



## Shedding Light on Self-Storage Values

by Tom de Jong

**T**oday's marketplace consists of more Buyers than Sellers for self-storage properties. These buyers vary widely and include institutional buyers (primarily public and private REITs and large operators), high net-worth buyers, exchange buyers (trading from another real estate sale), and other new entrants into the marketplace. This excess of Buyers has driven prices to record levels and today's prices typically include some level of "proforma" adjustments to occupancy levels, income and expenses.

Buyers looking at existing facilities are seeking a reasonable return on investment (ROI). However, how that ROI number is viewed may vary greatly depending on the particular buyer's perspective. Existing owners have an advantage of market knowledge, particularly if they are already in an existing geographic marketplace. These existing operators have the benefit of institutional knowledge when underwriting a facility's operating performance, whereas a new entrant must rely on existing operating reports, income statements, market studies, and product-expert advisors to form an educated opinion of potential value.

Typical adjustments and their impacts are outlined below:

**Property Taxes** – Every state has their own property tax nuances. In California, it is pretty straightforward with Proposition 13. A buyer must adjust property taxes to the reported real estate sales price. This doesn't necessarily reflect the actual purchase price because many sales include an allocation of the purchase price to goodwill and personal property (can be anywhere from 0% to 28% of the pur-

chase price). Check with your Argus Broker if you have questions about property tax treatment in your state.

**Income adjustments** – Income adjustments vary widely from deal to deal and can be placed in multiple categories:

- a) **RENTS:** Many owners have been slow to adjust prices to reflect local market rents with current rents as much as 30% below market rents, particularly on long-term tenants. A thorough market survey of the local competitive landscape is required to make adjustments to rents.
- b) **TENANT INSURANCE ("TI"):** The public REITs have all adopted tenant insurance and aggressively push it upon their tenants. Profit margins are as high as 90%+ for these operators. Smaller operators may consider offering TI and receive a commission or referral fee of 50% upon a sale.
- c) **ANCILLARY INCOME:** Ancillary income includes late fees, administrative fees, product sales, and truck rental income and is typically 2-5% of overall sales. Late fees in particular can add up for those owners who aggressively charge these fees.
- d) **CONCESSIONS:** Concessions, typically in the form of free rent, vary widely from facility to facility, with some giving as much as 4-6% of income back in the form of free rent. With facilities averaging 90% occupancy in most markets, owners would benefit from reducing or eliminating concessions.

**Expense adjustments** - Expense adjustments also vary widely from deal to deal and can be in multiple buckets beyond the property tax adjustment

described earlier:

- a) **PAYROLL** – Payrolls vary widely from owner to owner and may be adjusted by as much as 20-25%. Many long-term owners have employees who may have been with them for many years. Adjusting payrolls may be a sensitive area because most owners want to treat their employees fairly and protect their employment upon sale. Buyers are also concerned about losing employees during a sales process. One viable solution is to offer long-term employees an incentive to stay until completion of the sale. Additionally, most buyers will give existing employees an opportunity to interview for a position with their organization.
- b) **CREDIT-CARD PROCESSING & PROPERTY INSURANCE** – These are areas where single facility owners may benefit from being members of a storage CO-OP such as StoreLocal or SBOA. Costs can be reduced by 10-20% overall as a result of the group purchasing power.
- c) **PERSONAL EXPENSES** – Many owners

run personal expenses through the operating statements of a facility. These typically include travel, dues and subscriptions, car/truck expenses, gas and more. Identifying which expenses are personal upfront will help in preparing proforma financial statements while optimizing a facility's market value.

- d) **3RD PARTY MANAGEMENT FEES** – As a real estate investment, a buyer will be looking to include 3rd party management fees of 4.0 – 7.0% as part of expenses. Owner-operated facilities may not always include this fee on their financial statements, however an investor will always include this in their underwriting.

Of course, every transaction is unique and requires an understanding of many different facets of the operations of a self-storage facility, its owners, and the occupancy and operating income statements. Additional adjustments to value include capital improvement budgets, facility upgrades, capital reserves, and market specific expenses. Chart I shows an example of how these adjustments may impact the value of your self-storage assets.

Chart I: Sample Expense Adjustments

	Trailing 12 Actual	Trailing 12 Adjusted	
Unit Occupancy	92%		
Physical Occupancy	89%		
Economic Occupancy	78%	85%	
<b>Revenues</b>			
Rental Income	\$750,000	\$817,308	
Late & Admin Fees	\$18,750	\$28,606	
Retail/Other Income	\$15,000	\$24,519	
<b>Total Income</b>	<b>\$783,750</b>	<b>\$870,433</b>	<b>11%</b>
<b>LESS: Adjusted Expenses</b>			
Payroll/Payroll Taxes	\$146,500	\$96,000	
Management Fee (5%)		\$43,522	
Insurance	\$13,192	\$10,000	
Bank Fees & Service Charges	\$7,842	\$5,800	
RE Taxes	\$75,800	\$94,700	
Non-Adjusted Expenses	\$62,000	\$62,000	
<b>Total Adjusted Expenses</b>	<b>\$305,334</b>	<b>\$312,022</b>	<b>36%</b>
<b>Net Operating Income</b>	<b>\$478,416</b>	<b>\$558,411</b>	
<b>Value at 5% CAP rate on T-12</b>	<b>\$9,568,322</b>	<b>\$11,168,221</b>	<b>17%</b>

Based on the adjustments described above you can see an increase in implied value at a 5.0% CAP (capitalization) rate of 17%, or an additional \$1.6 million at time of sale. These adjustments are why, in a competitively bid situation, we have seen reported CAP rates below 5.0% in some of the top markets.

Today's buyers are most certainly making these adjustments in their internal underwriting. Bringing a property to market, or attempting to sell without considering these adjustments is a costly mistake! **MM**

*Tom de Jong, senior Vice President with Colliers International, is the Argus Broker Affiliate for Northern California and he may be reached at tom.dejong@colliers.com or at 408-282-3829 for additional info.*



# Property Showcase

## Saraland, AL

\$4,765,000

- 479 Units
- 51,905 RSF
- 1.5 Acres
- Located in a fast-growing suburb of Mobile, AL
- 3-story climate controlled facility
- Assumable mortgage with 1% transfer fee

**NEW!**

**Bill Barnhill, CCIM  
& Stuart LaGroue**

251-432-1287

stuart@selfstorage.com



## Farmington, MO

\$3,750,000

- 628 Units
- 118,390 RSF
- 11.89 Acres
- All units fenced with 24hr access
- Onsite expansion potential
- Growth potential with truck rentals and other ancillary services
- Climate control, warehouse and retail units are 100% occupied

**NEW!**

**Larry Goldman, CCIM**

913-707-9030

lgoldman@selfstorage.com



## Bennett, CO

\$3,200,000

- **Under Contract**
- 300 Units
- 47,776 RSF
- 4.34 Acres
- Room for expansion
- 3,200 SF home included
- Management office with 1/2 bath for tenant use
- 6,400 SF of RV parking

**NEW!**

**Joan Lucas**

720-855-6587

jlucas@selfstorage.com



## North Carolina Portfolio

\$2,300,000

- 3-Property Portfolio
- 515 Total Units
- 65,175 Total RSF
- Properties located in Winterville, Kinston and Havelock, NC
- Well located properties with good historical occupancy

**NEW!**

**Jamey Cox & Joey Godbold**

704-632-1030

jamey.cox@svn.com

jgodbold@svn.com



## Columbus, GA

\$1,600,000

- Conversion Opportunity
- 78,000+ SF Industrial Building
- 4.74 Acres
- Great visibility from I-185 and easily accessible from cross streets
- Office space finished and ready, fencing and security gate in place

**NEW!**

**Mike Patterson, CCIM**

770-301-1886

ebroker@msn.com



## Plymouth, PA

\$795,000

- 222 Units
- 25,000 RSF
- 0.75 Acres
- In-town location
- 3 story building
- Antique car/motorcycle storage
- 97,000 gross SF building has potential to convert additional 42,656 SF to storage

**Linda Cinelli, CCIM**

908-722-5661

linda@lcrealtyusa.com

**Chuck Shields**

610-828-0100

cshields@beaconcre.com



## Rockford, IL

\$5,100,000

- 2-Property Portfolio
- 625 Units
- 99,003 RSF
- 7.07 Acres
- 2 facilities located 1.5 miles from each other on main street
- Good historical occupancy rates
- Significant room to expand and great upside potential
- Can be sold separately

**Bruce Bahrmassel**

312-518-3550

bruce@selfstorage.com



## Cathlamet, WA

\$795,000

- 66 Units
- 19 parking spaces
- 15,260 RSF
- 5.61 Acres
- Newer facility, very well maintained
- Additional land for expansion with no zoning restrictions
- Perfect for owner/operator

**NEW!**

**Tom de Jong**

408-282-3829

tom.dejong@colliers.com

**Thomas Wolter**

206-200-3325

tom@thomaswolter.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	\$3,382,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Chelsea, AL	\$3,000,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Mobile, AL	\$1,700,000	Bill Barnhill	251-432-1287
Mobile, AL	\$2,500,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Saraland, AL	\$4,765,000	Bill Barnhill/Stuart LaGroue	251-432-1287

## Arizona

Fort Mohave	\$450,000	Jeffrey A. Gorden	480-331-8880
Gold Canyon	Call Broker	Jeffrey A. Gorden	480-331-8880
Mohave Valley	\$300,000	Jeffrey A. Gorden	480-331-8880
Vernon	\$795,000	Jeffrey A. Gorden	480-331-8880
Yuma	\$6,600,000	Jeffrey A. Gorden	480-331-8880

## Arkansas

Hot Springs Vlg	\$180,000	Larry Goldman	913-339-0641
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## California

Sacramento	\$13,500,000	Tom de Jong	408-282-3829
San Mateo	\$1,400,000	Tom de Jong	408-282-3829
Vallejo	\$1,850,000	Tom de Jong	408-282-3829

## Colorado

Bennett	\$3,200,000	Joan Lucas	720-855-6587
Boulder	\$16,000,000	Tom de Jong	408-282-3829
Evans/Greeley	\$1,652,450	Joan Lucas	720-855-6587
Greeley	\$1,550,000	Joan Lucas	720-855-6587

## Florida

Fanning Spgs	\$1,725,000	Frost Weaver	904-265-2001
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## Georgia

Columbus	\$1,600,000	Mike Patterson	770-241-9070
Douglasville	\$2,250,000	Mike Patterson	770-241-9070
Lithia Springs	\$1,600,000	Mike Patterson	770-241-9070
Tifton	\$750,000	Mike Patterson	770-241-9070
Winston	\$292,000	Mike Patterson	770-241-9070

## Idaho

Payette	\$1,850,000	David Gronbeck	208-319-1008
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## Iowa

Mason City	\$1,500,000	Rusty Hike	402-291-2500
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## Illinois

Macomb	\$950,000	Bruce Bahrmassel	312-518-3550
Rockford	\$5,100,000	Bruce Bahrmassel	312-518-3550

## Indiana

Fort Wayne	Call Broker	Bruce Bahrmassel/ Neal Gussis	312-518-3550 847-922-3750
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## Kansas

Iola	\$400,000	Larry Goldman	913-707-9030
Junction City	\$400,000	Larry Goldman	913-707-9030
Lansing	\$1,500,000	Larry Goldman	913-707-9030
S. Hutchinson	\$630,000	Jared Jones	918-583-3483

## Louisiana

Bossier City	\$2,500,000	Bill Barnhill	251-432-1287
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## Massachusetts

Sutton	\$1,575,000	Joseph Mendola	603-668-7000
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## Michigan

Roscommon	\$295,000	Jim Soltis	810-494-2062
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## Missouri

Clinton	\$268,000	Larry Goldman	913-707-9030
Farmington	\$3,750,000	Larry Goldman	913-707-9030
Waynesville	\$2,360,000	Larry Goldman	913-707-9030

## Mississippi

Brandon	\$650,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Canton	\$850,000	Bill Barnhill/Stuart LaGroue	251-432-1287

## New Jersey

Branchville	\$995,000	Linda Cinelli	908-722-5661
Howell	\$2,350,000	Linda Cinelli	908-722-5661
Pemberton	\$975,000	Linda Cinelli	908-722-5661
Pennsauken	\$1,300,000	Linda Cinelli	908-722-5661

## New Mexico

Bernalillo	\$4,250,000	David Etzold/Noel Woodwell	915-491-9610
Mesilla Park	\$530,000	David Etzold/Noel Woodwell	915-491-9610
Ruidoso	\$790,000	David Etzold/Noel Woodwell	915-491-9610

## New York

Bayport	\$925,000	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
Westmoreland	\$979,000	Guy Blake	845-522-5900

## North Carolina

NC Portfolio	\$2,300,000	Joey Godbold/Jamey Cox	704-632-1030
Powells Point	\$560,000	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
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

## Pennsylvania

Bechtelsville	\$1,350,000	Chuck Shields	610-828-0100
Olyphant	\$850,000	Chuck Shields	610-828-0100
Plymouth	\$795,000	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
Lancaster	\$750,000	Joey Godbold/Jamey Cox	704-632-1030

## Texas

Arlington	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Big Spring	Call Broker	David Etzold	915-845-6006
Caldwell	Call Broker	Bill Brownfield	713-907-6497

## Virginia

DeWitt	\$450,000	Stuart Wade	757-618-3597
Williamsburg	\$4,900,000	Stuart Wade	757-618-3597

## Washington

Cathlamet	\$795,000	Tom de Jong/Thomas Wolter	408-282-3829
Shelton	\$995,000	Thomas Wolter	206-200-3325

## Wyoming

Gillette	\$2,550,000	Joan Lucas/ Pat Green	720-855-6587 307-680-0102
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**Special Offer!**

# Self Storage Development Tracking Report

As the self storage market continues to pick up velocity, the development pipeline is filling up nationwide. We are seeing a large amount of new, proposed and expanded self storage projects in the marketplace. In an effort to best provide our clients with up-dated market information, Argus Brokers have compiled data and prepared reports of self-storage developments in major markets throughout the U.S.



**Contact your Argus Broker Affiliate (listed below) to request a Development Report for your market and to discuss the potential impacts of this new supply.**

## 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

Omega Properties, Inc.  
Percival Partners  
Commercial Realty Services of West Georgia  
The Nicholson Companies  
Weaver Realty Group, Inc.

888-801-4534  
704-632-1027  
770-301-1886  
757-618-3597  
904-733-0039

FL Panhandle  
NC, SC  
GA  
MD, VA  
North, Central & South FL

### NORTH CENTRAL

Bruce Bahrmassel  
Rusty Hike  
Alec Pacella, CCIM  
Larry Goldman, CCIM  
Mike Helline & Paul Grisanti, CCIM  
Jim Soltis

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

312-518-3550  
402-291-2500  
216-831-3310  
913-707-9030  
502-253-1811  
810-494-2062

Northern IL, Northern IN  
NE, IA  
OH, Western PA  
KS, MO, Southern IL  
KY, Southern IN  
MI

### SOUTH CENTRAL

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

Omega Properties, Inc.  
Brownfield & Associates, LLC  
Etzold & CO LLC  
RE/MAX Commercial  
Grisanti Group Commercial Real Estate  
Porthaven Partners  
Colliers International

888-801-4534  
713-907-6497  
915-845-6006  
913-707-9030  
502-253-1811  
918-583-3483  
817-335-5600

AL, MS, LA  
South & Central TX  
West TX  
AR  
TN  
OK  
North TX

### WEST

David Aldridge  
Tom de Jong  
David Etzold  
Jeffery A. Gorden, CCIM  
Larry Hayes  
Joan Lucas  
Bill Nicoloff  
Thomas Wolter

Aldridge & Associates  
Colliers International  
Etzold & CO LLC  
Eagle Commercial Realty Services  
Hayes & Associates  
Joan Lucas Real Estate Services, LLC  
Newmark Grubb ACRES  
RE/MAX Commercial

503-789-5333  
408-282-3829  
915-845-6006  
480-331-8880  
406-728-0088  
720-855-6587  
801-671-7324  
206-200-3325

OR  
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