



SELF STORAGE SALES NETWORK

Market Monitor

America's Premier Self Storage Brokers

Issue I-2016

Looking Ahead to 2016

by Ben Vestal

As we kick off 2016, the business of buying and selling self storage properties in the U.S. has never been more competitive or complex. We believe that the value of professional guidance from an Argus broker pays big dividends as buyers and sellers benefit from industry knowledge in today's very fast-paced and dynamic market. Due to the robust performance of the self storage industry over the last several years, we are seeing more buyers than ever in the marketplace, and for the first time since the early 2000s, we are seeing meaningful development of new self storage projects around the country. In this light, what a great year 2015 was for the industry! In 2015 we saw occupancy rates and rental rates climb and cap rates for all self storage assets compress by 25-75 basis points, which lead to historically high values. 2016 shows no signs of slowing down. Even with whispers of interest rates increasing this year and the first wave of meaningful new development in place, we believe that strong fundamentals of supply and demand will see cap rates stay within 25 basis points of today's market. Below I have outlined a few topics that we feel will be present this year.

It's Still a Growth Industry:

One significant factor that makes self-storage a better bet in the long run than a lot of other real estate types is that its market is growing faster than the population. Let me make two statements and then tie them together and you will see the tremendous leverage this gives self-storage. First, many Americans still have never used self-storage. Today, it is estimated that 50% of new self-storage customers are using the product for the first time, and in many areas, there is still unmet demand for the

product. Second, after a period of time, perhaps five years, many self-storage properties report that most of their business, say 65%-75%, is from repeat customers. If you combine these two statements, it is clear that people are not only still discovering the self-storage product, but more importantly, they are still learning to use it again and again. My point is that this type of real estate's growth is not limited to population growth in a market, but it gets a tremendous boost from "moving up the learning curve" of the customer. We are seeing industry-wide occupancies in the 90% range and this will continue throughout 2016.

New Development:

As development picked up steam in 2015, experts suggest that 350-450 new projects were developed and opened in the U.S. As we enter 2016, we anticipate a surge in development and expect between 550 and 650 new projects to be developed. This could potentially increase to 800+ in 2017. However, because the natural refresh rate is somewhere around 500 new projects each year, most of the well-located and well-thought-out projects that were built in 2015 (and will be built 2016) will see robust lease up and outperform the typical 3 to 4 year lease-up projections.

New self-storage developments today are facing a significantly more time-consuming and costly entitlement process. Along with the increased cost of appropriate development sites and the continued difficulty of construction financing, we are seeing many new projects stall out during one of the required phases. However, as we continue to see a strong performance in the self-storage industry, we will continue to see increased proposals of new

self-storage development, mainly in the top 100 MSAs.

Market Trends:

Over the last 10 years, the self-storage industry evolved from a mom and pop investment class to a mainstream institutional asset class. The industry weathered the great recession and is now reaping the benefits of strong market fundamentals. Heading into 2016, I want to highlight some industry trends that will continue throughout the year and help the industry's continued growth.

Third Party Management companies continue to improve and create value for their clients. Extra Space Storage and CubeSmart Self Storage paved the way for third party management by pushing revenue and standardizing and refining the process of operating a self-storage property, allowing the industry to lead all real estate sectors in performance over the last 10 years. These management techniques, processes and capabilities have now trickled down to privately owned third party management companies. These companies are able to provide a very professional and economical product to markets and properties that haven't had access to third party management platforms. We believe that the third party management business will continue to grow and add tremendous value to owners and the industry.

Self-Storage Technology has really grabbed a hold over the last several years. The use of online SEO, web-based operating systems, e-Leases, mobile apps, energy efficient operating devices, and web-site and marketing firms, will continue to allow owners and operators to refine their operations and grow their profitability by protecting the already strong operating margins in the business. All of the above listed items will allow operators to increase profitability either through operating expense reduction, increased revenues or produce data that will allow operators the ability to create

operating efficiencies. As self-storage investment advisors, we take great pride in staying on top of market technology trends which allow our clients to achieve greater market valuation.

Self-Storage Consolidation will continue in 2016. One notable factor is that the consolidation will be by a larger buyer pool than ever before. The usual suspects such as the REITS and private equity firms with a self-storage footprint will continue to dominate the larger, trophy acquisitions. However, we will see more acquisitions by brand names and private real estate investors throughout 2016 as many of them take the plunge and enter the self-storage industry. This year we believe that the majority of consolidation will be by the mid-sized owner/operators because they are willing to look to secondary markets and buy smaller assets in order to grow their portfolio. The old saying of "the only thing better than owning one self-storage, is owning two or three" remains true.

2016 Outlook:

The outlook for self-storage sector remains bright! As the U.S. economy continues to accelerate slightly, the self-storage sector should continue to tighten. Self-storage vacancy will continue to trend downward, while rent growth will remain stout.

An election year is upon us and we know that both the government's and large corporations' inability to make policy changes during these pivotal years have allowed investors the opportunity to capitalize on market movements and opportunities. The value of professional guidance from an Argus Broker during these robust times will pay big dividends because buyers and sellers will benefit from market knowledge in today's very fast-paced and dynamic industry. **MM**

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

Lansing, KS

• \$1,500,000

- 206 Units
- 61,956 RSF
- 7.53 Acres
- Located in the Kansas City metro area
- Room for expansion, potentially doubling the rentable area
- Gated and fenced
- Potential for climate control conversion

NEW!



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

Ada, OK

• \$2,500,000

- 451 Units
- 42,943 RSF
- 3.13 Acres
- Well established, stabilized property
- Strong history of financial performance
- Significant upside available
- Great signage and visibility
- Potential to increase revenue through multiple strategies

NEW!



Jared Jones, CCIM
918-583-3483
jjones@porthavenpartners.com

Painesville, OH

• \$1,400,000

- 161 Units
- 36,040 RSF
- 3.17 Acres
- Located in northeast Ohio, in close proximity to I-90
- Solid construction with masonry buildings, concrete drives and automated gate
- Includes 12,200 SF traditional multi-tenant warehouse

NEW!



Alec Pacella, CCIM
216-455-0925
apacella@naidhaus.com

DeWitt, VA

• \$450,000

- 54 Units
- 5,280 RSF
- 3.7+/- Acres
- Ideal for retiree or first time self-storage owner
- Live on site and enjoy immediate cash flow
- 3 bedroom, 2 bath house included
- Room to add more storage as demand increases

NEW!



Stuart Wade
757-618-3597
stuart_wade@hotmail.com

Atmore/Brewton, AL • \$3,382,000

- **New Price**
- 460 Units
- 151,515 RSF
- 12.21+/- Acres
- 3 locations that include climate, non-climate, boat/RV as well as a laundromat and commercial warehouse
- Properties located in south central Alabama, just north of the Florida Panhandle

**Bill Barnhill, CCIM
& Stuart LaGroue**
251-432-1287

barnhill@selfstorage.com
stuart@selfstorage.com



Roscommon, MI

• \$305,000

- 102 Units
- 13,400 RSF
- 2.05 Acres
- Adjacent to South Higgins Lake State Park entrance
- Inside boat storage
- Outside RV, trailer and boat storage
- Property allows for expansion

Jim Soltis
810-494-2062

jsoltis@previewproperties.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

Gold Canyon \$2,000,000 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

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

Louisiana

Avondale **SOLD!** 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 **SOLD!** 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

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

Oklahoma

Ada \$2,500,000 Jared Jones 918-583-3483
Edmond \$810,000 Jared Jones 918-583-3483
Stillwater **SOLD!** 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

South Carolina

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

Texas

4-Prop Portfolio **SOLD!** Bill Brownfield 713-907-6497
Bridgeport Call Broker Richard Minker 817-840-0054
Caldwell 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 Mike Patterson, CCIM of Commercial Realty Services of West Georgia who sold Acme Self Storage in Carrollton, GA! Contact Mike at 770-241-9070 for details.



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



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



Congratulations to Bill Brownfield, CRE, CCIM of MKP Self Storage who sold a self storage property in San Antonio, TX and a development site in Houston, TX! Contact Bill at 713-907-6497 for details.



Congratulations to Bill Barnhill, CCIM and Stuart LaGroue of Omega Properties, Inc. who sold Avondale Self Storage in Avondale, LA! Contact Bill and Stuart at 251-432-1287 for more information.



Congratulations to Larry Goldman, CCIM of RE/MAX Commercial who sold Nook N Cranny Self Storage in Junction City, KS and Spring Hill Storage in Spring Hill, KS! Contact Larry at 913-339-0641 for details.



Congratulations to Joan Lucas of Joan Lucas Real Estate Services who sold Front Range Self Storage in Monument, CO! Contact Joan at 720-855-6587 for 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.

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904-733-0039

FL Panhandle
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GA
MD, VA
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NORTH CENTRAL

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Alec Pacella, CCIM
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Mike Helline & Paul Grisanti, CCIM
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Larry Goldman, CCIM
Mike Helline & Paul Grisanti, CCIM
Jared Jones, CCIM
Richard D. Minker, CCIM

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918-583-3483
817-335-5600

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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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Eagle Commercial Realty Services
Hayes & Associates
Joan Lucas Real Estate Services, LLC
Newmark Grubb ACRES

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