



SELF STORAGE SALES NETWORK

# Market Monitor

America's Premier Self Storage Brokers

Issue XII-2018

## Looking Ahead to 2019

by Ben Vestal

The holidays are upon us and cautious optimism is certainly present in today's self-storage investment market. Recent market volatility has pushed the Ten-Year Treasury back down below 3% and lenders, buyers, and owners remain bullish on self-storage assets. This, along with recent operating performance, has breathed new life into the already historically long self-storage run.

After exhibiting an incredible pace of growth over the last several years, the self-storage industry is showing signs of slowing to a more sustainable pace in 2019. Cap rates and values in most markets are expected to be flat and not compressing further. However we are also not anticipating any rise in cap rates as there is still worthwhile demand and bidding competition from qualified investors. This late cycle expansion has continued to allow late movers to capitalize on a very fluid transaction and financing market. However, some sellers who hold out for the final dollar will be left wondering what happened when the investment market officially turns downward. **Remember, it is better to be a year too early than a day too late!**

Below I have listed a few topics that will not only have an impact on the self-storage investment market in 2019, but will also create opportunity for people who choose to act. Time for that New Year's resolution!

### Opportunity Zones:

First, I want to be clear that I am not an accountant, lawyer or an expert on Opportunity Zones and you should seek advice from your legal and tax council regarding Opportunity Zones.

The Tax Cuts and Jobs Act created a new program that incentivizes investment in economically distressed areas of the country. The program allows investors to defer and ultimately reduce capital gains taxes on any asset by investing or reinvesting the gain in real estate in underfunded communities that have been designated Opportunity Zones. It is widely viewed as favoring CRE investments where eligible investments include ground-up development and project renovations. As all new government tax programs go, there are significant rules and regulations one must follow to be allowed to capitalize on these new incentives, but I have been told that they can eliminate most of your capital gains tax if the rules are followed.

While the rules and regulations will not be finalized until next spring, there is some clarity so that investors can start deploying capital. I believe the basics of the new regulations are as follows; if you buy a property in an Opportunity Zone, hold it for a meaningful amount of time (10+ years), develop or renovate the property (double your basis in the property), you can then sell the property after 10 years and have little to no capital gains taxes to pay. You may also be able to 1031 Exchange into this new Opportunity Zone property and defer or eliminate the capital gains tax on your gains from both the 1031 Exchange property and the Opportunity Zone property. Obviously,

the devil is in the details, so you must get your tax and legal advisors involved early.

Self-storage projects that are located within Opportunity Zones will be prime targets for investors coming out of apartments, office, and retail looking to invest in self-storage. This presents them with significant tax advantages and will drive prices higher for older properties located within these Opportunity Zones.

### New Development in Smaller Markets:

We are all aware of the development boom that has occurred over the last several years in major MSAs. Interestingly, our analysis of many secondary markets shows that rental rates are higher and growing faster than the those in the major MSAs that have taken on new projects over the last 12-24 months. This has presented the opportunity for a "Back to Basics" approach to self-storage development in these secondary markets. Much like the first-generation projects that were built during the 80s and 90s, these new secondary market developments will typically pencil to a 10%+ unleveraged yield upon stabilization (85% occupied). This has also encouraged the development of RV & Boat storage deals or a hybrid of self-storage and RV & Boat.

Obviously, this new opportunity has started to gain traction and the risk of overbuilding is much greater in secondary markets. However, if you are a diligent developer and identify the best site, develop the best product, and understand your market, you will be able to capitalize on the growing secondary market self-storage craze.

### Yield Curve Flattening (Interest Rates):

The yield curve (the difference between short and long-term rates) has flattened out in recent weeks. That's typically been a sign of slower growth ahead. The bad news is that the gap between the Two-Year and Ten-Year-Treasury yields is getting uncomfortably close to inverting. Inversion is when short-term rates are higher than long-term ones, and this has occurred prior to every US recession over the past 50 years. The spread hasn't been this narrow since just before the Great Recession.

However, when that switch is flipped, history shows that the economic prosperity doesn't necessarily end right away. The lag between inversion and recession tends to be lengthy, ranging between 14-34 months. The last time the yield curve went upside down was 2005, a few years before the Great Recession. The recent flattening of the yield curve has created an opportunity, maybe the last opportunity, to lock in low interest rates or high sale prices in this cycle. One thing that is clear today and has been for the last 50+ years is that the value of real estate is directly tied to the cost of debt and that is what makes the game worth playing. **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

## West Memphis, AR

**\$9,645,000**

- 644 Units **NEW!**
- 92,125 RSF
- 10.26 Acres
- Excellent exposure on Hwy 77, less than 1 mile from I-55/40
- Robust track record of high occupancy, strong truck rentals and ancillary sales
- Adjacent land available for expansion
- Attractive 1,456 SF office



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

## Columbus, MN

**\$2,200,000**

- 201 Units **NEW!**
- 39,620 RSF
- 7.5 Acres
- Two-site offering approx. 20 miles northeast of Minneapolis
- Excellent opportunity to grow revenues
- Excellent area demographics



**Tom Flannigan, Corly Wilkerson & Alex Ihrke**  
612-790-3747  
tom@selfstorage.com  
corly@selfstorage.com  
alex@selfstorage.com

## Wynne, AR

**\$5,172,000**

- 554 Units **NEW!**
- 87,630 RSF
- 7.6 Acres
- Abundant room for expansion included
- Consistently strong occupancy and ancillary sales
- High profile location on main thoroughfare
- Individual door alarms



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

## Afton, TN

**\$1,675,000**

- 321 Units
- 38,470 RSF
- 4.55 Acres
- Property is profitable at below market rents and without supplemental income streams
- Well-constructed facility with security cameras and secure access
- Great opportunity all about untapped potential and upside



**Mike Helline & Paul Grisanti, CCIM**  
502-253-1811  
mike@grisanti-group.com

## Altoona, IA

**Call Broker for Price**

- 235 Units
- 51,330 RSF
- 3.33 Acres
- Offering includes 3.41 acre RV & Boat development to be completed in late spring 2019
- Located in Des Moines metro area with rapid commercial and residential development
- Visibility and access to 38,000 vehicles per day via I-80



**Corly Wilkerson & Tom Flannigan**  
612-282-2670  
corly@selfstorage.com  
tom@selfstorage.com

## Sedro-Woolley, WA

**\$409,950**

- 49 Units **NEW!**
- 4,908 RSF
- 0.612 Acre
- Located in developing area approx. 1 hour north of Seattle
- Good income
- Local, experienced manager
- Excellent return on investment



**Thomas Wolter**  
206-200-3325  
tom@thomaswolter.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

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

## Arkansas

Cabot	\$429,000	Larry Goldman	913-707-9030
Hot Springs Vlg	\$1,600,000	Larry Goldman	913-707-9030
West Memphis	\$9,645,000	Larry Goldman	913-707-9030
Wynne	\$5,172,000	Larry Goldman	913-707-9030

## California

Placerville	\$895,000	Jim Rueter	805-815-8105
Whittier	\$2,967,000	Peter Pappageorge	532-269-4844

## Colorado

Colo. Springs	\$8,700,000	Joan Lucas	720-855-6587
Longmont	\$2,800,000	Joan Lucas	720-855-6587

## Florida

High Springs	\$2,880,000	Frost Weaver/Josh Koerner	904-265-2003
Maccleddy	\$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
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

## 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	Corly Wilkerson	612-282-2670
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## Kansas

Manhattan	\$5,400,000	Larry Goldman	913-707-9030
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## 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

Columbus	\$2,200,000	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	\$599,000	Larry Goldman	913-707-9030
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## Mississippi

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

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 York

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

Hickory	\$750,000	Jamey Cox	704-632-1030
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## North Dakota

Bowman	\$950,000	Tom Flannigan	612-790-3747
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## Ohio

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

Broken Bow	\$1,650,000	Jared Jones	918-583-3483
Commerce	\$390,000	Larry Goldman	913-707-9030
Tulsa	\$1,780,000	Jared Jones	918-583-3483

## 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
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
Katy	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Mineral Wells	<b>SOLD</b>	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

## Washington

Sedro-Woolley	\$409,950	Thomas Wolter	206-200-3325
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## Wisconsin

Franksville	<b>SOLD</b>	Bruce Bahrmassel	312-518-3550
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# ARGUS SALES



Congratulations to **Bruce Bahrmasel** of Waveland Commercial Real Estate who sold I-94 Self Storage in Franksville, WI! Contact Bruce at 312-518-3550 for details.



Congratulations to **Bill Barnhill, CCIM and Stuart LaGroue** of Omega Properties, Inc. who sold Tiger Point Storage in Tiger Point, FL! Contact Bill and Stuart at 251-432-1287 for details.



Congratulations to **Larry Hayes** of Hayes & Associates who sold Smart Storage in Billings, MT! Contact Larry at 406-544-1921 for details.



Congratulations to **Richard Minker, CCIM and Chad Snyder** of Colliers International who sold Armor Self Storage in Mineral Wells, TX! Contact Richard and Chad at 817-335-5600 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  
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 & Faith Pate  
David Etzold & Avi Kotkowski  
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 & Avi Kotkowski  
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  
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Northern CA  
Southern CA  
WA