

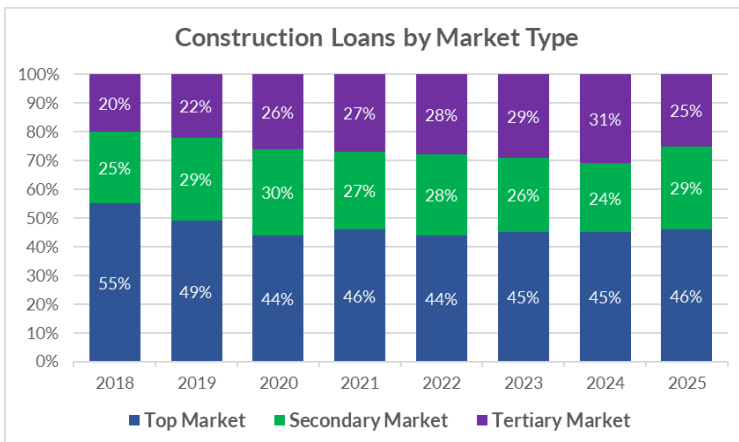
Flight To Quality

by Ben Vestal

Self-storage investors are currently enjoying a rapidly rising stock market and surprisingly very stable debt market, albeit at elevated interest rates to the Covid era, but by historical standards in line with the 30-year averages. However, it is clear that there is a bifurcation in the investment market with Class A, major market properties commanding a premium valuation and still historically low cap rates, while secondary and tertiary market properties struggle to find buyers. Willing and able buyers, in turn, are expecting widely expanded valuations and meaningfully higher cap rates.

Over the last 10-15 years we have seen Class A, major market deals price at record high valuations with secondary and tertiary market properties following suit. During this time, the cap rate spread between major market deals and the rest of the industry compressed to levels where they essentially priced at the same risk-adjusted rate of return, with no discount provided for the secondary and tertiary market dynamics. Over that last 6-12 months we have seen this drastically change as Class B and C properties in secondary and tertiary market are now valued using cap rates that are 200 to 400 basis points higher than major markets. This puts secondary and tertiary market cap rates in the 7%-9% range with most deals pricing in mid-7%'s to mid-8%'s on a cap rate basis.

One of the main reasons for this bifurcation in the market is that traditional bank debt is still pricing in the mid-6%'s to mid-7%'s with 25-year amortizations, putting most self-storage deals in a negative leverage situation. The other major stress point is new development has shifted to smaller markets with more than half of the construction lending occurring in smaller markets for the last 5 or 6 years, as shown in the chart below. This is largely due to the ease of new construction in secondary and tertiary markets along with some very aggressive sales comps that were completed during the Covid era compelling developers to move forward with new developments in these smaller markets.



Source: Yardi Matrix

This increase in new supply and softening market fundamentals have put undue pressure on the self-storage projects in secondary and tertiary markets. It is unlikely that these market conditions will improve anytime soon due to slower population growth, slower new job growth and persistent soft market fundamentals in secondary and tertiary markets. These market conditions and wavering investor sentiment have pushed most investors to a flight to quality in major markets.

Over the last 6-12 months, Class A stabilized deals in major markets are commanding very aggressive pricing with cap rates in the high-4%'s to mid-5%'s for the very best deals.

This has been driven by a meaningful slowdown in new supply, strong job growth, and return to office mandates in many major markets. It's also worth noting that the buyer pool for major market deals is very deep - our bid sheets are littered with the "who's who" of self-storage investing - as they all believe that we are bouncing along the bottom of the market. They are buying into currently depressed market fundamentals with the hope that once the housing market picks up steam, there will be a resurgence of self-storage demand.

The self-storage market is putting a high priority on quality over quantity today with a heavy emphasis on population density, population growth, income levels, and overall high barriers to entry that are only present in the major markets today. This change in the self-storage investment landscape has left many secondary and tertiary owners yearning for higher values, while major market owners are continuing to reap the benefits of the flight to quality. However, this has also created an opportunity for investors willing to take more risk and looking for higher yields to make a meaningful impact in secondary and tertiary markets today, with the thesis that we will see compression in cap rates in these markets once the self-storage market rebounds. **MM**

NEW

Surprise, AZ \$17,999,999

- 110,325 RSF
- 814 Units
- 88% Occupied
- Private Operator - Significant Upside
- Only Facility within 1 Mile radius
- Strong Demographic and Demand Drivers

Jeff Gorden, CCIM

904-386-4976

jeff@gorden-group.com



NEW

Peculiar/Pleasant Hill, MO Call Broker for Price

- Offers Due: 9/9/25
- Two-Property Portfolio
- 182,377 RSF
- 846 Units
- 10.92 Acres
- High profile locations within local communities

**Larry Goldman, CCIM
& Derek Arnold**

913-575-4790

derek@selfstorage.com



NEW

Brookfield, CT \$995,000

- Development Site
- 36,325 RSF
- 340 Units
- 4.91 Acres
- Market supported by strong rental rates and proven demand
- Situated in an affluent community with exceptional visibility and

Guy Blake, CCIM

845-787-1372

gblake@pyramidbrokerage.com



NEW

Reading & Mohnton, PA Call for Offers

- Offers Due: 9/17/25
- 5-Property Portfolio
- 321,111 RSF
- 2,814 Units
- 85% Occupancy
- Expansion opportunities at two locations

**Cole Carosella, Ben Vestal
& Chuck Shields**

720-909-8602

cole@argus-realestate.com



NEW

Kingsland, GA \$3,100,000

- Offers Due: 8/28/25
- 15,000 RSF
- 157 Units
- 3.5 +/- Acres
- Boat and RV currently leased up to 79% after one year
- Fully-fenced facility with security cameras and a 24 hour kiosk

Ryan Haney & Josh Koerner

904-591-1556

ryan@coastalstorage.com



NEW

Brownsville, TX Call Broker for Price

- 12,276 Storage RSF
- 21,294 Retail RSF
- 133 Units
- 1 Acre
- Stabilized occupancy property with newly executed retail lease
- 92.5% Physical Occupancy

Chad Snyder & Tyler Trahan

817-813-5631

csnyder@dominuscommercial.com

ttrahan@dominuscommercial.com



NEW

Pleasant Hill, IA \$1,500,000

- 102,735 RSF
- 217 Units
- 6.11 Acres
- Fenced outdoor parking spaces serving the growing Des Moines suburb of Pleasant Hill
- 94% Unit Occupancy
- Keypad gate entrance to property

Tom Flannigan

651-269-6307

tom@selfstorage.com



NEW

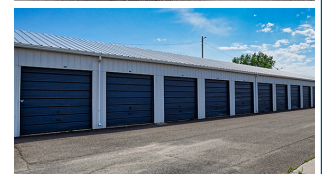
Cheyenne, WY \$3,950,000

- Offers Due: 9/9/25
- 42,350 Storage RSF
- 5,200 Parking RSF
- 11,020 Commercial RSF
- 386 Units
- Lease-Up Opportunity: With current physical occupancy at just 54% across self storage

Cole Carosella & Matthew Cox

720-909-8602

cole@argus-realestate.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.

Arizona

Surprise	\$17,999,999	Jeff Gorden	480-331-8880
Tucson	\$2,400,000	Jeff Gorden	480-331-8880

Arkansas

Highland	\$1,300,000	Larry Goldman/Derek Arnold	913-707-9030
Lonsdale	\$3,325,000	Jared Jones	918-948-3941

Colorado

CO & TX Portfolio	Call Broker	Cole Carosella & Faith Pate	720-909-8602
Colorado Spgs	Call Broker	Cole Carosella & Matthew Cox	720-909-8602
Golden	Call Broker	Cole Carosella & Matthew Cox	720-909-8602

Connecticut

Brookfield	\$995,000	Guy Blake	845-522-5900
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Florida

Bellevue	Call Broker	Josh Koerner/Frost Weaver	904-594-0140
Cocoa	\$1,800,000	Josh Koerner/Frost Weaver	904-594-0140
Deltona	\$1,550,000	Josh Koerner/Frost Weaver	904-594-0140
Fort Pierce	Call Broker	Josh Koerner/Frost Weaver	904-594-0140
Holly Hill	\$2,400,000	Josh Koerner/Frost Weaver	904-594-0140
Mims	\$1,600,000	Josh Koerner/Frost Weaver	904-594-0140
Ocala	\$1,380,000	Josh Koerner/Frost Weaver	904-594-0140
Palm Coast	Call Broker	Josh Koerner/Frost Weaver	904-594-0140
Port Charlotte	\$1,500,000	Josh Koerner/Frost Weaver	904-594-0140
Williston	\$1,450,000	Josh Koerner/Frost Weaver	904-594-0140

Georgia

Cataula	Call Broker	Brooks Dove	678-439-8441
Douglas	\$2,200,000	Ryan Haney/Josh Koerner	904-591-1556
Douglasville	Call Broker	Ryan Haney/Josh Koerner	904-591-1556
Dublin	\$2,600,000	Ryan Haney/Josh Koerner	904-591-1556
Kingsland	\$3,100,000	Ryan Haney/Josh Koerner	904-591-1556
Macon	\$289,000	Ryan Haney/Josh Koerner	904-591-1556

Illinois

Rantoul	\$2,500,000	Bruce Bahrmassel	312-518-3550
Rockford	\$3,500,000	Bruce Bahrmassel	312-518-3550
Springfield	\$1,400,000	Larry Goldman & Derek Arnold	913-707-9030

Iowa

Pleasant Hill	\$1,500,000	Tom Flannigan	612-790-3747
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Kansas

Gardner	\$1,600,000	Larry Goldman & Derek Arnold	913-707-9030
Sterling	\$875,000	Larry Goldman & Derek Arnold	913-707-9030

Louisiana

Basile	\$175,000	Sharon Wright/Bill Barnhill	251-432-1287
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Massachusetts

Dracut	\$11,000,000	Joe Robinson & Joe Mendola	603-714-4019
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Michigan

Allen Park	Call Broker	Kevin Friedman	847-436-5483
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Minnesota

Litchfield	\$2,250,000	Tom Flannigan	612-790-3747
Owatonna	\$2,500,000	Tom Flannigan	612-790-3747
Park Rapids	\$800,000	Tom Flannigan	612-790-3747

Mississippi

Madison	\$2,600,000	Bill Barnhill & Stuart LaGroue	251-432-1287
Radiant Portfolio	\$3,566,000	Bill Barnhill & Stuart LaGroue	251-432-1287

Missouri

Harrisonville	Call Broker	Larry Goldman	913-707-9030
Moberly	\$1,350,000	Larry Goldman	913-707-9030
Peculiar/Pleasant Hill	Call Broker	Larry Goldman	913-707-9030

Montana

Billings	\$1,995,000	Kim Van Delinder	406-698-6850
Helena	\$1,895,000	Kim Van Delinder	406-698-6850

New Jersey

Browns Mills	\$2,900,000	Jim Remler	973-936-8250
Egg Harbor	Call Broker	Linda Cinelli	908-722-5661
Waretown	\$1,650,000	Jim Remler	973-936-8250

New Mexico

Las Cruces	\$9,000,000	Sam Livingston	915-497-4054
Lovington	\$4,900,000	Jared Jones	918-948-3941

North Carolina

Mebane	SOLD	Cole Carosella	720-909-8602
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Oklahoma

Ardmore	Call Broker	Jared Jones	918-948-3941
Moore	\$697,851	Jared Jones	918-948-3941
Muskogee	\$675,000	Jared Jones	918-948-3941
OKC/Mustang	\$18,750,000	Jared Jones	918-948-3941
Stillwater	\$3,400,000	Jared Jones	918-948-3941

Oregon

Grants Pass	\$600,000	Scott King	541-890-6708
Medford	\$375,000	Scott King	541-890-6708

Pennsylvania

Bechtelsville	\$1,350,000	Chuck Shields	610-828-0100
Reading Portfolio	Call Broker	Cole Carosella/Chuck Shields	720-909-8602

Texas

Atlanta	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Bay City	\$4,500,000	Faith Pate/Bill Brownfield	713-805-2907
Brownsville	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Conroe	\$1,450,000	Chad Snyder/Tyler Trahant	817-813-5642
Dallas	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Odessa	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Weatherford	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642
Yantis	Call Broker	Chad Snyder/Tyler Trahant	817-813-5642

Washington

Ellensburg	\$3,350,000	Ryan Layton/Greg Meager	509-435-2424
Mead	SOLD	Ryan Layton/Greg Meager	509-435-2424
Walla Walla	SOLD	Ryan Layton/Greg Meager	509-435-2424

Wyoming

Cheyenne	Call Broker	Cole Carosella & Matthew Cox	720-909-8602
Cheyenne	\$3,950,000	Cole Carosella & Matthew Cox	720-909-8602

RECENT SALES



Congratulations to **Ryan Layton and Greg Meager of American Real Estate Associates** who sold Discount Mini Storage in Mead, WA, Rodeo City Storage in Ellensburg, WA and Elite Storage in Walla Walla, WA! Contact the team at 509-435-2424 for details.



Congratulations to **Chad Snyder and Tyler Trahant of Dominus Commercial** who sold Wylie Boat & RV Storage in Wylie, TX! Contact the team at 817-242-2361 for details.



Congratulations to **Cole Carosella of Argus Self Storage Advisors and Jamey Cox of Percival Partners** who sold a two-property portfolio in Mebane, NC. Contact the team at 720-909-8602 for details.



Congratulations to **Joe Mendola and Joe Robinson of NAI Norwood Group** who sold Stop N' Stor It in Pembroke, NH. Contact the team at 603-714-4019 for details.



The SSA show presents an excellent opportunity for self-storage professionals to check out top-notch educational sessions and industry networking opportunities! Visit Argus in booth B323, to speak with a self-storage broker and learn more about our inventory of properties. We hope to see you there!

CONTACT AN ARGUS BROKER AFFILIATE

NORTHEAST

Guy Blake, CCIM
Jim Remler
Joseph Mendola
Chuck Shields

Company

Pyramid Brokerage Company
Coldwell Banker Commercial
NAI Norwood Group
Beacon Commercial Real Estate

Phone

845-522-5900
973-936-8250
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
Ed Nicholson
Josh Koerner & Frost Weaver
Josh Koerner & Ryan Haney

Omega Properties, Inc.
Percival Partners
The Nicholson Companies
Coastal Storage Group
Coastal Storage Group

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

FL Panhandle
NC, SC
MD, VA
FL (except Panhandle)
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
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
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

Cole Carosella & Matthew Cox
Jeff Gorden, CCIM
Jeff Gorden, CCIM
Kim Van Delinder
Scott King
Ryan Layton
Ken Miller

Argus Self Storage Advisors
KW Commercial
The Gorden Company
Van Delinder Realty LLC
Merit Commercial Real Estate
American Real Estate Associates
Northstate Commercial Partners

720-909-8602
480-331-8880
702-643-1000
406-698-6850
541-890-6708
509-435-2424
530-768-1650

CO
AZ, UT
NV
MT
OR
WA, Northern ID
Northern CA