

Q4 2024

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Self Storage Supply Forecast Notes

For the Q4 2024 update, the Yardi Matrix Self Storage Supply Forecast has increased in the near term, while it remains relatively unchanged over the longer term.

Self Storage New Supply Forecast Q4 2024 vs. Q3 2024

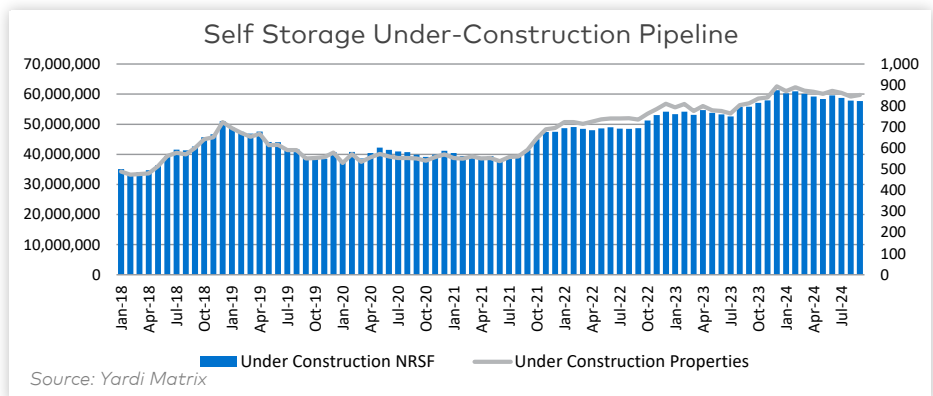
Year	4Q 2024	3Q 2024	% Chg
2024	61,082,687	59,551,745	2.6%
2025	54,025,574	50,130,807	7.8%
2026	42,864,664	40,448,201	6.0%
2027	40,156,812	39,646,105	1.3%
2028	31,452,515	30,957,150	1.6%
2029	31,743,905	30,846,354	2.9%

Source: Yardi Matrix

Near-Term Forecast: 2024 Through 2026

Construction starts have modestly retreated from levels recorded in 2023. However, construction completion times remain elevated, resulting in an under-construction pipeline that has not significantly contracted. The forecast for 2025 has therefore been increased by 7.8% and the forecast for 2026 has been increased by 6.0%.

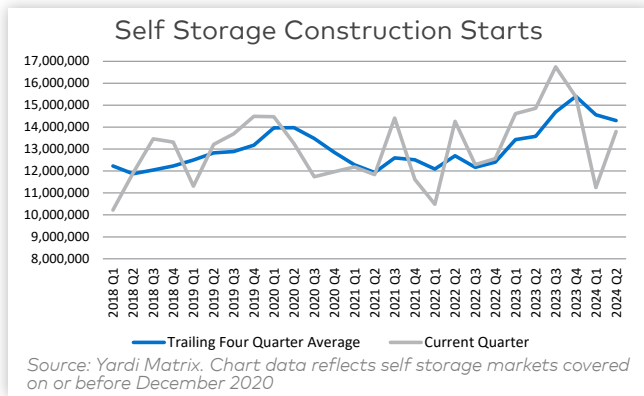
For markets that have been covered for at least 24 months by Yardi Matrix, there were 57.66 million net rentable square feet (NRSF) under construction at the end of Q3. This is 94.1% of the total under-construction pipeline of 61.30 million NRSF. Quarter over quarter, the under-construction pipeline contracted 3.2%, and on a year-over-year basis it expanded 3.4%. The under-construction pipeline peaked in December 2023.



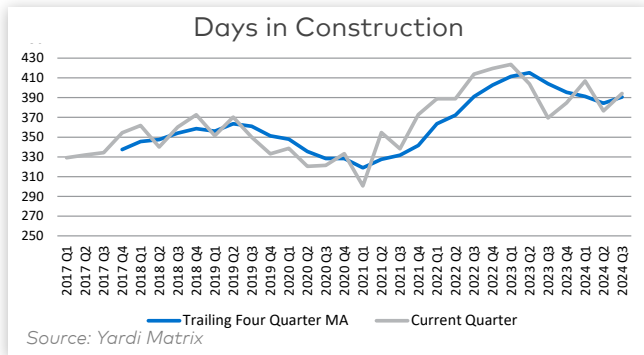
Source: Yardi Matrix

For markets covered for at least 24 months, construction starts increased to 13.80 million NRSF in Q2 2024. For all markets, 14.87 million NRSF started construction. Self storage construction starts peaked in Q3 2023 and declined during the next two consecutive quarters before rebounding in Q2.

Compared to multifamily, self storage construction starts have only declined modestly. Through mid-year 2024, 25.05 million NRSF have started construction, a 15.0% decrease over the levels recorded for the same period in 2023. Multifamily construction starts through mid-year have declined over 50% from the peak levels achieved in 2022 and 2023. Elevated completion times and a still-robust level of new development activity have conspired to keep the self storage under-construction pipeline relatively full.



Completion times peaked in mid-2023 and have since gradually trended down. Projects completing in Q3 spent on average 394 days (13.1 months) in construction, slightly above the trailing four-quarter average of 390 days (13.0 months). Despite the moderation since mid-2023, days in construction is still 16.4% above pre-pandemic levels.



The average monthly cycling percent calculates the average number of projects per month that graduate from one development pipeline phase to another. In Q3, the under-construction to completed cycling percent declined to 7.3%. Like days in construction, current cycling percents suggest self-storage construction projects are taking longer to complete compared to pre-pandemic levels.

		Average Monthly Cycling Percent							
		2019	2020	2021	2022	2023	2024 Q1	2024 Q2	2024 Q3
Under Construction	Completed	10.2%	10.2%	8.6%	6.6%	7.7%	7.6%	8.1%	7.3%

Long-Term Forecast: 2026 Through 2029

Yardi Matrix's Q3 development pipeline data evolved in a manner consistent with previous forecasts. As such, the Q4 2024 update for the later years is relatively unchanged compared to the previous quarter. The forecast continues to anticipate new supply will decline to around 2.0% of inventory in 2027 and decline further to 1.5% of inventory for 2028 and 2029.

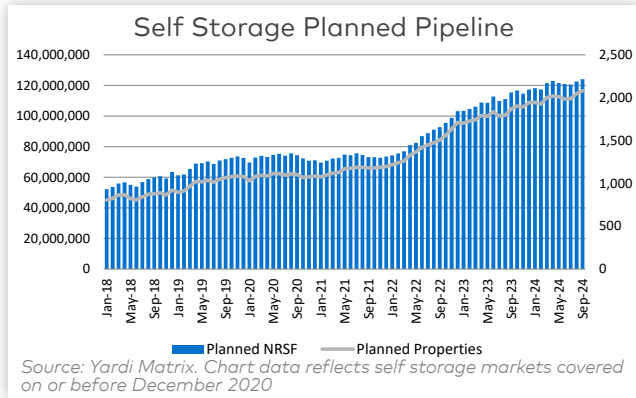
Over the past quarter:

- The planned pipeline grew marginally.
- The prospective pipeline continued to contract.
- The number of monthly abandoned projects moderated but is still sizable.
- The deferred pipeline remains elevated.

For markets covered for at least 24 months by Yardi Matrix, the planned pipeline contained 124.1 million NRSF. This is 94.6% of the overall planned pipeline's 130.8 million NRSF. For Q3, the planned pipeline expanded a marginal 2.6%, with year-over-year expansion at 7.5%.

Growth in the planned pipeline has slowed in 2024. Year-to-date, the planned pipeline has expanded

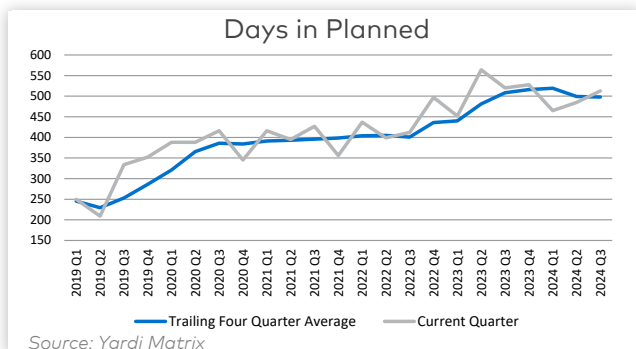
by 5.0%. In the first three quarters of 2023, growth checked in at 11.5%, while in 2022, the planned pipeline expanded by 25.0% over the year's first three quarters.



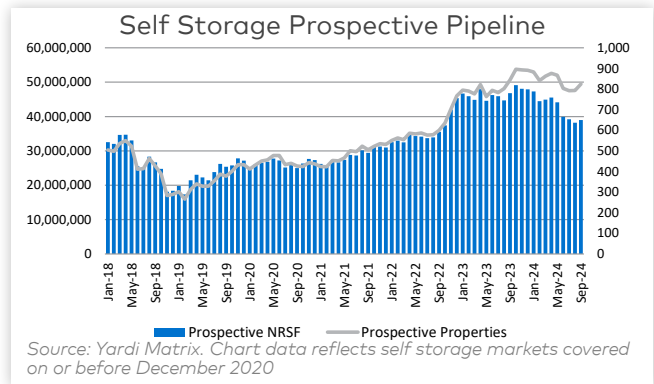
Planned to under construction cycling percents continue to decline, averaging 2.5% in Q3. Declining cycling percents are driven by a combination of the sizeable growth in the planned pipeline since 2022 and increased days in planned.

		Average Monthly Cycling Percent							
		2019	2020	2021	2022	2023	2024 Q1	2024 Q2	2024 Q3
Planned	Under Construction	4.0%	4.5%	4.5%	3.5%	3.2%	2.9%	2.8%	2.5%
	Abandoned	1.2%	1.4%	1.2%	0.7%	0.7%	1.3%	1.9%	1.4%

As noted above, days in planned remains elevated. After peaking in Q2 2023 at 564 days (18.8 months), days in planned has declined modestly. Projects starting construction in Q3 2024 on average spent 513 days (17.1 months) in planned. This is an increase over the levels recorded in the first half of 2024 and slightly above the trailing four-quarter average of 498 days (16.6 months).



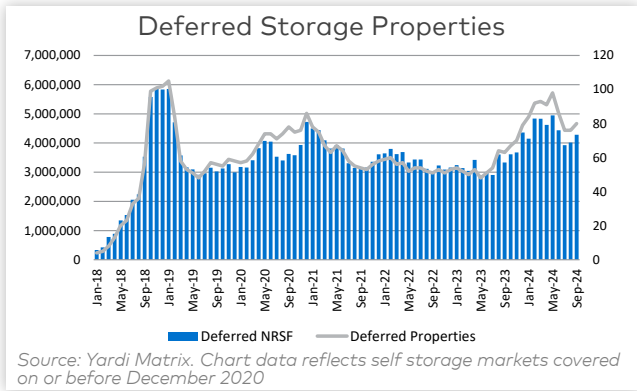
The self storage prospective pipeline continues to contract from 2023's plateau. For markets covered by Yardi Matrix for at least 24 months, the prospective pipeline contained 39.00 million NRSF at the end of Q3, or 94.9% of the total prospective pipeline of 41.11 million NRSF. Quarter over quarter, the pipeline decreased 2.2%, while year over year it decreased 16.7%.



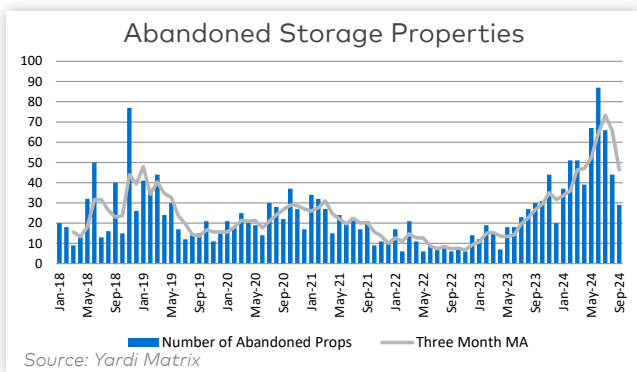
Prospective to planned cycling percents also decreased in Q3. After increasing in 2023 and the first half of 2024, the prospective to abandoned cycling percent declined materially in Q3. Developer sentiment improved when the Federal Reserve signaled monetary easing in August and followed up with a 50-basis-point rate cut in September.

		Average Monthly Cycling Percent							
		2019	2020	2021	2022	2023	2024 Q1	2024 Q2	2024 Q3
Prospective	Planned	6.3%	6.7%	7.5%	6.4%	5.2%	5.6%	4.7%	4.2%
	Abandoned	3.3%	2.5%	1.9%	1.1%	1.4%	2.3%	2.9%	1.7%

For markets covered for at least 24 months, the number of projects with a deferred status contracted in Q2 2024 and decreased a further 3.6% to 4.28 million NRSF in Q3, 95.4% of the total deferred NRSF. Year over year, the deferred pipeline increased 28.5%.



Q3 2024 saw a notable decrease in the monthly number of projects entering abandoned status. For all markets, 29 projects entered abandoned status in September. This is well below the 87 projects recorded in June, but still well above the levels recorded in 2022. As noted earlier, the Federal Reserve's softening policy stance has improved builder sentiment and likely helped drive Q3's decline in the number of abandoned projects.



Bottom Line

Construction starts have slowed down, but not dramatically. Stronger-than-expected construction starts combined with elevated completion times resulted in an under-construction pipeline that only contracted by 3.2% quarter over quarter. As a result, the Q4 2024 Yardi Matrix self storage supply forecast has been increased by 7.8% for 2025 and 6.0% for 2026. The remaining years have been increased marginally to account for the continued expansion in our market coverage.

A softening Federal Reserve policy stance has resulted in improved builder confidence. However, our development pipeline and advertised rental rate data continue to indicate an overall deceleration in long-term new-development interest: 1) Current-year growth in the planned development pipeline is well below 2022 and 2023 levels. 2) The prospective pipeline continues to contract. 3) Despite a Q3 moderation, both the deferred pipeline and the level of monthly abandoned projects are well above levels seen in 2022. 4) On a monthly basis, advertised rental rates have trended down year over year for 25 straight months.

The forecast therefore continues to model a contraction in new supply to 2.0% of existing stock for 2026 and 2027 and 1.5% of existing 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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