



SELF STORAGE ADVISORS

Market Monitor

America's Premier Self Storage Brokers

Issue V-2020

Key Takeaways from the Argus Investment Market Q&A

by Ben Vestal

After 10+ weeks of quarantine we are starting to settle into the new reality of navigating the investment market in light of the COVID disruption, and it is clear that this is going to take a while to work its way through the system. Like many of you, I have been watching the volatility in the stock market closely in recent weeks as uncertainty surrounds the investment market. Additionally, Argus has been collecting data points with regards to operating metrics, self-storage investment pricing and self-storage market sentiment. Last week we held a webinar with some of the most active and well-respected self-storage professionals in the industry. We held off on hosting a webinar until we could provide real market data points to share with the group and offer real guidance to our clients in these uncertain times. Below I have summarized the key takeaways from the session, and if you would like to watch a recording of the entire Q&A [please click here](#). If you have any questions or would like to follow up with any of the panelists, please reach out to your local Argus Broker.

Argus Investment Panelists:

Wayne Johnson – President and CIO of Smart Stop Self Storage

Liz Raun Schlesinger – Founder and CEO of Merit Hill Capital

Scott Levy – Vice President of Investments for CubeSmart Self Storage

Neal Gussis – Principal of CCM Commercial Mortgage

Portfolio Performance & Best Practices Update:

- Move-ins were down across the board through the end of April. Move-ins are down between 20% and 35% with a large slowdown at the beginning of April. Most of the panelists are now starting to see move-ins pick back up in these first weeks of May. Move-outs were also down across the board throughout April helping hold occupancy steady.
- Occupancy for stabilized same stores remained

strong in the 86% to 92% range by the end of April.

- All panelists have suspended holding auctions for the time being and are reevaluating starting them up in June on a market-by-market basis.
- 10%+ of the new customers during the quarantine have moved in using a contactless move-in system and most of the panelists have seen a surge in auto payment methods being used by customers. Companies with technology-based management platforms are performing better than those without.
- Delinquency has not yet risen. However, we are expecting delinquency to rise in the coming months as unemployment numbers grow.
- Overall portfolio performance is holding strong for now but concerns about longer term rising unemployment, extended lockdowns, capital markets slowing, and overall investor sentiment deteriorating will have an adverse effect on valuations.

Capital Markets Update:

- Unlike the 2008-2009 financial disruption, capital is still flowing but loans are getting harder to find and the terms are tightening. Lenders are hyper-focused on asset performance since 3/15/2020 (occupancy, delinquency, etc.).
- It is taking 30-60 days longer to get loans done with more scrutiny on the underwriting.
- Interest rates are 50-75 basis points higher today than pre-COVID disruption.
- Lower leverage deals are the sweet spot with leverage maxing out in the 65-70% range.
- Construction debt is getting increasingly harder to find and more expensive.
- Concerns about valuation and appraisal risk are at the forefront.
- There are fewer lenders today but in 30-90 days we will see more coming back to the market.

Investment Market Q&A:

1. *With the disruption of COVID over the last few months, how are you pricing stabilized deals? Are you*

(continued)

underwriting trailing operating numbers? Or still underwriting year-one growth in revenues when pricing a new acquisition?

Answer: With interest rates rising and the debt process being more difficult, it is harder to price deals since COVID. We are tightening our revenue projections moving forward as we feel the real impact of COVID will not be felt for a few months.

2. How does the group feel about the valuation of new development deals and properties in lease up? Is there a market today for lease up deals and development sites?

Answer: Lease up deals will be slower and you will need to stretch out your assumptions on how long it will take to achieve stabilization, maybe 4 to 5 years in some cases. The challenge today with lease up deals is not knowing where rates will stabilize and hold. Additionally, obtaining debt for non-stabilized deals will be challenging. The per square foot metric is also playing into buyers' valuation of deals in lease up - these deals need to be fairly priced as it is not business as usual.

3. The publicly traded REITs have been disciplined over the last year or two and do you see the REITS getting more aggressive in acquisitions as we come out of the COVID disruption?

Answer: The REITs and self-storage industry in general is in a much better financial position today than during the 2008-2009 financial disruption. The REITs still see the market for stabilized deals to be strong and unchanged. Because the industry is in a better financial position today, we do not yet see a lot of distress in the sector but could start to see some distress with lease up deals toward the end of 2020.

4. Pre-COVID we had one of the most aggressive debt markets in history. Do you feel pricing for self-storage debt will be better or worse as we enter the second half of 2020?

Answer: It is hard to say what the perceived risk will be moving forward for self-storage owners. New supply will continue to be a major concern for lenders and

construction debt is getting harder and more expensive. However, self-storage debt will be priced more aggressively than most other CRE assets and we don't see interest rates rising much over the remainder of 2020.

5. I have been told that the secondary and rural markets have seen less of a disruption during COVID. Do you feel that small market deals are less volatile than major market properties today? If so, how much higher of a cap rate do you put on small market deals?

Answer: Secondary markets sales activity is slowing down for new acquisitions today and the risk is the lack of liquidity in secondary markets. Rental rates have not moved up much in those markets but these properties will continue to perform well due to the lack of new construction and less disruption due to COVID. The yield in secondary markets will start to be compelling for buyers as we move through the rental season. The pricing of secondary market deals needs to be less than major market deals by a spread of 75-100 basis points or more to account for the lack of liquidity.

6. Do you feel cap rates will be higher, lower or the same after the COVID disruption is over?

Answer: The general consensus is that cap rates will largely stay the same or increase by 20-35 basis points. However, property valuations will suffer due to deteriorating operating numbers over the next several quarters as the full effect of this market's disruption could be slow and prolonged.

We hope that you found the information from our panelists to be helpful as you navigate the current market conditions at your own properties. As always, please contact your local Argus Broker Affiliate with any questions you may have about your local market, or if you would like to receive a free, no obligation, Broker's Opinion of Value for your property. These are unprecedented times, but we will get through them together!

MM

Ben Vestal, President of Argus Self Storage Advisors, can be reached at 800-557-8673 or bvestal@argus-realestate.com.



Property Showcase

Russellville, AR

\$1,000,000

- 60 Units
- 23,450 RSF
- 3.34 Acres
- Office warehouse/self-storage
- Well-leased facility with ample room to expand
- Surrounded by major restaurants and retailers like Walmart, McDonalds & Starbucks
- Just off I-40 in central Russellville

NEW!

Larry Goldman, CCIM
913-707-9030

lgoldman@selfstorage.com



Cañon City, CO

\$1,200,000

- 2-Property Portfolio
- 21 Units
- 16,960 RSF
- 1.018 Acres
- Great opportunity to own two, 100% leased commercial storage facilities
- Properties are located within a few blocks of each other
- Extremely well-maintained
- Consistently 100% leased with waitlist

NEW!

Joan Lucas
720-855-6587

jluucas@selfstorage.com



Flagstaff, AZ

\$1,650,000

- 167 Units
- 20,543 RSF
- 0.83 Acre
- Rare opportunity in Flagstaff!
- Located just off historic Route 66 and Interstate 40
- High barriers to entry
- Priced to sell!
- Includes 17 vehicle storage spaces
- High occupancy

NEW!

Jeff Gorden, CCIM
480-331-8880

jgorden@selfstorage.com



Monument, CO

\$1,550,000

- RV Storage Development Site
- 104 Units TBB
- 51,676 RSF TBB
- 4 Acres
- Extremely visible development site with exposure to over 100,000 vpd on I-25
- Special use permit and site plan for 104 RV garage units plus office and 2 display bldgs
- Located 13 miles north of Colorado Springs

NEW!

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



Littlefield, AZ

\$1,300,000

- 362 Units
- 79,619 RSF
- 4.27 Acres
- Recent construction
- Located just 4 miles east of Mesquite, NV
- 241 drive-up storage units and 116 RV storage spaces
- Value-add opportunity
- Priced below replacement cost
- Room for expansion

NEW!

Jeff Gorden, CCIM
480-331-8880

jgorden@selfstorage.com



Battle Creek, MI

\$210,000

- 33 Units
- ~6,700 RSF
- 3.58 Acres
- Located within 3 miles of I-94 with excellent main road access
- Consistently high occupancy
- Upside potential via rental rate increases
- Ample room for expansion or outside storage
- Adjacent residence for sale

NEW!

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





Property Showcase

Lakeville, MN

Call Broker for Price

- 230 Units **NEW!**
- 41,000 RSF
- 2.98 Acres
- New facility completed in 2020
- Excellent location in area of rapid commercial and residential development
- Visibility and access to 7,300 vehicles per day via 210th St. W
- 3-mile population of 22,737 and avg. HH income of \$117,398

Tom Flannigan, Alex Ihrke & Logan Steil
651-269-6307
tom@selfstorage.com



Decatur, TX

Call Broker for Price

- 250 Units **NEW!**
- 101,000 RSF
- 10 Acres
- New facility in lease-up, currently 70% occupied
- Priced well below replacement cost
- 15,000 SF concrete slab ready for expansion
- 10,800 SF unleased warehouse with 2 acres of fenced storage for commercial tenant or conversion

Chad Snyder
817-980-7276

csnyder@dominuscommercial.com



Tulsa, OK

\$1,680,000

- 245 Units **NEW!**
- 29,857 RSF
- 5.51 Acres
- Infill location with great population density
- High quality facility with low maintenance requirements
- Upside available through revenue management
- Easily accessible
- 3.21 acres available for expansion

Jared Jones, CCIM
918-609-0541
jjones@selfstorage.com



Euless, TX

Call Broker for Price

- Offers Due June 24, 2020
- 556 Units **NEW!**
- 136,355 GSF
- 10 Acres
- Newly built and stabilized facility
- High barrier to entry submarket
- Recently expanded outdoor parking
- Class A office space with excellent security system

Chad Snyder
817-980-7276

csnyder@dominuscommercial.com



Arlington, TX

Call Broker for Price

- 184 Units **NEW!**
- 22,390 storage RSF
- 41,178 total RSF
- 4.835 Acres
- High occupancy facility with upside opportunity
- 2 acres of expansion land
- Excellent visibility to over 20,000 vehicles per day
- Conversion opportunity of existing commercial buildings

Chad Snyder
817-980-7276

csnyder@dominuscommercial.com



Hoodspport, WA

\$1,250,000

- Under Contract
- 121 Units **NEW!**
- 14,758 RSF
- 1.95 Acres
- Two parcels with a total of 5 storage buildings
- Limited competition in the area
- Recent building improvements including new roofs and paint
- Upgraded video surveillance system
- Land available for expansion

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 or contact your local Argus Broker Affiliate.

Alabama

Daphne	\$800,000	Bill Barnhill/Shannon Barnes	251-432-1287
Foley	\$1,229,000	Bill Barnhill/Stuart LaGroue	251-432-1287

Arizona

Camp Verde	SOLD	Jeff Gorden	480-331-8880
Cottonwood	\$1,750,000	Jeff Gorden	480-331-8880
Flagstaff	\$1,650,000	Jeff Gorden	480-331-8880
Littlefield	\$1,300,000	Jeff Gorden	480-331-8880

Arkansas

Arkadelphia	\$289,000	Larry Goldman	913-707-9030
Hot Springs Vlg	\$1,650,000	Larry Goldman	913-707-9030
Russellville	\$1,000,000	Larry Goldman	913-707-9030
Wynne	\$4,340,000	Larry Goldman	913-707-9030

Colorado

Cañon City	\$1,200,000	Joan Lucas	720-855-6587
Colo. Springs	\$5,000,000	Joan Lucas	720-855-6587
Denver	\$7,800,000	Joan Lucas	720-855-6587
Loveland	\$3,900,000	Joan Lucas	720-855-6587
Loveland	\$1,095,550	Joan Lucas	720-855-6587
Monument	\$1,550,000	Joan Lucas	720-855-6587

Florida

Oakland Park	\$3,750,000	Josh Koerner/Frost Weaver	904-594-0140
Opa-Locka	\$3,000,000	Josh Koerner/Frost Weaver	904-591-0140
Pensacola	\$1,628,000	Bill Barnhill/Stuart LaGroue	251-432-1287
South Florida	Call Broker	Josh Koerner/Frost Weaver	904-591-0140
Vero Beach	\$4,425,000	Josh Koerner/Frost Weaver	904-591-0140
Vero Beach	\$2,100,000	Josh Koerner/Frost Weaver	904-591-0140

Georgia

Alpharetta	\$695,000	Jane H. Sauls	770-328-2379
Athens	Call Broker	Mike Patterson	770-301-1886
Athens	\$6,300,000	Mike Patterson	770-301-1886
Crawford	\$4,300,000	Mike Patterson	770-301-1886
Douglasville	\$2,900,000	Mike Patterson	770-301-1886
Jesup	\$2,400,000	Josh Koerner/Frost Weaver	904-591-0140
Mableton	\$895,000	Jane H. Sauls	770-328-2379
Rockmart	\$2,300,000	Mike Patterson	770-301-1886

Illinois

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

Portage	\$250,000	Bruce Bahrmassel	312-518-3550
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Iowa

Altoona	\$3,900,000	Tom Flannigan	612-790-3747
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Kansas

Eudora	\$3,650,000	Larry Goldman	913-707-9030
Hutchinson	\$2,390,000	Larry Goldman	913-707-9030
Iola	\$565,000	Larry Goldman	913-707-9030
Lawrence	\$3,900,000	Larry Goldman	913-707-9030

Kansas, cont.

Ottawa	\$575,000	Brian Goldman	913-707-3941
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Michigan

Battle Creek	\$210,000	Jim Soltis	810-494-2062
Eagle	\$450,000	Jim Soltis	810-494-2062

Minnesota

Lakeville	Call Broker	Tom Flannigan	612-790-3747
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Missouri

Warrensburg	\$1,665,000	Larry Goldman	913-707-9030
Winfield	\$2,900,000	Larry Goldman	913-707-9030

Nevada

Sparks	Call Broker	Jeff Gorden	702-643-1000
Winnemucca	\$1,580,000	Jeff Gorden	702-643-1000

New Jersey

Sparta	\$7,450,000	Linda Cinelli	908-722-5661
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New York

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

Ohio

LaGrange	\$395,000	Alec Pacella	216-455-0925
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Oklahoma

Newcastle	\$2,800,000	Jared Jones	918-609-0541
Tulsa	\$1,680,000	Jared Jones	918-609-0541
Wagoner	\$725,000	Jared Jones	918-609-0541

Oregon

Central Point	\$1,875,000	Scott King	541-890-6708
Lakeview	\$798,000	Scott King	541-890-6708
Medford	\$375,000	Scott King	541-890-6708
Vale	\$1,600,000	Scott King	541-890-6708

Pennsylvania

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

Arlington	Call Broker	Chad Snyder	817-980-7276
Bridgeport	Call Broker	Richard Minker/Chad Snyder	817-980-7276
Buda	Call Broker	Bill Brownfield/Faith Pate	713-907-6497
Channelview	Call Broker	Richard Minker/Chad Snyder	817-980-7276
Decatur	Call Broker	Chad Snyder	817-980-7276
Euless	Call Broker	Chad Snyder	817-980-7276
Lewisville	Call Broker	Richard Minker/Chad Snyder	817-980-7276
Mabank	Call Broker	Richard Minker/Chad Snyder	817-980-7276
Magnolia	Call Broker	Bill Brownfield/Faith Pate	713-907-6497
Mt. Pleasant	Call Broker	Chad Snyder	817-980-7276
Temple	Call Broker	Chad Snyder	817-980-7276

Washington

Chattaroy	\$625,000	Ryan Layton	509-435-2424
Hoodspport	\$1,250,000	Thomas Wolter	206-200-3325

Wisconsin

Ripon	\$375,000	Bruce Bahrmassel	312-518-3550
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ARGUS SALES



Congratulations to **Jane H. Sauls, CCIM** and **Mike Patterson, CCIM** of **Sauls Storage Group LLC** who sold Cartersville Storage in Cartersville, GA! Contact Jane at 770-328-2379 or Mike at 770-301-1886 for details.



Congratulations to **Richard D. Miker, CCIM** and **Chad Snyder** who sold Bargain Storage in West Forth Worth, TX! Contact Chad at 817-980-7276 and Richard at 817-454-5600 for details.



Congratulations to **Jeff Gorden, CCIM** of **KW Commercial** who sold a self-storage development site in Peoria, AZ and Access Self Storage in Camp Verde, AZ! Contact Jeff at 480-331-8880 for details.

Argus Welcomes New Broker Affiliate

Rob Schick, of Revel & Underwood in Indianapolis, IN joins Argus as the broker affiliate for the state of Indiana! Rob has over 25 years of commercial real estate experience and has focused on self-storage brokerage for the past 15 years. He looks forward to helping self-storage owners and investors in Indiana execute their goals. Rob can be reached at 317-922-1225 or rschick@reve-underwood.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
Jane H. Sauls, CCIM & Mike Patterson, CCIM
Stuart Wade
Josh Koerner & Frost Weaver

Omega Properties, Inc.
SVN Percival Partners
Sauls Storage Group, LLC
The Nicholson Companies
Weaver Realty Group, Inc.

251-432-1287
704-632-1030
770-328-2379
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 & Aaron Willis
Rob Schick
Jim Soltis

KW Commercial
NAI Pleasant Valley
Goldman Investment Advisors
Column Realty
Revel & Underwood, Inc.
Preview Properties.com

312-518-3550
612-790-3747
216-831-3310
913-707-9030
502-296-4586
317-922-1225
810-494-2062

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

SOUTH CENTRAL

Bill Barnhill, CCIM
Bill Brownfield, CRE, CCIM & Faith Pate
David Etzold & Avi Kotkowski
Larry Goldman, CCIM
Mike Helline & Aaron Willis
Jared Jones, CCIM
Richard D. Minker, CCIM & Chad Snyder

Omega Properties, Inc.
Brownfield & Associates, LLC
Etzold & CO LLC
Goldman Investment Advisors
Column Realty
Jones Investment Properties
Dominus Commercial

251-432-1287
713-907-6497
915-845-6006
913-707-9030
502-296-4586
918-948-3941
817-980-7276

AL, MS, LA
Central & South TX
West TX
AR
TN
OK
North TX

WEST

David Etzold & Avi Kotkowski
Jeff Gorden, CCIM
Jeff Gorden, CCIM
Larry Hayes
Scott King
Ryan Layton
Joan Lucas
Doug Shea
Thomas Wolter

Etzold & CO LLC
KW Commercial
The Gorden Company
Hayes & Associates
Merit Commercial Real Estate
American Real Estate Associates
Joan Lucas Real Estate Services, LLC
Centennial Advisers
RE/MAX Commercial

915-845-6006
480-331-8880
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541-890-6708
509-435-2424
720-855-6587
562-773-4000
206-200-3325

NM
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NV
MT
OR
Eastern WA, Northern ID
CO
Southern CA
Western WA