



SELF STORAGE SALES NETWORK

Market Monitor

America's Premier Self Storage Brokers

Issue VIII-2015

A Note from Ben Vestal: Over the last decade we have from time to time opined on interest rates and their effect on Commercial Real Estate (CRE) values. With the September Federal reserve meeting upon us I believe it's time to ask the experts to look in their crystal ball and give us some thoughts. I want to thank Dale Stewart with NorthMarq Capital for the contribution to this month's Market Monitor.

What does a Fed Rate Hike Really Mean for CRE?

by Dale Stewart

There are widespread expectations that the Federal Reserve will raise rates later this year; in fact, many think it's going to occur next month. So exactly how will this increase in rates affect commercial real estate?

The better question is why are interest rates rising? If it's because the U.S. is perceived as a riskier investment than other countries, causing people to sell bonds (making yields rise), then projected economic growth for the U.S. isn't so rosy. Fortunately, that's not the case. Our economic recovery has been self-sustaining and continues to strengthen, and while we haven't hit the Fed's 2% inflation target, it appears we no longer need a boost from historically low interest rates.

The increase is expected to be just 25 basis points and in the short term, those who have floating or adjustable rate loans may see a small uptick in their borrowing costs but it's unlikely to have a significant impact on the commercial real estate market. Further, many feel that longer-term rates have already priced in this increase so yields on the 10-year UST aren't likely to move much at all.

An increase in interest rates means an increase in cap rates but that doesn't necessarily lead to lower valuations for commercial real estate properties. For well-managed properties, an expanding economy means higher occupancy, stronger rent growth and stronger NOI growth all of which may outweigh an increase in cap rates resulting in an increase in property values.

Federal Reserve

In a little-noticed but very embarrassing mistake by the Federal Reserve, internal staff forecasts for interest rates, unemployment and other key indicators were accidentally published online in late June, albeit only readable with special computer software. (They subsequently publicized the problem to level the playing field by making the information available to the general public.) These are predictions staff economists present to Fed officials and are supposed to remain confidential for five years; interestingly, they are also slightly less optimistic than those of Senior Fed Officials. The takeaway is that they're projecting full employment, steady economic growth and a gradual increase in rates over the next five years. Given that seemingly perfect forecast, I can't help but think about Yogi Berra's famous

quote: "It's tough to make predictions, especially about the future."

Summary of Fed staff projections

	2015	2016	2017	2018	2019	2020
Real GDP	2.31	2.38	2.17	1.76	1.75	1.74
PCE inflation	1.15	1.54	1.76	1.89	1.92	1.94
Core PCE inflation	1.33	1.52	1.78	1.90	1.92	1.94
Potential GDP	1.61	1.72	1.72	1.81	1.78	1.83
Fed Funds rate	0.35	1.26	2.12	2.80	3.17	3.34
10 year Treasury	2.63	3.14	3.62	3.94	4.11	4.20
Unemployment	5.34	5.24	5.18	5.15	5.15	5.16
NAIRU	5.20	5.20	5.20	5.20	5.20	5.20

Note: GDP and inflation are Q4/Q4 percent change. Interest rates and unemployment are Q4 average.

Source: Barclays, Federal Reserve

This chart is based on projections included in the Fed materials initially released on the central bank's website. Later, a Fed official said the actual staff projections for the June FOMC meeting for gross domestic product and inflation differed from the estimates included in the initial release and provided corrected projections. The corrected version didn't make any changes to the projections of the federal-funds rate and the unemployment rate.

Forecast

In the end, no one really knows which direction long-term interest rates are going and when. As it has been said, "Nobody is smarter than the market." If the interest rate works, lock it: they are among the lowest in history and it is a mistake to take them for granted. If you plan to hold the property, choose the leverage level you want then lock the interest rate for as long as possible. This allows you to manage future cash flows in the property without worrying about increasing interest rates. Next year is an election year and over the past sixty years, long-term interest rates have remained stable in the weeks and months leading up to election day. (I realize this is in stark contrast to the staff at the Federal Reserve and will again defer to Yogi Berra.) But all it takes is another debt crisis like Greece, or heaven forbid a terrorist attack on U.S. soil, to completely upset the apple cart. **MM**

Dale Stewart is Vice President at NorthMarq Capital in Denver, CO. He can be reached at 303-225-2118 or dstewart@northmarq.com.

Vernon, AZ

• \$825,000

- 135 Units
- 24,200 RSF
- 39.47 Acres
- Excellent visibility with frontage on US-60
- Positioned for substantial increase in revenue, cash flow and investment value over time
- Approx. 30 acres available for expansion

NEW!

Jeff Gorden, CCIM
480-331-8880
jgorden@selfstorage.com



Glouster, OH

• \$299,000

- 64 Units
- 7,400 RSF
- 2.81+/- Acres
- Located in Southeast Ohio, close to Ohio University
- Outstanding performance history
- Currently 100% occupied
- Low-maintenance metal construction with standing seam roof

NEW!

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



Pensacola, FL

• \$2,700,000

- 284 Units
- 30,875 RSF
- 3.36+/- Acres
- All climate control units
- Room for expansion
- U-Haul truck and trailer rentals
- Lock, box and packing supply sales
- High traffic count

NEW!

**Bill Barnhill, CCIM
& Stuart LaGroue**
251-432-1287
barnhill@selfstorage.com
stuart@selfstorage.com



Edmond, OK

• \$810,000

- Self-Storage Development Site
- 63,050 Proposed RSF
- 6.2 Acres
- Infill site with strong demographics located in Oklahoma City MSA
- Shovel-ready site with opportunity to fast-track storage development and capitalize on current investment soft costs
- Growing trade area

NEW!

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



Waynesville, MO

• \$2,360,000

- 597 Units
- 84,678 RSF
- 6.4 Acres
- Interstate 44 visibility to over 25,000 cars per day
- Includes car wash, shop space and leased billboard
- Offered for Below Replacement Cost
- 5 miles from Ft. Leonard Wood Army Base

NEW!

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



Stillwater, OK

• \$2,300,000

- 462 Units
- 58,519 RSF
- 5.81 Acres
- Well-established, stabilized property with strong financial performance
- Immediate expansion opportunity
- Located in growing Stillwater, home of Oklahoma State University

NEW!

Jared Jones, CCIM
918-583-3483
jjones@porthavenpartners.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
Montgomery	\$5,000,000	Bill Barnhill/Stuart LaGroue	251-432-1287

Arizona

Fort Mohave	\$450,000	Jeffery A. Gorden	480-331-8880
Gilbert	SOLD!	Jeffery A. Gorden	480-331-8880
Mesa	SOLD!	Jeffrey A. Gorden	480-331-8880
Tucson	SOLD!	Jeffrey A. Gorden	480-331-8880
Tucson	\$260,000	Jeffrey A. Gorden	480-331-8880
Vernon	\$825,000	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
San Rafael	\$1,600,000	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

Colorado

Cortez	\$1,185,000	Joan Lucas	720-855-6587
Monument	\$8,000,000	Joan Lucas	720-855-6587
Pagosa Spgs	\$1,342,000	Joan Lucas	720-855-6587

Florida

Deerfield Beach	\$4,302,320	Scott Brenner	954-596-5502
Gulf Breeze	\$5,499,000	Bill Barnhill/Stuart LaGroue	251-432-1287
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

Alto	\$490,000	Mike Patterson	770-241-9070
Carrollton	\$2,290,000	Mike Patterson	770-241-9070
Douglasville	\$1,580,000	Mike Patterson	770-241-9070
Newnan	\$1,200,000	Mike Patterson	770-241-9070
Warner Robins	\$1,275,000	Mike Patterson	770-241-9070
Winston	\$292,000	Mike Patterson	770-241-9070

Illinois

Macomb	\$950,000	Bruce Bahrmassel	312-518-3550
Peoria	\$2,399,000	Bruce Bahrmassel	312-518-3550

Kansas

Iola	\$530,000	Larry Goldman	913-339-0641
Junction City	\$1,145,000	Larry Goldman	913-339-0641

Michigan

Roscommon	\$305,000	Jim Soltis	810-494-2062
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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
Leland	\$199,000	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
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New Hampshire

Rindge	\$995,000	Joe Mendola	603-668-7000
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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
Montague	\$1,600,000	Linda Cinelli	908-722-5661
Orange	\$955,000	Linda Cinelli	908-722-5661
Pemberton	\$975,000	Linda Cinelli	908-722-5661

New Mexico

Mesilla Park	\$575,000	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
Carthage	\$2,400,000	Guy Blake	845-522-5900
Hicksville	\$4,200,000	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	\$3,495,000	Guy Blake	845-522-5900

North Carolina

Poplar Branch	\$990,000	Stuart Wade	757-618-3597
Powells Point	\$719,000	Stuart Wade	757-618-3597

North Dakota

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

Gloucester	\$299,000	Alec Pacella	216-455-0925
Howard	\$1,550,000	Alec Pacella	216-455-0925
N. Ridgeville	\$375,000	Alec Pacella	216-455-0925

Oklahoma

Edmond	\$810,000	Jared Jones	918-583-3483
Muskogee	\$1,650,000	Jared Jones	918-583-3483
Stillwater	\$2,300,000	Jared Jones	918-583-3483

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

7-Prop Portfolio	Call Broker	Bill Brownfield	713-907-6497
Bridgeport	\$515,000	Richard Minker	817-840-0054
Canyon	\$545,000	David Etzold	915-491-9610
Livingston	SOLD!	Bill Brownfield	713-907-6497
Marble Falls	\$745,000	Bill Brownfield	713-907-6497
Texarkana	SOLD!	Bill Brownfield	713-907-6497

Virginia

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

ARGUS SALES



Congratulations to Jeff Gorden, CCIM of Eagle Commercial Realty Services who sold A-Secured Vehicle Storage in Gilbert, AZ, A-Secured Vehicle Storage in Mesa, AZ and Palo Verde Self Storage in Tucson, AZ!! Contact Jeff at 480-331-8880 for details.



Congratulations to Bill Brownfield, CRE, CCIM of MKP Self Storage LLC, who sold Livingston Security Storage in Livingston, TX, Tri-State Mini Storage Portfolio in Texarkana, TX and a Development Site in Houston, TX! Contact Bill at 713-907-6497 for details.

Argus Self Storage Sales Network wins Best of Business Award!



Once again, the readers of *Inside Self-Storage* Magazine have voted Argus as the Best Real Estate Brokerage! This is the **fifth** consecutive year that Argus has received this honor and we appreciate all of our clients and colleagues who voted! Argus is committed to providing the best service in the industry and we value the relationships that we have built with self-storage owners over the last 20 years!

Contact an Argus Broker Affiliate

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Guy Blake, CCIM
Linda Cinelli, CCIM, CEA
Joseph Mendola
Chuck Shields

Company

Pyramid Brokerage Company
LC Realty
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Phone

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610-862-1645

Territory

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MA, ME, NH VT, Eastern CT
Eastern PA, Southern NJ, DE

SOUTHEAST

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

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Bill Brownfield, CRE, CCIM
David Etzold & Noel Woodwell
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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
Isaac & Ben Hawkins
Larry Hayes
Joan Lucas
Bill Nicoloff

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