



SELF STORAGE SALES NETWORK

Market Monitor

America's Premier Self Storage Brokers

Issue IX-2016

Finding Opportunity in Uncertain Times

by Ben Vestal

Change and uncertainty go hand in hand, whether it is the looming Presidential election or the impact that a new administration will have on the stability of the economy. As we approach election season, many are adopting a “wait and see” policy when it comes to evaluating the market for self-storage investments. We know that the three biggest risks to your self-storage value and the overall industry are interest rates, cap rates and overbuilding. These risks have been looming in the background for years, but as our President will inevitably change, so too is the likelihood that these risks will have a meaningful impact on the value of your investment.

Interest Rates:

Interest rates are the most unpredictable aspect of the equation today. I need to first say that I have quit predicting whether interest rates will go up or down because I have been wrong for the last 10 years! We have seen upward pressure on the 10-year Treasury over the last 30 days, but it is unlikely that there will be any meaningful movement before the elections. After this week's Fed meeting, it is clear that the Fed will continue to keep pressure on lower rates even with the recent CPI index coming in at 2.3%, which is up from 1.8% a year ago and is higher than the Fed's target of 2%. The Fed says it is willing to tolerate a period of time in which inflation is greater than 2% if it will help ensure that full employment is achieved. The smart money is on the Fed standing pat, but the information as of late gives much needed ammunition to the Fed hawks as they hope to raise interest rates sooner than later. However, the looming Presidential election and effects on the investment market will inevitably keep a lid on interest

rates for the time being.

Because of this, I believe it would be prudent of self storage owners to extend their debt maturities as long as possible and eliminate or lower their prepayment penalty on their existing loans. In order to accomplish this, you may need to pay a slightly higher interest rate (20-50 basis points) but I believe it will give you the necessary flexibility to position your asset for maximum return.

Cap Rates:

Cap rates provide a simple way for experienced real estate professionals to discuss property values and market conditions. In layman's terms, cap rates are the rate of return an owner would expect to receive without using any debt on an income-producing investment property. But cap rates are a very subjective topic and can be misleading because not everyone has the same depth of knowledge and experience with the market or asset class. So when you are talking cap rates, it is important to understand who you are talking with and it's most likely worth a few questions with regards to operating expenses, occupancy and the overall market to make sure you are on the same page. Most experienced real estate professionals can quickly decipher fiction from non-fiction when talking cap rates with real estate investors.

Cap rates and interest rates have a direct correlation in that the risk-adjusted return that a cap rate represents is often set by the spread between the return that an investor can achieve without meaningful risk, such as the 10-year Treasury, and the increased return an investor can achieve by purchasing an income producing property. Today, self storage values

(continued)

are at all-time highs and cap rates are at all-time lows, ranging from 4.5%-8.5% depending on location, market, asset quality, age of the property, occupancy, and size just to name a few. It is clear that self-storage property values are more affected by cap rates and the interest rate market rather than the operations of the property. Even though your self-storage income stream has proven to be very reliable, remember you have made more money because you are in the real estate business, not the self-storage business. With looming uncertainty in the real estate market, some owners may decide that now is the time to capitalize on these unprecedented high values and sell their properties before the cycle turns downward.

Overbuilding:

Over the last few years, we have all seen the comparison of the self-storage industry to other real estate sectors and in short, the returns are higher and the various risks are more moderate with one exception; the risk of overbuilding. The main reason for this is that self-storage operators are all competing for the same customer because it is a more localized business compared to other real estate. The office, retail, multifamily and industrial sectors can target specific customers, businesses, professionals and industries and it has been proven that the customers of these real estate products will travel great distances. Conversely, all self-storage customers are basically looking for the same product; a friendly, clean, safe and dry place to store their personal treasures. In almost every case where occupancies and rents have declined, strong evidence suggests that overbuilding is a substantial contributor to this undesirable market condition.

The sad part of this overbuilding tale is that nobody wants to do it! While some builders claim that the “devil made me do it,” most really don’t want to develop a poorly performing project. So why do they proceed? While a few developers are just stubborn, most are thoughtful and concerned about how they invest their money. The problem is that most infor-

mation in the self-storage industry is either not available or unreliable. For the most part, the self-storage industry has to rely solely on “statistical” projections which, at best, provide limited information about the largest markets and none about the submarkets or secondary markets. The lack of quality submarket information leaves most self-storage developers “flying blindly” when they are making the decision to build a self-storage project. Some may say, “it is a great self-storage site” but they should also ask, “is it a good self-storage market?” For many complex reasons, entrepreneurial developers are not scared off by this lack of information and in some cases they actually seem to be encouraged by it. However, it is worth noting that many of the large operators seem to have a good handle on what is going on in specific markets and they are developing and buying self-storage properties with a significant strategic advantage of having empirical data. Keep a close eye on overbuilding in your market because most industry experts feel this is a major risk moving forward.

Much like the election, the self-storage investment market is changing and with a new incoming President, we will see changes in policy that will inevitably affect the value and liquidity of self-storage investments. Whether it is the elimination or modification of capital gains taxes, higher interest rates or the overall change in fiscal policy which could limit the banks’ willingness to make new loans, no one knows. The good news is I believe we have a window of opportunity to capitalize on stagnant fiscal policy that will not change for the next several months in order to let the new President set the new norm with regard to taxes and the economy. This has created an opportunity for active investors to push through investments as the landscape is well defined and the self-storage market fundamentals remain strong.

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

Springdale, AR \$3,200,000

- 375 Units
- 57,284 RSF
- 5.42 Acres
- Expandable facility with historically strong financial performance
- In the heart of Northwest Arkansas
- High traffic counts

NEW!



Larry Goldman, CCIM
913-707-9030
lgoldman@selfstorage.com

Lake City, FL \$310,000

- 90 Units
- 9,952 RSF
- 0.758 Acres
- Significant upside potential based on historical performance
- Strategically located on North Hwy 41
- Lowest rental rates in town

NEW!



Frost Weaver
904-265-2001
fweaver@weaver-realty.com

House Springs, MO \$450,000

- Development Site
- 8.18 Acres
- Fully approved site for self-storage, RV & Boat storage
- Located minutes from St. Louis metro
- Significant barriers to entry for future competitors

NEW!



Larry Goldman, CCIM
913-707-9030
lgoldman@selfstorage.com

Miami, AZ \$1,089,000

- 276 Units
- 33,248 RSF
- 4.14 Acres
- 100% occupancy with room to expand
- No deferred maintenance
- Manager's residence

NEW!



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

Pensacola, FL \$1,400,000

- 183 Units
- 18,965 RSF
- 1.63 +/- Acres
- Excellent location with high traffic count
- Close to Pensacola Naval Air Station
- High occupancy

NEW!



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

Wadesboro, NC \$758,000

- 155 Units
- 21,300 RSF
- 16.69 Acres
- Fenced and gated with code access
- Onsite rental office plus two additional offices/apartments
- Warehouse space and land for expansion

NEW!



Joey Godbold & Jamey Cox
704-632-1030
jamey.cox@svn.com

Nogales, AZ \$5,573,164

- 2-Property Portfolio
- 890 Total Units
- 103,273 Total RSF
- 7.13 Total Acres
- Income-producing storage with mix of household and commercial tenants
- Well positioned for substantial revenue increases
- High visibility locations

NEW!



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

Crestwood, KY \$1,700,000

- 187 Units
- 26,175 RSF
- 2.07 Acres
- Rare self-storage opportunity in the Louisville, KY MSA
- Significant upside potential with rental rates and ancillary sales

NEW!



Paul Grisanti & Nick Grisanti
502-253-1811
paul@grisantigroup.com

Wilmington, NC \$1,400,000

- 194 Units
- 19,845 RSF
- 0.765 Acres
- Excellent visibility and signage
- Enclosed facility w/ indoor loading bay
- Climate and non-climate units

NEW!



Joey Godbold & Jamey Cox
704-632-1030
jamey.cox@svn.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
Saraland, AL	\$3,426,000	Bill Barnhill/Stuart LaGroue	251-432-1287

Arizona

Fort Mohave	\$450,000	Jeffrey A. Gorden	480-331-8880
Miami	\$1,089,000	Jeffrey A. Gorden	480-331-8880
Mohave Valley	\$300,000	Jeffrey A. Gorden	480-331-8880
Nogales	\$5,573,164	Jeffrey A. Gorden	480-331-8880
Vernon	\$795,000	Jeffrey A. Gorden	480-331-8880

Arkansas

Hot Springs Vlg	\$180,000	Larry Goldman	913-707-9030
Springdale	\$3,200,000	Larry Goldman	913-707-9030

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	SOLD	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

Lake City	\$310,000	Frost Weaver	904-265-2001
Port St. Joe	\$3,504,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Pensacola	\$1,400,000	Bill Barnhill/Stuart LaGroue	251-432-1287

Georgia

Bremen	\$175,000	Mike Patterson	770-241-9070
Carrollton	\$4,577,000	Mike Patterson	770-241-9070
Columbus	\$1,250,000	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	\$1,370,000	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

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

Kentucky

Crestwood	\$1,700,000	Paul Grisanti	502-253-1811
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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

Detroit	Call Broker	Jim Soltis	810-494-2062
Roscommon	SOLD	Jim Soltis	810-494-2062

Missouri

Clinton	\$268,000	Larry Goldman	913-707-9030
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Missouri Cont.

Farmington	\$750,000	Larry Goldman	913-707-9030
Farmington	\$3,750,000	Larry Goldman	913-707-9030
House Springs	\$450,000	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	SOLD	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

North Carolina

NC Portfolio	\$2,300,000	Joey Godbold/Jamey Cox	704-632-1030
Wadesboro	\$758,000	Joey Godbold/Jamey Cox	704-632-1030
Wilmington	\$1,400,000	Joey Godbold/Jamey Cox	704-632-1030
Winterville	\$2,300,000	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	SOLD	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	SOLD	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

ARGUS SALES

Congratulations to the following Argus Broker Affiliates on their recent transactions!



Jeff Gorden, CCIM of Eagle Commercial Realty Services sold a development site in Gold Canyon, AZ and Encanto & 83rd Self Storage in Phoenix, AZ! Contact Jeff at 480-331-8880 for details.

Tom de Jong sold Boulder Bins Self Storage in Boulder, CO. **Joan Lucas**, of Joan Lucas Real Estate Services represented the buyer in the transaction. Contact Tom at 408-282-3829 for more information.

Joan Lucas of Joan Lucas Real Estate Services was the transacting broker of Edgemark Self Storage in Denver, CO! Joan can be reached at 720-855-6587 for details.

Jim Soltis of PreviewProperties.com sold A&B Self Storage in Roscommon, MI! Contact Jim at 810-494-2062 for more information.

David Etzold, of Etzold & CO sold the Coronado Self Storage 3-Property Portfolio in Bernalillo, NM! Contact David at 915-845-6006 for more information.

Alec Pacella, CCIM of NAI Daus sold Apple Valley Self Storage in Howard, OH! Contact Alec at 216-455-0825 for details.

Neal Gussis and **Bruce Bahrmassel** of Waveland Commercial Real Estate along with **Joey Godbold** and **Jamey Cox** of SVN Percival Partners co-brokered the sale of Beltline Self Storage in Anderson, SC. Contact Waveland at 847-922-3750 and SVN Percival Partners at 704-632-1027 for more information.

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

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FL Panhandle
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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

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KY, Southern IN
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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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West TX
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TN
OK
North TX

WEST

Steve Avanzino
Tom de Jong
David Etzold
Jeffery A. Gorden, CCIM
Larry Hayes
Joan Lucas
Thomas Wolter

NAI Alliance
Colliers International
Etzold & CO LLC
Eagle Commercial Realty Services
Hayes & Associates
Joan Lucas Real Estate Services, LLC
RE/MAX Commercial

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