



SELF STORAGE ADVISORS

# Market Monitor

America's Premier Self Storage Brokers

Issue VII-2020

## 2020 and Beyond: Looking at the Big Picture

by Ben Vestal

The second half of 2020 is upon us and it is now abundantly clear that the COVID disruption is not going away and, in fact, may be just the tip of the iceberg in terms of the problems facing the economy. In total, nearly 33 million Americans were getting jobless benefits as of June 20th, about five times the peak during the Great Recession. Things have improved since new claims peaked in late March, but spiking coronavirus infections around the country and expiring federal aid means layoffs could increase in the coming months.

Today there is an apparent disconnect between Wall Street and the main street economy. Many unemployed individuals may soon see a large drop in household income as the \$600-a-week federal supplement to unemployment benefits enacted early in the recession is scheduled to expire after July 31, barring an extension from Congress. Meanwhile, the stock market has reached near pre-recession/COVID levels. I simply don't see how we can avoid more economic hardship until the country is fully open for business and unemployment is back to more historical levels. We have to believe that some of nearly 33 million unemployed Americans are storage tenants.

### So What? I'm in the Self-Storage Business!

Being in the self-storage business also puts you square in the middle of the real estate business and thus, the value of your property and the financing are ruled by the valuations imposed by the real estate world. For the last five to ten years this arrangement has been absolutely terrific for self-storage owners as cap rates have compressed between 100bp to 250bp and your value has increased. However, the market is changing and we are seeing operational headwinds as new supply is still weighing heavily on many markets and unit pricing continues to soften.

Today, valuations of self-storage properties have flattened. However, cap rates have not risen as one might have expected, largely due to low interest rates and investors' yield expectations remaining constant. Over the last 90 days Argus brokers have completed more than 20 transactions and we are finding one constant is that buyers are not underwriting any revenue growth for 12-24 months post-closing. This puts meaningful pressure on operating expense control over the first year or two of an investment.

Most of the new supply that has been built in the last 3-5 years are multi-story projects which typically have higher operating expenses than single-story projects that do not have elevators, sprinklers, HVAC systems, etc. Thus, we have seen strong demand for well-located single-story projects. Not to mention that most multi-story projects are being operated by platform-based man-

agement companies that do not have operating expense flexibility built in to their platform.

Below I have outlined a hypothetical underwriting analysis of a deal so that you can see how changes over the last 60-90 days are affecting valuations.

	T-12 Operating Numbers	Year 1 Projections	Buyer's Underwriting
Revenues	\$ 1,177,000	\$ 1,235,850 (5% growth)	\$1,177,000
Operating Expenses	\$ 300,000	\$ 306,000 (2% growth)	\$306,000
Real Estate Taxes	\$75,000	\$140,000 (assessed at new value)	\$140,000
Total Operating Expense	\$375,000 (32%)	\$440,000 (35%)	\$440,000
NOI	\$802,000	\$789,850	\$731,000
<b>Value at 6% Cap Rate</b>	<b>\$13,366,666</b>	<b>\$13,164,166</b>	<b>\$12,183,333</b>

The bad news is that even though cap rates have stayed low, values are down due to flattening revenue and increasing operating expenses. For example, the hypothetical property above lost \$980,000 (-7.5%) in value and the revenue stayed the same. By all accounts we have seen values fall by 3%-8%.

**How Bad Is It?** I don't think anyone knows, but the softening of rental rates and the looming unemployment issues on the horizon are clearly impacting valuations. I have been in the real estate business for 20 years and have experienced three other major downturns in real estate, but this is without a doubt the most far-reaching problem we have seen.

**When Will It Be Over?** No one knows, but no one seriously thinks that it will be over quickly. Other commercial real estate performance is going to get worse and we have not seen the full impact on the self-storage industry yet.

**What Do We Do?** Deleverage your property if possible and increase your cash reserves. Make sure you are operating your property at peak efficiency. Give very serious thought to your investment goals. Additionally, if you don't have a loan with a fixed interest rate and at least five or six years left on the term you should refinance now! Get more term. Don't wait! If you are thinking about selling in the next three years and maybe even five years, now is the time to act! **MM**

Ben Vestal, CEO of Argus Self Storage Advisors, can be reached at 800-557-8673 or [bvestal@argus-realestate.com](mailto:bvestal@argus-realestate.com).



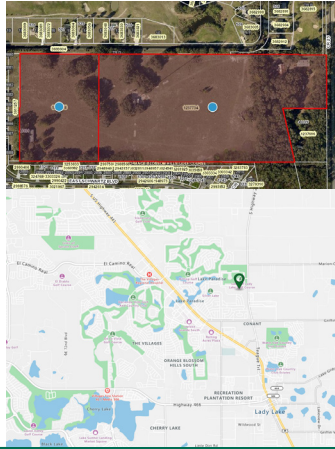
# Property Showcase

## Lady Lake, FL

**\$2,900,000**

- Self-Storage Development Site
- 135,350 GRSF
- 26 Acres
- Excellent location inside The Villages retirement community
- Site plan approval for 135,000 GSF of drive-up climate-control self storage buildings and 40,000 SF of covered, outdoor storage in two phases

**NEW!**



**Josh Koerner &  
Frost Weaver**  
904-591-0140

jkoerner@weaver-realty.com

## Nash, TX

**\$950,000**

- 172 Units
- 24,100 RSF
- 1.743 Acres
- Located off Hwy 82, a main east-west artery running through downtown Texarkana, TX
- Occupancy has been steadily increasing over the last 12 months

**NEW!**

**Chad Snyder &  
Tyler Trahan**  
817-980-7276

csnyder@domiuscommercial.com  
ttrahant@dominuscommercial.com



## Crawford, GA

**\$4,300,000**

- 2-Property Portfolio
- 517 Units
- 61,692 RSF
- Main and two satellite locations dominate this suburb of Athens, GA
- Climate and dry storage
- Concrete pad for additional 10,000 RSF
- Room for expansion



**Mike Patterson, CCIM**  
770-301-1886

ebroker@msn.com

## Pampa, TX

**\$260,000**

- 48 Units
- 6,250 RSF
- 0.3027 Acres
- 24 Hour Access
- Drive up and interior access
- Well maintained older facility with consistently high occupancy
- Security system in place
- Serves several communities in the Texas panhandle

**NEW!**

**Chad Snyder &  
Tyler Trahan**  
817-980-7276

csnyder@domiuscommercial.com  
ttrahant@dominuscommercial.com



## Oklahoma Portfolio

**\$1,400,000**

- 291 Units
- 41,500 RSF
- 3.24 Acres
- Two-Property Portfolio, located in Elgin and Verden, OK
- Two stabilized assets with attractive in-place yield
- Well-positioned assets within their local markets
- Significant upside potential through revenue management

**NEW!**



**Jared Jones, CCIM**  
918-609-0541

jjones@selfstorage.com

## San Antonio, TX

**Call Broker for Price**

- 174 Units
- 21,904 RSF
- 0.979 Acres
- Built in 2017
- Stabilized 2017 Class A project
- Ready for expansion
- Upside with leasing, tenant insurance and other income
- Strong area demographics

**NEW!**

**Bill Brownfield, CCIM,  
CRE & Faith Pate**  
713-907-6497

bill@wbrownfield.com  
faith.pate@avisonyoung.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.

## Alabama

Daphne	\$800,000	Bill Barnhill/Shannon Barnes	251-432-1287
Foley	\$1,229,000	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	<b>SOLD</b>	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	<b>SOLD</b>	Joan Lucas	720-855-6587
Loveland	\$1,095,550	Joan Lucas	720-855-6587

## Florida

Lady Lake	\$2,900,000	Josh Koerner/Frost Weaver	904-594-0140
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	<b>SOLD</b>	Larry Goldman	913-707-9030
Hutchinson	\$2,390,000	Larry Goldman	913-707-9030
Iola	\$565,000	Larry Goldman	913-707-9030
Lawrence	\$2,000,000	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
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## Minnesota

Lakeville	Call Broker	Tom Flannigan	612-790-3747
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## Missouri

Warrensburg	<b>SOLD</b>	Larry Goldman	913-707-9030
Winfield	<b>SOLD</b>	Larry Goldman	913-707-9030

## Nevada

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

Sparta	<b>SOLD</b>	Linda Cinelli	908-722-5661
Tenafly	\$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

Elgin/Verden	\$1,400,000	Jared Jones	918-609-0541
Newcastle	\$2,800,000	Jared Jones	918-609-0541
Tulsa	<b>SOLD</b>	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	Chad Snyder	817-980-7276
Channelview	Call Broker	Chad Snyder	817-980-7276
Decatur	Call Broker	Chad Snyder	817-980-7276
Euless	Call Broker	Chad Snyder	817-980-7276
Mabank	Call Broker	Chad Snyder	817-980-7276
Magnolia	Call Broker	Bill Brownfield/Faith Pate	713-907-6497
Mt. Pleasant	Call Broker	Chad Snyder	817-980-7276
Nash	Call Broker	Chad Snyder/Tyler Trahant	817-980-7276
Pampa	Call Broker	Chad Snyder/Tyler Trahant	817-980-7276
San Antonio	Call Broker	Bill Brownfield/Faith Pate	713-907-6497
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



Congratulations to **Jeff Gorden, CCIM of KW Commercial** who sold Scenic Self Storage in Littlefield, AZ! Contact Jeff at 480-331-8880 for details.



Congratulations to **Larry Goldman, CCIM of Goldman Investment Advisors** who sold ATA Storage in Eudora, KS, Dale's Westside Storage in Winfield, MO and Your Other Attic in Warrensburg, MO! Contact Larry at 913-707-9030 for details.



Congratulations to **Jared Jones, CCIM of Jones Investment Properties** who sold South Park Mini Storage in Tulsa, OK! Contact Jared at 918-948-3941 for details.



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



Congratulations to **Linda Cinelli, CCIM of LC Realty** who sold Bins and Bays in Sparta, NJ! Contact Linda at 908-722-5661 for details.



Congratulations to **Jane H. Sauls, CCIM and Luke Sauls of Sauls Storage Group, LLC** who sold Bi City Storage in Fortson, GA! Contact Jane and Luke at 770-328-2379 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  
Jane H. Sauls, CCIM & Mike Patterson, CCIM  
Stuart Wade & Ed Nicholson  
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, Inc.  
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  
Chad Snyder & Tyler Trahant

Omega Properties, Inc.  
Brownfield & Associates, LLC  
Etzold & CO LLC  
Goldman Investment Advisors, Inc.  
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  
702-643-1000  
406-544-1921  
541-890-6708  
509-435-2424  
720-855-6587  
562-773-4000  
206-200-3325

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