if done in an appropriate manner.

Operating Partnership Units (OP Units):

First, I must advise you to consult with your accountant, lawyer and other advisors to make sure you have an accurate understanding of your tax liability and the pros and cons of an OP Units transaction. Over the last several years we have seen the stock prices of the 4 major self-storage REITs skyrocket. This is largely due to the robust performance and overall investment climate of self-storage assets. In order to continue to grow and create shareholder value, the self-storage REITs have been active on the acquisition front, pushing prices to historically high values. Many owners are facing the dilemma of "what would I do with the money if I sold my facility?" Most owners would face capital gains tax (25%-30%) on the net gain if they sell their property for all cash. This can have a meaningful impact on the overall cash on cash return that a seller would achieve after the sale of a property.

Self-Storage REITs have the unique ability to offer OP Units as a way of compensating an owner during a sale, allowing the owner to defer the capital gains that are typically due upon sale. OP Units act very similarly to common stock shares. They typically pay a dividend, can be sold with a call to your stock broker, and the OP Units' value fluctuates daily alongside the value of common shares. The key to an OP Unit deal is the liquidity. The ability to sell OP Units on a moment's notice is what makes them worthwhile.

However, please know that OP Units deals have a considerable amount of ongoing accounting post-closing. Because of this additional cost and complexity for both parties involved, OP Units deals have usually been reserved for larger deals. But as you can imagine, if you received an OP Units deal over the last 3-7 years, the appreciation of your OP Units have far exceeded the performance of your property!

It's apparent that it's a GREAT time for the self-storage industry. Depending on your investment objectives, the current market may be presenting you with opportunities that are unique to this real estate cycle. As Warren Buffet says, "you never know who is swimming naked until the tide goes out." **MM**

Ben Vestal, President of the Argus Self Storage Sales Network, can be reached at 800-557-8673 or bvestal@argus-realestate.com.

Sacramento, CA • \$13,500,000

- 862 Units
- 80,044 RSF
- 5.51 Acres
- Opportunity to acquire state of the art, climate controlled facility at Certificate of Occupancy
- Scheduled for completion in late 2016
- 100% Climate Controlled
- Great visibility from I-80

NEW!



Tom de Jong

408-282-3829

tom.dejong@colliers.com

Payette, ID • \$1,950,000

- 277 Units
- 39,680 GSF
- 4.79 Acres
- Great visibility from Main St. and Highway 95
- Includes 2.5 acres that Seller just purchased and is ready for RV parking
- Office tenant on one year lease
- Attractive two-story office building

NEW!



Joan Lucas

720-855-6587

jluucas@selfstorage.com

David Gronbeck

208-319-1008

davidg@leedidaho.com

Evans, CO • \$1,652,450

- Self Storage Development Site
- 104,000 RSF to be built
- 8.43 Acres
- Fully approved development site
- Plans include drive up units, climate control units, covered RV parking and enclosed RV garages
- High growth residential area
- Project can be built in phases as demand dictates

NEW!



Joan Lucas

720-855-6587

jluucas@selfstorage.com

Big Spring, TX • Contact Broker

- 367 Units
- 73,176 RSF
- 8.98 Acres
- Major highway frontage and visibility
- On site professional management team
- Well established facility located 40 miles east of Midland

NEW!



David Etzold

915-845-6006

etzoldco@att.net

Douglasville, GA • \$2,380,000

- **New Price**
- 222 Units
- 35,800 RSF
- 2.39 Acres
- Well established facility with strong occupancy
- Additional 4,000 RSF pad ready to build
- 8,000 RSF office/retail building is 90% occupied
- Great signage at highway



Mike Patterson

770-301-1886

ebroker@msn.com

Fort Wayne, IN • Offers Due March 1

- **Last chance to bid - offers due March 1, 2016!**
- 604 Units
- 71,029 RSF
- 88.2% Occupancy
- Class A, institutional quality asset
- Stable income stream
- Infill location
- Fortress style exterior security



Bruce Bahrmassel

312-518-3550

bbbahr@aol.com

Neal Gussis

847-922-3750

nlgussis@gmail.com



Sells Self Storage Nationwide!

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

Alabama

Atmore/Brewton \$3,382,000 Bill Barnhill/Stuart LaGroue 251-432-1287
Chelsea, AL \$3,000,000 Bill Barnhill/Stuart LaGroue 251-432-1287

Arizona

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

Sacramento \$13,500,000 Tom de Jong 408-282-3829
San Mateo \$1,400,000 Tom de Jong 408-282-3829
Vallejo \$1,850,000 Tom de Jong 408-282-3829

Colorado

Canon City \$2,585,000 Joan Lucas 720-855-6587
Evans/Greeley \$1,652,450 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

Georgia

Douglasville \$2,380,000 Mike Patterson 770-241-9070
East Point \$1,250,000 Mike Patterson 770-241-9070
Newnan **SOLD!** Mike Patterson 770-241-9070
Tifton \$750,000 Mike Patterson 770-241-9070
Winston \$292,000 Mike Patterson 770-241-9070

Idaho

Payette \$1,950,000 Joan Lucas 720-855-6587

Iowa

Mason City \$1,500,000 Rusty Hike 402-291-2500
Storm Lake \$1,605,000 Rusty Hike 402-291-2500

Illinois

Macomb \$950,000 Bruce Bahrmassel 312-518-3550
Rockford \$5,100,000 Bruce Bahrmassel 312-518-3550

Indiana

Fort Wayne Call Broker Bruce Bahrmassel/
Neal Gussis 312-518-3550
847-922-3750

Kansas

Fort Scott **SOLD!** Larry Goldman 913-339-0641
Iola \$400,000 Larry Goldman 913-339-0641
Lansing \$1,500,000 Larry Goldman 913-339-0641
S. Hutchinson \$630,000 Jared Jones 918-583-3483

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

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

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Plymouth Call Broker Steve Libert 847-452-2082

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

Mississippi

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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
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

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

New York

Bayport \$925,000 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

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

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Howard \$1,550,000 Alec Pacella 216-455-0925
Painesville \$1,400,000 Alec Pacella 216-455-0925

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

Oregon

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

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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

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

Virginia

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

Wyoming

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

ARGUS SALES



Congratulations to Mike Patterson, CCIM of Commercial Realty Services of West Georgia who sold Self Storage Solutions in Newnan, GA! Contact Mike at 770-301-1886 for details.



Congratulations to Larry Goldman, CCIM of RE/MAX Commercial who sold Affordable Storage in Fort Scott, KS! Contact Larry at 913-707-9030 for details.



Congratulations to Paul Grisanti, CCIM and Mike Helline of Grisanti Group Commercial Real Estate who sold a self storage development site in Louisville, KY! Contact Paul and Mike at 502-253-1811 for more information.



Join Argus at the upcoming Spring Tradeshows for **FREE!**

SSA Spring Conference & Tradeshaw
Dallas, TX
March 30-April 1, 2016



Inside Self Storage World Expo
Las Vegas, NV
April 26-April 27, 2016



[Click to request a Free Tradeshaw Pass!](#)

Additional details at www.selfstorage.org

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Additional details at www.insideselfstorageworldexpo.com

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