Market sentiment regarding macro economic conditions are rising, based on expectations of continuing compression in interest rates in 2025. As a result, investor interest in the self-storage asset class remains high. Self-storage is resilient to both inflation and recession and is considered by many market participants to be a safe haven. For example, self-storage has outperformed other core sectors of real estate (such as apartments and industrial property) for an extensive period, according to NAREIT data. This demonstrates confidence in the sector over the long run.

In "Self-Storage Economics and Appraisal," market conditions is outlined as the core of self-storage economics. It is described as an analysis of the market conditions that affect value using both qualitative and quantitative techniques. One tool, benchmarking, can be a starting point of analysis. For example, a measure of the total self-storage supply per person in the local trade area can be benchmarked to core-based statistical area (CBSA) data published in the *Almanac*. Another tool, the Cost of Occupancy, can measure rents as a ratio of average household income to CBSA data also published in the *Almanac*.

CBSA Analysis

The CBSA table (13.1) can be used for comparisons and benchmarking; however, it does not address local self-storage market conditions. Studies and research have shown that demand for a typical self-storage facility is local. On average, most facilities draw at least 65 percent of its customers from within a three-mile radius. Moreover, as the industry continues its mainstream maturation, and product awareness on its own grows the demand side of the economics, a greater percentage of the customer base at a given facility will source from within a larger radius than three-miles. Marketing platforms focused on social media are increasing trade areas. However, in urban markets and in high-density suburban markets, customers may come from inside a 1.5-mile radius. Add to that the reality that demand for self-storage is difficult to induce from outside the local submarket trade area, and finite due diligence on a specific trade area is paramount to success. It is important to understand the general market characteristics within the CBSA and then reduce the apparent demand behavior within the micro local trade area specific to the subject property.

Supply data by CBSA comes directly from the proprietary database of Radius+ with known self-storage locations based upon latitude and longitude confirmations. The Radius+ database also includes actual square footage data; therefore, the square footage contained in the *Almanac* is not reported on a site-specific basis rather than on an industry average.

Determinants of the self-storage market relate to the forces of supply and demand, as is the case with other types of real estate. The analysis of demand generators, however, is focused on four key variables:

1. Population,
2. The percentage of renters,
3. Average household size, and
4. Average household income.

A simple econometric model can be used to estimate self-storage demand. Table 13.1 shows the results of regression analysis using a proprietary model. However, this data can be easily duplicated in spreadsheet software or statistical packages. In the multiple regression model, the dependent variable is square feet of self-storage per person. The independent variables are the demographic variables by CBSA: population, percentage of renters, average household size, and average household income. Comparing existing supply to demand can be used as a benchmark to determine if a CBSA is undersupplied, oversupplied, or near equilibrium.

Investment Considerations

The 2024 Newmark Self-Storage Executive Symposium, which included attendees from private operators, developers, new entrants, public REITs, capital lenders, and brokers, provided several key takeaways.

Capital Markets Update

Capital allocators currently find better risk-adjusted returns issuing debt than they do deploying equity into assets or ventures, thus providing opportunity for new debt products to become available, including new self-storage bridge loan programs.

CMBS lending is currently the most constructive its been since 2021; bond buyer demand for favored asset classes like self-storage has increased, leading to tightening spreads, including AAA spreads, which have compressed 100-plus basis points (bps) since Q4 2023.

Table 13.1a – Regression Demand Per Capita (Top CBSAs)

Source: Radius+ and Newmark

	Number of Facilities	Total Area (SF)	Total Population	% Renters	Household Size (Avg.)	Average HH Income	Total Supply	Estimated Demand	Supply / Demand	Conclusion	10x10 Avg. Rent	Cost of Occupancy
Albany-Schenectady-Troy, NY	138	5,380,547	922,260	36.12%	2.34	$179,939	5.83	8.23	2.40	Under-Supplied	115.11	0.77%
Albuquerque, NM	201	7,664,896	942,940	32.41%	2.49	$148,024	8.13	7.94	(0.19)	Near Equilibrium	120.89	0.98%
Atlanta-Sandy Springs-Roswell, GA	916	49,823,667	6,501,890	35.07%	2.65	$185,884	7.66	6.42	(1.24)	Over-Supplied	123.93	0.80%
Augusta-Richmond County, GA-SC	120	5,200,375	642,320	30.95%	2.51	$136,746	8.10	7.90	(0.20)	Near Equilibrium	91.06	0.80%
Austin-Round Rock, TX	428	22,201,518	2,607,850	40.52%	2.61	$207,740	8.51	8.27	(0.25)	Over-Supplied	122.83	0.71%
Bakersfield, CA	96	7,882,172	925,090	39.39%	3.15	$158,876	8.52	9.07	0.55	Under-Supplied	112.75	0.85%
Baltimore-Columbia-Towson, MD	247	15,644,690	2,896,820	32.65%	2.58	$207,079	5.40	7.28	1.87	Under-Supplied	144.08	0.83%
Baton Rouge, LA	196	8,571,941	871,000	30.24%	2.55	$164,008	9.84	7.73	(2.12)	Over-Supplied	74.03	0.54%
Birmingham-Hoover, AL	272	9,835,359	1,213,130	30.48%	2.52	$169,569	8.11	7.62	(0.49)	Near Equilibrium	93.94	0.66%
Boise City, ID	150	11,643,638	872,320	27.22%	2.72	$172,390	13.35	7.47	(5.88)	Over-Supplied	104.30	0.73%
Boston-Cambridge-Newton, MA-NH	460	22,317,332	5,050,010	38.99%	2.58	$269,112	4.42	7.18	2.76	Under-Supplied	176.04	0.78%
Buffalo-Cheektowaga-Niagara Falls, NY	125	4,827,237	1,170,750	34.71%	2.30	$150,490	4.12	8.01	3.89	Under-Supplied	113.51	0.91%
Cape Coral-Fort Myers, FL	124	7,133,411	878,520	25.14%	2.40	$165,430	8.12	7.07	(1.05)	Over-Supplied	152.47	1.11%
Charleston-North Charleston, SC	144	7,300,732	884,180	32.54%	2.46	$174,645	8.26	7.92	(0.34)	Near Equilibrium	126.35	0.87%
Charlotte-Concord-Gastonia, NC-SC	459	21,155,613	2,902,890	34.55%	2.53	$179,492	7.29	7.50	0.21	Near Equilibrium	110.96	0.74%
Chattanooga, TN-GA	149	5,291,173	593,280	33.09%	2.49	$153,541	8.92	8.12	(0.80)	Over-Supplied	87.65	0.69%
Chicago-Naperville-Elgin, IL-IN-WI	961	48,982,274	7,981,420	34.60%	2.58	$206,276	6.14	5.80	(0.33)	Near Equilibrium	133.14	0.77%
Cincinnati, OH-KY-IN	318	14,341,132	2,312,840	32.08%	2.54	$181,447	6.20	7.42	1.22	Under-Supplied	103.81	0.69%
Cleveland-Elyria, OH	249	11,096,538	2,088,260	34.13%	2.34	$164,861	5.31	7.64	2.33	Under-Supplied	114.76	0.84%
Colorado Springs, CO	162	7,244,360	794,300	33.43%	2.70	$181,860	9.12	8.16	(0.96)	Over-Supplied	122.00	0.81%
Columbia, SC	185	6,663,203	891,370	32.48%	2.47	$150,019	7.48	7.95	0.47	Under-Supplied	90.44	0.72%
Columbus, OH	379	14,568,424	2,251,520	38.26%	2.56	$169,861	6.47	8.16	1.69	Under-Supplied	101.36	0.72%
Corpus Christi, TX	131	5,227,155	458,480	37.14%	2.67	$165,254	11.40	8.70	(2.70)	Over-Supplied	117.00	0.85%
Dallas-Fort Worth-Arlington, TX	1,392	76,756,754	5,684,920	40.43%	2.77	$221,127	13.50	7.30	(6.20)	Over-Supplied	124.21	0.67%
Dayton, OH	134	6,153,640	966,300	35.71%	2.40	$146,538	6.37	8.25	1.88	Under-Supplied	92.43	0.76%
Deltona-Daytona Beach-Ormond Beach, FL	129	6,309,382	750,740	27.37%	2.39	$144,900	8.40	7.38	(1.02)	Over-Supplied	132.82	1.10%
Denver-Aurora-Lakewood, CO	380	21,502,389	3,103,910	35.67%	2.51	$229,772	6.93	7.47	0.55	Near Equilibrium	142.84	0.75%
Des Moines-West Des Moines, IA	120	5,181,929	729,560	30.48%	2.53	$171,427	7.10	7.78	0.67	Under-Supplied	83.43	0.58%
Detroit-Warren-Dearborn, MI	420	22,382,562	4,550,840	30.54%	2.47	$168,734	4.92	6.49	1.57	Under-Supplied	133.97	0.95%
El Paso, TX	110	5,195,921	893,770	37.53%	2.88	$140,204	5.81	8.75	2.94	Under-Supplied	126.07	1.08%
Fresno, CA	80	8,142,020	1,196,030	44.61%	3.12	$174,316	6.81	9.52	2.72	Under-Supplied	109.13	0.75%
Grand Rapids-Wyoming, MI	208	6,961,871	1,302,850	27.88%	2.62	$175,726	5.34	7.34	2.00	Under-Supplied	92.90	0.63%
Greensboro-High Point, NC	139	6,002,338	1,709,200	37.70%	2.42	$141,171	3.51	8.25	4.73	Under-Supplied	81.70	0.69%
Greenville-Anderson-Mauldin, SC	220	7,614,868	1,405,020	29.18%	2.52	$146,064	5.42	7.44	2.02	Under-Supplied	92.47	0.76%
Gulfport-Biloxi-Pascagoula, MS	142	4,750,382	419,530	33.81%	2.48	$125,236	11.32	8.29	(3.03)	Over-Supplied	76.38	0.73%
Houston-The Woodlands-Sugar Land, TX	1,178	68,792,261	7,777,430	38.62%	2.84	$209,318	8.85	6.46	(2.39)	Over-Supplied	96.20	0.55%
Huntsville, AL	159	7,081,360	555,710	30.77%	2.49	$163,610	12.74	7.86	(4.89)	Over-Supplied	76.36	0.56%
Indianapolis-Carmel-Anderson, IN	402	17,542,848	2,230,020	34.17%	2.56	$188,647	7.87	7.68	(0.18)	Near Equilibrium	102.28	0.65%
Jackson, MS	137	5,543,431	578,800	32.07%	2.50	$150,402	9.58	8.02	(1.56)	Over-Supplied	98.62	0.79%
Jacksonville, FL	248	15,012,561	1,767,930	34.35%	2.57	$175,189	8.49	7.88	(0.61)	Over-Supplied	119.96	0.82%
Kansas City, MO-KS	339	15,867,229	2,292,250	34.13%	2.53	$175,805	6.92	7.66	0.74	Under-Supplied	104.96	0.72%
Knoxville, TN	217	7,037,917	971,520	30.24%	2.47	$158,918	7.24	7.65	0.41	Under-Supplied	110.18	0.83%
Lakeland-Winter Haven, FL	124	5,701,956	847,920	29.76%	2.67	$123,589	6.72	7.81	1.08	Under-Supplied	126.94	1.23%
Las Vegas-Henderson-Paradise, NV	311	20,276,403	2,427,150	44.45%	2.63	$171,426	8.35	8.83	0.48	Near Equilibrium	132.12	0.92%
Little Rock-North Little Rock-Conway, AR	265	10,108,089	786,750	35.62%	2.43	$151,077	12.85	8.31	(4.54)	Over-Supplied	85.12	0.68%
Los Angeles-Long Beach-Anaheim, CA	932	65,042,114	9,823,590	50.92%	2.84	$235,712	6.62	7.12	0.50	Near Equilibrium	233.46	1.19%
Louisville/Jefferson County, KY-IN	215	9,834,635	1,354,030	32.11%	2.49	$168,553	7.26	7.73	0.47	Under-Supplied	92.03	0.66%
Madison, WI	193	5,022,213	716,000	38.58%	2.35	$182,926	7.01	8.58	1.56	Under-Supplied	106.25	0.70%
Memphis, TN-MS-AR	216	11,388,225	1,355,460	39.78%	2.57	$158,773	8.40	8.65	0.25	Near Equilibrium	95.33	0.72%
Miami-Fort Lauderdale-West Palm Beach, FL	581	40,521,474	2,752,750	41.50%	2.78	$215,374	14.72	8.42	(6.31)	Over-Supplied	219.69	1.22%

Life companies remain highly focused on in-place cash flows, asset quality/location, and selective on sponsorship; typically, most have allocations deployed by Labor Day.

Finance companies and private credit providers have raised significant amounts of capital and are eager to deploy; pricing is inside of SOFR plus 300 bps, with the ability to push proceeds and provide creative loan structures.

Banks continue to be highly selective with most groups, pushing for partial recourse and/or significant depository relationships; money center banks and regional banks remain closer to the sidelines than foreign banks.

Table 13.1b – Regression Demand Per Capita (Top CBSAs) *Source: Radius+ and Newmark*

	Number of Facilities	Total Area (SF)	Total Population	% Renters	Household Size (Avg.)	Average HH Income	Total Supply	Estimated Demand	Supply / Demand	Conclusion	10x10 Avg. Rent	Cost of Occupancy
Milwaukee-Waukesha-West Allis, WI	235	10,819,814	1,584,290	38.87%	2.41	$180,983	6.83	8.35	1.52	Under-Supplied	97.19	0.64%
Minneapolis-St. Paul-Bloomington, MN-WI	448	22,110,644	3,840,910	29.00%	2.53	$205,874	5.76	6.53	0.77	Under-Supplied	116.75	0.68%
Nashville-Davidson--Murfreesboro--Franklin, TN	373	16,940,142	2,181,920	33.95%	2.59	$210,116	7.76	7.66	(0.10)	Near Equilibrium	116.91	0.67%
New Orleans-Metairie, LA	215	11,169,863	1,292,920	36.58%	2.41	$164,234	8.64	8.22	(0.42)	Near Equilibrium	108.37	0.79%
New York-Newark-Jersey City, NY-NJ-PA	1,235	73,473,570	8,370,510	49.04%	2.56	$218,183	8.78	7.27	(1.51)	Near Equilibrium	262.53	1.44%
North Port-Sarasota-Bradenton, FL	142	8,304,880	943,770	23.40%	2.28	$179,589	8.80	6.77	(2.03)	Over-Supplied	154.05	1.03%
Oklahoma City, OK	364	17,221,318	1,534,060	35.03%	2.57	$169,214	11.23	8.05	(3.18)	Over-Supplied	76.62	0.54%
Omaha-Council Bluffs, NE-IA	202	8,650,171	1,015,900	34.12%	2.54	$192,972	8.51	8.07	(0.45)	Over-Supplied	95.28	0.59%
Orlando-Kissimmee-Sanford, FL	370	21,672,791	2,950,260	38.40%	2.71	$158,841	7.35	8.04	0.70	Under-Supplied	126.87	0.96%
Oxnard-Thousand Oaks-Ventura, CA	92	6,172,914	844,190	36.67%	2.94	$242,536	7.31	8.55	1.24	Under-Supplied	223.89	1.11%
Palm Bay-Melbourne-Titusville, FL	138	6,366,985	1,598,720	23.27%	2.46	$294,549	3.98	6.46	2.48	Under-Supplied	187.21	0.76%
Pensacola-Ferry Pass-Brent, FL	125	5,372,288	544,110	33.08%	2.59	$152,233	9.87	8.19	(1.68)	Over-Supplied	86.43	0.68%
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	538	30,189,251	5,616,220	33.43%	2.58	$211,390	5.38	6.46	1.08	Under-Supplied	134.71	0.76%
Phoenix-Mesa-Scottsdale, AZ	602	37,866,632	5,255,920	34.69%	2.66	$181,035	7.20	6.80	(0.40)	Over-supplied	141.67	0.94%
Pittsburgh, PA	412	11,663,177	2,367,900	30.52%	2.31	$168,789	4.93	7.12	2.20	Under-Supplied	106.14	0.75%
Portland-Vancouver-Hillsboro, OR-WA	344	16,757,702	2,567,140	37.95%	2.50	$193,205	6.53	7.95	1.43	Under-Supplied	162.10	1.01%
Providence-Warwick, RI-MA	171	8,102,431	1,721,190	37.96%	2.50	$176,170	4.71	8.27	3.56	Under-Supplied	165.02	1.12%
Provo-Orem, UT	120	6,583,370	765,980	29.57%	3.57	$208,215	8.59	8.18	(0.42)	Near Equilibrium	110.19	0.64%
Raleigh, NC	219	11,170,026	2,229,560	33.48%	2.53	$190,290	5.01	7.59	2.58	Near Equilibrium	98.45	0.62%
Reno, NV	103	7,079,024	517,510	41.00%	2.48	$213,364	13.68	8.94	(4.74)	Over-Supplied	141.41	0.80%
Richmond, VA	181	10,067,476	1,409,600	33.98%	2.49	$189,272	7.14	7.90	0.76	Under-Supplied	107.00	0.68%
Riverside-San Bernardino-Ontario, CA	485	33,080,537	4,838,460	34.82%	3.12	$173,071	6.84	7.22	0.38	Under-Supplied	163.14	1.13%
Rochester, NY	202	5,534,323	1,093,100	34.12%	2.36	$157,044	5.06	8.00	2.93	Under-Supplied	109.73	0.84%
Sacramento--Roseville--Arden-Arcade, CA	353	19,900,344	2,470,820	38.06%	2.72	$203,692	8.05	8.10	0.05	Near Equilibrium	142.58	0.84%
Salt Lake City, UT	205	10,586,212	2,054,780	32.97%	2.99	$207,879	5.15	7.82	2.66	Near Equilibrium	126.26	0.73%
San Antonio-New Braunfels, TX	478	24,805,848	2,801,000	35.64%	2.76	$164,314	8.86	7.81	(1.05)	Over-Supplied	113.27	0.83%
San Diego-Carlsbad, CA	289	20,506,487	3,313,320	44.92%	2.79	$234,197	6.19	8.59	2.40	Under-Supplied	197.38	1.01%
San Francisco-Oakland-Hayward, CA	369	23,454,282	1,820,440	45.10%	2.54	$455,683	12.88	8.64	(4.24)	Over-Supplied	295.53	0.78%
San Jose-Sunnyvale-Santa Clara, CA	159	10,727,984	1,978,010	44.73%	2.93	$471,817	5.42	8.74	3.31	Under-Supplied	204.64	0.52%
Seattle-Tacoma-Bellevue, WA	475	27,003,946	3,185,470	39.69%	2.49	$286,542	8.48	7.80	(0.68)	Near Equilibrium	166.32	0.70%
Spokane-Spokane Valley, WA	141	6,491,201	626,280	35.46%	2.47	$143,726	10.36	8.38	(1.99)	Over-Supplied	118.22	0.99%
Springfield, MO	188	5,521,938	512,900	38.71%	2.49	$136,678	10.77	8.80	(1.96)	Over-Supplied	75.29	0.66%
St. Louis, MO-IL	444	16,769,959	2,842,750	29.46%	2.45	$192,661	5.90	6.89	0.99	Under-Supplied	94.32	0.59%
Stockton-Lodi, CA	89	5,760,755	812,230	40.15%	3.17	$193,418	7.09	9.15	2.06	Under-Supplied	148.73	0.92%
Tampa-St. Petersburg-Clearwater, FL	468	25,037,598	3,444,600	33.35%	2.45	$161,255	7.27	7.17	(0.10)	Near Equilibrium	137.59	1.02%
Tucson, AZ	145	7,740,615	1,090,800	36.01%	2.39	$145,650	7.10	8.24	1.15	Under-Supplied	119.85	0.99%
Tulsa, OK	303	11,325,445	1,075,000	34.05%	2.53	$175,061	10.54	8.06	(2.48)	Over-Supplied	75.43	0.52%
Virginia Beach-Norfolk-Newport News, VA-NC	291	17,654,357	1,793,940	38.10%	2.50	$165,768	9.84	8.27	(1.57)	Over-Supplied	112.06	0.81%
Wichita, KS	181	5,458,986	676,700	33.20%	2.52	$164,792	8.07	8.11	0.04	Near Equilibrium	96.98	0.71
Average	**309**	**16,031,904**	**2,148,164**	**35.13%**	**2.59**	**$186,420**	**7.84**	**7.84**				

The self-storage sector has the largest allocation of dry powder from closed ended funds targeting niche asset types, with more than $21.1 billion of levered funds focused on the sector, equal to 42.5 percent of the total.

State Of The Transaction Market
Transaction volume was limited in the first quarter of the year, largely due to continued volatility in the debt markets; however, transaction volume is expected to increase into the second half of the year as the trajectory and overall environment of interest rates becomes clearer and the buyer/seller pricing spread narrows from the currently estimated 10 percent to 15 percent.

New technologies have not been a source of decreased expenses but have increased customer satisfaction and reduced friction in the overall customer experience.

Yield premiums in secondary and tertiary markets have returned to more historical norms, and discounts to replacement costs have helped insulate from new supply.

Long-term investors are biased towards dense, urban markets that have a strong renter population and are less reliant on short-term demand drivers. The decreasing average size of apartments is a long-term tailwind for these markets.

Investors are currently underwriting 3 percent to 3.5 percent average annual revenue growth; however, expect to generate outside growth performance by 2026.

While the transaction market has been muted recently, roughly 30 percent of deals brought to market over the last 12-months have transacted, compared to the long-term norm of closer to 85 percent. The second-quarter activity felt like more deals would cross the finish line.

Given the lack of arms-length transactions, clarity into market pricing and cap rates have been difficult; however, the consensus is indicative of going in rates that range from 5.75 to 8.0 percent depending on the market/submarket dynamics and quality of the asset. Cap rates for most top-50 MSAs are in the 5.75 percent to 6.15 percent range.

Portfolio premiums have narrowed significantly from peak pricing, yet buyers are still willing to pay a premium for a “true” portfolio that has geographic concentration and economies of scale.

Operational Trends And Expectations
Operators are focused on maximizing revenue through maintaining physical occupancy levels in the range of 88 percent to 92 percent by reducing street rates and relying on revenue management systems for revenue growth.

Street rates seem to have hit a bottom in Q1, with positive signs for the 2024 leasing season; outliers in certain trade-areas are prevalent where operators are forced to compete with the least-common denominator.

Revenue management systems have become paramount to increasing revenue, with a focus on bifurcating the rent roll into different cohorts to understand market rents and apply efficient revenue management strategies with the ultimate goal of lessening the gap between street and in-place tenant rates.

The sector has benefited from increasing lengths of stay and decreasing tenant churn, indicating higher utilization rates and increased stickiness of the consumer base.

Rising insurance costs have forced owners to pay more attention to the environmental risks associated with certain markets and rethink their overall portfolio composition.

New technologies have not been a source of decreased expenses but have increased customer satisfaction and reduced friction in the overall customer experience.

State Of The Development Environment
Development continues to be a challenge for both well-capitalized and highly leveraged developers; declining street rates make it tough to underwrite proformas to profitable levels, combined with stricter lending requirements and a higher cost of capital, which has resulted in many stalled or abandoned projects.

The coastal markets have been particularly challenged given the difficulty with entitlement processes, elevated construction costs, increasing insurance requirements, and high interest reserves resulting in high carrying costs for developers.

Rising insurance costs have forced owners to pay more attention to the environmental risks associated with certain markets and rethink their overall portfolio composition.

Given the premium of in-place rates relative to street rates, understanding true market rents is paramount to the success of a project; additionally, dissecting the existing supply in a submarket into categories (lease-up, physically stable, and economically stable) helps guide to a more accurate market rent.

Developers underwriting new deals include a conservative discount to market rents while driving physical occupancy in initial lease-up to provide a safe margin of error in proformas.

While construction costs are up 40 percent to 50 percent since 2017, they are flat year over year.

Land sellers are holding firm on pricing and are willing to outlast the current spike in cap rates, which is leading to an optimistic view on the future of interest rates and subsequent decrease in cap rates.

Summary For 2025

It will always be the case that the local submarket around any given site will provide most of the relevant data points. However, the context provided by comparing a given site or a given market to the industry overall can reveal underlying strengths and weaknesses. Especially relevant are the overall trends within datasets, as well as comparative sets like smaller markets vs. major markets or population centers vs. more rural markets. While rental rates or supply per capita in one market might mean very little to a specific site in another market, the trends and characteristics of the comparisons are extremely relevant.