

Key Takeaways from the Argus Investment Market Q&A

by Ben Vestal

After two years of soft self-storage market fundamentals, we are settling in the new reality of slow to no growth combined with elevated new supply and development. Like many of you, I have been watching the volatility in the stock market closely in recent weeks as uncertainty surrounds the investment market. Additionally, Argus has been collecting data points with regard to self-storage operating metrics, self-storage investment pricing, and self-storage market sentiment. Last week we held a webinar with some of the most active and well-respected self-storage professionals in the industry. We chose an early June date so that our panelists would be able to share insights heading in to leasing season and be able to provide real guidance to our clients in these volatile times. Below I have summarized the key takeaways from the session, or if you would like to watch the recording of the entire Q&A, please [click here](#). If you have any questions or would like to follow up with any of the panelists, please reach to to your local Argus broker.

Argus Investment Panelists:

- Paul Spittle – Senior Vice President of Acquisitions at Public Storage
- Liz Schlesinger – Founder and CEO of Merit Hill Capital
- James Denissen – Partner and Head of Acquisitions at Baranof Holdings

Valuation & Decision-Making Q&A:

1. Given today's continued self-storage operational headwinds, do you feel self-storage is past the bottom? Is performance improving?

Answer: Self-storage demand is very market-specific and seems to be slightly improving in most markets. Markets with new supply have not yet bottomed and continue to see very soft rental rates and slow lease-ups. Until we see a pick-up in housing sales and population growth (i.e. birth rates, immigration, etc.) we will likely not see much change in self-storage demand. New development continues to be a drag on market fundamentals and all of the panelists felt that almost no new development is penciling today.

2. What kind of opportunities are you seeing in the market today? And more specifically, what kind of opportunities are you pursuing today?

Answer: Stabilized deals in urban markets continue to drive a premium in today's market. With many stabilized deals trading in the high 4's to low 5's cap rates today. Due to softening rental rates, many stabilized and lease up deals are trading at or below replacement cost. Single-story drive-up properties are in the highest demand as the customers continue to prefer these type projects over multi story projects. Larger unit sizes are also in higher demand as the customers are looking for value. Lease-up and C of O deals continue to experience pricing discovery as it continues to be hard to pin down what the stabilized rental rate will settle in at. Almost all lease up and C of O deals are trading below replacement cost in today's market.

3. How are you using AI in deal evaluation/underwriting or the management of your portfolio?

Answer: We are all finding ways to use AI to increase productivity of our staff and data analytics. This is leading to a quicker turn-around of the initial underwriting but the panelists are finding that you still need to dig deep in to the submarket of each asset to make sure there is value to be created. AI is allowing some of the larger operators to operate, staff, lease and market their portfolios more efficiently and is widening their operating margins by reducing operating expenses. This is largely due to an increased real-time analysis of data that only the largest operators have access to at this time. We all feel that AI will continue to evolve and eventually even the playing field for all sophisticated operators.

4. Valuations continue to be elevated and even aggressive for the right asset. What is causing this and what property-specific traits

(continued)

are you being aggressive on?

Answer: There is still a tremendous amount of equity looking to be placed in the self-storage industry, largely due to institutional equity allocators looking for exposure to the industry as they continue to diversify their portfolios out of office and other large ticket asset classes. Retail investors have also continued to be active as many of the retail investors are not educated on the industry and current operating fundamentals. The property traits that everyone is leaning into are highly dense submarkets with high barriers to entry along with a back-to-basics theme of drive-up units and larger unit sizes. Many of the most desired unit mixes today have an average unit size of 115 SF to 150 SF.

5. Does the management strategy of a property effect how you are looking at the opportunity? Are any of you underwriting remote management or a hub and spoke management model?

Answer: No one has seemed to be able to figure out the 100% remote management strategy. Most customers are dealing with a stressful or unpleasant situation when they are using storage and most have a desire to interact with a human. Therefore, most 100% remote managed properties have underperformed the market and the lack of institutional remote management has led this to be a very thin segment of the industry. However, a hub and spoke management model has continued to gain momentum with the largest operators having a very strategic advantage due to their store network and clustering of sites. This allows them to more effectively staff sites, leverage marketing and technology, and expand their operating margins using a hub and spoke model.

6. How much new self-storage development is currently underway or proposed in your major market areas? And what effect is this having on existing storage operators?

Answer: With demand velocity continuing to be sluggish and new supply continuing to be delivered, we are seeing a meaningful impact across the entire sector on occupancy and revenues. We are still seeing meaningfully more new supply than new demand creation. This has led to many markets that will never recover to their post-COVID era levels or will at least take 10+ years to recover as population growth is capped in many markets and other demand drivers are very slow to rebound. What made self-storage great during the 2008 Great Financial Crisis was that we saw new development come to almost a stand still - less than 200 new properties were built per year during the GFC. Today we are continuing to see new projects be built where stabilized valuations are struggling to get to replacement cost. We believe this is largely due to misinformed developers, lenders, investors and an increase in overall self-storage investment desire. The sad part is that this will likely lead to the loss of investor and lender equity at some point as over-building and new supply will continue to be the Achilles' heel of self-storage.

7. What cap rates are you seeing for Class A, B and C properties?

Answer: Obviously, cap rates are extremely subjective and everyone needs to understand that cap rates should only be calculated using industry standard operating expenses that must include off-site management fees, payroll, realistic advertising costs, insurance, repairs and maintenance, etc. One thing that we can all agree on is that the spread between major market (top 50 MSA) cap rates and the rest of the world is wider than it has been in decades. If a stabilized major market deal is pricing in the low-5 cap rate range, a secondary market deal will likely price 175-350 basis points higher, in the 6.75%-8.5% cap rate range. Tertiary market deals and other small market properties will price even higher. If you are a secondary or tertiary market investor, there may well be a premium for the best and most well-located property within each of these smaller markets, but the point is that the spread between major market deals and everything else is a wide as it has ever been. It is also worth noting that if these smaller markets have any kind of new supply, it can be even more devastating to the value due to the lack of population and economic growth.

8. Give us one word that best describes the current self-storage market.

Answer:
Paul – Transformation
Liz – Stagnant
James - Recalibrating

MM

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

NEW

Littlefield, AZ
\$1,350,000

- 39,138 RSF
- 154 Units
- 4.71 Acres
- 90% Occupancy with No Institutional Competition
- Strategic Interstate 15 Location Between Las Vegas & St. George
- Strong RV & Recreation Corridor Demand
- Owner-Managed with Operational Upside



Darsh Desai
701-405-3665
darsh@gorden-group.com

NEW

Columbus, IN
\$2,950,000

- 25,014 RSF
- 206 Units
- ~1.88 Acres
- Built 2014-2023
- 83% occupancy
- Facility is 90% climate control storage
- Turnkey operation
- Noke access control in many units and 32 HD cameras



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

NEW

Cape Coral, FL
Contact Broker for Price

- Development Site
- 2 Acres
- Approved for a 3-Story, 87,000 GSF | 67,750 RSF facility featuring 681 climate controlled units
- Direct Frontage on Santa Barbara Blvd with 16,100 vehicles per day



Josh Koerner & Carrie Stowell
904-591-0140
josh@coastalstoragegroup.com
carrie@coastalstoragegroup.com

NEW

Corinna, ME
\$575,000

- 25,390 RSF
- 136 Units
- 3.5 Acres
- Historic Old Mill Building – A standout feature offering flexible redevelopment opportunities which can be renovated into additional self-storage units or converted into alternative commercial uses creating multiple income streams.



Matt Robinson
603-714-3426
mrobinson@nainorwoodgroup.com

NEW

Atlanta, GA
Contact Broker for Price

- Development Site
- 75,376 RSF
- 707 Units
- 1.44 +/- Acres
- 5-story climate control building
- High demand trade area supported by dense residential population, renter growth, and limited supply



Ryan Haney & Josh Koerner
904-591-1556
ryan@coastalstorage.com
josh@coastalstorage.com

NEW

Shapleigh, ME
\$825,000

- 9,800 RSF
- 59 Units
- 2.75 Acres
- Potential expansion behind property allowing for another building and/or outdoor storage (Buyer to perform their own due diligence)
- Paved at the entrance and around the three buildings



Matt Robinson
603-714-3426
mrobinson@nainorwoodgroup.com

NEW

Herman, MN
\$289,000

- 4,500 RSF
- 33 Units
- 97% Occupancy
- Passive Ownership Ready
 - Existing management infrastructure supports remote ownership from day one, with no need for an on-site operator
- Seller Financing Available - The seller is open to financing discussions



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

NEW

Spokane Valley, WA
\$12,990,000

- Offers Due 7/17/26
- 113,502 RSF
- 520 Units
- Largest Residential Scope of any Spokane Valley Facility
- Mixed Use Revenue Source
- Turnkey Facility / Long-Term Contracted Tenants - Day 1 Cash Flow
- High Exposure Location Along High-Volume Corridor



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

NEW

Bridgeport, TX
\$2,800,000

- 21,110 RSF
- 221 Units
- 1.73 Acres
- Self-Storage Conversion, Fully Leased
- Remotely Managed Facility
- Noke Locks Throughout Facility
- Interior Climate Control
- Units Built in 2021, Drive Up Expansion Built in 2023



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

NEW

Ashland, WI
\$1,500,000

- 2-Property Portfolio
- 30,897 RSF
- 158 Units
- Attractive pricing at 8.67% cap rate on 2026 trailing 3-month numbers and approximately \$48 per RSF
- Expansion potential at the 3rd Street location allows for additional buildings or portable units



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

NEW

San Angelo, TX
Call for Offers

- Offers Due 7/15/26
- 2-Property Portfolio
- 114,180 RSF
- 592 Units
- 10.89 Acres
- Class A developments in San Angelo, TX
- Management upside with little operational risk and proven occupancy



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

Hammond, LA
\$1,890,000

- 2-Property Portfolio
- 31,840 RSF
- 200 Units
- 6.53 +/- Acres
- Both locations are fenced and gated with keypad access
- Excellent visibility and access
- Expansion land available (both locations)



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

Glendale Call Broker Jeff Gorden 480-331-8880
Littlefield \$1,350,000 Darsh Desai 701-405-3665
Phoenix Call Broker Jeff Gorden 480-331-8880
San Tan Valley \$2,100,000 Darsh Desai 701-405-3665
Yuma \$3,000,000 Jeff Gorden 480-331-8880

Arkansas

Highland \$950,000 Larry Goldman/Derek Arnold 913-707-9030
Little Rock \$1,200,000 Larry Goldman/Derek Arnold 913-707-9030
Pine Bluff \$400,000 Larry Goldman/Derek Arnold 913-707-9030
Texarkana \$700,000 Larry Goldman/Derek Arnold 913-707-9030

Colorado

Arvada/Aurora Call Broker Cole Carosella/Matthew Cox 720-909-8602
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 \$750,000 Guy Blake 845-522-5900

Florida

Boynton Beach Call Broker Josh Koerner 904-594-0140
Cocoa \$1,800,000 Josh Koerner 904-594-0140
Cape Coral Call Broker Josh Koerner 904-594-0140
Fort Pierce Call Broker Josh Koerner 904-594-0140
NW Portfolio Call Broker Bill Barnhill/Stuart LaGroue 251-432-1287
Holly Hill \$2,400,000 Josh Koerner 904-594-0140
Marianna \$2,000,000 Josh Koerner 904-594-0140
Miami **SOLD** Josh Koerner 904-594-0140
Palm Coast Call Broker Josh Koerner 904-594-0140
Port Charlotte \$1,500,000 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
Atlanta Call Broker Ryan Haney/Josh Koerner 904-591-1556
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

Idaho

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

Illinois

Homewood \$1,249,000 Bruce Bahrmassel 312-518-3550
Midwest Portfolio \$1,250,000 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

Columbus \$2,950,000 Rob Schick 317-403-1205

Iowa

Beacon \$1,100,000 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
Stillwell \$610,000 Larry Goldman/Derek Arnold 913-707-9030

Louisiana

Basile \$145,000 Sharon Wright/Bill Barnhill 251-432-1287
Hammond \$1,890,000 Stuart LaGroue/Bill Barnhill 251-432-1287

Maine

Corinna \$575,000 Matthew Robinson 603-714-3426
Shapleigh \$825,000 Matthew Robinson 603-714-3426
Winthrop \$650,000 Jessie Gilton/Joe Mendola 617-820-8443

Massachusetts

Eastham Call Broker Joe Robinson/Jessie Gilton 603-714-4019
West Hatfield Call Broker Joe Robinson 603-714-4019
Spencer \$1,790,000 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
Romulus Call Broker Kevin Friedman 847-436-5483

Minnesota

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Stacy \$3,200,000 Alex Ihrke/Tom Flannigan 612-790-3747

Mississippi

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Pass Christian \$240,000 Bill Barnhill/Stuart LaGroue 251-432-1287

Missouri

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Carrollton \$400,000 Larry Goldman/Derek Arnold 913-707-9030
Dexter \$1,175,000 Chad Snyder/Tyler Trahant 817-813-5642
Kirksville \$1,725,000 Chad Snyder/Tyler Trahant 817-813-5642
Marshall \$1,675,000 Chad Snyder/Tyler Trahant 817-813-5642
St. Robert \$1,825,000 Chad Snyder/Tyler Trahant 817-813-5642

Nevada

Fallon \$1,325,000 Darsh Desai 701-405-3665
Fallon \$13,300,000 Jeff Gorden 480-331-8880

New Hampshire

Antrim \$449,000 Jessie Gilton 617-820-8443
Hillsborough \$10,900,000 Joe Robinson/Jessie Gilton 603-714-4019

New Jersey

Egg Harbor \$950,000 Linda Cinelli 908-722-5661

New Mexico

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Mesilla Park \$2,200,000 Samuel Livingston 915-497-4054

New York

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

North Carolina

Greensboro \$5,600,000 Jamey Cox 704-995-9168

North Dakota

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

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New Albany Call Broker Kevin Friedman 847-436-5483

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Stillwater \$3,200,000 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

South Carolina

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South Dakota

Milbank \$400,000 Nathan Gottlieb 612-790-3747

Tennessee

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

Texas

Atlanta Call Broker Chad Snyder/Tyler Trahant 817-813-5642
Bowie/Honey Grove \$945,000 Chad Snyder/Tyler Trahant 817-813-5642
Bridgeport \$2,800,000 Chad Snyder/Tyler Trahant 817-813-5642
Brownsville Call Broker Chad Snyder/Tyler Trahant 817-813-5642
Chappell Hill Call Broker Faith Pate/Bill Brownfield 713-805-2907
Conroe \$1,200,000 Chad Snyder/Tyler Trahant 817-813-5642
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San Angelo Call Broker Chad Snyder/Tyler Trahant 817-813-5642
Weatherford Call Broker Chad Snyder/Tyler Trahant 817-813-5642
Wichita Falls \$1,375,000 Chad Snyder/Tyler Trahant 817-813-5642

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Congratulations to **Josh Koerner of Coastal Storage Group** who sold a development site in Miami, FL! Contact Josh at 904-591-0140 for details.



Congratulations to **Chad Snyder & Tyler Trahant of Dominus Commercial** who sold Hideaway Self Storage in Denison, TX and United Storage Units in Valley Mills, TX! Contact the team at 817-901-7600 for details.



Congratulations to **Tom Flannigan, Alex Ihrke & Nathan Gottlieb of Area Storage Advisors** who sold Self Storage of Rochester in Rochester, MN! Contact the team at 612-790-3747 for details.

Recording Now Available!

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If you weren't able to attend our Valuation and Decision Making webinar on June 9th, please click the link below to view the recording.

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