



SELF STORAGE ADVISORS

Market Monitor

America's Premier Self Storage Brokers

Issue XI-2020

Three Things We Learned in 2020!

by Ben Vestal

Ready for some good news? Never have prices been higher for self-storage properties, either in absolute dollars, per square foot, or in relation to the income they produce. Over the last year we have seen self-storage values rise dramatically. For the last several months we have been talking about how the self-storage sector will perform through the pandemic and resulting recession. Remarkably we have seen cap rates compress 10-20 basis points and values on average have risen 1.8%-3.7% in 2020! With all of the hype surrounding the self-storage sector today and a record amount of capital seeking safety and consistent yields, self-storage is once again proving to be a CORE asset due to its long-term performance history in good times and bad. Let's review three things we have learned in 2020 that will continue to impact the opportunities in self-storage sector.

First, it is clear that the low interest rate environment has extended the self-storage valuation run along with all commercial real estate. The spread between the 10-year treasury and self-storage cap rates is currently around 453 basis points (compared to the 20-year average of 395 basis points), indicating that we have some runway left in value appreciation. The fluid nature of the self-storage lending market today has also injected confidence into the sector as we are seeing all debt providers (banks, CMBS, Life, Credit Unions, etc.) willing to quote self-storage loans and in many cases, compete for self-storage loans, resulting in very competitive terms. Today we are finding that traditional financing with leverage in the 70%-75% range is available with interest rates in the 4%-4.5% range and a 20 to 25-year amortization. Lower leverage loans that are 65% loan to value or less are able to obtain even more aggressive terms with interest rates in the 3%-3.75% range with 25 to 30-year amortization and in some cases interest only for 3-10 years.

Secondly, the market segmentation between Class A, B, and C properties is more defined than ever. Below I have outlined some basic rules of thumb to better explain what constitutes each class of property within the self-storage sector. However, we have learned in 2020 that the Class of each property has less to do with the resiliency of the income than once thought. In 2020 we have seen the most resiliency in Class B and C assets and we expect this trend to continue.

Class A:

- Located in the top 100 MSAs and 45,000 NRSF or larger
- The physical build will be in good condition and have some component of masonry, the driveways will be an impervious surface (not gravel) and the property will be fenced, gated and have a rental office
- The net operating income (NOI) per net rentable square foot will be \$10 or more

Class B:

- Located in a market that is within 100 miles of a top 100 MSA and 25,000 NRSF or larger
- The physical build will be in good condition, the driveways will be a mostly impervious surface (gravel is okay for rv/boat storage) and the property will be fenced, gated and have a rental office
- The net operating income (NOI) per net rentable square foot will be \$6 or more

Class C:

- Class C properties can be located within any market and are typically 30,000 NRSF or less but if the property is located within a secondary or tertiary market, the property may be larger than the stated size above
- The physical build will be limited, the driveways can be gravel or an impervious surface and the property may or may not be fenced, gated or have a rental office
- The net operating income (NOI) per net rentable square foot will be \$5 or less

Lastly, an owner's, developer's, or broker's ability to properly evaluate future market demand is the single most important factor in making the right decision now and in the coming year! Many industry experts have pointed out that overbuilding has caused softening in the rental rates and lower rental rates have also led to very high occupancies among the self-storage REITs. The self-storage REITs are up about 4.85% as of the end of October and reports that new construction is contracting have led many investors to feel optimistic about 2021. However, the one thing I think we have all learned over the last few years is that the Achilles' heel of self-storage is oversupply. As we see a record number of new investors entering the market in search of safety and consistent yields, it is important to be mindful and understand that we will not always be at 90% occupancies. As the industry has matured, industry data and information has become a lot better but the ability to properly evaluate the submarket is still what has distinguished the winners from the losers.

We are all very thankful to be in the self-storage sector today and these are absolutely the best of times for both CAREFUL buyers and sellers. The prize will go to those who ANALYZE their competitive situation and take ACTION during these very unique times. Remember, many of the topics discussed above are out of your control and a change in any one of them may limit or eliminate your options. It is always better to be a year too early than a day too late! Happy Thanksgiving! **MM**

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



Property Showcase

Monument, CO

\$10,000,000

- 643 Units **NEW!**
- 86,655 GSF
- 4.3 Acres
- 6 Buildings
- State-of-the-art Class A facility
- High barriers to entry with great visibility
- 100,000 cars per day on I-25
- 5-Mile Average Household Income = \$138,190



Joan Lucas

720-855-6587

jluucas@selfstorage.com

Rockford, IL

\$325,000

- 14,240 RSF **NEW!**
- 74 Units
- 0.83 Acre (36,000 SF)
- Great value!
- Offering a varied unit mix and drop-off containers
- Fenced and gated
- Blacktopped
- Well-lighted with security cameras
- 24/7 access year round



Bruce Bahrmassel

312-518-3550

bruce@selfstorage.com

Castle Rock, CO

\$1,500,000

- **Under Contract NEW!**
- 16,510 SF storage + 15,000 SF parking
- 165 units + 50 parking spaces
- 2.148 Acres
- Small self storage project with upside potential
- Site is fully fenced
- All new roofs installed on self storage and trailer in 2019



Joan Lucas

720-855-6587

jluucas@selfstorage.com

Bemidji, MN

\$1,400,000

- 19,654 RSF **NEW!**
- 5,670 RSF bulk storage
- 2,040 SF house + 784 SF detached garage
- 121 Units
- 82.27 Acres
- Outstanding self storage facility with the highest quality units in the area



Tom Flannigan & Alex Ihrke

612-790-3747

tom@selfstorage.com

Calhan, CO

\$910,000

- 94 Units **NEW!**
- 11,580 RSF
- 1.25 Acres
- 13,700 SF of additional ground can be immediately expanded with 9,100 SF of storage
- Sellers can stay on and work with Buyer for up to two years as part-time managers
- 8 new Lorex security cameras added in 2018



Joan Lucas

720-855-6587

jluucas@selfstorage.com

Newport, WA

\$475,000

- 51 Units **NEW!**
- 7,476 SF
- 2.53 +/- Acres
- Room for expansion to add much needed large enclosed Boat/RV spaces
- Stabilized 94% current occupancy
- Situated along Hwy 20 corridor (main highway connecting the south to the north county to area recreation)



Ryan Layton

509-435-2424

rlayton@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.

Arizona

Black Canyon	\$2,950,000	Jeff Gorden	480-331-8880
Flagstaff	\$1,650,000	Jeff Gorden	480-331-8880
Rimrock	\$1,900,000	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

Calhan	\$910,000	Joan Lucas	720-855-6587
Castle Rock	\$1,500,000	Joan Lucas	720-855-6587
Colo. Springs	\$6,250,000	Joan Lucas	720-855-6587
Loveland	\$1,095,550	Joan Lucas	720-855-6587
Monument	\$10,000,000	Joan Lucas	720-855-6587

Florida

Oakland Park	\$3,475,000	Josh Koerner/Frost Weaver	904-594-0140
Opa-Locka	\$2,975,000	Josh Koerner/Frost Weaver	904-591-0140
Pensacola	\$1,628,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Port St. Lucie	\$3,250,000	Josh Koerner/Frost Weaver	904-594-0140
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
Byron	\$5,800,000	Luke Sauls/Jane H. Sauls	770-841-4591
Crawford	\$4,300,000	Mike Patterson	770-301-1886
Loganville	\$85,000/Acre	Mike Patterson	770-301-1886
Mableton	\$895,000	Jane H. Sauls	770-328-2379

Illinois

Rockford	\$2,975,000	Bruce Bahrmassel	312-518-3550
Rockford	\$325,000	Bruce Bahrmassel	312-518-3550

Indiana

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

Kansas

Hutchinson	\$2,390,000	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
-------------	-----------	------------------------------	--------------

Michigan

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

Minnesota

Bemidji	\$1,400,000	Tom Flannigan	612-790-3747
---------	-------------	---------------	--------------

Missouri

Cameron	\$375,000	Larry Goldman	913-707-9030
Knob Noster	\$1,920,000	Larry Goldman	913-707-9030
Lee's Summit	\$8,800,000	Larry Goldman	913-707-9030

New Jersey

Tenaflly	\$3,900,000	Linda Cinelli/Edan Cohen	908-722-5661
----------	-------------	--------------------------	--------------

New Mexico

Clovis	SOLD	David Etzold	915-845-6006
--------	-------------	--------------	--------------

New York

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

North Dakota

Jamestown	\$7,400,000	Tom Flannigan	612-790-3747
-----------	-------------	---------------	--------------

Ohio

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

Oklahoma

Elgin/Verden	\$1,400,000	Jared Jones	918-609-0541
Enid	\$7,000,000	Jared Jones	918-609-0541
Newcastle	\$2,800,000	Jared Jones	918-609-0541
Wagoner	\$725,000	Jared Jones	918-609-0541

Oregon

Hermiston	\$7,533,000	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
---------------	-------------	---------------	--------------

Texas

Euless	SOLD	Chad Snyder	817-980-7276
Granbury	Call Broker	Chad Snyder	817-980-7276
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
Van Alstyne	Call Broker	Chad Snyder	817-980-7276

Washington

Newport	\$475,000	Ryan Layton	509-435-2424
Olympia	SOLD	Thomas Wolter	206-200-3325

Wisconsin

St. Germain	\$975,000	Bruce Bahrmassel	312-518-3550
-------------	-----------	------------------	--------------

ARGUS SALES



Congratulations to **Joan Lucas of Joan Lucas Real Estate Services, LLC** who sold Storage Rentals Inc. in Grand Junction, CO! Contact Joan at 720-855-6587 for details.



Congratulations to **Jamey Cox of SVN Percival Partners** who sold Viewmont Self Storage in Hickory, NC! Contact Jamey at 704-632-1030 for details.



Congratulations to **Thomas Wolter of RE/MAX Commercial** who sold Guardian Self Storage in Olympia, WA! Contact Thomas at 206-200-3325 for details.



Congratulations to **Chad Snyder and Tyler Trahant of Dominus Commercial** who sold 157 Self Storage in Euless, TX! Contact Chad and Tyler at 817-813-5631 for details.



Congratulations to **Chuck Shields of Beacon Commercial Real Estate** who sold a development site in Blakeslee, PA! Contact Chuck at 610-862-1645 for details.



Congratulations to **David Etzold of ETZOLD & CO** who sold U-Store-It in Clovis, NM! Contact David at 915-845-6006 for details.



Congratulations to **Tom Flannigan and Alex Ihrke of KW Commercial** who sold Dakota Mini Storage in Hastings, MN! Contact Tom and Alex at 612-790-3747 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, Jr. & 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
Larry Goldman, CCIM
Mike Helline & Aaron Willis
Jared Jones, CCIM
Chad Snyder & Tyler Trahant

Omega Properties, Inc.
Brownfield & Associates, LLC
Etzold & CO
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
Jeff Gorden, CCIM
Jeff Gorden, CCIM
Larry Hayes
Scott King
Ryan Layton
Joan Lucas
Ken Miller
Doug Shea
Thomas Wolter

Etzold & CO
KW Commercial
The Gorden Company
Hayes & Associates
Merit Commercial Real Estate
American Real Estate Associates
Joan Lucas Real Estate Services, LLC
Northstate Commercial Partners
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
530-768-1650
562-773-4000
206-200-3325

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