Inland Insights

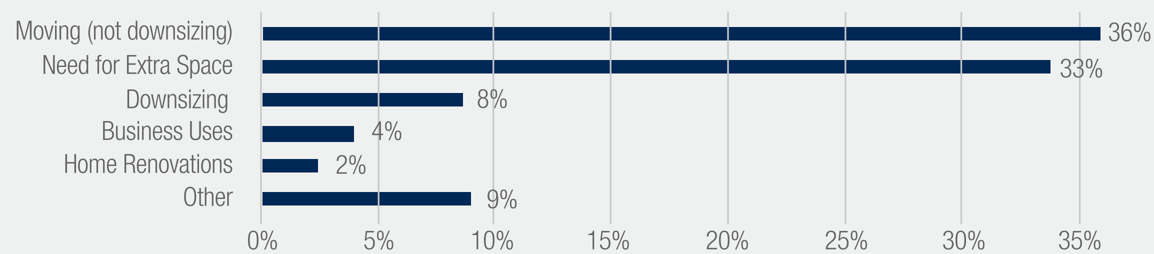
Inland Real Estate Investment Corporation

Self-Storage Successfully Navigates Market Cycles

Self-storage is among the alternative real estate sectors best equipped to adapt to economically challenging markets.

The self-storage sector has seen significant growth in the last decade, even amid a global pandemic, economic turbulence, and market uncertainty. Prior to the COVID-19 pandemic the demand for self-storage units was already on the rise, with annual revenue topping $39.5 billion in 2019 — a 3.6 percent increase from 2018, and nearly 50 percent increase since 2010.[1] In 2020, the self-storage market hit $48 billion and is expected to reach nearly $65 billion by 2026.[2]

Reasons for Self-Storage Usage[3]

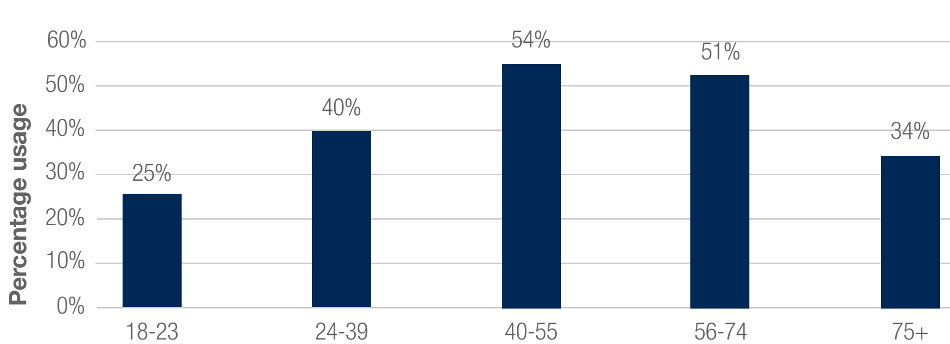


Economic upturns or downturns, surging inflation and rising interest rates tend to have little impact on self-storage. The sector recovered quickly following the Great Recession of 2008 and, although some tenants walked away from renting units during that time due to job loss, the sector bounced back in 2009 with a notable performance.[4] The self-storage industry continued to prove resilient throughout the pandemic, and with many companies shifting to a hybrid workplace culture, employees required additional space to create home offices and workout rooms, leaving household furniture displaced. Businesses and restaurants looked to self-storage as an inexpensive option to store company equipment, extra tables and chairs, displays and inventory, as unprecedented pandemic-related restrictions shuttered thousands of businesses and restaurants throughout the U.S.

Customer Profile

Demand for self-storage units is primarily driven by four major life events commonly referred to as the four Ds of storage: death, divorce, dislocation and downsizing, with a general need for extra space. Adopting to a more flexible lifestyle, approximately 40 percent of Americans rent a self-storage unit, which accounts for approximately 44 million U.S. households.[5] Baby Boomers and Gen Xers account for majority of Americans that use these units.[6]

Customer Profile Age Range[3]



Source: www.storagecafe.com/self-storage-industry-statistics/

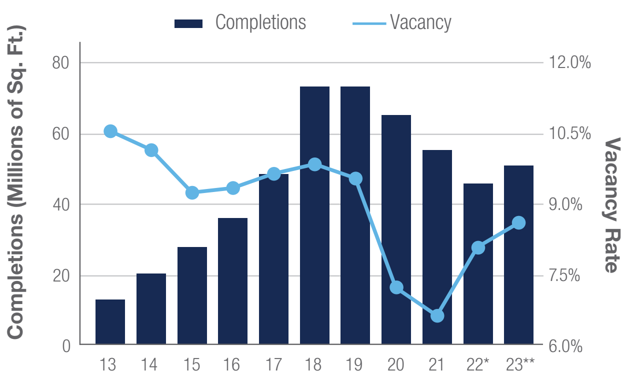
Self-Storage Highlights[3]

- More than 1.6 billion square feet of space across 50,000 U.S. facilities in 2022
- 52.6 million square feet of space expected to be delivered in 2023
- 15.5% of the total self-storage space built in last 5 years
- Average rental rate for 10x10 unit was $128 in 2022

Notable Performance

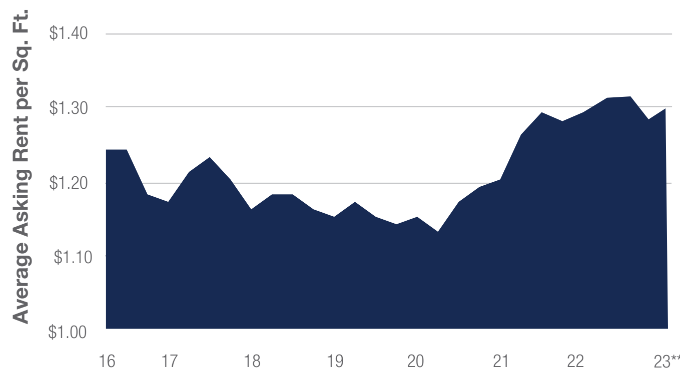
The self-storage sector ended 2022 in a strong position, continuing to outperform previous market cycles. Although average rates increased by 1.4 percent in 2022 to 8.0 percent, vacancy rates are still below the pre-pandemic norm of nine to ten percent. The average asking rent for a standard 10x10 unit at the end of 2022 was 12 percent higher than 2019 levels. Despite demand weakening slightly, the sector is still well positioned to have a positive 2023 relative to other sectors.[7]

Vacancy Trending Up, Still Below Norm



* Vacancy Estimate **Forecast
Sources: Marcus & Millichap Reseach Services: Radius+; Yardi Matrix

Marketed Rents Leveling Off After Climb



** Forecast
Sources: Marcus & Millichap Reseach Services: Radius+; Yardi Matrix

[1] NeighborBlog. Self-Storage Industry Statistics. August 2022
[2] REJournal. Self-storage is on a growth kick - and it's not slowing down. March 2022
[3] StorageCafé. Self Storage Industry Trends. January 2023
[4] Mainstay Global. Is Self Storage Recession Proof? Accessed March 2023
[5] StorageCafé. More than a Third of Americans Rent Self storage, with Furniture the Most Stored Item. August 2022
[6] RentCafe. Self Storage Widely Used Among Renters, with Gen Xers in the Lead. September 2022
[7] Marcus and Millichap. Custom Report. February 2023

Publication Date: 3/27/2023