Fantini & Gorga

Skillfully Linking Borrowers and Lenders.

Master Money Matrix© *Self Storage Financing*

See below for definitions. *Apr-17*

OPTION	TYPE	EXPLANATION	REQUIREMENTS	USUAL SOURCES	AVAILABILITY	RATES/ SPREADS	Stabilized LTV/DSC*	POINTS	TERM (YRS)	AMORT (YRS)	COMMENTS/ EXCEPTIONS
PERMANENT LOAN - INSURANCE COMPANY	Debt	Medium term fixed rate loan.	Experienced owner and well maintained property with good occupancy history.	Insurance companies	Very Good	170 bps to 220 bps over comparable term Treasuries	60%-70% 1.30-1.35	0-1	5 to 25	25	- Usually non-recourse, except for carveouts. - Focus on better quality, well-located properties in major markets. - Pricing dependent on leverage level, asset quality, sponsor strength and experience. - Loans for smaller properties available at slightly higher rates. - Oversupplied markets are avoided.
PERMANENT LOAN - CMBS	Debt	Longer term fixed rate loan.	Creditworthy borrower and property with good occupancy history.	Mainly investment banks	Good	225 bps to 275 bps over comparable term Swaps	Up to 75% 1.25	0	10	25-30	- Non-recourse, except for carveouts. - Pricing dependent on leverage level. - Interest only for up to 2 years still available at full leverage. - Best execution on loans of $3 million and up. - Debt yield measurement is crucial.
PERMANENT LOAN - BANK	Debt	Medium - to longer term fixed rate loan.	Creditworthy borrower and acceptable collateral.	National, regional and local banks; credit unions	Excellent	190 bps to 240 bps over Swaps	60%-75% 1.25	1/2 to 1	5 to 10	25-30	- Usually requires at least some recourse above 65% LTV. - Earnouts possible on non-stabilized properties. - Some banks fix rates for only 5 year period, but may have extension options. - Some banks use FHLB indices instead of Swaps.
BRIDGE LOAN	Debt	Shorter term for acquisition, repositioning.	Experienced owner/manager, property of "B" or better quality.	Mainly specialized finance companies and investment banks	Adequate	LIBOR + 310-550 bps	75% 1.25-1.30	1	1-3	Interest only	- Non-recourse. - Usually need 1.00-1.10 DCR at closing. - Extensions possible with additional fees. - Exit fee of 1/2%-1%. - Earnouts and good news money available.
PERMANENT LOAN - SBA 504	Debt	Fixed rate 20 year loan for construction, acquisition and refinance.	Creditworthy borrower and well maintained property.	SBA approved lenders, mostly regional	Good	Current all-in rate 4.50% - 5.00%	Up to 90% 1.25	1 1/2	25	25	- Recourse required. - Underwriting is specialized; borrower should have experienced advisor. - Previous experience managing storage facilities is required. - Can build interest reserve and first 2 years of payments into budget for construction loans.
MULTIPLE FACILITY PORTFOLIO LOAN	Debt	Fixed or floating rate up to 10-year term.	Good sponsorship, portfolio of well-leased facilities with common ownership and management.	Investment banks, insurance companies, banks, finance companies	Excellent	Similar to rates offered by the lender for individual loans	Up to 75% 1.25	0 to 1	3 to 10	25-30	- Investment banks and insurance companies are pursuing storage portfolios aggressively. - May be structured as a single loan or multiple crossed loans, depending upon leverage; partial release provisions are pre-negotiated. If leverage level is below 65% no crossing is required. - Earn outs only occasionally available. - Interest only periods for up to 2 years are available from many lenders. - Lenders require high level of reporting from managers. - Strong markets a necessity.
CONSTRUCTION/ PERMANENT	Debt	Floating rate construction convertible to fixed rate permanent at borrower's option.	Experienced sponsor, well located project, and market demand.	Mostly banks, some insurance companies	Good	Construction: LIBOR + 200-350; permanent: Treasuries + 170-220 or equivalent	70%-75% 1.25-1.30	1/4 to 1	5 to 12	Interest only yrs 1-3, then 25	- Typically recourse during construction and leaseup. - Equity usually goes into project before debt. - Some lenders fix rate for entire term to minimize rate risk. - Earn outs possible. - Market study will facilitate financing. - Experienced GC necessary, sometimes with bonding requirement.
MEZZANINE/ PREFERRED EQUITY	Debt & Equity	Junior financing secured by a pledge of or participation in ownership interest.	Experienced sponsor, strong management, "A" quality property or portfolio.	Specialized finance companies, opportunity funds, a few insurance companies	Fair	Mezzanine 8%-12%	Up to 75%-80% 1.15	Varies	3 to 10	Mezzanine usually interest only	- Works well with seasoned portfolio loans and acquisitions. - Investment range $3M-$30M. - Lender requires extensive reporting. - Pre-negotiated intercreditor agreements facilitate process. - Strong markets only.

The terms shown herein approximate market conditions at the time of publication and are subject to frequent changes based on the shifts within capital markets. The format of this presentation is simplified to aid the reader in a global understanding of the complex financing options available for self-storage properties.

*Stabilized LTV/DSC. For construction, repositioning and value-added situations this refers to underwriting target at stabilization.

Definitions: DSC = Debt service coverage ratio P = Prime LIBOR = 30 day London Interbank Offered Rate LTV = Loan to value ratio SWAP = LIBOR based interest rate swap