



SELF STORAGE ADVISORS

Market Monitor

America's Premier Self Storage Brokers

Issue V-2021

Let's Not Get Greedy!

by Ben Vestal

Today's very optimistic times, combined with the proposed tax code changes on the horizon, have many self-storage owners giving some thought to selling their property this year rather than waiting out the market. Real estate prices have been increasing over the last several quarters and self-storage has continued to see cap rates compress. The average cap rate for self-storage assets has dipped below 5.5%, and by all accounts is in the low 5% range, while newer product in the major markets is seeing cap rates sub-5%.

We have learned that there is a material difference between "thinking about selling" and becoming an "actual seller." Eventually, almost everyone will end up being a seller and it is a matter of *when* that concerns most owners. Clients who have told us for 27+ years that they will never sell are SELLING today. Thinking through the following factors below will help you determine how close you are to actually becoming a real seller which will help maximize your investment returns. Now is a time to be smart, not emotional.

Financing:

It has been well-documented that today's low interest rates have something to do with the record high valuations we are seeing. Low interest rates along with some financial engineering (interest-only, high leverage, Libor floater rates, etc.) have created a tremendous opportunity for investors to achieve very compelling cash-on-cash returns while paying very aggressive prices. However, it is possible that the pendulum could swing back to the financial institutions in 2022 or 2023, creating a bifurcation in the financing market which may drive down prices as buyers will struggle to achieve their equity yield requirements. As most of us have been at the real estate game for some time, I believe it is appropriate to consider our "gut feeling" with regards to the longevity of the current financing market.

Proposed Tax Code Changes:

It is clear that the new administration's proposed tax code changes are taking aim at high earners and commercial real estate owners so tax planning this year is becoming increasingly more important. Many of the proposed changes will be negotiated and will likely have extensive amendments before they are finalized and signed into law. Below I have outlined some basic proposed changes that you should be aware of and you should speak with your CPA to make sure you are positioning your self-storage investments accordingly.

Capital gains taxes are clearly on the chopping block! 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 \$3,500,000+ range, 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!

Stepped-up basis for inherited property is also on the chopping block. 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. The new tax plan has proposed eliminating the 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 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.

1031 exchanges are proposed to be eliminated for investors who have ordinary annual income of \$500,000. If one assumes this \$500,000 cap includes the gain from the actual sale of real property in addition to a taxpayer's ordinary income earned, the lion's share of real estate investment property sales would not qualify for 1031 exchange tax treatment. This proposed change will greatly impact the smaller individual investor more than the larger institutional investors as many of larger institutional investors either don't have the ability to 1031 due to their ownership structure or simply don't contemplate it due to the investment goals.

Are You a Real Seller?

Determining if you are a real seller is the single most important decision any one owner can make. A real seller is someone who has a defined reason to sell and is willing to price the property at a level that is within the market. Serious buyers want serious sellers and when a buyer finds out that a seller isn't realistic about selling because of price, timing, or market conditions, those buyers will seldom get interested again. OVERPRICING IS NOT HARMLESS!

Clearly any of these topics mentioned above may have a material impact on a buyer or seller's investment outcomes. It is my duty to report that these unique market conditions today will eventually come to an end. If you are at or near one of those "personal crossroads" or your "gut feeling" tells you that now is the time to capitalize on the market conditions, it is time to get serious about selling. The reward makes the game worth playing, but the real estate game is all about seizing the day! **MM**

Ben Vestal, CEO of Argus Self Storage Advisors, can be reached at 800-55-STORE or bvestal@argus-realestate.com.



Property Showcase

Live Oak, FL

\$3,500,000

- 233 Units
- 24,270 RSF
- 2.5 Acres
- 100% occupied with a mix of climate controlled and non-climate units
- Great visibility and access from Hwy 90
- Land for future development
- Most modern and updated facility in Suwanee County

NEW!

**Josh Koerner
& Frost Weaver**

904-591-0140

jkoerner@weaver-realty.com



Isanti, MN

\$2,200,000

- Under Contract
- 199 Units
- 33,190 RSF
- 4.54 Acres
- Exceptional visibility from Hwy 65 with over 20,000 vpd
- Land for expansion with approval for 3 additional bldgs

NEW!

**Tom Flannigan, Matt
Haugen & Alex Ihrke**

612-790-3747

tom@selfstorage.com

mhaugen@selfstorage.com

alex@selfstorage.com



Anderson, IN

\$660,000

- Self-Storage Development Site
- 63,000 GSF
- 10 Acres
- Excellent location with over 400 ft. of frontage on Broadway St.
- 10 acre site affords owner the option to sell off retail outlots along Broadway
- Broadway is the main north/south artery through Anderson
- Permitted zoning in place

NEW!

Rob Schick

317-922-1225

rschick@revelunderwood.com



Joshua, TX

\$1,200,000

- Under Contract
- 160 Units
- 14,250 RSF
- 2 Acres
- Located in the heart of a fast-growing SW Fort Worth submarket
- Consistently high occupancy with no advertising
- Below market rents

NEW!

**Chad Snyder
& Tyler Trahan**

817-980-7276

csnyder@dominuscommercial.com

ttrahant@dominuscommercial.com



Cut Off, LA

\$985,000

- 241 Units
- 27,450 RSF
- 2.4+/- Acres
- Established portfolio with 3 locations southwest of New Orleans
- Main facility has expansion opportunity of 0.5+/- acre
- Well-maintained properties with concrete drives
- Great value-add opportunity

NEW!

**Jeremy Milling, CCIM
& Bill Barnhill, CCIM**

251-421-0919

jeremy@selfstorage.com



Brooklyn, WI

\$575,000

- 63 Units
- 9,600 RSF
- 1.08 Acres
- Attractive, well-maintained facility
- Great visibility along main street
- Room to expand
- Located less than 20 miles from downtown Madison, WI
- Offered below replacement cost

NEW!

Bruce Bahrmassel

312-518-3550

bruce@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

Chelsea \$4,295,000 Bill Barnhill/Stuart LaGroue 251-432-1287

California

Yreka \$1,650,000 Ken Miller/Brandy Rundell 530-768-1650

Colorado

Brighton Call Broker Joan Lucas 720-855-6587

Calhan \$910,000 Joan Lucas 720-855-6587

Castle Rock **SOLD** Joan Lucas 720-855-6587

Estes Park \$1,400,000 Joan Lucas 720-855-6587

Loveland \$1,095,550 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 \$1,150,000 Josh Koerner/Frost Weaver 904-594-0104

Live Oak \$3,500,000 Josh Koerner/Frost Weaver 904-594-0104

Palm Bay \$900,000 Josh Koerner/Frost Weaver 904-591-0140

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

Sarasota \$12,250,000 Josh Koerner/Frost Weaver 904-594-0104

Vero Beach \$4,700,000 Josh Koerner/Frost Weaver 904-594-0104

Vero Beach \$1,700,000 Josh Koerner/Frost Weaver 904-591-0140

W. Palm Beach \$2,900,000 Josh Koerner/Frost Weaver 904-591-0140

Georgia

Augusta \$375,000 Luke Sauls/Jane H. Sauls 770-841-4591

Byron \$5,800,000 Luke Sauls/Jane H. Sauls 770-841-4591

Crawford \$4,300,000 Mike Patterson 770-301-1886

Riverdale \$422,500 Luke Sauls 770-841-4591

Idaho

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

Illinois

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

Indiana

Anderson \$660,000 Rob Schick 317-922-1225

Iowa

Des Moines \$500,000 Tom Flannigan 612-790-3747

Kansas

Hutchinson \$2,390,000 Larry Goldman 913-707-9030

Junction City \$2,740,000 Larry Goldman 913-707-9030

Louisiana

Cut Off \$985,000 Bill Barnhill/Jeremy Milling 251-421-0919

Michigan

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

Minnesota

Isanti \$2,200,000 Tom Flannigan 612-790-3747

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

Missouri

Cameron **SOLD** Larry Goldman 913-707-9030

St. Clair \$200,000 Larry Goldman 913-707-9030

Nevada

Winnemucca \$1,630,000 Jeff Gorden 480-331-888

New Hampshire

Concord \$11,000,000 Joseph Mendola 603-668-7000

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

New Jersey

Lopatcong \$3,995,000 Linda Cinelli/Edan Cohen 908-722-5661

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

New York

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

North Carolina

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

Ohio

LaGrange **SOLD** Alec Pacella 216-455-0925

Oklahoma

Enid \$7,000,000 Jared Jones 918-609-0541

Tulsa Call Broker 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

Pennsylvania

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

Texas

Bridgeport **SOLD** Chad Snyder 817-980-7276

Ennis **SOLD** Chad Snyder 817-980-7276

Fate Call Broker Chad Snyder 817-980-7276

Joshua Call Broker Chad Snyder 817-980-7276

Mt. Pleasant Call Broker Chad Snyder 817-980-7276

Nash **SOLD** Chad Snyder/Tyler Trahant 817-980-7276

Washington

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

Wisconsin

Brooklyn \$575,000 Bruce Bahrmassel 312-518-3550

Green Bay Call Broker Bruce Bahrmassel 312-518-3550

ARGUS SALES



Congratulations to **Josh Koerner and Frost Weaver of Weaver Realty Group, Inc.** who sold a development site in Pine Island, FL! Contact Josh and Frost at 904-591-0140 for more information.



Congratulations to **Chad Snyder and Tyler Trahant of Dominus Commercial** who sold Ennis Self Storage in Ennis, TX, Twin Cities Self Storage in Nash, TX, Bridgeport Mini Warehouses in Bridgeport, TX and South Collins Self Storage in Arlington, TX! Contact Chad and Tyler at 817-242-2361 for details.



Congratulations to **Joan Lucas of Joan Lucas Real Estate Services, LLC** who sold A Arrow Self Storage in Castle Rock, CO! Contact Joan at 720-855-6587 for details.



Congratulations to **Jeff Gorden, CCIM of KW Commercial** who sold Lakeside Storage in Lake Havasu City, AZ and a development site in Tucson, AZ! Contact Jeff at 480-331-8880 for more information.



Congratulations to **Larry Goldman, CCIM of Goldman Investment Advisors** who sold I-35 Storage in Cameron, MO! Contact Larry at 913-707-9030 for details.



Congratulations to **Alec Pacella, CCIM of NAI Pleasant Valley** who sold Just Store It in LaGrange, OH! Contact Alec at 216-455-0925 for details.



Congratulations to **Jared Jones, CCIM of Jones Investment Properties** who sold a 3-Property Portfolio in Edmond, OK! Contact Jared at 918-609-0541 for details.



Congratulations to **Mike Helling of Column Realty** who represented the buyer of A-1 Self Storage in Louisville, KY! Contact Mike at 502-296-4586 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
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Alec Pacella, CCIM
Larry Goldman, CCIM
Mike Helling & Aaron Willis
Rob Schick
Jim Soltis

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

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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 Helling & 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

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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

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NM
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OR
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CO
Northern CA
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Western WA