



JANUARY 2025

SELF-STORAGE REIT UPDATE

CAPRIGHT®

DELIVERING TRANSPARENCY

SELF-STORAGE UPDATE – January 2025

In recent years, the self-storage industry has experienced significant growth, evolving far beyond its original purpose of providing basic storage solutions. Today, the sector boasts approximately 52,000 core facilities nationwide, encompassing nearly 2.1 billion square feet. Ownership of these facilities is diverse, ranging from public real estate investment trusts (REITs) and large public or private companies to mid-sized regional operators with about ten facilities, and smaller “mom-and-pop” owners with one to three properties in a single market. Notably, four of the five largest operators are REITs: Public Storage, Inc. (PSA), Extra Space Storage, Inc. (EXR), CubeSmart (CUBE), and National Storage Affiliates Trust (NSA). Following the merger of LifeStorage (LSI) and EXR, LSI is no longer included in industry reports.

After the sector’s peak performance during the first half of 2023—driven by COVID-era accelerated growth—rising interest rates and waning demand led to slower rental growth and declining occupancy levels. By the second half of 2024, rental rates and occupancy continued to show year-over-year declines, although rental rates saw modest increases. Despite this tempering, fundamental demand for self-storage remains strong. Additionally, a slowdown in new construction is expected to create an environment where operators can raise rental rates as the current supply pipeline is absorbed. To adapt to changing market conditions, storage operators are employing strategies such as leveraging technology for tenant engagement, offering targeted discounts, and implementing Existing Customer Renewal Increases (ECRIs).

The market is currently oversaturated due to significant recent deliveries, prompting operators to enhance customer convenience through technological advancements. These efforts include innovations like smart climate control systems, which appeal to environmentally conscious consumers while reducing operating costs. For example, in August 2024, NSA partnered with Solar Landscape to install solar panels across 8.5 million square feet of rooftop space at approximately 1,000 of its facilities.

SELF-STORAGE UPDATE – January 2025

The Sunbelt region continues to attract the most institutional investor interest, driven by strong demand fueled by high migration rates. Institutional investors have also focused capital deployment to metro areas that have seen relatively limited supply growth, which has often been driven by local municipalities limiting self-storage development. With the cost of capital remaining elevated and construction expenses still high, new project starts have slowed. As a result, investment activity across all markets is expected to pick up in the latter half of 2024 and into 2025, supported by improving market fundamentals and renewed confidence in capital markets. As the pipeline of new deliveries is absorbed and competition decreases, large operators anticipate growth opportunities in the near to mid-term.

The sector still faces challenges from seasonal fluctuations, high interest rates, and a sluggish housing market. Rents are projected to increase slightly in the second half of 2024 but will likely still show year-over-year declines. Operating expenses are expected to remain elevated, putting pressure on net operating income (NOI) growth. Amid these challenges, ECRIs continue to offer a lucrative strategy for maintaining revenue in a competitive environment.

As the market stabilizes, transactional activity has slowed, and the challenges outlined above led the four major REITs to scale back their growth in 2024. Below are some key performance indicators for the industry as of 3Q24 (most recent published results):

- Occupancies ranged from 86.3% to 94.0%.
- Same store revenue growth ranged from -3.8% to 0.5%.
- Same store NOI growth ranged from -6.5% to -0.5%.

SELF-STORAGE UPDATE – January 2025

Performance					FY 2024 Guidance					
	Revenue	Expenses	NOI	Occupancy	Revenue		Expenses		NOI	
					Low	High	Low	High	Low	High
PSA	-1.3%	2.6%	-2.5%	92.7%	-1.3%	-0.5%	2.0%	3.5%	-2.7%	-1.3%
EXR	-0.3%	1.9%	-1.0%	94.0%	-0.3%	0.5%	4.3%	5.3%	-2.3%	-0.5%
CUBE	0.8%	5.3%	-3.1%	90.8%	-0.8%	0.3%	4.5%	6.0%	-3.0%	-1.0%
NSA	-3.5%	1.2%	-5.3%	86.3%	-3.8%	-2.3%	3.5%	5.0%	-6.5%	-4.5%
Avg.	-1.1%	2.8%	-3.0%	91.1%	-1.0%		4.3%		-2.7%	

PSA raised its revenue and NOI guidance since last quarter, while keeping its expense guidance unchanged from the prior quarter. In contrast, EXR increased its guidance for revenue, expenses, and NOI on a quarter-over-quarter basis. Meanwhile, both CUBE and NSA maintained their quarter-over-quarter guidance for revenue, expenses, and NOI.

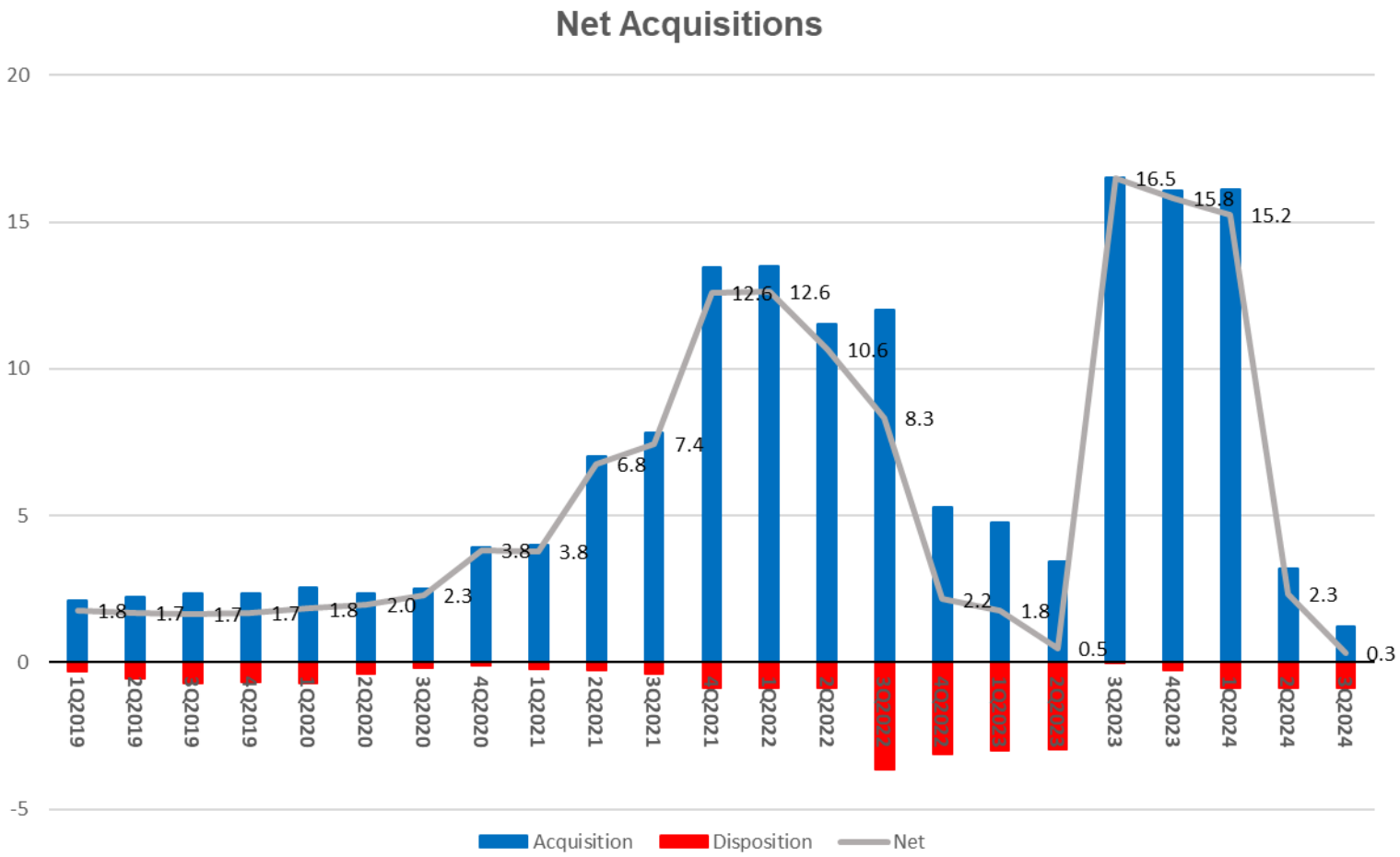
Across the four major REITs, revenue guidance averaged -1.0%, while expense projections averaged a notable 4.3%. This combination resulted in an average NOI guidance of -2.7% for fiscal year 2024. Looking ahead, revenue and NOI forecasts for fiscal year 2024 are expected to fall significantly short of the strong gains seen in 2022 and the first half of 2023. With continued expense pressures and limited revenue growth—driven by the deceleration in rent growth—all four REITs are projecting negative NOI growth for 2024.

Acquisition Activity

Following the slowdown in benchmark rate increases, REITs increased their acquisitions in 3Q23 and maintained this momentum into 2024. Looking ahead to 2025, acquisition activity is expected to rise significantly as greater clarity emerges from the capital markets. However, acquisition activity has since declined substantially, with net acquisitions totaling approximately \$300 million on a trailing 12-month basis.

SELF-STORAGE UPDATE – January 2025

It is worth noting that the sharp drop from 1Q24 is due to the exclusion of two major transactions: Public Storage’s acquisition of Simply Self Storage and ExtraSpace’s acquisition of Life Storage, both of which significantly inflated acquisition totals in the previous three quarters. By 3Q24, total acquisitions had declined further, returning to levels near pre-pandemic norms.



Source: NAREIT T-Tracker

PSA reduced its 2024 acquisition guidance from \$500 million to \$350 million in expected transaction volume for the year. This marks a further significant decline from 2023 activity, which was inflated by the \$2.2 billion acquisition of Simply Self Storage completed in July 2023. Throughout 2024, PSA acquired or

SELF-STORAGE UPDATE – January 2025

placed under contract 14 self-storage facilities totaling 1.2 million net rentable square feet for \$181.2 million. PSA attributes reduced acquisition volume to higher capital costs and broader macroeconomic uncertainties.

PSA also expects industry-wide demand from new customers to stabilize in the latter half of 2024, coinciding with a slowdown in the completion of new self-storage facilities. This reduction in new supply is expected to ease competitive pressures on customer acquisition. Looking forward, PSA plans to focus on development, citing long-term favorable risk-adjusted returns despite short-term dilution of earnings. PSA currently has a development pipeline valued at approximately \$426.7 million, representing 2.3 million net rentable square feet across 23 facilities. These developments are expected to open within the next 18 to 24 months, with typical underwriting stabilizing at an 8.0% NOI yield on cost.

EXR increased its acquisition activity in 3Q24, purchasing ten wholly owned operating stores and one store at a Certificate of Occupancy for a total cost of approximately \$163.9 million. Additionally, in partnership with joint venture partners, EXR acquired five properties and completed two developments for a total cost of \$114.6 million, with EXR's share of the investment totaling \$30.7 million. Since 2Q24, EXR raised its 2024 acquisition guidance from \$400 million to \$500 million.

CUBE maintained its 2024 acquisition guidance at \$100 million to \$200 million as of 3Q24. During the quarter, CUBE did not acquire any new facilities but had two stores under contract for a combined purchase price of \$22.0 million, expected to close in 4Q24. Additionally, CUBE had two joint venture development projects under construction, with a total projected investment of \$36.9 million. As of 3Q24, CUBE had invested \$9.1 million in these developments. Both stores, located in New York, are expected to open in 3Q25.

SELF-STORAGE UPDATE – January 2025

NSA acquired 18 self-storage properties in 3Q24 for approximately \$147.9 million across two transactions conducted through a joint venture between an NSA subsidiary and a state pension fund advised by Heitman Capital Management, LLC. NSA contributed \$37.0 million to these acquisitions. NSA's acquisition guidance for 2024 remains unchanged at \$100 million, down from its previous guidance of \$300 million.

Institutional Portfolio Sales

Although overall transaction activity has slowed in recent quarters, select transactions and portfolio trades are still occurring in the market given the amount of capital available to deploy in the burgeoning industry. The top self-storage portfolio sales for the past two years are listed below.

2022-2024 SELF-STORAGE PORTFOLIO SALE HIGHLIGHTS						
No.	Portfolio	Sale Date	Number of Properties	Total Leasable Area (SF)	Sale Price	Price/SF
1	Bristol Group/LaSalle Portfolio	8/24	4	353,104	\$70,500,000	\$199.66
2	Harrison Street Southeast Storage Portfolio	8/24	19	1,400,000	\$200,000,000	\$142.86
3	Metro Storage Portfolio	7/24	6	481,151	\$62,750,000	\$130.42
4	Heitman/NSA JV Portfolio	2/24	22	1,051,388	\$346,500,000	\$329.56
5	U-Haul Net-Lease Self Storage Portfolio	2/24	78	3,127,612	\$465,000,000	\$148.68
6	Clarion/Clark Family Portfolio	10/23	30	1,574,859	\$330,000,000	\$209.54
7	Public/Simply Portfolio	8/23	127	9,400,000	\$2,200,000,000	\$234.04
8	CBRE/Storquest Portfolio	3/23	14	851,541	\$335,000,000	\$393.40
9	Related/Wentworth Portfolio	1/23	18	1,286,000	\$266,229,000	\$207.02
10	Public Storage Ocala Portfolio	12/22	28	1,200,000	\$192,400,000	\$160.33
11	Levine/Life Storage	10/22	7	657,320	\$142,000,000	\$216.03
12	ExtraSpace / Storage Express	9/22	107	3,900,000	\$590,000,000	\$151.28
13	Cubesmart/NSA Portfolio	8/22	14	1,064,000	\$235,000,000	\$220.86
14	Pegasus Portfolio	8/22	11	650,000	\$277,000,000	\$426.15

Over the past 18 to 24 months, portfolio activity has been limited due to rising interest rates and slowing tenant demand. Outside of the merger between Extra Space and LifeStorage, the most significant transaction during this period was Public Storage's \$2.2 billion acquisition of Simply Self Storage from Blackstone Real Estate Income Trust (BREIT). This portfolio included 127 wholly owned properties and

SELF-STORAGE UPDATE – January 2025

25 third-party managed properties. The wholly owned properties comprised 9.4 million square feet, while the third-party managed properties accounted for 1.8 million square feet. The wholly owned portfolio had an occupancy rate of 91% and an NOI margin of 69%.

In 3Q24, Harrison Street acquired 19 self-storage facilities located across Florida, Georgia, Alabama, and North Carolina. This portfolio totaled 1.4 million square feet and included over 12,000 self-storage units with an average occupancy of 90%. The total purchase price for the portfolio was \$200 million.

The Bristol Group/LaSalle Portfolio consists of four self-storage facilities across Massachusetts, Colorado, Florida, and North Carolina, totaling 353,104 square feet. This stabilized portfolio sold at a capitalization rate of 5.50%.

In July 2024, the Metro Storage Portfolio, comprising six self-storage sites in Florida and Pennsylvania, was acquired. The portfolio totals 481,151 square feet and sold at a capitalization rate of 5.25%.

Merger Activity

In August 2024, self-storage operators, Go Store It Self Storage and Snapbox Self Storage, merged. The combined entity owns 145 facilities across 23 states, totaling approximately 10 million square feet of space. The company will operate under the Go Store It Self Storage company name. According to a press release, the new entity plans to enhance operational efficiency and growth in acquisitions, development and third-party management.

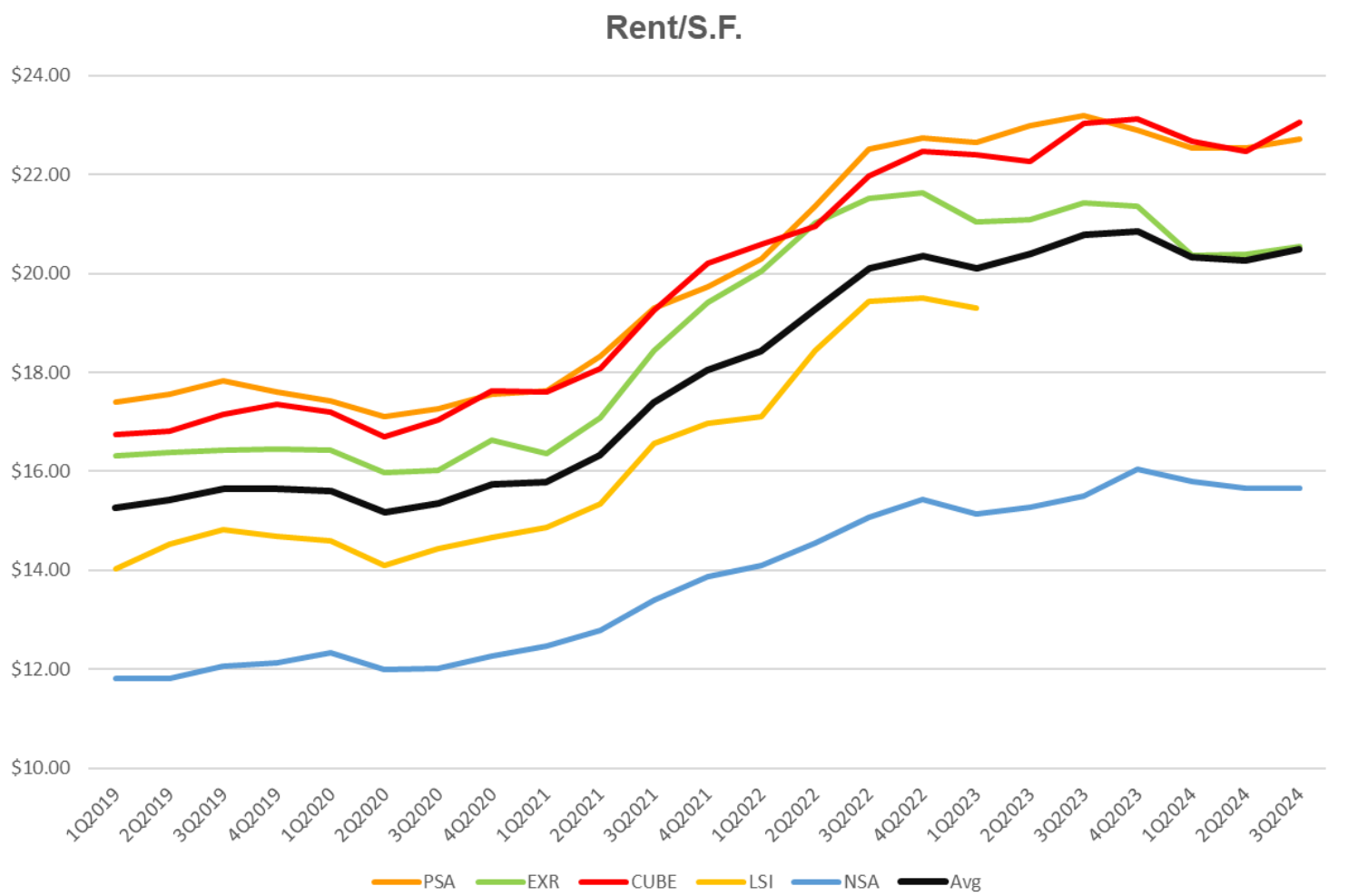
Rental Rates

After experiencing some decreases in 1Q23, rental rates rebounded quickly, showing quarter-over-quarter increases throughout the remainder of 2023. In 3Q24, rental rates continued to show positive signs, registering a 1.15% increase quarter-over-quarter. Nationwide, rental rates now average \$20.50 per square foot across all four REITs.

SELF-STORAGE UPDATE – January 2025

While rent growth was positive during the last three quarters of 2023, rates began to decline in the first half of 2024. As of 3Q24, rental rates had decreased 1.15% year-over-year. Operators report a slowdown in revenue growth, driven by depressed street rates resulting from current market conditions. To attract new customers, large operators have increasingly advertised lower street rates, later implementing Existing Customer Renewal Increases (ECRIs) to boost rents for existing tenants.

For reference, the chart below includes historical data for Life Storage through 1Q23. Following its merger with ExtraSpace in 2Q23, the combined company now operates under the ExtraSpace name.



SELF-STORAGE UPDATE – January 2025

After experiencing accelerated growth in 2021 and the first half of 2022, performance has since slowed. With growth moderating, average rental rates increased by 1.15% quarter-over-quarter in 3Q24 but decreased by 1.43% year-over-year. This marks a notable slowdown compared to prior quarters, which saw annual growth rates of 1.15% in 1Q24 and 2.46% in 4Q23.

The table below highlights rental rate trends within the 20 major metropolitan areas for self-storage inventory by each of the four REITs.

RENT BY MSA				
Market	PSA	EXR	CUBE	NSA
Los Angeles-Riverside-Orange County, CA	\$36.51	\$25.36	\$28.88	\$24.92
New York-Northern New Jersey-Long Island, NY-NJ-PA	\$32.48	\$27.16	\$37.44	--
Atlanta, GA	\$17.06	\$15.64	\$16.79	\$13.40
Washington-Baltimore, DC-MD-VA-WV	\$27.10	--	\$27.27	--
Dallas-Fort Worth, TX	\$18.32	\$15.87	\$18.76	\$14.17
Boston-Worcester-Lawrence, MA-NH-ME-CT	--	\$19.48	\$26.91	--
San Francisco-Oakland-San Jose, CA	\$33.20	--	--	--
Chicago-Gary-Kenosha, IL-IN-WI	\$20.66	\$20.07	\$19.60	--
Miami-Fort Lauderdale, FL	\$30.19	\$25.89	\$25.78	--
Phoenix-Mesa, AZ	--	\$17.19	\$17.32	\$16.11
Philadelphia-Wilmington-Atlantic City, PA-DE-NJ	\$20.95	--	\$21.34	--
Tampa-St. Petersburg-Clearwater, FL	--	\$17.93	\$20.89	--
Houston-Galveston-Brazoria, TX	\$16.94	\$15.80	\$17.74	\$12.96
Las Vegas, NV-AZ	--	\$15.66	\$19.16	\$14.64
Sacramento-Yolo, CA	--	\$18.31	\$18.18	--
Austin-San Marcos, TX	--	\$15.47	\$18.70	\$17.04
Orlando, FL	\$18.77	\$15.91	\$17.11	--
San Antonio, TX	--	\$14.80	\$16.67	\$15.34
Charlotte, NC	\$16.00	\$17.27	\$18.48	--
Riverside-San Bernardino-Ontario, CA	--	--	\$19.92	\$16.25
Total	\$22.71	\$17.53	\$23.05	\$15.67

The San Francisco-Oakland-San Jose market currently commands the highest average rents, with PSA reporting \$33.20 per square foot. In contrast, the San Antonio market has the lowest average rents, averaging \$15.60 per square foot across EXR, CUBE, and NSA.

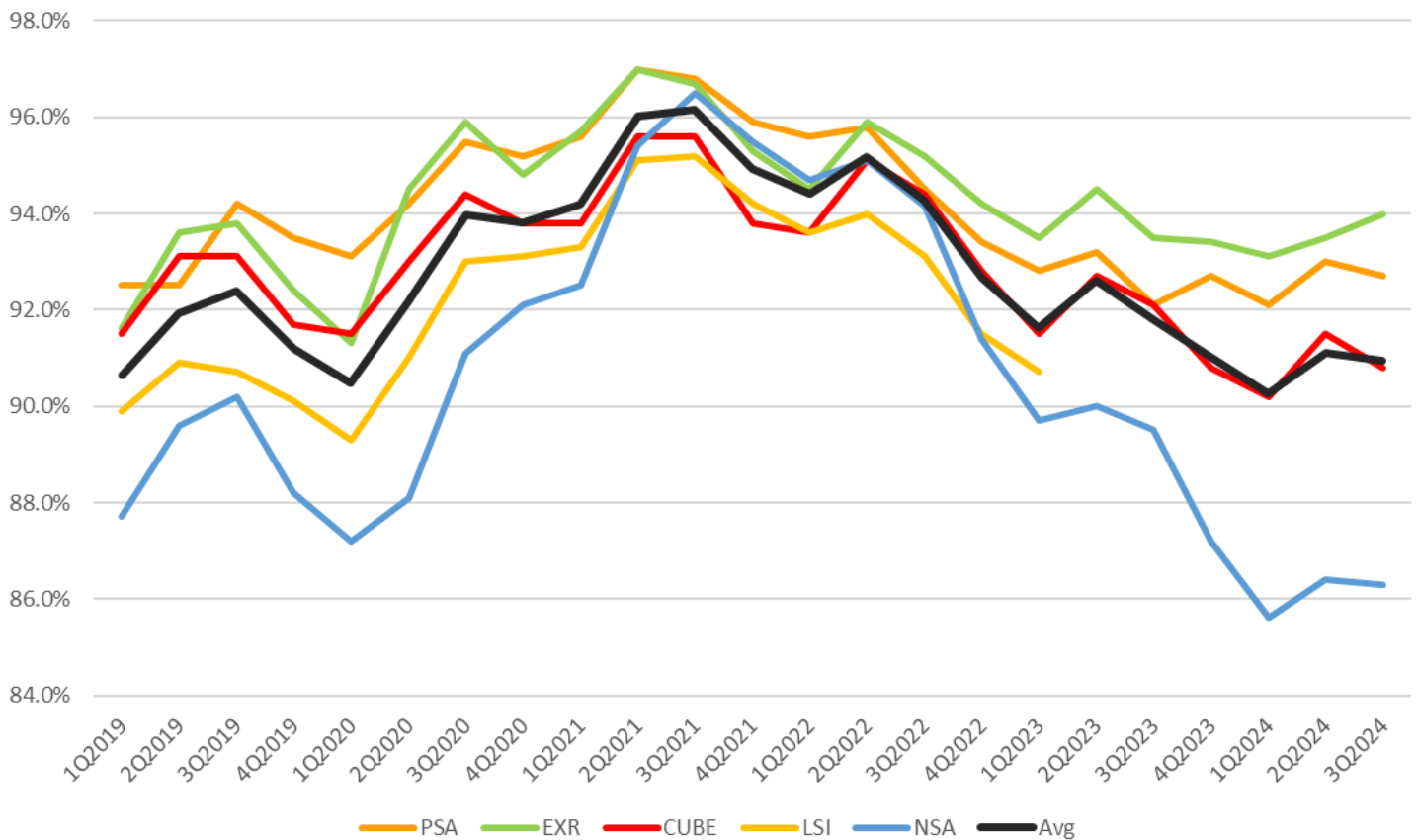
SELF-STORAGE UPDATE – January 2025

Occupancy Trends

Since 3Q22, occupancy rates have generally trended downward, with the exception of a slight uptick in 2Q23. Currently, occupancy averages 91.0%, aligning with historical norms. In 3Q24, average occupancy decreased by 0.2% quarter-over-quarter and by 0.9% year-over-year across the four tracked REITs.

Despite these declines, the major REITs project that vacancy levels will remain stable through the remainder of 2024. For reference, the chart below includes historical data for Life Storage through 1Q23. Following its merger with ExtraSpace in 2Q23, the combined company now operates under the ExtraSpace name.

Occupancy



SELF-STORAGE UPDATE – January 2025

The table below highlights occupancy trends within the 20 major metropolitan areas for self-storage inventory by each of the four REITs.

OCCUPANCY BY MSA				
Market	PSA	EXR	CUBE	NSA
Los Angeles-Riverside-Orange County, CA	94.1%	94.2%	91.0%	86.6%
New York-Northern New Jersey-Long Island, NY-NJ-PA	93.8%	93.6%	91.7%	--
Atlanta, GA	89.1%	90.7%	89.3%	82.9%
Washington-Baltimore, DC-MD-VA-WV	93.7%	--	90.9%	--
Dallas-Fort Worth, TX	89.4%	94.1%	91.1%	81.8%
Boston-Worcester-Lawrence, MA-NH-ME-CT	--	93.8%	90.4%	--
San Francisco-Oakland-San Jose, CA	94.1%	--	--	--
Chicago-Gary-Kenosha, IL-IN-WI	93.6%	93.6%	92.7%	--
Miami-Fort Lauderdale, FL	92.8%	93.0%	92.3%	--
Phoenix-Mesa, AZ	--	93.8%	89.7%	82.4%
Philadelphia-Wilmington-Atlantic City, PA-DE-NJ	93.2%	--	91.2%	--
Tampa-St. Petersburg-Clearwater, FL	--	93.6%	91.3%	--
Houston-Galveston-Brazoria, TX	92.6%	94.8%	92.6%	88.4%
Las Vegas, NV-AZ	--	93.9%	91.5%	85.9%
Sacramento-Yolo, CA	--	94.6%	89.5%	--
Austin-San Marcos, TX	--	92.3%	88.6%	84.3%
Orlando, FL	92.2%	91.5%	91.7%	--
San Antonio, TX	--	92.4%	90.1%	83.8%
Charlotte, NC	91.8%	95.1%	90.7%	--
Riverside-San Bernardino-Ontario, CA	--	--	88.5%	87.3%
Total	92.7%	93.3%	90.8%	85.6%

As illustrated above, the market with the highest average occupancy level as of 3Q24 is San Francisco-Oakland-San Jose at an average of 94.1%, with reported occupancies from PSA. The Riverside-San Bernardino-Ontario market reported the lowest average occupancy at an average of 87.9% CUBE and NSA.

SELF-STORAGE UPDATE – January 2025

Conclusion

Self-storage properties performed exceptionally well through the first half of 2023, with rapid rent gains and stable occupancy levels. However, demand has since slowed, with vacancy rates rising, rents flattening, and all four major REITs projecting negative revenue and NOI guidance. In the near term, rent growth is expected to stagnate, aligning with historical norms.

Elevated construction costs and high interest rates have constrained the development pipeline, potentially giving existing operators a strategic advantage in managing street rates and occupancy challenges through the latter half of 2024 and into 2025. Additionally, the slowdown in new construction is expected to create tailwinds for the sector in late-2025 and into 2026.

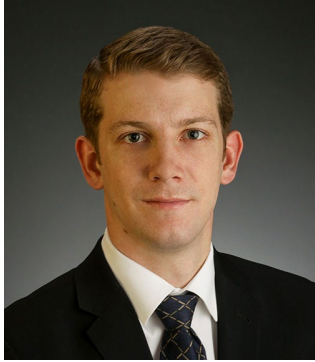
As capital markets normalize, potentially easing pressures on the housing market, the self-storage sector is likely to see upward pressure on rental rates once the current supply is absorbed. Despite current challenges, the sector continues to attract investor interest, supported by its proven resilience and strong long-term prospects. Overall, the self-storage market maintains a positive outlook, driven by its sustainable growth potential.

About Capright

Capright specializes in institutional valuation and advisory services throughout the United States. As a truly independent third-party, Capright has emerged as the leading provider mark-to-market valuations for many of the largest privately-owned commercial real estate platforms. In addition to valuation services, Capright offers NAV calculation, daily pricing, valuation process implementation, debt mark-to-market, option and JV interest valuation, compliance review, audit assistance, litigation support, and managed services. In partnership with several of the largest institutional investment managers and data platforms, Capright has pioneered industry-leading analytical tools to set higher levels of accuracy and credibility for assets requiring higher-frequency valuation compliance.

SELF-STORAGE UPDATE – January 2025

For more information on the self-storage sector, please reach out to:



[Douglas J. Ticus](#)

[MAI, MRICS](#)

Principal at Capright

Infinity at Brickell

40 SW 13th Street

Suite 506

Miami, FL 33130

(847) 903-6679

dticus@capright.com



[Kristopher C. Oxtal](#)

[MAI](#)

Principal at Capright

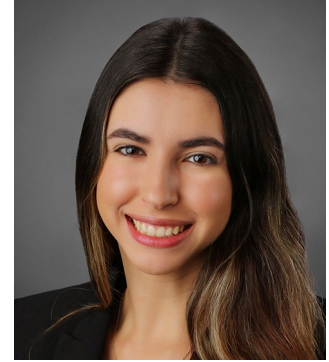
1808 Wedemeyer Street

Suite 312

San Francisco, CA 94129

(813) 215-7071

koxtal@capright.com



[Isabella C. Mendoza](#)

Associate at Capright

Infinity at Brickell

40 SW 13th Street

Suite 506

Miami, FL 33130

(786) 797-0228

imendoza@capright.com

Comprehensive Valuation and Advisory Services

OUR ADVANTAGES

- Truly independent and unbiased
- A team with the highest level of technical skills in the marketplace
- Centralized operating structure that guarantees consistent work product
- Proprietary data, systems and technology
- Dedicated research team
- Operating in all major markets throughout the US and Latin America

WHY CHOOSE US?

- Highest quality third-party services
- Free from conflicts of interest
- Consistent, timely, and tailored work product

WHAT WE DO →

- Valuation
- Advisory
- Debt Mark-to-Market
- NAV Calculation
- Portfolio Valuation
- Financial Reporting
- Compliance Review & Audit Assistance
- Managed Services
- Litigation Support
- Purchase Price Allocation
- + more

PROPERTY TYPES →

- Office
- Hotels
- Life Science
- Medical Office
- Single-Family Rental
- Multifamily
- Industrial/IOS
- Self-Storage
- Shopping Centers
- Student Housing
- + more

MEET THE TEAM →

Capright has the most qualified staff in the industry. Our professionals include those with MAI (Appraisal Institute), ASA (American Society of Appraisers), FRICS and MRICS (Royal Institution of Chartered Surveyors), and CRE® (Counselors of Real Estate) designations.

