

What's Next for Self-Storage?

by Ben Vestal

The last year has been very difficult for self-storage owners and operators due to the roll down of rental rates, volatile capital markets and wavering investor sentiment which have forced many operators to change their marketing campaigns, embrace revenue management, and move outside their comfort zones. Today's savvy self-storage owner/operators must get comfortable with lower move-in rental rates and VERY aggressive existing customer rate increases (ECRIs) at a very high cadence (in months 3 or 4). It is clear that the large operators dropped rental rates meaningfully starting in early 2023 and smaller operators have only recently adjusted to match the discounted rental rates. This has led to the larger operators taking 3%-7% of occupancy away from the smaller operators. Today we are finding that large operators are enjoying occupancy in the low 90s and smaller operators are in the low-to-mid 80s. The very aggressive ECRIs have allowed both large and small operators to maintain positive revenue growth, albeit at very moderate levels compared to years past. Larger operators are betting that higher occupancy will carry the day as they will have more runway with ECRIs while the self-storage market continues to muddle through a very sluggish economy. As I have said in the past, self-storage does well in good and bad economies but struggles when the economy is flat. Today and over the last 6-12 months the economy has been relatively flat.

We all have our fingers crossed that a strong leasing season is right around the corner, but there are some concerns that continued elevated interest rates and a slowdown in home sales will lead to a less-than-stellar leasing season. We know that customer movement creates self-storage demand and if fewer people are moving this year, it could put a damper on the upcoming leasing season. The silver lining that we are all hoping for is that increasing product awareness and increased usership will outweigh the lack of customer movement. The recent demand study conducted by the SSA found that the percentage of households that use self-storage increased to 11.1% in 2022 from 10.6% in 2020 and 8.95% from 2005. As a result, the self-storage industry appears to be well-positioned to withstand the economic headwinds in 2024.

Over the last several years, we have seen a dramatic change in how successful owner/operators are managing their street rates, existing customer rate increases, and marketing to new and existing customers. In today's competitive environment, you need to be open to change and actively adjust your operations to ensure you remain competitive while protecting your property's value. Ultimately, we are seeing dramatic shifts in how customers are shopping for and comparing self storage properties. Sophisticated self-storage owner/operators are executing online marketing and revenue management techniques and are able to drive customers to their property from greater distances. Ultimately, they can achieve higher revenues and reduce their operating expenses while protecting and driving their property's value higher.

There is a possible crossroads this leasing season and knowledgeable owner/operators are much better positioned to compete as their properties will outperform the market. However, as we roll into election season, it is clear that the "smart money" is still in the market and very aggressive when purchasing self-storage properties that are independently owned and operated. Our bid sheets for deals under \$15M have never been deeper, as the "smart money" feels their acquisition strategies and the platforms of the bigger operators mentioned above will allow them to extract the value-add component necessary to achieve outsized returns. It is always important to protect the value of your property, and today more than ever, it is becoming increasingly difficult to compete with the large operators. Review your short-term and long-term investment strategies and what your path forward looks like regarding management practices or extracting value through a sale. Independent sellers today have been delightfully surprised with very deep bid sheets and valuations that seem out of line considering the current capital markets. Buyers that are leaning into deals today will be rewarded in years to come as the self-storage industry becomes more relevant and a mainstay in the budgets of American households. **MM**

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

NEW

Daphne, AL
\$10,900,000

- Two Property Portfolio
- 92,700 RSF
- 506 Units
- 10.87 +/- Acres
- On-site office with attached garage for company use and storage
- Electronic keypad access
- Built in 2007, 2017, 2018 & 2019
- 81% Occupancy

Bill Barnhill, CCIM
& Sharon R. Wright, CCIM
251-510-1822
sharon@selfstorage.com



NEW

Elkhart, IN
\$980,000

- 76,120 RSF
- 542 Units
- 5 Acres
- Turnkey development
- Supply/demand study shows the trade area is undersupplied by 275,000 SF in a 5-mi radius and 150,000 SF in a 3-mi radius
- 5-Mile Average Household Income = \$72,836 (projected to be \$83,305 in 2028)

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



NEW

Mohave Valley, AZ
\$990,000

- Development Site
- 68,000 RSF
- 164 Units
- 4.5 Acres
- Excellent visibility
- High traffic US Highway 95 with easy access to I-40
- Proximity to the Colorado River and Lake Havasu
- Condominium build opportunity

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



NEW

Bemidji, MN
Market Bid

- 3-Property Portfolio
- 154,540 Total RSF
- 690 Total Units
- Recent expansion of over 22,400 RSF at North Site completed in August 2023 and 20,000 RSF at South site in October 2022
- Potential Storage Income of \$1,051,380 At Current Rent Rates
- Expansion available at all sites

Matt Haugen
& Tom Flannigan
612-852-5048
mhaugen@selfstorage.com



NEW

Arcadia, FL
\$1,400,000

- Development Site
- 74,910 GSF
- 4.42 +/- Acres
- Proposed single story with a mix of climate-controlled and drive-up storage
- Significantly underserved market with 0.11 SF per capita and gross shortage of climate-controlled storage

Josh Koerner, Frost Weaver
& Carrie Stowell
904-591-0140
josh@coastalstorage.com



NEW

Bailey's Harbor, WI
\$800,000

- 20,120 RSF
- 67 Units
- 8.74 Acres
- Property is zoned Countryside
- Fenced storage area (includes 4 buildings and driveways)
- Ample room to expand
- Opportunity to increase revenue with addition of non-real estate storage containers

Bruce Bahrmassel
312-518-3550
bruce@selfstorage.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	\$10,900,000	Bill Barnhill/Sharon Wright	251-510-1822
Daphne	\$5,650,000	Bill Barnhill/Sharon Wright	251-510-1822
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
Mohave Valley	\$990,000	Jeff Gorden	480-331-8880
Safford	\$650,000	Donnie Dodson	480-331-8880
Star Valley	\$1,375,000	Donnie Dodson	480-331-8880
Tuscon	\$2,825,000	Jeff Gorden	480-331-8880

Arkansas

N. Little Rock	Call Broker	Jared Jones	918-948-3941
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Colorado

Denver	Call Broker	Cole Carosella/Matthew Cox	720-909-8602
Henderson	Call Broker	Cole Carosella/Matthew Cox	720-909-8602

Florida

Arcadia	\$1,400,000	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
Holly Hill	\$2,900,000	Josh Koerner/Frost Weaver	904-594-0140
Palm Bay	\$2,300,000	Josh Koerner/Frost Weaver	904-594-0140
Pinellas Park	\$2,900,000	Josh Koerner/Frost Weaver	904-594-0140
Port St. Joe	Call Broker	Linda Cinelli/Edan Cohen	908-722-5661
Sarasota	\$2,500,000	Josh Koerner/Frost Weaver	904-594-0140
Sarasota	\$2,700,000	Josh Koerner/Frost Weaver	904-594-0140
Vero Beach	\$6,800,000	Josh Koerner/Frost Weaver	904-594-0140

Georgia

Albany	\$3,300,000	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
Richmond Hill	\$1,650,000	Ryan Haney/Josh Koerner	904-591-1556

Illinois

Chatham	\$5,250,000	Bruce Bahrmassel/Cole Carosella	312-518-3550
Crest Hill	\$1,075,000	Bruce Bahrmassel/Cole Carosella	312-518-3550
Sleepy Hollow	\$750,000	Bruce Bahrmassel/Cole Carosella	312-518-3550

Indiana

Elkhart	\$980,000	Rob Schick	317-403-1205
Terre Haute	SOLD	Rob Schick	317-403-1205

Iowa

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

Iola	SOLD	Larry Goldman	913-707-9030
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Kentucky

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

Bemidji	Call Broker	Tom Flannigan	612-790-3747
Granite Falls	\$600,000	Tom Flannigan	612-790-3747
St. Cloud	\$3,500,000	Tom Flannigan	612-790-3747
Silver Lake	\$1,800,000	Tom Flannigan	612-790-3747

Mississippi

Pascagoula	\$4,800,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Sherman	\$795,000	Bill Barnhill/Brian Rowley	251-432-1287

Missouri

Harrisonville	Call Broker	Larry Goldman	913-707-9030
Harrisonville	\$2,400,000	Larry Goldman	913-707-9030
Wright City	\$1,580,000	Larry Goldman	913-707-9030

Montana

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

Egg Harbor	Call Broker	Linda Cinelli/Edan Cohen	908-722-5661
Wharton	\$3,495,000	Linda Cinelli/Edan Cohen	908-722-5661
Williamstown	Call Broker	Linda Cinelli/Edan Cohen	908-722-5661

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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North Dakota

Fargo	\$3,000,000	Tom Flannigan	612-790-3747
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Oklahoma

Moore	\$850,000	Jared Jones	918-948-3941
OKC/Mustang	Call Broker	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	SOLD	Chad Snyder/Tyler Trahant	817-813-5642
Bay City	\$5,700,000	Faith Pate/Bill Brownfield	713-805-2907
La Marque	\$995,000	Faith Pate/Bill Brownfield	713-805-2907
Mexia	\$500,000	Chad Snyder/Tyler Trahant	817-813-5642

Washington

Spokane	SOLD	Ryan Layton/Greg Meager	509-435-2424
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Wisconsin

Bailey's Harbor	\$800,000	Bruce Bahrmassel	312-518-3550
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Wyoming

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



Congratulations to **Rob Schick of Schick & Associates** who sold Fort Harrison Storage in Terre Haute, IN! Contact Rob at 317-403-1205 for details.



Congratulations to **Larry Goldman, CCIM of Goldman Investment Advisors** who sold Storage & RV of Iola in Iola, KS! Contact Larry at 913-707-9030 for details.



Congratulations to **Tyler Trahant & Chad Snyder of Dominus Commercial** who sold Blacklock Storage Land in Anna, TX! Contact Tyler & Chad at 817-242-2361 for details.



Congratulations to **Ryan Layton & Greg Meager of American Real Estate** who sold University District Express Storage in Spokane, WA! Contact Ryan & Greg at 509-435-2424 for details.



Argus has compiled all of the 2023 self-storage sales comps for your market and would like to provide you with a FREE copy for your review.

This report offers insights into

- Real time market data
- Sales by major market area
- Valuation and cap rate trends

Please reach out to your local Argus Broker to request the 2023 sales comp report for your region. We look forward to hearing from you!

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
Coastal Storage Group
Coastal Storage Group

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
Samuel Livingston & Jacob Livingston
Faith Pate
Chad Snyder & Tyler Trahant

Omega Properties, Inc.
Goldman Investment Advisors
Column Realty
Jones Investment Properties
Livingston Brokerage LLC
MLB Commercial Real Estate
Dominus Commercial

251-432-1287
913-707-9030
502-296-4586
918-948-3941
915-581-8754
713-805-2907
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
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Eastern WA, Northern ID
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Southern CA
Western WA