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Self-Storage Deal Brings High DPO Amount

By Natalie Dolce
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COSTA MESA, CA-Locally based **Talonvest Capital Inc.**, a boutique commercial real estate advisor serving clients throughout the US, has closed $35.29 million in permanent financing on two separate portfolios. **Zeune Construction & Development** hired Talonvest to a structure a loan totaling 97% of the discounted pay off of the prior mortgage debt. In a second assignment, **Morningstar Properties** and their venture partner **Harrison Street Real Estate Capital** selected Talonvest to represent them for their refinance of a 360,000-square-foot, seven property self storage portfolio.

In the first deal, the 435,000-square-foot portfolio consisted of self storage facilities in the Southeastern and Midwestern US. Funding of the refinance loan was complicated because the former lender was in receivership. **Kim Zeune**, managing member of the borrowing entity, noted that Talonvest "succeeded in overcoming the hurdles involved in closing our loan," in a prepared statement. "Their diligence, tenacity, and hard work made the difference." The non-recourse financing had a 10-year term and 30-year amortization.

In the second assignment, Talonvest's team identified multiple financing options that resulted in a $20-million loan, which included senior and mezzanine notes, for the North Carolina, South Carolina and Georgia facilities. **Eric Snyder**, **Jim Davies** and **Tom Sherlock**, principals of Talonvest, handled the assignments on behalf of Zeune and Morningstar.

Although due to confidentiality, Talonvest couldn't share further information such as the lenders names or specifics on terms or pricing, Sherlock tells GlobeSt.com that the DPO amount of 97% is noteworthy "since it's much more than is typically lent in the marketplace."

Sherlock also tells GlobeSt.com that lender competition, especially on CMBS loans, has heated up. Just recently, he says, the all-in 10-year loan rate dropped below 4.5% for a 70%+ loan. "Higher leverage loans up to 80% are also available, although the loan rates are slightly higher," he says. "Meanwhile, competition has positively influenced a borrower's ability to successfully negotiate lock box language as well as other loan structuring components."

Last year, there was an expanding number of CMBS lenders buoyed by an optimistic view of the market, Sherlock continues. "Unfortunately, the combination of unrealistic 2011 volume expectations which led to unmet lender goals, plus another hiccup in the global economy derailed the lending market last summer."

Prudent borrowers are cognizant that recent history can repeat itself, and are focused on expediting their 2012 loan process to take advantage of the current state of the market, he points out. "The positive momentum in the lending market is also evident with other sources of capital."

He points out that "recently, a national bank provided our client a higher leveraged note with a senior / mezzanine structure loan to fully pay off a loan originally funded at the peak of the last cycle. Additionally, a fixed-rate loan with no prepayment penalty was quoted by a credit union, while an insurance company 25-year fixed rate loan priced at just over 5% went under application," he says. "While the permanent lending market appears to have the most positive momentum, bridge and mezzanine financing are also looking more attractive to borrowers."