The Storage Investment *REVIEW*

BY GRANDSTONE INVESTMENT SALES

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Optimism Grows at 2024 SSA Fall Conference

Meir Perlmuter and Moshe Tabbouche attended the 2024 SSA Fall Conference on behalf of Grandstone Investment Sales. Despite operators expressing disappointment with falling rates, the general sentiment was optimism for the future. Despite strong interest in the sector, the high cost of capital over the past year has continuously widened bid-ask spreads, making deals very challenging. However, with the recent 50 basis point rate cut, many are optimistic transaction volume will finally increase. Investor interest in the self-storage space remains very high, and as cost of capital decreases, many anticipate various investors to come off the sidelines. Multiple groups told the Grandstone Team that they have been raising new funds to deploy in the self-storage sector due to its strong performance.

A major talking point was dynamic pricing among REIT operators. As occupancy has declined, REITs have led the way in aggressively lowering their rates. To boost occupancy, REITs have been relying on this strategy, followed by Existing Customer Rental Increases (ECRI's) to recapture potential income lost by cutting rates. As one investor told Tabbouche,"you can't raise rent on an empty unit."

Streets Rates Continue 2 Year Decline

Nationwide, street rates are down 4.3% year-over-year. This reflects the 23rd consecutive month of year-over-year declines. On a month-to-month level, rates fell 0.5% on a national level from July to August, marking two consecutive months of a decline. The anticipated summer bump left operators underwhelmed with the results of this summer season. At the turn of the month, 24 out of the top 30 metros showed a decline in same store street rates, while same store rates declined in all 30 top metros year-over-year.

REITs continue to lead the way in rate declines. Among stabilized properties, REITs showed an annual decline to their street rates of 5.4% versus 4.0% for non-REIT competitors observed in the same market. This margin has narrowed compared to August 2023, when REITs displayed an annual decline of 7.4%, then nearly 4% higher than their non-REIT competitors.

Non-climate-controlled units (NCC) continue to perform better in comparison to climate-controlled (CC) units. NCC units showed a year-over-year decline of 3.8% as of August, compared to a 5.1% decline among CC units. While some of this can be attributed to the softened demand for CC units during the warmer months of the year, CC units still performed worse from January-July. Though the spread isn't quite as large as seen in August, from January to July CC units declined an average of 4.7%, compared to a 3.9% average decrease among NCC units.

Construction Remains Robust, Shows Signs Of Slowdown

Inventory in lease-up, or three-year supply, has declined from 10.2% in August 2022 and 9.2% in August 2023 to 8.7% currently. Despite the whopping 63.3 million net rentable square feet currently under construction- representing 3.4% of all supply nationwide- this reflects a 0.1% decrease month-over-month. While the supply pipeline remains robust, carrying over from a recent peak in the summer of 2023, a recent Yardi Matrix forecast predicts deliveries declining 9.4% in 2024 from the previous year.

SOURCE: YARDI MATRIX

recently closed

STORE & GO SELF STORAGE

240 SC-128, BEAUFORT, SC 29906

542 UNITS | 60,670 NRSF

recently closed

POSH STORAGE SOLUTIONS

4344 CHARCOAL DR . ALLENTOWN, PA 18103

840 UNITS | 80,716 NRSF

NEW LISTING

STOR-N-LOCK SELF STORAGE

Westland, MI | $8,200,000

401 Units | 58,078 NRSF

NEW LISTING

ON SOLID GROUND RV & BOAT STOREAGE

Coleman, FL | $8,250,000

405 Units | 77,400 NRSF

NEW LISTING

FORT KNOX SELF STORAGE

NY, NJ & PA | $11,700,000

622 Units | 62,837 NRSF

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