



SELF STORAGE ADVISORS

MARKET MONITOR

America's Premier Self Storage Brokers

Issue VI-2023

Preparing for Change in Uncertain Times

by Ben Vestal

Change and uncertainty go hand in hand - whether it's looming inflation or the impact of rising interest rates, the stability of the economy is in question and creating uncertainty. Today, many are adopting a "wait and see" policy when it comes to evaluating the market for self-storage investments. We know that the three biggest risks to your self-storage value and the overall industry are interest rates, cap rates and overbuilding. These risks have been looming in the background for years, but as our economy will inevitably change, so too is the likelihood that these risks will have a meaningful impact on the value of your investment.

Interest Rates:

Interest rates are the most unpredictable aspect of the equation today. *I need to first say that I have quit predicting whether interest rates will go up or down because I have been wrong for the last 10 years!* We have seen upward pressure on the 10-Year Treasury over the last 12 months, but it is unlikely that there will be any meaningful movement downward before the elections in 2024. After this month's Fed meeting, it is clear that the Fed will continue to keep pressure on higher rates with the recent CPI index indicating a 4.0% increase in consumer prices from May 2022 to May 2023. The smart money is on the Fed continuing to raise rates, but the information as of late gives much needed ammunition to the Fed hawks as they hope to continue to raise interest rates sooner than later. However, the looming Presidential election and effects on the investment market will inevitably keep everyone on their toes for the time being.

It is also widely discussed that the Fed is using other tools to restrict credit and slow the economy, such as tightening FDIC regulations on the banks, making it much more difficult for banks to make CRE loans. Because of this, I believe it would be prudent of self-storage owners to actively manage their debt maturities and make sure you are not tripping any of your loan covenants as most banks are trying to shed commercial real estate loans, especially loans with interest rates below 6%.

Cap Rates:

Cap rates provide a simple way for experienced real estate professionals to discuss property values and market conditions. In layman's terms, cap rates are the rate of return an owner would expect to receive without using any debt on an income-producing investment property. But cap rates are a very subjective topic and can be misleading because not everyone has the same depth of knowledge and experience with the market or asset class. So, when you are talking cap rates, it is worth a few questions with regards to operating expenses, occupancy, and the overall market to make sure you are on the same page. Most experienced real estate professionals can quickly decipher fiction from non-fiction when talking cap rates with real estate investors.

Cap rates and interest rates have a direct correlation in that the risk-adjusted return that a cap rate represents is oftentimes set by the spread between the return that an investor can achieve without meaningful risk, such as the 10-Year Treasury, and the increased return an investor can achieve by purchasing an income-producing property. Today, self-storage values are coming off all-time highs and slowly softening. Cap rates today are ranging from 5.25%-6.75% depending on location, market, asset quality,

age of the property, occupancy, and size just to name a few. It is clear that self-storage property values are more affected by cap rates and the interest rate market rather than the operations of the property. Even though your self-storage income stream has proven to be very reliable, remember you have made more money because you are in the real estate business, not the self-storage business. With looming uncertainty in the economy and the real estate market, some owners may decide that now is the time to capitalize on these still relatively high valuations and sell their properties before the cycle turns further downward.

Overbuilding:

Over the last few years, we have all seen the comparison of the self-storage industry to other real estate sectors and in short, the returns are higher and the various risks are more moderate with one exception; the risk of overbuilding. The main reason for this is that self-storage operators are all competing for the same customer because it is a more localized business compared to other real estate. All self-storage customers are basically looking for the same product; a friendly, clean, safe and dry place to store their personal treasures. In almost every case where occupancies and rents have declined, strong evidence suggests that overbuilding is a substantial contributor to this undesirable market condition.

The sad part of this overbuilding tale is that nobody wants to develop a poorly performing project. So why do they proceed? While a few developers are just stubborn, most are thoughtful and concerned about how they invest their money. The problem is that most information in the self-storage industry is either not available or unreliable. For the most part, the self-storage industry has to rely on "statistical" projections which, at best, provide limited information about the largest markets and none about the submarkets or secondary markets. The lack of quality submarket information leaves most self-storage developers "flying blindly" when they are making the decision to build a self-storage project. Some may say, "it is a great self-storage site" but they should also ask, "is it a good self-storage market?" It is worth noting that many of the large operators seem to have a good handle on what is going on in specific markets and they are developing and buying self-storage properties with a significant strategic advantage of having empirical data. Keep a close eye on overbuilding in your market because most industry experts feel this is a major risk moving forward.

Much like the current economic situation, the self-storage investment market is changing and with increased federal regulations on the banks and increasing interest rate pressures, we will see changes in the investment community's risk tolerance that will inevitably affect the value and liquidity of self-storage investments. Whether it is higher interest rates or the overall change in fiscal policy (which could limit the banks' willingness to make new loans), the good news is that we still have a window of opportunity to capitalize on this stagnant economy (which will continue to evolve for the next several months as the Fed and banking industry continue to try and control inflation). This has created an opportunity for active investors to push through investments as the landscape is not well-defined and the self-storage market fundamentals remain strong. **MM**

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



PROPERTY SHOWCASE

Welton, AZ

\$1,200,000

- 165 Units
- 11,150 RSF
- Year Built 2008
- 96% Occupancy
- Plans and permits for +31,000 SF expansion
- High traffic location with excellent visibility
- Fully fitted for remote contactless management

NEW!



Jeff Gorden, CCIM & Donnie Dodson
480-331-8880
jeff@gorden-group.com

Bay City, TX

Call Broker for Price

- 384 Units
- 40,363 RSF
- 10.83 Acres
- 100% Occupied
- NEW and Best in Class
- 40,363 SF Storage + 26,950 SF Single use tenant
- Located on I35 (main thoroughfare into Bay City)
- Strong lease up

NEW!



Faith Pate & Bill Brownfield, CRE
MLB Commercial
713-805-2907
fpate@mlbcre.com

Colorado Springs, CO

Call Broker for Price

- 351 Units
- 54,300 RSF
- Extreme value add opportunity – 57% unit occupancy due to little to no management
- single story drive-up with only six unit types
- Great infill location with strong demographics

NEW!



Cole Carosella & Matthew Cox
720-909-8602
cole@argus-realestate.com
matthew@argus-realestate.com

La Marque, TX

\$1,265,000

- 112 Units
- 9,944 RSF
- Stabilized Facility
- NEW Improvements - Exterior Metal Framing & Doors, 4k Cameras, & Stadium Lights
- Great opportunity for first-time buyers
- Close proximity to major thoroughfare I-45

NEW!



Faith Pate & Bill Brownfield, CRE
MLB Commercial
713-805-2907
fpate@mlbcre.com

Pueblo, CO

Offers Due 7/13

- 347 Units
- 43,700 RSF
- Opportunity to buy a fully entitled site in an under supplied market
- Strong market demographics
- Climate-control unit mix – little to none currently in the submarket
- Possible expansion for buyer

NEW!



Cole Carosella & Matthew Cox
720-909-8602
cole@argus-realestate.com
matthew@argus-realestate.com

San Antonio, TX

\$1,150,000

- Development Site
- 886 Units
- 95,000 RSF
- 2.5 +/- Acres
- Shovel ready – Plans approved and drawn (Permit has been paid)
- Ability to construct approx 125,000 Gross SF
- Current zoning permits self storage development

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
Loxley	\$2,650,000	Bill Barnhill/Sharon Wright	251-510-1822
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
Welton	\$1,200,000	Jeff Gorden	480-331-8880

California

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

Colorado

Colorado Spgs	Call Broker	Cole Carosella	720-909-8602
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
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	SOLD	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	\$2,295,000	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	SOLD	Tom Flannigan	612-790-3747
Osceola	SOLD	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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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

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

Edmond	Call Broker	Jared Jones	918-609-0541
Grove	\$1,950,000	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
Bay City	Call Broker	Faith Pate/Bill Brownfield	713-805-2907
Fort Worth	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Granbury	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
La Marque	Call Broker	Faith Pate/Bill Brownfield	713-805-2907
Mineral Wells	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 Tampa, FL and a development site in Englewood, FL! Contact Josh and Frost at 904-591-0140 for details.



Congratulations to **Tom Flannigan, Matt Haugen, Alex Ihrke & Nathan Gottlieb of Area Commercial Real Estate Services** who sold Olson Mini Storage in Keewatin, MN and Osceola Self Storage in Osceola, IA! Contact the team at 612-790-3747 for details.



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



Congratulations to **Larry Goldman, CCIM of Goldman Investment Advisors** who sold a self storage development site in Lawrence, KS! Contact Larry at 913-707-9030 for details.



Congratulations to **Cole Carosella and Matthew Cox of Argus Self Storage Advisors** who sold A-Plus Self Storage in Denver, CO! Contact Cole and Matthew at 720-909-8602 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

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

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

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

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
406-698-6850
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