

Inflation: Friend or Foe?

by Ben Vestal

Many of you have seen the latest reports on increasing inflation in today's economy. Inflation is the scourge of savers, diminishing the value of nest eggs and retirement accounts. Among other things, inflation is the result of a "cheap money" policy (very low interest rates), and after decades of low interest rates and four years after a \$1.9 trillion Covid stimulus bill, inflation is proving to be more stubborn than we all anticipated. Whatever the causes of inflation, the results are devastating for most Americans, and we are starting to see the trickle-down effects in self-storage. The last time the US Men's hockey team won Olympic gold (1980) inflation was persistently high, interest rates were volatile and real estate investors were operating in a fundamentally different market than today. With the US Men's hockey team winning gold earlier this year (2026), are we on the verge of seeing history repeat itself?

But wait a minute - is self-storage inflation proof? Or should we say inflation resistant? Perhaps we are in good shape in our corner of the real estate business. Let's spend a few minutes exploring self-storage as a hedge against inflation and analyze the positives and negatives to see how self-storage stacks up against other real estate investments.

The general way to protect your investments from inflation is to have your revenues increase along with the inflation rate and to have your expenses remain stable. At first glance, it might seem that this would be an achievable task within the self-storage industry. However, self-storage facilities have seen a falloff in revenue growth due to oversupply, consumer belt tightening, and a slow housing market. Meanwhile, operating expenses seem to be stabilizing but still growing due to inflationary pressures. The month-to-month business model that has always set the self-storage sector apart from other commercial real estate is being tested for the first time. We know from experience that small rental increases do not cause a mass exodus of tenants. However, the amount of oversupply, from a double development cycle (2014-2019 and 2021-2023) and the hangover from the aggressive Covid pricing models have put extreme pressure on self-storage fundamentals causing most operators to experience negative roll down during these inflationary periods.

During inflationary times, value must come from income growth and not cap rate compression. Historically during the late 1970's and early 1980's, income growth was strong and higher replacement costs pushed rents higher to justify new development when exit cap rates were elevated. While rising cap rates reduced the amount of value creation, they did not eliminate value creation altogether. What changed is how returns were generated. With value expansion no longer generated by compressed cap rates, income growth became the primary driver of long-term performance. Today the self-storage sector is working its way through the excess supply and whiplash from the Covid pricing models.

Controlling expenses is another matter, but self-storage starts off with a great advantage over many other real estate types because the gross margins (say 60%) are better, with expenses equaling only roughly one third of the revenue. As a result, self-storage profits are higher and there are fewer expenses per dollar of revenue. When you look at the nature of self-storage expenses, you'll find additional advantages. First, energy use is well below the average of most businesses, which has been a high inflation expense item currently, with single story properties with limited climate control outpacing multi story projects built in the last several years. Secondly, real estate tax, the typically largest self-storage expense, only has a very rough correlation to inflation and thus may not automatically adjust to inflation. In fact, with declining real estate values, you might even see your relative share of the taxes go down. Thirdly, self-storage labor is usually not as highly paid as many of the workers under union contracts and in highly skilled professions that are closely linked to inflation. Not to mention technology is improving quickly and will likely allow owners to limit office hours moving forward. While it is hard to precisely quantify these distinctions, they are real and will tend to mitigate the impact of inflation on the self-storage investment market.

After looking at the "cash flow" aspects of inflation, self-storage owners should feel that they are better off than most commercial real estate businesses when it comes to mitigating the impact of inflation. Simply stated, value in self-storage facilities is created by discounting the Net Operating Income (NOI) at the prevailing market

(continued)

cap rate. If an owner can keep the revenues up and control the expenses, they will have protection on the NOI part of the equation, but inflation generally causes the cap rates to increase, which in turn discounts the value. While this is not a good thing from a value standpoint, it is also true that cap rates fluctuate dramatically over a period of years. Thus, if you have kept up with inflation and have some flexibility as to when you sell or refinance your property, you can preserve the value by waiting for a low cap rate or interest rate period. Beware, these real estate cycles always go farther and last longer than anyone thinks. But the real advantage is that the loan amount you have to pay back was fixed on the day you took the loan out, so you get all of the “benefits” of the value created by growth in the revenue!

What about other real estate as inflation hedges? The results are less dramatic because office buildings, industrial and retail often have long term leases that inadequately compensate for inflation. A little inflation that is not compensated for in the lease over a 10- or 15-year period will compound into a healthy diminution in the value of the cash flow and of the inflation-ad-

justed property. For example, a 5% increase in inflation that is uncompensated for in the lease for 10 years will decrease the value of the cash flow and capital value by 40%. Hotel revenues would seem to be protected from inflation, but their relatively high expense ratio tends to defeat a lot of the benefit of being able to set the rent every night.

All in all, self-storage, while not perfect at stopping inflation’s ravages, is certainly a lot better than other types of real estate and certainly better than bonds or the volatility in the greater equity markets. Because it isn’t my expertise, I will let you decide on the relative effectiveness of the stock market in beating inflation. We always make this inflation protection argument when we talk to buyers and we find it is very effective in helping them choose a self-storage investment if they are looking for a stable long-term investment class. **MM**

Ben Vestal, CEO of Argus Self Storage Advisors, can be reached at 800-55-STORE or bvestal@argus-realestate.com.

You're Invited!

VALUATION AND DECISION MAKING IN TODAY'S SELF STORAGE INVESTMENT MARKET

Join our free webinar featuring Ben Vestal and a panel of active self-storage investors who will discuss trends and valuation in today's unique investment market.

Panelists:

- Paul Spittle | Public Storage
- Liz Raun Schlesinger | Merit Hill Capital
- James Denissen | Baranof Holdings

**Tuesday, June 9, 2026
2:00 PM EDT**

CLICK HERE to REGISTER

NEW

Fort Collins, CO

Call for Offers

- Offers Due 5/21/26
- 126,698 RSF
- 1,056 Units
- 30,740 Parking SF
- Strong in place cash flow with significant rental rate upside across both assets
- Fort Collins is a high-growth, affluent market with strong demographics



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

NEW

Amhurst/Northampton, MA

Call for Offers

- Offers Due 5/14/26
- 48,359 RSF
- 398 Units
- 16,800 SF Parking
- Physically Stabilized Asset with Immediate In-Place Cash Flow
- Attractive Western Massachusetts Market Fundamentals
- Diverse and Complementary Revenue Streams



Joe Robinson & Joe Mendola
603-714-4019
jrobinson@nainorwood.com

NEW

Iowa City, IA

Call for Offers

- Offers Due 5/20/26
- 47,469 RSF
- 590 Units
- 3+/- Acres
- Institutional-Quality Climate Asset
- Equipped with Noko Smart Entry locks, 24-hour video surveillance, keypad access, humidity protection



Alex Ihrke & Tom Flannigan
612-394-7553
alex@storage-advisors.com

NEW

Spencer, MA

\$2,500,000

- Development Site
- 87,500 Proposed RSF
- 670 Proposed Units
- 16.48 Acres
- Fully Permitted
- Underserved Market: Only two facilities within 5 miles (55,686 SF total), equating to 2.21 SF per capita
- High Visibility Location



Jessie Gilton & Nathan Beliveau-Robinson
617-820-8443 | jessie@nainorwood.com
603-668-7000 | nathan@nainorwood.com

NEW

Rockford, IL

\$3,300,000

- 41,703 RSF
- 403 Units
- Compelling Value-Add Opportunity with Significant Lease-Up Potential
- Favorable Supply Dynamics Due to Recent Zoning Restrictions
- Strategically Located Asset with Strong Accessibility and Visibility



Bruce Bahrmassel
312-518-3550
bruce@selfstorage.com

NEW

Branson West, MO

\$5,270,000

- 89,556 RSF
- 290 Units
- 8.69 Acres
- Stable Occupancy History
- Room for Expansion
- Best in Class Facility
- Excellent Visibility on Missouri Hwy 13/76
- Strong Topographical Barriers to Entry



Larry Goldman, CCIM & Derek Arnold
913-707-9030 | lgoldman@selfstorage.com
913-575-4790 | derek@selfstorage.com

NEW

Hillsborough, NH
\$10,900,000

- 4-Property Portfolio
- 79,080 RSF
- 569 Units
- 15.18 Acres
- Prime visibility along the West Main Street / Route 202 corridor
- 11 RV/Boat/Vehicle storage spaces totaling 2,030 SF
- Recent expansion reached 75% occupancy within two years

Jessie Gilton & Joe Robinson
617-820-8443 | jessie@nainorwood.com
603-714-4019 | jrobinson@nainorwood.com



NEW

Milbank, SD
\$400,000

- 13,590 RSF
- 78 Units
- 1.93 Acres
- The offering price positions the asset well below today's construction costs at \$29/RSF, creating built-in equity and limiting downside risk.
- Milbank serves as a regional hub for surrounding rural communities

Nathan Gottlieb
612-930-6614
nathan@storage-advisors.com



NEW

Sackets Harbor, NY
\$1,300,000

- 12,768 RSF
- 107 Units
- 96% Occupied
- 21 Parking Spaces
- Gated Access
- Room for Expansion
- Lighted and gated with keypad access
- Features 24/7 security camera monitoring

Guy Blake
845-787-1372
gblake@pyramidbrokerage.com



NEW

Italy, TX
\$750,000

- 11,360 RSF
- 105 Units
- 4.686 Acres
- Occupancy: 71% as of March 2026 (growth upside)
- Opportunity Zone: The property is located in a Texas Opportunity Zone
- Management: Professionally operated by Avid Storage

Tyler Trahant & Chad Snyder
817-901-7600
ttrahant@dominuscommercial.com



Hammond, LA
\$1,950,000

- 31,840 RSF
- 200 Units
- 6.53 +/- Acres
- 2-Property Portfolio with locations less than 1 mile from each other
- Both locations are fenced and gated with keypad access
- Expansion land available (both locations)

Bill Barnhill, CCIM & Stuart P. LaGroue, Sr.
251-432-1287
stuart@selfstorage.com



Mesilla Park, NM
\$2,600,000

- 15,420 RSF
- 148 Units
- 3.14 Acres
- Excellent road frontage on S. Main Street with access to I-10
- ~2 miles from New Mexico State University
- Metal buildings, storage containers and RV storage
- Excess land for expansion

Sam Livingston
915-497-4054
samuel@jhl-tx.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

Dothan Call Broker Bill Barnhill/Stuart LaGroue 251-432-1287
Loxley \$3,800,000 Bill Barnhill/Sharon Wright 251-432-1287

Arizona

Tucson \$1,850,000 Jeff Gorden 480-331-8880

Arkansas

Highland \$1,100,000 Larry Goldman/Derek Arnold 913-707-9030
Little Rock \$1,200,000 Larry Goldman/Derek Arnold 913-707-9030
Pine Bluff \$500,000 Larry Goldman/Derek Arnold 913-707-9030

Colorado

Arvada/Aurora Call Broker Cole Carosella/Matthew Cox 720-909-8602
Fort Collins Call Broker Cole Carosella/Matthew Cox 720-909-8602
Pueblo West \$875,000 Cole Carosella/Matthew Cox 720-909-8602

Connecticut

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

Florida

Boynton Beach Call Broker Josh Koerner 904-594-0140
Cocoa \$1,800,000 Josh Koerner 904-594-0140
Fort Pierce Call Broker Josh Koerner 904-594-0140
Holly Hill \$2,400,000 Josh Koerner 904-594-0140
Marianna \$2,000,000 Josh Koerner 904-594-0140
Miami Call Broker Josh Koerner 904-594-0140
Palm Coast Call Broker Josh Koerner 904-594-0140
Port Charlotte \$1,500,000 Josh Koerner 904-594-0140
Saint Johns \$2,800,000 Josh Koerner 904-594-0140
Sarasota **SOLD** Josh Koerner 904-594-0140
Stuart Call Broker Josh Koerner 904-594-0140
Williston \$1,450,000 Josh Koerner 904-594-0140

Georgia

Alma \$350,000 Ryan Haney/Josh Koerner 904-591-1556
Cataula Call Broker Brooks Dove 678-439-8441
Dahlonega \$1,300,000 Ryan Haney/Josh Koerner 904-591-1556
Douglas \$2,200,000 Ryan Haney/Josh Koerner 904-591-1556
Douglasville Call Broker Ryan Haney/Josh Koerner 904-591-1556
Macon \$199,900 Ryan Haney/Josh Koerner 904-591-1556

Idaho

McCall Call Broker Ben Vestal/Ryan Layton 509-435-2424

Illinois

Homewood \$1,249,000 Bruce Bahrmassel 312-518-3550
Midwest Portfolio \$1,400,000 Alex Ihrke/Bruce Bahrmassel 312-518-3550
Peoria \$1,350,000 Alex Ihrke/Tom Flannigan 612-790-3747
Rantoul \$2,500,000 Bruce Bahrmassel 312-518-3550
Rockford \$3,300,000 Bruce Bahrmassel 312-518-3550

Indiana

Lafayette Call Broker Rob Schick 317-403-1205

Iowa

Beacon \$1,100,000 Alex Ihrke/Tom Flannigan 612-790-3747
Evansdale **SOLD** Alex Ihrke/Tom Flannigan 612-790-3747
Iowa City Call Broker Alex Ihrke/Tom Flannigan 612-790-3747
W. Burlington \$875,000 Alex Ihrke/Tom Flannigan 612-790-3747

Kansas

Gardner \$1,600,000 Larry Goldman/Derek Arnold 913-707-9030

Louisiana

Basile \$145,000 Sharon Wright/Bill Barnhill 251-432-1287
Hammond \$1,950,000 Stuart LaGroue/Bill Barnhill 251-432-1287

Massachusetts

Eastham Call Broker Joe Robinson/Jessie Gilton 603-714-4019
West Hatfield Call Broker Joe Robinson 603-714-4019
Spencer \$2,500,000 Jessie Gilton/Nathan Robinson 603-714-4019

Michigan

Lansing \$1,200,000 Kevin Friedman 847-436-5483
Middleville Call Broker Kevin Friedman 847-436-5483
New Baltimore Call Broker Kevin Friedman 847-436-5483
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Hastings \$1,000,000 Nathan Gottlieb/Tom Flannigan 612-790-3747

Minnesota Cont.

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New Richland \$675,000 Nathan Gottlieb/Tom Flannigan 612-790-3747
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Mississippi

Madison \$2,600,000 Bill Barnhill/Stuart LaGroue 251-432-1287
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Missouri

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Carrollton \$400,000 Larry Goldman/Derek Arnold 913-707-9030

Nebraska

S. Sioux City \$495,000 Cole Carosella 720-909-8602

Nevada

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

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Mesilla Park \$2,600,000 Samuel Livingston 915-497-4054

New York

Sackets Harbor \$1,300,000 Guy Blake 845-706-5744

North Carolina

Greensboro \$6,100,000 Jamey Cox 704-995-9168

North Dakota

Fargo \$2,450,000 Nathan Gottlieb/Tom Flannigan 612-790-3747

Ohio

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Oklahoma

Broken Arrow **SOLD** Jared Jones 918-948-3941
Moore \$600,000 Jared Jones 918-948-3941
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Stillwater \$3,200,000 Jared Jones 918-948-3941
Tulsa \$2,100,000 Jared Jones 918-948-3941

Oregon

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

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

South Carolina

Portfolio \$3,700,000 Josh Koerner & Jamey Cox 904-591-0140

South Dakota

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Tennessee

Smyrna \$1,300,000 Josh Koerner/Ryan Haney 904-591-0140

Texas

Amarillo Call Broker Chad Snyder/Tyler Trahant 817-813-5642
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Chappell Hill Call Broker Faith Pate/Bill Brownfield 713-805-2907
Conroe \$1,450,000 Chad Snyder/Tyler Trahant 817-813-5642
Crandall Call Broker Chad Snyder/Tyler Trahant 817-813-5642
Dallas Call Broker Chad Snyder/Tyler Trahant 817-813-5642
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Congratulations to **Cole Carosella & Matthew Cox of Argus Self Storage Advisors** who sold San Juan & Fruit Park Storage in Montrose, CO! Contact the team at 720-909-8602 for details.



Congratulations to **Josh Koerner of Coastal Storage Group** who sold STOR Self Storage in Sarasota, FL! Contact Josh at 904-591-0140 for details.



Congratulations to **Tom Flannigan, Alex Ihrke & Nathan Gottlieb of Area Storage Advisors** who sold Oscar's Mini Storage in Sioux Falls, SD and D&S Self Storage in Evansdale, IA! Contact the team at 612-790-3747 for details.



Congratulations to **Jared Jones of Jones Investment Real Estate** who sold an Extra Space Managed Facility in Broken Arrow, OK! Contact Jared at 918-948-3941 for details.



CONTACT AN ARGUS BROKER AFFILIATE

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Guy Blake, CCIM
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Company

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Phone

845-522-5900
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Territory

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