

## **Self-Storage Market Declines but “Hot Spots” Still Show Resilience**



After peaking in 2022, rent values in the self-storage sector have continued to post sharp declines in recent years. Though that trend has been decelerating, that news isn't likely to put a smile on the face of storage facility owners who have been watching their rental rates drop.

The good news is that there are still signs of resilience in the self-storage market, especially for properties in Western, Midwestern, and New England metros.

### **Tertiary Markets Taking the Lead**

According to a recent RentCafe report, a combination of low inventory and high demand are driving values, with smaller metros like Springfield (MA) and Boulder (CO) leading the pack. RentCafe notes: “Seven of the top 10 underserved cities for self-storage are tertiary markets,” adding, “With recent shifts in migration patterns and growth spiking in smaller markets, demand for extra space is also flourishing in new places.”

Other metros showing a strong uptick in self-storage demand include Providence (RI), Phoenix (AZ), and Honolulu (HI).

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## Downsizing and Decluttering

Among the key trends driving demand is the shift towards working from home. As renters use more space in their homes for work, many are feeling the need to declutter, and self-storage poses a convenient solution. Others are using self-storage facilities to free up space when moving to smaller apartments.

RentCafe adds that many small businesses, capitalizing on the boom in eCommerce, are finding self-storage a more affordable and flexible option than traditional warehousing.

## Los Angeles Leads Larger Metros

Among larger metros, the report shows Los Angeles leading demand. The combination of a sizeable student population, small apartment sizes, and a lack of existing storage space are all factors positioning LA as a city “showing major potential for self-storage growth.”

There are also signs of growth in Seattle, and there are still pockets of self-storage demand across metros like New York.

## Looking Ahead

Though these trends show that there is plenty of life in the self-storage sector, it’s worth noting that the market is still facing tight conditions. Quoted in the report, Yardi Matrix’s Manager of Business Intelligence, Doug Ressler, notes that occupancy rates are still down 2-3% year-over-year, while income from storage operations has declined 4-5%.

Ressler adds, however, that rental rates are still 8.7% higher than pre-pandemic and that “the self-storage industry exhibits a stance of cautious optimism.”

