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 expectations of improved operational and lending conditions in 2024, as well as stable to decreasing cap rates. It is interesting to note that Chart 13.1 Public Storage Same-Store Rental Activity research by Newmark Self Storage Practice, PSA Quarterly and Supplemental Public Filings: 2Q 2022 to 3Q 2023, self-storage rental income growth or actual rents increased 9.80 percent, while street rates or asking declined 18.40 percent.

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 anal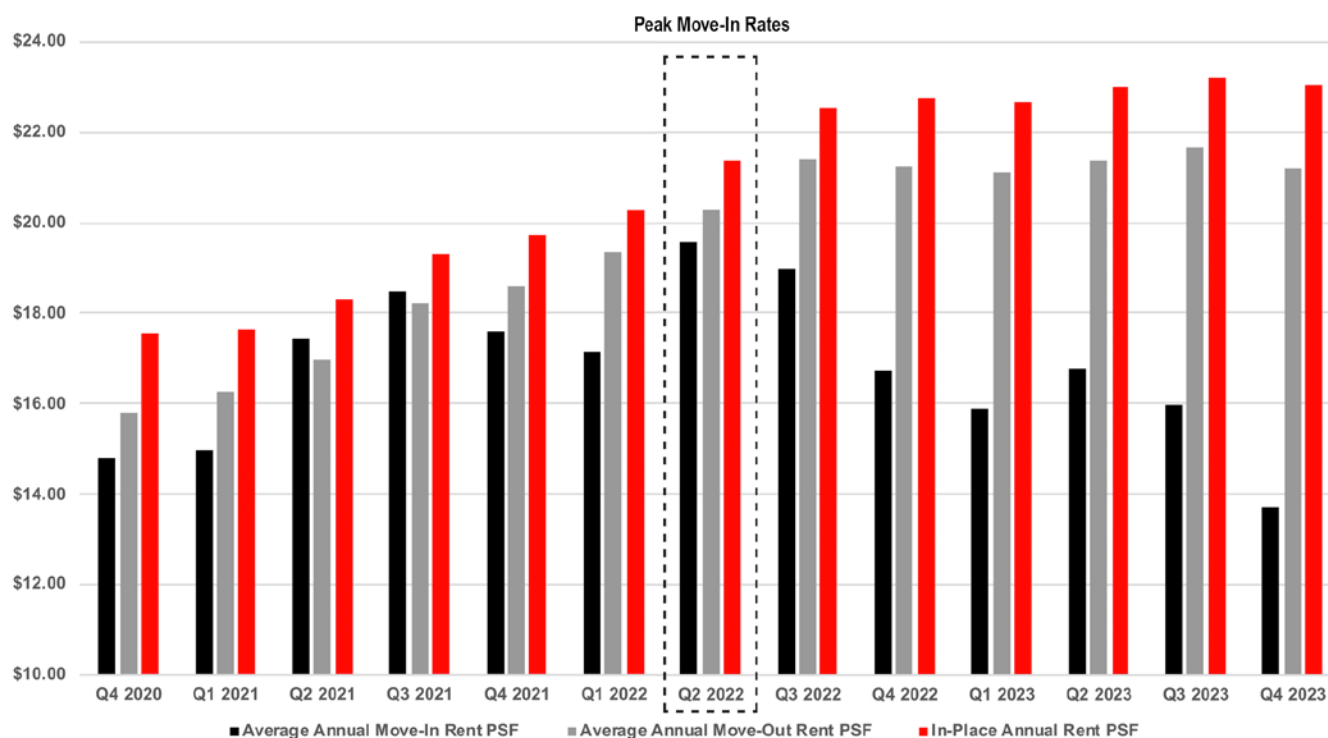ysis. For example, a measure of the total self-storage supply per person in the local trade area can be benchmarked to core-based statistical area (CBSA) data published by the *Almanac.* Another tool, the Cost of Occupancy (COO), can measure rents as a ratio of average household Income to CBSA data also published in the *Almanac.*

Investor expectations are changing due to expectations of improved operational and lending conditions in 2024, as well as stable to decreasing cap rates.

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

Chart 13.1 – Public Storage Same-Store Rental Activity

Source: Newmark Self Storage Practice, PSA Quarterly and Supplemental Public Filings

	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
Table 13.1a – Regression Demand Per Capita (Top CBSAs) — *Source: Radius+ and Newmark*											
Dallas-Fort Worth-Arlington, TX	1,342	73,566,885	8,158,570	40.43%	2.74	$192,759	9.02	6.01	(3.00)	Over-Supplied	$98.04
New York-Newark-Jersey City, NY-NJ-PA	1,189	68,246,586	12,739,670	49.04%	2.66	$232,313	5.36	5.98	0.62	Under-Supplied	$233.48
Houston-The Woodlands-Sugar Land, TX	1,140	65,581,266	7,495,260	38.62%	2.80	$198,794	8.75	6.12	(2.63)	Over-Supplied	$78.78
Los Angeles-Long Beach-Anaheim, CA	910	63,778,209	12,957,720	50.92%	2.89	$235,905	4.92	4.92	(0.00)	Near Equilibrium	$197.07
Chicago-Naperville-Elgin, IL-IN-WI	928	46,714,045	7,842,210	34.60%	2.57	$198,960	5.96	6.23	0.27	Near Equilibrium	$127.58
Atlanta-Sandy Springs-Roswell, GA	867	45,473,424	6,338,670	35.07%	2.66	$180,160	7.17	6.34	(0.83)	Over-Supplied	$94.93
Miami-Fort Lauderdale-West Palm Beach, FL	565	38,328,770	4,726,630	41.50%	2.61	$186,412	8.11	8.18	0.07	Near Equilibrium	$171.85
Phoenix-Mesa-Scottsdale, AZ	583	37,445,670	5,108,810	34.69%	2.65	$167,804	7.33	6.71	(0.62)	Over-supplied	$143.62
Riverside-San Bernardino-Ontario, CA	479	32,737,841	4,699,480	34.82%	3.14	$164,125	6.97	7.35	0.38	Under-Supplied	$131.91
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	504	27,396,351	5,797,670	33.43%	2.59	$186,805	4.73	6.28	1.55	Under-Supplied	$126.02
Seattle-Tacoma-Bellevue, WA	466	26,007,534	4,091,740	39.69%	2.57	$216,542	6.36	5.91	(0.44)	Near Equilibrium	$150.73
Tampa-St. Petersburg-Clearwater, FL	447	23,708,701	3,322,360	33.35%	2.37	$149,082	7.14	6.96	(0.18)	Near Equilibrium	$125.62
San Francisco-Oakland-Hayward, CA	363	22,948,760	4,656,710	45.10%	2.67	$368,030	4.93	4.91	(0.01)	Near Equilibrium	$239.20
San Antonio-New Braunfels, TX	466	23,237,127	2,693,410	35.64%	2.73	$157,064	8.63	7.42	(1.20)	Over-Supplied	$98.62
Detroit-Warren-Dearborn, MI	404	20,654,760	4,499,660	30.54%	2.46	$155,935	4.59	6.68	2.09	Under-Supplied	$116.17
Minneapolis-St. Paul-Bloomington, MN-WI	433	20,533,857	3,758,160	29.00%	2.52	$193,160	5.46	6.48	1.01	Under-Supplied	$143.20
Denver-Aurora-Lakewood, CO	366	20,619,452	3,025,040	35.67%	2.49	$215,520	6.82	6.49	(0.33)	Over-Supplied	$133.36
Austin-Round Rock, TX	417	20,851,868	2,492,040	40.52%	2.57	$202,012	8.37	6.92	(1.45)	Over-Supplied	$96.26
Boston-Cambridge-Newton, MA-NH	442	20,690,567	4,928,780	38.99%	2.56	$253,266	4.20	5.83	1.64	Under-Supplied	$169.54
San Diego-Carlsbad, CA	281	20,264,542	3,286,530	44.92%	2.80	$215,325	6.17	6.94	0.77	Under-Supplied	$170.10
Orlando-Kissimmee-Sanford, FL	353	20,264,891	2,841,740	38.40%	2.62	$152,150	7.13	7.68	0.55	Near Equilibrium	$106.73
Charlotte-Concord-Gastonia, NC-SC	439	19,203,060	2,783,820	34.55%	2.52	$168,931	6.90	7.24	0.34	Near Equilibrium	$102.19
Sacramento--Roseville--Arden-Arcade, CA	343	18,684,580	2,434,773	38.06%	2.71	$118,405	7.67	7.91	0.23	Near Equilibrium	$129.30
Las Vegas-Henderson-Paradise, NV	291	19,150,778	2,375,030	44.45%	2.60	$163,245	8.06	7.96	(0.11)	Near Equilibrium	$106.78
Virginia Beach-Norfolk-Newport News, VA-NC	280	16,847,980	1,784,480	38.10%	2.51	$153,273	9.44	7.47	(1.97)	Over-Supplied	$91.34
Portland-Vancouver-Hillsboro, OR-WA	342	16,330,260	2,524,230	37.95%	2.47	$184,107	6.47	6.95	0.48	Near Equilibrium	$143.24
Indianapolis-Carmel-Anderson, IN	394	15,933,041	2,174,360	34.17%	2.54	$171,568	7.33	7.15	(0.18)	Near Equilibrium	$103.59
Oklahoma City, OK	343	15,949,342	1,473,190	35.03%	2.56	$158,872	10.83	7.97	(2.86)	Over-Supplied	$64.99
Nashville-Davidson--Murfreesboro--Franklin, TN	357	15,446,062	2,111,370	33.95%	2.58	$197,166	7.32	6.93	(0.38)	Near Equilibrium	$88.19
St. Louis, MO-IL	428	15,567,964	2,811,350	29.46%	2.43	$167,751	5.54	6.86	1.32	Under-Supplied	$88.78
Kansas City, MO-KS	327	14,203,697	2,220,160	34.13%	2.52	$165,335	6.40	7.19	0.79	Under-Supplied	$107.45
Baltimore-Columbia-Towson, MD	236	14,448,761	2,841,270	32.65%	2.55	$189,514	5.09	6.81	1.72	Under-Supplied	$133.72
Jacksonville, FL	231	13,758,758	1,693,520	34.35%	2.49	$159,896	8.12	7.63	(0.50)	Over-Supplied	$104.67
Cincinnati, OH-KY-IN	296	13,255,513	2,255,190	32.08%	2.51	$168,595	5.88	7.10	1.22	Under-Supplied	$80.85
Columbus, OH	333	12,795,318	2,195,470	38.26%	2.53	$161,431	5.83	7.32	1.49	Under-Supplied	$108.57
Pittsburgh, PA	394	10,898,243	2,346,780	30.52%	2.29	$157,659	4.64	6.93	2.29	Under-Supplied	$112.79
Boise City, ID	141	10,785,244	841,010	27.22%	2.68	$162,305	12.82	7.54	(5.28)	Over-Supplied	$108.83
New Orleans-Metairie, LA	211	10,792,296	1,235,830	36.58%	2.40	$156,994	8.73	8.40	(0.33)	Near Equilibrium	$110.65
Raleigh, NC	214	10,681,101	2,141,320	33.48%	2.52	$176,850	4.99	5.07	0.08	Near Equilibrium	$87.13
Tulsa, OK	297	10,323,810	1,036,360	34.05%	2.53	$165,071	9.96	7.44	(2.52)	Over-Supplied	$62.28
Memphis, TN-MS-AR	206	10,726,655	1,365,620	39.78%	2.57	$153,923	7.85	7.64	(0.21)	Near Equilibrium	$89.81
San Jose-Sunnyvale-Santa Clara, CA	156	10,491,135	1,966,390	44.73%	2.93	$386,556	5.34	5.54	0.20	Near Equilibrium	$186.82
Milwaukee-Waukesha-West Allis, WI	228	10,203,475	1,566,810	38.87%	2.39	$169,611	6.51	7.23	0.72	Under-Supplied	$89.37
Salt Lake City, UT	199	9,864,305	2,019,810	32.97%	2.99	$190,874	4.88	4.43	(0.46)	Near Equilibrium	$111.91
Cleveland-Elyria, OH	231	9,900,137	2,055,860	34.13%	2.32	$153,769	4.82	7.13	2.32	Under-Supplied	$89.59
Richmond, VA	179	9,523,446	1,364,470	33.98%	2.49	$180,542	6.98	6.67	(0.31)	Near Equilibrium	$99.94
Louisville/Jefferson County, KY-IN	209	9,082,976	1,323,540	32.11%	2.46	$154,709	6.86	7.38	0.52	Under-Supplied	$87.05
Birmingham-Hoover, AL	260	8,909,221	1,189,320	30.48%	2.51	$156,199	7.49	7.42	(0.07)	Near Equilibrium	$72.82
Baton Rouge, LA	194	8,481,802	846,780	30.24%	2.53	$153,339	10.02	7.53	(2.48)	Over-Supplied	$75.89
Little Rock-North Little Rock-Conway, AR	218	8,035,758	762,280	35.62%	2.43	$135,236	10.54	7.74	(2.80)	Over-Supplied	$89.26

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

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
Omaha-Council Bluffs, NE-IA	197	8,043,199	984,480	34.12%	2.54	$178,106	8.17	7.33	(0.84)	Over-Supplied	$121.28
Bakersfield, CA	95	6,887,723	914,530	39.39%	3.17	$151,461	7.53	8.38	0.85	Under-Supplied	$93.75
Greenville-Anderson-Mauldin, SC	213	7,234,223	1,340,950	29.18%	2.51	$136,449	5.39	6.07	0.67	Under-Supplied	$77.34
Albuquerque, NM	192	7,346,787	917,130	32.41%	2.46	$143,042	8.01	7.60	(0.41)	Near Equilibrium	$99.17
North Port-Sarasota-Bradenton, FL	130	7,487,147	895,440	23.40%	2.20	$163,620	8.36	6.94	(1.42)	Over-Supplied	$124.22
Fresno, CA	78	6,986,594	1,172,350	44.61%	3.13	$165,647	5.96	8.23	2.28	Under-Supplied	$102.92
Charleston-North Charleston, SC	141	6,912,158	842,740	32.54%	2.47	$162,730	8.20	7.42	(0.78)	Over-Supplied	$123.59
Colorado Springs, CO	149	6,954,100	776,790	33.43%	2.67	$167,762	8.95	7.60	(1.35)	Over-Supplied	$126.35
Tucson, AZ	138	7,344,032	1,072,910	36.01%	2.38	$134,150	6.84	7.64	0.80	Under-Supplied	$106.89
Cape Coral-Fort Myers, FL	121	6,952,907	838,490	25.14%	2.32	$154,591	8.29	7.21	(1.08)	Over-Supplied	$131.50
Grand Rapids-Wyoming, MI	204	6,401,131	1,278,830	27.88%	2.60	$156,676	5.01	7.44	2.43	Under-Supplied	$83.59
Providence-Warwick, RI-MA	149	6,571,739	1,676,070	37.96%	2.48	$168,758	3.92	7.29	3.37	Under-Supplied	$151.11
Reno, NV	93	6,645,919	512,700	41.00%	2.46	$187,162	12.96	7.38	(5.58)	Over-Supplied	$138.34
Spokane-Spokane Valley, WA	135	5,683,556	617,320	35.46%	2.48	$137,508	9.21	7.80	(1.41)	Over-Supplied	$129.01
Knoxville, TN	198	6,198,219	934,290	30.24%	2.45	$146,716	6.63	7.50	0.87	Under-Supplied	$100.55
Provo-Orem, UT	120	6,340,605	725,180	29.57%	3.56	$191,360	8.74	8.92	0.18	Near Equilibrium	$108.98
Oxnard-Thousand Oaks-Ventura, CA	91	6,005,688	838,940	36.67%	2.95	$227,421	7.16	7.32	0.16	Near Equilibrium	$207.37
Columbia, SC	173	5,958,408	866,550	32.48%	2.47	$140,364	6.88	7.65	0.77	Under-Supplied	$75.28
Huntsville, AL	141	5,697,043	521,790	30.77%	2.47	$151,562	10.92	7.57	(3.35)	Over-Supplied	$79.44
Palm Bay-Melbourne-Titusville, FL	130	5,424,035	634,700	23.27%	2.28	$136,068	8.55	7.37	(1.18)	Over-Supplied	$126.47
Greensboro-High Point, NC	135	5,549,063	1,666,240	37.70%	2.41	$132,532	3.33	5.20	1.87	Under-Supplied	$71.23
Stockton-Lodi, CA	85	5,340,702	789,150	40.15%	3.17	$196,798	6.77	8.17	1.41	Under-Supplied	$170.33
Wichita, KS	178	5,365,476	657,300	33.20%	2.51	$154,989	8.16	7.59	(0.57)	Near Equilibrium	$104.64
Dayton, OH	118	5,340,612	944,100	35.71%	2.38	$137,128	5.66	7.63	1.98	Under-Supplied	$82.54
Jackson, MS	132	5,234,458	566,760	32.07%	2.49	$137,830	9.24	7.75	(1.49)	Over-Supplied	$72.14
Hartford-West Hartford-East Hartford, CT	131	5,155,848	1,221,210	33.60%	2.48	$182,884	4.22	7.16	2.94	Under-Supplied	$131.21
Deltona-Daytona Beach-Ormond Beach, FL	116	5,381,184	716,760	27.37%	2.32	$161,668	7.51	7.20	(0.31)	Near Equilibrium	$113.27
Albany-Schenectady-Troy, NY	136	5,002,163	899,730	36.12%	2.36	$170,166	5.56	7.28	1.72	Under-Supplied	$99.09
Lakeland-Winter Haven, FL	114	4,863,790	784,750	29.76%	2.59	$119,516	6.20	7.96	1.76	Under-Supplied	$118.48
Springfield, MO	182	4,914,696	484,890	38.71%	2.46	$129,015	10.14	7.95	(2.18)	Over-Supplied	$76.85
Corpus Christi, TX	125	4,770,754	455,380	37.14%	2.65	$149,676	10.48	7.91	(2.57)	Over-Supplied	$112.04
Rochester, NY	190	4,788,795	1,078,020	34.12%	2.38	$145,351	4.44	7.49	3.05	Under-Supplied	$86.18
Chattanooga, TN-GA	140	4,817,671	575,720	33.09%	2.48	$146,154	8.37	7.67	(0.70)	Over-Supplied	$78.29
Augusta-Richmond County, GA-SC	119	4,857,389	624,780	30.95%	2.52	$130,123	7.77	8.28	0.50	Near Equilibrium	$91.21
Des Moines-West Des Moines, IA	119	4,739,525	702,320	30.48%	2.48	$159,336	6.75	7.70	0.96	Under-Supplied	$132.43
El Paso, TX	108	4,814,715	884,780	37.53%	2.87	$134,513	5.44	9.01	3.57	Under-Supplied	$92.87
Madison, WI	191	4,558,413	687,980	38.58%	2.34	$178,440	6.63	7.26	0.64	Under-Supplied	$114.05
Pensacola-Ferry Pass-Brent, FL	117	4,985,881	529,980	33.08%	2.52	$139,772	9.41	8.49	(0.92)	Over-Supplied	$72.92
Buffalo-Cheektowaga-Niagara Falls, NY	122	4,626,011	1,150,390	34.71%	2.31	$137,345	4.02	8.25	4.22	Under-Supplied	$104.13
Gulfport-Biloxi-Pascagoula, MS	136	4,168,059	401,140	33.81%	2.47	$112,611	10.39	8.06	(2.33)	Over-Supplied	$74.22
Average	294	14,907,514	2,259,831	35.11%	2.57	$170,676	7.20	7.20			

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.

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.

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 0.45333 and an r-squared of 0.22484. Comparing existing supply to demand can be used as a benchmark to determine if a CBSA is undersupplied, oversupplied, or at equilibrium.

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 4Q 2023 Investor Survey (published in *Messenger March 2024*):

- Market participants report cautious optimism for the sector in heading into 2024. Cap rates increased only 7 basis points from the prior quarter to a current average stabilized rate of 5.75 percent. Many pointed out continued strong ECRI (Existing Customer Rate Increases) despite declining street or asking rates. The prevailing view, according to the survey, is improved operating, interest rates (lower), and investment activity in 2024.

- 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 2024 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 tool of operations.

- Supply chain problems have restricted self-storage development that resulted in a conservative pace of new product in 2023. Although supply chain is easing, city processes with permits and entitlements are not getting easier. Lenders are 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 2024. As a result, supply and demand fundamentals should remain strong for the sector over the next several years.

Market Analysis Summary 2024

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.