



SELF STORAGE ADVISORS

Market Monitor

America's Premier Self Storage Brokers

Issue VI-2020

Structuring Deals in the COVID Era

by Ben Vestal

Over the last several months the self-storage investment landscape has changed dramatically, largely due to the COVID disruption. We are clearly in an unprecedented time for the self-storage industry where the unconventional and unexpected have become a part of everyday business. As we start to collect data from the industry's performance over the last 3-4 months, it is clear we are doing better than most commercial real estate and we should all be very thankful that we are in the self-storage business. However, the valuation, transaction velocity, and overall fluidity of the self-storage investment business has been impacted. With that in mind, I have tried to touch on a few topics that have changed during the COVID disruption so that you can better understand how self-storage transactions are being structured today and the associated strategies that are being employed.

Deal Terms & Timing

If you are in the market as a buyer or seller of a self-storage property today, it is important to understand that the deal terms and experience of all the parties involved can be as important as the purchase price. With the COVID disruption in full swing, we are finding that investment advisors, consultants, lawyers, and buyers and sellers who are accustomed to transacting regularly are able to navigate the ever-changing transaction process much more efficiently than a newcomer to the industry. When considering a transaction in today's market, a strong emphasis should be placed on the likelihood of an efficient and smooth execution of a closing.

With very sophisticated capital continuing to enter the market and values continuing to remain relatively high, alternative structures and key deal points are becoming more and more important to the execu-

tion of a transaction. Too often today the buyer and seller only focus on the purchase price and glaze over the structure and deal points without considering the financial implication. We have recently advised our clients on many new nuances due to COVID such as extended due diligence and closing timeframes, force majeure language, financing contingencies, closing extensions, and prorations, just to name a few. These all allow a buyer or seller to achieve different goals and can be very financially beneficial if you understand the full implications of each of the deal terms but, as always, the devil is in the details. It is important to remember that each buyer and seller's situation is unique, so please seek tax and legal advice from an experienced real estate lawyer and accountant and align yourself with an investment advisor who has had meaningful experience in recent self-storage transactions.

Deal Pricing

Typically, when investment advisors think about pricing, they are focused on a price at which both a buyer and seller can agree and they use a series of recent sales as data points and current market conditions to pinpoint the price of an investment opportunity, otherwise there is no transaction! As a result of the COVID disruption, the pricing of self-storage assets is very fluid making it difficult for even the most sophisticated investment advisor (and nearly impossible for a local investor) to pinpoint the exact value of a self-storage investment in today's market. There are simply not enough deal data points to pinpoint an exact value. Oftentimes our clients are thinking about a price that would make them ecstatically "happy" and not the price at which someone would actually buy the property. In the world of real estate transactions, the market usually has a relatively narrow band of market value, but the volatility of

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the investment market in 2020 has led us to a much wider band of market values.

It is not uncommon in today's investment market for offers to be several million dollars apart (10%-25%). This is largely due to the wide range of opinions on how the COVID disruption will affect the debt markets, property performance, investor sentiment, etc. However, it is important to remember that overpricing is NOT harmless! You must diligently and carefully analyze the value of a self-storage project today. You should consider how COVID will affect the long-term performance of the property along with the traditional valuation techniques such as market sales comps, price per square foot, impact of new development, embedded value and the income approach.

We are seeing more and more national and regional buyers expanding to secondary and tertiary markets, where there has been significantly less new development and the COVID disruption appears to have less of an impact on property performance. Bear in mind that you should not be misled to believe your secondary market property is now a 5% cap rate deal. We are seeing secondary market deals in the 6%-8% cap rate range and major markets in the 5.5%-7.5% cap rate range, and these cap rates assume market rate operating expenses for underwriting; i.e. payroll, off-site management fee, advertising, R&M, etc. Secondary markets may not get the same respect as major markets, but it is clear that in the current cycle this where the smart money is going.

Marketing

When taking a property to market today, it is important to note that the differences in quality and risk are often very subjective. For example, a relatively low occupancy might indicate a poor performing prop-

erty, an overbuilt market, or alternatively, a great opportunity to increase occupancy and revenues. For this reason, it is extremely important to broadly market properties to find the buyer who has the most optimistic view of not only your property but the investment market as a whole. Always beware of the broker or colleague who says "I have the right buyer for you. We don't need to market the property." In order to maximize your value, you are looking for a buyer who is qualified and sees the opportunity to improve your property. The more qualified prospects who are exposed to your property the better chance you have of maximizing your sales price. There are clearly two types of investors today - ones who see the COVID disruption as an acquisition opportunity and ones who are cautious due to the possible long-term impacts of the COVID disruption.

The next several quarters will be a bit bumpy and it will be important to try and think a few steps ahead. It is clear that the groups who are active during these turbulent times will have the best chance for success as we navigate the ever-changing self-storage investment market.

COVID is going to disrupt the market for a while. There will be inconveniences and the market will be challenging, but as we have seen in past cycles, self-storage will outperform most other real estate assets and the industry will once again be a very coveted asset class. Now more than ever, when buying or selling your property you will be well-served to align yourself with experienced industry professionals and focus more on the structure of the deal and less on the price. **MM**

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



Property Showcase

Olympia, WA

Call Broker for Price

- 673 Units **NEW!**
- 92,820 RSF
- 7.33 Acres
- Well-established self-storage project in Olympia, WA
- Located less than 1/2 mile off Interstate 5 at a major intersection
- 91.53% unit occupancy

Thomas Wolter

206-200-3325

tom@thomaswolter.com



Tenaflly, NJ

\$3,900,000

- 110 Units **NEW!**
- 7,487 RSF
- 1.0 Acre
- Stabilized storage facility with upside
- Approved for additional 4,123 NRSF

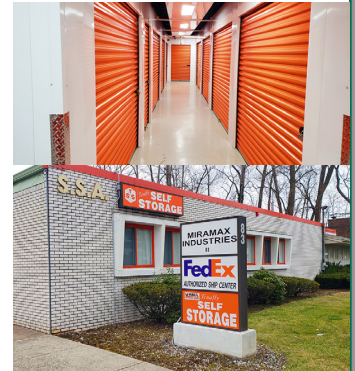
Linda Cinelli, CCIM

& Edan Cohen

908-722-5661

linda@lcrealtyusa.com

edan@lcrealtyusa.com



Bowman, ND

\$700,000

- 112 Units **NEW!**
- 24,400 RSF
- 4.492 Acres
- Includes 7 drive-up buildings and a separate retail/office space

Tom Flannigan, Alex

Ihrke & Logan Steil

651-269-6307

tom@selfstorage.com

alex@selfstorage.com

logan@selfstorage.com



Byron, GA

\$5,800,000

- 180 Units **NEW!**
- 60,633 RSF
- 5.97 Acre
- Excellent location with great visibility from busy US Hwy 41
- Mix of storage and office/retail
- Management upside

Luke Sauls

& Jane H. Sauls, CCIM

770-841-4591

luke@saulsstoragegroup.com

jane@saulsstoragegroup.com



Baton Rouge, LA

\$775,000

- 175 Units **NEW!**
- 20,400 RSF
- 1.6+/- Acres
- Well-located in a fast growing suburb of Baton Rouge
- Great value-add opportunity
- Coded gate access from two street fronts

Jeremy Milling, CCIM

& Bill Barnhill, CCIM

251-694-5050

jeremy@selfstorage.com



Arkansas City, KS

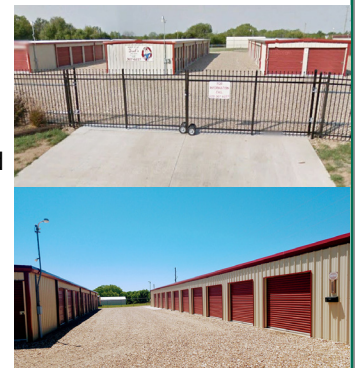
\$585,000

- 118 Units **NEW!**
- 15,268 RSF
- 3.5 Acres
- Expandable site
- Fully gated and fenced
- Attractive and well-maintained
- History of high occupancy
- On site leasing office

Larry Goldman, CCIM

913-707-9030

lgoldman@selfstorage.com



Vero Beach, FL

\$2,100,000

- Boat & RV Storage Development Site
- 254 Proposed Units
- 8.88 Acres
- Unique joint venture development opportunity
- Strong demand and limited competition in the area

Josh Koerner &

Frost Weaver

904-591-0140

jkoerner@weaver-realty.com



Mobile, AL

\$575,000

- 35 Units **NEW!**
- 1.7+/- Acres
- Boat/RV parking facility with 35 open parking spaces
- Includes hair salon with five rooms leased
- Excellent visibility

Bill Barnhill, CCIM

& Stuart LaGroue

251-432-1287

barnhill@selfstorage.com

stuart@selfstorage.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
Mobile	\$575,000	Bill Barnhill/Stuart LaGroue	251-432-1287

Arizona

Cottonwood	\$1,450,000	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
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	SOLD	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	\$2,100,000	Josh Koerner/Frost Weaver	904-591-0140

Georgia

Alpharetta	\$695,000	Jane H. Sauls	770-328-2379
Athens	\$6,300,000	Mike Patterson	770-301-1886
Byron	\$5,800,000	Luke Sauls/Jane H. Sauls	770-841-4591
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

Arkansas City	\$585,000	Larry Goldman	913-707-9030
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

Louisiana

Baton Rouge	\$775,000	Bill Barnhill/Jeremy Milling	251-694-5050
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Michigan

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

Winnemucca	\$1,580,000	Jeff Gorden	702-643-1000
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New Jersey

Sparta	\$7,450,000	Linda Cinelli	908-722-5661
Tenaflly	\$3,900,000	Linda Cinelli/Edan Cohen	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	\$700,000	Tom Flannigan	612-790-3747
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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
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
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
Olympia	Call Broker	Thomas Wolter	206-200-3325

Wisconsin

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

YOU'RE INVITED!



Congratulations to **Jim Soltis of Preview Properties.com** who sold Eagle Exit Storage in Eagle, MI! Contact Jim at 810-494-2062 for details.



Congratulations to **Joan Lucas of Joan Lucas Real Estate Services, LLC** who sold Stor Safe Storage in Loveland, CO! Contact Joan at 720-855-6587 for details.



ADAPTING TO CHANGE IN SELF STORAGE

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WWW.THESBOA.ORG

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2020 VIRTUAL EDUCATIONAL CONFERENCE

Join Ben Vestal and a panel of experts for an educational session on self-storage acquisitions!

Wed. June 24 at 1:00pm EST



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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
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603-668-7000
610-862-1645

Territory

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Eastern PA, Southern NJ, DE

SOUTHEAST

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Jane H. Sauls, CCIM & Mike Patterson, CCIM
Stuart Wade
Josh Koerner & Frost Weaver

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MD, VA
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OK
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Scott King
Ryan Layton
Joan Lucas
Doug Shea
Thomas Wolter

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The Gorden Company
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Joan Lucas Real Estate Services, LLC
Centennial Advisers
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