

2025 Outlook

by Ben Vestal

We have reached the time of year when we reflect on the lessons learned in 2024 and set our sights on 2025. Without question, 2024 proved to be a very challenging year. There was real anxiety related to soft market fundamentals, rising interest rates which made most investment reports irrelevant, and pricing discovery on every deal. In many ways, 2024 was not that much different than 2023. What we do know is that the investment market has continued to evolve and the overall outlook for 2025 is cautiously optimistic. Over the last 3-6 months the Fed has started to cut interest rates and provided insights into potential future interest rate cuts for the coming year. However, the impact of the Federal Reserve's rate cuts on the self-storage industry will be minimal at best and will not have an immediate impact on cost of capital to self-storage investors or property valuations. But it will have an impact on consumer confidence and market sentiment while also having a trickle-down effect to self-storage customers. We have also started to see improvement in leasing velocity and rental rates seem to be stabilizing according to Yardi, but it is too early to tell if the market has bottomed.

Argus's 30-year history in the self-storage industry gives us a unique, all-encompassing perspective for self-storage owners around the country, as we have been through a few market cycles. 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 2025.

Happy Holidays from all of us here at Argus!

2025 Market Outlook:

- Industry occupancy has been declining from historically high levels. The self-storage REITS are holding occupancy higher with heavily discounted rental rates, thereby sacrificing the holy grail of self-storage investing: NOI growth. We expect industry occupancy will bounce back 200-400 basis points by the end of 2025, largely due to an uptick in home sales, increased utilization, longer length of stay, and the return of consumer confidence.
- Rental rates continued to fall in 2024. We expect modest growth in rental rates during 2025 with most markets' rental rates growing in the 2-3% range as demand starts to improve due to improving economic drivers and consumer confidence.
- Self-storage valuations will stabilize in 2025 with cap rates remaining flat or slightly compressing. It is clear cap rates are lower today than they should be considering soft market fundamentals and the current cost of debt and equity. Improving market fundamentals and clarity in the economy and debt markets will stabilize valuations and possibly push valuations higher by the end of 2025.

(continued)

- Growing operating costs such as insurance, payroll, and real estate taxes will be on the front of operators' minds as we head into 2025. A reduction in advertising spending, reduced office hours, implementation of technology and a major push to contactless rentals/payments will help with payroll costs. However, elevated real estate taxes and insurance costs seem to be here to stay for the foreseeable future.
- New supply will continue to slow in 2025 as higher interest rates, longer entitlement timelines, lower rental rates, and still-elevated construction costs make it difficult to be a developer these days! We will continue to see planned and proposed projects tabled until the developers and their lenders have more clarity on market fundamentals and debt markets. But be aware that the development pipeline is ready to be loaded as soon as we see market fundamentals improve and interest rates soften. There are still many willing and able developers just waiting for the right opportunity.
- Debt markets for self-storage assets will start to stabilize as we head into the second half of 2025. Short term and variable rates will likely be a bit choppy as the Fed continues to monitor inflation, and the cadence and amount of rate cuts is still unclear. Long term rates in 2025 are likely coming down, but there is still enough uncertainty in the market that we will likely see long term rates stabilize in the mid-5% to mid-6% range. For those of us with some gray hair, this is pretty good!
- Transaction velocity will bounce back in 2025 as equity continues to pour into the space. We will see lots of owners faced with refinancing at higher interest rates (high 5's to mid 6's) than the last go-around and they will choose to test the market. 2021 to 2023 new deliveries and early lease up deals will be faced with proforma shortfalls due to low rental rates during lease up and difficult refinancing prospects pushing them to consider selling.
- Secondary market performance will continue to flatten while major market assets will outperform as people continue to head back to the city centers for employment, entertainment, and social life.

We should all be very thankful to be in the self-storage industry. While we have experienced a change in the investment market as interest rates settle in at higher levels and market fundamentals start to rebound, I am confident that the self-storage sector will once again outperform other investments. Remember, a slowdown in new development is a GOOD thing; we have access to better and more useful technology, and the very well-documented performance of self-storage during these challenging 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 the best real estate to own. The investors that have the gumption to push forward and accept lower than anticipated returns during 2024 and 2025 will be rewarded when the market rebounds. 2025 just may be the start of the next self-storage boom! **MM**

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

NEW

Dallas, TX
Call Broker for Price

- 17,290 RSF
- 158 Units
- 1.44 Acres
- Drive up units, open parking with asphalt drives
- Room for expansion
- On-site manager's office
- Excellent exposure off Hwy 175 E (SE Dallas Submarket)



Tyler Trahant & Chad Snyder
817-242-2361
ttrahant@dominuscommercial.com
csnyder@dominuscommercial.com

NEW

Hartford City, IN
\$2,475,000

- 41,000 RSF
- 263 Units
- 4.5 +/- Acres
- 2-property portfolio
- 15 Outside Parking Spaces
- Stabilized asset consistently over 85% occupancy year after year
- 86 % Occupancy



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

NEW

Fort Worth, TX
Call for Offers

- Offers Due 1/15/25
- 26,550 RSF
- 221 Units
- 1.7 Acres
- Drive up and climate control units
- Onsite managers office
- Excellent exposure off West Vickery Blvd
- Built in 1985



Tyler Trahant & Chad Snyder
817-242-2361
ttrahant@dominuscommercial.com
csnyder@dominuscommercial.com

Mesquite, NV
\$16,700,000

- Two Property Portfolio
- 177,236 RSF
- 882 Units
- 93% Occupancy
- Professionally managed by Extra Space Storage
- Immediate cash flow with no need for operational changes
- Both properties have manager apartments



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

Porterville, CA
\$14,500,000

- 142,520 RSF
- 859 Units
- 20 Acres
- Proximity to Major Recreational & Tourist Attractions
- Strong Demographics & Local Population Growth
- Servicing an underserved market



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

Broken Arrow, OK
Call for Offers

- 46,148 RSF
- 322 Units
- 4.62 Acres
- Institutional-quality asset located in Tulsa, OK, a top 55 MSA
- Well-positioned infill location with high barriers to entry
- Significant upside remaining through capturing tenant insurance



Jared Jones, CCIM
918-948-3941
jjones@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

Mobile	\$1,851,300	Bill Barnhill	251-432-1287
Robertsdale	\$99,900	Bill Barnhill & Sharon Wright	251-432-1287

Arizona

Phoenix	Call Broker	Jeff Gorden	480-331-8880
Tucson	\$2,825,000	Jeff Gorden	480-331-8880

California

Porterville	\$14,500,000	Jeff Gorden	480-331-8880
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Colorado

Brighton & Evans	Call Broker	Cole Carosella & Matthew Cox	720-909-8602
Colorado Springs	\$1,800,000	Cole Carosella & Matthew Cox	720-909-8602

Florida

Cocoa	\$1,800,000	Josh Koerner/Frost Weaver	904-594-0140
Deltona	\$1,600,000	Josh Koerner/Frost Weaver	904-594-0140
Fort Myers	\$3,250,000	Josh Koerner/Frost Weaver	904-594-0140
Holly Hill	\$2,400,000	Josh Koerner/Frost Weaver	904-594-0140
Palmetto	Call Broker	Josh Koerner/Frost Weaver	904-594-0140
Pensacola	Call Broker	Bill Barnhill/Stuart LaGroue	251-432-1287
Port St Lucie	\$1,600,000	Josh Koerner/Frost Weaver	904-594-0140
Sarasota	SOLD	Josh Koerner/Frost Weaver	904-594-0140
Williston	\$1,450,000	Josh Koerner/Frost Weaver	904-594-0140

Georgia

Albany	\$2,400,000	Ryan Haney/Josh Koerner	904-591-1556
Brunswick	Call Broker	Ryan Haney/Josh Koerner	904-591-1556
Brunswick	Call Broker	Ed Nicholson	757-474-5365
Cataula	Call Broker	Brooks Dove	678-439-8441
Douglas	\$2,400,000	Ryan Haney/Josh Koerner	904-591-1556

Idaho

Paul	\$1,400,000	Ryan Layton	509-435-2424
Post Falls	Call Broker	Ryan Layton	509-435-2424

Illinois

Antioch	\$2,450,000	Bruce Bahmasel/Cole Carosella	312-518-3550
Springfield	\$1,400,000	Larry Goldman & Derek Arnold	913-707-9030

Indiana

Elkhart	\$980,000	Rob Schick	317-403-1205
Hartford City	\$2,475,000	Rob Schick	317-403-1205
Lafayette	\$8,900,000	Rob Schick	317-403-1205

Iowa

Des Moines MSA	Call Broker	Tom Flannigan	612-790-3747
Des Moines MSA	Call Broker	Tom Flannigan	612-790-3747
Iowa Falls	\$425,000	Tom Flannigan	612-790-3747

Kansas

Park City	Call Broker	Larry Goldman	913-707-9030
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Minnesota

Elk River	\$3,500,000	Tom Flannigan	612-790-3747
Hinckley	SOLD	Tom Flannigan	612-790-3747
Mankato	\$835,000	Tom Flannigan	612-790-3747
Rockford	\$3,400,000	Tom Flannigan	612-790-3747
St. Cloud	\$975,000	Tom Flannigan	612-790-3747

Minnesota Cont.

Walker	\$2,300,000	Tom Flannigan	612-790-3747
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Missouri

Fenton	Call Broker	Larry Goldman	913-707-9030
Harrisonville	\$1,740,000	Larry Goldman	913-707-9030
Sedalia	Call Broker	Larry Goldman	913-707-9030
Wright City	\$1,400,000	Larry Goldman	913-707-9030

Nevada

Mesquite	\$16,700,000	Jeff Gorden	480-331-88801
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New Jersey

Egg Harbor	Call Broker	Linda Cinelli	908-722-5661
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New Mexico

Alamogordo	\$550,000	Sam Livingston	915-497-4054
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New York

Yonkers	Call Broker	Linda Cinelli	908-722-5661
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North Dakota

Bismarck	\$1,365,000	Tom Flannigan	612-790-3747
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Ohio

Toledo	\$900,000	Paul DiVincenzo	440-382-5700
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Oklahoma

Bixby/Catoosa	Call Broker	Jared Jones	918-948-3941
Broken Arrow	Call Broker	Jared Jones	918-948-3941
Moore	\$697,851	Jared Jones	918-948-3941
OKC/Mustang	\$18,750,000	Jared Jones	918-948-3941

Oregon

Ashland	\$2,850,000	Scott King	541-890-6708
Medford	\$375,000	Scott King	541-890-6708

Pennsylvania

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

Bay City	\$4,900,000	Faith Pate/Bill Brownfield	713-805-2907
Bracketville	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Bridgeport-Chico	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Cleburne	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Conroe	\$1,650,000	Chad Snyder/Tyler Trahant	817-813-5642
Dallas	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Denison	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Eagle Pass	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Fort Worth	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Jourdanton	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
La Marque	\$895,000	Faith Pate/Bill Brownfield	713-805-2907
South TX Portfolio	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642

Washington

Colville	\$849,000	Ryan Layton/Greg Meager	509-435-2424
Walla Walla	Call Broker	Ryan Layton/Greg Meager	509-435-2424

Wisconsin

Superior	Call Broker	Tom Flannigan	612-790-3747
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Wyoming

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



Congratulations to **Cole Carosella and Matthew Cox of Argus Self Storage Advisors** who sold Guardian Self Storage in Aurora, CO! Contact the team at 720-909-8602 for details.



Congratulations to **Tom Flannigan, Alex Ihrke, Matt Haugen and Nathan Gottlieb of Area CRE Services** who sold Hinckley Storage in Hinckley, MN! Contact the team at 612-790-3747 for details.



Congratulations to **Josh Koerner and Frost Weaver of Coastal Storage Group** who sold a development site in Sarasota, FL! Contact the team at 904-591-0140 for details.



Congratulations to **Kim VanDelinder and Larry Hayes of Hayes and Associates** who sold All Star Storage in Helena, MT! Contact the team at 406-698-6850 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
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
Kevin Friedman
Alec Pacella, CCIM
Larry Goldman, CCIM
Rob Schick

Area CRE Services / KW Integrity Lakes
Hayes Ventures, LLC
NAI Pleasant Valley
Goldman Investment Advisors
Schick & Associates

312-518-3550
612-790-3747
847-436-5483
216-831-3310
913-707-9030
317-403-1205

Northern IL, WI
MN, ND, IA
MI
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

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

480-331-8880
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720-909-8602
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AZ, UT
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OR
WA, Northern ID
CO
Northern CA
Southern CA