



SELF STORAGE SALES NETWORK

# Market Monitor

America's Premier Self Storage Brokers

Issue VII-2015

## A Mid-Year Tune Up

by Ben Vestal

Over the last 10 years, I have realized that complacency is a major problem in self-storage, particularly since we've been enjoying the recent strong performance of the industry. At one time or another we have all looked at our to-do list and thought, "I can do that next month." Reviewing your operating expenses, however, is not one of those things you can afford to put off until next month. 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 your operating expenses.

With all-time high capital flows of both equity and debt into the self-storage industry, it has continued to gain respect from Wall St. and the greater real estate investment world. This capital flow has caused capitalization rates to compress to record lows. It is because of this, along with low interest rates and strong market fundamentals, that the values of self storage properties have soared and made some owners complacent. When values climb and cap rates compress, we must ask ourselves; what happens when the market peaks? And how can we protect our investment? The risk that self storage owners face today is not only whether their net operating income goes up or down, but whether cap rates go up faster than their net operating income can compensate for the loss of value. With investors looking to maximize their rate of return and limit the amount of risk, it is only logical to think that if owners control and reduce their operating expenses and increase their revenue, that the net operating income and cash flow will increase the value of the asset.

Understanding the magnitude of what each dollar of net operating income means to the value of an asset is the first step to protecting and preserving value. Let's take a self-storage property with annual gross revenue of \$400,000 and annual operating expenses of \$150,000. This property would then have a net operating income of \$250,000 which will then be capitalized at a reasonable cap rate by an investor/owner to arrive at a value. With today's cap rates being in the 6%-8% range, this property's value would be in the range of \$3,125,000 to \$4,166,000. Reducing the operating expenses by 10% or \$15,000 a year would increase the value by \$187,000 to \$250,000. This means that for every dollar you reduce your operating expenses, thus increasing net income, you would expect to receive \$12 to \$16 in value. With the majority of self storage operating expenses being fixed in three or four major categories it is easy to see how yearly contract increases, gas surcharges and administrative fees can

deteriorate the value of an asset quickly. It is worth noting that you don't have to sell your property to get the benefit of reduced operating expenses. The value will be reflected in the amount that you can borrow on the property and an increase in monthly cash flow. Generally speaking, you can expect to borrow 65%-75% of the increase in value when you refinance.

In today's ultra-competitive self storage investment market, rethinking the way you approach your operating expenses and implementing a process of reviewing your operating expenses on a regular basis will keep both your vendors and your expenses in line. Although tax time has come and gone, next year you should consider protesting your real estate taxes as this one exercise can help reduce a major operating expense and increase your cash flow. With the technology wave in full swing you should also be open-minded on new ways to reduce your advertising cost and consider other ways to reduce your overall cost of rentals. We have seen big strides in the way owners are utilizing kiosks, online reservations, mobile apps, and access control systems to more effectively operate their property and reduce their overall operating expenses and it is clear that the future of self storage operations is going to be more and more technology based.

Additionally, it never hurts to get bids on your property insurance, and you may want to consider joining a group plan such as SBOA or ask your property management company if they offer a group insurance plan. We have seen large savings on insurance premiums over the last few years by being part of a master insure policy. Remember that no box is too small to look for a dollar!

Self-Storage continues to be the darling of real estate investments and has earned its way into the core real estate sector with higher returns and lower losses than other real estate assets. But let's not forget what got self-storage where it is today. Self-Storage owners need to keep a very close watch on expenses and continue to be active with their local government on issues such as sales tax and overbuilding. It is safe to say that self-storage values are at or nearing an all-time high and owners need to be diligent at reviewing and controlling their operating expenses if self-storage is to remain the shining star of the real estate investment world. **MM**

*Ben Vestal, President of the Argus Self Storage Sales Network, can be reached at 800-557-8673 or [bvestal@argus-realestate.com](mailto:bvestal@argus-realestate.com).*



# Property Showcase

## Fort Mohave, AZ • \$450,000

- 132 Units
- 26,817 RSF
- 3.744 Acres
- Excellent visibility from Highway 95
- Majority of in place tenants are not at market rates
- Significant upside and tremendous ROI potential
- On-site management and office

**NEW!**



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

## Panama City, FL • \$850,000

- 207 Units
- 23,260 RSF
- 1.34+/- Acres
- Located on Highway 98, a major east/west artery along the Gulf Coast
- Excellent visibility
- High traffic count
- All ground level units with wide aisles

**NEW!**



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

## San Rafael, CA • \$1,600,000

- **Under Contract**
- 161 Units
- 13,176 RSF
- 1.3 Acres
- Located in the affluent city of San Rafael in Marin County
- Originally built as a storage facility intended for marine use
- Includes 2 dock spaces, 3 office/shop spaces

**NEW!**



**Tom de Jong**  
408-282-3829  
tom.dejong@colliers.com

## Carrollton, GA • \$1,150,000

- 256 Units
- 41,000 RSF
- 7.15 Acres
- Well-established facility in downtown area
- Some flex space included
- Small climate control section in flex building
- 90%+ occupancy
- Located near University of West Georgia

**NEW!**



**Mike Patterson, CCIM**  
770-241-9070  
ebrokers@msn.com

## Pagosa Springs, CO • \$1,342,000

- 158 Units
- 27,300 RSF
- 3.57 Acres
- 10 RV Spaces
- Well-established self storage project
- On-site manager
- Strong U-Haul truck rental income
- Located 60 miles east of Durango, CO

**NEW!**



**Joan Lucas**  
720-855-6587  
jlucas@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

**NEW!**



**Jim Soltis**  
810-494-2062  
jsoltis@previewproperties.com



# Sells Self Storage Nationwide!

For property details, visit [www.argus-selfstorage.com](http://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
Pinson	<b>SOLD!</b>	Bill Barnhill/Shannon Barnes	251-432-1287
		Stuart LaGroue	251-432-1287

## Arizona

Fort Mohave	\$450,000	Jeffery A. Gorden	480-331-8880
Gilbert	Call Broker	Jeffery A. Gorden	480-331-8880
Mesa	Call Broker	Jeffery A. Gorden	480-331-8880
Tucson	\$260,000	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 Bernardino	\$473,000	Tom de Jong/ Gilbert Enciso	408-282-3829 858-874-8777
San Rafael	\$1,600,000	Tom de Jong	408-282-3829
San Mateo	\$1,400,000	Tom de Jong	408-282-3829
Vallejo	<b>SOLD!</b>	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

## Georgia

Alto	\$490,000	Mike Patterson	770-241-9070
Carrollton	\$1,150,000	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	\$1,100,000	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

Brooklyn	\$925,000	Jim Soltis	810-494-2062
Roscommon	\$305,000	Jim Soltis	810-494-2062

## Missouri

Clinton	\$268,000	Larry Goldman	913-339-0641
Sedalia	\$1,338,000	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
Hackettstown	<b>SOLD!</b>	Linda Cinelli	908-722-5661
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

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

## Oklahoma

Muskogee	\$1,650,000	Jared Jones	918-583-3483
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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
Spring City	\$5,250,000	Chuck Shields	610-828-0100

## Texas

7-Prop Portfolio	Call Broker	Bill Brownfield	713-907-6497
Baytown	<b>SOLD!</b>	Jared Jones	918-583-3483
Bridgeport	\$515,000	Richard Minker	817-840-0054
Canyon	\$545,000	David Etzold	915-491-9610
Livingston	\$1,400,000	Bill Brownfield	713-907-6497
Mansfield	<b>SOLD!</b>	Richard Minker/Chad Snyder	817-840-0054
Marble Falls	\$745,000	Bill Brownfield	713-907-6497
Texarkana	\$3,850,000	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 Tom de Jong of Colliers International who sold a self storage development site in Vallejo, CA! Contact Tom at 408-282-3829 for details.



Congratulations to Jared Jones, CCIM of Porthaven Partners, who sold Eagles Nest Storage in Baytown, TX! Contact Jared at 918-583-3483 for details.



Congratulations to Bill Barnhill, CCIM, Stuart LaGroue, and Shannon Barnhill Barnes, CCIM of Omega Properties, Inc. who sold Safeguard Storage in Pinson, AL. The Omega team can be reached at 251-432-1287 for more information.



Congratulations to Richard Minker, CCIM, and Chad Snyder of Colliers International who sold Todd Self Storage in Mansfield, TX. Richard and Chad can be reached at 817-335-5600 for more information.



Congratulations to Linda Cinelli, CCIM of LC Realty who sold Storage Bins in Hackettstown, NJ! Contact Linda at 908-722-5661 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.

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  
David Dunn  
Alec Pacella, CCIM  
Larry Goldman, CCIM  
Mike Helline & Paul Grisanti, CCIM  
Matson Holbrook, CCIM & Max Schultz  
Jim Soltis

Waveland Commercial Real Estate, LLC  
Hike Real Estate  
NAI Daus  
RE/MAX Commercial  
Grisanti Group Commercial Real Estate  
Siegel-Gallagher, Inc.  
Preview Properties.com

312-518-3550  
402-660-5610  
216-831-3310  
913-339-0641  
502-253-1811  
414-270-4108  
810-494-2062

Northern IL, Northern IN  
NE, IA  
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 Helline & Paul Grisanti, CCIM  
Jared Jones, CCIM  
Richard D. Minker, CCIM

Omega Properties, Inc.  
MKP Self Storage LLC  
Etzold & Co.  
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Grisanti Group Commercial Real Estate  
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CASE Commercial Real Estate Partners

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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  
Isaac & Ben Hawkins  
Larry Hayes  
Joan Lucas  
Bill Nicoloff

Oregon Self Storage Brokers  
Colliers International  
Torrey Pines Commercial  
Etzold & Co.  
Eagle Commercial Realty Services  
Hawkins Edwards Inc.  
Hayes & Associates  
Joan Lucas Real Estate Services, LLC  
Newmark Grubb ACRES

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720-855-6587  
801-671-7324

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