



SELF STORAGE SALES NETWORK

# Market Monitor

“America’s Premier Self Storage Brokers”

Issue V-2010

**A Note from Ben Vestal:** *I am pleased to introduce you to Dale Stewart of NorthMarq Capital, Inc. At my request he has written the following summary of the commercial real estate lending market. I felt that it was important for Market Monitor readers to know that after the historical tightening of the financial markets over the last year we are starting to see signs of life. The purpose of this article is to give you a general overview of the current real estate financing market so that you may better understand how these issues affect your situation.*

## **Commercial Real Estate Capital Update**

by Dale Stewart

### **Mortgage Capital Expands**

The availability of commercial real estate debt has increased significantly in 2010 compared to 2009 and this trend will continue through the year. Most life companies, having spent the better part of last year focusing on asset management and potential loss reserves, have allocated more funds to commercial mortgage origination due to attractive debt yields. Although a few large life companies are still on the sidelines, most will return to new lending activities by year end and will be a good source of financing. Driven by low yields in other sectors, non-regulated investment opportunity funds have raised significant capital over the last year and are in the market for commercial real estate financing opportunities. Their initial yield requirements (interest rates) of 8%-9%, as well as lower risk tolerances, have limited their origination of mortgage debt so far this year. Most of these groups are currently re-calibrating their pricing to rates in the mid-7% range and lowering their minimum threshold levels to \$10 million, or lower in some cases, which could make them a player for self storage deals in the future. In addition, many will now consider the financing of note purchases which will make them good candidates for some note sales that are inevitably coming from the troubled banks.

The first multiple-loan Commercial Mortgage Backed Security (CMBS) offering in nearly two years was priced and sold in April as most of the large investment banks have awoken from their hibernation and are slowly beginning to rebuild their debt origination platforms. This sector is searching for the balance of risk and return that will enable them to aggregate loans on a portfolio basis initially, while assessing the profitability of the business based upon the market’s desire for premium yields. Thus far, the pricing bogey appears to be around 6.5% for 10-year terms and 6% for 5-year terms. Although 25- to 30-year amortizations are typical, the maximum loan-to-value (LTV) levels are in the 60% to 70% range and the focus is primarily on institutional properties and borrowers. As a result, it is challenging for most investment banks to consider loans less than \$10 million, although that will change as this sector gains traction and confidence returns to the market.

### **Underwriting Trends**

Today underwriting constraints from lenders can be a challenge for some owners. Most life companies apply minimum in-house cap rates but they are backing off their recent high levels of 9% to 10%. Consequently, many are nudging LTV levels near 75% for higher-quality properties and sponsors. The focus remains on trailing-12 month operating income, market vacancy and rental rate trends, and borrower financial strength and experience. For those “perfect deals” competition is fierce and lenders will offer longer amortization and flexible prepayment terms to win business. The opportunity funds and investment banks have a narrow definition of underwriting risk; however, their focus is on the large transactions where few lenders compete. In addition, the common interest-only payment structures offset the higher coupon requirements and their ability to provide marginal loan dollars. Unfortunately, these groups are not capable of providing bridge capital for non-stabilized situations.

The primary challenge in today’s market is the lack of debt sources for properties that have vacancy issues including those in lease-up, and cases where significant capital expenditures are needed. Life companies may lend on some of these examples, although the loan levels will need to be rather conservative and possibly structured with reserves and perhaps personal recourse. Community banks and credit unions remain in the market for new business, although most will scrutinize borrower credit, require a depository relationship and require personal recourse.

### **The Big Picture**

In spite of the widespread recent flight to quality, pressure is building on long-term yields to rise as evidenced by the fairly steep yield curve. The average duration of all Treasury issues is about 4.5 years, so there is a significant need to roll the Federal debt frequently, in addition to the burden of financing the government’s projected budget shortfalls in the coming years. The Federal Reserve continues to buy a significant amount of the new Treasury offerings, although they have recently announced the discontinuance of buying Residential Mortgage Backed Security issues from Freddie Mac and Fannie Mae. Furthermore, the eastern world is purchasing less U.S. debt offerings and accusations of Chinese currency manipulation and the discussions of tariffs are all causes for concern. Regardless of these issues, the U.S. Dollar has rallied over the past few months, primarily due to more serious problems with several countries in the European Union, particularly Greece and Spain.

### **The Near Term Outlook**

Credit spreads have dropped dramatically since the financial crisis of late 2008, in turn keeping interest rates low. We anticipate that spreads will continue to compress, especially for quality assets and well-capitalized borrowers. There is a slow trend to broaden the definition of a “conservative” loan and over the course of this year lenders will widen their definition of risk tolerance based upon the unique characteristics of each transaction. The investment banking groups (former CMBS originators) have begun to aggregate loans that fit their models and we expect competition to increase in this sector as investors seek attractive risk-adjusted yields.

*NorthMarq Capital, Inc., a national real estate investment bank headquartered in Minneapolis with 32 regional offices coast-to-coast, provides commercial real estate debt and equity financing and commercial loan servicing. NorthMarq Capital provides more than \$13 billion in annual production volume and services a loan portfolio of more than \$37 billion. Dale Stewart, Producer, can be reached at 303-225-2100.*



# Property Showcase

## Richmond, TX • \$3,000,000

- 288 Units
- 62,115 RSF
- 3.96 Acres
- High traffic location between Richmond and Katy, TX
- Excellent visibility and expansion potential
- 30% of units are climate controlled
- Surrounded by growing residential subdivisions



**Bill Brownfield, CCIM**  
713-366-3134  
brownfield@meansknaus.com

## East Bethel, MN • \$895,000

- 84 Units
- 18,788 RSF
- 7.5 Acres (approx.)
- Attractive facility with excellent highway visibility
- Approved for a total of 300 units on additional 4.5 acres
- Newer and nicer than the competing facilities in the area
- Onsite office with restrooms and showers



**Greg McDonald, CCIM**  
612-338-0444  
gmcdonald@magnum-realestate.com

## McComb, MS • \$300,000

- 144 Units
- 18,000 RSF
- 2 +/- Acres
- Land available for expansion
- Good location and visibility off of Highway 98
- Recently fenced and paved
- Built in 2000



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

## Albion, MI • \$370,000

- 86 Units
- 12,000 RSF
- 6.584 Acres
- Land available for expansion
- Built in 2008
- Fully secured facility with card access
- Located within 1.5 miles of Exit 121 on Interstate 94



**Jim Soltis**  
810-494-2062  
jsoltis@previewproperties.com

## Caballo, NM • \$465,000

- 19 Unit RV Park with 5 Dry Campsites
- Unique property on Lake Caballo, New Mexico
- 2.674 Acres
- Includes 1,875 SF Lake House/Manager's Quarters
- Property borders Caballo Lake State Park
- Snow birds' paradise - booked full in winter months!



**David R. Laney**  
505-286-2060  
davidlaney@selfstorage.com

## Moriarty, NM • \$425,000

- 79 Units
- 12,800 SF
- 0.684 Acres
- Quick sale needed - Seller relocating!
- Seller financing with 10% down
- Free manager in place



**David R. Laney**  
505-286-2060  
davidlaney@selfstorage.com



# Sells Self Storage Nationwide!

- Over \$135 million in self storage properties currently for sale, with prices ranging from \$300,000 to over \$6 million to meet the needs of every buyer.
- Check out our current inventory of 77 properties listed in 26 states and contact the listing broker for more information or visit [www.selfstorage.com](http://www.selfstorage.com)!

## Arizona

Lake Havasu	\$2,300,000	David R. Laney	888-602-3335
Williams	\$685,000	David R. Laney	888-602-3335

## Arkansas

Bentonville	\$2,490,000	Larry Goldman	913-339-0641
Fort Smith	\$1,050,000	Barney Lehmbbeck	405-627-5481

## Colorado

Colorado Springs	\$3,400,000	Joan Lucas	720-855-6587
Denver	\$4,290,300	Joan Lucas	720-855-6587
Frederick	\$2,800,000	Joan Lucas	720-855-6587
Mead	\$575,000	Joan Lucas	720-855-6587

## Illinois

Elgin	\$1,300,000	Bruce Bahrmassel	312-518-3550
Lebanon	\$555,000	David S. Johnson	314-862-3000
Monee	\$1,350,000	Bruce Bahrmassel	312-518-3550
Sandwich	<b>SOLD!</b>	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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## Kentucky

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

Houma	\$2,600,000	Jon Cerruti/ David Laney	504-366-6800 505-286-2060
Metairie	\$1,695,000	Jon Cerruti	504-366-6800

## Maine

Bridgton	\$990,000	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
Upton	\$495,000	Joe Mendola	603-668-7000

## Michigan

Albion	\$370,000	Jim Soltis	810-494-2062
Mason	\$2,200,000	Bruce Bahrmassel/ Jim Soltis	312-518-3550 810-494-2062

## Minnesota

East Bethel	\$895,000	Greg McDonald	612-338-0444
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## Mississippi

Biloxi	\$1,600,000	Bill Barnhill/Stuart LaGroue	251-432-1287
Flowood	\$3,400,000	Bill Barnhill/Stuart LaGroue	251-432-1287
McComb	\$300,000	Bill Barnhill/Stuart LaGroue	251-432-1287

## Missouri

Belton	\$1,990,000	Larry Goldman	913-339-0641
Branson West	\$745,000	Larry Goldman	913-339-0641
Camdenton	\$1,000,000	Larry Goldman	913-339-0641
Farmington	\$3,150,000	Sheldon Johnson	314-862-3000
Harrisonville	\$800,000	Larry Goldman	913-339-0641
Mt. Vernon	\$1,170,000	Larry Goldman	913-339-0641
Nixa	\$1,820,000	Larry Goldman	913-339-0641
Nixa	<b>SOLD!</b>	Larry Goldman	913-339-0641
Ozark	\$1,600,000	Larry Goldman	913-339-0641

## Missouri, cont.

Sedalia	\$950,000	Larry Goldman	913-339-0641
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## 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

Barnegat	\$1,595,000	Linda Cinelli	908-722-5661
Egg Harbor Twp.	\$1,650,000	Linda Cinelli	908-722-5661
Stanhope	\$5,375,000	Linda Cinelli	908-722-5661

## New Mexico

Albuquerque	\$1,500,000	David R. Laney	505-286-2060
Artesia	\$579,700	David R. Laney	505-286-2060
Caballo	\$465,000	David R. Laney	505-286-2060
Clovis	\$660,000	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	\$2,040,000	David R. Laney	505-286-2060
Moriarity	\$425,000	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
Staten Island	\$6,350,000	Linda Cinelli	908-722-5661
Yorktown Hgts	\$3,000,000	Linda Cinelli	908-722-5661

## Oklahoma

Glenpool	\$3,450,000	Larry Goldman	913-339-0641
Tahlequah	\$2,125,000	Larry Goldman	913-339-0641

## Oregon

Bandon	\$549,000	Richard Arnold	503-693-2861
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## Pennsylvania

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

## South Carol ina

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	\$1,250,000	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

## Texas

Richmond	\$3,000,000	Bill Brownfield	713-366-3141
Texarkana	\$860,000	Richard Minker/Tyler Trahant	888-7-MINKER

## Washington

Clayton	\$625,000	Ryan Layton	509-435-2424
Concrete	\$2,750,000	Ryan Layton	509-435-2424
Sequim	\$799,000	Richard Arnold	503-693-2861
Spokane	\$5,600,000	Ryan Layton	509-435-2424
2-Property Portfolio	\$1,200,000	Ryan Layton	509-435-2424

## FREE Webinar Event!

Join Argus President Ben Vestal as he presents "Realizing Value in Today's Market" via webinar on June 22, 2010. This free event is available to anyone who wants to learn more about how to get the most out of their self storage property in today's market. Whether you are preparing for a sale or engaging in the buying process, we will lay down the groundwork for a smooth and successful transaction and help you avoid the pitfalls that have so many buyers and sellers wondering why a deal didn't work!

**When:** Tuesday, June 22, 2010 at 2:00pm EDT

**RSVP:** email [argus@argus-realestate.com](mailto:argus@argus-realestate.com) or call 800-557-8673 to reserve your spot!

### Argus News



Congratulations to **Larry Goldman** of RE/MAX Best Associates on the **SALE** of All Store Self Storage in Nixa, MO!

Congratulations to **Bruce Bahrmassel** of Landstar Realty Group on the **SALE** of Store-All Storage in Sandwich, IL!



### Argus is proud to welcome our newest Broker Affiliates!

**Mike Dunn** is located in Costa Mesa, CA and will represent Argus in Southern California. Mike has been a specialist in commercial investment properties since 1980 and has completed over \$53 million in self storage transactions. He can be reached at 714-751-2787 x218 or [mdunn@jdproptery.com](mailto:mdunn@jdproptery.com).



**Holly Mills** has joined the team at RE/MAX Best Associates and will represent Argus alongside Broker Affiliate Larry Goldman in the Western Missouri, Kansas and Arkansas markets. Holly has a background in the appraisal business and most recently worked for Cushman & Wakefield in the self storage specialty practice group. She can be reached at 816-808-2540 or [hollylarrisonmills@gmail.com](mailto:hollylarrisonmills@gmail.com).

### 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  
980-722-5661  
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

Allen Barnhill  
Bill Barnhill, CCIM  
P. John DeStefano  
N.J. "Joey" Godbold  
Grady Riggs, GRI  
Frost Weaver

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704-632-1027  
301-468-0606  
904-733-0039

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North Central FL

#### NORTH CENTRAL

Bruce Bahrmassel  
Robert K. Brehmer, CCIM  
Larry Goldman, CCIM  
Mike Helline & Paul Grisanti  
Peter Hitler & Chris Hitler, MBA  
Greg McDonald, CCIM  
David S. Johnson & Sheldon Johnson, CCIM  
Jim Soltis

Landstar Realty Group  
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RE/MAX Best Associates  
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810-494-2062

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MN  
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MI

#### SOUTH CENTRAL

Bill Barnhill, CCIM  
Bill Brownfield, CRE, CCIM  
Richard D. Minker, CCIM & Tyler Trahant  
Jack Stumpf & Jon Cerruti

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MKP Self Storage LLC  
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North TX  
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#### WEST

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Mike Dunn  
Marc Handley & Terry Krieger  
Larry Hayes  
David R. Laney  
Ryan Layton  
Joan Lucas  
Stuart Ripley

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Hayes & Associates  
RealStar Commercial Real Estate, LLC  
American Real Estate Associates  
Joan Lucas Real Estate Services, LLC  
Argus of Northern California

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