



SELF STORAGE SALES NETWORK

Market Monitor

America's Premier Self Storage Brokers

Issue X-2017

Self-Storage Financing: Signs to Watch For

by Neal Gussis

As we near the end of 2017, there are several signs that should capture your attention and point you in appropriate directions so you can capitalize on current market and economic conditions. From a big picture perspective, the first sign that should catch your eye is that cap rates may have reached their low point and could be ever-so-slightly on the rise. Meanwhile on the capital markets front, loan options have never been better (with the exception of construction financing). Digging deeper, here are some other signs you can look for as we wind up the year.

Permanent Financing

This year, the availability of attractive permanent financing alternatives has risen for self-storage properties. More lenders than ever have come to view self-storage as a preferred property type and we've seen lenders being more aggressive and creative in their attempts to win your business. In addition to offering attractive rates, some lenders are adding on such sweeteners as longer fixed-rate periods, non-recourse financing on lower leverage deals, recourse burn-off provisions on higher leverage loans, float-to-fix options, longer amortization or interest-only periods, and more flexible prepayment provisions. Notably, we have secured loans this year from numerous banks, credit unions, life insurers, commercial mortgage-backed securities (CMBS), private lenders, and SBA lenders who have all stepped up with great overall rates and terms to support our clients' short- and long-term investment goals.

Value-Add and Bridge Financing

If your plans involve investing in and financing a property that needs more seasoning for a variety of reasons, there are a number of recourse and non-recourse lenders offering shorter-term bridge loans for value-add deals. Value-add deals come in many different forms and are often associated with a purchase. Interest rates on these loans are typically higher than permanent financing rates, however the quoted spreads on these deals have contracted this year. These loans are oftentimes interest-only and feature flexible prepayment penalties. They are also commonly based on future cashflow and "as stabilized" value, instead of historic cashflow and "as is" value.

Construction Loans

When it comes to construction financing, developers may be seeing a clear sign: Proceed with Caution. Banks are definitely being selective and are thoroughly vetting and underwriting construction financing requests. Close attention is being paid to the sponsors' financial strength and experience, as well as the viability and feasibility of the new development.

Accordingly, most new storage supply is being built by existing

operators in the top 50 metro markets and secondary urban markets. SBA lending programs have also been a welcoming avenue and have opened doors for newer owners entering the sector by creating opportunities for some borrowers to obtain construction financing in secondary and tertiary markets.

In addition to increased scrutiny from lenders and a limited supply of construction loans, the rise in short-term interest rates will certainly cause an increase in the cost of funds for developers. These considerations are on top of higher construction costs, as well as long lead times required for permitting and approvals common with new developments.

Interest Rates

The U.S. economy is currently supported by its lowest unemployment rate since 2007 and a stock market performing at new heights. Despite these strong economic markers which often usher in inflation, national and global inflation are in check and remain at low levels. Historically, the Federal Reserve has utilized the Fed Fund Target rate to either stimulate, maintain or slow down economic growth. The Fed's target fund rate is currently at 1.25%, with indications it will increase to 1.50% on the next rate hike. The Prime and 30-day Libor rates move in sync with the Fed Fund Target rate. The Prime rate is currently 4.25% and the 30-day Libor is hovering at 1.25%. Some economists predict the benchmark Fed Fund Target rate could hit 3% in 2018 or 2019. With that scenario, variable-rate mortgages will be in the 5-6% range.

Solid Footings

Currently, self-storage owners have remarkable opportunities to sell or finance at near peak levels. When finishing up the year, always focus on keeping your operations competitive. Additionally, stay informed about available financing terms since lending options are dynamic and reflect the signs of the times. As you begin charting your 2018 business plans, closely examine your current loans. With cap rates and interest rates still low, it could be a great time to refinance an existing loan and lock in better rates and terms and potentially pull out some equity. Alternatively, the current market and timing signs may point you to selling your property. Finally, if you're developing a new storage facility, more than ever you should closely scrutinize new projects to determine if their projections require updating or if the expected returns still meet their investment criteria. **MM**

*With 25 years of experience as a national self-storage mortgage broker and advisor, **Neal Gussis** is a Principal at CCM Commercial Mortgage. He is also a Principal at Waveland Commercial Real Estate, which provides real estate brokerage services through the Argus Self Storage Sales Network.*



Property Showcase

Carrollton, GA

\$425,000

- 100 Units
- 11,000 RSF
- 2.4 Acres
- In town location with good access and visibility
- Rental rate upside
- Buildings in good condition with minimal deferred maintenance
- Expansion potential to double current RSF

NEW!



Mike Patterson, CCIM
770-301-1886
ebrooker@msn.com

Cherryville, NC

\$2,100,000

- 270 Units
- 35,137 RSF
- 4.96 Acres
- Two properties located within walking distance of each other
- Largest self storage property in the market
- Land available for expansion
- High physical occupancy
- Includes 8 office suites/parking
- Many long term tenants

NEW!



Jamey Cox
704-632-1030
jamey.cox@svn.com

Chaska, MN

Call for Offers

- 545 Units
- 90,650 RSF
- 16.3 Acres
- Offers Due Nov. 8, 2017
- Class A, institutional quality facility
- Significant revenue upside through rent increases and tenant insurance sales
- Located within Chanhassen city limits

NEW!



Tom Flannigan
651-269-6307
thomasjflannigan@gmail.com

Crossville, TN

\$975,000

- 154 Units
- 22,260 RSF
- 8.25 Acres
- Facility was built by current owners in 2001
- Room for expansion
- Coded security gate and camera system
- Property includes warehouse building and office

NEW!



**Mike Helline
& Paul Grisanti, CCIM**
502-253-1811
mike@grisantigroup.com
paul@grisantigroup.com

Belton, MO

\$600,000

- 123 Units
- 17,432 RSF
- 1.16 Acres
- Visible from well-traveled N. Scott Ave., minutes from I-49
- Priced well below replacement cost
- Stabilized operating history with upside potential

NEW!



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

Texas City, TX

Call for Price

- Development Site
- 5+/- Acres
- Located on the north side of Monticello Dr. just east of Century Blvd.
- Rezoned to E-4 to construct a boat/rv storage facility with a date-specific permit
- Major housing developments in the area

NEW!



**Bill Brownfield, CRE, CCIM
& Tommy LeBlanc**
713--907-6497
bill@wbrownfield.com
tommy@selfstorage.com



Sells Self Storage Nationwide!

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

| | | | |
|-----------|-----------|------------------------------|--------------|
| Cullman | \$260,000 | Bill Barnhill/Stuart LaGroue | 251-432-1287 |
| Tallassee | \$965,000 | Bill Barnhill/Stuart LaGroue | 251-432-1287 |

Arizona

| | | | |
|--------|-------------|-------------------|--------------|
| Bisbee | \$270,000 | Jeffrey A. Gorden | 480-331-8880 |
| Concho | \$350,000 | Jeffrey A. Gorden | 480-331-8880 |
| Mayer | \$1,650,000 | Jeffrey A. Gorden | 480-331-8880 |

Arkansas

| | | | |
|-----------------|-------------|---------------|--------------|
| Hot Springs Vlg | \$1,600,000 | Larry Goldman | 913-707-9030 |
| Hot Springs Vlg | \$180,000 | Larry Goldman | 913-707-9030 |
| Jacksonville | \$365,000 | Larry Goldman | 913-707-9030 |
| Russellville | \$1,495,000 | Larry Goldman | 913-707-9030 |

Colorado

| | | | |
|----------------|-------------|------------|--------------|
| Colorado Spgs. | \$3,268,000 | Joan Lucas | 720-855-6587 |
| Denver | \$1,800,000 | Joan Lucas | 720-855-6587 |
| Fort Collins | \$3,500,000 | Joan Lucas | 720-855-6587 |
| Loveland | \$1,270,000 | Joan Lucas | 720-855-6587 |
| Thornton | \$3,513,000 | Joan Lucas | 720-855-6587 |

Florida

| | | | |
|--------------|-------------|------------------------------|--------------|
| Navarre | SOLD | Bill Barnhill/Shannon Barnes | 251-432-1287 |
| Ormond Beach | \$1,150,000 | Frost Weaver | 904-265-2001 |
| Starke | \$920,000 | Frost Weaver | 904-265-2001 |

Georgia

| | | | |
|------------|-------------|----------------|--------------|
| Atlanta | \$925,000 | Mike Patterson | 770-301-1886 |
| Carrollton | \$425,000 | Mike Patterson | 770-301-1886 |
| Carrollton | \$1,300,000 | Mike Patterson | 770-301-1886 |
| Jackson | \$3,200,000 | Mike Patterson | 770-301-1886 |
| Loganville | \$7,800,000 | Mike Patterson | 770-301-1886 |

Idaho

| | | | |
|--------|-----------|-------------|--------------|
| Salmon | \$399,000 | Larry Hayes | 406-544-1921 |
|--------|-----------|-------------|--------------|

Illinois

| | | | |
|----------|-------------|------------------|--------------|
| Byron | \$389,000 | Bruce Bahrmassel | 312-518-3550 |
| Rockford | \$5,100,000 | Bruce Bahrmassel | 312-518-3550 |
| Seneca | \$699,000 | Bruce Bahrmassel | 312-518-3550 |

Indiana

| | | | |
|-------------|-------------|----------------------------|--------------|
| Terre Haute | \$1,100,000 | Paul Grisanti/Mike Helline | 502-296-4586 |
|-------------|-------------|----------------------------|--------------|

Kansas

| | | | |
|---------------|-------------|---------------|--------------|
| Basehor | \$650,000 | Larry Goldman | 913-707-9030 |
| Junction City | \$380,000 | Larry Goldman | 913-707-9030 |
| Junction City | \$1,195,000 | Larry Goldman | 913-707-9030 |
| Lawrence | \$5,260,000 | Larry Goldman | 913-707-9030 |

Kentucky

| | | | |
|-----------|-----------|----------------------------|--------------|
| Cynthiana | \$875,000 | Paul Grisanti/Mike Helline | 502-296-4586 |
|-----------|-----------|----------------------------|--------------|

Massachusetts

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|--------|-----------|----------------|--------------|
| Sutton | \$550,000 | Joseph Mendola | 603-668-7000 |
|--------|-----------|----------------|--------------|

Minnesota

| | | | |
|--------|-------------|---------------|--------------|
| Chaska | Call Broker | Tom Flannigan | 651-269-6307 |
|--------|-------------|---------------|--------------|

Missouri

| | | | |
|---------|-----------|---------------|--------------|
| Belton | \$600,000 | Larry Goldman | 913-707-9030 |
| Clinton | \$319,000 | Larry Goldman | 913-707-9030 |

Missouri, cont.

| | | | |
|-------------|-------------|---------------|--------------|
| Waynesville | \$2,360,000 | Larry Goldman | 913-707-9030 |
|-------------|-------------|---------------|--------------|

Mississippi

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|--------|-----------|------------------------------|--------------|
| Canton | \$850,000 | Bill Barnhill/Stuart LaGroue | 251-432-1287 |
| Laurel | \$550,000 | Bill Barnhill/Shannon Barnes | 251-432-1287 |

New Hampshire

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|-------|-----------|-------------|--------------|
| Weare | \$435,000 | Joe Mendola | 603-668-7000 |
|-------|-----------|-------------|--------------|

New Jersey

| | | | |
|--------------|-------------|---------------|--------------|
| Ewing | \$2,100,000 | Linda Cinelli | 908-722-5661 |
| Pemberton | \$975,000 | Linda Cinelli | 908-722-5661 |
| Ventnor City | \$1,850,000 | Linda Cinelli | 908-722-5661 |

New Mexico

| | | | |
|--------------|-------------|--------------|--------------|
| Santa Teresa | \$4,650,000 | David Etzold | 915-845-6006 |
|--------------|-------------|--------------|--------------|

New York

| | | | |
|------------|--------------|---------------|--------------|
| Islip | \$5,700,000 | Linda Cinelli | 908-722-5661 |
| Monticello | \$3,850,000 | Linda Cinelli | 908-722-5661 |
| Shirley | \$11,500,000 | Linda Cinelli | 908-722-5661 |

North Carolina

| | | | |
|-------------|-------------|------------------------|--------------|
| Asheboro | \$350,000 | Joey Godbold/Jamey Cox | 704-632-1030 |
| Asheville | \$8,900,000 | Joey Godbold | 704-632-1027 |
| Cherryville | \$2,100,000 | Jamey Cox | 704-632-1030 |
| Henderson | \$475,000 | Jamey Cox | 704-632-1030 |
| Hickory | \$795,000 | Jamey Cox | 704-632-1030 |
| Peachland | \$225,000 | Joey Godbold/Jamey Cox | 704-632-1030 |
| Wadesboro | \$700,000 | Joey Godbold/Jamey Cox | 704-632-1030 |

Ohio

| | | | |
|----------|-----------|--------------|--------------|
| Glouster | \$299,000 | Alec Pacella | 216-455-0925 |
|----------|-----------|--------------|--------------|

Oklahoma

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|--------|-----------|-------------|--------------|
| Edmond | \$650,000 | Jared Jones | 918-583-3483 |
|--------|-----------|-------------|--------------|

Oregon

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|---------------|-------------|------------|--------------|
| Central Point | \$1,975,000 | Scott King | 541-890-6708 |
| Lakeview | \$835,000 | Scott King | 541-890-6708 |
| Medford | \$375,000 | Scott King | 541-890-6708 |

Pennsylvania

| | | | |
|---------------|-------------|---------------|--------------|
| Bechtelsville | \$1,400,000 | Chuck Shields | 610-828-0100 |
| Olyphant | \$925,000 | Chuck Shields | 610-828-0100 |

Tennessee

| | | | |
|------------|-------------|----------------------------|--------------|
| Crossville | \$975,000 | Paul Grisanti/Mike Helline | 502-296-4586 |
| Kingsport | \$1,350,000 | Paul Grisanti/Mike Helline | 502-296-4586 |

Texas

| | | | |
|---------------|-------------|----------------------------|--------------|
| Arlington | Call Broker | Richard Minker/Chad Snyder | 817-335-5600 |
| Bacliff | Call Broker | Bill Brownfield | 713-907-6497 |
| Fort Worth | Call Broker | Richard Minker/Chad Snyder | 817-335-5600 |
| Mineral Wells | Call Broker | Richard Minker/Chad Snyder | 817-335-5600 |
| Texas City | Call Broker | Bill Brownfield | 713-907-6497 |

Virginia

| | | | |
|---------|-------------|-------------|--------------|
| Windsor | \$1,100,000 | Stuart Wade | 757-618-3597 |
|---------|-------------|-------------|--------------|

ARGUS SALES



Congratulations to **Peter Pappageorge and Doug Shea** of INCO Commercial Realty who represented the buyers of the 21-Property U-Store-It portfolio with locations in Texas, Arkansas and New Mexico! Contact Peter and Doug at 562-498-3395 for details.



Congratulations to **Bill Barnhill, CCIM and Shannon Barnes, CCIM** of Omega Properties, Inc. who sold A+ Storage in Navarre, FL! Contact Bill and Shannon at 251-432-1287 for details.



Congratulations to **Mike Helline and Paul Grisanti, CCIM** of Grisanti Group Commercial Real Estate who sold a self-storage development site in Louisville, KY! Contact Mike and Paul at 502-253-1811 for details.



Congratulations to **Jeff Gorden, CCIM** of Eagle Commercial Realty Services who sold Van's Storage in Fountain Hills, AZ! Contact Jeff at 480-331-8880 for details.



Congratulations to **Joan Lucas** of Joan Lucas Real Estate Services who sold Edwards Self Storage in Edwards, CO! Contact Joan at 720-855-6587 for details.

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
908-722-5661
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

Bill Barnhill, CCIM
N.J. "Joey" Godbold & Jamey Cox
Mike Patterson, CCIM
Stuart Wade
Frost Weaver

Omega Properties, Inc.
SVN Percival Partners
Commercial Realty Services of West Georgia
The Nicholson Companies
Weaver Realty Group, Inc.

251-432-1287
704-632-1030
770-301-1886
757-618-3597
904-733-0039

FL Panhandle
NC, SC
GA
MD, VA
North, Central & South FL

NORTH CENTRAL

Bruce Bahrmassel
Tom Flannigan
Rusty Hike
Alec Pacella, CCIM
Larry Goldman, CCIM
Mike Helline & Paul Grisanti, CCIM
Jim Soltis

Waveland Commercial Real Estate, LLC
KW Commercial
Hike Real Estate
NAI Daus
RE/MAX Commercial
Grisanti Group Commercial Real Estate
Preview Properties.com

312-518-3550
651-269-6307
402-291-2500
216-831-3310
913-707-9030
502-253-1811
810-494-2062

Northern IL, Northern IN, WI
MN, ND
NE, IA
OH, Western PA
KS, MO, Southern IL
KY, Southern IN
MI

SOUTH CENTRAL

Bill Barnhill, CCIM
Bill Brownfield, CRE, CCIM & Tommy LeBlanc
David Etzold
Larry Goldman, CCIM
Mike Helline & Paul Grisanti, CCIM
Jared Jones, CCIM
Richard D. Minker, CCIM & Chad Snyder

Omega Properties, Inc.
Brownfield & Associates, LLC
Etzold & CO LLC
RE/MAX Commercial
Grisanti Group Commercial Real Estate
Porthaven Partners
Colliers International

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913-707-9030
502-253-1811
918-948-3941
817-335-5600

AL, MS, LA
Central & South TX
West TX
AR
TN
OK
North TX

WEST

David Etzold
Jeffery A. Gorden, CCIM
Larry Hayes
Scott King
Joan Lucas
Doug Shea & Peter Pappageorge
Thomas Wolter

Etzold & CO LLC
Eagle Commercial Realty Services
Hayes & Associates
Merit Commercial Real Estate
Joan Lucas Real Estate Services, LLC
INCO Commercial
RE/MAX Commercial

915-845-6006
480-331-8880
406-544-1921
541-890-6708
720-855-6587
562-498-3395
206-200-3325

NM
AZ
MT
OR
CO
Southern CA
WA