



A Note from Ben Vestal: As we round the corner in 2014 we are now settling into what everyone has been referring to as the “new reality” of the real estate market. The days of 6% - 8.5% cap rates are back. No matter if you are a buyer, seller or simply want to refinance your property, NOW IS A GOOD TIME! It is up to you to capitalize on the current market and do what needs to be done to reach your objectives. In order to help our clients understand the common pitfalls in today's self-storage investment market, I have asked Argus Broker Affiliate Jeff Gorden to comment on some basic steps owners can take to mitigate their risk.

Are you Making your Self-Storage Investment Riskier than Necessary?

by Jeff Gorden, CCIM

As an active self-storage broker, I prepare dozens of broker price opinions every year. Naturally, the property owner wants to know their property's value in the current market, but the answer to that question is as individual as each property and can be affected by some very common operational methods employed by self-storage owners. When contemplating a purchase, most of the risk in a Buyer's eyes can be summed up in the following question. “Will this property continue to perform as the Seller has described?” Most investors agree that operational history is the most reliable indicator of future performance, so how can you demonstrate this history to prospective buyers and make your investment seem like a less risky investment?

From a financial perspective, the performance of a self storage property is directly related to the income, expenses and to some extent, the occupancy. These three metrics are demonstrated to prospective buyers through the accounting and management records kept by the seller. In self storage today, I see four broad categories in both management and accounting methods.

Common Management Methods	Common Accounting Methods
Self Storage Property Management Software	QuickBooks/Peachtree
General Property Management Software	Spreadsheet Ledger
QuickBooks or Spreadsheet	Handwritten Ledger
Handwritten Rent Roll/Card System (Rolodex)	Bank Statements

To demonstrate the effects of these various management and accounting methods on the perceived risk seen by prospective Buyers, let's use an earned point system example. Make sure to keep track of your total points in both the management and accounting section for our quiz later on.

MANAGEMENT

Self-Storage Specific Management Software: The use of a self-storage specific property management software system is by far the standard in the industry today. These software systems are designed for the daily business of move-ins, move outs, and collections related to a self-storage facility. Most can generate reports that indicate how your facility performs over the course of a year with respect to move in and move out trends, delinquencies, rents and concessions to name a few. If you're using self-storage specific property management software, give yourself zero points.

Real Estate Property Management Software: From time to time, I will see storage facilities operated using generic real estate property management software. These software programs are typically designed to serve single-family home and small apartment management companies with tenants who sign one year leases. These programs seldom include a revenue management component or any self storage specific reporting capability. Additionally, these systems may not be designed to incorporate ancillary revenues, i.e. truck rentals, retail sales, etc. If you're using a general property management software suite, give yourself 0.25 points.

QuickBooks or Spreadsheet:

Commonly, I will see small facility owners using QuickBooks or a spreadsheet as the management software in addition to being their accounting system. While these can be configured for

landlords to keep track of individual tenants and rent collections, neither is designed to be property management software. Consider a self-storage property with over five hundred individual tenants and the shortcomings of this management method become clear. If you're using QuickBooks or spreadsheet as your property management soft-

(Continued)

ware, give yourself 0.50 points.

Handwritten: More common than you would think are operators who continue to record rentals and occupancy using some type of a handwritten system. We see these as multi page rent rolls, site plans or even on note cards in a rolodex. Downfalls of this system include that it is subject to operator error, “eraser mistakes”, and it cannot easily be remotely managed or monitored. You can imagine what any potential buyer’s lender will think when they see this scenario. If you’re using a handwritten system to manage your property, give yourself one full point.

ACCOUNTING

QuickBooks/Peachtree: The use of accounting software is the industry standard today. It gives a buyer and lender the impression of accuracy and professionalism. Accounting software can deliver historical revenue and expense reports for any time period chosen at the click of a button. You will be able to clearly differentiate between year-over-year increases in revenue and seasonal trends. Expenses will be itemized and categorized to deflect any buyer’s misinterpretation. If you’re using QuickBooks, Peachtree or some similar accounting software to document the income and expenses of your self storage property, give yourself zero points.

Spreadsheet Ledger: Many small facility owners are computer savvy, but feel that a full accounting software suite is too large and complicated for the size of their facility. While keeping records in a computer-based spreadsheet may keep you prepared for tax time, it’s difficult to deliver clear reports in the event of a sale. If expense items are higher or lower than industry-standards, can you demonstrate the historic amounts accurately? Were any capital expenditures misclassified as expenses? These will all be questions on your buyer’s mind. If you are using a computer spreadsheet to document the income and expenses of your self-storage property, give yourself 0.50 points.

Handwritten Ledger: This method brings all of the disadvantages above, but now with the impression that it may not be complete or accurate, “Did the Seller forget something?” Has all of the revenue been reported accurately each year? If you’re using a handwritten ledger to document the income and expenses of your self-storage property, give yourself 0.75 points.

Bank Statements: Using bank statements to demonstrate historical income and expenses could possibly be more

accurate than a handwritten ledger, but decidedly less professional. Are personal expenses mixed with the business? Are the property’s income and expenses transacted only through this one account? Which expense items are directly related to the ongoing operations of the property and which are solely a benefit under the tax code? If you’re using bank statements to document the income and expenses of your self-storage property, give yourself a full point.

Adding Up Your Score

Self-storage properties today are primarily valued by applying a Cap Rate to the trailing 12 months NOI. Let’s assume that an 8% cap rate is applicable to two nearly identical self storage investments in your market. Add up any points earned above, and add them to eight. For example, by using a handwritten system for the management and the accounting system, an operator would have earned 1.75 (1 + 0.75) points from the section above. Let’s look at the effect on projected market value in comparison below.

	Property A	Property B
Net Operating Income	\$200,000	\$200,000
Applicable Cap Rate	8%	8%
Cap Rate including points	8 + 0 = 8%	8 + 1.75 = 9.75%
Projected Market Value	\$2,500,000	\$2,051,282

This example demonstrates that seemingly innocuous decisions on how to manage property records can have significant impacts on property value. In the example above, nearly \$450,000 of property value may have been lost simply through the methods by which the property’s records were kept. There are many things that can have an impact on your property’s market value and salability. By operating with systems that allow for a clear conversation about the property’s performance with potential buyers and/or lenders, a self-storage owner can be in position to maximize the value realized from their investment. Please contact your local Argus Broker for a free evaluation about how your property could be best positioned for this future event. **MM**

Jeff Gorden, CCIM is Vice President of Eagle Commercial Realty Services in Phoenix, AZ and is the Argus Broker Affiliate for the state of Arizona. He can be reached at 480-331-8880 or jgorden@selfstorage.com.



Property Showcase

Dothan, AL \$4,795,000

- 446 Units
- 98,112 RSF
- 7.55+ Acres
- Class A facility in a high growth area
- High occupancy, expansion potential
- Climate, non-climate and enclosed parking

NEW!



**Bill Barnhill, CCIM
& Stuart LaGroue**

251-432-1287

barnhill@selfstorage.com

stuart@selfstorage.com

Howell, NJ \$2,350,000

- 196 Units
- 22,500 RSF
- 5.96 Acres
- Underperforming property with excellent upside potential
- Opportunity to buy long term ground lease
- Possible expansion

NEW!



Linda Cinelli, CCIM

908-722-5661

linda@lcrealtyusa.com

Galveston, TX \$8,500,000

- 120 Units + 255 Parking Spaces
- 89,699 RSF approx.
- 2.685 Acres approx.
- Provides self-storage and cruise ship parking at Galveston's port
- Self storage has long term tenant base
- Will sell separately

NEW!



Bill Brownfield, CRE, CCIM

713-907-6497

brownfield@selfstorage.com

Colorado Spgs, CO \$9,000,000

- 619 Units
- 78,419 RSF
- 1.64 Acres
- Offers due September 15, 2014
- Preemptive offers accepted prior
- Awarded MiniCo New Facility of the Year in 2011

NEW!



Joan Lucas

720-855-6587

jluucas@selfstorage.com

Bill Brownfield, CRE, CCIM

713-907-6497

brownfield@selfstorage.com

Ogdensburg, NJ \$1,600,000

- 249 Units
- 32,125 RSF
- 17.76 Acres
- Established business with expansion opportunity
- Stabilized occupancy
- Security cameras

NEW!



Linda Cinelli, CCIM

908-722-5661

linda@lcrealtyusa.com

Schertz, TX \$5,000,000

- 447 Units
- 73,570 RSF
- 7.48 Acres approx.
- 95% leased with stable income stream
- High quality facility in rapidly expanding suburb of San Antonio
- Expansion opportunity

NEW!



Bill Brownfield, CRE, CCIM

713-907-6497

brownfield@selfstorage.com

Londonderry, NH \$2,300,000

- 394 Units
- 41,350 RSF
- 3.6 Acres
- High visibility location at the end of a major retail strip
- Ample room for outside vehicle storage
- One bedroom apartment on site

NEW!



Joe Mendola

603-668-7000

joe@nainorwoodgroup.com

Orange, NJ \$750,000

- 139 Units
- 8,076 RSF
- 0.4667 Acres
- 17,400 GSF includes office/warehouse
- Diversified income
- Commercial tenants
- Upside potential

NEW!



Linda Cinelli, CCIM

908-722-5661

linda@lcrealtyusa.com

New Franken, WI \$730,000

- 102 Units
- 27,368 RSF
- New construction in Green Bay MSA
- Strong historic occupancy
- Upside potential in rental rates
- Excess land available for future development

NEW!



Matson Holbrook, CCIM

414-225-4407

mholbrook@sg-re.com



Sells Self Storage Nationwide!

- For property details, broker information and helpful industry articles, visit www.argus-selfstorage.com or contact your local Argus Broker Affiliate listed on the back of the Market Monitor!

Alabama

Dothan	\$4,795,000	Bill Barnhill/Stuart LaGroue	251-432-1287
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
Glendale	\$1,260,000	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
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	\$590,000	Tom de Jong	408-282-3829

Colorado

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
Colo Springs	\$9,000,000	Joan Lucas	720-855-6587
		Bill Brownfield	713-907-6497
Cortez	\$1,185,000	Joan Lucas	720-855-6587
Grand Junction	SOLD!	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	\$3,500,000	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	\$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	SOLD!	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
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	\$2,300,000	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
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
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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
Galveston	\$8,500,000	Bill Brownfield	713-907-6497
Schertz	\$5,000,000	Bill Brownfield	713-907-6497
Spring	\$6.00 PSF	Bill Brownfield	713-907-6497

Virginia

Chesapeake	\$750,000	Stuart Wade	757-618-3597
Portsmouth	\$2,100,000	Stuart Wade	757-618-3597
Williamsburg	\$6,490,000	Stuart Wade	757-618-3597

Wisconsin

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



Congratulations to the teams at Omega Properties, Inc. and Case Commercial Real Estate Partners who sold Bossier City Self Storage in Bossier City, LA! Contact Omega at 251-432-1287 or CASE at 817-335-5600 for more information.



Congratulations to Jared Jones, CCIM of Porthaven Partners who sold Admiral Mini Storage in Tulsa, OK! Contact Jared at 918-583-3483 for more information.



Congratulations to Joan Lucas of Joan Lucas Real Estate Services who sold Liberty Self Storage in Grand Junction, CO! Contact Joan at 720-855-6587 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 Affiliate 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
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Omega Properties, Inc.
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Larry Goldman, CCIM
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OK
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Gilbert Enciso
David Etzold & Noel Woodwell
Jeffery A. Gorden, CCIM
Larry Hayes
Joan Lucas
Jason Wilcox, CCIM

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