



SELF STORAGE ADVISORS

Market Monitor

America's Premier Self Storage Brokers

Issue IV-2022

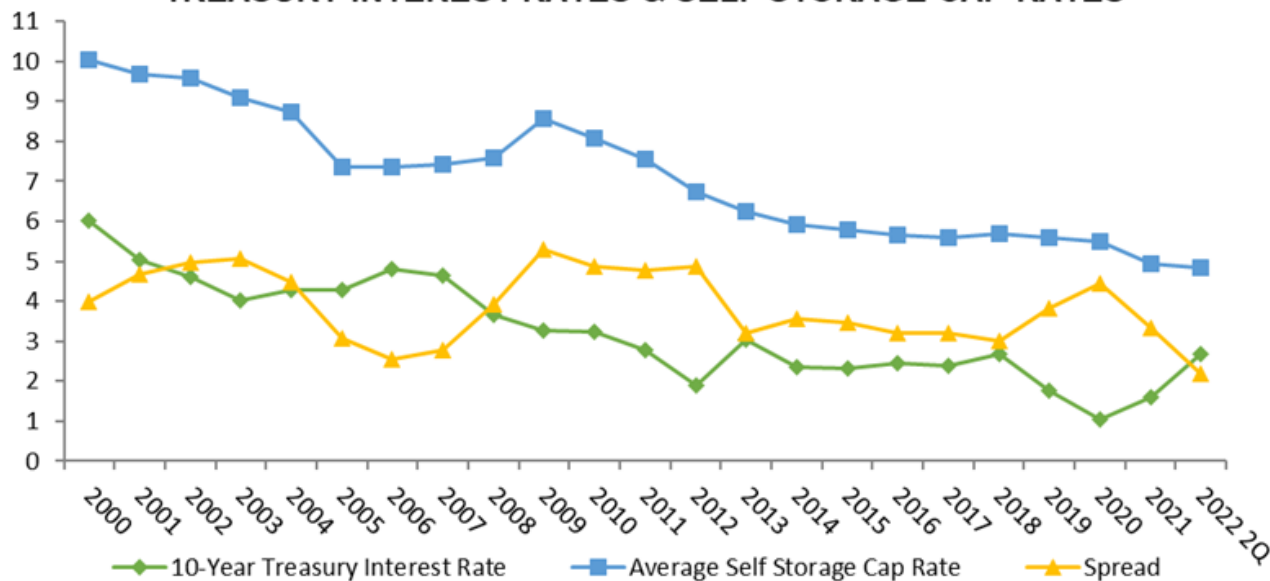
Change Is in the Air!

by Ben Vestal

Over the last several weeks, top executives and self-storage owners from around the country have gathered in Orlando at the SSA spring meeting and, just last week, in Las Vegas at the ISS spring tradeshow to discuss industry trends, investor sentiment and overall market conditions. The consensus is that the industry continues to be cautiously optimistic about performance in 2022 and rising interest rates are on the front of everyone's mind. We saw the ten-year treasury continue to rise last week and peak at over 2.9% with market volatility continuing to gain momentum. Meanwhile, self-storage operating fundamentals seem to be strong and an abundant amount of capital continues to flow into the space.

For the first time in over 10 years, we are hearing that the continuing rise in valuations may be in question and some savvy buyers are reevaluating their underwriting. This is largely due to concerns over the volatility in the debt and equity markets and the impacts this will have on values if interest rates continue to rise rapidly. Self-storage continues to be well-positioned to weather rising interest rates and inflation as the business model of month-to-month leases, business to consumer metrics, and larger than normal operating margins have positioned the industry to continue to provide better than market returns. However, for the first time in more than a decade we are hearing whispers of softening valuations triggered by the volatility in the debt markets. Below I have included a chart that indicates the spread between the ten-year treasury and self-storage cap rate is as narrow as it has been in more than 20 years.

TREASURY INTEREST RATES & SELF STORAGE CAP RATES



Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 Q4	Average
10-Year Treasury Interest	6.03	5.02	4.61	4.01	4.27	4.29	4.80	4.83	3.66	3.26	3.22	2.78	1.89	3.05	2.35	2.33	2.45	2.40	2.69	1.77	1.04	1.59	2.67	3.25
Average Self Storage Cap	10.02	9.69	9.59	9.08	8.74	7.37	7.34	7.41	7.59	8.57	8.09	7.54	6.75	6.25	5.90	5.80	5.64	5.60	5.66	5.60	5.50	4.93	4.85	7.11
Spread	3.99	4.67	4.98	5.07	4.47	3.08	2.54	2.78	3.93	5.31	4.87	4.76	4.86	3.20	3.55	3.47	3.19	3.20	2.99	3.83	4.46	3.34	2.18	3.86

Source: Newmark

The narrowing of the spread between cap rates and interest rates should be concerning as the last time we saw the spread this narrow was in 2006 before the great financial crisis and valuation reset. Now, each real estate cycle is different and several factors come into play but we should all understand the spread between interest rates and cap rates today is showing signs that this cycle is growing a bit long in the tooth.

The majority of offers, if not all of the offers, we receive today are all cash and do not have a financing contingency. However, most buyers, including the self-storage REITs have some form of financing that plays a role in market valuations. Today our bid sheets continue to remain very deep and in order to help our clients best navigate the

(continued)

choppy debt markets, we have started to tier the buyer pool in order to help best frame each buyer and show how they will underwrite/value each property. The tier system has also allowed us to best assess the risk associated with each buyer on the bid sheet and advise our clients appropriately. Below I have generally outlined the 4 major buyer groups in the market today and how we are evaluating each offer for our clients.

Remember these buyer tiers are only as good as the broker's real time experience dealing with each of the buyers. With more than 200 self-storage transactions in the last 12 months and 48 in the last 90 days, Argus brokers are in a very unique and advantageous position to advise our clients on real time transaction details with each of the buyer tiers listed below.

1. Institutional/Self Operator - REIT's or Core Private Equity groups: With access to very low cost capital/debt, these groups are using in-place credit facilities to make acquisitions, then placing permanent debt after closing or just buying the properties all cash. These groups have significant scale, are very low leverage borrowers and can move quickly to close after going under contract (30-45 days). They have internal profit centers due to self-managing and can stretch to make aggressive valuations work.

2. Institutional/Third Party Management - Private Equity groups: With access to low-cost capital/debt, these groups are using in-place credit facilities to make acquisitions, then putting in place permanent debt after closing or paying all cash. They rely on third party management for operational expertise and scale. Some groups have gained preferential third-party management treatment if they bring enough assets into the relationship with their third-party manager. Depending on where they are in their capital allocation cycle and current year acquisitions goals, these groups can be very aggressive.

3. Private/Self Operator: These groups use private capital or syndications to fund acquisitions and typically get their debt from traditional Banks, CMBS, Life Co, Credit Unions, etc. Although the cost of their debt will exceed institutional groups, their equity may be less sophisticated and significantly cheaper with a sponsor-friendly structure, thus providing an opportunity to compete due to having an advantage on the equity cost of capital. In addition, since they self-manage, they have levers on the operational side they can pull to their advantage to stretch and make a deal. Most importantly, deal sponsors are paid on putting capital to work and are incentivized to grow quickly.

4. Private/Third Party Management: These groups use private capital to fund acquisitions and typically get their debt from traditional Banks, CMBS, Life Co., Credit Unions, etc. Although the cost of their debt will exceed institutional groups, their equity may be less sophisticated and significantly cheaper with a sponsor-friendly structure, thus providing an opportunity to compete due to having an advantage on the equity cost of capital. They rely on third party management companies for operational expertise and scale.

Rising interest rates and volatile debt markets affect each buyer tier differently and it is very important that YOU understand the risks associated with each buyer. The financing market is undoubtedly the biggest wild card in today's investment market. After more than a decade of historically low interest rates, responsibly aggressive underwriting, and abundance of new equity in the space, one might think we are in for a slow down due to the choppy debt markets. However, for the time being we are continuing to see very active, aggressive and deep bid sheets across the board.

The increase in industry awareness has led to higher usership and more stable and resilient market fundamentals. This along with the superior business model as mentioned above will continue to fuel the self-storage investments in these inflationary times. But make no qualms about it, as the debt/financing market goes, so goes the self-storage market. **MM**

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



Property Showcase

Greeley, CO

Offers Due 5/10/22

- 251 Units
- 71,460 RSF
- Built in 2020
- Boat/RV parking and expansion capabilities
- Close to Intersection of I-34 and I-85
- Currently has 58 temperature controlled units, 42 ambient; 117 surface parking spaces, and 34 canopy spaces
- In-place rents well below market

NEW!



Joan Lucas

720-855-6587

jlucas@selfstorage.com

Marshall, MN

\$2,700,000

- 385 Units
- 53,000 RSF
- 5 Acres
- 99.7% Occupancy
- Priced near replacement cost at \$51/RSF with ability to push rental rates significantly higher to grow revenue
- Approximate 5-mile population of 15,000 with average HHI of \$75,000

NEW!



Tom Flannigan, Matt Haugen & Alex Ihrke

612-790-3747

tom@selfstorage.com, mhaugen@self-storage.com, alex@selfstorage.com

Iola, KS

\$895,000

- 102 Units
- 12,662 RSF
- 9.3 Acres
- Land for expansion
- On-site management office and residence
- Fenced and gated
- Supplemental RV Park business with 26 pads
- Stable and consistent cash flow
- Visibility and access from US 54 Highway

NEW!



Larry Goldman, CCIM

913-707-9030

lgoldman@selfstorage.com

Argyle, TX

Offers Due 4/25/22

- 178 Units
- 35,205 RSF
- 4.999 Acres
- Great location in high demographic area
- Opportunity to build out additional climate and non-climate storage units on existing land
- Ability to institutionalize the operations and management

NEW!



Chad Snyder & Tyler Trahant

817-813-5642

csnyder@dominuscommercial.com
ttrahant@dominuscommercial.com

Alexandria, MN

\$3,500,000

- 264 Units
- 45,450 RSF
- 22.19 Acres
- 2-Property Portfolio
- Over 22 acres between the two sites with approved expansion plans
- Income producing billboard on 22nd Avenue site with fantastic visibility

NEW!



Tom Flannigan, Matt Haugen & Alex Ihrke

612-790-3747

tom@selfstorage.com, mhaugen@self-storage.com, alex@selfstorage.com

Wasilla, AK

Offers Due 4/28/22

- 353 Units
- 43,870 RSF
- Built in 2017
- Class A property with climate controlled units
- Year-round high occupancy and low management requirements
- Great visibility location
- High barriers to entry market
- Expansion land included



Ben Vestal & Cole Carosella

303-317-6469

bvestal@argus-realestate.com
Kristen Zimmerman - AK Lic 168937



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

Greenville	SOLD	Bill Barnhill/Stuart LaGroue	251-432-1287
Mobile	\$1,851,300	Bill Barnhill	251-432-1287
Mobile	\$414,500	Bill Barnhill/Jeremy Milling	251-421-0919

Alaska

Wasilla	Call Broker	Ben Vestal/Cole Carosella	303-317-6469
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Arizona

Fort Mohave	SOLD	Jeff Gorden	480-331-8880
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Arkansas

Magnolia	\$740,000	Larry Goldman	913-707-9030
Malvern	\$3,580,000	Larry Goldman	913-707-9030

California

Bay Point	Call Broker	Ken Miller	530-768-1650
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Colorado

Brighton	Call Broker	Joan Lucas	720-855-6587
Evans	Call Broker	Joan Lucas	720-855-6587
Fort Collins	Call Broker	Joan Lucas	720-855-6587
Greeley	Call Broker	Joan Lucas	720-855-6587
Montrose	\$4,100,000	Joan Lucas	720-855-6587

Florida

Cape Coral	\$3,896,000	Josh Koerner/Frost Weaver	904-594-0104
Delray Beach	\$4,800,000	Josh Koerner/Frost Weaver	904-594-0104
Englewood	\$2,419,500	Josh Koerner/Frost Weaver	904-594-0104
Ft. Myers	\$3,750,000	Josh Koerner/Frost Weaver	904-594-0104
Ft. Myers	\$3,000,000	Josh Koerner/Frost Weaver	904-594-0104
Ft. Pierce	\$8,500,000	Josh Koerner/Frost Weaver	904-594-0104
Gainesville	Call Broker	Josh Koerner/Frost Weaver	904-594-0104
Keystone Hgts	\$4,300,000	Josh Koerner/Frost Weaver	904-594-0104
Live Oak	\$4,250,000	Josh Koerner/Frost Weaver	904-594-0104
Milton	Call Broker	Bill Barnhill/Stuart LaGroue	251-432-1287
N. Ft. Myers	\$3,000,000	Josh Koerner/Frost Weaver	904-594-0104
Pensacola	\$948,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Port Charlotte	\$3,900,000	Josh Koerner/Frost Weaver	904-432-0140
Port Charlotte	\$2,200,000	Josh Koerner/Frost Weaver	904-432-0140
Port Charlotte	\$2,000,000	Josh Koerner/Frost Weaver	904-432-0140
Port Charlotte	\$2,822,400	Josh Koerner/Frost Weaver	904-432-0140
Port St. Lucie	\$3,250,000	Josh Koerner/Frost Weaver	904-594-0140
St. Augustine	Call Broker	Josh Koerner/Frost Weaver	904-594-0140
Venice	\$3,900,000	Josh Koerner/Frost Weaver	904-594-0104

Georgia

Kingsland	Call Broker	Josh Koerner/Brooks Dove	904-594-0104
Riverdale	\$422,500	Luke Sauls	770-841-4591

Iowa

Davenport	SOLD	Tom Flannigan	612-790-3747
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Illinois

Belvidere	\$599,000	Bruce Bahrmassel	312-518-3550
Rock Falls	\$1,300,000	Bruce Bahrmassel	312-518-3550
Seneca	\$1,200,000	Bruce Bahrmassel	312-518-3550
Steger	\$999,000	Bruce Bahrmassel	312-518-3550

Louisiana

Cut Off	\$1,193,000	Bill Barnhill/Jeremy Milling	251-421-0919
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Minnesota

Alexandria	\$3,500,000	Tom Flannigan	612-790-3747
Cannon Falls	\$2,200,000	Tom Flannigan	612-790-3747
Howard Lake	\$750,000	Tom Flannigan	612-790-3747
Howard Lake	\$750,000	Tom Flannigan	612-790-3747
Madison	\$425,000	Tom Flannigan	612-790-3747

Mississippi

Portfolio	SOLD	Stuart LaGroue/Bill Barnhill	251-432-1287
Vanceleave	\$585,000	Jeremy Milling	251-694-5050

Montana

Billings	\$1,495,000	Larry Hayes/Kim VanDelinder	406-698-6850
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Nevada

Boulder City	Call Broker	Jeff Gorden	480-331-8880
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Oklahoma

OKC Portfolio	Call Broker	Jared Jones	918-609-0541
Broken Bow	\$1,600,000	Jared Jones	918-609-0541
Tulsa	\$3,700,000	Jared Jones	918-609-0541
Shawnee	Call Broker	Jared Jones	918-609-0541

Oregon

Medford	\$375,000	Scott King	541-890-6708
Medford	SOLD	Scott King	541-890-6708

Pennsylvania

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

Argyle	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Arlington	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Burleson	SOLD	Chad Snyder/Tyler Trahant	817-813-5642
Burleson/Crowley	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Fort Worth	\$1,600,000	Chad Snyder/Tyler Trahant	817-813-5642
Odessa	\$2,300,000	Chad Snyder/Tyler Trahant	817-813-5642

Washington

Davenport	\$1,885,145	Ryan Layton	509-435-2424
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ARGUS SALES



Congratulations to **Josh Koerner and Frost Weaver of Weaver Realty Group** who sold a development site in Ft. Myers, FL and South-eastern RV & Boat Storage in Yulee, FL! Contact Josh and Frost at 904-591-0140 for details.



Congratulations to **Scott King of Merit Commercial Real Estate** who sold Empire Lockers in Medford, OR! Contact Scott at 541-890-6708 for details.



Congratulations to **Bill Barnhill, CCIM & Stuart LaGroue of Omega Properties, Inc.** who sold a 4-property portfolio in Mississippi and Crystal Mini Storage in Greenville, AL! Contact Bill and Stuart at 251-432-1287 for details.



Congratulations to **Jeff Gorden, CCIM of KW Commercial** who sold Lonestar RV & Boat Storage in Fort Mohave, AZ! Contact Jeff at 480-331-8880 for details.



Congratulations to **Chad Snyder and Tyler Trahant of Dominus Commercial** who sold Empire Self Storage in Burleson, TX! Contact Chad and Tyler at 817-813-5642 for details.



Congratulations to **Joseph Mendola of NAI Norwood Group** who sold Storage Station in Concord, NH! Contact Joseph at 603-668-7000 x203 for details.



Contact an Argus Broker Affiliate

NORTHEAST

Guy Blake, CCIM
Linda Cinelli, CCIM, CEA
Jon Knudsen
Joseph Mendola
Chuck Shields

Company

Pyramid Brokerage Company
LC Realty
Hanna Langholz Wilson Ellis
NAI Norwood Group
Beacon Commercial Real Estate

Phone

845-522-5900
908-722-5661
412-261-2200
603-668-7000
610-862-1645

Territory

Upstate NY, Western CT
Northern NJ, NY (NYC, Long Island)
Western PA, WV
MA, ME, NH, VT, Eastern CT
Eastern PA, Southern NJ, DE

SOUTHEAST

Bill Barnhill, CCIM
Jamey Cox
Brooks Dove
Stuart Wade, Jr. & Ed Nicholson
Josh Koerner & Frost Weaver

Omega Properties, Inc.
Percival Partners
Brick Realty, LLC
The Nicholson Companies
Weaver Realty Group, Inc.

251-432-1287
704-995-9168
770-530-8441
757-618-3597
904-591-0140

FL Panhandle
NC, SC
North GA
MD, VA
FL (except Panhandle), South GA

NORTH CENTRAL

Bruce Bahrmassel
Tom Flannigan
Alec Pacella, CCIM
Larry Goldman, CCIM
Rob Schick
Jim Soltis

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

312-518-3550
612-790-3747
216-831-3310
913-707-9030
317-922-1225
810-494-2062

Northern IL, WI
MN, ND, IA
OH
KS, MO, Southern IL
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, KY
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