



## Rethinking Asset Valuation

by Jared Jones, CCIM

One of the most common questions I get as a broker is “where are cap rates today?” This seemingly simple question is more subjective than many people realize, due to considerations including project age, size, market size, property condition, construction type, and trade area demographics. These characteristics are used to classify a storage facility as a Class A, B or C asset.

After talking with several industry experts about cap rates for each asset class at the ISS trade show earlier this month, it became apparent to me that the secondary and tertiary market tea leaves I’m reading are quite different than the ones in the major MSAs. I thought back to deals in my market in Oklahoma, which trade for cap rates in the low 6’s to 9’s, a 50 to 100 bps spread from the large, major-market projects and thought there might another reason for this disparity, rather than just market size. I realized I haven’t seen a list of self-storage asset class attributes that included a metric for revenue. I believe this a critical scaling consideration for asset valuation discussion and whether the asset is classified as A, B or C and whether the buyer profile is institutional or non-institutional.

With more than 90% of self-storage assets worth less than \$10M in value and about 70% under \$5M, revenue is critical to achieving best-in-market pricing by providing scale to attract a sophisticated buyer pool with a low cost of capital who utilize third-party management. If the property doesn’t hit or exceed revenue thresholds for scale or presents an expedient way to break through, operating margins are compressed and there is further non-economic loss due to opportunity cost considerations.

Typically, this third-party management fee is the greater of \$2,000 per month or 4%-6% of topline revenue, plus other ancillary fees which might include site manager training, district manager travel expenses, software, call center, technology, internet advertising,

bank fees and mass-produced branded marketing. In some instances, these total fees climb to as much as 10% of the Gross Income. At a basic level, the breakeven point for institutional third-party management and where this cost starts to scale is \$400,000 to \$500,000 in topline revenue. Assuming an operating expense ratio of 35%-40%, a Net Operating Income (NOI) of \$250,000 - \$300,000 is necessary to start scaling for many professional buyers. Assuming supply and demand are in equilibrium and the property is in good condition, a 6% cap rate computes to a \$4M-\$5M purchase price. This means approximately 30% of the self-storage transactions (\$5M +) that traded in 2018 scaled effectively for these professional buyers.

### Threshold Valuation Analysis

Revenue	Net Operating Income (NOI)	Cap Rate	Spread	Cap Rate Multiplier Per \$ of NOI to Valuation(\$1/Cap Rate)	Valuation (NOI/Cap Rate) or (NOI x Multiplier)
\$500,000	\$300,000	6.00%	baseline	\$16.67	\$5,000,000
\$500,000	\$300,000	6.50%	50 bps	\$15.38	\$4,615,384
\$500,000	\$300,000	7.00%	100 bps	\$14.29	\$4,285,714

The above example illustrates how critical it is for owners to be aggressive on the revenue side, especially as their property approaches the \$500,000 revenue threshold. Each dollar of revenue that falls to NOI is worth a multiplier of \$16.67 to a buyer above the revenue threshold, versus a multiplier of \$14.29 below the threshold. Pushing through that ceiling can improve your valuation by 10% to 15%! Remember to be realistic when valuing your property and understand that the low cap rates (5’s) we read about in the magazines and press releases are for large third-party managed deals in major markets with properties that scale extremely well. **MM**

Jared Jones, CCIM is the Argus Self Storage Sales Network Broker Affiliate for the state of Oklahoma. He can be reached at 918-948-3941 or [jjones@selfstorage.com](mailto:jjones@selfstorage.com).



# Property Showcase

## North Little Rock, AR

**\$5,100,000**

- 320 Units
- 121,224 RSF
- 11.3 Acres
- Boat/RV Storage facility
- High growth location
- Stable operating history with recent expansions
- Gated, well lit facility with on-site office

**NEW!**



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

## Chiefland, FL

**\$1,500,000**

- 229 Units
- 25,169 RSF
- 4.4 Acres
- Value-add opportunity with room to expand
- Over 3,800 SF of climate control space ready for conversion
- 700 feet of frontage on US-19

**NEW!**



**Josh Koerner  
& Frost Weaver**  
904-591-0140  
jkoerner@weaver-realty.com

## El Mirage, AZ

**\$4,250,000**

- 605 Units
- 280,560 RSF
- 18.54 Acres
- Boat/RV Storage facility
- High growth location approx. 25 miles northwest of Phoenix
- Two traffic light access points available along frontage

**NEW!**



**Jeff Gorden, CCIM**  
480-331-8880  
jgorden@selfstorage.com

## Ellijay, GA

**\$1,490,000**

- 243 Units
- 33,340 RSF
- 6.57+/- Acres
- On-site manager and high-tech security system
- Materials are on site to add an additional 28 units
- Land available for expansion

**NEW!**



**Jane H. Sauls, CCIM**  
770-328-2379  
janehsauls@gmail.com

## Longmont, CO

**\$2,250,000**

- **Under Contract**
- 168 Units
- 28,304 RSF
- 1.74 Acres
- Good operating history with rental rate upside
- Office and manager's apartment on site

**NEW!**



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

## Cedar Rapids, IA

**\$650,000**

- 99 Units
- 14,424 RSF
- 0.672 Acres
- Great stabilized investment opportunity
- Two-story facility
- Located near the top employer in Cedar Rapids

**NEW!**



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

## Loveland, CO

**\$5,700,000**

- 412 Units
- 48,975 RSF
- 2.7 Acres
- Beautiful new project currently in lease up
- All concrete drives, fully fenced and full security system
- Climate control and non-climate units

**NEW!**



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

## Gardner, KS

**\$6,690,000**

- 587 Units
- 84,525 RSF
- 3.46 Acres
- Recently expanded Class A facility
- Located in a high-growth Kansas City suburb
- Excellent occupancy history
- Climate and non-climate units

**NEW!**



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



# Property Showcase

## Northampton, MA

\$595,000

- Self-Storage Development Site
- 69,600 RSF TBB
- 8+/- Acres
- Site recently re-zoned for self-storage
- 90% of entitlements in place to begin construction
- Frontage on MA Route 10
- Home to Smith College and many cultural attractions

**NEW!**

**Joe Mendola**

603-668-7000 x203

joe@nainorwoodgroup.com



## Boscawen, NH

\$4,000,000

- **Under Contract**
- 345 Units
- 49,760 RSF
- 11.4 Acres
- Significant rental rate upside
- High barriers to entry market
- Facility has frontage on State Highway Route 3
- Great location to add truck rental

**NEW!**

**Joe Mendola**

603-668-7000 x203

joe@nainorwoodgroup.com



## East Bethel, MN

\$1,800,000

- **Under Contract**
- 87 Units
- 19,074 RSF
- 7.5 Acres
- Excellent visibility along Hwy 65
- Consistently high occupancy with no advertising spend

**NEW!**

**Tom Flannigan & Alex Ihrke**

612-790-3747

tom@selfstorage.com  
alex@selfstorage.com



## Bryan/College Station, TX

Call Broker

- 2-Property Portfolio
- 846 Total Units
- 87,600 Total RSF
- 6.3 Total Acres
- Two institutionally owned properties
- Near Texas A&M University

**NEW!**

**Bill Brownfield, CRE, CCIM & Faith Pate**

713-907-6497

bill@wbrownfield.com  
faithpate@selfstorage.com



## Terry, MS

\$1,875,000

- 283 Units
- 45,550 RSF
- 4+/- Acres
- Built in 1995-96 and currently 88.6% occupied
- Land available for expansion
- Located approx. 15 miles south of Jackson, MS just off I-55

**NEW!**

**Bill Barnhill, CCIM & Stuart LaGroue**

251-432-1287

barnhill@selfstorage.com  
stuart@selfstorage.com



## Longview, TX

\$500,000

- 137 Units
- 19,440 RSF
- 1.45 Acres
- Well-maintained facility
- Easy access
- Good upside potential
- On-site manager's apartment and good security

**NEW!**

**Richard Minker, CCIM & Chad Snyder**

847-335-5600

rminker@selfstorage.com  
chad.snyder@colliers.com



## Lemoyne, NE

\$1,550,000

- 227 Units
- 96,459 RSF
- 6.28 Acres
- Boat/RV Storage facility at Lake McConaughy in western Nebraska
- Located on Hwy 92 at the entrance to Arthur Bay
- Closest facility to lake's beach

**NEW!**

**Joan Lucas & Mark Billingsley**

720-855-6587

jlucas@selfstorage.com



## Empire, OH

\$1,500,000

- 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@naidaus.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.

## Arizona

El Mirage	\$4,250,000	Jeff Gorden	480-331-8880
Marana	<b>SOLD</b>	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	<b>SOLD</b>	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	<b>SOLD</b>	Jim Rueter	805-815-8105
Placerville	\$859,000	Jim Rueter	805-815-8105

## Colorado

Colo. Springs	\$8,700,000	Joan Lucas	720-855-6587
Longmont	\$2,250,000	Joan Lucas	720-855-6587
Loveland	\$5,700,000	Joan Lucas	720-855-6587

## Florida

Chieffland	\$1,500,000	Frost Weaver/Josh Koerner	904-591-0140
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	770-323-2055
Cumming	\$950,000	Mike Patterson	770-301-1886
Ellijay	\$1,490,000	Mike Patterson	770-301-1886
Mableton	\$895,000	Jane H. Sauls	770-328-2379
Tifton	\$2,700,000	Jane H. Sauls	770-328-2379

## Illinois

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

## Iowa

Altoona	Call Broker	Corly Wilkerson	612-282-2670
Cedar Rapids	\$650,000	Corly Wilkerson	612-282-2670

## Kansas

Andover	\$4,200,000	Larry Goldman	913-707-9030
Derby	\$1,400,000	Larry Goldman	913-707-9030
Gardner	\$6,690,000	Larry Goldman	913-707-9030
Manhattan	<b>SOLD</b>	Larry Goldman	913-707-9030

## Massachusetts

Northampton	\$595,000	Joseph Mendola	603-668-7000
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## Michigan

Addison	\$1,060,000	Jim Soltis	810-494-2062
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## Michigan cont.

Eagle	\$530,000	Jim Soltis	810-494-2062
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## Minnesota

Columbus	\$2,200,000	Tom Flannigan	612-790-3747
East Bethel	\$1,800,000	Tom Flannigan	612-790-3747
Forest Lake	\$2,800,000	Tom Flannigan	612-790-3747

## Mississippi

Terry	\$1,875,000	Bill Barnhill/Stuart LaGroue	251-432-1287
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## Missouri

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

Billings	\$1,150,000	Kim Vandelinder	406-698-6850
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## Nebraska

Lemoine	\$1,550,000	Joan Lucas	720-855-6587
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## New Hampshire

Boscawen	\$4,000,000	Joe Mendola	603-668-7000
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## 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 Dakota

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

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

## 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
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## Texas

Anna	Call Broker	Richard Minker/Chad Snyder	817-335-5600
Bryan/ColStn	Call Broker	Bill Brownfield	713-907-6497
Longview	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 **Tom Flannigan, Corly Wilkerson and Alex Ihrke** of KW Commercial who sold Two Harbors Self Storage in Two Harbors, MN and a 2-Property Portfolio in Waite Park and Little Falls, MN! Contact the KW Commercial team at 612-790-3747 for details.



Congratulations to **Jane H. Sauls, CCIM** of Commercial Realty Services of West Georgia who sold Sweetwater Self Storage in Lithia Springs, GA! Contact Jane at 770-328-2379 for details.



Congratulations to **Jeff Gorden, CCIM** of Eagle Commercial Realty Services who sold PremieR-Vehicle Storage in Marana, AZ and Cashway Mini Warehouse in Sierra Vista, AZ! Contact Jeff at 480-331-8880 for details.



Congratulations to **Joe Mendola** of NAI Norwood Group who sold Exit 17 Storage in Enfield, NH! Contact Joe at 603-668-7000 for details.



Congratulations to **Larry Goldman, CCIM** of RE/MAX Commercial who sold A-AAA Storage in Siloam Springs, AR and Landmark Self Storage in Manhattan, KS! Contact Larry at 913-707-9030 for details.



Congratulations to **Jim Rueter** of Pacific Brokers who sold Beale/Yuba College Self Storage in Marysville, CA! Contact Jim at 805-815-8105 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  
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 Kotkowsky  
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 Kotkowsky  
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  
Pacific Brokers  
Centennial Advisers  
RE/MAX Commercial

915-845-6006  
480-331-8880  
406-544-1921  
541-890-6708  
720-855-6587  
801-872-9610  
805-815-8105  
562-269-4844  
206-200-3325

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