



SELF STORAGE ADVISORS

MARKET MONITOR

America's Premier Self Storage Brokers

Issue V-2023

The State of the Self-Storage Investment Market

by Ben Vestal

As we approach the midpoint of 2023, self-storage investing continues to be a very compelling opportunity, offering attractive returns and a steady income stream. Self-storage investments have gained popularity due to their resilience in economic downturns and the public's continued demand for storage space. It is clear that as the overall economy and capital markets continue to be volatile, the self-storage investment market may be bumpier than we once thought. However, performance remains strong.

Demand and Market Dynamics

The self-storage industry has experienced robust growth in recent years, driven by evolving lifestyles, urbanization, and changing consumer behavior, as many customers used self-storage for the first time during the pandemic and are likely to use the product again. Decluttering trends, downsizing, and the rise of e-commerce have also contributed to a surge in demand for self-storage space. The recent market dynamics favor self-storage investors as the supply of storage units has struggled to keep pace with the increasing demand. However, in the last few months we have started to experience slower than normal rental velocity and overall stagnation in revenue growth as we head into the summer rental season.

Self-storage investments have been resilient during the current economic uncertainty, making them an attractive option for risk-averse investors. In times of recession or market volatility, self-storage facilities tend to perform better than other real estate sectors. The non-discretionary nature of self-storage services (most customers are "need-based customers" storing essential or valuable belongings) creates a steady demand irrespective of economic conditions. Additionally, the business model of month-to-month leases compared to other real estate sectors has proven to be the most valuable aspect of the business, allowing owners to adjust rental rates more frequently to match market demands. Today our bid sheets for well-located self-storage investments are as deep as ever and the buyer pool continues to be active albeit at more conservative performance assumptions moving forward.

In reviewing the REITs' first quarter results, it is clear that Existing Customer Rate Increases are keeping revenues high even as occupancy wavers.

REIT	Revenue Growth	NOI Growth	Occupancy
Public Storage	9.8%	11.2%	92.8%
Extra Space Storage	7.4%	8.7%	93.5%
CubeSmart	6.9%	9.1%	91.9%
Life Storage	10.5%	12.8%	90.4%
NSA	5.7%	4.8%	89.8%

Cash Flow and Returns

Self-storage investing continues to offer promising cash flow and attractive returns. Today, self-storage investors are increasingly deleveraging their investments as rising interest rates are making self-storage investment arbitrage more difficult. However, the implied growth of the cash flow over a 3-10 year holding period will likely outperform inflation and deliver outsized real estate investment returns.

Currently we are seeing year one unleveraged investment returns in the 5.5%-6.75% range and growing. With the cost of debt for most buyers falling in the 5.75%-6.75% range today, most buyers must understand and get comfortable with slightly negative or equilibrium on their debt in years 1-2. This has led many self-storage investors to deleverage their investments to limit the amount of negative leverage as the resilience and future growth opportunities outweigh the cost of debt today. Furthermore, the opportunity to increase rental rates over time or through value-add strategies enhances the return on investment, making no-leverage or very low-leveraged deals compelling.

Mitigating Risks and Challenges

While self-storage investing has numerous advantages, there are risks and challenges to consider. Competition is increasing as more investors recognize the potential of this investment, leading to oversupply in certain areas and government regulatory risks. Careful market analysis and due diligence are crucial to identifying undermanaged properties and underserved markets with favorable demographics. Additionally, post-closing real estate tax risk, property management risk, and the need for effective marketing strategies are key considerations when evaluating an investment opportunity. Understanding the local market, analyzing occupancy rates, and conducting thorough financial projections are essential to mitigate risks and maximize returns. This is not a simple business!

Self-storage investing continues to present a very compelling opportunity in today's market. With growing demand, market stability, difficulty in developing new supply and potential for consistent cash flow, self-storage once again offers very attractive returns compared with other CRE assets. While challenges exist, diligent submarket research, proper due diligence, and a careful analysis of market dynamics can position investors for success in the self-storage industry today. **MM**

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



PROPERTY SHOWCASE

Daphne, AL

\$4,900,000

- 351 Units
- 52,800 RSF
- 3.61 +/- Acres
- Built in 2007
- Excellent Location with Great Visibility
- High Growth Area
- High Traffic Count
- 8 Newly Built Fully Enclosed Boat & RV Units Ready to Lease

NEW!



Stuart P. LaGroue, Sr. & Bill Barnhill, CCIM
251-432-1287
stuart@selfstorage.com

Delano, MN

\$1,850,000

- 177 Units
- 26,812 RSF
- 3.21 Acres
- Value-Add Self Storage Opportunity in Twin Cities Suburb
- High Visibility Location with Traffic Count Over 12,000 VPD on Major Highway 12

NEW!



Alex Ihrke, Matt Haugen, Nathan Gottlieb & Tom Flannigan
612-930-6614
alex@selfstorage.com, mhaugen@selfstorage.com, nathan@selfstorage.com & tom@selfstorage.com

Jacksonville, FL

\$2,750,000

- Development Site
- 8.27 +/- Acres
- Proposed up to 2-story, 150,000 GSF Class A climate controlled building
- 1,100+ feet frontage along Normandy Blvd
- Site borders a brand new residential development by KB Homes

NEW!



Josh Koerner, Frost Weaver & Carrie Stowell
904-591-0140
jkoerner@weaver-realty.com
cstowell@weaver-realty.com

Tupelo, MS

\$925,000

- 102 Units
- 10,228 RSF
- 0.7 Acres
- 2-story facility centrally located in Downtown Tupelo
- Great mix of climate and non-climate controlled storage, in a wide range of sizes
- 30x50 Office space
- Locally owned and operated
- Custom built for quality and longevity

NEW!



Brian Rowley & Bill Barnhill, CCIM
251-432-1287
rowley@selfstorage.com

Bemidji, MN

Call Broker for Price

- 3-Property Portfolio
- 656 Units
- 132,140 RSF
- 27.14 +/- Acres
- Recent expansion of over 20,000 RSF at South Site completed in October 2022
- Ample room for further expansion or outdoor storage

NEW!



Tom Flannigan, Matt Haugen & Alex Ihrke
612-930-6614
tom@selfstorage.com
mhaugen@selfstorage.com
alex@selfstorage.com

Mineral Wells, TX

Call Broker for Price

- **Under Contract**
- 410 Units
- 78,000 RSF
- 2 Acres
- Value add opportunity in management and expansion
- Conversion of unit mix possible into larger units
- Expansion of Boat/RV line of business
- Unmanned property

NEW!



Chad Snyder & Tyler Trahant
817-980-7276
csnyder@dominuscommercial.com
ttrahant@dominuscommercial.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

Daphne	\$4,900,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Mobile	\$1,851,300	Bill Barnhill	251-432-1287
Mobile	\$398,000	Bill Barnhill/Jeremy Milling	251-421-0919

Arizona

Kingman	\$6,750,000	Jeff Gorden	480-331-8880
Mohave County	Call Broker	Jeff Gorden	480-331-8880

California

Sonora	\$440,000	Ken Miller	530-768-1650
Weed	\$1,250,000	Ken Miller	530-768-1650

Colorado

Evans	Call Broker	Cole Carosella	720-909-8602
Gypsum	Call Broker	Cole Carosella	720-909-8602
Longmont	Call Broker	Cole Carosella	720-909-8602
Pueblo	Call Broker	Cole Carosella	720-909-8602

Connecticut

New Milford	Call Broker	Linda Cinelli/Guy Blake	908-722-5661
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Florida

Portfolio (6)	\$16,463,120	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	\$3,250,000	Josh Koerner/Frost Weaver	904-594-0140
Ft. Pierce	\$14,000,000	Josh Koerner/Frost Weaver	904-594-0140
Jacksonville	\$2,750,000	Josh Koerner/Frost Weaver	904-594-0140
Jacksonville	\$2,950,000	Josh Koerner/Frost Weaver	904-594-0140
Palm Bay	\$2,300,000	Josh Koerner/Frost Weaver	904-594-0140
Port Charlotte	\$3,250,000	Josh Koerner/Frost Weaver	904-432-0140
Port St. Joe	Call Broker	Linda Cinelli/Bill Barnhill	908-722-5661
Port St. Lucie	\$3,250,000	Josh Koerner/Frost Weaver	904-594-0140
Sarasota	\$2,500,000	Josh Koerner/Frost Weaver	904-594-0140
Vero Beach	\$7,000,000	Josh Koerner/Frost Weaver	904-594-0140

Georgia

Brunswick	Call Broker	Ryan Haney/Josh Koerner & Frost Weaver	904-591-1556
Kingsland	Call Broker	Ryan Haney/Josh Koerner & Frost Weaver	904-591-1556

Illinois

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

Dillsboro	\$1,050,000	Rob Schick	317-403-1205
Lafayette	\$7,150,000	Rob Schick	317-403-1205

Iowa

Clinton	\$2,600,000	Tom Flannigan	612-790-3747
Osceola	\$325,000	Tom Flannigan	612-790-3747
Sioux City	\$1,250,000	Tom Flannigan	612-790-3747

Kansas

Iola	\$895,000	Larry Goldman	913-707-9030
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Kentucky

Louisville	Call Broker	Mike Helline	502-296-4586
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Michigan

Ray	\$590,000	Jim Soltis	810-494-2062
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Mississippi

Tupelo	\$925,000	Brian Rowley/Bill Barnhill	251-383-8051
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Minnesota

Bemidji	Call Broker	Tom Flannigan	612-790-3747
Delano	\$1,850,000	Tom Flannigan	612-790-3747
Little Canada	\$1,690,000	Tom Flannigan	612-790-3747
MN Portfolio	Call Broker	Tom Flannigan	612-790-3747

New Jersey

Wharton	Call Broker	Linda Cinelli/Edan Cohen	908-722-5661
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New York

Jordan	\$300,000	Guy Blake	845-787-1372
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North Carolina

Gastonia	Call Broker	Jamey Cox	704-995-9168
Mt. Pleasant	\$2,400,000	Jamey Cox	704-995-9168
Salisbury	Call Broker	Jamey Cox	704-995-9168

Oklahoma

Broken Arrow	\$6,800,000	Jared Jones	918-609-0541
Edmond	Call Broker	Jared Jones	918-609-0541
Grove	\$1,950,000	Jared Jones	918-609-0541
Lawton	SOLD	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	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Cleburne	SOLD	Chad Snyder/Tyler Trahant	817-813-5642
Fort Worth	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Granbury	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Mineral Wells	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Paris	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
San Antonio	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642

Washington

Spokane	Call Broker	Ryan Layton	509-435-2424
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ARGUS SALES



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



Congratulations to **Cole Carosella and Matthew Cox of Argus Self Storage Advisors** who sold a development site in Denver, CO! Contact Cole and Matthew at 720-909-8602 for details.



Congratulations to **Chad Snyder & Tyler Trahant of Dominus Commercial** who represented the buyer of Discount Storage in Mineral Wells, TX! Contact Chad and Tyler at 817-242-2361 for details.



Congratulations to **Ryan Layton of American Real Estate Associates** who sold Meadowlark Storage in Tonasket, WA! Contact Ryan at 509-435-2424 for details.



Congratulations to **Tom Flannigan, Matt Haugen and Alex Ihrke of Area Commercial Real Estate Services** who sold Store It America in Clinton, IA! Contact the team at 612-790-3747 for details.



Congratulations to **Jared Jones, CCIM of Jones Investment Properties** who sold the Fortress Self Storage 4-property portfolio in Lawton, OK! Contact Jared at 918-948-3941 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

Area CRE Services
NAI Pleasant Valley
Goldman Investment Advisors, Inc.
Schick & Associates
Preview Properties.com

312-518-3550
612-790-3747
216-831-3310
913-707-9030
317-403-1205
810-494-2062

Northern IL, WI
MN, ND, IA
OH
KS, MO, Southern IL
IN
MI

SOUTH CENTRAL

Bill Barnhill, CCIM
Faith Pate
David Etzold
Larry Goldman, CCIM
Mike Helline & Aaron Willis
Jared Jones, CCIM
Chad Snyder & Tyler Trahant

Omega Properties, Inc.
MLB Commercial Real Estate
Etzold & CO
Goldman Investment Advisors, Inc.
Column Realty
Jones Investment Properties
Dominus Commercial

251-432-1287
713-805-2907
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 & Cole Carosella
Ken Miller
Tenere Williams
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
Douglas Elliman Real Estate
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
626-788-7774
206-200-3325

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