

## Q2 2024

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# Self Storage Supply Forecast Notes

Changes in Yardi Matrix self storage development pipeline data in Q1 2024 were consistent with previous forecast expectations. The Q2 2024 forecast update is therefore relatively unchanged compared to the Q1 2024 update.

### Self Storage New Supply Forecast Q2 2024 vs. Q1 2024

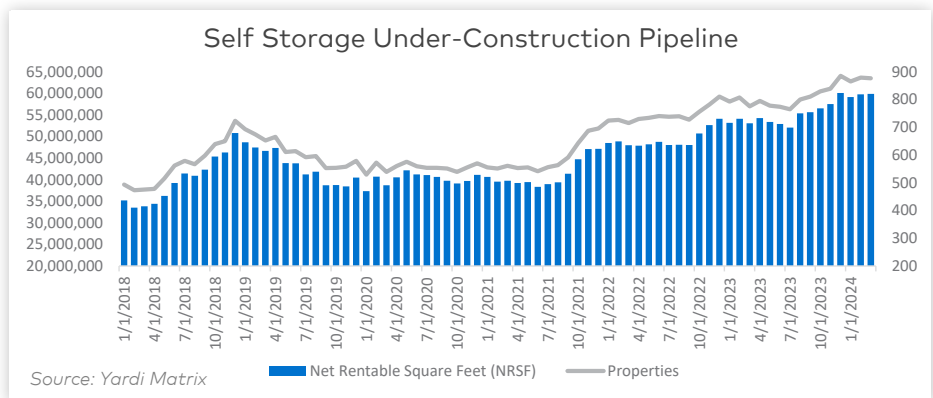
Year	2Q 2024	1Q 2024	% Chg
2024	54,384,259	54,446,576	-0.1%
2025	47,569,866	47,882,121	-0.7%
2026	38,014,092	38,285,190	-0.7%
2027	38,034,043	38,077,732	-0.1%
2028	29,147,798	29,137,216	0.0%
2029	29,160,978	29,250,793	-0.3%

Source: Yardi Matrix

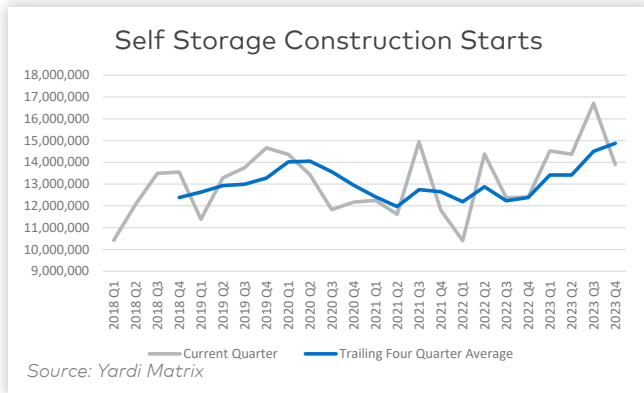
### Near-Term Forecast: 2024 and 2025

The forecast for 2024 and 2025 is substantially unchanged. Despite a decline in construction starts to close out 2023, the under-construction pipeline was essentially flat in Q1 2024. Elevated completion times are most likely driving the current plateau.

For markets tracked by Yardi Matrix on or before 2020, there are currently 59.6 million net rentable square feet under construction. This represents a 0.3% decline quarter-over-quarter and a 12.8% increase year-over-year.



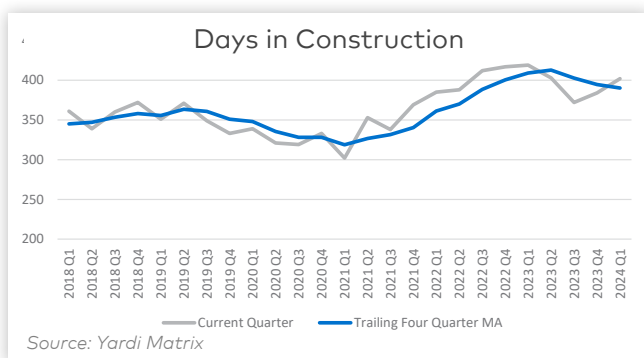
For the first three quarters of 2023, construction starts were above 2022 levels, topping out at 16.7 million NRSF in Q3 2023. Construction starts declined to 13.9 million NRSF in Q4 2024. This is the first sizeable quarter-over-quarter decrease in new-construction starts since Q3 2022.



Yardi Matrix pipeline data is also showing a decline in the average number of properties moving from planned to under construction per month. Pre-pandemic, roughly 4.5% of planned pipeline properties moved to under construction per month. In Q1 2024, the average cycling level stood at 2.3%.

		Average Monthly Cycling Percent						
Planned	Under Construction	2019	2020	2021	2022	2023	2024 Q1	
			4.1%	4.5%	4.5%	3.5%	3.2%	2.3%

After declining in the second half of 2023, days in construction increased slightly in Q1 2024. Currently, Matrix has identified 110 self storage completions in Q1 2024. These properties on average spent 402 days (1.1 years) in construction. This is slightly above the trailing four-quarter average of 390 days.



Elevated construction completion times have contributed to the increase in the under-construction pipeline. In 2019 and 2020, approximately 10.0% of under-construction properties were completed per month. For Q1 2024, the average stood at 6.1%.

		Average Monthly Cycling Percent						
Under Construction	Completed	2019	2020	2021	2022	2023	2024 Q1	
			10.1%	10.0%	8.5%	6.7%	7.9%	6.1%

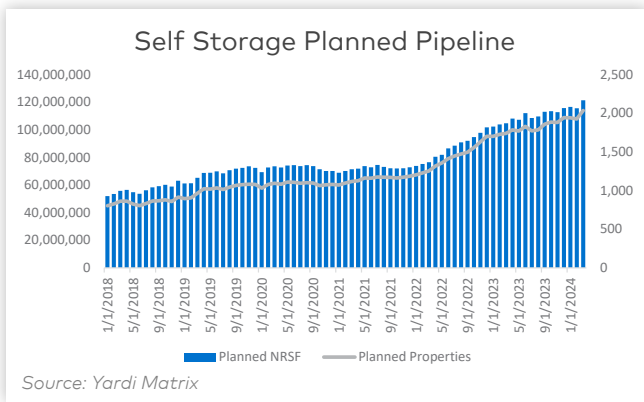
### Long-Term Forecast: 2026 Through 2029

Compared to the previous quarter, the Q2 2024 update is relatively unchanged for the years 2026 through 2029. Yardi Matrix continues to forecast new supply will decline to around 2.0% of inventory for 2026 and 2027, and further decline to 1.5% of inventory for 2028 and 2029.

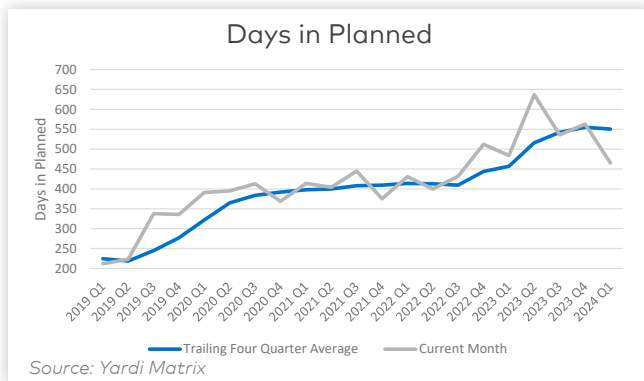
Several trends emerged in the second half of 2023 that suggested overall self storage development enthusiasm was declining and a reduction in the long-term forecast was appropriate. These trends continued into Q1 2024:

- The number of deferred and abandoned self storage projects continues to increase.
- Growth in the planned pipeline has moderated.
- The prospective pipeline has contracted.
- Street rates continue to decline.
- Project sponsors are still reporting a difficult financing environment.

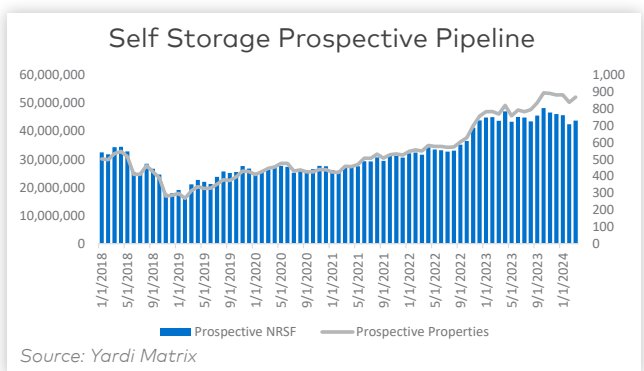
The planned pipeline currently contains 121.3 million NRSF. This represents an increase of 4.9% quarter-over-quarter and 16.0% year-over-year. The slowing rate at which planned projects move to under construction discussed previously is likely a driver in the recent planned pipeline expansion.



The number of days projects stayed in planning fell in Q1 2024, with Matrix recording 86 properties changing status from planned to under-construction. On average, these properties spent 465 days (1.3 years) in planned, below the trailing four-quarter average of 550 days.



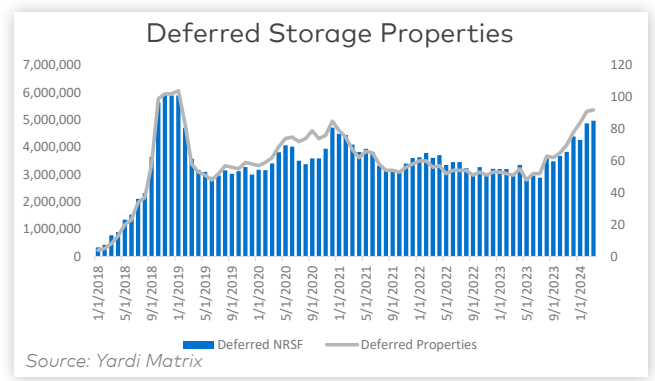
After noticeably increasing in late 2022, the self storage prospective pipeline has been on a bumpy plateau. Currently, the prospective pipeline contains 43.8 million NRSF, a 5.1% decrease quarter-over-quarter and a mere 0.1% increase year-over-year.



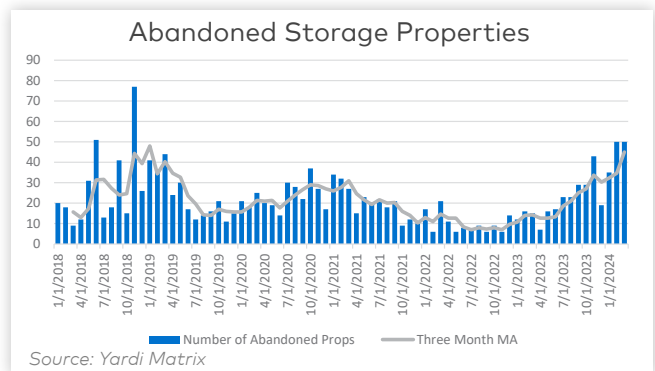
The rate at which prospective properties convert to planned has been declining since 2021. This suggests that the recent contraction in the prospective pipeline is driven by fewer projects starting the development process rather than prospective projects moving forward to a planned status.

		2019	2020	2021	2022	2023	2024 Q1
Prospective	Planned	6.2%	7.0%	7.5%	6.5%	5.2%	4.4%

The number of properties with a deferred status continues to increase. The data series bottomed at mid-year 2023, but has since shown consistent month-over-month growth. Currently, 92 properties totaling 5.0 million NRSF are categorized as deferred, a 13.1% increase quarter-over-quarter and a 67% increase year-over-year.



Similar to deferred properties, the number of abandoned self storage projects identified by Yardi Matrix continues to increase. On average, eight properties per month entered abandoned status in mid to late 2022. In March 2024, 50 properties were categorized as abandoned.



## Bottom Line

Self storage development activity in Q1 2024 was consistent with previous forecast expectations for a deceleration in new self storage supply. As a result, the Q2 2024 forecast update is relatively unchanged compared to the previous quarter.

Growth in the under-construction pipeline was flat quarter-over-quarter, construction starts declined in Q4 2023, and the rate at which planned projects converted to under construction has decreased. The forecast continues to expect approximately 54.5 million NRSF will be delivered in 2024, while 47.6 million NRSF will be delivered in 2025.

The supply forecast is also unchanged for the longer term. Negative street-rate rental growth and

tight financial conditions have combined with a sharp increase in the number of abandoned and deferred projects, and flat planned and prospective pipelines suggest development enthusiasm for self storage properties continues to decline.

Our expectation for longer-term new-supply growth continues to be a decrease to 2.0% of stock in 2025 and 2026, and a further decrease 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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