



SELF STORAGE SALES NETWORK

Market Monitor

America's Premier Self Storage Brokers

Issue IV-2017

Self Storage Valuation: A View from My Perch

by Ben Vestal

Here at Argus, we spend a lot of time thinking and talking about the value of self-storage properties. This has been our business for more than 23 years; extracting the value of a property in the process of a sale for a seller, as well as helping buyers to determine the right price to pay for a property. Our daily conversations are usually focused around interest rates, cap rates, new supply, loan to value ratio, basis points, NOI and a lot of other topics that rarely interest an owner other than when they decide to buy or sell a property. However, we believe that there is a connection between understanding the current market and nuances of what does and does not create value and running a successful business. For example, owners need to know if it is better to spend \$10,000 on landscaping or \$15,000 on remodeling a building to create more 10x10 units. Some of the things we talk about will add value to your property and help you make that decision with confidence.

A Different Kind of Market:

After attending several industry events this spring it is clear that the market is divided. Many self-storage professionals feel the industry is slowing down, values are falling, mass overbuilding is coming and the self-storage run is over, while the rest of the market feels we are simply seeing a normalization from the all-time highs. It is true; we are past the all-time high in valuations for this real estate cycle and some markets are seeing overbuilding more than others. However, it is my position that overall, the self-storage market continues to perform well and above the returns of other real estate asset classes.

One clear difference in today's market is the growth of the medium size operators; these would be operators who own more than 10 self-storage properties. These operators have grown from a handful ten years ago to more than 100+ groups from around the country who are capitalizing on economies of scale and strong market fundamentals that the larger operators enjoy today. These mid-size operators are enjoying the flow of capital into the self-storage sector. But they also have a tendency to overpay for assets and overbuild markets because many of them are reaching to achieve the necessary scale to attract the "REIT type" of buyers. Today, with the REITS pulling back and exercising discipline, it has left many of these midsize groups with an uncertain exit plan under the current market conditions. However, these groups continue to grow and outbid many of the self-storage household names.

Underwriting 101:

Today, underwriting is more of an art than a science. We are past the point in the real estate cycle that we are exclusively valuing properties on year one projections or "proforma". Today you need

to really understand the local market and what is creating value. We are seeing many of our clients increasing their revenues by adjusting their unit mix to provide units that will rent at a higher value or at a greater velocity. Don't be afraid to reduce your gross potential and convert units to sizes that are in greater demand. This will lead to higher revenues, more cash flow and an increase in value. It does you no good to have 150 vacant 5x4 units (20 SF) and no availability in your 5x10 units (50 SF). If you are able to convert two 5x4 units to one 10x4 (40 SF) you will rent the new 10x4 units to the same customer who is renting the 5x10 units and create more rentals and revenue.

It is also worth noting that when you are underwriting a property you need to have a firm grasp on your operating expenses and ancillary sales. It is clear that many of these medium size operators are able to undercut the large operators and reduce the operating expenses from the seller due to their size and economies of scale.

Extracting Value – A Broker's Role:

It is important to understand that the selling process does not create value; the value of the property is already there and created by the cash flow and current market sentiment. A broker's job is to find a buyer that recognizes the existing value of the property and who is capable of purchasing the property. The more prospects that see the information on the property, the more likely you are to get a better price. Providing maximum exposure is one of the primary jobs of a broker. In today's market we are experiencing a very wide range of values due to the differing views of the current investment market and the large amount of equity looking to be placed in the self-storage sector. We have recently seen a very wide range of values when marketing a property (10%-20%) in some cases. A quality self-storage broker should assist the buyer or seller in navigating through the complex pricing and negotiation process that are present today. Since most self-storage buyers and sellers are sophisticated and their lenders are even more detailed, trying to find a "greater fool" who will pay a substantial premium to the market values is not only unproductive but it can have serious negative impacts on the property's future marketability.

In summary, self-storage values are still within 10% of the peak of the market but the uncertainties of our industry have never been less settled, so if you are at or near one of those "personal crossroads" it is time to get serious and talk with an experienced self-storage broker. **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

Cullman, AL

• \$260,000

- 121 Units
- 13,900 RSF
- Located just off a high traffic road in the city of Cullman, about 50 miles north of Birmingham, AL
- Below replacement cost
- Value-add opportunity
- Management upside

NEW!



**Bill Barnhill, CCIM
& Stuart LaGroue**

251-432-1287

barnhill@selfstorage.com

stuart@selfstorage.com

Fort Collins, CO

• \$3,500,000

- 295 Units
- 29,125 RSF
- 2.18 Acres
- Project under construction to be delivered at C of O, estimated June 2017
- Ambient and climate controlled space
- Concrete drives, fully fenced, spacious management office
- Class-A project in a high growth market

NEW!



Joan Lucas

720-855-6587

jluucas@selfstorage.com

San Diego, CA

• Call Broker for Price

- Development Site
- 48,950 Proposed RSF
- 906 Proposed Units
- Fully entitled project with building permits pending
- Approved plans for infill multi-story facility with 60 parking spaces
- Post construction 3-mile supply at 2.21 SF/capita
- 100% climate controlled unit mix

NEW!



Tom de Jong

408-282-3829

tom.dejong@colliers.com

Fort Collins, CO

• \$2,150,000

- 261 Units
- 20,134 RSF
- 1.93 Acres
- New self-storage project featuring container storage and a two-story building with climate control units
- Opened in July 2016 and is 50% occupied
- Great signage, visibility and access from Mulberry

NEW!



Joan Lucas

720-855-6587

jluucas@selfstorage.com

Denver, CO

• \$2,150,000

- 120 Units
- 9,250 RSF
- Excellent visibility in dynamic downtown Denver location
- Property enjoys consistently high occupancies
- 100% climate controlled units
- Unique opportunity for an owner/operator to acquire a small self storage project

NEW!



Joan Lucas

720-855-6587

jluucas@selfstorage.com

Salmon, ID

• \$430,000

- 87 Units
- 14,400 RSF
- 3.23 Acres
- Refurbished to like-new condition
- Concrete slab poured for future expansion
- Fenced and lighted with gravel drives
- Located on a paved road near Highway 93

NEW!



Larry Hayes

406-544-1921

larryhayes@montana.com



Property Showcase

Weare, NH

• \$499,000

- 74 Units
- 11,590 RSF
- 5.124 Acres
- Significant upside potential for new owner/operator
- Expansion potential, subject to new planning board approval
- Some long term tenants in place with opportunity to establish strong new rental base

NEW!

Joe Mendola

603-668-7000

joe@nainorwoodgroup.com



Fort Worth, TX

• Call Broker for Price

- 536 Units
- 163,000 RSF
- 9.9 Acres
- Additional 25,000 SF of 2nd floor document storage
- Located near TCU campus and Southwestern Baptist Seminary campus housing
- All climate controlled units
- Room for growth

**Richard Minker, CCIM
& Chad Snyder**

817-335-5600

richard.minker@colliers.com

chad.snyder@colliers.com



Ventnor City, NJ

• \$1,999,000

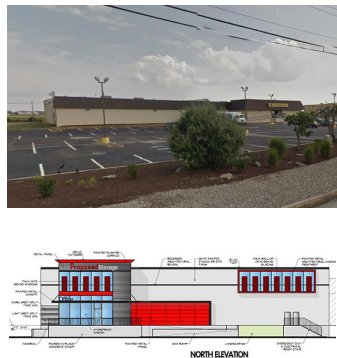
- Conversion Opportunity
- 62,753 NRSF
- 4.87 Acres
- Fully approved for 62,753 NRSF of self-storage
- Site has existing 20,000 SF retail building
- Upside opportunity for buyer as market is underserved
- Close proximity to Atlantic City
- Good visibility location

NEW!

Linda Cinelli, CCIM

908-722-5661

linda@lcrealtyusa.com



Fort Worth, TX

• Call Broker for Price

- 362 Units
- 51,040 GSF
- 2.87 Acres
- Fenced and well-lighted with 24-hour surveillance
- Resident manager
- Vehicle/RV/Boat storage
- Below market rents

NEW!

**Richard Minker, CCIM
& Chad Snyder**

817-335-5600

richard.minker@colliers.com

chad.snyder@colliers.com



Islip, NY

• \$6,250,000

- 217 Units
- 33,540 RSF
- 1.6 Acres
- Two-story self-storage facility
- Includes RV & Boat parking
- Expansion possibilities within existing building
- Utilities offset by solar
- Established moving business available

NEW!

Linda Cinelli, CCIM

908-722-5661

linda@lcrealtyusa.com



Cave Junction, OR

• \$1,100,000

- New Price!
- 135 Units
- 17,200 RSF
- 1.36 Acres
- Excellent investment with onsite manager's residence
- Permits in place to add 10 units, with room for more
- Well-maintained with no vacancies
- Video surveillance
- Long, successful tenant history

Scott King

541-890-6708

scottking@gmail.com





Sells Self Storage Nationwide!

For property details, visit www.argus-selfstorage.com or contact your local Argus Broker Affiliate!

Alabama

Atmore/Brewton	SOLD	Bill Barnhill/Stuart LaGroue	251-432-1287
Cullman	\$260,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Montgomery	\$22,000,000	Bill Barnhill/Stuart LaGroue	251-432-1287

Arizona

Bisbee	\$270,000	Jeffrey A. Gorden	480-331-8880
Lakeside	\$760,000	Jeffrey A. Gorden	480-331-8880
Nogales	\$5,573,164	Jeffrey A. Gorden	480-331-8880
Prescott	SOLD	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
Russellville	\$1,495,000	Larry Goldman	913-707-9030

California

6 Prop Portfolio	\$28,050,000	Tom de Jong	408-282-3829
Antioch	\$4,500,000	Tom de Jong	408-282-3829
Lincoln	Call Broker	Tom de Jong	408-282-3829
San Diego	Call Broker	Tom de Jong	408-282-3829
San Jose	\$12,000,000	Tom de Jong	408-282-3829

Colorado

Colo. Springs	Call Broker	Joan Lucas	720-855-6587
Denver	Call Broker	Joan Lucas	720-855-6587
Denver	\$2,150,000	Joan Lucas	720-855-6587
Fort Collins	\$3,500,000	Joan Lucas	720-855-6587
Fort Collins	\$2,150,000	Joan Lucas	720-855-6587
Loveland	\$1,270,000	Joan Lucas	720-855-6587

Florida

Fort Myers	\$1,675,000	Frost Weaver	904-265-2001
Live Oak	\$425,000	Frost Weaver	904-265-2001
Middleburg	\$1,300,000	Frost Weaver	904-265-2001
Pensacola	\$1,400,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Starke	\$1,100,000	Frost Weaver	904-265-2001
Umatilla	\$1,250,000	Frost Weaver	904-265-2001
Vero Beach	\$454,000	Frost Weaver	904-265-2001

Georgia

Bremen	SOLD	Mike Patterson	770-241-9070
Dallas	\$2,489,307	Mike Patterson	770-241-9070
Lithia Springs	\$1,600,000	Mike Patterson	770-241-9070
Macon	SOLD	Mike Patterson	770-241-9070

Illinois

Byron	\$389,000	Bruce Bahrmassel	312-518-3550
Macomb	\$950,000	Bruce Bahrmassel	312-518-3550
Seneca	\$699,000	Bruce Bahrmassel	312-518-3550

Indiana

Plymouth	\$1,975,000	Bruce Bahrmassel	312-518-3550
Plymouth	SOLD	Bruce Bahrmassel	312-518-3550
Terre Haute	\$1,100,000	Paul Grisanti/Mike Helline	502-296-4586

Kansas

Junction City	\$380,000	Larry Goldman	913-707-9030
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Kentucky

Cynthiana	\$875,000	Paul Grisanti/Mike Helline	502-296-4586
Shepherdsville	\$675,000	Paul Grisanti/Mike Helline	502-296-4586

Massachusetts

Sutton	\$550,000	Joseph Mendola	603-668-7000
Upton	\$5,165,000	Joseph Mendola	603-668-7000

Missouri

Belton	\$198,000	Larry Goldman	913-707-9030
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Missouri, cont.

Harrisonville	SOLD	Larry Goldman	913-707-9030
House Springs	\$450,000	Larry Goldman	913-707-9030
Waynesville	\$2,360,000	Larry Goldman	913-707-9030

Mississippi

Canton	\$850,000	Bill Barnhill/Stuart LaGroue	251-432-1287
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New Hampshire

Claremont	\$2,350,000	Joe Mendola	603-668-7000
Weare	\$499,000	Joe Mendola	603-668-7000

New Jersey

Branchville	\$1,390,000	Linda Cinelli	908-722-5661
Ewing	\$1,900,000	Linda Cinelli	908-722-5661
Howell	\$2,350,000	Linda Cinelli	908-722-5661
Pemberton	\$975,000	Linda Cinelli	908-722-5661
Ventnor City	\$1,999,000	Linda Cinelli	908-722-5661
West Berlin	\$5,450,000	Linda Cinelli	908-722-5661

New Mexico

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

New York

Monticello	\$3,700,000	Linda Cinelli	908-722-5661
Peekskill	SOLD	Linda Cinelli	908-722-5661

North Carolina

Wadesboro	\$758,000	Joey Godbold/Jamey Cox	704-632-1030
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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
LaGrange	\$1,300,000	Alec Pacella	216-455-0925

Oklahoma

Ada	\$2,500,000	Jared Jones	918-583-3483
Edmond	\$650,000	Jared Jones	918-583-3483
Pryor	\$320,000	Jared Jones	918-583-348

Oregon

Cave Junction	\$1,100,000	Scott King	541-890-6708
Central Pointe	\$1,975,000	Scott King	541-890-6708

Pennsylvania

Bechtelsville	\$1,350,000	Chuck Shields	610-828-0100
Olyphant	\$925,000	Chuck Shields	610-828-0100

South Carolina

Lancaster	\$695,000	Joey Godbold/Jamey Cox	704-632-1030
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Texas

Arlington	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Austin	Call Broker	Bill Brownfield	713-907-6497
Fort Worth	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Fort Worth	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Killeen	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Mineral Wells	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Red Oak	Call Broker	Richard Minker/Chad Snyder	817-335-5600

Virginia

Windsor	\$1,100,000	Stuart Wade	757-618-3597
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Washington

Shelton	\$995,000	Thomas Wolter	206-200-3325
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ARGUS SALES



Congratulations to **Larry Goldman, CCIM** of RE/MAX Commercial who sold Harrisonville Mini Storage in Harrisonville, MO! Contact Larry at 913-707-9030 for details.

Congratulations to **Bill Barnhill, CCIM, Stuart LaGroue and Mary Franklin** of Omega Properties, Inc. who sold the B&G Storage Portfolio in Atmore & Brewton, AL! Contact the Omega Team at 251-432-1287 for details.

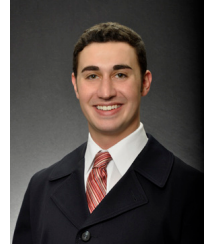
Congratulations to **Jeff Gorden, CCIM** of Eagle Commercial Realty Services who sold a 2-Property Portfolio in Prescott, AZ! Contact Jeff at 480-331-8880 for details.

Congratulations to **Mike Patterson, CCIM** of Commercial Realty Services of West Georgia who sold Bremen Mini Warehouses in Bremen, GA and Mini Storage Warehouse in Macon, GA! Contact Mike at 770-301-1886 for details.

Congratulations to **Linda Cinelli, CCIM** of LC Realty who sold Highland Self Storage in Peekskill, NY! Contact Linda at 908-722-5661 for details.

Argus is proud to welcome our newest Broker Affiliate!

Tom Flannigan is the Director of Investment Services with KW Commercial in Minneapolis. He has been involved with commercial real estate since 2012 and has established himself as an expert in self storage. Tom has a bachelor's degree from the University of Minnesota Duluth in Economics and Financial Markets Finance and is licensed to sell real estate in Minnesota and North Dakota. Tom will represent Argus in Minnesota and North Dakota and he can be reached at 612-790-3747 or thomasjflannigan@gmail.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.
SVN 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
Tom Flannigan
Rusty Hike
Alec Pacella, CCIM
Larry Goldman, CCIM
Mike Helline & Paul Grisanti, CCIM
Jim Soltis

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

312-518-3550
612-790-3747
402-291-2500
216-831-3310
913-707-9030
502-253-1811
810-494-2062

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

SOUTH CENTRAL

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

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

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817-335-5600

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

WEST

Steve Avanzino
Tom de Jong
David Etzold
Jeffery A. Gorden, CCIM
Larry Hayes
Scott King
Joan Lucas
Doug Shea & Peter Pappageorge
Thomas Wolter

Kidder Matthews
Colliers International
Etzold & CO LLC
Eagle Commercial Realty Services
Hayes & Associates
Merit Commercial Real Estate
Joan Lucas Real Estate Services, LLC
INCO Commercial
RE/MAX Commercial

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541-890-6708
720-855-6587
562-498-3395
206-200-3325

NV
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OR
CO
Southern CA
WA