

Q3 2023

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# Self Storage Supply Forecast Notes

The Q3 2023 self storage supply forecast update has increased forecast deliveries for 2024. For all other years, the forecast is relatively unchanged from the previous quarter's forecast.

## Self Storage New Supply Forecast Q3 vs. Q2

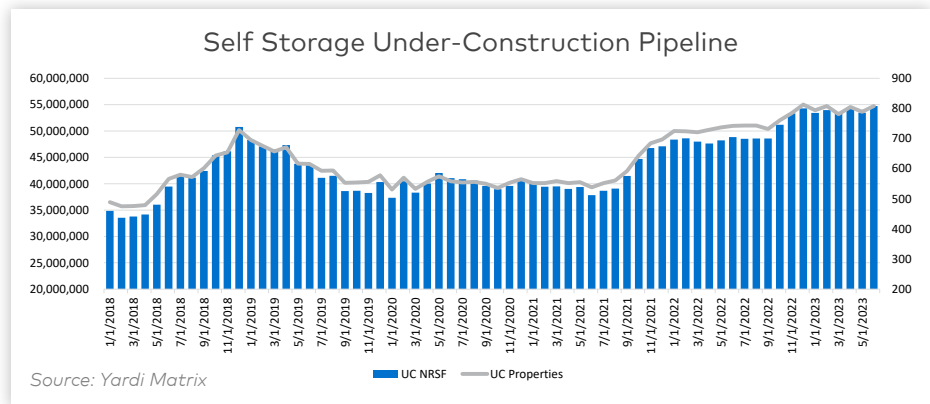
Year	3Q 2023	2Q 2023	% Change
2023	52,941,931	52,542,291	0.8%
2024	47,501,432	45,518,142	4.4%
2025	42,244,569	42,592,314	-0.8%
2026	42,560,242	42,504,749	0.1%
2027	45,097,775	45,031,748	0.1%
2028	47,808,049	47,088,167	1.5%

Source: Yardi Matrix

## Near-Term Forecast: 2023 and 2024

The Q3 forecast update is relatively unchanged for 2023 and has been increased by 4.4% for 2024.

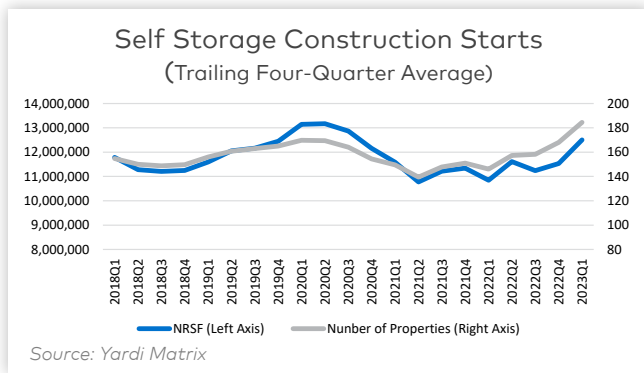
The self storage under-construction pipeline has remained relatively stable throughout 2023. At second quarter's end, the under-construction pipeline stood at 54.8 million rentable square feet, a modest 2.8% increase over the level recorded in March. Since November 2022, the pipeline has averaged 53.8 MM RSF. Elevated construction completion times have most likely been driving part of the increase in the under-construction pipeline since September 2021.



The 4.4% increase in 2024 forecast completions was largely driven by an increase in Q1 2023 self storage construction starts. Since Q1 2021, the trailing four-quarter average for construction starts has roughly stayed in

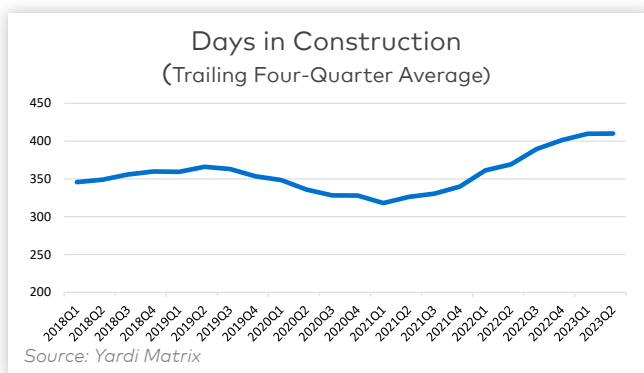
a range between 11.0 and 12.0 MM RSF. Currently, Yardi Matrix has identified 13.1 MM RSF in construction starts for Q1 2023, well above the pace of recent years.

Our longer-range forecast anticipates tightening credit conditions will depress new-construction activity in the latter half of 2023. How new construction starts evolve in the remainder of 2023 is something our entire research team is closely monitoring.



Days in construction remains elevated, but moderated in Q2 2023. As noted above, elevated completion times are most likely driving the post-pandemic expansion in the under-construction pipeline.

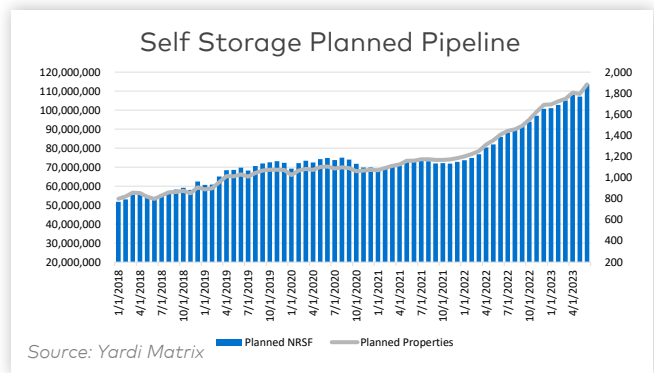
Yardi Matrix has currently identified 87 self storage properties completed in Q2 2023. On average, these properties spent 386 days in construction. Q1 completions currently total 113 properties and average 420 days in construction. The trailing four-quarter average currently stands at 410 days.



## Long-Term Forecast: 2025 to 2028

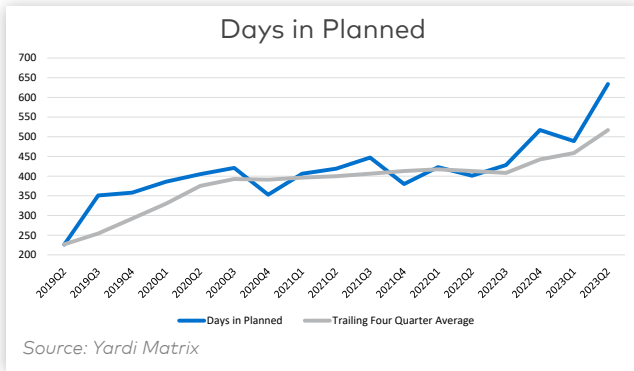
Compared to the Q2 2023 forecast update, the Q3 update is substantially unchanged for the years 2025 through 2028. We continue to anticipate that a recession in late 2023 or early 2024 will negatively affect new construction in the latter half of this year and in 2024. This reduces new-supply completions in 2025 and 2026 to approximately 42.5 MM RSF, with a modest rebound taking hold in the later years.

While the 2023 under-construction pipeline has been relatively stable, the planned pipeline has continued to expand. Currently, there are 113.8 MM RSF in the planned pipeline. This represents an 8.2% increase over quarter-ago levels and a 32.4% increase over year-ago levels.

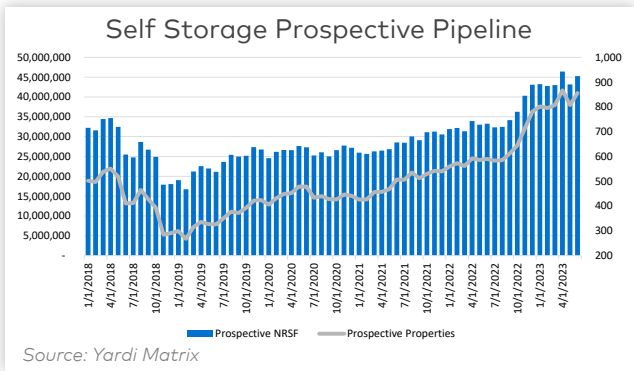


Days in planned increased significantly post pandemic and then plateaued at around 400 days through Q2 2022. The initial increase was likely due to supply constraints that slowed completions and delayed construction starts. However, days in planned has materially increased since Q4 2022. Current Yardi Matrix data identifies 73 properties starting construction in Q2 2023. These properties spent an average of 634 days in the planned phase.

Q2 2023 also marks the fourth consecutive quarter where days in planned for the quarter was above the trailing four-quarter average. Currently, the trailing average stands at 517 days. The surge in days in planned suggests developers are facing increasing headwinds in starting new projects.



Currently, there are 45.6 MM RSF in the prospective pipeline, a 5.25% increase over December 2022 levels and a 36.1% increase over year-ago levels. For 2023, the prospective pipeline has remained at a bumpy plateau after rising noticeably in late 2022. The elevated level of the prospective pipeline is another potential indication that deal sponsors are currently facing increasing difficulty in successfully progressing their projects through the development pipeline.



## Bottom Line

The self storage under-construction pipeline remained stable in the second quarter of 2023. However, construction starts in Q1 2023 were above the trailing four-quarter average. Therefore, the Q3 self storage supply forecast update is unchanged for 2023 and modestly increased in 2024.

Continued growth in the planned and prospective pipeline as well as continued growth in days in planned suggests developers are facing increasing headwinds in progressing their projects to the under-construction phase.

Our baseline forecast continues to assume a mild downturn in the national economy will materially depress construction starts in the second half of 2023 through 2024. This will depress new-supply deliveries in 2025 and 2026, with a rebound taking hold in 2027 and 2028.

Yardi Matrix is extremely focused on accurately maintaining our development pipeline data and identifying any changes in self storage development activity.

—Ben Bruckner, Senior Research Analyst

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