



SELF STORAGE ADVISORS

Market Monitor

America's Premier Self Storage Brokers

Issue XII-2022

What's in Store for 2023?

by Ben Vestal

Without question, 2022 proved to be a very unique and challenging year. The anxiety related to rising interest rates made most investment reports irrelevant. What we do know is that the investment market has changed and the overall outlook on 2023 is foggy at best. Argus is the only national full-service self-storage advisory group comprised of third-party management, investment sales and advisory services, which gives us a unique, all-encompassing perspective for self-storage owners around the country. Below we have tried to touch on some key points regarding the investment market and also provide some tips for self-storage owners and operators as we head into 2023.

Self-Storage Demand:

Self-storage performed very well during 2022. The leasing season, which usually starts in April/May and ends in August/September, was strong until early September when the industry started to see elevated move-outs across the country. September is usually a period when seasonal dips in occupancy are expected, but over the last few years there has been very little seasonality so this year's dip in occupancy came as a surprise to most operators and investors. Through the remainder of 2022 we have continued to see move-ins on pace with historical averages. It is safe to say that the increase in demand for self-storage during the pandemic (COVID bump) is over. Demand drivers such as displacement, home remodels, migration, divorce, home/office downsizing, and retirement continue to fuel the growing demand for storage space. Because of this, the industry continues to show resiliency and is maintaining high occupancies with self-storage REIT portfolios only showing moderate losses in occupancy that are more in line with historical norms. It is clear that the COVID disruption did drive demand higher and we are now returning to more normalized seasonality. This will lead to more historical normalized performance in 2023!

Transaction Activity:

The transaction market is a classic tale of two cities! The transaction market in the first half of 2022 was on fire, with historically high transactional velocity and prices being paid. Starting in late June we saw interest rates start to move upwards which paused the transactional market. By early to mid-October, turmoil within the capital markets and investment community fully set in, resulting in price softening. However, the well-documented performance of the self-storage industry had investor sentiment remaining resilient despite the overall turmoil in the capital markets. Today, self-storage pricing is meaningfully lower than the first half of the year, as investors adjust for the increasing cost of capital. Many institutional and large private investors are sitting on the sidelines until we get more clarity in the capital markets. With fewer buyers in the market today and volatility in capital markets, it is pricing discovery for many of the self-storage listings today, as we do not have enough current transactional data to accurately predict market pricing. Self-storage listings today are still garnering a tremendous amount of activity, albeit mostly from private investors that are looking for a clear and direct path to value creation. Investors continue to find yield and value in self-storage investments largely driven by true value-add opportunities. The self-storage space continues to benefit from muted new development and the spread between major market and secondary market cap rates has once again widened as investors see more risk in secondary markets today. 2022 will undoubtedly go down as the year the market changed and as we head into 2023, we will continue to see the cost of capital rise, putting upward pressure on cap rates which will lead to lower valuations and a muted transactional market.

New Development:

We anticipate a meaningful slowdown in new development in 2023, largely due to increasing interest rates, extended entitlement timelines, and still relatively elevated construction costs. The rapidly increasing interest rates have contributed to the slowdown in new development as developers and lenders have pulled back. Although some

(continued)

new facilities will break ground in 2023, the pause button was pushed on many planned and proposed projects. This will lead to stronger rental rates and leasing velocity in 2023. We feel new development in 2023 will continue to be delayed.

2023 Opportunities:

Investors will continue to find value in undermanaged properties around the country with platform-based management companies adding outsized value to their clients' properties as market fundamentals continue to gain momentum. The top 150 MSAs will outperform the secondary and tertiary markets for the first time in more than a decade. In 2023 we will see a meaningful migration back to the major city centers as COVID work remote finally burns off and recessionary concerns push people back to these markets in search of stable employment. In 2023, investors will start to find value in projects that have failed to achieve proforma rents and leasing velocity over the last 2-3 years, leading to some limited distress, ultimately driven by lender pressures on borrowers. Though these opportunities will be limited and heavily marketed, I do believe investors with deep pockets and long investment horizons will find value in these opportunities. Expansion opportunities on existing stabilized properties and the conversions of failed retail big boxes will continue to be very accretive for investors. Lastly, we will continue to see technology widen the gap between operators; we project 50%+ of new rental activity in 2023 to be generated online and the introduction of technology such as digital rental apps becoming more and more important to the success of a property. The continued refinement of "unmanned" stores will start to make major headway in 2023 and we will continue to see major institutional investments made to automate the day-to-day operations of self-storage properties.

Summary:

We should all be very thankful to be in the self-storage industry, which has experienced very solid performance throughout 2022 and which has a bright outlook for 2023. While we are experiencing a change in the investment market as interest rates settle in at much higher levels, I am confident that the self-storage sector will once again outperform other investments. We will likely see lower self-storage valuations in 2023 due to an across-the-board increase in the cost of capital. A slowdown in new development, better and more useful technology, and the very well-documented performance of self-storage during these inflationary/recessionary times will lead the investment community back to the self-storage industry with the understanding that it is the most durable income producing real estate and best real estate to own. **MM**

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



During the holiday season, our thoughts turn gratefully to those who have made our success possible. Please know how thankful we are for your relationship and your business. Wishing you and your family a wonderful holiday season and a peaceful and prosperous New Year!

Sincerely,
Argus Self Storage Advisors



Property Showcase

Bellevue, FL

\$3,300,000

- Development Site **NEW!**
- 150,000 GSF
- 3.45 Acres
- Proposed 2-3 story 150,000 GSF Class A Climate Controlled building
- Remaining acreage available for purchase at additional cost for outdoor parking or to be subdivided into 4 outparcels to be retained by Seller

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



Jacksonville, FL

\$3,300,000

- Development Site **NEW!**
- 150,000 GSF
- 4.03 Acres
- 201 feet frontage along New Kings Rd and over 500' along Dunmire Ave
- Population 111,911 with low SF per Capita within 5 miles
- Opportunity to include optional Boat/RV parking storage (or parcel out)

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



Fort Myers, FL

\$1,700,000

- Development Site **NEW!**
- 135,200 GSF
- 2.01 +/- Acres
- Proposed 3 or 4-story, Class A Climate Controlled building
- Frontage along all sides totaling over 1,370 ft
- Site zoned by right, no formal site plan approval process required

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



Des Moines, IA

Call for Price

- 688 Units **NEW!**
- 68,350 RSF
- 8.6 Acres
- Brand new climate controlled conversion opened in November 2021
- All first-floor self storage units with two drive-in bay doors (27 ft) and ability to add loading dock in back

Tom Flannigan, Matt Haugen & Alex Ihrke
612-790-3747
tom@selfstorage.com, alex@selfstorage.com, mhaugen@selfstorage.com

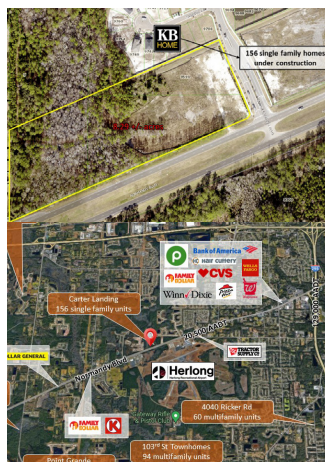


Jacksonville, FL

\$3,300,000

- Development Site **NEW!**
- 8.27 +/- Acres
- Proposed 2-story 150,00 GSF Class A Climate Controlled building
- Closing contingent upon Seller obtaining a PUD amendment, all other approvals are administrative
- This site borders a brand new residential development by KB Homes with 156 new homes currently under construction

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



Mt. Pleasant, NC

\$2,650,000

- 169 Units **NEW!**
- 20,630 RSF
- 2.38 Acres
- Built in 1995
- Well-maintained with consistently high occupancy
- Longtime owner/operator
- Fenced and gated with on-site office
- Located just outside of downtown in close proximity to shopping, restaurants and housing developments

Jamey Cox
704-995-9168
jcox@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

Elberta	\$1,909,000	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

Arizona

Heber	\$349,000	Jeff Gorden	480-331-8880
Laughlin Ranch	SOLD	Jeff Gorden	480-331-8880

Arkansas

Greenbrier	\$1,400,000	Larry Goldman	913-707-9030
Malvern	\$3,580,000	Larry Goldman	913-707-9030

Colorado

Brighton	Call Broker	Joan Lucas	720-855-6587
Colorado Spgs	SOLD	Joan Lucas	720-855-6587
Cortez	SOLD	Joan Lucas	720-855-6587

Florida

Portfolio (6)	\$17,028,820	Josh Koerner/Frost Weaver	904-594-0140
Portfolio (6)	\$17,972,460	Josh Koerner/Frost Weaver	904-594-0140
Portfolio (6)	\$26,749,332	Josh Koerner/Frost Weaver	904-594-0140
Bellevue	\$3,300,000	Josh Koerner/Frost Weaver	904-594-0140
Deland	\$2,700,000	Josh Koerner/Frost Weaver	904-594-0140
Delray Beach	\$4,800,000	Josh Koerner/Frost Weaver	904-594-0140
Englewood	\$2,700,000	Josh Koerner/Frost Weaver	904-594-0140
Ft. Myers	\$3,036,000	Josh Koerner/Frost Weaver	904-594-0140
Ft. Myers	\$1,700,000	Josh Koerner/Frost Weaver	904-594-0140
Ft. Pierce	\$10,575,000	Josh Koerner/Frost Weaver	904-594-0140
Hudson	\$1,736,460	Josh Koerner/Frost Weaver	904-594-0140
Jacksonville	\$3,200,000	Josh Koerner/Frost Weaver	904-594-0140
Jacksonville	\$3,300,000	Josh Koerner/Frost Weaver	904-594-0140
Jacksonville	\$3,300,000	Josh Koerner/Frost Weaver	904-594-0140
Jacksonville	\$3,300,000	Josh Koerner/Frost Weaver	904-594-0140
Lake Alfred	\$3,300,000	Josh Koerner/Frost Weaver	904-594-0140
Lake Placid	\$1,800,000	Josh Koerner/Frost Weaver	904-594-0140
Orange Park	\$2,079,000	Josh Koerner/Frost Weaver	904-594-0140
Orlando	\$2,500,000	Josh Koerner/Frost Weaver	904-594-0140
Palm Bay	\$2,966,832	Josh Koerner/Frost Weaver	904-594-0140
Port Charlotte	\$3,300,000	Josh Koerner/Frost Weaver	904-432-0140
Port St. Lucie	\$3,250,000	Josh Koerner/Frost Weaver	904-594-0140
Spring Hill	\$3,300,000	Josh Koerner/Frost Weaver	904-594-0140

Idaho

Post Falls	\$3,750,000	Ryan Layton	509-435-2424
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Illinois

Kewanee	Call Broker	Bruce Bahrmassel/Jesse Luke	312-518-3550
Zion	SOLD	Bruce Bahrmassel	312-518-3550

Indiana

Muncie	\$535,000	Rob Schick	317-403-1205
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Iowa

Clinton	\$2,900,000	Tom Flannigan	612-790-3747
Davenport	\$4,900,000	Tom Flannigan	612-790-3747
Des Moines	Call Broker	Tom Flannigan	612-790-3747
Kalona	\$1,300,000	Tom Flannigan	612-790-3747

Kansas

Iola	\$895,000	Larry Goldman	913-707-9030
Wichita	Call Broker	Larry Goldman	913-707-9030

Kentucky

Louisville	Call Broker	Mike Heline	502-296-4586
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Michigan

Ray	\$790,000	Jim Soltis	810-494-2062
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Minnesota

Little Canada	\$1,799,000	Tom Flannigan	612-790-3747
Oak Grove	\$2,050,000	Tom Flannigan	612-790-3747
Spicer	SOLD	Tom Flannigan	612-790-3747
Wabasha	\$925,000	Tom Flannigan	612-790-3747

Montana

Billings	\$1,990,000	Larry Hayes/Kim VanDelinder	406-698-6850
Billings	SOLD	Larry Hayes/Kim VanDelinder	406-698-6850

North Carolina

Gastonia	Call Broker	Jamey Cox	704-995-9168
Mt. Pleasant	\$2,650,000	Jamey Cox	704-995-9168

Oklahoma

Broken Bow	SOLD	Jared Jones	918-609-0541
Lawton	Call Broker	Jared Jones	918-609-0541
Tulsa	Call Broker	Jared Jones	918-609-0541

Oregon

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

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

Anna	\$1,500,000	Chad Snyder/Tyler Trahant	817-813-5642
Cleburne	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Fort Worth	SOLD	Chad Snyder/Tyler Trahant	817-813-5642
Fort Worth	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Odessa	\$2,300,000	Chad Snyder/Tyler Trahant	817-813-5642
Plano	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Texas City	\$6,500,000	Faith Pate	713-805-2907

Washington

Hoodspoint	\$575,000	Ryan Layton	509-435-2424
Spokane	Call Broker	Ryan Layton	509-435-2424

ARGUS SALES



Congratulations to **Joan Lucas of Joan Lucas Real Estate Services** who sold Rockrimmon Self Storage in Colorado Springs, CO! Contact Joan at 720-855-6587 for details.



Congratulations to **Kim VanDelinder and Larry Hayes of Hayes & Associates** who sold All About Storage in Billings, MT! Contact Kim and Larry at 406-698-6850 for details.



Congratulations to **Jared Jones, CCIM of Jones Investment Real Estate** who sold PackRat Storage Systems in Broken Bow, OK! Contact Jared at 918-948-3941 for details.



Congratulations to **Chad Snyder and Tyler Trahant of Dominus Commercial** who sold a development site in Fort Worth, TX and a 40,000 SF storage facility in Fairfield, TX! Contact Chad and Tyler at 817-242-2361 for details.



Congratulations to **Rob Schick of Revel & Underwood** who sold Keystone Self Storage in Indianapolis, IN! Contact Rob at 317-403-1205 for details.



Congratulations to **Tom Flannigan, Matt Haugen & Alex Ihrke of KW** who sold Lake-side Self Storage in Spicer, MN! Contact the KW Team at 612-790-3747 for details.



Congratulations to **Bruce Bahrmassel** who sold Capt'n Hook's Self Storage in Zion, IL! Contact Bruce at 312-518-3550 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
Brooks Dove
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
757-474-5364
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
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 & Kim VanDelinder
Scott King
Ryan Layton
Joan Lucas
Ken Miller
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
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
206-200-3325

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