

Q1 2024

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Self Storage Supply Forecast Notes

The Q1 2024 self storage supply forecast update has increased forecast deliveries for 2024 and 2025. For the later years, the forecast has been reduced.

Self Storage New Supply Forecast Q1 2024 vs. Q4 2023

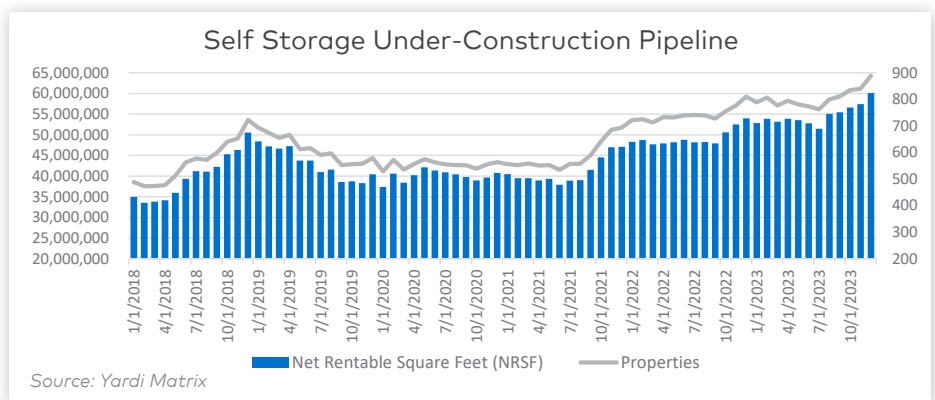
Year	1Q 2024	4Q 2023	% Chg
2024	54,446,576	49,086,197	10.9%
2025	47,882,121	42,567,776	12.5%
2026	38,285,190	42,549,724	-10.0%
2027	38,077,732	45,113,225	-15.6%
2028	29,137,216	47,519,712	-38.7%
2029	29,250,793	n/a	n/a

Source: Yardi Matrix

Near-Term Forecast: 2024 and 2025

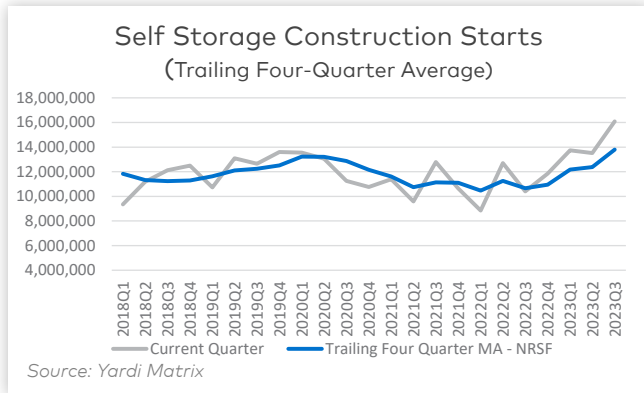
Both construction starts and the under-construction pipeline increased to close out 2023. As a result, the near-term forecast has been increased by 10.9% and 12.5% for 2024 and 2025, respectively.

For markets opened on or before 2020, there are currently 60.1 million net rentable square feet under construction. This represents an 8.3% increase quarter-over-quarter and an 11.3% increase year-over-year. Self storage construction completion times appear to be moderating. The year-end growth in the under-construction pipeline was primarily driven by increased new development.

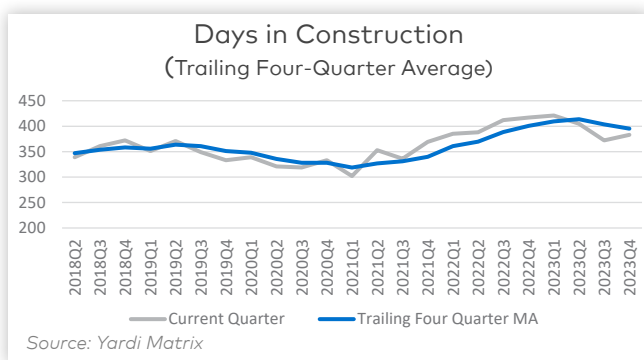


Source: Yardi Matrix

For 2021 and 2022, construction starts averaged a little more than 11.0 million NRSF per quarter. In Q1 and Q2, starts increased to more than 13.5 million NRSF, and for Q3 2023, 16.1 million NRSF have been identified by Yardi Matrix. The expansion in the under-construction pipeline was most likely driven by an increase in construction starts in the second half of 2023.



Days in construction continues to moderate, albeit at levels well above long-term averages. To date, our database has identified 124 properties completed in Q4 2023, on average in 383 days. This is slightly above Q3 2023's 372 average days in construction, but still below the trailing four-quarter average of 395 days.



Long-Term Forecast: 2026–2029

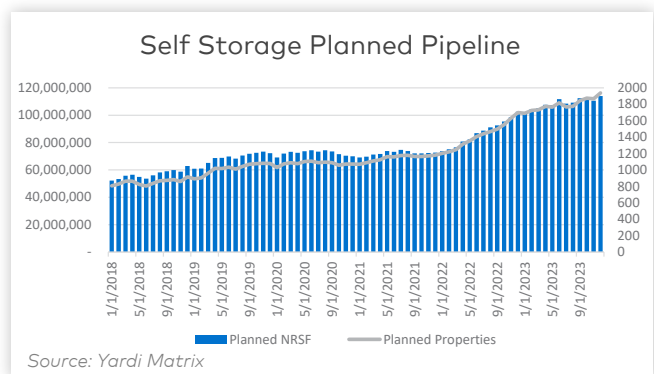
Compared to the previous quarter, the Q1 2024 update has reduced forecast completions for the years 2026 through 2029. In general, we are now

forecasting new-supply growth to be around 2.0% of stock for 2026 and 2027 and 1.5% of stock for 2028 and 2029. For 2028, this results in a 38.7% reduction in new supply compared to the previous quarter's forecast.

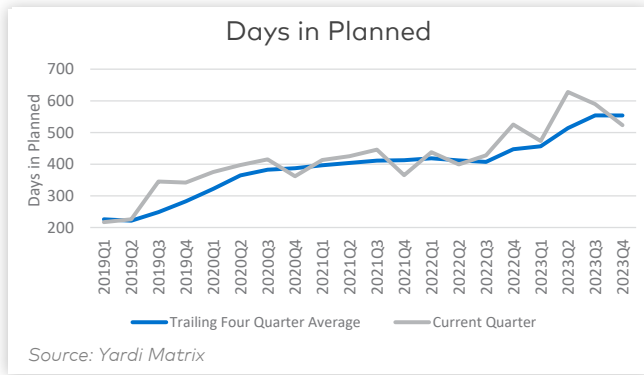
Self storage has matured into an institutional-quality asset in the 15 years since the 2008 financial crisis. Increasing levels of self-storage utilization drove NOI growth, which in turn attracted investment interest and new development. At a national level, self storage new supply has exceeded 2.5% of stock annually since 2015. Our previous forecasts had therefore modeled long-term new-supply growth at approximately 2.5% of stock.

We remain optimistic about self storage's long-term prospects, but no longer feel this level of long-term growth is appropriate. In the second half of 2023, the number of abandoned and deferred projects in our database noticeably increased, while growth in both the planned and prospective pipelines stalled. The year-over-year change in street rates was negative in 2023. As a result, completions for the later years of our forecast have been reduced to around 38.0 million NRSF in 2026 and 2027, and further reduced to around 29.0 million NRSF in 2028 and 2029.

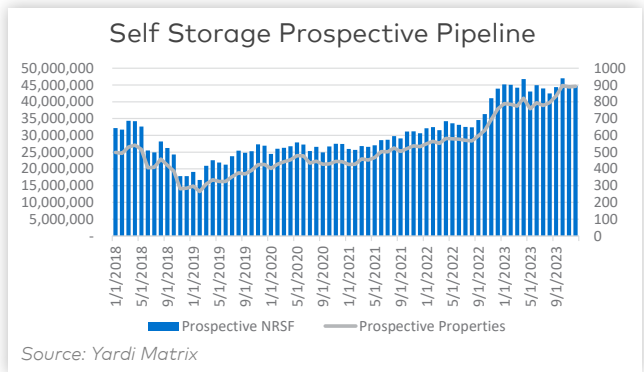
After a slight decline in Q3 2023, the planned pipeline expanded by 1.43% in Q4 2023 to 114.0 million NRSF. This represents a 2.08% increase over Q2 levels and an 11.22% year-over-year increase.



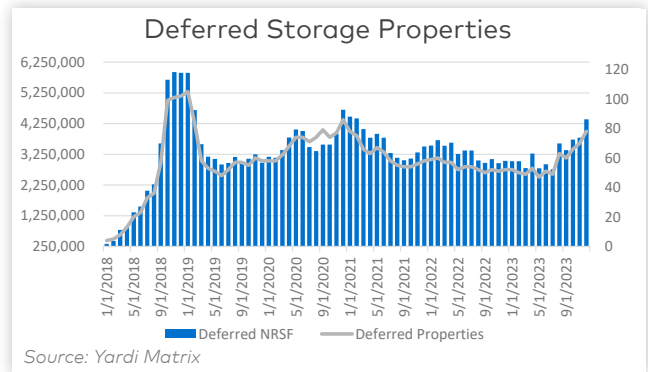
Days in planned remains elevated but has fallen off the high point achieved in mid-2023. Days in planned increased from 399 in Q2 2022 to 628 in Q2 2023. However, days in planned has decreased in the past two quarters, ending at 523 days in Q4 2023, below the trailing four-quarter average of 553 days.



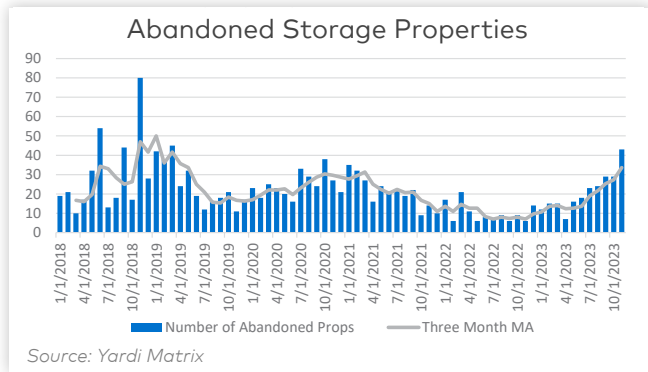
After increasing noticeably in late 2022, the prospective pipeline has been flat for most of 2023. Currently, there are 44.8 million NRSF in the prospective pipeline, a 1.00% increase quarter-over-quarter and a 2.06% increase year-over-year.



Since mid-year 2023, the number of properties with a deferred status has increased substantially. Currently, 78 properties totaling 4.39 million NRSF are categorized as deferred, a 29.6% increase quarter-over-quarter and a 44.5% increase year-over-year.



The number of abandoned storage properties increased throughout 2023. On average, eight properties per month entered abandoned status during the latter half of 2022; in November 2023, 44 properties entered abandoned status. For full-year 2023, 245 properties have been categorized as abandoned, a 104.2% increase over the level recorded in 2022.



Bottom Line

New self-storage construction activity surprised to the upside at the end of 2023. Despite expectations for a slowdown, both construction starts and the under-construction pipeline expanded. Our near-term supply forecast was therefore increased for both 2024 and 2025 compared to last quarter's update.

For the longer term, the Yardi Matrix self storage supply forecast has been materially decreased.

Negative street-rate rental growth and tight financial conditions combined with a sharp increase in the number of abandoned and deferred projects and flat planned and prospective pipelines suggests development enthusiasm for self storage properties has noticeably declined.

As a result, our expectation for long-term new-supply growth to stabilize at around 2.5% of stock has been materially decreased to roughly 2.0% of stock

for 2025 and 2026, and further reduced to 1.5% of stock for 2028 and 2029.

As always, 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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