



SELF STORAGE SALES NETWORK

Market Monitor

America's Premier Self Storage Brokers

Issue XI-2014

Protecting Your Property's Value

by Ben Vestal

As self-storage brokers, we spend a lot of time thinking about the value of self-storage properties. Our conversations are usually focused on interest rates, cap rates, the timing of the real estate cycles, loan to value ratios, basis points, cost of capital, net operating income (NOI) and lots of other topics that rarely interest property owners other than when they decide to buy or sell a property. There is a good reason most owners avoid this terminology on a daily basis: they are running a storage business! However, we believe that there is a connection between understanding the nuances of what does and does not create value and running a successful business. Now more than ever before, the value and preservation of value for self-storage assets is focused around NOI and whether or not the income is being maximized by the current operator. The old rule of thumb that 90% of your facility's value is in the NOI is ringing true today.

The current market fundamentals and new and well-capitalized players in the industry along with historically low interest rates have pushed values to record highs and have made some owners complacent. When values climb and cap rates compress, we must think ahead to what happens when the market peaks. How can self-storage owners protect their investments? The risk that self-storage owners face today is not only whether their NOI goes up or down, but that cap rates will go up at a faster rate than their NOI can compensate for, creating a loss of value. With investors looking to maximize their rate of return and limit the amount of risk (value preservation), it is only logical to think that if we control our operating expenses,

maximize our return on our operating expenses, and increase our revenues that the NOI and cash flow will preserve and possibly increase the value of our asset.

Because my space is limited, I have touched on a few topics below that will allow you to calculate the value of self-storage properties and I've given you some tips that will help you preserve your value in these very frothy times. However, please know that the topic of valuation is very subjective and each deal has nuances that are property specific.

Calculating Value:

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 judgment necessary to arrive at the precise valuation, we will try and give you the basics that will help get you in the ballpark of valuation but will also make your conversation with your local self-storage expert more productive.

It should be noted that true market valuation takes a much more in-depth look at value, calculating the value not only based on income, but also on a cost basis and market sales comparable approach. The cost basis method compares the cost of replacing the facility in the market it's located in, and the market sales comparable method compares the value actually achieved in the marketplace by similar facilities in recent sales. However, in large

(continued)

measure the value of your property to most potential buyers today is largely driven by the net operating income (NOI) and income approach. Your NOI is simply your total revenues minus your operating expenses. The value can then be calculated by dividing the NOI by a market and property-specific cap rate. Remember you must use industry standard operating expenses and be realistic about cap rates - not all properties are 6 cap deals.

Without reconciling the value from each of these three independent methods, one cannot be sure that the correct 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 investment business.

Protecting Value:

The old adage that “watching your pennies will make you dollars” holds true in the self-storage business, except that we can expect an even greater return when we make an effort to save on operating expenses. However, you need to understand how to measure your operating expenses as well as understand what expenses result in the greatest return on your invested dollars in operations. If you are not already, you need to be monetizing your property’s general amenities (security cameras, management software, gate access systems, selling tenant insurance, general repairs and maintenance, etc.). Also evaluating and upgrading your property’s operations (on-site management, kiosks, online bill pay, online reservations, monthly P&L reports, etc.) will pay big dividends. At one time or another we have all looked at our to-do list and thought “I can do that next month,” but reviewing and analyzing your operating expenses and general amenities is not one of those things you can afford to put off. Operating expenses need

to be reviewed regularly to ensure that the value of your property and its cash flow are not being undermined by subtle, yet devastating increases in operating expenses.

First, it is important to understand the magnitude of what each dollar of lost NOI means to the value of a property. Assuming that cap rates are in the 7% to 9% range, each dollar of gained NOI will result in an increase of value by \$11 to \$14. So if you are able to save \$6,000 per year (or \$500 monthly), you have increased the value of your property by between \$66,000 and \$85,000. While the majority of self-storage expenses are in the three major categories of real estate taxes, management, and advertising it is understandable how yearly escalations in these expenses can deteriorate the value of your property. However you must also consider even the smallest expense when calculating the affect each dollar of NOI has on your value. Interestingly enough, you don’t have to sell your property to get an immediate gain out of these saved operating expenses; the value will be reflected in the amount you can borrow on the property. Generally speaking you can borrow 70% of the increased value when you refinance. So you can have your cake and eat it too!

In the ultra-competitive environment of today’s self-storage business you must rethink how you approach operating expenses and implement a regular process for reviewing and evaluating the return of each operating expense and amenity. Remember that no box is too small to look for a dollar! **MM**

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

Fort Smith, AR

• \$1,950,000

- 2-Property Portfolio
- 290 Total Units
- 41,260 Total RSF **NEW!**
- 2.5 Acres
- High profile locations with excellent traffic counts
- Priced well below replacement costs
- Manager's office/apartment at one site and kiosk at other

Larry Goldman, CCIM
913-339-0641
lgoldman@selfstorage.com



Pascagoula, MS

• \$1,800,000

- 429 Units
- 56,180 RSF **NEW!**
- 3.53 +/- Acres
- Gated facility with keypad access
- Great visibility from street
- Well lighted
- Climate, non-climate and Boat/RV storage
- Land available for expansion

Bill Barnhill, CCIM & Shannon Barnes, CCIM
251-432-1287
barnhill@selfstorage.com,
shannon@selfstorage.com



Colorado Springs, CO

• \$1,876,000

- 542 Units **NEW!**
- 169 Boat/RV Spaces
- 157,806 RSF
- 18.61 Acres
- Major climate controlled facility with industrial warehouse space
- Easy access to Fort Carson military base
- Paved and fenced surface boat/RV parking
- U-Haul trucks and equipment

Joan Lucas
720-855-6587
jlucas@selfstorage.com



Fort Worth, TX

• \$1,590,000

- 178 Units **NEW!**
- 27,790 RSF
- 2.1868 Acres
- Located in one of the fastest growing areas of North Texas
- Close proximity to new residential and commercial construction
- Includes small leased office building
- Additional land for expansion

Richard Minker, CCIM
817-335-5600
rminker@selfstorage.com



LaFayette, GA

• \$988,000

NEW!

- 224 Units
- 28,304 RSF
- 3+/- Acres
- Established business with loyal clientele
- Excellent visibility and strong traffic location
- Rental rate upside
- Minimal competition
- Excellent condition with no deferred maintenance

Mike Patterson, CCIM
770-241-0970
ebrooker@msn.com



Fort Worth, TX

• \$3,010,000

- 2-Property Portfolio
- 567 Total Units **NEW!**
- 73,375 Total RSF
- 4.2899 Total Acres
- Properties located approximately one block apart and are managed from a single office
- Recently renovated
- Excellent location just south of Interstate 20

Richard Minker, CCIM
817-335-5600
rminker@selfstorage.com





Sells Self Storage Nationwide!

For property details, visit 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
Saraland	\$3,100,000	Bill Barnhill/Shannon Barnes	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	\$1,135,000	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
Ft. Smith	\$1,950,000	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

Colorado Springs	\$2,700,000	Joan Lucas	720-855-6587
Colorado Springs	\$1,876,000	Joan Lucas	720-855-6587
Colorado Springs	SOLD!	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	SOLD!	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
LaFayette	\$988,000	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

Palatine	\$499,000	Bruce Bahrmassel	312-518-3550
S. Beloit	\$1,100,000	Bruce Bahrmassel	312-518-3550

Kansas

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

Mississippi Cont.

Pascagoula	\$1,800,000	Bill Barnhill/Shannon Barnes	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	SOLD!	Larry Hayes	406-544-1921
----------	--------------	-------------	--------------

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	\$1,450,000	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
--------------	-------------	------------------	--------------

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
---------	-----------	---------------	--------------

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	\$1,590,000	Richard Minker	817-840-0054
Fort Worth	\$3,010,000	Richard Minker	817-840-0054
Galveston	\$8,500,000	Bill Brownfield	713-907-6497
Schertz	SOLD!	Bill Brownfield	713-907-6497
Spring	\$6.00 PSF	Bill Brownfield	713-907-6497

Utah

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

Virginia

Chesapeake	\$750,000	Stuart Wade	757-618-3597
Williamsburg	\$6,490,000	Stuart Wade	757-618-3597

Wisconsin

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

ARGUS SALES



Congratulations to Joey Godbold of Percival Partners who sold a Stor-Kwik 5-Property Portfolio in North and South Carolina! Contact Joey at 704-632-1027 for more details.



Congratulations to Larry Goldman, CCIM of RE/MAX Commercial who sold Cubby Hole Self Storage in Little Rock, AR! Contact Larry at 913-339-0641 for more information.



Congratulations to Larry Hayes of Hayes & Associates who sold The Storage Place in Billings, MT! Contact Larry at 406-544-1921 for more information.



Congratulations to Joan Lucas of Joan Lucas Real Estate Services who sold Austin Bluffs at Stetson Hills Storage in Colorado Springs, CO! Contact Joan at 720-855-6587 for more details.



Congratulations to Frost Weaver of Weaver Realty Group and Adam Rathbun of SouthTrend Realty who sold Apollo Storage in Melbourne, FL! Contact Frost at 904-265-2001 or Adam at 321-752-1199.



Congratulations to Bill Brownfield, CRE, CCIM of MKP Self Storage LLC who sold I-35 Self Storage in Schertz, TX! Contact Bill at 713-907-6497 for more details.

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 Partners
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
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
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

541-776-1031
408-282-3829
858-874-8777
915-845-6006
480-331-8880
406-728-0088
720-855-6587
801-671-7324
206-919-7643

OR
Northern CA
Southern CA
NM
AZ
ID, MT
CO
UT, NV
WA