



SELF STORAGE SALES NETWORK

Market Monitor

America's Premier Self Storage Brokers

Issue VII-2019

Self-Storage Valuation 101

by Ben Vestal

As we close out the first half of 2019, we continue to see self-storage asset valuation on the rise. Much to my surprise, self-storage valuations are remaining strong and actually rising in some markets. Valuation of self-storage properties is a professional art, and while mechanical number manipulations are a very important part of the process, there is also a large measure of real estate judgment and experience required in developing a precise value range. While we cannot elaborate on every point of the judgment necessary to arrive at a precise valuation, we will try to give you the basics for the number crunching that will help get you in the ballpark of valuation but will also make your conversation with your local Argus broker more productive. Argus is now offering a **FREE**, no obligation opinion of value for any owner that would like us to provide them one.

It should be noted that true market valuation takes a much more in-depth look at value, from the three traditional valuation approaches used by real estate appraisers: 1) cost basis, 2) market sales comparable and 3) income approach basis. The cost basis method compares the cost of replacing the facility in the market your facility is currently located in. The market sales comparable method compares the value actually achieved in the marketplace by similar facilities in recent sales. The income approach method looks at the amount of income the property produces and applies a capitalization rate to the in-place income. Without reconciling the value from each of these three independent methods, one cannot be sure that the right value for the property has been identified. It is a complicated process and one that requires the expertise of a professional who is active in the self-storage business.

In large measure, the value of your property to potential buyers is largely affected by net operating income (NOI) and overall income approach. As you work through the calculations with your local self-storage professional, try changing some of the numbers like dropping the rates by 10% or occupancy by 7%, or raise real estate taxes by 25% and see what happens to the value. You will learn why a good operation is often the most important factor in creating and maintaining value.

Because buyers today are putting the most weight behind the income approach, it is very important to understand how to develop a clear picture of the operating numbers for your property. A very good place to get the numbers is either from your most recent tax return or your latest operating statement from the previous 12 months. With this information in hand you are ready to begin your investigation. Below I have made some very basic comments on the major areas you will focus on (Rental Income, Miscellaneous Income & Operating Expenses) when working with your Argus broker to arrive at a market valuation.

Rental Income:

Since self-storage is a seasonal business, you must take the full 12 months actual rental income rather than extrapolating the best three

or six months. You should also evaluate the trend over the last few years to see if the trend is declining or improving. If there is a clear trend it might justify an adjustment in the capitalization rate. If there is a significant vacancy, say over 15% of potential rents, there may also be an adjustment. When evaluating vacancies, it is very important to compare the actual rents received to the potential rent and not just the physical occupancy. It is very possible to be 92% physically occupied and only 80% economically occupied due to discounts and concessions. Additionally, if there are any new facilities being built nearby that are about to open or in lease up, all bets are off until it is clear that rates and occupancies will remain stable. This is a good place to test sensitivities by changing the revenues to reflect the potential impact of new competition.

Miscellaneous Income:

This is the catch-all category for late fees, box sales, truck rental commissions, lock, and insurance sales. If the number is greater than 10% of the rental income, it is possible that a different valuation may be required to properly evaluate this source of income. As this income amount grows larger, it may represent another business and not miscellaneous real estate income. Such business income is usually valued much lower than real estate income and is often times not counted by an appraiser for loan purposes.

Operating Expenses:

It is considered a rule of thumb that operating expenses generally run between 35%-45% with many in the range of 40%. However, this is JUST a rule of thumb and if your project falls out of this range further analysis may be required. The following items listed below are expenses that we typically see but are by no means the only expenses as each project is different. You should not include such expenses as principal and interest loan payments, depreciation and any personal expenses such as convention costs, travel, business lunches, mileage expenses, etc. Typical operating expense categories are real estate taxes, on-site salaries & benefits, property insurance, utilities, repairs and maintenance, off-site management fees, marketing & advertising, office expenses, capital reserves.

Understanding and evaluating the operations of your property on a regular basis will allow you to best position your investment for refinancing, estate planning or selling. It may also uncover some hidden value that will help improve your bottom line. Positioning your investment is a very important and complex activity that requires both conviction and planning to achieve the desired result in a reasonable time frame. There are no short cuts in this process and with more than 25 years of self-storage valuation experience and over \$3 Billion in completed transactions, Argus Brokers have a unique perspective and ability to assist you in maximizing your investment's position. Please contact your local Argus broker to receive a **FREE**, no obligation property evaluation. **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

Conifer, CO

\$500,000

NEW!

- 1.15 Acres
- Development Opportunity
- Located on the south side of Hwy 285
- Site has been approved for approx. 14,000 SF project with six buildings
- Seller will provide working drawings, soil studies, civil engineering reports and site plan



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

Chillicothe, IL

\$1,399,000

NEW!

- 165 Units
- 25,860 RSF
- 3.85 Acres
- 101 Outdoor Parking Spaces
- Great location in Peoria, IL market
- Well below market rental rates
- Significant upside potential via retail sales, management and technology
- Built in 1995 and expanded in 2002

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



Miami, FL

\$2,500,000

NEW!

- 1.4 Acres
- Development Opportunity
- Class A, 100,000 NRSF with ground floor retail stores
- Excellent location with direct access from 3 major streets
- Room for significant income growth over the next 24 months
- Undersupplied market
- 99 year ground lease



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

Watford City, ND

\$2,500,000

NEW!

- 276 Units
- 41,830 RSF
- 7.88 Acres
- Well-positioned storage facility with two locations in an area of rapid growth
- 37 outdoor parking spaces
- Strong demographics with high household income levels

Tom Flannigan & Alex Ihrke
612-790-3747
 tom@selfstorage.com
 alex@selfstorage.com



Lake Park, GA

\$2,200,000

NEW!

- 316 Units
- 46,580 RSF
- 8.65 Acres
- Limited competition in the area
- 2.5+/- acres to expand and ample opportunity for boat/RV storage to increase revenue
- Owner financing available
- Located approx. 12 miles south of Valdosta, GA



Luke Sauls & Jane H. Sauls, CCIM
770-841-4591
 saulsluke@gmail.com
 janehsauls@gmail.com

East Hampton, NY

Call Broker for Price

NEW!

- 2.1 Acres
- Development Opportunity
- Approved for two storage buildings totaling 51,000 SF and 383 units
- Located just off Montauk Highway in East Hampton
- Plans include 900 SF office

Linda Cinelli, CCIM
908-722-56661
 linda@lcrealtyusa.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

El Mirage \$4,250,000 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
N. Little Rock \$5,100,000 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

Whittier \$2,659,000 Doug Shea 562-773-4000

Colorado

Conifer \$500,000 Joan Lucas 720-855-6587
Loveland \$5,700,000 Joan Lucas 720-855-6587

Connecticut

Danbury \$25/NRSF Linda Cinelli 908-722-5661

Florida

Chiefland \$1,500,000 Josh Koerner/Frost Weaver 904-591-0140
Melbourne \$1,800,000 Josh Koerner/Frost Weaver 904-591-0140
Miami \$2,500,000 Josh Koerner/Frost Weaver 904-591-0140
Naples \$2,650,000 Josh Koerner/Frost Weaver 904-591-0140
Stuart \$2,500,000 Josh Koerner/Frost Weaver 904-591-0140
Vero Beach \$4,425,000 Josh Koerner/Frost Weaver 904-591-0140

Georgia

Alpharetta \$695,000 Jane H. Sauls, CCIM 770-328-2379
Lake Park \$2,200,000 Luke Sauls 770-841-4591
Mableton \$895,000 Jane H. Sauls, CCIM 770-328-2379
Tifton \$2,700,000 Jane H. Sauls, CCIM 770-328-2379

Illinois

Chillicothe \$1,399,000 Bruce Bahrmassel 312-518-3550
Elgin \$3,250,000 Bruce Bahrmassel 312-518-3550
Rockford \$3,250,000 Bruce Bahrmassel 312-518-3550

Iowa

Cedar Rapids \$650,000 Tom Flannigan 612-790-3747

Kansas

Andover \$4,200,000 Larry Goldman 913-707-9030
Derby \$1,400,000 Larry Goldman 913-707-9030
Eudora \$3,650,000 Larry Goldman 913-707-9030
Gardner \$6,690,000 Larry Goldman 913-707-9030
Iola \$565,000 Larry Goldman 913-707-9030
Liberal \$1,850,000 Larry Goldman 913-707-9030
S. Hutchinson \$625,000 Jared Jones 918-609-0541

Kentucky

Shepherdsville \$750,000 Mike Helline 502-296-4586

Massachusetts

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

Michigan

Addison \$1,060,000 Jim Soltis 810-494-2062
Eagle \$530,000 Jim Soltis 810-494-2062

Minnesota

East Bethel **SOLD** Tom Flannigan 612-790-3747

Missouri

Branson West Call Broker Jared Jones/Larry Goldman 918-609-0541
Jefferson City \$599,000 Larry Goldman 913-707-9030

Montana

Billings **SOLD** Kim Vandelinder 406 698-6850

Nebraska

Lemoyne \$1,550,000 Joan Lucas 720-855-6587

New Hampshire

Boscawen \$4,000,000 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

New York

East Hampton Call Broker Linda Cinelli 908-722-5661
Islip \$5,700,000 Linda Cinelli 908-722-5661

North Dakota

Bowman \$950,000 Tom Flannigan 612-790-3747
Watford City \$2,500,000 Tom Flannigan 612-790-3747

Ohio

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

Oklahoma

Tulsa \$2,250,000 Jared Jones 918-609-0541

Oregon

Lakeview \$835,000 Scott King 541-890-6708
Medford \$375,000 Scott King 541-890-6708

Pennsylvania

Bechtelsville \$1,350,000 Chuck Shields 610-828-0100

Texas

Anna Call Broker Richard Minker/Chad Snyder 817-335-5600
Bryan/ColStn Call Broker Bill Brownfield/Faith Pate 713-907-6497
Honey Grove Call Broker Richard Minker/Chad Snyder 817-335-5600
Longview **SOLD** Richard Minker/Chad Snyder 817-335-5600
Rockwall Call Broker Richard Minker/Chad Snyder 817-335-5600

Wisconsin

Tomah \$3,380,000 Bruce Bahrmassel 312-518-3550

ARGUS SALES



Congratulations to **Jeff Gorden, CCIM** of Eagle Commercial Realty Services who sold Co-chise Self Storage in Sunsites, AZ! Contact Jeff at 480-331-8880 for details.



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



Congratulations to **Tom Flannigan and Alex Ihrke** of KW Commercial who sold BBK Self Storage in East Bethel, MN! Contact Tom and Alex at 612-790-3747 for details.

Argus Self Storage Sales Network wins Best of Business Award!



The readers of *Inside Self-Storage* Magazine have once again voted Argus as the Best Real Estate Brokerage! This is the *ninth* consecutive year that Argus has received this honor and we appreciate all of our clients and colleagues who voted! Argus is committed to providing the best service in the industry and we truly value the relationships that we have built with self-storage owners over the last 25 years!

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
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Alec Pacella, CCIM
Larry Goldman, CCIM
Mike Helline & Aaron Willis
Jim Soltis

KW Commercial
NAI Pleasant Valley
RE/MAX Commercial
Column Realty
Preview Properties.com

312-518-3550
612-790-3747
216-831-3310
913-707-9030
502-296-4586
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 & Aaron Willis
Jared Jones, CCIM
Richard D. Minker, CCIM & Chad Snyder

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Brownfield & Associates, LLC
Etzold & CO LLC
RE/MAX Commercial
Column Realty
Jones Investment Properties
Colliers International

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502-296-4586
918-948-3941
817-335-5600

AL, MS, LA
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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

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