

The Storage Investment REVIEW

BY GRANDSTONE INVESTMENT SALES

JULY 2024

Seasonal Storage Demand Returns

Rental rates and occupancy are gradually trending upward, consistent to their typical seasonal patterns. Several top urban areas are showing strong growth in advertised rents across both their storage and multifamily sectors. Top metros like Boston, New York, Washington, D.C., Chicago, and San Jose recorded significant month-over-month increases in advertised rates for primary unit types and sizes in June. These markets also exhibited notable year-over-year growth in multifamily advertised asking rents. Despite these sequential increases aligning with typical seasonal patterns observed over the past few months, the growth remains modest and below levels seen in previous years.

From May to June, national advertised street rates per square foot increased by 0.2%, reaching \$16.45 for the combined mix of unit types and sizes. Among operators, REITs marginally outpaced their non-REIT competitors with a 0.4% increase in advertised rates month-over-month.

Persistently high interest rates are suppressing transaction volumes, maintaining cap rates in the 5.5% to 7%+ range and discouraging potential sellers. The strongest performers remain urban centers like New York, Chicago, and Washington, D.C., as well as locales that have seen limited recent supply increases, such as Denver and Nashville. Nevertheless, all markets are experiencing year-over-year declines in advertised rates.

Annual Rate Performance Remains Down Nationwide

Despite these sequential increases aligning with typical seasonal patterns observed over the past few months, the growth remains modest and below levels seen in previous years. The 0.2% uptick in advertised rates compares unfavorably to the 0.4% increase recorded in June last year and the average 0.8% rise observed in the pre-pandemic years from 2017 to 2019. Consequently, year-to-date advertised rates for primary

unit types have only risen by 0.3% from December to June, a notable slowdown from the 1.9% increase seen during the same period last year.

Nationally, year-over-year growth in advertised rates decelerated in June. The average annualized rate per square foot across all unit sizes and types was \$16.45, marking a 4.9% decrease compared to the \$17.41 recorded in June 2023 and showing a decline from the preceding six months. Negative year-over-year growth in advertised rates persisted for both non-climate-controlled and climate-controlled units, showing a combined decrease from March of the previous year ranging from -1.5% in New York to -10.5% in Atlanta. Compared to non-climate-controlled units, climate-controlled units faced even greater pressure, with same-store rates declining by 5.5% in June compared to the previous year, slightly lower than the average decline of 4.7% seen in 2024 so far. Developers have favored building both smaller and climate-controlled units, over-saturating the market and pushing down advertised rates for these unit types.

Construction Remains Robust, Despite Abandoned Projects

Across the country, there are currently over 76.8 million net rentable square feet under construction, representing 3.6% of existing inventory as of the end of June. Despite 88 storage projects being abandoned, the overall supply under construction has remained stable. Most abandonments occurred in the early planning and prospective phases rather than during active construction.

Nationally, new supply delivered in the past three years totals 8.5% of initial inventory, with the latest 12-month deliveries accounting for 2.8% of June 2023 inventory. The three-year supply, indicating inventory in lease-up, has gradually decreased from 9.3% in June 2023 and 12.1% in June 2021, indicating a slowdown in construction.

SOURCE: YARDI MATRIX

recently closed

WALTON WAY SELF STORAGE

3637 WALTON WAY EXT, AUGUSTA, GA 30909

 497 UNITS

 55,896 NRSF



recently closed

TELEGRAPH BUDGET STORAGE

21516 TELEGRAPH RD, BROWNSTOWN CHARTER TWP, MI

 541 UNITS

 56,109 NRSF



NEW LISTING



LIFE STORAGE

 Middleburg, FL  \$15,150,000

 627 Units  69,650 NRSF

NEW LISTING



CUBESMART SELF STORAGE

 Plainview, NY  UNPRICED

 945 Units  94,743 NRSF

NEW LISTING



COCOA, FL 2 PROPERTY PORTFOLIO

 Cocoa, FL  \$23,525,000

 1,177 Units  133,665 NRSF

VIEW ALL LISTINGS

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