



SELF STORAGE SALES NETWORK

Market Monitor

"America's Premier Self Storage Brokers"

Issue X-2009

It's Time To Take a Deep Breath

by Ben Vestal

The holidays are upon us and as we get ready to close the books on another year, self storage owners and operators should all take a deep breath. The self storage industry has been the shining star in commercial real estate and we are starting to see signs of improvement in the overall economy. One could say that during the last 12 to 18 months we have been through the worst economic downturn in the last 70 years. Despite this fact, there continues to be very little self storage loan delinquency, occupancy averages are only off between 3% to 9%, revenues are down even less in most cases and there has been no new construction to speak of. This leads me to wonder; are we close to the bottom?

An old saying that I have heard over the years seems to be ringing true these days; "There is more money made in a bad economy than in a good economy." I used to chalk this up to folklore until I started to witness the changes taking place in recent weeks. I have reviewed several offering packages that are in line with what I believe to be the new norm as far as valuing self storage facilities and I am hearing from many of the Argus brokers and other industry professionals that the transaction market is improving and the spread between the buyers and sellers is starting to narrow. This is all at levels that we should consider the new norm with cap rates in the 8% to 10% range, loan to values (LTV) in the 50% to 70% range and little to no value placed on vacant space or expansion land.

Before we all start jumping up and down, let's not get ahead of ourselves. There are still several economic issues that need to work themselves out and may delay the recovery process, but for the most part I believe the worst is behind us. Some of the most concerning issues that might impede the recovery are the exposure to rising interest rates, lack of lending capacity from local and regional banks, and markets that are simply overbuilt. With interest rates on new loans hovering around 6.5% to 7.5% we are still very close to historically low levels and if we were to see a dramatic rise in interest rates, we would in turn see a dramatic rise in cap rates. This rise in interest rates would limit the borrowing capacity for most buyers and lead to further decline in facility

values. Second, with local and regional banks still holding the majority of real estate loans and with the increased scrutiny from the FDIC, we are likely going to see continued hesitation to make new real estate loans and underwriting will become even more stringent. With that being said, I do believe that well-capitalized owners and operators that have avoided most major problems will become borrowers of choice and be in the best position to capitalize on the opportunities that are now starting to come to market. Third, and probably the most concerning, is overbuilding. We have seen overbuilding in several markets, and with the economy rebounding we all know that there are lots of developers sitting on the sidelines, ready and eager to build new facilities at the first opportunity. This could lead to more markets being overbuilt and might have an effect on the occupancy of currently successful properties because that is where the demand has remained strong. The new projects in these markets may be more attractive and thus tend to "level out" the existing demand for each of the competing properties. This is more likely to happen in more mature markets that are fully developed and could take several years to heal.

However, the majority of the self storage assets around the country are continuing to outperform other property types, resulting in a growing reputation as the most stable asset class in commercial real estate. Typically this time of year, when the transaction market historically seems to slow down for the holidays, we have actually seen a dramatic increase in investors' interest in available properties as well as requests for broker opinion of value reports from self storage owners. This leads me to believe we are reaching equilibrium in the market and in 2010 we will start to see more stabilization in the transaction market.

So as you start to consider your New Year's resolutions, you may want to re-evaluate your investment strategy as self storage owners will have the unique opportunity to capitalize on the old saying "there is more money made in a bad economy than in a good one." **MM**

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



Property Showcase

Lake Havasu, AZ • \$2,380,000

- 56,000 RSF
- 106 Units
- 3.5 Acres
- Located in busy tourist destination
- Includes retail automotive shop and office building
- Seller financing available!



David R. Laney
888-602-3335
davidlaney@selfstorage.com

Greenville, SC • \$3,100,000

- 53,900 RSF
- 419 Units
- 5.21 Acres
- Assumable loan with great terms!
- Established self storage facility
- Exceptional location with prime frontage



P. John DeStefano
843-406-7979
pjd@cominvestgroup.com

Pensacola, FL • \$3,900,000

- 51,155+/- RSF
- 474 Units
- 1.5+/- Acres
- 3-Story climate controlled building
- Great visibility
- Security monitoring and 24-hour access



Bill Barnhill
Shannon Barnhill Barnes
251-432-1287
barnhill@selfstorage.com
shannon@selfstorage.com

Simpsonville, SC • \$3,500,000

- 68,575 RSF
- 520 Units
- Great upside potential
- Recent expansion with excellent visibility
- Climate and standard units
- Boat/RV Storage
- Additional land available for expansion



P. John DeStefano
843-406-7979
pjd@cominvestgroup.com

Stanhope, NJ • \$5,375,000

- 49,302 RSF
- 526 Units
- 5.691 Acres
- State-of-the-art facility
- Located on main county road
- U-Haul Dealer
- All units ground floor
- Climate/humidity controlled



Linda Cinelli
908-722-5661
linda@lcrealtyusa.com

Spartanburg, SC • \$2,400,000

- 41,750 RSF
- 333 Units
- 3.46 Acres
- Steady performing facility
- Assumable loan with great terms
- Well located with exceptional visibility and frontage



P. John DeStefano
843-406-7979
pjd@cominvestgroup.com

Anderson, SC • \$1,950,000

- 31,150 RSF
- 268 Units
- 7.33 Acres
- Well maintained facility
- Excellent visibility
- Large office duplex with tenant in place
- Boat/RV Storage



P. John DeStefano
843-406-7979
pjd@cominvestgroup.com

Summerville, SC • \$1,950,000

- 21,175 RSF
- 152 Units
- 5.02 Acres
- Permitted for an additional 35,000 SF
- Great looking facility with room to expand
- RV/Boat Storage



P. John DeStefano
843-406-7979
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Sells Self Storage Nationwide!

- Over \$127 million in self storage properties currently for sale, with prices ranging from \$175,000 to over \$6.1 million to meet the needs of every buyer
- Check out our current inventory of 73 properties listed in 29 states and contact the listing broker for more information or visit www.selfstorage.com!

Alabama

Mobile	\$385,000	Bill Barnhill	251-432-1287
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Arizona

Lake Havasu	\$2,380,000	David R. Laney	888-602-3335
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Arkansas

Bentonville	\$2,490,000	Larry Goldman	913-339-0641
Fort Smith	\$1,050,000	Barney Lehmsbeck	405-627-5481
Garfield	\$750,000	Larry Goldman	913-339-0641
Gravette	\$800,000	Larry Goldman	913-339-0641

Colorado

Colorado Springs	\$3,600,000	Joan Lucas	720-855-6587
Cortez	\$1,150,000	Joan Lucas	720-855-6587
Englewood	\$2,690,000	Joan Lucas	720-855-6587
Mead	\$925,000	Joan Lucas	720-855-6587
Rifle	\$810,000	Joan Lucas	720-855-6587
Superior	\$1,400,000	Joan Lucas	720-855-6587

Florida

Jacksonville	\$2,950,000	Frost Weaver	904-733-0039
Pensacola	\$3,900,000	Bill Barnhill/Shannon Barnes	251-432-1287

Idaho

Sugar City	\$2,600,000	Larry Hayes	406-728-0088
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Illinois

Antioch	\$1,850,000	Bruce Bahrmassel	312-518-3550
Chicago	\$3,600,000	Bruce Bahrmassel	312-518-3550
Elgin	\$1,300,000	Bruce Bahrmassel	312-518-3550
Mt. Olive	\$599,000	Bruce Bahrmassel/ David S. Johnson	312-518-3550 314-862-3000
Sandwich	\$1,450,000	Bruce Bahrmassel	312-518-3550

Indiana

Corydon	\$2,256,430	Mike Helline	502-253-1811
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Iowa

Mason City	\$1,350,000	Bob Randklev	319-533-6927
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Kansas

Kansas City	\$2,300,000	Larry Goldman	913-339-0641
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Kentucky

Crestwood	\$1,640,000	Mike Helline	502-253-1811
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Louisiana

Denham Springs	\$4,250,000	Jack Stumpf	504-366-6800
Houma	\$2,600,000	Jack Stumpf/ David Laney	504-366-6800 505-286-2060
Metairie	\$1,695,000	Jack Stumpf	504-366-6800

Maine

Topsham	\$1,000,000	Joe Mendola	603-668-7000
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Maryland

Baltimore	\$2,300,000	Grady Riggs	301-468-0606
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Massachusetts

Swansea	\$3,000,000	Joe Mendola	603-668-7000
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Michigan

Mason	\$2,200,000	Bruce Bahrmassel/ Jim Soltis	312-518-3550 810-494-2062
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Mississippi

Flowood	\$3,400,000	Bill Barnhill/Stuart LaGroue	251-432-1287
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Missouri

Belton	\$1,990,000	Larry Goldman	913-339-0641
Branson West	\$895,000	Larry Goldman	913-339-0641
Farmington	\$3,245,000	Sheldon Johnson	314-862-3000
Harrisonville	\$900,000	Larry Goldman	913-339-0641
Joplin	\$900,000	Larry Goldman	913-339-0641
Nixa	\$995,000	Larry Goldman	913-339-0641
Nixa	\$1,820,000	Larry Goldman	913-339-0641
Ozark	\$1,600,000	Larry Goldman	913-339-0641
Sedalia	\$950,000	Larry Goldman	913-339-0641

Montana

Kalispell	\$1,200,000	Larry Hayes	406-728-0088
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New Hampshire

Hampton Falls	\$4,400,000	Joe Mendola	603-668-7000
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New Jersey

Egg Harbor Twp.	\$1,650,000	Linda Cinelli	908-722-5661
Stanhope	\$5,375,000	Linda Cinelli	908-722-5661

New Mexico

Artesia	\$579,700	David R. Laney	505-286-2060
Eunice	\$595,000	David R. Laney	505-286-2060
Eunice	\$650,000	David R. Laney	505-286-2060
Gallup	\$2,040,977	David R. Laney	505-286-2060
Las Cruces	\$1,300,000	David R. Laney	505-286-2060

New York

Ft. Edward	\$479,000	Guy Blake	845-522-5900
Middletown	\$450,000	Linda Cinelli	908-722-5661
Port Jervis	\$1,600,000	Linda Cinelli	908-722-5661

Pennsylvania

Bechtelsville	\$1,350,000	Chuck Shields	610-828-0100
Drexel Hill	\$1,600,000	Chuck Shields	610-828-0100
Matamoras	\$1,100,000	Linda Cinelli	908-722-5661

South Carolina

Anderson	\$1,950,000	P. John DeStefano	843-406-7979
Greenville	\$3,100,000	P. John DeStefano	843-406-7979
Hollywood	\$3,450,000	P. John DeStefano	843-406-7979
Moncks Corner	\$995,000	P. John DeStefano	843-406-7979
Simpsonville	\$3,500,000	P. John DeStefano	843-406-7979
Spartanburg	\$2,400,000	P. John DeStefano	843-406-7979
Summerville	\$3,900,000	P. John DeStefano	843-406-7979
Summerville	\$1,500,000	P. John DeStefano	843-406-7979
Summerville	\$1,950,000	P. John DeStefano	843-406-7979

Texas

Lubbock	\$1,390,000	Barry Comiskey	806-797-3231
Texarkana	\$860,000	Richard Minker/Tyler Trahant	888-7-MINKER

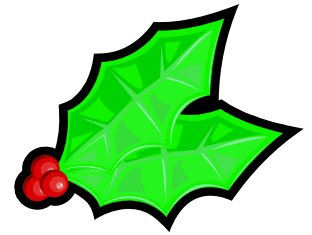
Washington

Concrete	\$2,750,000	Ryan Layton	509-435-2424
Kittitas	\$150,000	Ryan Layton	509-435-2424
Spokane	\$6,100,000	Ryan Layton	509-435-2424
2-Property Portfolio	\$1,300,000	Ryan Layton	509-435-2424

Wisconsin

Wild Rose	\$175,000	Peter Hitler/Chris Hitler	262-236-0612
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The Argus Self Storage Sales Network and our Broker Affiliates would like to wish you a very Happy Holiday Season and a safe and prosperous New Year!



Time is running out! Don't forget to request your [free](#) self storage Competition Analysis Report from your local Argus Broker Affiliate! Offer ends December 31, 2009.

Contact an Argus Broker Affiliate

NORTHEAST

Guy Blake, CCIM
Linda Cinelli, CCIM, CEA
Joseph Mendola
Chuck Shields

Company

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