

It's Time to Find a Chair!

by Ben Vestal

For the last several months the industry has been abuzz about the uncertainty in the real estate markets. In this high-stakes game of musical chairs, NOW is the time to find a chair before the music stops, bringing to an end high real estate prices and available financing. This is the time for serious analysis of your personal objectives and options because the real estate and credit markets are likely to severely limit your options and outcomes.

By most measures, the self-storage rental business is reasonably steady, but not as good as it has been. According to Yardi, street rates have remained negative through August, down 4.1% nationwide. Demand has remained weak due to slow home sales, rising interest rates and overall economic belt tightening, and data shows that Google searches for self-storage are well below the peak of 2021.

However, the reality is that all self-storage owners are also in the real estate business – and in a big way! Unfortunately, the term that we would use today to describe the real estate aspects of self-storage would not be “stable” and most real estate professionals would probably not use the term “positively inclined” for the foreseeable future. I am sure that there is no one on the planet that is not aware of the rapidly rising interest rates, but I was somewhat surprised to find that self-storage owners are aware of the situation and the true effects on their value.

What is the Big Question?

The real question is: what do rising interest rates and credit availability, as well as increasing capitalization rates mean for self-storage owners and the value of their properties? In other words, how do changes in the macro economy and the credit markets impact the value of self-storage properties and owners' flexibility?

By way of background, capitalization rates (the way self-storage and other commercial real estate is valued) and interest rates are inexorably linked. If interest rates go up, cap rates will ultimately go up as well, and vice versa. However, due to various market conditions, the link between the two is somewhat flexible as to timing and magnitude. Think about the relationship between the two rates as being tied together by a short, strong rubber band that allows the relationship to expand and contract somewhat, but the overall relationship remains very strong and closely related.

What is Happening to My Value?

The short, but honest answer is that the value is probably going down if it is a stabilized property. That is the bad news, but the good news is that is likely still worth more than you paid for it if you bought it before 2019! Cap rates have moved up not only because increased interest rates but also because of more perceived risk.

An example may help to explain the mechanics of the numbers. Assume that we have a property that generates a Net Operating Income of \$300,000, at recent cap rates for high quality properties the value would be about \$5,217,000 (5.75% cap rate), if cap rates go up 1.25% as suggested by the market, the new value would be \$4,285,000, or an 18% decline in total value. However, if the property were financed at 75% of the first value the equity in the property would decrease 71%.

What About Refinancing?

While interest rates, loan availability and loan amounts have become less certain in recent weeks, the availability of loans still seems to be prevalent, just not on compelling terms. If you are holding the property for the long term, it is a very good time to make sure that you have a fixed rate mortgage with a term of at least three years and preferably not less than five years. Having a remaining term on a good loan is insurance against difficult credit and high interest rate market periods. The results of having to refinance during times of credit stress can be very costly and even catastrophic in serious credit “crunches” such as what occurred in the 1980s.

To carry our musical chairs analogy a little farther, if your objectives are to hold your facility for the long run, one potential opportunity would be the refinance “chair.” It is essential that you make sure you have financing that has a significant remaining term and a fixed interest rate that your operations can support. If, on the other hand, you have any thoughts about selling in the next three to five years, or if significant competition is entering your market, you may want to find a “chair” that accommodates accelerating your selling decision to avoid continued rising cap rates and a lower price. Whichever chair you choose, make sure it is comfortable for you and your objectives because the music is about to stop for awhile. **MM**

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

NEW

Daphne, AL
Call for Offers

- Offers Due 11/15/23
- 92,700 RSF
- 506 Units
- 10.87 +/- Acres
- On-site office with attached garage for company use and storage

Stuart P. LaGroue, Sr.
& Bill Barnhill, CCIM
251-455-6262
stuart@selfstorage.com



NEW

Fort Pierce, FL
\$1,300,000

- Development Site
- 67,000 GSF
- 5.06 Acres
- Over 520 feet of frontage along US-1 with 28,000 vpd
- Strong residential development in the market area

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



NEW

Hoover, AL
\$1,250,000

- Development Site
- 2.6 +/- Acres
- Frontage road along Old Columbiana
- Average 5-mile household income: \$132,424
- 3-mile SF per Capita: 5.67

Brian Rowley
& Bill Barnhill, CCIM
251-383-8051
rowley@selfstorage.com



NEW

Albany, GA
Call for Offers

- Offers Due 11/14/23
- 44,100 RSF
- 330 Units
- 6.37 Acres
- Lighted, landscaped, and gated with security cameras
- 14,600 AADT per day

Ryan Haney, Josh Koerner
& Frost Weaver
904-591-1556
rhaney@weaver-realty.com



NEW

Lake Havasu City, AZ
\$5,300,000

- 64,040 RSF
- 128 Units
- 96% Occupied
- Proximity to Lake Havasu & Boat Ramp
- Opportunity for Condominium Conversion

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



NEW

Valdosta, GA
Call for Offers

- Offers Due 11/9/23
- 19,150 RSF
- 157 Units
- 4.06 Acres
- Fully automated access and security cameras

Ryan Haney, Josh Koerner
& Frost Weaver
904-591-1556
rhaney@weaver-realty.com



NEW

Mesa, AZ
\$5,950,000

- 266,345 RSF
- Fully Entitled For RV/Boat Storage
- High Regulatory Barriers To Entry
- Excellent Freeway Access And Visibility

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



NEW

West Burlington, IA
\$550,000

- 16,064 RSF
- 100 Units
- 2.03 Acres
- Situated on over 2 acres of land with room for expansion or additional outdoor storage
- Priced well below replacement cost

Nathan Gottlieb & Tom Flannigan
612-930-6614
nathan@selfstorage.com



NEW

Elizabeth, KY
\$9,950,000

- 83,250 RSF
- 664 Units
- New development
- Class-A facility with Certificate of Occupancy issued 8/23/23
- Over 5,000 residential units under construction or in planning in Elizabethtown



Rob Schick
317-403-1205
schickassociates@gmail.com

NEW

Omak & Okanogan, WA
\$750,000

- 13,332 RSF
- 94 Units
- 0.78 +/- Acres
- 2-Property Portfolio
- 95% Current Occupancy
- Located in a high-traffic visible area
- Perimeter Fencing



Ryan Layton & Greg Meager
509-435-2424
rlayton@areanw.com

NEW

Oronoco, MN
\$2,800,000

- 38,074 RSF
- 167 Units
- 5.71 Acres
- Approval to add an additional 20,800 RSF
- Fantastic visibility to over 30,000 VPD and only 2.52 SF/ Capita in the 5 mile radius



Tom Flannigan
612-790-3747
tom@selfstorage.com

NEW

Spokane, WA
\$1,900,000

- 20,048 RSF
- 152 Units
- 1.19 Acres
- 16 outdoor parking stalls contained within an 8,500 SF fenced lot
- There are no major competitors to the south of the facility (approximately 3 miles)



Ryan Layton & Greg Meager
509-435-2424
rlayton@areanw.com

NEW

St. Cloud, MN
\$4,200,000

- Conversion Opportunity
- 85,747 RSF
- 799 Proposed Units
- 6.24 Acres
- Population over 55,000 in the 3-mile radius and average household incomes above \$75,000



Tom Flannigan
612-790-3747
tom@selfstorage.com

NEW

Cheyenne, WY
Call for Offers

- Offers Due 11/21/23
- 99,602 RSF
- 725 Units
- 3-Property Portfolio
- Strategically located throughout Cheyenne allows easy access for all residents



Cole Carosella Matthew Cox & Jon Nesbitt - WY Lic #16537
720-909-8602
cole@argus-realestate.com

NEW

Harrisonville, MO
Call for Offers

- Offers Due 11/7/23
- 58,470 RSF
- 270 Units
- 4.62 Acres
- Room for Expansion
- Fully fenced with electronic gate access
- On-site manager's residence



Larry Goldman, CCIM
913-707-9030
lgoldman@selfstorage.com

NEW

Billings, MT
\$8,500,000

- 85,784 RSF
- 414 Units
- 7,344 RSF Outside Parking
- 4.722 Acres
- Newly Constructed Facility
- Located Off Interstate 90, Exit 443



Kim VanDelinder & Larry Hayes
406-698-6850
kim@theselfstoragebrokers.com

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	Call Broker	Bill Barnhill/Stuart LaGroue	251-510-1822
Daphne	\$5,700,000	Bill Barnhill/Sharon Wright	251-510-1822
Hoover	\$1,250,000	Bill Barnhill/Brian Rowley	251-421-0919
Loxley	\$2,650,000	Bill Barnhill/Sharon Wright	251-432-1287
Mobile	\$1,851,300	Bill Barnhill	251-432-1287
Mobile	\$398,000	Bill Barnhill/Brian Rowley	251-421-0919

Arizona

Lake Havasu City	\$5,300,000	Jeff Gorden	480-331-8880
Mesa	\$5,950,000	Jeff Gorden	480-331-8880
Star Valley	\$1,375,000	Donnie Dodson	480-331-8880
Wellton	\$1,200,000	Jeff Gorden/Donnie Dodson	480-331-8880

Arkansas

Greers Ferry	\$3,750,000	Larry Goldman	913-707-9030
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California

Sonora	\$225,000	Ken Miller	530-768-1650
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Colorado

Colorado Spgs	SOLD	Cole Carosella/Matthew Cox	720-909-8602
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Connecticut

New Milford	Call Broker	Linda Cinelli/Edan Cohen	908-722-5661
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Florida

Portfolio (6)	\$16,463,120	Josh Koerner/Frost Weaver	904-594-0140
Delray Beach	\$4,800,000	Josh Koerner/Frost Weaver	904-594-0140
Fort Myers	\$3,250,000	Josh Koerner/Frost Weaver	904-594-0140
Fort Pierce	\$1,300,000	Josh Koerner/Frost Weaver	904-594-0140
Palm Bay	\$2,300,000	Josh Koerner/Frost Weaver	904-594-0140
Port St. Joe	Call Broker	Linda Cinelli/Edan Cohen	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	\$6,800,000	Josh Koerner/Frost Weaver	904-594-0140
Zephyrhills	\$3,750,000	Josh Koerner/Frost Weaver	904-594-0140

Georgia

Albany	Call Broker	Ryan Haney/Josh Koerner	904-591-1556
Cataula	Call Broker	Brooks Dove	678-439-8441
Hahira	\$3,900,000	Ryan Haney/Josh Koerner	904-591-1556
Kathleen	Call Broker	Jared Jones/Brooks Dove	918-948-3941
Richmond Hill	\$1,650,000	Ryan Haney/Josh Koerner	904-591-1556
Valdosta	Call Broker	Ryan Haney/Josh Koerner	904-591-1556

Illinois

Crest Hill	\$1,115,000	Bruce Bahrmassel/Cole Carosella	312-518-3550
Seneca	\$1,299,000	Bruce Bahrmassel/Cole Carosella	312-518-3550
Sleepy Hollow	\$999,000	Bruce Bahrmassel/Cole Carosella	312-518-3550

Indiana

Terre Haute	\$1,075,000	Rob Schick	317-403-1205
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Iowa

West Burlington	\$550,000	Tom Flannigan	612-790-3747
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Kansas

Iola	\$815,000	Larry Goldman	913-707-9030
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Kentucky

Elizabethtown	\$9,950,000	Rob Schick	317-403-1205
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Minnesota

Delano	SOLD	Tom Flannigan	612-790-3747
Madison	SOLD	Tom Flannigan	612-790-3747
Mankato	\$875,000	Tom Flannigan	612-790-3747
Oronoco	\$2,800,000	Tom Flannigan	612-790-3747
St. Cloud	\$4,200,000	Tom Flannigan	612-790-3747

Mississippi

Sherman	\$925,000	Bill Barnhill/Brian Rowley	251-432-1287
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Missouri

Harrisonville	Call Broker	Larry Goldman	913-707-9030
Liberty	\$2,270,000	Larry Goldman	913-707-9030

Montana

Billings	\$8,500,000	Kim VanDelinder/Larry Hayes	406-698-6850
Livingston	SOLD	Kim VanDelinder/Larry Hayes	406-698-6850

New Jersey

Wharton	\$3,495,000	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

Salisbury	Call Broker	Jamey Cox	704-995-9168
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Oklahoma

Moore	\$850,000	Jared Jones	918-948-3941
Ponca City	\$1,800,000	Jared Jones	918-948-3941

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
Granbury	SOLD	Chad Snyder/Tyler Trahant	817-813-5642
La Marque	Call Broker	Faith Pate/Bill Brownfield	713-805-2907
Mexia	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
San Antonio	SOLD	Chad Snyder/Tyler Trahant	817-813-5642

Washington

Omak/Okanogan	\$750,000	Ryan Layton/Greg Meager	509-435-2424
Spokane	\$1,900,000	Ryan Layton/Greg Meager	509-435-2424
Tumwater	\$950,000	Ryan Layton	509-435-2424

Wyoming

Cheyenne	Call Broker	Cole Carosella/Matthew Cox	720-909-8602
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RECENT SALES



Congratulations to **Guy Blake of Pyramid Brokerage Company** who sold a self-storage portfolio in Orange County, NY! Contact Guy at 845-522-5900 for details.



Congratulations to **Cole Carosella and Matthew Cox** who sold Storage Time in Colorado Springs, CO! Contact Cole and Matthew at 720-909-8602 for details.



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



Congratulations to **Josh Koerner and Frost Weaver of Weaver Realty Group, Inc.** who sold a CubeSmart Managed facility in Tamarac, FL! Contact Josh at 904-591-0140 for details.



Congratulations to **Chad Snyder & Tyler Trahant of Dominus Commercial** who sold a development site in San Antonio, TX and New Storage in Granbury, TX! Contact Chad and Tyler at 817-242-2361 for details.



Congratulations to **Bill Barnhill, CCIM and Stuart LaGroue of Omega Properties, Inc.** who sold Dawes Stor-All in Mobile, AL! Contact Bill and Stuart at 251-432-1287 for details.



Congratulations to **Nathan Gottlieb, Alex Ihrke, Matt Haugen and Tom Flannigan of Area CRE Services** who sold StoreYour Self Storage in Delano, MN and Madison Southside Storage in Madison, MN! Contact the team at 612-790-3747 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
Josh Koerner & Ryan Haney

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

251-432-1287
704-995-9168
770-530-8441
757-474-5364
904-591-0140
904-591-1556

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
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
Larry Goldman, CCIM
Mike Helline & Aaron Willis
Jared Jones, CCIM
Sam & Jacob Livingston
Faith Pate
Chad Snyder & Tyler Trahant

Omega Properties, Inc.
Goldman Investment Advisors
Column Realty
Jones Investment Properties
JHL Cardwell
MLB Commercial Real Estate
Dominus Commercial

251-432-1287
913-707-9030
502-296-4586
918-948-3941
915-581-8754
713-907-6497
817-980-7276

AL, MS, LA
AR
TN, KY
OK
West TX & NM
Central & South TX
North TX

WEST

Jeff Gorden, CCIM
Jeff Gorden, CCIM
Kim VanDelinder & Larry Hayes
Scott King
Ryan Layton
Cole Carosella & Matthew Cox
Ken Miller
Tenere Williams
Thomas Wolter

KW Commercial
The Gorden Company
Hayes & Associates
Merit Commercial Real Estate
American Real Estate Associates
Argus Self Storage Advisors
Northstate Commercial Partners
Douglas Elliman Real Estate
RE/MAX Commercial

480-331-8880
702-643-1000
406-698-6850
541-890-6708
509-435-2424
720-909-8602
530-768-1650
626-788-7774
206-200-3325

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