



SELF STORAGE SALES NETWORK

Market Monitor

America's Premier Self Storage Brokers

Issue III-2016

A note from Ben Vestal: As we enter the rock and roll of a presidential election year and the heart of the 2016 investment market, we are experiencing a less than stable lending environment. With CMBS loan volatility leading the way and causing many borrowers heartburn, we have seen a meaningful change in the financing available to borrowers looking to acquire self-storage investments. In order to provide our clients with an insider's look at the current self-storage financing market we have asked self-storage financing expert Dale Stewart to comment on the current state of the financing market.

Commercial Real Estate Financing Update

by Dale Stewart

The mortgage banking community recently gathered in Orlando to discuss the state of the commercial real estate industry, and the tone of the meeting this year was upbeat yet cautious. While lender allocations are generally higher for 2016, the mortgage-backed securities market faces some significant headwinds.

Life Insurance Companies

Life insurance lenders are fat and happy. Life company portfolios have been performing extremely well and the returns on CRE mortgages are well above the returns they can get by investing in corporate bonds. These balance sheet lenders originated an estimated \$50 billion in loans in 2015 and the expectations are for an increase of 10-20% for 2016. They remain quite prudent in their underwriting however, with 75% LTV and 30-year amortization limited to apartment loans only and on their internal cap rates. Middle-of-the-road, 10-year fixed rates today are approximately 4.25%.

CMBS

This is in contrast to the commercial mortgage-backed securities (CMBS) market which looks to have a very challenging year. A number of regulations coming into effect over the next few years are already affecting pricing and certainty of execution. Regulation AB requires a senior executive to personally sign off on a loan pool certifying they have reviewed every individual loan and that they're not aware of any negative aspect that has not been disclosed. As a result, it's likely that the larger "money center" banks will pull the warehouse lines of CMBS originators that table fund loans on these lines while waiting for them to be securitized. It's expected many of these types of lenders will shut down in 2016.

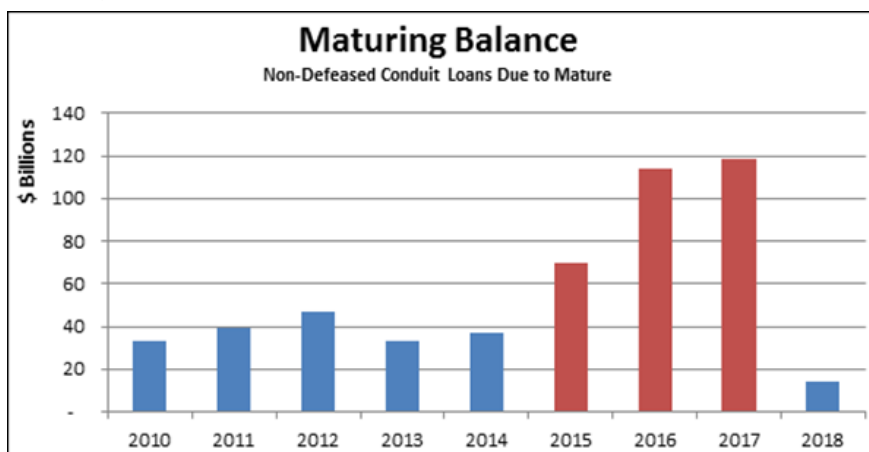
The Dodd Frank rule requires that five percent of a securitized loan pool is retained by the loan originator for the later of five years or when the pool is paid down by 30 percent. This requirement to keep some "skin in the game" will tie up and put capital at risk – something originators haven't had to consider at all since CMBS loans first came to light in 1996.

The CMBS market is also losing some of the B-piece investors, or those groups that buy the riskiest tranche of bonds and who provide much-needed liquidity for these pools. While a year ago there were roughly a dozen of these groups, today there are eight, with only half of them purchasing the majority of the bonds.

Entering the convention, CMBS spreads were at yearly highs. The highest-rated bonds were trading at close to 160 basis points over

swaps – up from a low of 82 bps last March. While that part of the market appears to have stabilized, spreads on the B-piece bonds have blown out, leading to an increase in overall rates to borrowers. Further, just last week some lenders started maxing out at 70% LTV instead of the historically common 75%. While a 30-year amortization remains the norm, don't expect a 10-year fixed rate of less than 5% on full leverage loans today for the common borrower.

All of this boils down to a slowdown in origination of CMBS loans in 2016 after \$100 billion last year. This slowdown comes at the worst possible time, because 2016 is the second year in a three-year period of huge maturities in CMBS that resulted from the 10-year deals done in 2005 - 2007 just before the Great Recession, leaving many loans looking for a new home as they mature.



Source: NuWire Investor

Banks

Money-center, regional and local banks were very active in 2015 and more of the same is expected this year. While most will struggle to fix rates for longer than five years, and non-recourse loans will likely top out in the 55-60% LTV range, they will continue to provide good liquidity and a relatively lower-cost alternative to the CRE financing world. This may be the year of the balance sheet lenders as borrowers with balance sheet debt facilities will have a meaningful advantage in the ultra-competitive self-storage acquisitions market.

Aside from some challenges in the CMBS markets, the outlook for CRE financing in 2016 is good. The obvious wild cards are the economy in general – will it be resilient enough to withstand the international disruptions in Europe and the Middle East? – And, of course, the unfortunate comedy that is the Presidential election. **MM**

Dale Stewart is Vice President at NorthMarq Capital in Denver, CO. He can be reached at 303-225-2118 or dstewart@northmarq.com.

Yuma, AZ

• \$3,100,000

- 437 Units
- 66,168 RSF
- 3.85 Acres
- Excellent frontage and corner location
- Easy freeway access to I-8
- \$3.2 Billion local agri-business economy
- Significant growth forecast in Federal Government facilities and spending in Yuma County

NEW!



Jeff Gorden, CCIM
480-331-8880
jgorden@selfstorage.com

Lansing, KS

• \$1,500,000

- 207 Units
- 63,837 RSF
- 7.53 Acres
- Room for expansion, potentially doubling the rentable area
- Gated and fenced facility
- Located in Kansas City metro area
- Potential for climate control conversion

NEW!



Larry Goldman, CCIM
913-707-9030
lgoldman@selfstorage.com

Boulder, CO

• \$16,000,000

- 1,022 Units
- 115,132 RSF
- 12.19 Acres
- Excellent visibility at intersection of 28th St. and Broadway in North Boulder
- \$1,600,000 potential rents annually
- Unique opportunity in a high barriers to entry market
- Well-established business

NEW!



Tom de Jong
408-282-3829
tom.dejong@colliers.com

Westmoreland, NY

• \$979,000

- 265 Units
- 27,385 RSF
- 2.64 Acres
- Largest facility in the Westmoreland market
- Well located on state highway with excellent visibility and great curb appeal
- Room for expansion
- Standard and climate control units

NEW!



Guy Blake, CCIM
845-522-5900
gblake@pyramidbrokerage.com

Waynesville, MO

• \$2,360,000

- 597 Units
- 84,678 RSF
- 6.4 Acres
- Interstate 44 visibility to over 25,000 cars per day
- Includes car wash, shop space and leased billboard
- Offered for below replacement cost
- 5 miles from Ft. Leonard Wood Army Base



Larry Goldman, CCIM
913-707-9030
lgoldman@selfstorage.com

Arlington, TX

• Call Broker

- 196 Units
- 41,178 RSF
- 4.835 Acres
- Excellent visibility and accessibility
- Low vacancy
- Includes 1 retail space, 1 office and 7 office/warehouse units
- Leasing office and manager's living quarters

NEW!



Richard Minker, CCIM & Chad Snyder
817-335-5600
richard.minker@colliers.com,
chad.snyder@colliers.com



Sells Self Storage Nationwide!

For property details, visit www.argus-selfstorage.com or contact your local Argus Broker Affiliate!

Alabama

Atmore/Brewton \$3,382,000 Bill Barnhill/Stuart LaGroue 251-432-1287
Chelsea, AL \$3,000,000 Bill Barnhill/Stuart LaGroue 251-432-1287

Arizona

Fort Mohave \$450,000 Jeffrey A. Gorden 480-331-8880
Gold Canyon Call Broker Jeffrey A. Gorden 480-331-8880
Tucson **SOLD!** Jeffrey A. Gorden 480-331-8880
Mohave Valley \$300,000 Jeffrey A. Gorden 480-331-8880
Vernon \$825,000 Jeffrey A. Gorden 480-331-8880
Yuma \$6,600,000 Jeffrey A. Gorden 480-331-8880
Yuma \$3,100,000 Jeffrey A. Gorden 480-331-8880

Arkansas

Avoca \$2,347,000 Larry Goldman 913-339-0641
Hot Springs Vlg \$180,000 Larry Goldman 913-339-0641

California

Sacramento \$13,500,000 Tom de Jong 408-282-3829
San Mateo \$1,400,000 Tom de Jong 408-282-3829
Vallejo \$1,850,000 Tom de Jong 408-282-3829

Colorado

Boulder \$16,000,000 Tom de Jong 408-282-3829
Canon City \$2,585,000 Joan Lucas 720-855-6587
Evans/Greeley \$1,652,450 Joan Lucas 720-855-6587

Florida

Fanning Springs \$1,725,000 Frost Weaver 904-265-2001
Lake City \$325,000 John W. Hill 386-362-3300
Panama City \$850,000 Bill Barnhill/Shannon Barnes 251-432-1287

Georgia

Douglasville \$2,380,000 Mike Patterson 770-241-9070
Tifton \$750,000 Mike Patterson 770-241-9070
Winston \$292,000 Mike Patterson 770-241-9070

Idaho

Payette \$1,950,000 Joan Lucas 720-855-6587

Iowa

Mason City \$1,500,000 Rusty Hike 402-291-2500

Illinois

Macomb \$950,000 Bruce Bahrmassel 312-518-3550
Rockford \$5,100,000 Bruce Bahrmassel 312-518-3550

Indiana

Fort Wayne Call Broker Bruce Bahrmassel/
Neal Gussis 312-518-3550
847-922-3750

Kansas

Iola \$400,000 Larry Goldman 913-707-9030
Junction City \$400,000 913-707-9030
Lansing \$1,500,000 Larry Goldman 913-707-9030
S. Hutchinson \$630,000 Jared Jones 918-583-3483

Massachusetts

Sutton \$1,575,000 Joseph Mendola 603-668-7000

Michigan

Roscommon \$295,000 Jim Soltis 810-494-2062

Minnesota

Plymouth Call Broker Steve Libert 847-452-2082

Missouri

Clinton \$268,000 Larry Goldman 913-707-9030
Sedalia \$1,338,000 Larry Goldman 913-707-9030
Waynesville \$2,360,000 Larry Goldman 913-707-9030

Mississippi

Brandon \$650,000 Bill Barnhill/Stuart LaGroue 251-432-1287
Canton \$850,000 Bill Barnhill/Stuart LaGroue 251-432-1287

Nevada

Reno/Sparks \$3,500,000 Bill Nicoloff 801-416-1026
NV Portfolio \$26,500,000 Tom de Jong 408-282-3829

New Hampshire

NH Portfolio **SOLD!** Joseph Mendola 603-668-7000

New Jersey

Branchville \$995,000 Linda Cinelli 908-722-5661
Howell \$2,350,000 Linda Cinelli 908-722-5661
Howell \$890,000 Linda Cinelli 908-722-5661
Pemberton \$975,000 Linda Cinelli 908-722-5661
Pennsauken \$1,300,000 Linda Cinelli 908-722-5661

New Mexico

Mesilla Park \$530,000 David Etzold/Noel Woodwell 915-491-9610
Ruidoso \$790,000 David Etzold/Noel Woodwell 915-491-9610

New York

Bayport \$925,000 Linda Cinelli 908-722-5661
Hicksville \$4,200,000 Linda Cinelli 908-722-5661
Monticello \$4,500,000 Linda Cinelli 908-722-5661
Peekskill \$3,500,000 Linda Cinelli 908-722-5661
Westmoreland \$979,000 Guy Blake 845-522-5900

North Carolina

Powells Point \$560,000 Stuart Wade 757-618-3597
Statesville **SOLD!** Joey Godbold/Jamey Cox 704-632-1030

North Dakota

Watford City \$1,200,000 Bruce Bahrmassel 312-518-3550

Ohio

Gloucester \$299,000 Alec Pacella 216-455-0925
Howard \$1,550,000 Alec Pacella 216-455-0925
Painesville \$1,400,000 Alec Pacella 216-455-0925

Oklahoma

Ada \$2,500,000 Jared Jones 918-583-3483
Edmond \$810,000 Jared Jones 918-583-3483

Oregon

Selma \$589,000 Steve Boldish 541-776-1031

Pennsylvania

Bechtelsville \$1,350,000 Chuck Shields 610-828-0100
Olyphant \$850,000 Chuck Shields 610-828-0100
Plymouth \$850,000 Linda Cinelli/Chuck Shields 908-722-5661

South Carolina

Anderson \$4,800,000 Neal Gussis 847-922-3750
Joey Godbold/Jamey Cox 704-632-1030

Texas

Arlington Call Broker Richard Minker/Chad Snyder 817-335-5600
Big Spring Call Broker David Etzold 915-845-6006
Bridgeport Call Broker Richard Minker 817-335-5600
Caldwell Call Broker Bill Brownfield 713-907-6497

Utah

Helper \$310,000 Bill Nicoloff 801-416-1026

Virginia

DeWitt \$450,000 Stuart Wade 757-618-3597
Williamsburg \$4,900,000 Stuart Wade 757-618-3597

Wyoming

Gillette \$2,550,000 Joan Lucas 720-855-6587

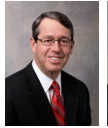
ARGUS SALES



Congratulations to Joe Mendola of NAI Norwood Group who sold the Granite Clover 5-Property Portfolio in New Hampshire! Contact Joe at 603-668-7000 for details.



Congratulations to Jeff Gorden, CCIM of Eagle Commercial Realty Services who sold 34th St. Storage in Tucson, AZ! Contact Jeff at 480-331-8880 for details.



Congratulations to Joey Godbold and Jamey Cox of Sperry Van Ness Percival Partners who sold Broad Street Self Storage in Statesville, NC! Contact Joey and Jamey at 704-632-1030 for more information.

ARGUS NEWS

We are pleased to welcome our newest Broker Affiliates to the Network!



Rusty Hike and Mark Billingsley, of Hike Real Estate, are located in Bellevue, NE and will represent Argus in Nebraska and Iowa. They can be reached at 402-291-2500.



Richard Stern, of Midwest Commercial Realty in Fitchburg, WI will represent Argus in Wisconsin. He can be reached at 608-446-0600.



Mary Franklin joins the team at Omega Properties, Inc. in Mobile, AL representing Argus in Alabama, Mississippi, Louisiana and the Florida Panhandle. Contact Mary at 251-432-1287.

Contact an Argus Broker Affiliate

NORTHEAST

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

Company

Pyramid Brokerage Company
LC Realty
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Phone

845-522-5900
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610-862-1645

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Mike Helline & Paul Grisanti, CCIM
Jim Soltis
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Larry Goldman, CCIM
Mike Helline & Paul Grisanti, CCIM
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West TX
AR
TN
OK
North TX

WEST

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David Etzold & Noel Woodwell
Jeffery A. Gorden, CCIM
Larry Hayes
Joan Lucas
Bill Nicoloff
Thomas Wolter

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Eagle Commercial Realty Services
Hayes & Associates
Joan Lucas Real Estate Services, LLC
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