



SELF STORAGE SALES NETWORK

Market Monitor

America's Premier Self Storage Brokers

Issue III-2019

A Reflection on 25 Successful Years!

by Ben Vestal

This year, Argus is honored to celebrate our 25th year in business as the nation's premier self-storage brokerage. We have seen a lot of changes in the self-storage industry over these 25 years, most notably the tremendous expansion with more than 20,000 self-storage properties built, accounting for nearly half of the existing properties in the market today. We have witnessed the once sleepy "mini storage" business growing into an institutional and tech savvy industry with large multi-story projects being built on the corner of main and main in every major MSA around the country. Below I have reflected on a few topics that have had the most impact on the storage industry since Argus began in 1994.

ACCESS TO CAPITAL:

The self-storage industry has tremendous access to capital, whether from banks, life insurance companies, private equity firms, strategic partnerships, public markets or simply from high net worth investors' personal balance sheets. The availability of capital today is considerable, and the cost of this capital is substantially lower than it has ever been. For example, for high net worth individuals, family offices or pension funds that have significant balances in their money market accounts (which by the way are paying less than 1% annually today and have been for the last several years), it might make sense to not use debt at all and therefore the cost of capital is simply the value these groups put on their liquidity today. Public companies, such as the REITs, that can issue common stock in the public markets have access to capital at approximately the cost of their dividend yield. As of March 2019, the five major self-storage REITs all had dividend yields between 3.5% and 4.3%. It is also worth mentioning that most of the groups noted above do use traditional financing at some point. But their ability to pick and choose the timing of their financing, accumulating large amounts of assets in investment pools, and negotiating better terms with their lenders gives them a significant advantage when acquiring and operating properties.

Why does this matter? It matters because institutional equity providers have access to lower cost of capital, better relationships with lenders, and they are almost always willing to settle for a lower return on capital than a private investor. These types of equity sources in the market today keep the values high, pricing most smaller investors out of the market. By way of example, if you are an independent operator and borrow \$1,000,000 from a bank or other financial institution with the following terms (5.5% interest, 25-year amortization and term 5 years) your annual debt service would be \$73,680. If you are an institutional entity provider, public company or ultra-high net worth family office that pays an average dividend yield of 3.5%, the cost of the \$1,000,000 is \$35,000. As you can see this frees up approximately \$38,000 in cash flow to the institutional investor that the independent operator would not possess. While the benefits of having larger institutional investors in the space are meaningfully higher values,

increased liquidity in the market and stabilized valuations, large investors have also pushed the independent operators to look for new angles and to look in smaller markets.

TECHNOLOGY:

Technology is the single biggest change in the self-storage business over the last 25 years! Gone are the days of the Yellow Pages and good signage. We are now seeing search engine optimization (SEO), online lead aggregators, pay per clicks, social media, blogs, YouTube videos, and mobile apps dominate the marketing budgets of self-storage companies today. It is clearly apparent that a paradigm shift in marketing has happened and is it working. The adoption of these new marketing techniques has been accelerated by the large institutional investors mentioned above. Because of the depth of their resources, they are adapting proven internet marketing techniques from other real estate product types and applying them to self-storage with great success. All of these internet marketing techniques have proven to be able to attract customers from a greater distance, make self-storage facilities more user friendly, and most importantly, increase the value of the product.

A CHANGING CUSTOMER:

Over the last 25 years we have seen the majority of our customers come from the U.S. middle class, small businesses and the Baby Boomer Generation. For the last several decades, self-storage demand has been clearly bolstered by Baby Boomers reaching their peak spending years and retirement age. Today the Millennial Generation makes up the largest workforce population in the U.S. and it will surpass the Baby Boomers in terms of sheer numbers, making them the largest demographic of self-storage customers moving forward. We will continue to see changes in our industry that will include on demand storage, smaller unit sizes, urban locations, technology-based rental and payment applications, limited personnel operating properties, and more convenience-based amenities.

While we strongly believe that the performance of self-storage as an investment in the long run is quite positive, we know that the market dynamics have changed. Over the last 25 years, Argus has successfully advised our clients on more than 1,500 transactions with a market value of more than \$3 Billion. Due to continued consolidation and changes in the industry mentioned throughout this article, we have seen dramatic increases in situations where there is a conflict of interest between a service provider, institutional investor and the owner. Today it is critical to make sure that you are seeking advice from consultants, brokers and third-party management companies who have your best interest in mind as an owner. **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

Elgin, IL

\$3,250,000

- 374 Units **NEW!**
- 37,180 RSF
- 2.84 Acres
- High visibility location on expressway frontage road
- Desirable NW suburban Chicago location
- Fenced, access controlled gate and blacktopped
- Can be sold with U Stor It Self Storage in Rockford, IL



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

Derby, KS

\$1,400,000

- 145 Units **NEW!**
- 25,065 RSF
- 1.36 Acres
- Three locations with excellent visibility
- Office at main location with satellite facilities 1/4 mile away
- Easily accessible
- Climate control and traditional units



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

Rockford, IL

\$3,250,000

- 345 Units **NEW!**
- 42,800 RSF
- 6.07 Acres
- Located in a busy commercial area
- Very well maintained
- On-site office and apartment
- Additional space for outdoor vehicle storage
- Can be sold with ACL Self Storage in Elgin, IL



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

Addison, MI

\$1,060,000

- 197 Units **NEW!**
- 26,068 RSF
- 3.62+/- Acres
- Highway access on US-223
- Centrally located to Addison, Somerset and Devil's Lake, approx. 1 hour southwest of Ann Arbor
- Business office, climate control units and vault units
- Outside boat, RV and trailer storage



Jim Soltis
810-494-2062
 jsoltis@previewproperties.com

Andover, KS

\$4,200,000

- 286 Units **NEW!**
- 121,908 RSF
- 11.4 Acres
- Excellent visibility on US Hwy 54 (East Kellogg)
- Historically stable operating performance
- On-site leasing office
- Broad variety of unit sizes from 50 SF to 2,304 SF



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

Spartanburg, SC

\$1,275,000

- 138 Units **NEW!**
- 11,156 RSF
- 2 Acres
- 136 climate control units plus 2 office suites
- Immaculate interior units
- Additional land included for expansion
- Gated and fenced with electronic access
- Newly installed roof with transferrable warranty



Jamey Cox
704-632-1030
 jamey.cox@svn.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.

Arizona

Marana Call Broker Jeff Gorden 480-331-8880

Arkansas

Cabot \$429,000 Larry Goldman 913-707-9030
Hot Springs Vlg \$1,600,000 Larry Goldman 913-707-9030
Siloam Springs \$1,950,000 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

Marysville \$650,000 Jim Rueter 805-815-8105
Placerville \$895,000 Jim Rueter 805-815-8105

Colorado

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

Florida

Jacksonville \$750,000 Frost Weaver/Josh Koerner 904-591-0140
Melbourne \$1,800,000 Frost Weaver/Josh Koerner 904-591-0140
St. Petersburg \$4,700,000 Frost Weaver/Josh Koerner 904-591-0140
Stuart \$2,500,000 Frost Weaver/Josh Koerner 904-591-0140
Vero Beach \$4,425,000 Frost Weaver/Josh Koerner 904-591-0140

Georgia

Canton \$4,850,000 J.Kris Knowles 720-323-2055
Cumming \$950,000 Mike Patterson 770-301-1886
Lithia Springs **SOLD** Jane Sauls 770-328-2379
Mableton **SOLD** Jane Sauls 770-328-2379
Mableton \$895,000 Jane Sauls 770-328-2379
Tifton \$2,700,000 Jane Sauls 770-328-2379

Illinois

Bloomington \$2,350,000 Bruce Bahrmassel 312-518-3550
Elgin \$3,250,000 Bruce Bahrmassel 312-518-3550
Rockford \$3,250,000 Bruce Bahrmassel 312-518-3550

Indiana

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

Iowa

Altoona Call Broker Corly Wilkerson 612-282-2670
Cedar Rapids Call Broker Corly Wilkerson 612-282-2670

Kansas

Andover \$4,200,000 Larry Goldman 913-707-9030
Derby \$1,400,000 Larry Goldman 913-707-9030
Manhattan \$5,400,000 Larry Goldman 913-707-9030

Maine

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

Michigan

Addison \$1,060,000 Jim Soltis 810-494-2062

Michigan, cont.

Eagle \$580,000 Jim Soltis 810-494-2062

Minnesota

Columbus \$2,200,000 Tom Flannigan 612-790-3747
Forest Lake \$2,800,000 Tom Flannigan 612-790-3747
Two Harbors **SOLD** Tom Flannigan 612-790-3747

Mississippi

Canton **SOLD** Bill Barnhill/Stuart LaGroue 251-432-1287

Missouri

Jefferson City \$599,000 Larry Goldman 913-707-9030

Montana

Billings \$1,300,000 Kim Vandelinder 406-544-1921

New Hampshire

Enfield **SOLD** 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

North Dakota

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

Ohio

Empire \$1,500,000 Alec Pacella 216-455-0925
N. Ridgeville \$1,500,000 Alec Pacella 216-455-0925

Oklahoma

Broken Bow \$1,650,000 Jared Jones 918-583-3483
Commerce **SOLD** 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

South Carolina

Spartanburg \$1,275,000 Jamey Cox 704-632-1030

Texas

Anna 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

ARGUS SALES



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



Congratulations to **Richard Minker, CCIM** and **Chad Snyder** of Colliers International who sold Big Red Self Storage in Belton, TX! Contact Richard and Chad at 817-335-5600 for details.



Congratulations to **Larry Goldman, CCIM** of RE/MAX Commercial who sold Garret's Mini Storage in Commerce, OK! Contact Larry at 913-707-9030 for details.

Argus is pleased to welcome our newest Broker Affiliate to the Network!



Sandy J. McCleve, of McCleve Real Estate in Salt Lake City has joined the network and will represent Argus in the state of Utah. Sandy started his business career working for a CPA firm before transitioning into commercial real estate where he gained years of experience in real estate acquisitions, dispositions, development, leasing, financing, and asset management. Sandy is a member of the Utah Self Storage Association and excels at understanding the needs of his clients to help meet their short-term and long-term goals. He can be reached at 801-872-9610 or sandy@selfstorage.com.

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
Jamey Cox
Mike Patterson, CCIM
Stuart Wade
Josh Koerner & 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
904-591-0140

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

KW Commercial
NAI Pleasant Valley
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
918-948-3941
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
Sandy McCleve
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
McCleve Real Estate, LLC
Grand Ave. Realty
Centennial Advisers
RE/MAX Commercial

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

NM
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Southern CA
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