



SELF STORAGE SALES NETWORK

# Market Monitor

America's Premier Self Storage Brokers

Issue X-2018

*A Note from Ben Vestal: With all the volatility in the financial markets over the last 30 days, I have asked longtime friend and colleague Dale Stewart to opine on interest rates and where they may be going over the next 12 months. Please enjoy the memo below as it will give you some insight as to the future of the self storage financing market.*

## The Future of Interest Rates

by Dale Stewart

Much like the Colorado Rockies' baseball season, which lasted longer than anyone thought, the era of record-low, long-term interest rates appears to be over with Prime, LIBOR and Treasury Rates at levels not seen in quite a few years. But where are rates headed from here? Is there enough factual evidence to warrant four more increases to the Fed Funds rate as currently anticipated? Let's take a look at how we got here and all of the factors currently at play.

In 2008 when it was clear that we were in a recession, then Federal Reserve Chairman Ben Bernanke lowered the target Federal Funds Rate to 0% in an effort to stimulate the economy by encouraging borrowing by both consumers and businesses (the Federal Funds Rate is the rate at which banks lend money to each other.) At the same time, they engaged in Quantitative Easing to increase the money supply which also lowers rates and encourages spending. The net effect has been the second longest economic expansion in U.S. history at 112 months and a 49-year low employment rate of 3.7%. However, one can have too much of a good thing. To avoid the risk of overheating the economy, the Fed started raising rates in 2015 and three years later the Federal Funds Rate stands at 2.25%.

In spite of the criticism, there appears to be solid evidence that the Fed has been on the right path. Average hourly wages are 2.8% higher than a year ago and when coupled with the increase of hours worked per week over the past year, the average weekly paycheck has increased 3.4% - the greatest year-over-year increase since 2007. This figure is most likely understating the wage increases of many workers due to the fact that many of the entrants into the labor force are 16-24 years of age and they are entering at relatively low wage levels.

One of the common themes from self-storage owners seems to be increasing operational costs, even though storage has one of the most resilient revenue streams and the luxury of low capital expenditures. The Achilles' heel of the storage industry today is rising operational expenses, led by Payroll, Real Estate Taxes and Advertising. New development and an overall increase in values of self-storage assets has led the industry to be more competitive. This has put owners in a position where they must employ quality site managers to run their \$10M+ assets, and in order to get quality employees today you must compensate them fairly. Many of the independent operators are also being forced to compete with the REITs and other large operators, which has increased the cost associated with advertising and overall rentals, driving up the op-

erating cost for many of the small operators. The scary thing is many of these smaller operators don't have the controls in place to measure and adjust these increases in advertising dollars so in many situations they are just spending blind in the hope that something works. Lastly, but certainly not by a measure of total dollars, real estate taxes for self-storage properties around the country are growing at the fastest rate they have ever grown. In many markets, we are seeing real estate taxes grow by more than 30% each calendar year and in some cases, we have seen them double or triple. This is largely due to the high velocity of transactions at record high prices. The old saying of "your neighbor just sold and reduced the value of your property" is ringing true.

So where does that leave the Federal Reserve? Chairman Jerome Powell recently said that an overheating economy can show up not just in inflation but in an imbalance in the financial markets. While the stock market has retreated from its all-time highs, it's still tough to argue that valuations haven't gotten a little out of hand. Furthermore, much of that growth has been fueled by the issuance of low-rate corporate bonds and stock buybacks - neither of which are sustainable. The Fed also believes that "rates are still accommodative" and that they're "gradually moving to a place where they'll be neutral - not that they'll be restraining the economy." This is not the talk of a person at all worried about rising rates. Expectations for the Q3 GDP are for the economy to have grown between 3.2% and 3.5%. If the actual numbers confirm these expectations, the economy will be on its way to the strongest calendar year of growth since 2005 with no imminent signs of a serious slowdown.

With underlying wage inflation, tariffs on imports from our largest trading partner, and a white-hot economy, it doesn't seem possible for rates to do anything but increase. The expectation right now is for an increase of 100 basis points to the Federal Funds Rate by the end of 2019 making the Prime Rate 6.25% and LIBOR 3.30%. Long-term interest rates should also follow suit upwards but if they don't, we risk the yield curve inverting which has historically been an accurate predictor of recessions. Neither higher long-term rates nor a recession are that appealing, but our economy does move in cycles and after almost 10 years it's only natural for things to slow down a bit. However, a gradual slowdown sure beats not playing at all, which is what the Colorado Rockies are doing right now. **MM**

*Dale Stewart is Vice President at NorthMarq Capital in Denver, CO. He can be reached at 303-225-2118 or [dstewart@northmarq.com](mailto:dstewart@northmarq.com).*



# Property Showcase

## Cabot, AR

**\$429,000**

**NEW!**

- 9,900 RSF
- 4.4 Acres
- Room for expansion
- Fenced and gated
- Excellent condition
- Nearly adjacent to new Cabot High School
- Located approx. 25 miles northeast of Little Rock, AR

**Larry Goldman, CCIM**

913-707-9030

lgoldman@selfstorage.com



## Altoona, IA

**Call Broker for Price**

- 235 Units
- 51,330 RSF
- 3.33 Acres
- Located near rapid development
- Excellent visibility from I-80
- Adjacent 3.41 acre parcel available for sale

**Tom Flannigan  
& Corly Wilkerson**

612-790-3747

tom@selfstorage.com

corly@selfstorage.com



## Hot Springs, AR

**\$8,000,000**

**NEW!**

- 542 Units
- 78,675 RSF
- 5.58 Acres
- Central location on main commercial corridor
- Near Hot Springs Mall and major retailers
- Individual door alarms

**Larry Goldman, CCIM**

913-707-9030

lgoldman@selfstorage.com



## Enfield, NH

**\$6,700,000**

**NEW!**

- 476 Units
- 61,025 RSF
- 7.16 Acres
- Two locations approx. 3 miles apart
- High barrier to entry location
- Significant economic growth in the region
- Land available for expansion
- High occupancy

**Joe Mendola**

603-668-7000 x203

joe@nainorwoodgroup.com



## Hot Springs Village, AR

**\$4,000,000**

**NEW!**

- 450 Units
- 58,695 RSF
- 7.54 Acres
- Excellent exposure to Hwy 7
- Great access to Hot Springs Village, the largest gated community in the country
- Adjacent land available for expansion

**Larry Goldman, CCIM**

913-707-9030

lgoldman@selfstorage.com



## Empire, OH

**\$1,500,000**

**NEW!**

- 132 Units
- 19,180 SF Mini Storage
- 19,400 SF Warehouse
- 3 Acres
- Historically high occupancy
- Ample land for expansion
- Immediate visibility from SR 7

**Alec Pacella, CCIM**

216-455-0925

apacella@nadaus.com



## Pensacola, FL

**\$3,800,000**

**NEW!**

- 487 Units
- 76,675 RSF
- 4.81+/- Acres
- Includes main location and satellite location
- Excellent visibility
- High traffic count

**Bill Barnhill, CCIM  
& Stuart LaGroue**

251-432-1287

barnhill@selfstorage.com

stuart@selfstorage.com



## Commerce, OK

**\$390,000**

**NEW!**

- 225 Units
- 20,300 RSF
- 2.5 Acres
- Excellent exposure on US Highway 69
- Room for expansion
- Fenced and gated

**Larry Goldman, CCIM**

913-707-9030

lgoldman@selfstorage.com

Listed in cooperation with Jones Investment  
Real Estate, LLC







# 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

Childersburg	\$768,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Fultondale	\$699,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Spanish Fort	\$890,000	Bill Barnhill/Shannon Barnes	251-432-1287

## Arizona

El Mirage	\$4,250,000	Jeff Gorden	480-331-8880
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## Arkansas

Hot Springs	\$8,000,000	Larry Goldman	913-707-9030
Hot Springs Vlg	\$4,000,000	Larry Goldman	913-707-9030
Hot Springs Vlg	\$1,600,000	Larry Goldman	913-707-9030

## California

Whittier	\$3,100,000	Peter Pappageorge	532-269-4844
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## Colorado

Bennett	\$4,500,000	Joan Lucas	720-855-6587
Calhan	\$910,000	Joan Lucas	720-855-6587

## Florida

Fanning Springs	\$2,500,000	Frost Weaver/Josh Koerner	904-265-2003
Ft. Myers	\$725,000	Frost Weaver/Josh Koerner	904-265-2003
High Springs	\$2,880,000	Frost Weaver/Josh Koerner	904-265-2003
Jacksonville	\$1,500,000	Frost Weaver/Josh Koerner	904-265-2003
Macclenny	\$2,425,000	Frost Weaver/Josh Koerner	904-265-2003
Pensacola	\$3,800,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Stuart	\$2,500,000	Frost Weaver/Josh Koerner	904-265-2003

## Georgia

Cumming	\$950,000	Mike Patterson	770-301-1886
Ellijay	\$1,225,000	Jane Sauls	770-328-2379
Lithia Springs	\$950,000	Jane Sauls	770-328-2379
Mableton	\$895,000	Jane Sauls	770-328-2379
Mableton	\$538,000	Jane Sauls	770-328-2379
Warner Robins	\$549,000	Jane Sauls	770-328-2379

## Illinois

Bloomington	\$2,350,000	Bruce Bahrmassel	312-518-3550
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## 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
Maize/Park City	<b>SOLD</b>	Larry Goldman	913-707-9030
Manhattan	\$5,400,000	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

Portfolio	\$2,600,000	Tom Flannigan	612-790-3747
Forest Lake	\$2,800,000	Tom Flannigan	612-790-3747
Two Harbors	\$1,200,000	Tom Flannigan	612-790-3747

## Missouri

Jefferson City	\$672,000	Larry Goldman	913-707-9030
Sedalia	\$4,696,000	Larry Goldman	913-707-9030

## Mississippi

Canton	\$850,000	Bill Barnhill/Stuart LaGroue	251-432-1287
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## Nebraska

Lemoyne	\$1,700,000	Joan Lucas	720-855-6587
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## New Hampshire

Enfield	\$6,700,000	Joe Mendola	603-668-7000
Hinsdale	\$1,280,000	Joe Mendola	603-668-7000

## New Jersey

Kearny	<b>SOLD</b>	Linda Cinelli	908-722-5661
Sparta	\$7,450,000	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 Mexico

Ruidoso Downs	\$618,000	David Etzold/Avi Kotkowski	915-845-6006
Santa Fe	Call Broker	David Etzold/Avi Kotkowski	915-845-6006

## New York

Islip	\$5,700,000	Linda Cinelli	908-722-5661
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## North Carolina

Hickory	\$750,000	Jamey Cox	704-632-1030
Raleigh	\$2,300,000	Jamey Cox	704-632-1030

## Ohio

Empire	\$1,500,000	Alec Pacella	216-455-0925
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## Oklahoma

Bixby	\$4,000,000	Jared Jones	918-583-3483
Broken Bow	\$1,650,000	Jared Jones	918-583-3483
Commerce	\$390,000	Larry Goldman	913-707-9030

## Oregon

Central Point	\$1,875,000	Scott King	541-890-6708
Lakeview	\$835,000	Scott King	541-890-6708
Medford	\$375,000	Scott King	541-890-6708
Talent	\$2,790,000	Scott King	541-890-6708
Vale	\$1,600,000	Scott King	541-890-6708

## Pennsylvania

Albion	\$450,000	Alec Pacella	216-455-0925
Bechtelsville	\$1,350,000	Chuck Shields	610-828-0100

## Tennessee

Afton	\$1,675,000	Paul Grisanti/Mike Helline	502-296-4586
Kingsport	\$1,150,000	Paul Grisanti/Mike Helline	502-296-4586

## Texas

Anna	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Bacliff	<b>SOLD</b>	Bill Brownfield	713-907-6497
Katy	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Mineral Wells	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Rockwall	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Seminole	Call Broker	Richard Minker/Chad Snyder	817-335-5600

## Wisconsin

Franksville	\$599,000	Bruce Bahrmassel	312-518-3550
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# ARGUS SALES



Congratulations to **Linda Cinelli, CCIM** of LC Realty who sold a self-storage project under construction in Kearny, NJ! Contact Linda at 908-722-5661 for details.



Congratulations to **Larry Goldman, CCIM** of RE/MAX Commercial who sold the All Storage 2-Property portfolio located in Maize and Park City, KS! Contact Larry at 913-707-9030 for details.



Congratulations to **Bill Brownfield, CRE, CCIM** of Brownfield & Associates, LLC who sold Econo Self Storage in Bacliff, TX. Contact Bill at 713-907-6497 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 Bahrmasel  
Tom Flannigan  
Alec Pacella, CCIM  
Larry Goldman, CCIM  
Mike Helline & Paul Grisanti, CCIM  
Jim Soltis

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

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

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

### SOUTH CENTRAL

Bill Barnhill, CCIM  
Bill Brownfield, CRE, CCIM & Jordan Pro  
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  
Jones Investment Properties  
Colliers International

251-432-1287  
713-907-6497  
915-845-6006  
913-707-9030  
502-253-1811  
918-583-3483  
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  
James Rueter  
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  
Grand Ave. Realty  
Centennial Advisers  
RE/MAX Commercial

915-845-6006  
480-331-8880  
406-544-1921  
541-890-6708  
720-855-6587  
805-815-8105  
562-269-4844  
206-200-3325

NM  
AZ, NV  
MT  
OR  
CO  
Northern CA  
Southern CA  
WA