Self-Storage

A Sector Built for Transition

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Introduction

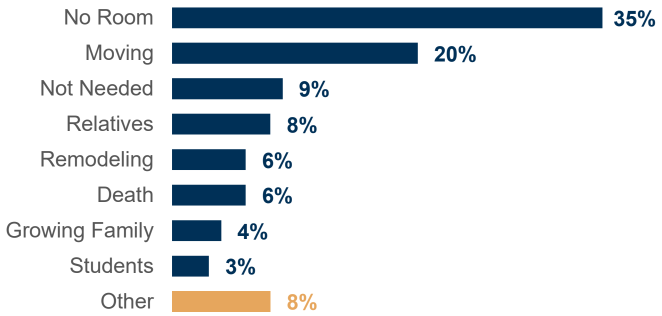
The U.S. self-storage sector is navigating a period of cyclical dislocation, influenced by structural constraints in the housing market. While demand for storage space remains fundamentally tied to life events such as relocation, downsizing, and household formation, the realization of these events has, in many cases, been delayed by elevated mortgage rates, high home prices, and limited housing supply. This has suppressed residential mobility and, in turn, reduced near-term storage demand, contributing to recent softness in sector fundamentals. While additional demand drivers support longer-term tenancy, transitional life events continue to be the primary source of self-storage demand.

Current housing market dynamics have not eliminated the need for self-storage but rather deferred it, creating a backlog of demand that is likely to emerge as housing market conditions normalize. Demographic trends, particularly an aging population and increased retiree mobility, also have potential to create incremental demand in both origin and destination areas. At the same time, supply growth has been constrained by higher construction costs, tighter lending standards, and local opposition to new development, positioning the sector favorably for recovery as housing market conditions improve.

Demand Drivers and Recent Sector Dynamics

The U.S. self-storage sector is fundamentally built around periods of transition. Demand is driven by life events characterized by the “four D’s”: dislocation, downsizing, death, and divorce.

Figure 1: Reasons Given for Storage Needs
(Excluding business usage)



Source: Green Street. As of 2026

These events are inherently transitory, with 76% of customers renting for two years or less and 51% for under one year, but they occur frequently enough across the population to support durable demand over time. Additional demand drivers include seasonal storage needs, student mobility, military-related transitions, and home renovations, each contributing to varying tenancy durations.

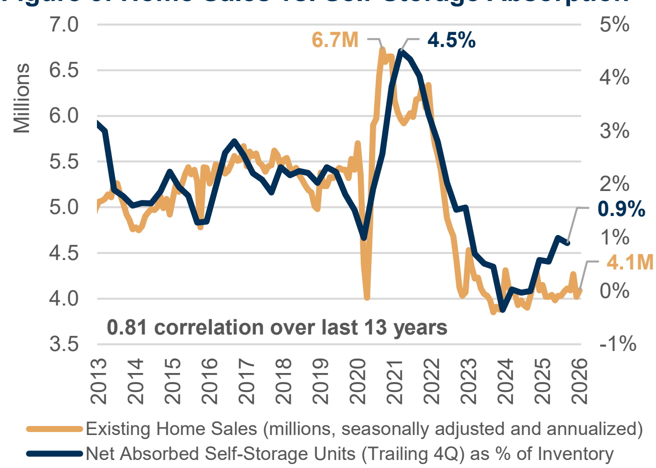
Figure 2: In-Place Customer Rental Duration

Source: Green Street. As of 2026

Since the pandemic, two additional themes have emerged. “Decluttering” has become more prevalent as households, spending more time at home and reconfiguring living spaces for remote work, have sought to offload excess belongings. In addition, “distribution” has gained traction, with small businesses increasingly utilizing storage facilities as a flexible, low-cost solution for storing inventory, records, and equipment rather than leasing more traditional commercial space.[1] While these use cases can extend tenant duration, the sector remains primarily driven by transition-oriented demand.

While events such as death, divorce, and job loss can force change for certain households regardless of broader conditions, the large-scale realization of more discretionary transitions, such as moving or downsizing, is closely tied to housing market activity. This relationship is reflected in the strong positive correlation between existing home sales and national self-storage absorption, which has been 0.81 over the past 13 years. As a result, self-storage operates as a downstream beneficiary of residential mobility, making the sector uniquely exposed to the current dislocation in the U.S. housing market.

Figure 3: Home Sales vs. Self-Storage Absorption

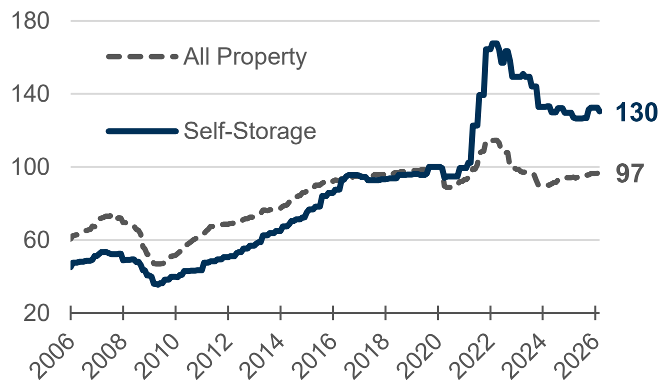


Source: National Association of Realtors, Moody's REIS.
Home sales as of February 2026, self-storage absorption as of Q4 2025

The pandemic period marked an extraordinary expansion in both housing activity and storage demand. Near-zero interest rates, elevated household savings, and millennial household formation drove a surge in home purchases, while remote and hybrid work enabled geographic mobility toward lower-cost Sun Belt markets as well as suburban and exurban areas of established gateway markets. These dynamics translated into strong storage absorption, outsized rent growth, and significant value appreciation between 2020 and 2022.

An additional demand factor is regional housing characteristics, particularly whether or not homes have basements. Markets with a lower share of homes with basements, many in the Sun Belt and West Coast regions, tend to exhibit a higher structural reliance on self-storage.[2] This is largely due to varying geographic and environmental constraints, such as high water tables, shallow frost lines, sandy soils, rugged terrain, and seismic activity. As migration shifted toward the Sun Belt during the pandemic, this dynamic amplified demand for extra space.[3] Additionally, markets with smaller average apartment sizes, such as New York, San Francisco, Los Angeles, and Seattle, tend to exhibit structural demand for self-storage.[4] This is particularly evident as these markets attract young professionals who often begin their careers in smaller living spaces, increasing the need for supplemental storage.

Figure 4: Green Street Commercial Property Price Index
(Indexed, Feb. 2020 = 100)



Source: Green Street. As of March 2026

However, the forces that fueled this expansion have been largely curtailed. Multi-decade high inflation and subsequent monetary tightening pushed mortgage rates sharply higher, while home prices remained elevated, materially reducing affordability and transaction volumes. Today, the housing market remains structurally constrained, characterized by high prices, elevated financing costs, and limited supply. The “lock-in effect” has further suppressed activity, as homeowners with low fixed-rate mortgages are disincentivized from selling. As a result, transaction volumes have remained near historically low levels.[5] This dynamic is particularly pronounced in California, where Proposition 13 has created an additional layer of friction. By keeping property taxes well below market levels for long-tenured homeowners, the policy further discourages sales and limits housing turnover within the state.[6]

[1] NSA Storage. (2025, June 20). *The Many Benefits of Self-Storage for Your Small Business*.

[2] Affleck, J. (2024, November 6). *Self-storage investing: Unpacking a sector on the move*. CBRE Investment Management.

[3] Ibid.

[4] McNair, K. (2023, March 18). *The top 3 U.S. cities where new rental apartments have gotten smaller—and NYC isn’t one of them. CNBC.*

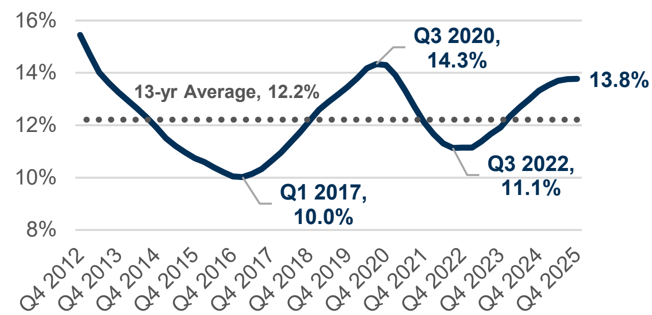
[5] Aladangady, Aditya, Jacob Krimmel, and Tess Scharlemann (2025). “Locked In: Mobility, Market Tightness, and House Prices,” Finance and Economics Discussion Series 2024-088r1. Washington: Board of Governors of the Federal Reserve System, https://doi.org/10.17016/FEDS.2024.088r1.

[6] Proposition 13 mandates a property tax rate of 1%, requires that properties be assessed at market value at the time of sale, and allows assessments to rise by no more than 2% per year until the next sale. Wasi, N., & White, M. J. (2005, February). *Property tax limitations and mobility: The lock-in effect of California’s Proposition 13*. National Bureau of Economic Research.

These housing market frictions have direct implications for self-storage demand. While the underlying need for storage remains intact, many life events that typically drive demand are being delayed rather than eliminated, due to affordability constraints and financing costs. In this environment, storage demand is effectively "pent-up," constrained by limited housing turnover rather than a lack of underlying need. This dynamic is reflected in broader housing indicators, including the rising median age of first-time homebuyers,[7] and helps explain recent softness in rents and occupancy.

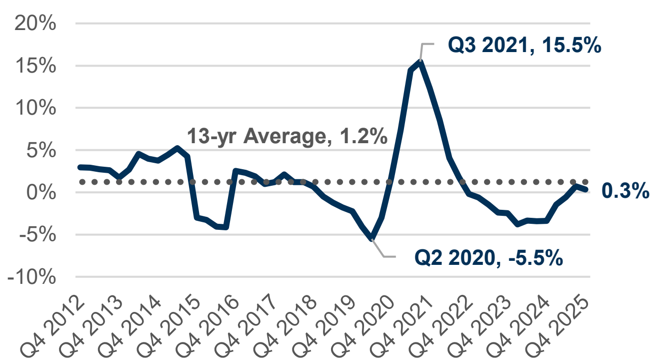
National self-storage vacancy, measured as a trailing four-quarter average to account for seasonality, currently stands at 13.8%, roughly in line with pre-pandemic levels after reaching a trough of 11.1% in Q3 2022. Year-over-year rent growth of 0.3%, while an improvement from recent negative readings, remains well below its peak of 15.5% in Q3 2021.

Figure 5: National Self-Storage Vacancy Rate
(Trailing 4Q average)



Source: Moody's REIS. As of Q4 2025

Figure 6: National Self-Storage Rent Growth, 10x10 Unit
(Yr/yr rent growth of 10x10 non-climate-controlled units)



Source: Moody's REIS. As of Q4 2025

Demand, Supply, and Regional Trends

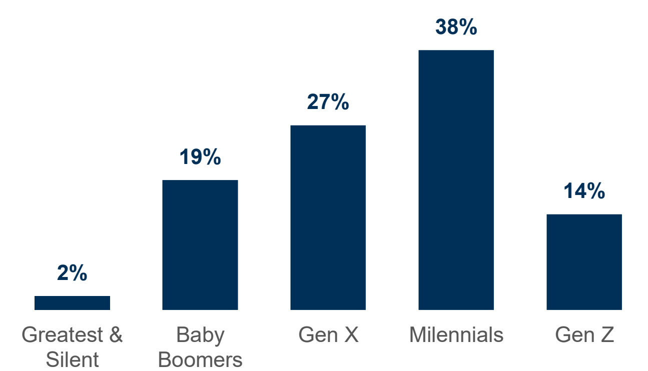
Looking ahead, any measurable improvement in housing market liquidity would likely serve as a meaningful catalyst for self-storage demand. Even modest increases in transaction activity could unlock delayed life events and release pent-up demand for storage. However, the timing of such a recovery remains uncertain.

Mortgage rates continue to be influenced by inflation expectations and broader macroeconomic volatility, while policy outcomes related to institutional participation in development projects that could boost housing supply remain in flux. As a result, normalization in housing activity is likely to be gradual and uneven across markets.

While the housing market outlook remains uncertain, demographic trends may provide incremental support. The aging U.S. population has the potential to contribute to storage demand as baby boomers downsize, relocate, or transition into senior housing. This cohort holds substantial home equity, which may facilitate these transitions even in a higher-rate environment.

However, older households have historically utilized storage at lower rates than younger cohorts, suggesting that while this trend may provide support at the margin in both origin and destination markets, a broad-based demand recovery will ultimately depend on improved housing mobility across age groups.

Figure 7: Self Storage Use by Generation



Source: Green Street. As of 2026

Against this backdrop, supply-side dynamics position the sector favorably for recovery once demand begins to normalize. At the national level, self-storage development peaked prior to the pandemic and has slowed materially since, with just 1.1% of existing inventory delivered in 2025, well below the 2018 peak of 4.5% and the 13-year average of 2.0%. New construction is constrained by elevated financing and construction costs, as well as local opposition, as municipalities often view storage as a less desirable use of infill land.[8]

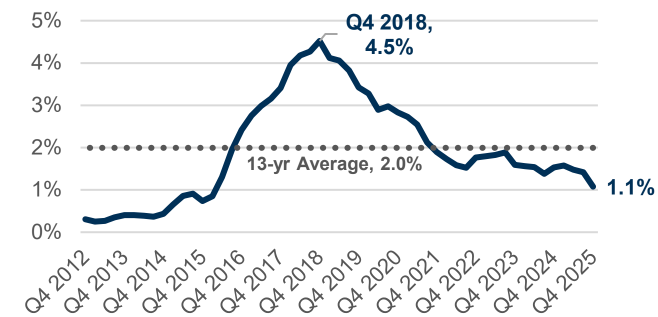
Relative to other commercial property types, self-storage typically generates lower tax revenue and fewer jobs, lacking the same spillover benefits to local economic activity that sectors such as office, retail, and multifamily can provide. As a result, projects can face zoning challenges, entitlement delays, or outright resistance in certain markets. These barriers to development, while

[7] National Association of Realtors. (2025, November 4). *First-time home buyer share falls to historic low of 21%, median age rises to 40.*

[8] Hadfield, B. (2025, February 19). *Zoned out: Self-storage bans & the battle to belong.* Modern Storage Media.

market-specific, have limited new supply and created a supportive backdrop for existing assets.[9]

Figure 8: National Net Delivered Self-Storage Units
(Trailing 4Q, as a % of existing inventory)



Source: Moody's REIS. As of Q4 2025

Generally, self-storage benefits from attractive operating fundamentals. The asset class is characterized by low operating intensity, limited capital expenditure requirements, and minimal functional obsolescence, as the underlying product remains simple and durable. Facilities typically require minimal staffing, with further reductions enabled by advances in surveillance technology, while maintenance needs are modest relative to other property types. Additionally, short lease durations allow operators to reprice units frequently, while high switching costs support customer retention. These characteristics have historically translated into high profit margins and resilient cash flow generation.[10]

Data across markets reveals varying regional trends.[11] Coastal markets such as San Francisco and San Jose, with vacancy rates of 9.3% and 11.9%, respectively, as well as suburban markets in Maryland and Virginia, at 9.6% and 9.7%, continue to operate well below the 13.8% national vacancy level. These markets have seen minimal new supply, which has helped maintain tight vacancy and support rent growth.

By contrast, markets such as Los Angeles and New York have seen higher levels of recent development, with deliveries of 2.5% and 1.9% of inventory over the past year compared to 1.1% nationally. Despite this, demand has remained resilient, as evidenced by continued absorption in Los Angeles (2.1% as percentage of inventory) and New York (1.4%). This demand strength extends to New York's surrounding suburbs, including Fairfield County (3.1% of inventory absorbed over the past year), Central New Jersey (2.7%), and Northern New Jersey (2.4%), suggesting these markets are effectively digesting new supply and maintaining positive momentum.

Sun Belt markets present a more bifurcated picture. Phoenix has emerged as a notable recovery story, with accelerating rent growth of 3.6% year-over-year, strong net absorption of 1.7% of inventory, and a decelerating supply pipeline, indicating the market is working through recent deliveries. In Texas, fundamentals are more mixed.

Dallas and Austin maintain vacancy levels below the national average but lag in both recent absorption and post-pandemic rent growth, largely reflecting elevated construction activity in recent years. Houston, however, underperforms across these metrics despite more limited recent development, suggesting potential underlying demand weakness rather than a supply-driven imbalance. Secondary markets in Florida are similarly divided, with Fort Myers and Fort Lauderdale maintaining strong cumulative rent gains and slowing supply, while Lakeland and Sarasota continue to face elevated vacancy and weaker absorption.

In the Midwest, select markets such as Indianapolis, Minneapolis, and Cincinnati stand out for their balanced fundamentals, combining tight vacancy, minimal new supply, and positive rent growth. In contrast, Oklahoma City and Tulsa represent some clear structural underperformers nationally, with rents 24% and 18% below pre-pandemic levels, respectively, without new supply to explain such softness.

A key analytical distinction across markets is separating temporary, supply-driven weaknesses from more structural demand deficits. Markets such as Jacksonville, Charlotte, and Miami are exhibiting strong absorption despite elevated vacancy, suggesting they are actively working through prior supply waves and may be positioned for recovery as new deliveries slow. In contrast, markets where vacancies remain elevated despite limited new supply, rent growth is negative, and absorption is flat or declining signal more fundamental demand challenges. Oklahoma City, Tulsa, Milwaukee, Baton Rouge, and Memphis fall into this category.

Importantly, self-storage remains a highly localized, micro-market business. Performance is driven by hyper-local supply and demand dynamics, typically within a one- to five-mile trade area. As a result, opportunities may exist even within broader underperforming regions, and outcomes can vary significantly based on population density, housing turnover, and localized competition. This dynamic places a premium on operator sophistication, particularly in digital marketing, revenue management, and pricing strategies.[12]

On the regulatory front, the self-storage operating model has begun to attract greater regulatory scrutiny, introducing an additional layer of political risk. Existing customer rent increases (ECRIs), a key driver of revenue growth for operators, have faced increasing attention around pricing transparency and consumer protection. Recent policy actions illustrate this trend. California's

[9] 38 of the 86 self-storage markets tracked by Moody's REIS have not delivered a single new unit over the past 12 months.

[10] Green Street. (2026, January 28). *U.S. self-storage outlook*.

[11] All market-specific data cited in this report, including vacancy, rent growth, absorption, and deliveries, are sourced from Moody's REIS, as of Q4 2025.

[12] MMCG Invest. (2025, October 31). *Micro-market demand and seasonal occupancy trends in U.S. self-storage*.

Senate Bill 709 caps rent increases at CPI plus 5% or 10%, whichever is lower, while also encouraging greater transparency in pricing practices. In February, New York City filed a lawsuit against Extra Space Storage, alleging violations of consumer protection laws related to fees and pricing.

While these developments remain localized, they signal a potential shift toward increased oversight that could affect revenue management strategies over time.

From a capital markets perspective, valuations have reset meaningfully from peak levels. Asset values have declined from their 2022 highs, creating opportunities for investors to acquire assets at a relatively low basis.[13] As housing market conditions improve and pent-up demand is released, the combination of constrained supply and lower entry pricing could position the sector for renewed growth.

Conclusion

The self-storage sector is best understood as a derivative of housing mobility, which is currently constrained but not fundamentally impaired. The same structural frictions that have suppressed home sales, including elevated financing costs, affordability challenges, and the lock-in effect, have delayed the life events that typically drive storage demand. As a result, the sector is experiencing a cyclical slowdown, not a structural decline. When housing market conditions begin to ease, even incrementally, the release of pent-up mobility is likely to drive a corresponding rebound in storage demand. With new supply limited and valuations reset from peak levels, the sector is positioned to benefit from this eventual normalization. While the timing remains uncertain and risks persist, self-storage's role as a transitional asset class, combined with its efficient operating model and localized demand drivers, supports a constructive long-term outlook.

[13] As shown previously in the Green Street Commercial Property Price Index chart.

DISCLOSURE

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