



Fuel Business Expansion! Building Your Self-Storage Capital Stack

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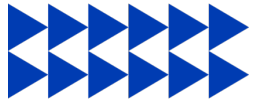
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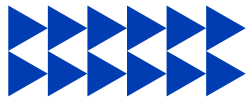
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Overview

- State-of-the market update
- Interest-rate environment: A brief refresher
- Building a strong capital stack
- Structuring deals through alternative capital sources
- Strategies to unlock capital and scale operations
- Selecting the right loan product for each deal
- Leveraging trapped equity: A case study
- Avoiding last-minute deal disruptions



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State of the Market

- Capital remains available for storage, though **lenders are increasingly selective**.
- **Permanent capital is very competitive**, with new lenders entering the market.
- **Leverage compression**
 - ~55%-65% loan-to-value (LTV) stabilized
 - ~50%-65% loan-to-cost development
- **Conservative underwriting:** Including stress tests on lease-up, rents and capitalization rates.

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State of the Market

- **Market fundamentals matter.** Population growth and supply constraints matter.
- **Rents are trending upward** as supply shock is absorbed.
- **Interest-rate volatility persists**, though well below post-COVID peaks.
- **Higher equity requirements** are increasing the need for creative capital solutions.
- **Global uncertainty favors** defensive asset classes like self-storage.

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Interest Rate Indexes: A Look Back

Index	March 2026	March 2025	March 2024	March 2023	+ Since Q1 2022
10-Year UST	4.15%	4.28%	3.40%	2.00%	+2.15%
5-Year UST	3.73%	4.05%	4.30%	2.05%	+1.68%
Prime	6.75%	7.50%	8.50%	3.25%	+3.50%
SOFR	3.66%	4.32%	5.31%	0.05%	+3.60%
Fed Funds	3.50%-3.75%	4.25%-4.50%	5.25%-5.50%	0%-0.25%	+3.50%

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Building a Strong Capital Stack

Structure the capital stack to fit the deal, not the other way around:

- **Leverage existing relationships** including incumbent lenders, experienced advisors or mentors to guide underwriting and financing strategy.
- **Evaluate loan structures carefully** as loan type can significantly impact flexibility, cost of capital and execution risk.
- **Explore capital sources beyond conventional bank financing** as alternative solutions can help move deals across the finish line.

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Structure Deals Through Numerous Channels

Broader knowledge of available capital sources increases the likelihood of successfully structuring a deal.

- **Take advantage of market conditions at a given point in time** as different loan products become more competitive as markets shift.
- Conventional loan products can be structured in **unconventional ways** to support unique deal dynamics.
- **Relationship lenders remain critical**, helping borrowers navigate market volatility and execute deals efficiently.

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Unlocking Existing Capital

Borrowers can unlock capital in their existing balance sheets to aid in financing new transactions.

- Construction financing
- Small Business Administration (SBA) refinance with expansion
- Lowering leverage to de-risk a deal
- Commercial mortgage-backed security (CMBS) or other cash-out refinance
- Cross collateralization, corporate guarantees, etc., can help secure better terms.

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Selecting the Best Loan Product

Three loan categories—development, bridge and permanent—have their own sub-categories to be used in different scenarios across deal life cycles.

- **Development loans:** Conventional → SBA → private capital
- **Bridge loans:** Traditional nonrecourse bridge vs. bank bridge
- **Permanent loans:** CMBS, bank, credit union, insurance company
 - Cash-flowing permanent loans are highly competitive.

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Fueling Your Capital Stack: Case Study

So, you're building a new property. Can you make the capital stack work by tapping trapped equity?

Capital-Source Comparison

	Cash-Out Refinance	Construction Loan
Capital available	\$3,000,000	\$3,000,000
Interest rate	5.75%	7.25%
Loan structure	Interest-only	Interest-only
Annual interest cost	\$174,000	\$220,000
Annual savings	\$46,000	---

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Case Study Continued

Why this strategy works:

Refinance

- Use **existing property equity**
- Lower cost of capital
- No construction draw process
- Capital available immediately

Construction loan

- Take on **new development debt**
- Higher cost of capital
- Draw schedules and oversight
- Capital released over time

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Case Study Continued

Metric	Value
Existing loan balance	\$3,000,000
Current LTV	30%
Interest rate	6.75%
Amortization	25 years
Annual loan payment	\$260,000

Proposed Financing Metric	Value
Proposed loan	\$6,150,000
Implied LTV	62%
Interest rate	5.75%
Amortization	Interest-only
Annual loan payment	\$360,000
Existing payoff + CC	(\$3,150,000)
Net cash to borrower	\$3,000,000

As-Is Underwriting Metrics	
Estimated value	\$10,000,000
Net operating income	\$600,000
Net rentable square feet	85,000
Current DSCR	2.31
Occupancy	90%

Incremental Loan Summary	
Cash out to borrower	\$3,000,000
New DSCR	1.67
Old loan constant	8.7%
New loan constant	5.9%

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Case Study: Key Takeaways

Borrower benefits: Access capital already sitting in your property at a lower cost than new debt.

- Pull **\$3MM of equity** from an underleveraged asset
- Financing cost **150 bps lower** than construction debt
- **\$45K per year** in interest savings
- Maintain conservative **~60%** leverage
- Capital can be redeployed into new development, acquisitions or liquidity

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Avoiding Late-Stage Deal Clutter

Proactive document prep:

- Personal financial statement/schedule of real estate owned
- Tax returns
- Bio/business plan

Deal structure:

- Org-chart preparation
- Entity setup

Vendor outreach:

- Attorney, survey, environmental, zoning, management, broker

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