



2024 National Market Report - Self-Storage

Prepared by Thomas Matyiko, Alexander Averbuch, Grant Dixon, Jacob Tomberlin

Market Overview

The self-storage market experienced a transaction volume of \$3.36 billion in the first half of 2024, aligning with pre-pandemic trends after a surge between 2020 and 2022. Property valuations have declined for six consecutive quarters, down 19% from their peak in 2022 to an average of \$139 per square foot. Rising interest rates have pushed capitalization rates upward, now at 6.3%, with further increases likely. Occupancy levels have stabilized near 90%, while asking rents, which dipped to \$1.20 per square foot in early 2024, showed slight recovery in Q2. Despite higher construction costs and tighter lending conditions leading to fewer new projects, investor interest remains, with many opting to hold properties amidst uncertain market conditions.

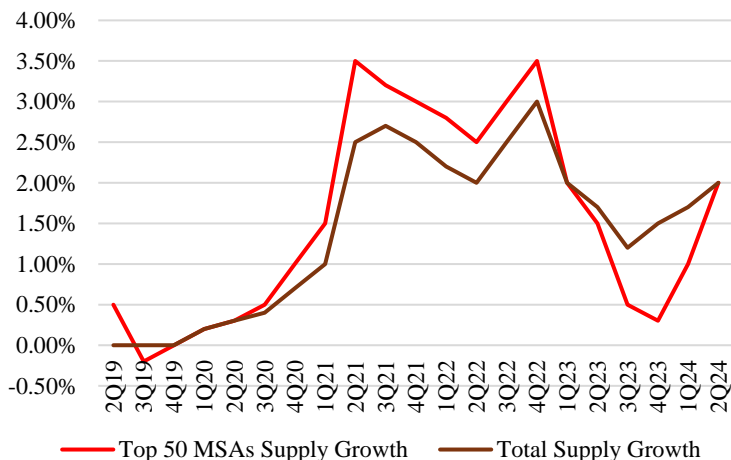
Self Storage Valuation Indices

Class	Occupancy	EGR Per NRA (\$)	NOI Per NRA (\$)	Cap Rate %	Value Per NRA (\$)
Overall	90.3%	\$ 11.03	\$ 5.67	6.37%	\$ 120.33
A	92%	\$ 16.10	\$ 7.30	5.80%	\$ 162.60
B	88%	\$ 9.90	\$ 5.50	6.50%	\$ 121.20
C	91%	\$ 7.10	\$ 4.20	6.80%	\$ 77.20

Supply Analysis

The self-storage industry saw rapid supply growth, peaking in early 2021, especially in the top 50 MSAs. Growth slowed by late 2022 but started recovering in 2023. The market likely surged during the pandemic, with supply now adjusting to post-pandemic demand. We expect supply to settle around the 2.50% rate.

Self Storage Supply Growth

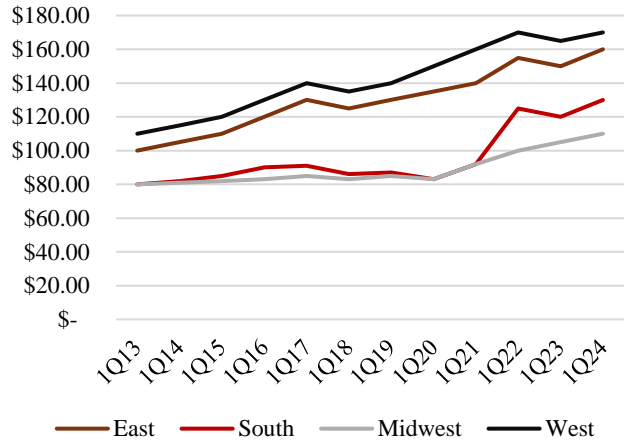




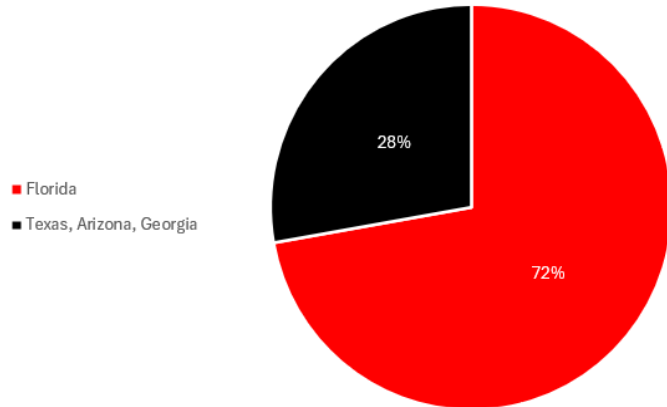
Rent Growth

Self-storage has shown a steady increase in rent growth percentage. Most of the survey responses came from private equity companies within the self-storage industry. 66% of the survey indicated that rent growth was between 0-2.99%. Another 23% of the survey showed that the rent increase was between 3-3.99%. The remaining 12% of the survey demonstrated a rent increase of 4-5%. The survey determined these percentages based on a twelve-month period. The data concludes that there is steady rent increases in the self-storage sector.

Asking Rents Per Unit



Sales Volume In Sunbelt States \$793.6 million



Growth in the Sunbelt

The Sunbelt region, including Texas, Florida, Arizona, and Georgia, has seen significant growth in population and businesses, driving demand for self-storage investments. The Southeast self-storage market has seen \$793.6 million in total sales through Q2 2024, with an average price of \$116 per square foot and a 6.0% cap rate. Construction activity is high, with nearly 18.8 million square feet underway and 9.3 million square feet completed. Private investors have dominated transactions this year, accounting for 69.2% of sales, with Florida leading in total sales volume at \$573 million.

Rising Interest Rates

Rising interest rates led to a 57% YoY drop in self-storage sales in Q3 2023, driven by higher borrowing costs and limited market liquidity. This environment challenges debt-laden facility owners but creates opportunities for well-capitalized investors. In 2024, adapting to trends like smart technology, sustainability, and shifting demand will be crucial for success in the evolving self-storage industry. The rising interest rate environment has pushed capitalization rates up for all commercial real estate, with self-storage capitalization rates increasing by 90 basis points from Q4 2022 lows to 5.9% in Q2 2024.

Fed Targeted Rate

