



SELF STORAGE ADVISORS

# Market Monitor

America's Premier Self Storage Brokers

Issue II-2021

## Taking a Closer Look at Proposed Tax Changes

by Ben Vestal

With a new Presidential administration in office, tax planning is becoming increasingly more relevant and important to investors. When it comes to real estate and self-storage it is important to pay attention to newly proposed policies and plans that will have an impact on your investments. The Biden-Harris plan was published as a component of the platform for the Democratic Party and will require Congress to pass it; it will likely have extensive amendments before it is finalized. However, the plan is clearly taking aim at high earners and has many components that will have a meaningful impact on self-storage owners and investors.

Below I have outlined some of the proposed policy changes that will impact self-storage owners. Obviously, everyone's situation is different and in order to accurately understand the impact of these changes on an investment you must understand the details. I am not a CPA and you should speak with your tax advisors to make sure you fully understand the new proposed tax policies before making any adjustments to your investment strategy.

### Long-Term Capital Gains:

Capital gains are the taxes you pay on the increase in value that you've earned on an asset, such as a self-storage property, at the time you transfer the deed to a new owner.

The proposed change is a massive increase in long-term capital gains from 20% currently to the ordinary income level of 39.6% for adjusted gross income over \$1,000,000. Typically, long-term capital gains are taxed at a top bracket of 20% depending on the amount of capital gains. The \$1,000,000 limit may sound rather large, but with today's average price of a self-storage asset in the \$2,800,000+ range (and growing rapidly), these gains are not hard to find. In a time when we are seeing a lot of longtime owners/developers reaching retirement age, longevity of ownership may have less reward than we once thought!

### Step-up Basis:

The new administration has proposed eliminating the step-up basis for inherited property. This has long been the self-storage owner's solution to avoiding capital gains taxes. The step-up basis for inherited properties adjusts the cost basis for accounting purposes from whatever the original owner paid for the property to whatever the property's value is at the time of their death.

For example, let's assume your parents own a self-storage prop-

erty and paid \$1,000,000 for it 25 years ago but today it is worth \$5,000,000. Under the current law, if they were to die and pass that property on to you, the cost basis would step up to \$5,000,000, the current value, and you would only owe capital gains tax on the gain over the \$5,000,000 at the time of a sale.

The new Biden plan has proposed eliminating that step-up of basis, so if you inherit the self-storage that your parents bought for \$1,000,000 25 years ago, and it is now worth \$5,000,000, you would actually pay capital gains taxes on the \$4,000,000 of appreciation that has taken place over the last 25 years. Obviously, the devil is in the details but these round numbers are meaningful and should not be taken lightly.

### Lower Estate Tax Exemption:

Currently, there is a 40% estate tax on estates valued above \$11.58 million. The Biden plan proposes to increase the estate tax rate to 45% and more importantly, reduce the estate tax exemption from \$11.58 million to \$3.5 million. Currently the first \$11.58 million that you inherit is tax free; if you inherit more, then the estate tax kicks in.

Using the example above where your parents bought a self-storage property for \$1,000,000 and it is now worth \$5,000,000 with the step-up cost basis, it's suddenly not such a big leap to see how an estate can grow to more than the proposed \$3.5 million estate exemption.

Clearly, this is a long-term estate planning topic, but with the rapid appreciation that self-storage properties have experienced over the last 10 years, this should be front of mind for long-term self-storage owners and investors.

### Summary:

The three topics addressed above are only a fraction of the overall proposed new tax policies and they have yet to be signed into law. As stated above, the newly proposed tax policies are clearly taking aim at investors and high earners such as self-storage owners. While the likelihood that these newly proposed tax policies are implemented in their current form is extremely unlikely, it is very important that self-storage owners familiarize themselves with potential outcomes and take the necessary steps to mitigate any negative impact on their self-storage investments. **MM**

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



# Property Showcase

## Daphne, AL

**\$895,000**

- 67 Units
- 13,400 RSF
- 0.85 Acre
- Located just off of Hwy 98 in Daphne, AL
- Move-in, move-out, overlocking and unlocking processes are completely automated

**NEW!**

**Bill Barnhill, CCIM &  
Jeremy Milling, CCIM**  
251-694-5050  
jeremy@selfstorage.com



## Vero Beach, FL

**\$4,700,000**

- 633 Units
- 63,825 RSF
- 4.68 Acres
- Upside potential with below market rental rates
- Fenced and well-lit with security cameras
- Possible land for expansion

**NEW!**

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

jkoerner@weaver-realty.com



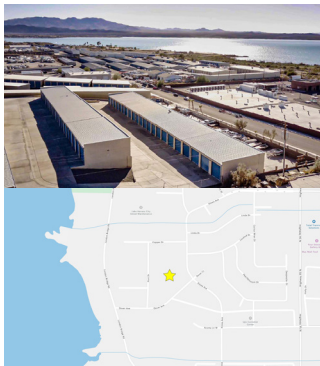
## Lake Havasu City, AZ

**\$3,750,000**

- Under Contract
- 116 Units
- 62,840 RSF
- Wide drive aisles
- Condominium opportunity
- Two blocks from Windsor Boat Ramp
- Nearly a decade of 100% occupancy

**NEW!**

**Jeff Gorden, CCIM**  
480-331-8880  
jeff@gorden-group.com



## Motley, MN

**\$325,000**

- 30 Units
- 5,360 RSF
- 0.60 Acre
- Well-located self storage facility and 3-unit apartment right off of Highway 10
- Population over 10,000 in the 10-mile radius

**NEW!**

**Matt Haugen, Tom Flannigan  
& Alex Ihrke**  
612-852-5048  
matt@selfstorage.com



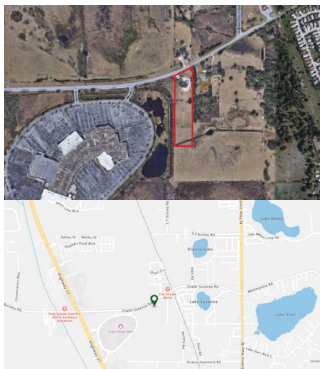
## Lake Wales, FL

**\$1,400,000**

- Development Site
- Project delivered with site plan and phase 1 building plan approval
- Proposed site plan includes 101,300 GRSF on ~5 acres
- 80,000 NRSF in 3 proposed buildings

**NEW!**

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



## Nashua, NH

**\$13,500,000**

- 556 Units
- 67,101 RSF
- 2.665 Acres
- Property is located in South Nashua, the second largest population in NH
- Barriers to entry by zoning are very high in Nashua
- Close proximity to the MA border

**NEW!**

**Joseph Mendola**  
603-668-7000 x203  
joe@nainorwoodgroup.com



## Sarasota, FL

**\$12,250,000**

- Conversion Opportunity
- 172,853 +/- GSF
- Part of a 47.15 +/- acre redevelopment project which includes 600 +/- luxury apartments and 4.5 +/- acres of retail
- Possible land for expansion

**NEW!**

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



## Tulsa, OK

**\$1,300,000**

- Under Contract
- 217 Units
- 17,585 RSF
- 1.02 Acres
- Infill location with high barriers to entry
- Strong demographics with significant multi-family density within one mile

**NEW!**

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

Chelsea	\$4,295,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Daphne	\$895,000	Bill Barnhill/Jeremy Milling	251-694-5050

## Arizona

Lake Havasu Cty	\$3,750,000	Jeff Gorden	480-331-8880
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## 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
Estes Park	\$1,400,000	Joan Lucas	720-855-6587
Loveland	\$1,095,550	Joan Lucas	720-855-6587
Monument	\$10,000,000	Joan Lucas	720-855-6587

## Florida

Delray Beach	\$4,800,000	Josh Koerner/Frost Weaver	904-594-0104
Jacksonville	\$1,500,000	Josh Koerner/Frost Weaver	904-594-0104
Lake Wales	\$1,400,000	Josh Koerner/Frost Weaver	904-594-0104
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 Charlotte	\$2,200,000	Josh Koerner/Frost Weaver	904-432-0140
Port St. Lucie	\$3,250,000	Josh Koerner/Frost Weaver	904-594-0140
Punta Gorda	\$3,000,000	Josh Koerner/Frost Weaver	904-594-0140
Sarasota	\$12,250,000	Josh Koerner/Frost Weaver	904-594-0104
South Florida	Call Broker	Josh Koerner/Frost Weaver	904-591-0140
Vero Beach	\$4,700,000	Josh Koerner/Frost Weaver	904-594-0104
Vero Beach	\$1,700,000	Josh Koerner/Frost Weaver	904-591-0140

## Georgia

Byron	\$5,800,000	Luke Sauls/Jane H. Sauls	770-841-4591
Crawford	\$4,300,000	Mike Patterson	770-301-1886
Fort Oglethorpe	\$5,500,000	Luke Sauls	770-841-4591
Loganville	\$85,000/Acre	Mike Patterson	770-301-1886

## Idaho

Coeur d'Alene	\$2,050,000	Ryan Layton	509-435-2424
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## 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
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## Kansas

Hutchinson	\$2,390,000	Larry Goldman	913-707-9030
Junction City	\$2,740,000	Larry Goldman	913-707-9030
Lawrence	<b>SOLD</b>	Larry Goldman	913-707-9030

## Michigan

Battle Creek	\$190,000	Jim Soltis	810-494-2062
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## Minnesota

Bemidji	\$1,400,000	Tom Flannigan	612-790-3747
Motley	\$325,000	Tom Flannigan	612-790-3747

## Missouri

Cameron	\$375,000	Larry Goldman	913-707-9030
Knob Noster	<b>SOLD</b>	Larry Goldman	913-707-9030
Lee's Summit	\$8,800,000	Larry Goldman	913-707-9030

## New Hampshire

Nashua	\$13,500,000	Joseph Mendola	603-668-7000
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## New Jersey

Tenafly	\$3,900,000	Linda Cinelli/Edan Cohen	908-722-5661
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## New York

Islip	\$5,700,000	Linda Cinelli	908-722-5661
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## North Carolina

Swannanoa	\$2,300,000	Jamey Cox	704-632-1030
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## North Dakota

Jamestown	<b>SOLD</b>	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
Enid	\$7,000,000	Jared Jones	918-609-0541
Newcastle	<b>SOLD</b>	Jared Jones	918-609-0541
Tulsa	\$1,300,000	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
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## Texas

Bridgeport	Call Broker	Chad Snyder	817-980-7276
Ennis	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

## Washington

Newport	\$475,000	Ryan Layton	509-435-2424
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# ARGUS SALES



Congratulations to **Tom Flannigan and Alex Ihrke of KW Commercial** who sold a 3-property portfolio in Jamestown, ND! Contact Tom and Alex at 612-790-3747 for details.



Congratulations to **Chad Snyder and Tyler Trahant of Dominus Commercial** who sold Wanco Mini Storage in Granbury, TX! Contact Chad and Tyler at 817-242-2361.



Congratulations to **Jared Jones, CCIM of Jones Investment Properties** who sold Kwik Lock Storage in Newcastle, OK! Contact Jared at 918-948-3941 for details.



Congratulations to **Bill Barnhill, CCIM and Stuart P. LaGroue, Sr. of Omega Properties, Inc.** who sold Storage Solutions in Opelika, AL! Contact Bill and Stuart at 251-432-1287 for details.



Congratulations to **Jeff Gorden, CCIM of KW Commercial and Joan Lucas of Joan Lucas Real Estate Investments, LLS** who sold a development site in Aurora, CO! Contact Jeff at 480-331-8880 and Joan at 720-855-6587 for details.



Congratulations to **Larry Goldman, CCIM of Goldman Investment Advisors** who sold Lock N Key Self Storage in Knob Noster, MO! Contact Larry at 913-707-9030 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  
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