



SELF STORAGE SALES NETWORK

Market Monitor

America's Premier Self Storage Brokers

Issue V-2018

Interest Rates: What's in Store?

by Tom Flannigan

When most self storage owners wake up in the morning, they don't usually think about the Federal Reserve Open Market Committee (FOMC). Most owners are busy managing occupancy, controlling costs, and overseeing the operations of their self storage business. On a daily basis, these tasks are far more important than decisions made by Federal Reserve Chairman Jay Powell, and the rest of the FOMC. At the same time, the Fed Funds rate that is established by the FOMC has an enormous impact on the value of self storage facilities.

The Fed Funds rate essentially controls nearly every interest rate, and interest rates have a profound effect on the value of income-producing real estate as on any investment vehicle. Because interest rates play such a key role in an investor's ability to purchase, many people incorrectly assume that the only deciding factor in real estate valuation is the current borrowing rate for that type of property. However, borrowing rates are only one interest rate-related factor influencing property values. Interest rates affect capital flows, the supply and demand for capital, and investors' required rates of return on investment.

The most apparent impact of interest rate changes is on an investor's calculation of their required rate of return, also known as a capitalization rate or cap rate. An investor's required rate of return will correspond to the rate they can purchase a "risk-free" investment vehicle. If an investor can purchase a "risk-free" asset and earn a relatively low rate of 2% annually, the required rate of return for a risk asset will be correspondingly low. If the "risk-free" rate rises, the investor's required rate of return will rise by the same amount. In other words, there is a 1:1 correlation between interest rates and cap rates.

Recent Interest Rate Changes

In the wake of the Great Recession of 2008-2009, the FOMC set the Fed Funds rate to nearly 0% and interest rates plummeted to record lows. Even as the economy recovered, albeit slowly, the FOMC kept the Fed Funds low and interest rates moved even lower. The interest rate for the 10-year Treasury Note, which is considered a bench-

mark interest rate and used as a proxy for the "risk-free" rate, had been above 5% prior to the Great Recession. The rate on the 10-year Treasury Note fell below 2% by 2011 and oscillated around 2% for several years. As the global economy hit a soft patch and Brexit fears roiled markets in the Spring of 2016, the 10-year Treasury Note fell below 1.4%.

Most recently, the 10-year Treasury rate has moved from approximately 2.5% at the start of 2018 to approximately 3.1% today. Considering that rates haven't risen to this level in nearly seven years, many analysts and investors are expecting rates to continue to rise for the foreseeable future. The FOMC has raised the Fed Funds rate six times since 2015 which has served as the primary catalyst for the increasing rate on the 10-year Treasury Note. The most recent Fed Funds rate hike occurred on March 21st, 2018 and the FOMC has provided guidance suggesting there will be two additional rate hikes this year.

Self Storage Facility Valuation

The value of every self storage facility is impacted by many factors. While interest rates are important, the single greatest factor is the operating income the facility can produce. A facility owner can control the operating income by utilizing revenue management, targeted marketing, and implementing cost controls to help drive higher net income.

Even if an owner can drive higher net income, they can't control interest rates. For some owners, there may be a scenario where they are able to significantly grow net operating income over the next year and their facility doesn't increase in value due to the impact of rising interest rates. Every self storage facility is unique, and it can be a worthwhile exercise for owners to contact their local Argus Broker Affiliate to talk about valuation in the face of these market changes. **MM**

Tom Flannigan, of KW Commercial in Minneapolis, MN, is the Argus Broker Affiliate representing MN, ND and IA. He can be reached at 651-269-6307 or tom@selfstorage.com.



Property Showcase

Centennial, CO • Offers Due June 14

- 468 Units
- 64,460 RSF
- 3.73 Acres
- Class A self-storage facility
- Newly constructed - opened April 2016
- Strong 3-mile household income
- High quality construction

NEW!



Joan Lucas
720-855-6587
jlucas@selfstorage.com

Bloomington, IL • \$2,350,000

- 237 Units
- 26,960 RSF
- 2.4 Acres
- Brand new facility built in 2016
- Great lease-up history
- Located near Illinois Wesleyan University and Illinois State University with over 23,000 students

NEW!



Bruce Bahrmasel
312-518-3550
bruce@selfstorage.com

Cleveland, GA • \$3,850,000

- 3-Property Portfolio
- 675 Total Units
- 93,738 Total RSF
- 12.8 Total Acres
- Portfolio dominates the market
- Located in growing Northeast Georgia market
- High visibility locations
- Potential for seller financing

NEW!



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

Yorkville, IL • \$970,000

- Under Contract
- 133 Units
- 16,950 RSF
- 1.5 Acres
- Great location in retail corridor next to grocery store
- Terrific visibility with 15,000 vpd
- Very well maintained with tremendous upside

NEW!



Bruce Bahrmasel
312-518-3550
bruce@selfstorage.com

Mableton, GA • \$570,000

- 100 Units
- 13,610 RSF
- 0.99 Acre
- Strong area demographics
- High visibility location with traffic count of 22,000 vpd
- Fenced and gated with access control

NEW!



Jane Sauls & Luke Sauls
770-328-2379
janehsauls@gmail.com
saulsluke@gmail.com

Manhattan, KS • \$5,400,000

- 624 Units
- 102,080 GSF
- 10.85 Acres
- Largest and highest quality facility in the area
- Visible to over 24,700 vpd on Hwy 18
- Fenced and gated with video surveillance

NEW!



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

Altoona, IA • Call Broker for Price

- 237 Units
- 52,320 RSF
- 3.33 Acres
- Great location in rapidly developing area
- Excellent visibility from I-80 with 38,000 vpd
- Adjacent parcel available for sale

NEW!



**Tom Flannigan
& Corly Wilkerson**
651-269-6307
tom@selfstorage.com
corly@selfstorage.com

Federal Way, WA • \$6,995,000

- Self-storage Development Site
- 62,925 Proposed RSF
- 5 Acres
- Located in highly-desirable Seattle MSA
- Extremely high barriers to entry
- Nearly shovel-ready site

NEW!



**Steve Libert
& Thomas Wolter**
847-452-2082
slibert@ccmfinancing.com



Sells Self Storage Nationwide!

Our complete list of available properties is detailed below. For additional information, visit www.argus-selfstorage.com or contact your local Argus Broker Affiliate.

Alabama

Daphne	\$530,000	Bill Barnhill/Shannon Barnes	251-432-1287
Fultondale	\$699,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Leeds	\$2,800,000	Bill Barnhill/Stuart LaGroue	251-432-1287

Arizona

El Mirage	\$4,200,000	Jeff Gorden	480-331-8880
Gilbert	\$9,600,000	Jeff Gorden	480-331-8880

Arkansas

Hot Springs Vlg	\$1,600,000	Larry Goldman	913-707-9030
Jacksonville	\$299,000	Larry Goldman	913-707-9030
Russellville	\$1,495,000	Larry Goldman	913-707-9030

California

Bakersfield	\$2,000,000	Peter Pappageorge	562-269-4844
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Colorado

Cañon City	\$2,080,000	Joan Lucas	720-855-6587
Centennial	Call Broker	Joan Lucas	720-855-6587

Florida

Atlantic Beach	\$5,470,000	Frost Weaver/Josh Koerner	904-265-2003
Ft. Myers	\$725,000	Frost Weaver/Josh Koerner	904-265-2003
Stuart	\$2,500,000	Frost Weaver/Josh Koerner	904-265-2003
Wildwood	\$7,750,000	Frost Weaver/Josh Koerner	904-265-2003

Georgia

Carrollton	\$425,000	Mike Patterson	770-301-1886
Cleveland	\$3,850,000	Mike Patterson	770-301-1886
Cumming	Call Broker	Mike Patterson	770-301-1886
Jackson	SOLD	Mike Patterson	770-301-1886
Lithia Springs	\$950,000	Jane Sauls	770-328-2379
Mableton	\$895,000	Jane Sauls	770-328-2379
Mableton	\$570,000	Jane Sauls	770-328-2379

Idaho

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

Bloomington	\$2,350,000	Bruce Bahrmassel	312-518-3550
Byron	\$389,000	Bruce Bahrmassel	312-518-3550
Rockford	\$5,100,000	Bruce Bahrmassel	312-518-3550
Yorkville	\$970,000	Bruce Bahrmassel	312-518-3550

Indiana

Terre Haute	\$1,100,000	Paul Grisanti/Mike Helline	502-296-4586
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Iowa

Altoona	Call Broker	Tom Flannigan	651-269-6307
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Kansas

Hayesville	\$785,000	Larry Goldman	913-707-9030
Manhattan	\$5,400,000	Larry Goldman	913-707-9030
Wichita	Call Broker	Larry Goldman	913-707-9030

Maine

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

Methuen	\$9,500,000	Joseph Mendola	603-668-7000
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Minnesota

Forest Lake	\$2,950,000	Tom Flannigan	651-269-6307
Park Rapids	\$399,000	Tom Flannigan	651-269-6307
Princeton	SOLD	Tom Flannigan	651-269-6307

Minnesota, cont.

Ramsey	\$1,066,000	Tom Flannigan	651-269-6307
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Missouri

Sedalia	\$4,370,000	Larry Goldman	913-707-9030
St. Joseph	\$9,850,000	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
Laurel	\$550,000	Bill Barnhill/Shannon Barnes	251-432-1287

New Hampshire

Littleton	\$395,000	Joe Mendola	603-668-7000
Weare	\$435,000	Joe Mendola	603-668-7000

New Jersey

Pemberton	\$750,000	Linda Cinelli	908-722-5661
Ventnor City	\$1,725,000	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

North Carolina

NC Portfolio	\$2,050,000	Jamey Cox	704-632-1030
Cherryville	\$2,100,000	Jamey Cox	704-632-1030
Hickory	\$795,000	Jamey Cox	704-632-1030
Laurinburg	\$875,000	Jamey Cox	704-632-1030

Ohio

Glouster	\$299,000	Alec Pacella	216-455-0925
Wooster	SOLD	Alec Pacella	216-455-0925

Oklahoma

Edmond	\$8,000,000	Jared Jones	918-583-3483
Guymon	\$1,200,000	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	\$2,870,000	Scott King	541-890-6708

Pennsylvania

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

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

Washington

Federal Way	\$6,995,000	Steve Libert Thomas Wolter	847-452-2082 206-200-3325
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ARGUS SALES



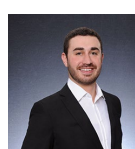
Congratulations to **Jeff Gorden, CCIM** of Eagle Commercial Realty Services who sold Havasu Boat Storage in Lake Havasu City, AZ! Contact Jeff at 480-331-8880 for details.



Congratulations to **Alec Pacella, CCIM** of NAI Daus who sold B&J Storage in Wooster, OH! Contact Alec at 216-455-0925 for details.



Congratulations to **Bruce Bahrmassel** of Waveland Commercial Real Estate who sold Midstate Mini Storage in Atkinson, IL! Contact Bruce at 312-518-3550 for details.



Congratulations to **Tom Flannigan** of KW Commercial who sold Affordable Storage in Princeton, MN! Contact Tom at 651-269-6307 for details.



Congratulations to **Mike Helling and Paul Grisanti, CCIM** of Grisanti Group Commercial Real Estate who sold 502 Self Storage in Louisville, KY and Webb Avenue Mini Storage in Crossville, TN! Contact Mike and Paul at 502-253-1811 for details.



Congratulations to **Mike Patterson, CCIM** of Commercial Realty Services of West Georgia who sold Patterson Storage in Jackson, GA! Contact Mike at 770-301-1886 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

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Tom Flannigan
Alec Pacella, CCIM
Larry Goldman, CCIM
Mike Helling & Paul Grisanti, CCIM
Jim Soltis

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Preview Properties.com

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810-494-2062

Northern IL, Northern IN, WI
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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 Helling & Paul Grisanti, CCIM
Jared Jones, CCIM
Richard D. Minker, CCIM & Chad Snyder

Omega Properties, Inc.
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918-948-3941
817-335-5600

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

WEST

David Etzold
Jeff 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

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720-855-6587
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