



SELF STORAGE SALES NETWORK

Market Monitor

America's Premier Self Storage Brokers

Issue VI-2014

What Happened?

by Ben Vestal

You didn't have to raise your rents, lower any expenses or even increase your occupancy and you made A LOT of money over the last few years. In fact, it may have been so easy that you didn't even realize it! So, what happened?! Many of you have probably received an increase in calls from local real estate brokers who know very little about the self-storage industry but have been given the task to find self-storage investments. They are all hoping to find that self-storage owner who is NOT in touch with the self-storage industry and who is looking to make a sweetheart deal. And while you were busy tending to other things, the self-storage real estate market became incredibly hot and interest rates stayed very low. Take a look at the chart below which represents what a typical facility experienced over the last few years.

	2010	2014	% Increase
Cap Rate	8.5%	7%	
Value	\$2,352,000	\$2,857,000	21%
Loan	\$1,764,000	\$1,764,000	
Equity	\$588,000	\$1,093,000	85%
NOI	\$200,000	\$200,000	
Debt Service, 25 yrs	\$130,000 @5.5%	\$120,000 @4.75%	
Cash Flow	\$70,000	\$80,000	14%

You will note the increase in value and equity that has been created by the overall lowering of cap rates in the market. The equity is, of course, the number that interests you the most because it represents the net value of your ownership. Notice a whopping 85% increase - especially nice since you didn't have to do anything different to earn it!

Why Did This Happen?

It is clear that we are nearing the highest value for self-storage properties in recent times – either in absolute dollars or in relation to the income they produce. The short and easy explanation is low interest rates and the math is simple; if the banks take less, you keep more. Plus, you have more income to sell and more buyers to buy it! However, I believe the explanation is deeper than just low interest rates. Below I give some of my big picture thoughts as to why this current self-storage real estate run will last longer and go farther than everyone thinks.

• U.S. Demographics

The overall aging of “baby boomers” will continue to fuel self-storage demand across the country. This is largely due to the lifestyle changes that occur for many people after the age of 50 including retirement, kids leaving home, downsizing of the house, and the desire to spend more time in warmer climates. These qualities

make baby boomers very qualified and desirable storage customers. By 2015 those aged 50 and older will represent 45% of the U.S. population (AARP). The reality is that when you reach 50 years old you are thinking about retirement, spending more time with family, and simplifying your life, all of which make this part of the

(Continued)

U.S. population a very qualified storage customer.

The other demographic that has supercharged the demand for self-storage is the Millennial Generation or Generation Y. As far as I know there is no precise date range as to when this generation was born, but I would guess it was during the early 1980s through the mid-1990s, making them between the ages of 19-34. There are approximately 70 million people of this demographic in the U.S. and they are the fastest growing demographic in the workplace and marketplace. Unlike the generations of the past, Generation Y has grown up with technology and relies on it to perform their jobs better and manage their social lives. Armed with iPhones, laptops and other gadgets, Generation Y is plugged-in 24 hours a day, 7 days a week. This generation prefers to communicate through e-mail, text messaging, and social networks rather than face-to-face contact and it prefers webinars and online technology to traditional person to person presentations.

Generation Y values mobility and they are not starting families at a rate anywhere close to the generations of the past, not to mention, they lived through the worst housing bubble in history, so they are not as aggressively looking to put down roots and buy a house. They seem content with renting apartments and condos and simply living in the moment.

- **Availability of Quality Information**

Today, sophisticated operators have access to relatively good market information and they are able to identify opportunities in a more professional manner than ever before. While most of the sophisticated operators' market information comes from their existing portfolio, over the last few years we have seen groups such as Self Storage Data Services and REIS provide operators with quality market information. It is clear that most of this information focuses on the major markets and is generally limited by the sample

size. However it is getting better and more importantly, we now have data on self-storage market performance going back 20+ years. This is critical because investors and operators better understand how the overall industry performs during economic swings and downturns and can back it up with reliable data. This has been critical in the self-storage industry's robust recovery as we can confidently say this industry is recession resilient.

A Few More Thoughts

Over the last several months we have all heard the new development train coming down the tracks. I believe that new development will be relevant over the next several years but the overall feeling we are getting around the country is that the demand for self-storage will more than absorb the new supply that is coming online, for the time being. This is largely due to the lack of new product built over the last 5 years. However, this does not mean that if a new property is built in your sub-market, that your current property will continue to operate at its current level. Self-storage is still a very localized business and if a market is overbuilt or new supply comes online, it will negatively affect the existing properties. Taking the development conversation one step further, I believe that the overall development process (development cost, land entitlements, construction financing, etc.) is much more time consuming and difficult than ever before, not to mention that self-storage developers are competing with other real estate developers for prime retail locations as self-storage is no longer being built on the back side of industrial parks or behind shopping centers. This will limit the actual amount of new properties that get built over the next several years. But the great returns we're experiencing in the storage industry have drawn a crowd, so be prepared because we will see the next self-storage boom! **MM**

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



Property Showcase

Peoria, AZ

• \$1,335,000

NEW!

- 159 Units
- 28,075 RSF
- Includes 14 office suites and 4 Boat/RV Units
- Excellent neighborhood location
- Stable community demographics
- Professional management
- Owner/User office opportunity
- Close to new residential development

Jeff Gorden, CCIM

480-331-8880

jgorden@selfstorage.com



Lawrenceville, GA

• Call for Price

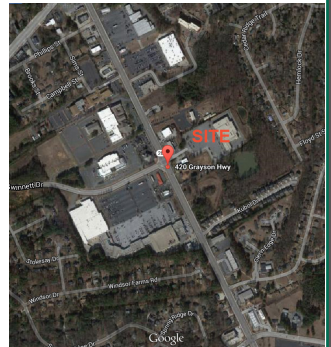
NEW!

- Self-Storage Conversion Opportunity
- 56,000 SF
- 12 Acres
- Former Publix grocery store
- Located in Lawrenceville, approx. 20 miles northeast of Atlanta
- Contact broker for price and additional details

Mike Patterson, CCIM

770-241-9070

ebroker@msn.com



Colorado Springs, CO

• \$5,900,000

NEW!

- 2 Property Portfolio
- 939 Total Units
- 115,655 Total RSF
- 8.43 Total Acres
- Unique opportunity to own two properties in the Colorado Springs market
- Properties are located 11.4 miles apart on the north and south sides of the city
- Onsite managers and apartments at both locations

Joan Lucas

720-855-6587

jluca@selfstorage.com



South Beloit, IL

• \$1,100,000

NEW!

- 175 Units
- 28,800 RSF
- 2.068 Acres
- Great visibility
- High historical occupancy
- Very well maintained
- Great upside potential
- Same owners for 25 years

Bruce Bahrmassel

312-518-3550

bruce@selfstorage.com



Melbourne, FL

• \$9,500,000

NEW!

- 1,000+/- Units
- 112,025 RSF
- 10+/- Acres
- Excellent location in economically growing market
- Adjacent acreage available for lease to develop high demand RV/Boat parking
- Strategically located on major traffic artery
- Stabilized high occupancy

Frost Weaver

904-265-2001

fweaver@weaver-realty.com



Spring, TX

• \$6.00 PSF

- Self-Storage Development Site
- Up to 325,920 GSF
- Up to 7 Acres
- Perfect site for self-storage
- Will divide
- Located on north side of FM 2920, just 10 minutes south of ExxonMobil's new 365 acre office campus
- Extraordinary residential and commercial growth in the immediate area

Bill Brownfield, CCIM

713-907-6497

brownfield@selfstorage.com





Sells Self Storage Nationwide!

- Over \$126 million in self storage properties currently for sale, with prices ranging from \$220,000 to over \$9,500,000 million to meet the needs of every buyer.
- 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

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
Peoria	\$1,335,000	Jeffery A. Gorden	480-331-8880
Tucson	\$1,100,000	Jeffery A. Gorden	480-331-8880

Arkansas

Hiwassee	\$599,000	Larry Goldman	913-339-0641
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California

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	\$493,700	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
Cortez	\$1,185,000	Joan Lucas	720-855-6587
Grand Junction	\$1,650,000	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
New Port Richey	\$425,000	Chuck Grey/Jeff Grey	727-849-2424
Melbourne	\$9,500,000	W. Frost Weaver	904-265-2001
St. Augustine	SOLD!	W. Frost Weaver	904-265-2001

Georgia

Douglasville	\$1,625,000	Mike Patterson	770-241-9070
East Point	\$1,475,000	Mike Patterson	770-241-9070
Villa Rica	\$1,200,000	Mike Patterson	770-241-9070
Villa Rica	SOLD!	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	\$1,098,000	Tyler Trahant/ Stuart LaGroue/Shannon Barnes	817-840-0055 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	\$1,100,000	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
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

New Hampshire

Claremont	\$290,000	Joe Mendola	603-668-7000
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New Jersey

Branchville	\$1,300,000	Linda Cinelli	908-722-5661
Hackettstown	\$4,400,000	Linda Cinelli	908-722-5661
Montague	\$1,600,000	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

Canton	\$2,500,000	Alec Pacella/Michael Venesky	216-455-0886
Canton	\$1,150,000	Alec Pacella/Michael Venesky	216-455-0886
Cleveland	\$2,300,000	Alec Pacella/Michael Venesky	216-455-0886
Painesville	Call Broker	Alec Pacella/Michael Venesky	216-455-0886
Sheffield Vill.	\$1,050,000	Alec Pacella/Michael Venesky	216-455-0886
Washington CH	SOLD!	Alec Pacella/Michael Venesky	216-455-0886
Zanesville	\$585,000	Alec Pacella/Michael Venesky	216-455-0886

Oklahoma

Moore	SOLD!	Jared Jones	918-583-3483
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Oregon

Klamath Falls	\$649,000	Steve Boldish	541-776-1031
Klamath Falls	\$1,495,000	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

Texas

Fort Worth	\$4,600,000	Tyler Trahant/Richard Minker	817-840-0055
Spring	\$6.00 PSF	Bill Brownfield	713-907-6497

Virginia

Chesapeake	\$775,000	Stuart Wade	757-618-3597
Portsmouth	\$2,100,000	Stuart Wade	757-618-3597
Williamsburg	\$6,490,000	Stuart Wade	757-618-3597

Wisconsin

Milwaukee	\$2,262,000	Matson Holbrook	414-270-4108
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ARGUS SALES



Congratulations to Frost Weaver of Weaver Realty Group, Inc. who sold Rabbit Hill Self Storage in St. Augustine, FL! Contact Frost at 904-265-2001 for more information.



Congratulations to Mike Patterson, CCIM, of Commercial Realty Services of West Georgia who sold A Safe Storage in Villa Rica, GA! Contact Mike at 770-241-9070 for more information.



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



Congratulations to Michael Venesky of NAI Daus who sold Russell Storage in Washington Court House, OH! Contact Michael at 216-455-0886 for more information.



Congratulations to Larry Goldman, CCIM of RE/MAX Commercial who represented the buyers of Keepsake Self Storage in Moore, OK and Bentonville Storage in Bentonville, AR! Contact Larry at 913-339-0641 for more information.

Argus Welcomes New Broker Affiliate



Gilbert Enciso, of Torrey Pines Commercial, joins Argus as the Broker Affiliate representing Southern California. Gilbert has over 25 years of experience in commercial real estate and offers his clients high level advisory services tailored to their specific needs and goals. Gilbert can be reached at 858-874-8777 or gilbert@torreypinescommercial.com.

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 McGuire Commercial Real Estate
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 Helline & Paul Grisanti, CCIM
Matson Holbrook, CCIM & Max Schultz
Jim Soltis

Landstar Realty Group
NAI Daus
RE/MAX Best Associates
Grisanti Group Commercial Real Estate
Siegel-Gallagher, Inc.
Preview Properties.com

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216-831-3310
913-339-0641
502-253-1811
414-270-4108
810-494-2062

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OH, Western PA
KS, MO, Southern IL
KY, Southern IN
WI
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SOUTH CENTRAL

Bill Barnhill, CCIM
Bill Brownfield, CRE, CCIM
David Etzold & Noel Woodwell
Larry Goldman, CCIM
Mike Helline & Paul Grisanti, CCIM
Jared Jones, CCIM
Richard D. Minker, CCIM

Omega Properties, Inc.
MKP Self Storage LLC
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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
Jason Wilcox, CCIM

Oregon Self Storage Brokers
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Torrey Pines Commercial
Etzold & Co.
Eagle Commercial Realty Services
Hayes & Associates
Joan Lucas Real Estate Services, LLC
RAVEN Commercial Real Estate

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OR
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Southern CA
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WA