



SELF STORAGE SALES NETWORK

Market Monitor

America's Premier Self Storage Brokers

Issue VIII-2016

Strategy is Key: Understanding Deal Structure

by Ben Vestal

The recent influx of buyers to the self-storage space has led to higher transaction velocity. Some self-storage owners who are unfamiliar with the transaction process may have questions about the procedure and the strategies that will help them achieve maximum value. With this in mind, I thought I would take you through some of the less obvious parts of a real estate transaction and explain not only the activity, but also the associated strategy. We will also touch on some deal structures that may help you achieve your goals as a buyer or seller.

Pricing:

In the world of real estate transactions, the market usually has a relatively narrow band of market values. The reason for this narrow range is because if the market prices were any higher, there wouldn't be any buyers, and if prices were lower, there wouldn't be any sellers. Quality brokers are focused on a price that both a buyer and seller can agree on so they can transact a deal successfully, otherwise there is no transaction! Oftentimes property owners are only thinking about what price will make them ecstatically "happy" and not about the price that someone will actually pay for the property. Overpricing a property is NOT harmless because it will impair the value and the market reputation of a property. Most qualified and capable buyers will not consider an acquisition if a property is overpriced which greatly hinders the value and liquidity of the property. Using a qualified and experienced real estate broker to properly assess the value of a property using the income approach along with market sales comps will lead to an appropriate market value that will allow you to transact a deal that both the buyer and seller can agree upon.

Marketing:

When taking a property to market, it is important to note that the difference in quality and risk are often very subjective. For example, a relatively low occupancy might indicate a poor performing property, or alternatively, a great opportunity to increase occupancy and revenues. For this reason, it is extremely important to broadly market properties to find the buyer who has the most optimistic view of your property. Always beware of the broker or colleague that says, "I have the right buyer for you. We don't need to market the property." The more qualified prospects who are exposed to your property, the better chance you have of maximizing your sales price. Today, we are seeing more new buyers enter the self-storage investment market than ever before. Therefore marketing your property using a national marketing platform designed for self-storage properties will give you the best opportunity to maximize your value.

Deal Structure:

If you are in the market as a buyer or seller of a self-storage property, it is important to understand that the structure of the purchase can be as important as the purchase price. As with any negotiation, the buying and selling parties must identify what factors they will weigh during the decision making process. Too often, the parties only focus on the purchase price and glaze over the structure without considering the

financial implications of the non-financial aspects of the transaction. There are two main deal structures that are typically utilized when selling or purchasing an entity or its assets; specifically, they are an asset purchase (real estate contract) and an entity purchase (LLC or stock purchase). Below I have outlined some of the pros and cons of these two structures. It is important to remember that I am not an accountant or an attorney so please seek tax and legal advice from your council when structuring a deal.

Asset Purchase:

There are two significant advantages to the buyer when structuring a deal as an asset purchase. First, the buyer maintains a "step up" cost basis for tax treatment for all purchased assets, which allows them to enjoy full depreciation. Second, the buyer can choose what assets he wants to purchase and avoid contingent and unknown liabilities, which are often costly and burdensome. The main disadvantage to a buyer is that an asset purchase may trigger a reassessment of real estate taxes after the sale is complete and with the very aggrieve valuations self-storage properties have been receiving, this reassessment can be detrimental to the investment's ongoing yield.

Entity Purchase:

The overriding benefit to both the buyer and seller of structuring a deal as an entity purchase (stock purchase) is its simplicity and convenience. However, this type of structure is clearly not the norm in self-storage real estate transactions. The buyer receives all of the company's assets and liabilities, eliminating the need for title transfer, reducing the number of third party consents (except where there are change of control restrictions), and minimizing the vast transactional cost associated with an asset purchase. The two main disadvantages of an entity purchase for a buyer are increased exposure to liability and the loss of tax benefits. Although a thorough corporate review and contract review can help a buyer mitigate the go-forward liabilities, the buyer will need to be comfortable with an increase in liability. Additionally, a buyer will need to talk with his accountant to see what tax strategies can offset and mitigate the loss of tax benefits.

As you can see, there are many factors to be weighed when determining how to go about structuring a deal and realizing the maximum value of your facility. Prior to drafting a purchase agreement or marketing your property for sale, it is crucial that proper consideration be given to all aspects of a potential transaction. Early planning and preparedness can prove to be beneficial to both buyers and sellers and can substantially cut transactional costs and attorney fees. All of the information above is generic and should not be construed as advice for any specific deal. If you are a potential buyer or seller of a self-storage property, I would strongly recommend that you seek advice from your local Argus broker, attorney and tax professional. **MM**

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

Modesto, CA

\$795,000

- 111 Units
- 17,207 RSF
- 1.04 Acres
- 97% average occupancy over past 12 months
- All metal construction
- Below market rents
- Includes 9 outside boat/rv spaces

NEW!

Tom de Jong

408-282-3829

tom.dejong@colliers.com



Farmington, MO

\$750,000

- 124 Units
- 11,290 RSF
- 5.5 Acres
- New facility, soft opening in Spring 2016
- Expandable site
- Phase I fully leased
- Fenced, gated with electronic access

NEW!

Larry Goldman, CCIM

913-707-9030

lgoldman@selfstorage.com



Port St. Joe, FL

\$3,504,000

- 181 Units
- 76,900 RSF
- 7.4+/- Acres
- Includes climate controlled and non-climate units
- 128 boat/rv spaces and 12 office/warehouse suites included
- High occupancy

NEW!

**Bill Barnhill, CCIM
& Stuart LaGroue**

251-432-1287

stuart@selfstorage.com



Ewing, NJ

\$1,500,000

- Self-Storage Conversion Opportunity
- 160,000 GSF
- 3.11 Acres
- 5+ buildings
- Owner willing to lease/purchase or joint venture
- Owner will take mortgage with 30% down

NEW!

Linda Cinelli, CCIM

908-722-5661

linda@lcrealtyusa.com



Carrollton, GA

\$4,577,000

- 421 Units
- 80,104 RSF
- 11.41 Acres
- 4-Facility Portfolio
- All locations within one mile of each other
- High visibility locations on major road

NEW!

Mike Patterson, CCIM

770-301-1886

ebroker@msn.com



Duncan, OK

\$1,900,000

- 632 Units
- 84,898 RSF
- 41.65 Acres
- Great price point to acquire multiple self storage assets with attractive scale
- Significant expansion land readily available
- Tremendous revenue upside

NEW!

Jared Jones, CCIM

918-583-3483

jjones@porthavenpartners.com



Macon, GA

\$450,000

- Under Contract
- 223 Units
- 32,818 RSF
- 4.28 Acres
- Good upside with aggressive management
- Location has good visibility and access
- Manager in place for 10 years

NEW!

Mike Patterson, CCIM

770-301-1886

ebroker@msn.com



Red Oak, TX

\$1,349,000

- 142 Units
- 31,000 RSF
- 1.76 Acres
- Great location off I-35 and Ovilla Rd.
- Stabilized occupancy with nearly half of tenants on autopay

NEW!

**Richard Minker, CCIM
& Chad Snyder**

817-335-5600

chad.snyder@colliers.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
Loxley, AL	\$1,260,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Mobile, AL	\$1,700,000	Bill Barnhill	251-432-1287
Mobile, AL	SOLD	Bill Barnhill/Stuart LaGroue	251-432-1287
Saraland, AL	\$3,426,000	Bill Barnhill/Stuart LaGroue	251-432-1287

Arizona

Fort Mohave	\$450,000	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

Arkansas

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

Manteca	\$4,195,000	Tom de Jong	408-282-3829
Modesto	\$795,000	Tom de Jong	408-282-3829
Vallejo	\$1,850,000	Tom de Jong	408-282-3829

Colorado

Boulder	\$16,000,000	Tom de Jong	408-282-3829
Colorado Spgs	\$2,600,000	Joan Lucas	720-855-6587
Evans/Greeley	\$1,652,450	Joan Lucas	720-855-6587

Florida

Port St. Joe	\$3,504,000	Bill Barnhill/Stuart LaGroue	251-432-1287
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Georgia

Bremen	\$175,000	Mike Patterson	770-241-9070
Carrollton	\$4,577,000	Mike Patterson	770-241-9070
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
Macon	\$450,000	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
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Illinois

Macomb	\$950,000	Bruce Bahrmassel	312-518-3550
Seneca	\$725,000	Bruce Bahrmassel	312-518-3550

Indiana

Fort Wayne	SOLD	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	\$750,000	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 Hampshire

Manchester	\$10,000,000	Joe Mendola	603-668-7000
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New Jersey

Branchville	\$1,390,000	Linda Cinelli	908-722-5661
Ewing	\$1,500,000	Linda Cinelli	908-722-5661
Howell	\$2,350,000	Linda Cinelli	908-722-5661
Pemberton	\$975,000	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

Monticello	\$4,500,000	Linda Cinelli	908-722-5661
Peekskill	\$3,500,000	Linda Cinelli	908-722-5661
Westmoreland	SOLD	Guy Blake	845-522-5900

North Carolina

NC Portfolio	\$2,300,000	Joey Godbold/Jamey Cox	704-632-1030
Wadesboro	\$758,000	Joey Godbold/Jamey Cox	704-632-1030

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

Oklahoma

Ada	\$2,500,000	Jared Jones	918-583-3483
Duncan	\$1,900,000	Jared Jones	918-583-3483
Edmond	\$650,000	Jared Jones	918-583-3483
Pryor	\$320,000	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	\$695,000	Joey Godbold/Jamey Cox	704-632-1030

Texas

Arlington	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Fort Worth	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Red Oak	Call Broker	Richard Minker/Chad Snyder	817-335-5600

Virginia

Windsor	\$2,100,000	Stuart Wade	757-618-3597
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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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ARGUS SALES



Congratulations to Mike Helline of Grisanti Group Commercial Real Estate who sold East Hickman Self Storage in Lyles, TN! Contact Mike at 502-253-1811 for details.



Congratulations to Bruce Bahrmassel and Neal Gussis of Waveland Commercial Real Estate who sold Extra Space Storage in Ft. Wayne, IN! Contact Bruce and Neal at 312-518-3550 for details.



Congratulations to Guy Blake, CCIM of Cushman & Wakefield / Pyramid Brokerage Company who sold HC Self Storage in Westmoreland, NY! Contact Guy at 845-522-5900 for details.



Congratulations to Bill Barnhill, CCIM and Stuart LaGroue of Omega Properties, Inc. who sold Snow Road Self Storage in Mobile, AL and Blue Angel Self Storage in Pensacola, FL! Contact Bill and Stuart at 251-432-1287 for details.

Argus is pleased to welcome our newest Broker Affiliate!

Steve Avanzino, of NAI Alliance in Reno, NV joins Argus as the Broker Affiliate representing the state of Nevada. A lifetime native of Reno, Nevada, Steve has an in depth knowledge and understanding of the area as well as longstanding relationships within the community. He can be reached at 775-336-4646 or steve@selfstorage.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

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

888-801-4534
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757-618-3597
904-733-0039

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

NORTH CENTRAL

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

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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

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AL, MS, LA
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OK
North TX

WEST

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Tom de Jong
David Etzold
Jeffery A. Gorden, CCIM
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Joan Lucas
Thomas Wolter

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Hayes & Associates
Joan Lucas Real Estate Services, LLC
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