



SELF STORAGE ADVISORS

Market Monitor

America's Premier Self Storage Brokers

Issue VII-2021

Access to Equity – All the Stars are Aligned

by Neal Gussis

Among the many years that I have been securing financing for our clients, the current market environment is unique. The Treasury bond rates have dropped more than 20 basis points in the last month, driving down already record low mortgage rates. Yes, it is a great time to take advantage of low-interest rate financing, but the story of access to aggressive financing at low interest rates and a very fluid debt market for acquisitions and refinancing is not new. However, what is worthy of discussion is all of the other market conditions that are driving the ability of owners to access cash through refinancing their existing self-storage assets.

Construction and Construction Financing:

The one area where financing has become more of a challenge is on development deals. It is not necessarily because lenders are unwilling to lend; it is more of an issue of timing, costs, and viability of the planned project. The challenge exists because many owners put new developments on hold at the beginning of the pandemic due to market uncertainty. Since then, and since the strong rise of operating results post-pandemic, developers are busy planning new projects. The development projects that we are involved with today are facing the issues of containing rising costs of materials—specifically steel—and availability of labor.

In talking with Terry Campbell at Live Oak Bank, an active SBA construction loan lender, he indicates that some of the things that lenders are doing to address steel increases are staying in close touch with the steel suppliers, building suppliers, etc. to try to get some idea of what the increased trajectory is and when peak pricing may be. Using this information, they make sure that either the loan can stand the increase and still be feasible, or they will require the borrower to provide evidence of liquidity and sign an affidavit that the maximum loan amount will not be exceeded by a pre-determined amount and the borrower is responsible for any costs over that loan amount. If the economics of the loan will allow an increase loan amount, they can have the GC build in a line item for the potential increases with specific provisions for specific use of funds.

The increase in construction cost is also adding new evaluation matrix in the consideration of buyers of existing facilities. With costs of single-story facilities in a majority of circumstances now being in excess of \$100/SF and multi-story in excess of \$140/SF, replacement value in some markets is driving up the valuation of facilities.

Industry Factors:

According to the June 2021 reporting by Yardi, the average street rates on 10x10 units are up 10.6% and 12.7% for non-climate and climate-controlled units, respectively, with some markets experiencing increases over 20%. This trend actually is very similar to what is being experienced in the multi-family sector. As reported by Realtor.com, the average rental rate increased 8.7% on apartment units nationwide with a handful of major markets reporting 20% or more.

With month-to-month rental contracts, self-storage owners are well-poised to raise existing rates and street rates as their specific markets allow. These strong increases in rent support that owners are enjoying high occupancy levels and are comfortably raising rates.

Cap Rate Compression:

The reported cap rates in the self-storage industry have continued to tighten. According to Ben Vestal, the most significant compression is in the difference between primary markets and secondary markets. The spread in many instances is now 10 to 50 basis points; it was not long ago the gap could be as wide as 250 to 300 basis points. The NKF Investor Survey reports that 1st quarter '21 year-over-year cap rates have compressed 30 basis points.

Alternative Investments:

The pandemic has wreaked havoc on most other real estate sectors with the exception of multi-family, industrial, and mobile home facilities. Retail, office, and hospitality among other property types have had very mixed results. Thus, investors and capital sources have a renewed and elevated interest in the self-storage sector.

Putting your Equity to Work:

For all the reasons stated above, self-storage properties are experiencing new levels of operating results and valuations have significantly increased. We at CCM Commercial Mortgage are seeing clients taking great advantage of refinancing existing properties and obtaining meaningful cash-out. The cash-out is being redeployed in most cases into new developments or purchases of existing facilities. This is in addition to receiving 5 – 10-year fixed rates in the low 3% range (in some cases even lower), many times non-recourse. This is allowing many owners to grow their portfolios without the need to raise additional capital.

Those of us who have lived through real estate cycles know that market dynamics change over time. There is always the threat of new competition, increases in real estate taxes, and other factors that may have a significant impact on your NOI. There are also larger national and global factors that are uncontrollable, such as inflation and changes in laws and tax code. We all know that tax code changes are looming and could have significant impact on real estate transactions.

This is a great time in the cycle for owners to re-evaluate their current loans and the ability to borrow at great rates and pull-out cash to grow their portfolio. Owners may not even have to increase their leverage in comparison to their current value (LTV). The access to low interest rate cash can then be reinvested and raise overall investment returns and build additional wealth. **MM**

Neal Gussis is a principal at CCM Commercial Mortgage specializing in arranging debt and equity solutions for commercial real estate with a focus on self storage. He can be reached at 224-938-9430.



Property Showcase

Sedona, AZ

\$1,050,000

- **Under Contract**
- 91 Units
- 8,742 RSF
- 0.55 Acre
- Tax advantage opportunity
- Value-add investment
- Upside through active revenue management

NEW!

Jeff Gorden, CCIM

480-331-8880

jeff@gorden-group.com



Millville, MA

\$2,300,000

- 224 Units
- 30,560 RSF
- 1.97 Acres
- Franchise covers Canton, MA and Worcester County, MA
- Business can be sold with or without the real estate
- Extremely high demand for portable storage services

NEW!

Joseph Mendola

603-668-7000 x203

joe@nainorwoodgroup.com



Toccoa, GA

\$950,000

- 217 Units
- 24,675 RSF
- 3.95 Acres
- 3-Property portfolio, recently renovated
- Lease-up opportunity
- Land for expansion
- Locations north of town, in town, and south of town

NEW!

Luke Sauls

770-841-4591

luke@saulsstoragegroup.com



Red Wing, MN

\$2,650,000

- 165 Units
- 22,350 RSF
- 8.73 Acres
- Newly built drive-up self storage facility
- 6 acres of land for expansion

NEW!

Matt Haugen, Tom Flannigan & Alex Ihrke

612-790-3747

mhaugen@selfstorage.com

tom@selfstorage.com

alex@selfstorage.com



East Moline, IL

\$1,750,000

- 216 Units
- 29,950 RSF
- 6.81 Acres
- Phenomenal location at the intersection of Illinois Route 5 and I-80
- Climate and non-climate control

NEW!

Tom Flannigan

& Bruce Bahrmassel

612-790-3747

tom@selfstorage.com

bruce@selfstorage.com



Ringoes, NJ

\$3,800,000

- 265 Units
- 27,400 RSF
- 3 Acres
- 4 one-story storage buildings
- Class B facility with 27,400 RSF plus a 5,358 GSF office building

NEW!

Linda Cinelli, CCIM

& Edan Cohen

908-722-5661

linda@lcrealtyusa.com

edan@lcrealtyusa.com



Evansville, IN

\$5,200,000

- 420 Units
- 75,110 RSF
- 5 Acres
- Well-established self storage facility that includes climate control, standard, covered and uncovered storage units
- Retail outlet for PakMail

NEW!

Rob Schick & Neal Gussis

317-403-1205

rschick@revelunderwood.com

ngussis@ccmfinancing.com



Medical Lake, WA

\$5,400,000

- 334 Units
- 59,841 RSF
- 3.53 Acres
- Well-lit with security fencing, electronic gate and video surveillance system
- On-site manager
- Room for expansion
- Opportunity to acquire a stabilized facility

NEW!

Ryan Layton

509-435-2424

rlayton@areanw.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

Phoenix	SOLD	Jeff Gorden	480-331-8880
Sedona	\$1,050,000	Jeff Gorden	480-331-8880

California

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

Bennett	\$5,100,000	Joan Lucas	720-855-6587
Brighton	Call Broker	Joan Lucas	720-855-6587
Lakewood	Call Broker	Joan Lucas	720-855-6587
Loveland	SOLD	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
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
Crawford	\$4,300,000	Mike Patterson	770-301-1886
Loganville	\$100,000/ac	Mike Patterson	770-301-1886
Riverdale	\$422,500	Luke Sauls	770-841-4591
Toccoa	\$950,000	Luke Sauls	770-841-4591

Idaho

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

Belvidere	\$599,000	Bruce Bahrmassel	312-518-3550
East Moline	\$1,750,000	Bruce Bahrmassel	312-518-3550
Rockford	\$325,000	Bruce Bahrmassel	312-518-3550

Indiana

Anderson	\$660,000	Rob Schick	317-922-1225
Evansville	\$5,200,000	Rob Schick	317-922-1225

Iowa

Des Moines	SOLD	Tom Flannigan	612-790-3747
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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
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Massachusetts

Millville	\$2,300,000	Joseph Mendola	603-668-7000
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Michigan

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

Isanti	\$2,200,000	Tom Flannigan	612-790-3747
Mankato	Call Broker	Tom Flannigan	612-790-3747
Motley	\$325,000	Tom Flannigan	612-790-3747
Red Wing	\$2,650,000	Tom Flannigan	612-790-3747

Missouri

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

Winnemucca	SOLD	Jeff Gorden	480-331-888
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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
Ringoes	\$3,800,000	Linda Cinelli/Edan Cohen	908-722-5661
Tenafly	\$3,650,000	Linda Cinelli/Edan Cohen	908-722-5661

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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Oklahoma

Enid	SOLD	Jared Jones	918-609-0541
Oklahoma City	\$5,500,000	Jared Jones	918-609-0541
Shawnee	Call Broker	Jared Jones	918-609-0541
Tulsa	\$1,300,000	Jared Jones	918-609-0541

Oregon

Hermiston	SOLD	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
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Texas

Fate	SOLD	Chad Snyder/Tyler Trahant	817-980-7276
Joshua	SOLD	Chad Snyder/Tyler Trahant	817-980-7276
Lufkin	Call Broker	Chad Snyder/Tyler Trahant	817-980-7276
Mt. Pleasant	Call Broker	Chad Snyder/Tyler Trahant	817-980-7276
Tomball	Call Broker	Faith Pate	713-805-2907

Washington

Medical Lake	\$5,400,000	Ryan Layton	509-435-2424
Newport	\$475,000	Ryan Layton	509-435-2424
Ravensdale	\$469,950	Thomas Wolter	206-200-3325

Wisconsin

Brooklyn	SOLD	Bruce Bahrmassel	312-518-3550
Green Bay	SOLD	Bruce Bahrmassel	312-518-3550
Merrill	\$1,200,000	Bruce Bahrmassel	312-518-3550

ARGUS SALES



Congratulations to **Joseph Mendola of NAI Norwood Group** who represented the buyer of a development site in North Andover, MA! Contact Joe at 603-668-7000 x203 for details.



Congratulations to **Bill Barnhill, CCIM, Stuart LaGroue and Jeremy Milling, CCIM of Omega Properties, Inc.** who sold a 3-property portfolio in Mississippi and Affordable Mini Storage in Baton Rouge, LA! Contact the Omega Properties team at 251-432-1287 for details.



Congratulations to **Tom Flannigan, Alex Ihrke, and Matt Haugen of KW Commercial** who sold Grays Lake Self Storage in Des Moines, IA! Contact the KW Commercial team at 612-790-3747 for more information.



Congratulations to **Jared Jones, CCIM of Jones Investment Properties** who sold a 2-Property Portfolio in Enid, OK and a property in Muskogee, OK! Contact Jared at 918-609-0541 for details.



Congratulations to **Jeff Gorden of The Gorden Company** who sold Affordable Self Storage in Phoenix, AZ and Winnemucca Storage in Winnemucca, NV! Contact Jeff at 480-331-8880 for details.



Congratulations to **Chad Snyder and Tyler Trahant of Dominus Commercial** who sold American Storage in Fate, TX, Joshua Mini Storage in Joshua, TX and a development site in Wylie, TX! Contact Chad and Tyler at 817-242-2361 for details.



Congratulations to **Bruce Bahrmassel** who sold a 3-property portfolio in Green Bay, WI and Brooklyn Storage in Brooklyn, WI! Contact Bruce at 312-518-3550 for details.



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



Congratulations to **Scott King of Merit Commercial Real Estate** who sold EZ Mini Storage in Hermiston, OR! Contact Scott at 541-890-6708 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
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562-773-4000
206-200-3325

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