Despite uncertain macro-economic conditions, 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, over the long run, according to NAREIT data. Investor expectations are changing due to rising interest rates, introducing acceptance of negative leverage or cash flow in the first year or two of a typical 10-year holding period. This demonstrates confidence in the sector over the long run.

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In "Self-Storage Economics and Appraisal," market conditions are 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 by the *Almanac*. Another tool, the Cost of Occupancy (COO), can measure rents as a ratio of average household Income to CBSA data also published in the *Almanac*.

CBSA Analysis

The CBSA Tables 13.1a and 13.1b on pages 110 and 111 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 tenant 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 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 have come 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 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:

- Population
- The percentage of renters
- Average household size
- 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 registered with the Library of Congress. 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. Testing these variables for relationships and rank indicates a moderate correlation with a multiple r coefficient of 0.53798 and an r-squared of 0.28943. Comparing existing supply to demand can be used as a benchmark to determine if a CBSA is undersupplied, oversupplied, or at equilibrium.

Cost of Occupancy Analysis

As a test of reasonableness, we have calculated the cost of occupancy by CBSA based on market rents (average annual unit price of the market rent divided by the average household income of the trade area). As an example, if an average unit rent is $100 a month, or $1,200 a year, and average household income is $60,000, the cost of occupancy is 2.0 percent. For self-storage we note trade areas below 3.50 percent generally have room to improve rental rates through revenue enhancement or ECRIs (existing customer rate increases). The CBSA data is skewed downward from trade area analysis because of outliers or rents that are included in more suburban or rural markets. In a local trade area, a 3 percent cost of occupancy is considered good with

Table 13.1a – Regression Demand Per Capita (Top 100 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
Dallas-Fort Worth-Arlington, TX	1,323	72,388,017	7,961,535	40.43%	2.74	$112,622	9.09	6.10	(2.99)	Over-Supplied	107.88	1.15%
New York-Newark-Jersey City, NY-NJ-PA	1,141	66,191,918	20,224,976	49.04%	2.66	$137,432	3.27	3.59	0.32	Under-Supplied	288.43	2.52%
Houston-The Woodlands-Sugar Land, TX	1,105	65,313,534	7,421,501	38.62%	2.80	$112,247	8.80	6.33	(2.47)	Over-Supplied	81.59	0.87%
Los Angeles-Long Beach-Anaheim, CA	900	62,601,564	13,196,147	50.92%	2.87	$126,301	4.74	4.58	(0.16)	Near Equilibrium	212.41	2.02%
Chicago-Naperville-Elgin, IL-IN-WI	904	45,763,075	9,600,594	34.60%	2.57	$117,987	4.77	5.14	0.38	Under-Supplied	128.65	1.31%
Atlanta-Sandy Springs-Roswell, GA	850	45,248,401	6,268,860	35.07%	2.66	$112,721	7.22	6.35	(0.87)	Over-Supplied	99.99	1.06%
Miami-Fort Lauderdale-West Palm Beach, FL	558	38,496,939	6,239,688	41.50%	2.60	$102,202	6.17	6.69	0.52	Under-Supplied	199.57	2.34%
Phoenix-Mesa-Scottsdale, AZ	568	34,774,705	5,009,506	34.69%	2.65	$105,345	6.94	6.91	(0.03)	Near Equilibrium	146.61	1.67%
Riverside-San Bernardino-Ontario, CA	480	32,617,901	4,647,703	34.82%	3.15	$104,810	7.02	7.84	0.82	Under-Supplied	134.03	1.53%
Washington-Arlington-Alexandria, DC-VA-MD-WV	481	29,284,041	6,522,851	36.27%	2.66	$162,456	4.49	4.62	0.13	Near Equilibrium	180.57	1.33%
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	490	27,141,957	6,290,595	33.43%	2.52	$119,011	4.31	5.89	1.57	Under-Supplied	124.52	1.26%
Seattle-Tacoma-Bellevue, WA	460	26,068,851	4,131,015	39.69%	2.52	$146,753	6.31	5.59	(0.72)	Over-Supplied	153.10	1.25%
Tampa-St. Petersburg-Clearwater, FL	440	23,438,588	3,251,689	33.35%	2.38	$94,566	7.21	7.28	0.08	Near Equilibrium	128.73	1.63%
San Francisco-Oakland-Hayward, CA	362	22,786,365	4,804,901	45.10%	2.67	$179,241	4.74	4.62	(0.12)	Near Equilibrium	277.89	1.86%
San Antonio-New Braunfels, TX	450	22,495,860	2,661,164	35.64%	2.71	$94,960	8.45	7.99	(0.46)	Over-Supplied	101.51	1.28%
Detroit-Warren-Dearborn, MI	393	20,853,224	4,394,429	30.54%	2.46	$99,473	4.75	6.92	2.17	Under-Supplied	136.51	1.65%
Minneapolis-St. Paul-Bloomington, MN-WI	429	20,799,027	3,764,607	29.00%	2.52	$123,032	5.52	6.37	0.84	Under-Supplied	144.63	1.41%
Denver-Aurora-Lakewood, CO	364	20,775,376	3,058,781	35.67%	2.51	$129,680	6.79	6.39	(0.40)	Over-Supplied	136.51	1.26%
Austin-Round Rock, TX	414	20,672,591	2,446,554	40.52%	2.53	$122,586	8.45	6.88	(1.57)	Over-Supplied	100.44	0.98%
Boston-Cambridge-Newton, MA-NH	432	20,510,853	4,995,283	38.99%	2.50	$147,562	4.11	5.30	1.19	Under-Supplied	172.43	1.40%
San Diego-Carlsbad, CA	279	19,731,754	3,315,091	44.92%	2.74	$130,193	5.95	6.78	0.83	Under-Supplied	175.04	1.61%
Orlando-Kissimmee-Sanford, FL	340	19,624,604	2,799,598	38.40%	2.66	$96,122	7.01	7.86	0.85	Under-Supplied	111.45	1.39%
Charlotte-Concord-Gastonia, NC-SC	422	18,962,850	2,767,131	34.55%	2.53	$106,619	6.85	7.26	0.41	Under-Supplied	105.33	1.19%
Sacramento--Roseville--Arden-Arcade, CA	334	18,408,050	2,434,773	38.06%	2.71	$118,405	7.56	7.29	(0.27)	Over-Supplied	133.76	1.36%
Las Vegas-Henderson-Paradise, NV	283	18,246,694	2,332,273	44.45%	2.65	$97,778	7.82	7.98	0.16	Near Equilibrium	109.21	1.34%
Virginia Beach-Norfolk-Newport News, VA-NC	274	16,658,980	1,817,180	38.10%	2.47	$100,114	9.17	7.67	(1.49)	Over-Supplied	99.08	1.19%
Portland-Vancouver-Hillsboro, OR-WA	339	16,367,310	2,572,359	37.95%	2.52	$119,209	6.36	6.91	0.55	Under-Supplied	145.53	1.46%
Indianapolis-Carmel-Anderson, IN	390	16,308,051	2,162,147	34.17%	2.51	$98,993	7.54	7.64	0.10	Near Equilibrium	105.37	1.28%
Oklahoma City, OK	331	15,927,307	1,465,917	35.03%	2.52	$94,126	10.87	8.02	(2.85)	Over-Supplied	70.69	0.90%
Nashville-Davidson--Murfreesboro--Franklin, TN	352	15,879,218	2,082,550	33.95%	2.52	$107,775	7.62	7.38	(0.24)	Near Equilibrium	90.65	1.01%
St. Louis, MO-IL	421	15,508,166	2,821,402	29.46%	2.39	$102,896	5.50	7.09	1.59	Under-Supplied	91.48	1.07%
Kansas City, MO-KS	322	14,350,973	2,229,421	34.13%	2.48	$103,038	6.44	7.44	1.00	Under-Supplied	108.42	1.26%
Baltimore-Columbia-Towson, MD	232	14,264,973	2,861,168	32.65%	2.53	$129,583	4.99	6.44	1.46	Under-Supplied	136.82	1.27%
Jacksonville, FL	224	13,450,884	1,668,325	34.35%	2.50	$102,342	8.06	7.65	(0.42)	Over-Supplied	109.51	1.28%
Cincinnati, OH-KY-IN	294	13,400,996	2,274,659	32.08%	2.47	$102,906	5.89	7.39	1.50	Under-Supplied	83.09	0.97%
Columbus, OH	329	13,067,153	2,187,034	38.26%	2.48	$103,222	5.97	7.49	1.52	Under-Supplied	113.93	1.32%
Pittsburgh, PA	383	11,018,952	2,366,261	30.52%	2.25	$98,357	4.66	7.15	2.49	Under-Supplied	117.00	1.43%
Boise City, ID	140	10,808,184	809,876	27.22%	2.67	$100,325	13.35	8.14	(5.21)	Over-Supplied	108.79	1.30%
New Orleans-Metairie, LA	207	10,552,131	1,280,900	36.58%	2.43	$89,587	8.24	8.09	(0.15)	Near Equilibrium	111.08	1.49%
Raleigh, NC	209	10,422,728	1,489,947	33.48%	2.56	$117,896	7.00	7.26	0.26	Near Equilibrium	89.43	0.91%
Tulsa, OK	290	10,406,324	1,032,331	34.05%	2.51	$92,400	10.08	8.16	(1.92)	Over-Supplied	66.14	0.86%
Memphis, TN-MS-AR	200	10,361,765	1,341,320	39.78%	2.54	$90,847	7.73	8.25	0.52	Under-Supplied	94.17	1.24%
San Jose-Sunnyvale-Santa Clara, CA	154	10,239,180	2,023,898	44.73%	2.90	$193,613	5.06	5.24	0.18	Near Equilibrium	190.29	1.18%
Milwaukee-Waukesha-West Allis, WI	223	10,179,822	1,578,575	38.87%	2.37	$99,279	6.45	7.61	1.16	Under-Supplied	91.59	1.11%
Salt Lake City, UT	197	9,956,728	1,302,051	32.97%	2.89	$111,236	7.65	8.06	0.42	Near Equilibrium	111.64	1.20%
Cleveland-Elyria, OH	225	9,861,519	2,083,095	34.13%	2.29	$89,612	4.73	7.62	2.89	Under-Supplied	91.65	1.23%
Richmond, VA	178	9,814,803	1,339,185	33.98%	2.45	$108,153	7.33	7.45	0.12	Near Equilibrium	102.25	1.13%
Louisville/Jefferson County, KY-IN	208	9,315,006	1,305,239	32.11%	2.42	$91,703	7.14	7.95	0.81	Under-Supplied	92.45	1.21%
Birmingham-Hoover, AL	255	9,157,135	1,123,440	30.48%	2.47	$94,127	8.15	7.98	(0.18)	Near Equilibrium	76.89	0.98%
Baton Rouge, LA	189	8,194,159	877,590	30.24%	2.51	$93,495	9.34	8.12	(1.21)	Over-Supplied	77.34	0.99%

	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

Table 13.1b – Regression Demand Per Capita (Top 100 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
Little Rock-North Little Rock-Conway, AR	215	8,180,738	760,573	35.62%	2.39	$84,012	10.76	8.34	(2.42)	Over-Supplied	88.21	1.26%
Omaha-Council Bluffs, NE-IA	193	8,111,539	988,185	34.12%	2.53	$100,813	8.21	7.92	(0.29)	Over-Supplied	123.75	1.47%
Fayetteville-Springdale-Rogers, AR-MO	169	7,563,794	574,301	38.87%	2.63	$95,801	13.17	8.42	(4.75)	Over-Supplied	75.85	0.95%
Ogden-Clearfield, UT	157	7,505,919	719,384	23.66%	3.08	$105,840	10.43	8.61	(1.83)	Over-Supplied	111.64	1.27%
Bakersfield, CA	94	7,397,174	919,600	39.39%	3.13	$87,838	8.04	9.42	1.37	Under-Supplied	92.61	1.27%
Greenville-Anderson-Mauldin, SC	212	7,282,729	955,897	29.18%	2.46	$93,082	7.62	8.02	0.41	Near Equilibrium	78.64	1.01%
Albuquerque, NM	189	7,281,262	922,905	32.41%	2.45	$91,254	7.89	8.11	0.22	Under-Supplied	99.86	1.31%
North Port-Sarasota-Bradenton, FL	125	7,088,599	863,230	23.40%	2.23	$106,025	8.21	7.17	(1.04)	Over-Supplied	128.67	1.46%
Fresno, CA	77	7,054,540	1,019,104	44.61%	3.10	$90,193	6.92	9.32	2.40	Under-Supplied	103.59	1.38%
Charleston-North Charleston, SC	141	7,028,590	837,579	32.54%	2.45	$108,137	8.39	7.57	(0.82)	Over-Supplied	128.52	1.43%
Colorado Springs, CO	146	6,774,673	780,372	33.43%	2.60	$107,942	8.68	7.84	(0.84)	Over-Supplied	129.55	1.44%
Tucson, AZ	133	6,761,347	1,060,553	36.01%	2.37	$88,679	6.38	8.07	1.70	Under-Supplied	109.37	1.48%
Cape Coral-Fort Myers, FL	119	6,702,488	791,753	25.14%	2.35	$101,276	8.47	7.57	(0.90)	Over-Supplied	135.22	1.60%
Grand Rapids-Wyoming, MI	203	6,539,926	1,103,315	27.88%	2.59	$94,320	5.93	8.14	2.21	Under-Supplied	86.63	1.10%
Providence-Warwick, RI-MA	143	6,351,218	1,682,345	37.96%	2.41	$103,822	3.78	7.49	3.71	Under-Supplied	153.58	1.78%
Reno, NV	92	6,339,471	506,152	41.00%	2.49	$108,356	12.52	7.81	(4.72)	Over-Supplied	135.81	1.50%
Spokane-Spokane Valley, WA	135	6,313,095	598,998	35.46%	2.46	$92,347	10.54	8.21	(2.33)	Over-Supplied	127.14	1.65%
Knoxville, TN	196	6,190,042	893,636	30.24%	2.39	$89,235	6.93	8.07	1.14	Under-Supplied	100.27	1.35%
Provo-Orem, UT	115	6,077,870	712,779	29.57%	3.48	$109,127	8.53	9.21	0.69	Under-Supplied	106.43	1.17%
Oxnard-Thousand Oaks-Ventura, CA	90	6,067,450	843,077	36.67%	2.97	$137,463	7.20	7.47	0.27	Under-Supplied	205.49	1.79%
Columbia, SC	170	6,036,063	846,685	32.48%	2.41	$90,189	7.13	8.11	0.98	Under-Supplied	77.87	1.04%
Huntsville, AL	133	5,752,744	509,411	30.77%	2.42	$101,228	11.29	7.82	(3.47)	Over-Supplied	83.24	0.99%
Myrtle Beach-Conway-North Myrtle Beach, SC-NC	140	5,669,795	516,537	24.17%	2.25	$85,761	10.98	7.99	(2.99)	Over-Supplied	112.12	1.57%
Palm Bay-Melbourne-Titusville, FL	128	5,577,373	619,038	23.27%	2.33	$92,894	9.01	7.84	(1.17)	Over-Supplied	165.73	2.14%
Greensboro-High Point, NC	133	5,510,048	785,407	37.70%	2.39	$80,945	7.02	8.46	1.44	Under-Supplied	74.23	1.10%
Stockton-Lodi, CA	85	5,411,138	795,083	40.15%	3.16	$105,924	6.81	8.90	2.09	Under-Supplied	168.41	1.91%
Wichita, KS	176	5,353,426	650,709	33.20%	2.50	$88,750	8.23	8.36	0.13	Near Equilibrium	103.00	1.39%
Dayton, OH	115	5,347,662	814,233	35.71%	2.33	$86,171	6.57	8.15	1.59	Under-Supplied	83.88	1.17%
Jackson, MS	127	5,292,221	592,777	32.07%	2.45	$80,839	8.93	8.55	(0.38)	Over-Supplied	73.70	1.09%
Hartford-West Hartford-East Hartford, CT	127	5,252,060	1,211,848	33.60%	2.39	$116,136	4.33	7.11	2.78	Under-Supplied	134.38	1.39%
Deltona-Daytona Beach-Ormond Beach, FL	113	5,156,747	685,321	27.37%	2.32	$84,358	7.52	8.14	0.62	Under-Supplied	118.79	1.69%
Albany-Schenectady-Troy, NY	133	5,035,725	895,503	36.12%	2.29	$106,708	5.62	7.38	1.76	Under-Supplied	99.27	1.12%
Lakeland-Winter Haven, FL	114	5,013,139	754,798	29.76%	2.61	$78,175	6.64	8.83	2.19	Under-Supplied	117.52	1.80%
Killeen-Temple, TX	118	4,991,198	491,093	43.56%	2.67	$82,820	10.16	8.99	(1.17)	Over-Supplied	100.44	1.46%
Springfield, MO	179	4,922,974	484,259	38.71%	2.41	$72,121	10.17	8.88	(1.29)	Over-Supplied	75.85	1.26%
Corpus Christi, TX	125	4,912,028	425,071	37.14%	2.66	$86,323	11.56	8.81	(2.75)	Over-Supplied	113.18	1.57%
Rochester, NY	186	4,887,749	1,081,588	34.12%	2.31	$94,707	4.52	7.75	3.23	Under-Supplied	88.80	1.13%
Chattanooga, TN-GA	141	4,884,439	570,048	33.09%	2.44	$87,458	8.57	8.33	(0.24)	Near Equilibrium	79.74	1.09%
Augusta-Richmond County, GA-SC	113	4,822,988	622,275	30.95%	2.48	$87,575	7.75	8.35	0.60	Under-Supplied	93.35	1.28%
Des Moines-West Des Moines, IA	115	4,818,043	733,796	30.48%	2.48	$101,804	6.57	7.84	1.27	Under-Supplied	133.80	1.58%
El Paso, TX	106	4,797,571	882,924	37.53%	2.85	$71,120	5.43	9.51	4.08	Under-Supplied	95.69	1.61%
Shreveport-Bossier City, LA	104	4,776,049	391,300	35.35%	2.41	$78,167	12.21	8.66	(3.54)	Over-Supplied	77.34	1.19%
Madison, WI	189	4,712,640	697,771	38.58%	2.29	$109,701	6.75	7.36	0.60	Under-Supplied	111.31	1.22%
Pensacola-Ferry Pass-Brent, FL	112	4,709,487	522,259	33.08%	2.46	$89,094	9.02	8.32	(0.70)	Over-Supplied	76.10	1.02%
Modesto, CA	77	4,429,253	555,745	41.23%	3.09	$93,765	7.97	9.27	1.30	Under-Supplied	168.41	2.16%
Buffalo-Cheektowaga-Niagara Falls, NY	116	4,301,921	1,160,602	34.71%	2.28	$90,639	3.71	7.82	4.11	Under-Supplied	104.94	1.39%
Lafayette, LA	116	4,285,209	480,926	29.69%	2.50	$85,599	8.91	8.47	(0.44)	Over-Supplied	77.34	1.08%
Santa Rosa, CA	70	4,221,280	487,721	36.77%	2.56	$132,141	8.66	7.08	(1.58)	Over-Supplied	277.89	2.52%
Lubbock, TX	98	4,120,456	328,842	41.10%	2.51	$84,625	12.53	8.69	(3.84)	Over-Supplied	94.02	1.33%
Gulfport-Biloxi-Pascagoula, MS	132	4,090,085	421,113	33.81%	2.50	$77,409	9.71	8.81	(0.90)	Over-Supplied	75.58	1.17%
Average	**275**	**14,063,732**	**2,221,855**	**35.11%**	**2.56**	**$103,536**	**7.57**	**7.58**				

room for revenue enhancement. In most trade areas, rents peak near 4 percent and customers are less "sticky." However, in urban markets we have seen a cost of occupancy exceed 4 percent. The cost of occupancy is a test of reasonableness of market conditions on a relative basis to other CBSAs. In practice, the cost of occupancy in the local trade area is best.

General market conditions and market sentiment regarding self-storage should always be considered from a macroeconomic perspective.

We also note that complex algorithms or pricing models are dynamic, and asking rents can change 24 hours a day, seven days a week. Therefore, the cost of occupancy should be considered a benchmark. The data is shown in the last column of Tables 13.1a and 13.1b. The cost of occupancy has risen during the pandemic as rates have exceeded average household income. New high benchmarks for what customers are willing to pay are now being set, causing pricing markets to be revised dynamically.

Investment Considerations

General market conditions and market sentiment regarding self-storage should always be considered from a macroeconomic perspective. The following Key Performance Indicators are highlighted from our 3Q 2021 Investor Survey (published in *Mini-Storage Messenger* December 2021):

- Market participants report cautious optimism for the sector in 2023. Many pointed out strong self-storage performance over the long run in boom and bust markets. However, due to rising interest rates in the second half of 2022, deals in the second half slowed and cap rates are increasing. Some estimate a 5 percent to 25 percent decline in single asset activity, but interest in portfolios by institutional and national investors remain strong.

- Negative leverage has been a topic of discussion throughout 2022 and is expected to remain in focus given the FED's likelihood to increase a few more times before pausing to a terminal rate. Investors are now willing to accept negative cash flows in years one and two of a 10-year hold. Traditionally, positive cash flow throughout the hold has been a key investment criterion, so negative leverage is a tool that emphasizes yield or appreciation over cash flow.

- As a result of negative leverage, discounted cash flow modeling is more important than ever for investment and underwriting decisions. While it appears rental rates have kept pace with inflation, a "return to normal" is likely in 2023 regarding rent rate growth. Expenses will

be closely monitored with concerns of rising utility and tax accounts. Remote or less on-site management and contactless customer rentals will increase as cost-cutting tools of operations.

- **Cap Rates –** We note an average increase of 6 basis points in Q2 2022, with expectations at that time of further increases of 25 bps by Q1 2023, based on our Investor Surveys. As a result, equity dividend and yield requirements have declined to the lowest levels in sector history. Cap rate increases for self-storage are lagging increases in other sectors, but they are likely to increase further in 2023.

- **Development –** Supply chain problems have restricted self-storage development that resulted in a conservative pace of new product in 2022. Although supply chain is easing, city processes with permits and entitlements are not getting easier. Lenders are getting more conservative, and with the higher cost of funds, some projects that were feasible less than a year ago may be marginally feasible or not feasible in 2023. As a result, supply and demand fundamentals should remain strong for the sector over the next years.

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- The potential for recession, duration of inflation, and cost of funds will dominate macro-economic uncertainty. Self-storage has proven to be resilient to change, but it will not be immune to these exogenous factors. Overall, a 5 x 5 outlook is more likely than a 10 x 10 outlook of past years.

Market Analysis Summary 2023

It will always be the case that the local sub-market 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 that otherwise could be ignored. 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. 🏬