



SELF STORAGE SALES NETWORK

# Market Monitor

America's Premier Self Storage Brokers

Issue I-2018

## The Tide is High *Self-Storage in a Late Cycle Expansion*

by Ben Vestal

Many experts agree that the self-storage investment market has reached the high-water mark, but for the first time in my 20+ year real estate career, the industry is seeing both operational headwinds and investment expansion. Over the last three weeks I have attended several self-storage investment meetings. While it is unclear how the self-storage sector will perform in 2018, the majority of the large operators and self-storage REITS are predicting slow to moderate revenue growth in the 3-5% range. However, the biggest self-storage REIT, Public Storage, is not very bullish on its 2018 performance.

While the overall operational performance of the self-storage industry seems to be softening, the investment appetite for self-storage properties remains robust. This anomaly in today's self-storage market has led me to two conclusions; first, that most of the investors are very positive about the long-term performance and stability of the asset class and second, that softening self-storage market performance is still a better risk-adjusted investment than the other options in the market today. One of the key factors that is fueling this continued appetite for self-storage investments is that the debt market is still very hungry for self-storage assets. Borrowers are able to obtain loan terms that allow them to financially engineer a very compelling cash on cash return, even with flat or slowing operating efficiencies.

In reviewing the operational statistics of Argus' managed portfolio, public REIT data, and discussing the overall operational market with several industry experts, it is clear that we have two major industry headwinds. First, the new supply that has recently opened (1-2 years) is cutting rates dramatically in order to fill up as quickly as possible. This has caused the stabilized properties in markets with new supply to lose occupancy and compete on rates. Second, over the last 3-5 years the industry has pushed rents very hard on in-place tenants to extract as much revenue as possible.

But now that some of the longer term tenants are moving out, operators are forced to rent the recently vacated space to new tenants at much lower rental rates. This new supply, reduction in street rates, and the industry's willingness to backfill vacant space with lower paying tenants has caused a softening of operating margins.

The value of a sophisticated revenue management system is going to further separate the small operators from the larger operators as we see these headwinds affect bottom lines. The experienced operators are telling new tenants that the lower move-in rental rates are a promotional rate only, and they should expect a rate increase between month 6-12. So it is important that you are diligent and programmatic when following through with increasing rental rates on new tenants who are moving in under these new, lower promotional rates.

Green Street Advisors, a top tier real estate analytics and market research firm that covers the self-storage sector, is projecting that NOI growth for self-storage will be below the broader REIT industry. It has been well documented that the self-storage sector has outperformed almost all other commercial real estate classes over the last decade so this will be uncharted territory for the self-storage space for the near term. As we forge through this new market reality there will be winners and losers. The secondary and tertiary markets will continue to outpace most of the major markets because there has been less new development, and sophisticated operators are finding ways to exploit the opportunities in these markets. The current economic expansion of the US economy is the longest in history and shows no signs of slowing down. It is clear that cycles don't die of old age and with consumer/investor confidence remaining strong, the self-storage sector will weather these speed bumps and continue its late cycle expansion. **MM**

*Ben Vestal, President of the Argus Self Storage Sales Network, can be reached at 800-557-8673 or [bvestal@argus-realestate.com](mailto:bvestal@argus-realestate.com)*



# Property Showcase

## Virginia Beach, VA • Call Broker for Price

- 2-Property Portfolio
- 1,876 Total Units **NEW!**
- 311,544 Total RSF
- 19.55 Total Acres
- Class A, institutional-quality portfolio in Eastern Virginia
- Both locations feature modern offices, security features, climate control and non-climate units
- Excellent demographics and population growth

**Stuart Wade, Jr.**

757-618-3597

stuart\_wade@hotmail.com



## Edmond, OK •

**\$8,000,000**

**NEW!**

- 2-Property Portfolio
- 885 Total Units
- 140,330 Total RSF
- 10.5 Total Acres
- Brand new, institutional-quality properties
- Located in Oklahoma City MSA in Edmond and Guthrie, OK
- High traffic locations with great visibility
- Significant commercial and residential growth in the area

**Jared Jones, CCIM**

918-583-3483

jjones@selfstorage.com



## Princeton, MN •

**\$325,000**

- 32 Units **NEW!**
- 6,625 RSF
- 0.69 Acres
- Well-built facility with tall drive-in doors
- Plenty of space to rent existing fenced outdoor parking
- Secure facility with fence/gate and security cameras
- Great shop/office space for an owner or user

**Tom Flanningan**

651-269-6307

tom@selfstorage.com



## Talent, OR •

**\$3,300,000**

- 300+ Units **NEW!**
- 26,600 RSF
- 1.84 Acres
- Well-priced facility features brand new manager's quarters, office, electric gates, and paving
- Great investment opportunity for long term income and appreciation
- Seller will guarantee 1 year's rent at 100% occupancy

**Scott King**

541-890-6708

scottking@gmail.com



## West Berlin, NJ •

**\$5,400,000**

- 506 Units **NEW!**
- 50,237 RSF
- 2.09 Acres
- Modern multi-story facility.
- Under performing with income upside potential
- Close proximity to Route 73, a major County Road that traverses Camden County
- Additional 4.3 acres available for expansion

**Linda Cinelli, CCIM**

908-722-5661

linda@lcrealtyusa.com



## Talent, OR •

**\$1,350,000**

- 91 Units **NEW!**
- 16,200 RSF
- 0.75 Acre
- High-occupancy and well-maintained facility
- Conveniently located between Ashland and Talent, OR
- State-of-the-art security system, cameras, and automated gate access
- 36,000+ daily traffic count

**Scott King**

541-890-6708

scottking@gmail.com





# Sells Self Storage Nationwide!

Our complete list of available properties is detailed below. For additional information, visit [www.argus-selfstorage.com](http://www.argus-selfstorage.com) or contact your local Argus Broker Affiliate.

## Alabama

Leeds	\$2,800,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Tallassee	<b>SOLD</b>	Bill Barnhill/Stuart LaGroue	251-432-1287

## Arizona

Concho	<b>SOLD</b>	Jeffrey A. Gorden	480-331-8880
Peoria	\$2,200,000	Jeffrey A. Gorden	480-331-8880
Phoenix	<b>SOLD</b>	Jeffrey A. Gorden	480-331-8880

## Arkansas

Hot Springs Vlg	\$1,600,000	Larry Goldman	913-707-9030
Jacksonville	\$319,000	Larry Goldman	913-707-9030
Russellville	\$1,495,000	Larry Goldman	913-707-9030

## Colorado

Colorado Spgs.	<b>SOLD</b>	Joan Lucas	720-855-6587
Denver	<b>SOLD</b>	Joan Lucas	720-855-6587
Fort Collins	<b>SOLD</b>	Joan Lucas	720-855-6587
Loveland	<b>SOLD</b>	Joan Lucas	720-855-6587

## Florida

Ft. Myers	\$850,000	Frost Weaver/Josh Koerner	904-265-2001
Ormond Beach	\$1,150,000	Frost Weaver/Josh Koerner	904-265-2001
Starke	\$875,000	Frost Weaver/Josh Koerner	904-265-2001

## Georgia

Carrollton	\$425,000	Mike Patterson	770-301-1886
Carrollton	\$1,300,000	Mike Patterson	770-301-1886
Jackson	\$3,200,000	Mike Patterson	770-301-1886

## Idaho

Salmon	\$370,000	Larry Hayes	406-544-1921
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## Illinois

Byron	\$389,000	Bruce Bahrmassel	312-518-3550
Rockford	\$5,100,000	Bruce Bahrmassel	312-518-3550
Seneca	\$699,000	Bruce Bahrmassel	312-518-3550

## Indiana

Terre Haute	\$1,100,000	Paul Grisanti/Mike Helling	502-296-4586
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## Kansas

Hayesville	\$785,000	Larry Goldman	913-707-9030
Junction City	\$380,000	Larry Goldman	913-707-9030
Junction City	\$1,195,000	Larry Goldman	913-707-9030

## Kentucky

Cynthiana	\$875,000	Paul Grisanti/Mike Helling	502-296-4586
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## Maine

Naples	\$850,000	Joseph Mendola	603-668-7000
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## Massachusetts

Sutton	\$550,000	Joseph Mendola	603-668-7000
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## Minnesota

Chaska	Call Broker	Tom Flannigan	651-269-6307
Princeton	\$325,000	Tom Flannigan	651-269-6307

## Missouri

Clinton	\$319,000	Larry Goldman	913-707-9030
Clinton	\$1,500,000	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
Hattiesburg	\$285,000	Bill Barnhill/Shannon Barnes	251-432-1287
Laurel	\$550,000	Bill Barnhill/Shannon Barnes	251-432-1287
Richland	\$1,300,000	Bill Barnhill/Stuart LaGroue	251-432-1287

## New Hampshire

Weare	\$435,000	Joe Mendola	603-668-7000
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## New Jersey

Pemberton	\$975,000	Linda Cinelli	908-722-5661
Ventnor City	\$1,850,000	Linda Cinelli	908-722-5661
West Berlin	\$5,400,000	Linda Cinelli	908-722-5661

## New York

Islip	\$5,700,000	Linda Cinelli	908-722-5661
Monticello	\$3,850,000	Linda Cinelli	908-722-5661
Shirley	\$11,500,000	Linda Cinelli	908-722-5661

## North Carolina

Cherryville	\$2,100,000	Jamey Cox	704-632-1030
Henderson	\$410,000	Jamey Cox	704-632-1030
Hickory	\$795,000	Jamey Cox	704-632-1030
Laurinburg	\$1,000,000	Jamey Cox	704-632-1030
Peachland	\$205,000	Joey Godbold/Jamey Cox	704-632-1030

## Ohio

Glouster	\$299,000	Alec Pacella	216-455-0925
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## Oklahoma

Ada	\$1,050,000	Jared Jones	918-583-3483
Edmond	\$8,000,000	Jared Jones	918-583-3483

## Oregon

Central Point	\$1,975,000	Scott King	541-890-6708
Lakeview	\$835,000	Scott King	541-890-6708
Medford	\$375,000	Scott King	541-890-6708
Talent	\$3,300,000	Scott King	541-890-6708
Talent	\$1,350,000	Scott King	541-890-6708

## Pennsylvania

Bechtelsville	\$1,400,000	Chuck Shields	610-828-0100
Olyphant	\$925,000	Chuck Shields	610-828-0100

## Tennessee

Crossville	\$975,000	Paul Grisanti/Mike Helling	502-296-4586
Kingsport	\$1,250,000	Paul Grisanti/Mike Helling	502-296-4586

## Texas

Arlington	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Bacliff	Call Broker	Bill Brownfield	713-907-6497
Mineral Wells	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Texas City	Call Broker	Bill Brownfield	713-907-6497

## Virginia

Virginia Beach	Call Broker	Stuart Wade	757-618-3597
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# ARGUS SALES



Congratulations to **Jeff Gorden, CCIM** of Eagle Commercial Realty Services who sold Eagle Canyon Storage in Phoenix, AZ, Encanto & 83rd Self Storage in Phoenix, AZ and Concho Mini Storage in Concho, AZ! Jeff also represented the buyer of American Mini Storage in Sierra Vista, AZ! Contact Jeff at 480-331-8880 for details.



Congratulations to **Tom Flannigan** of KW Commercial who sold a self-storage development site in Inver Grove Heights, MN! Contact Tom at 651-269-6307 for details.



Congratulations to **Joan Lucas** of Joan Lucas Real Estate Services, LLC who sold Citadel Self Storage in Colorado Springs, CO, Downtown Denver Storage in Denver, CO and Secure Space Self Storage in Fort Collins, CO! Contact Joan at 720-855-6587 for details.



Congratulations to **Bill Barnhill, CCIM and Stuart LaGroue** of Omega Properties, Inc. who sold Tallassee Mini Storage in Tallassee, AL! Contact Bill and Stuart at 251-432-1287 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 & Jamey Cox  
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.

251-432-1287  
704-632-1030  
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  
651-269-6307  
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

251-432-1287  
713-907-6497  
915-845-6006  
913-707-9030  
502-253-1811  
918-948-3941  
817-335-5600

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

### WEST

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

Etzold & CO LLC  
Eagle Commercial Realty Services  
Hayes & Associates  
Merit Commercial Real Estate  
Joan Lucas Real Estate Services, LLC  
Centennial Advisers  
RE/MAX Commercial

915-845-6006  
480-331-8880  
406-544-1921  
541-890-6708  
720-855-6587  
562-269-4844  
206-200-3325

NM  
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Southern CA  
WA