



SELF STORAGE SALES NETWORK

Market Monitor

America's Premier Self Storage Brokers

Issue V-2017

The Market Tipping Point

by Ben Vestal

Since the beginning of 2017 we have seen the self-storage investment market change at a very rapid pace. Most notably we've seen a greater dispersion of investment dollars throughout the country focusing on secondary market transactions that can deliver a higher risk-adjusted yield to investors. The reason for the change is because many major markets are showing signs of slowing property values due to new supply hitting the market, rising real estate taxes and flat to rising capitalization rates. These market tipping points have left a gap between the buyers' and sellers' expectations in the marketplace today. Overall, we expect the self-storage market to remain healthy in 2017 as investor demand remains strong and many investors have ample supply of capital at their disposal.

New Supply:

Argus is tracking new supply in over 50 markets nationwide and 2017 will see the delivery of meaningful new supply in almost every major market. This will undoubtedly influence the submarket fundamentals where these new properties are being developed. It is no surprise that the markets seeing the largest amount of new development are the ones that have enjoyed tremendous population and job growth over the last 2-4 years. Markets such as Dallas, Denver, Austin, Portland, Atlanta, San Jose, Tampa and Orlando are all seeing a tremendous amount of new product being developed. In general, lease ups of new properties appear to be in line with the traditional 2-4 years' pace, but rental rates seem to be slipping and we are seeing new properties having to offer larger than expected discounts to maintain their lease up pace. Obviously, there is always an exception to the market and if you are one of the lucky developers who are achieving a faster than expected lease up and at or above your proforma rental rates, the grass has never looked greener.

Contact your local Argus Broker to request a copy of the 2017 development report for your market. **You may be surprised by what is being built!**

Real Estate Taxes:

Real estate taxes are a local and market-specific topic. However, it may be one of the main tipping points in the rapidly changing self-storage investment market today. Over the last 6-12 months we have seen local taxing authorities all over the country taking a very aggressive approach in the reassessment of self-storage properties. This is largely due the historically high values that have been paid for self-storage

properties over the last 12-24 months, giving the taxing authorities what they believe is the necessary information to justify the new valuations. It is clear that many of the local taxing authorities are now playing "catch up" and increasing the real estate taxes, in some cases more than 100%. This has put many self-storage owners in a peculiar situation of not only having to pay more real estate taxes and having their properties devalued by a meaningful reduction in cash flow.

Markets such as Denver and San Antonino seem to be the most aggressive in the reassessment of self-storage properties but it is clearly happening all over the country. This will undoubtedly lead to many tax protests, lawsuits and a rising cost to the customer of self-storage properties. I would encourage talking with your local government officials about the effects of rising real estate taxes on self-storage properties and the trickle-down effect to the customers.

Capitalization Rates (Cap Rates):

Over the first four months of 2017 we have seen market cap rates flatten or rise between 25-100 basis points, depending on the market. This is largely due to the two tipping points outlined above (new supply and real estate taxes). This is no reason to panic! We are still seeing strong demand for self-storage investments and the financing markets are alive and well. The recent rise in cap rates can be attributed to the market normalizing in such a way that it will weed out the "winners and losers." Over the last 12-24 months we have been operating in a state of euphoria where all boats were rising with the tide and the self-storage real-estate market was peaking.

Today, the well-located and well-run properties will continue to perform in a respectable manner. However, the value of your self-storage property will be at the mercy of the overall market sentiment as the market tipping points continue to evolve and reality sets in. The highly-publicized anticipation of new supply and end of the self-storage run might have more of an effect on market value than the actual performance of your property. Today more than ever you need to rely on the market knowledge and experience of your local Argus broker. There is a reason we have been helping our clients navigate the ebbs and flows of market cycles for more than 20 years. **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

Hot Springs Village, AR • \$1,600,000

- 263 Units **NEW!**
- 58,201 RSF
- 8.25 Acres
- High traffic location in front of Walmart
- Expandable site with boat, RV and conventional storage
- On site management office
- Located less than 2 miles from the largest gated community in the country



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

Basehor, KS • \$650,000

- 95 Units **NEW!**
- 14,250 RSF
- 0.94 Acre
- High visibility on US Hwy 24/40
- Potential for additional income from on site billboard
- Below market rental rates
- On site rental office
- Located in one of the fastest growing cities in the Kansas City metro area



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

Navarre, FL • Call for Offers

- Offers Due June 14, 2017
- 751 Units **NEW!**
- 91,825 RSF
- 4.55+/- Acres
- New 3-story climate controlled building
- Good mix of climate and non-climate units
- Excellent visibility and traffic exposure



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

Asheboro, NC • \$350,000

- Self-Storage Development Site **NEW!**
- 2.83 Acres
- 225 Proposed Units
- Location offers excellent road frontage
- Previously approved for 225 units plus 40 boat/RV spaces
- Very few competitors in the market



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

Jackson, GA • \$3,200,000

- 412 Units **NEW!**
- 47,266 RSF
- 5.29 Acres
- Well-built facility with no deferred maintenance
- Spacious office with room for apartment
- 2 acres adjacent for expansion
- Seller financing preferred
- Good rental history



Mike Patterson, CCIM
770-301-1886
ebrooker@msn.com

Greenville, NC • \$1,250,000

- 223 Units **NEW!**
- 30,720 RSF
- 1.9 Acres
- Site is fully fenced with barb wire, gated access and security cameras
- Apartment could be converted to rental office
- Value add through lease up and rate increases



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



Sells Self Storage Nationwide!

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

Alabama

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
Vernon	\$795,000	Jeffrey A. Gorden	480-331-8880

Arkansas

Hot Springs Vlg	\$1,600,000	Larry Goldman	913-707-9030
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 Jose	\$10,500,000	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
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
Navarre	Call Broker	Bill Barnhill/Shannon Barnes	251-432-1287
Starke	\$1,100,000	Frost Weaver	904-265-2001
Umatilla	SOLD	Frost Weaver	904-265-2001
Vero Beach	SOLD	Frost Weaver	904-265-2001

Georgia

Dallas	\$2,489,307	Mike Patterson	770-241-9070
Jackson	\$3,200,000	Mike Patterson	770-241-9070
Lithia Springs	\$1,600,000	Mike Patterson	770-241-9070

Idaho

Salmon	\$430,000	Larry Hayes	406-544-1921
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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	SOLD	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.

House Springs	\$430,000	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	\$435,000	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

Islip	\$6,250,000	Linda Cinelli	908-722-5661
Monticello	\$3,700,000	Linda Cinelli	908-722-5661

North Carolina

Asheboro	\$350,000	Joey Godbold/Jamey Cox	704-632-1030
Greenville	\$1,250,000	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
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

Beaverton	\$3,200,000	Tom de Jong	408-282-3829
Cave Junction	SOLD	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
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	SOLD	Thomas Wolter	206-200-3325
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ARGUS SALES



Congratulations to **Frost Weaver and Josh Koerner** of Weaver Realty Group who sold Keith's Mini Storage in Vero Beach, FL and Storage Masters in Umatilla, FL! Contact Frost and Josh at 904-265-2001 for details.



Congratulations to **Bruce Bahrmasel** of Waveland Commercial Real Estate who sold Discount Storage in Plymouth, IN! Contact Bruce at 312-518-3550 for details.



Congratulations to **Mike Helline and Paul Grisanti, CCIM** of Grisanti Group Commercial Real Estate who sold Shepherdsville, Mini Storage in Shepherdsville, KY and a self-storage Development Site in Louisville, KY! Contact Mike and Paul at 502-296-4586 for details.



Congratulations to **Scott King** of Merit Commercial Real Estate who sold Old Stage Self Storage in Cave Junction, OR! Contact Scott at 541-890-6708 for details.



Congratulations to **Thomas Wolter** of RE/MAX Commercial who sold Space Saver Mini Storage in Shelton, WA! Contact Thomas at 206-200-3325 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

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Larry Goldman, CCIM
Mike Helline & Paul Grisanti, CCIM
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SOUTH CENTRAL

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

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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 Mathews
Colliers International
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Hayes & Associates
Merit Commercial Real Estate
Joan Lucas Real Estate Services, LLC
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