

Inland Research Report:  
**Self-Storage Sector Review**

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## Executive Summary

Self-storage has been a top-performing asset class for nearly two decades, driven by its unique operating model and resilient demand characteristics.

This report explores the macroeconomic landscape and favorable demographic trends shaping the future of the self-storage sector. It also provides a detailed analysis of market fundamentals and the outlook ahead – all of which we see pointing to continued momentum for the sector. Despite a challenging two-year period marked by a sector-wide retracement following significant pandemic-era gains, evidence is presented supporting a renewed sense of optimism and the potential return of long-term growth.

### Self-Storage Highlights

- Demographic demand fueled by sustained remote work, household formation, and relocation trends.
- Following a surge in new supply across many markets, the next two years are expected to bring below-average deliveries of new self-storage units, allowing demand to catch up with the sector's current oversupply.
- Age-related life events (The Four Ds) support long-term growth and continued expansion of the sector.
- Strong potential for rent growth due to “sticky” tenant base and the sector's ability to reset rents on a monthly basis.
- Q1 2025 transaction volumes signal increasing sentiment within the sector.
- Success hinges on identifying the right markets, and locations that align with the evolving lifestyle needs of tenants as they seek self-storage options during key life events.

## Overview

The self-storage sector experienced a massive boom during the COVID-19 pandemic and the years immediately following. An unprecedented shift to a work-from-home environment, combined with stimulus checks and extremely low interest rates, allowed people to re-evaluate their living situations, generating massive transaction volume in the housing market as well as high demand for rental housing – creating a major spike in self-storage demand. Recently, however, the self-storage sector has struggled following the pull-forward of demand caused by this shifting work/life dynamic. Now, we are seeing an inevitable retracement back to sustainable levels for self-storage, which, along with higher interest rates, has brought declining rents, cap rate expansion, softening prices, and vacancy rising back from the historic lows of the pandemic to ranges seen prior to 2020.

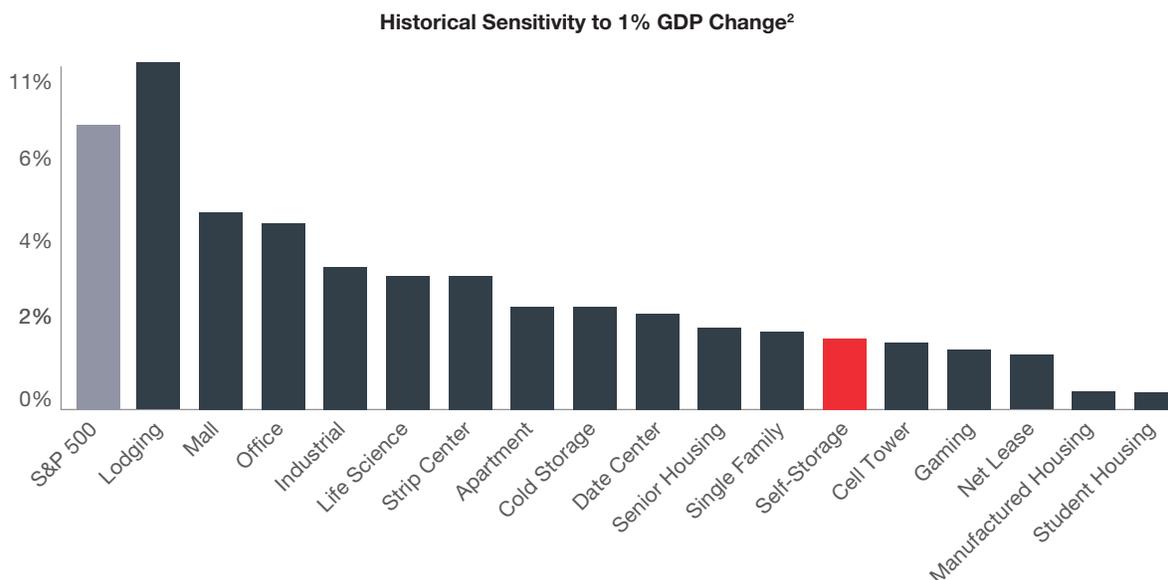
Despite recent headwinds, it appears that most of this pullback is now behind us, and we see the self-storage sector is repositioning itself to be a potential bright spot in the coming years for investors with a long-term investment mindset.

**Self-storage investment returns have led all property types in annual returns five times since its inclusion in the National Council of Real Estate Investment Fiduciaries (NCREIF) index 19 years ago. Since 2006, it has delivered the highest average annual return of any property type, coming in at 11.6 percent.<sup>1</sup>**

## The Case for Self-Storage

### Low Correlation to GDP Fluctuations

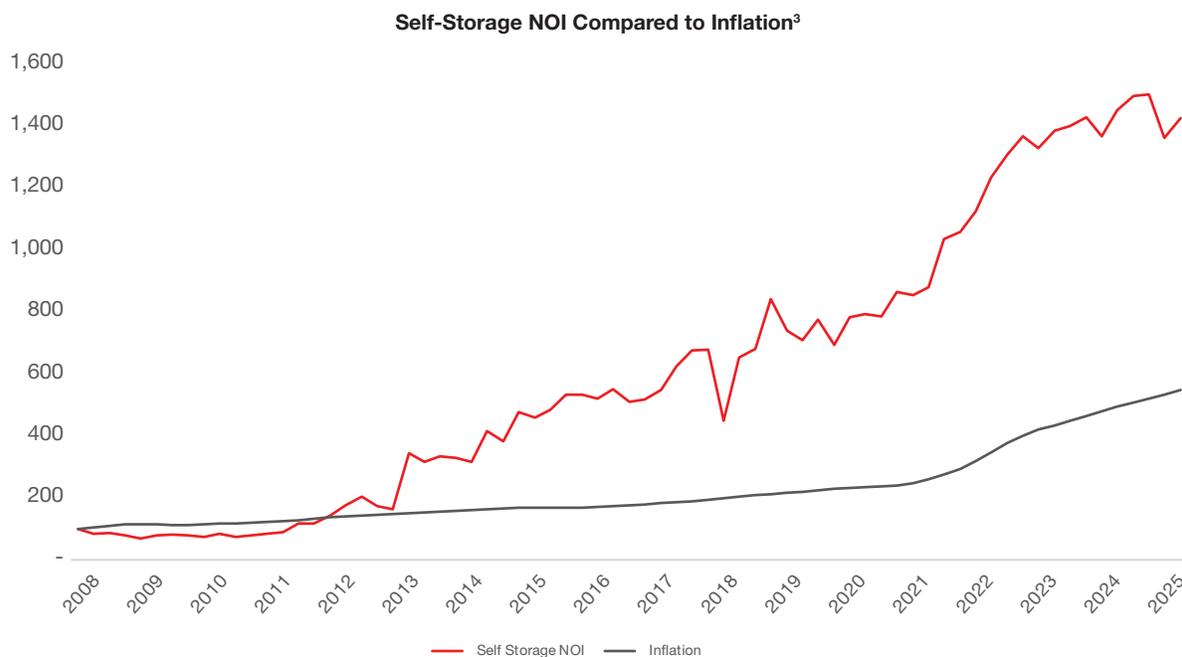
When seeking to build an optimal portfolio, today's investors often strive to (1) mitigate downside risk, (2) increase diversification, and (3) enhance risk-adjusted returns. Understanding how real estate sectors may be impacted during different stages of the economic cycle is essential in achieving the above goals. Alternative real estate sectors, such as self-storage, tend to have low correlations to the broader economy and have historically been less sensitive to gross domestic product (GDP) fluctuations, thereby strengthening portfolio diversification by decreasing correlation. The chart below displays different real estate sectors and their associated historical sensitivity to a one percent change in GDP.



## Inflation Hedge

The degree to which real estate investments can hedge against inflation is debated, and often boils down to a combination of factors. One key factor is the ability for income to outpace inflation.

Self-storage is uniquely positioned as leases are monthly, giving management the ability to reset rents frequently. This provides an advantage over other real estate assets with long lease terms, as these rents are locked in for longer periods. This trend is reflected by self-storage properties which have seen average annual net operating income (NOI) growth since 2008 of 4.4 percent compared to inflation over the same time of 2.5 percent.<sup>3</sup> From 2008 through 2024, self-storage income has outpaced inflation by 190 basis points, highlighting a key feature of self-storage assets – the ability to achieve strong NOI growth over time.



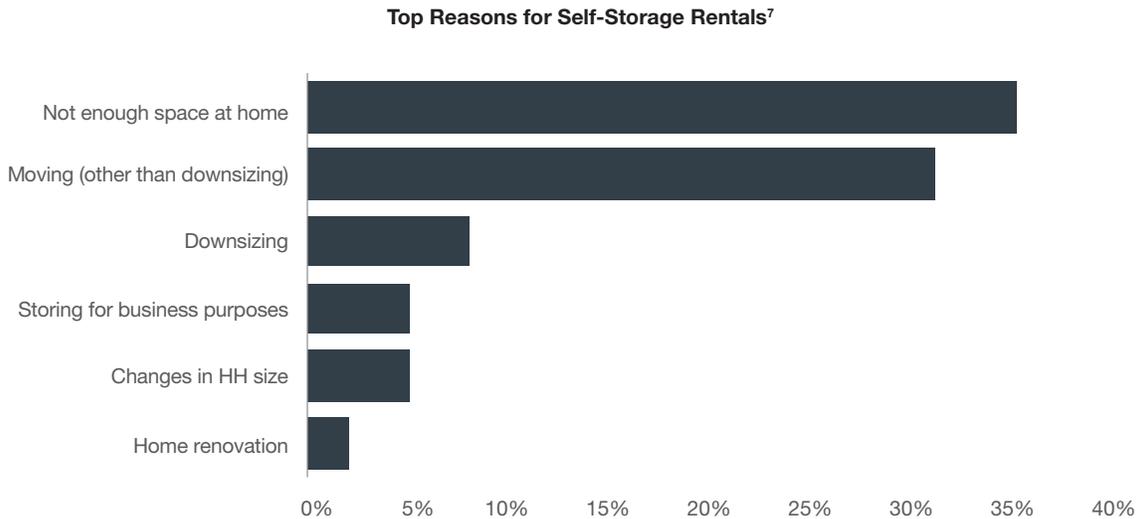
## “Sticky” Tenant-Base with Evolving Needs

Self-storage tenants tend to be “sticky,” with the average length of stay at 19 months<sup>4</sup>, which is driven by the relatively low dollar cost to rent a unit. The national average for a unit is \$129 a month, compared to the average apartment cost of \$2,156.<sup>5</sup> As a percentage of income, people pay far less for storage unit rentals. For example the average self-storage unit cost as a percentage of household income, is a modest two percent versus apartment rentals taking a 35 percent share.<sup>6</sup> Self-storage tenants can more easily handle rent increases, as even a percentage increase results in a relatively small dollar amount. For example, a \$5 increase on the average \$129 unit results in rent growth of 3.9 percent. To achieve the same level of growth on the average apartment, rent would require an increase of \$83.

In addition, the widespread use of autopay and the passive nature of stored goods, which are often items that don’t spoil or require regular attention, encourage tenants to stay longer. This dynamic makes self-storage a sticky service, contributing to strong customer retention over time.

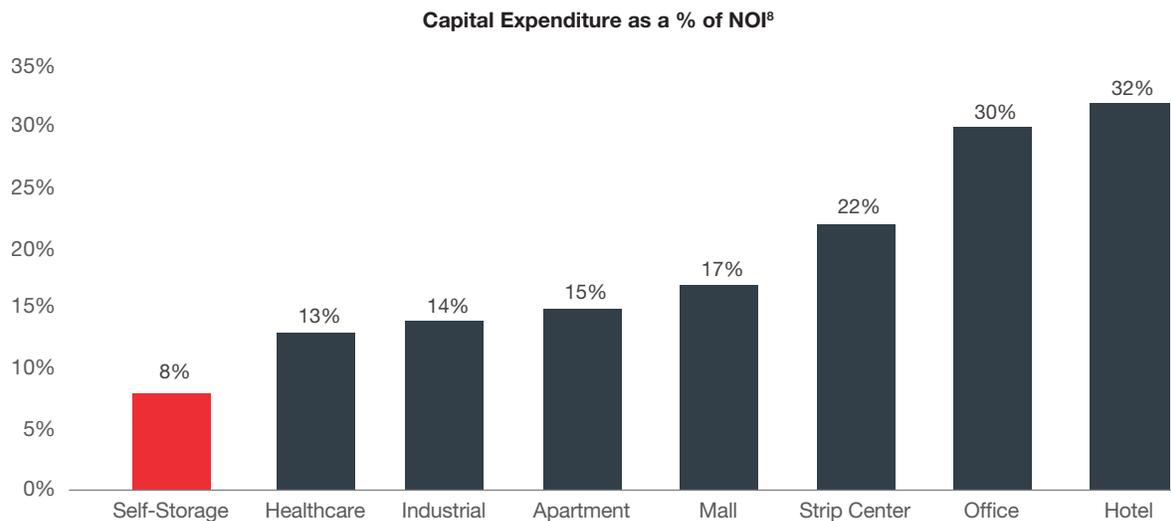
## Tenant Demand

Current motivations for renting a self-storage unit continue to evolve as reasons range from a lack of space at home, moving, downsizing, business-related needs, and home renovations. Additionally, tenants are interested in enhanced features such as security, 24/7 access, online payment options, contactless rental experiences, and climate-controlled units.<sup>7</sup> It is essential to understand customer preferences and what is driving their decisions to effectively meet demand trends.

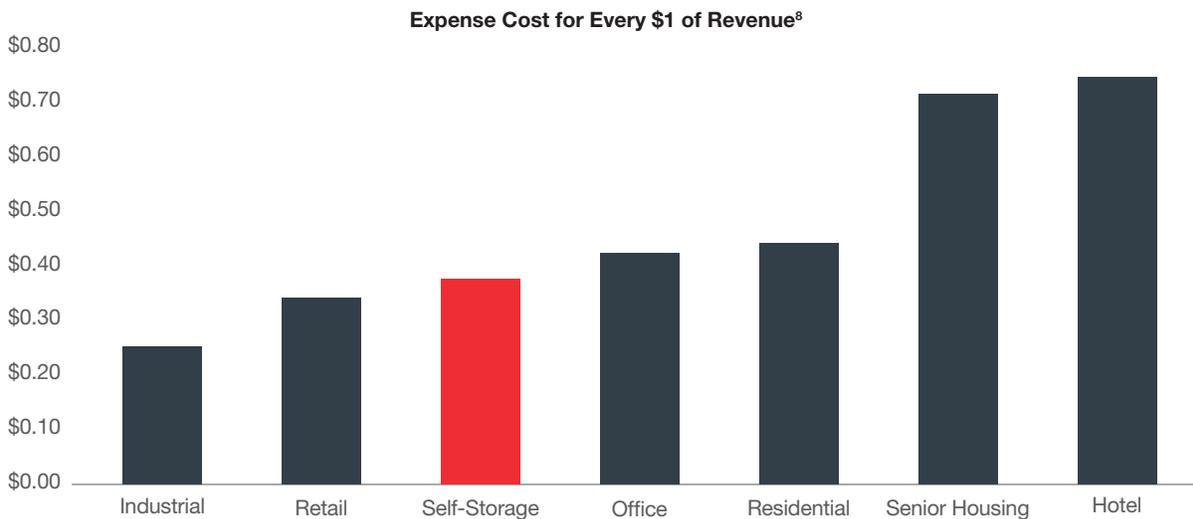


## Low Capital Expenditure & Operational Requirements

Commonly overlooked by novice real estate investors is the required capital needed to keep a property or building from becoming functionally obsolete. Self-storage facilities have one of the lowest capital expenditure requirements compared to other real estate sectors. A typical self-storage facility is built with concrete, steel, and a metal roof, which is far less complex to construct than an apartment or office building. As a percentage of NOI, self-storage capital expenditure comes in at a mere eight percent compared to other real estate sectors, which cost 13 percent or more.<sup>8</sup>



Additionally, the operations of a self-storage facility are different from other sectors, as they require lower amounts of operating expenses than high maintenance properties like hotels and senior housing facilities, as well as office buildings and residential units. Good operators generally excel at lead generation, primarily through strong online marketing and search engine optimization (SEO), as a significant share of tenants discover units online. Operationally, a self-storage property can often be managed efficiently by a small team, which can make it a scalable and cost-effective investment opportunity.



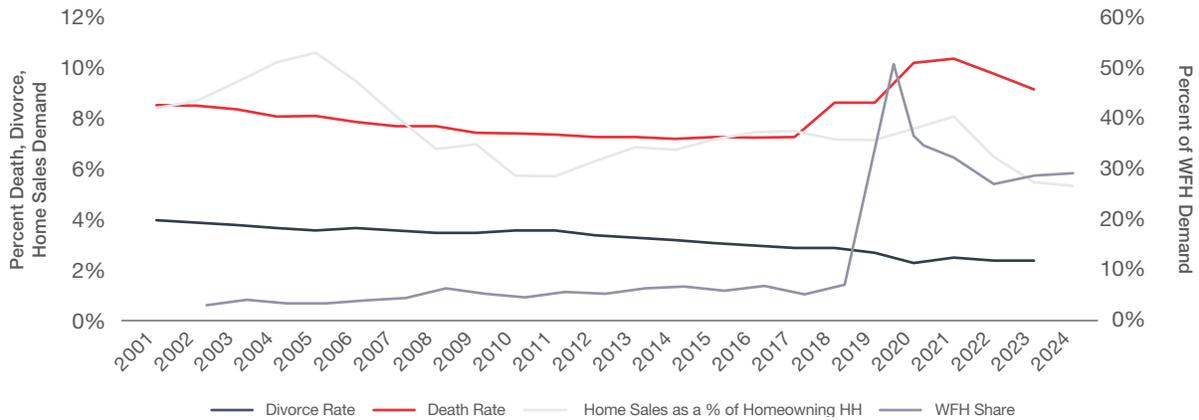
## Demographically Supported Demand Drivers

It has been widely popularized that the self-storage sector is primarily driven by the “Four Ds – death, divorce, downsizing, and displacement.” These four demand drivers stem from life events that disrupt household living situations, often prompting the need for temporary or long-term storage of goods. As individuals progress through age-related life events (household formation, job changes, upsizing in the case of millennials, and downsizing or selling in the case of baby boomers) the need for self-storage becomes apparent.

Ultimately, storage demand drivers can in part be traced back to transactions in the housing market. These transactions may coincide with rising or falling home values, depending on the underlying currents in the market, but nonetheless the following subsets of storage demand all share a common thread. Demographically driven life events necessitate a change in housing requirements, which bring along with it an increased demand for self-storage.

With this, we have seen storage demand wane as a lack of inventory and transaction volume has materialized in the housing sector, a trend further pressured by rising interest rates. However, we envision a thawing of this dynamic as interest rates come down and sellers become willing to list their homes once again.

## The Four *Ds*<sup>9</sup>



### Death

The unfortunate reality accompanying the aging population is an increase in deaths over the coming decade and beyond. This is evident in the data: as the nation ages, so too will we see an increase in the number of deaths. In 2000, the U.S. experienced approximately 2.4 million deaths, in 2024, 3.0 million, and by 2050 that number is expected to reach 4.2 million.<sup>10</sup> Deaths tend to cause demand for self-storage as relatives need a solution to caring for inherited items.

### Divorce

When analyzing the data, we find that divorces per year have been declining as fewer people are getting married.<sup>11</sup> Nearly 40 to 50 percent of first marriages end in divorce, with the median marriage lasting eight years.<sup>12</sup> With the median age of first marriage around 30 today,<sup>13</sup> and peak millennial population around 32 to 34, it is possible to see a pickup in divorces as many new marriages become seasoned. Should an increase in divorces materialize, we would expect potential increasing demand from self-storage as new, smaller households are formed and storage space is needed.

### Downsizing

Baby boomer births peaked in 1957 at approximately 4.3 million,<sup>14</sup> suggesting “peak” baby boomers are recently retired or will retire imminently. This tends to be a prime age to start considering downsizing into a smaller home, as housing costs may become based on a fixed income. While downsizing can solve space and financial problems, it creates a new problem – where to safely store a lifetime of belongings.

### Dislocation

A good working definition for dislocation in the self-storage context can be summed up as “anything that causes a need to move into a new residence.” Some dislocations are captured in the above, with others including job loss or new employment opportunities, household formation, relocation, or similar life events that necessitate a change. Trends in Millennial household formation, coupled with ongoing population migration to Sunbelt states, support growing demand for self-storage solutions.

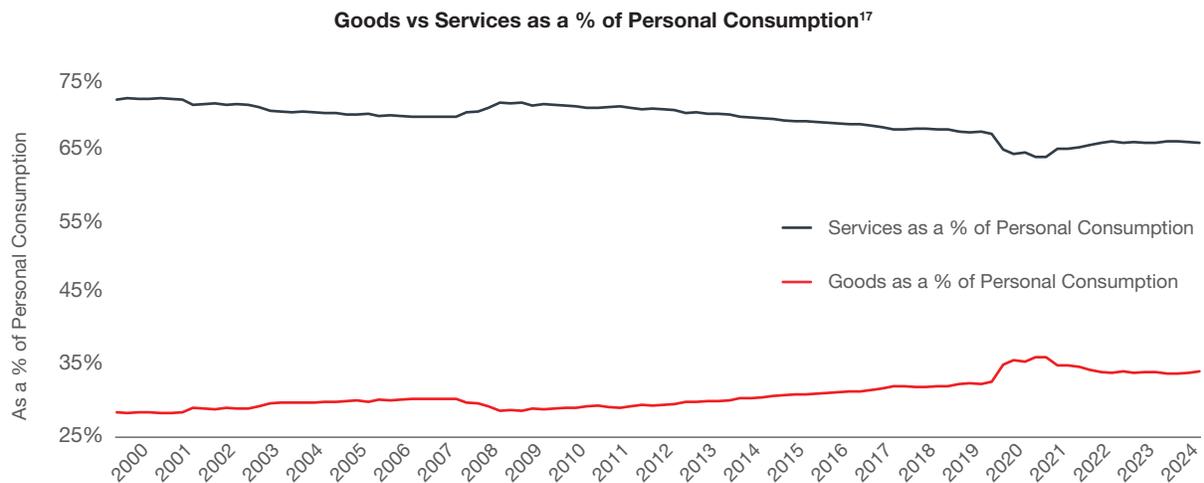
### The Four Bs<sup>15</sup>

**CBRE recently offered an alternative way to view self-storage demand – titled the “Four B’s: babies, basements, budget, and bedrooms.” Their results indicate that markets with more homes featuring basements tend to need less self-storage space. In contrast, markets with a higher percentage of residents aged 0–19 are likely to need additional lower-priced self-storage facilities.**

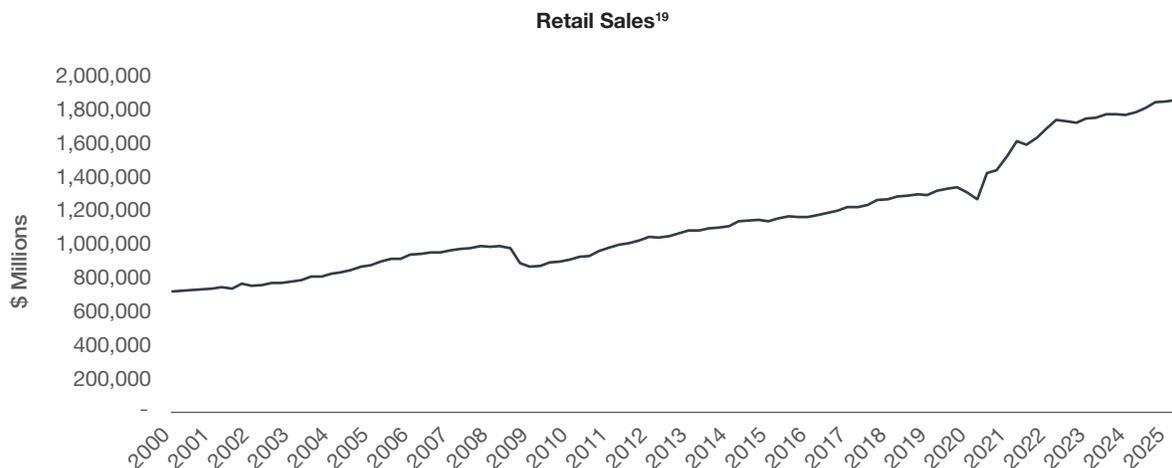
## Storing Goods

The primary purpose of self-storage is the storing of goods. These goods include a wide range of items – furniture, clothing, appliances, vehicles, business items, sporting items, and more. Recent data shows the most commonly stored items are furniture (27 percent), clothing (18 percent), and home appliances and equipment (17 percent).<sup>7</sup>

As evidenced by the growth of retail sales, Americans have spent an increasing amount of their personal consumption on goods instead of services. Goods as a percent of real personal consumption have increased from 29 percent in 2000 to 34 percent today, while services dropped from 72 percent in 2000 to 66 percent.<sup>16</sup> This modest increase in goods spending means more goods for the American consumer. With this increase in goods comes an increased need to store them.

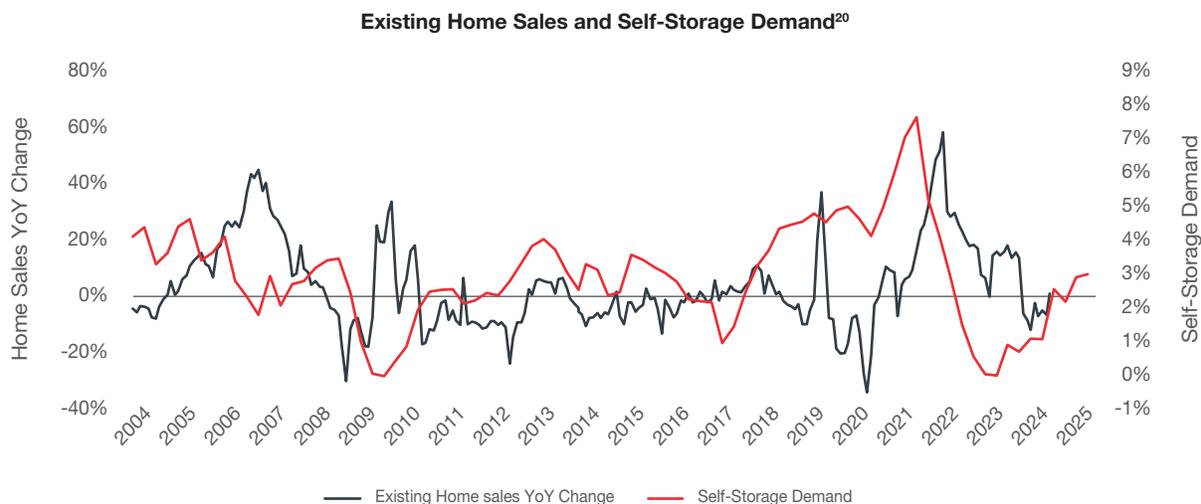


The United States is the largest consumer economy in the world,<sup>18</sup> and as such has seen strong retail sales growth over time. By analyzing retail sales over the last 25 years, we find that between 2000 and 2007, the average annual growth of retail sales averaged 4.6 percent. This was followed by the Great Financial Crisis (GFC), where the average was -4.7 percent from 2008 through 2009. Followed by a rebound in the 2010s of 4.1 percent. Starting in 2020 through Q2 2025, the average is 6.4 percent, showing the increased resilience of the American consumer, as well as their proclivity to spend on goods.



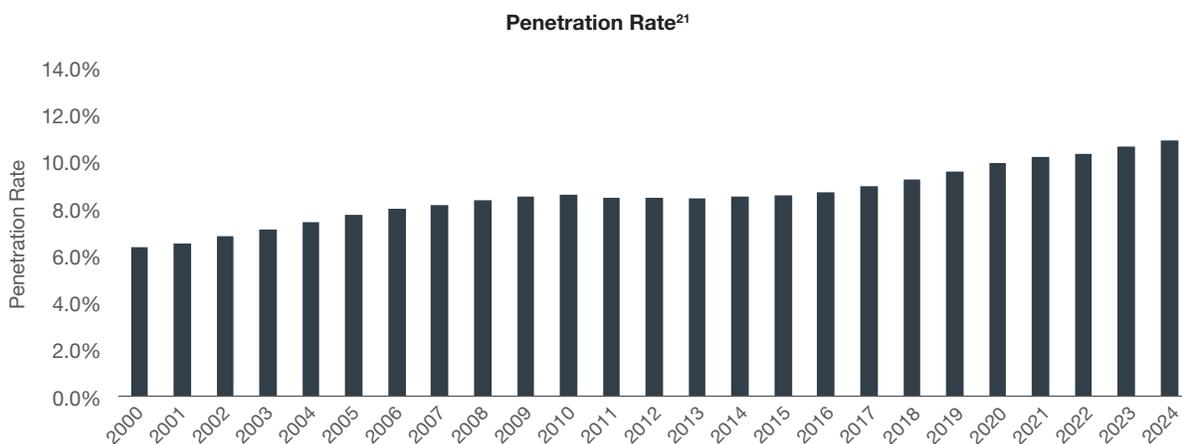
## Home Sales

Home sales also help drive self-storage demand, as home sales and self-storage demand closely track one another. Home sales grew during 2021 and 2022, as did demand for self-storage.<sup>20</sup> Following this surge, both home sales and self-storage demand saw a significant slowdown in activity, as interest rates rose. Looking ahead, we expect a rebound in home sales assuming two events: (1) lower interest rates resulting from the slow-growth, disinflationary economic backdrop, and (2) a resumption in housing activity independent of rates. As home sales recover, we expect a corresponding increase in the need for storage, fueled by downsizing baby boomers and millennial demand trends.



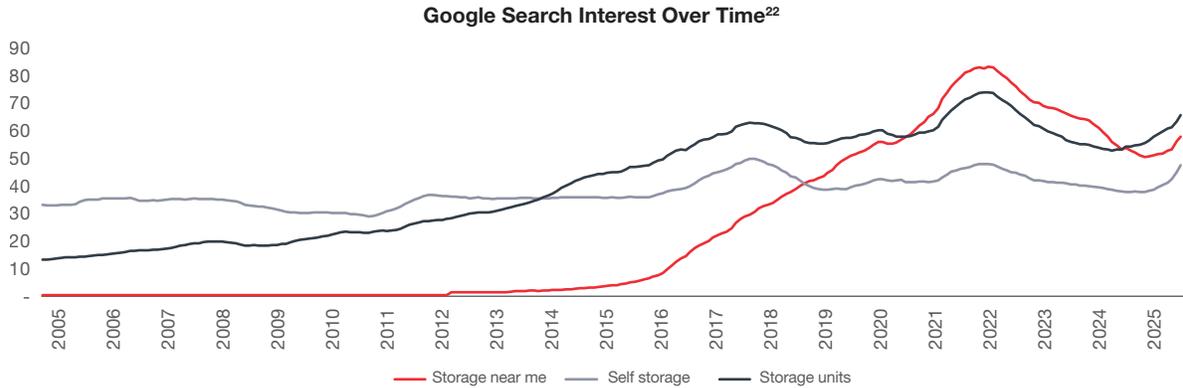
## Penetration Rate

The self-storage penetration rate, or the number of households using self-storage, has been on the rise since the early 2000s – growing from a mere six percent in 2000 to around 12 percent today.<sup>21</sup> We believe that the penetration rate will continue to expand as more households require space to store goods. The continued preference toward the purchasing of goods, along with a general acceptance and proliferation of renting a storage unit may allow for further penetration of self-storage into the mainstream. We also observe a general acceptance of renting over homeownership, as home affordability remains a challenge which may further contribute to greater penetration as renters have a greater propensity to use self-storage.



### Demand Indicated by Search Trends

Today's self-storage tenants are increasingly searching for self-storage facilities and paying for storage units online. Google search interest peaked around 2021 and 2022 before falling back toward prior trends seen between 2014 and 2019. Moreover, recent search results are turning the corner, with searches for self-storage increasing over the last six months.



## Self-Storage Fundamentals

We view the past few years as a period of normalization for the self-storage sector, with rents returning to historical trendlines. Our view largely reflects a correction from the massive pandemic-induced boom rather than an indication of weak long-term fundamentals. As these lingering effects begin to fade, we expect the robust demand and limited supply of self-storage units to support solid performance over time.

### Asking Versus In-Place Rents

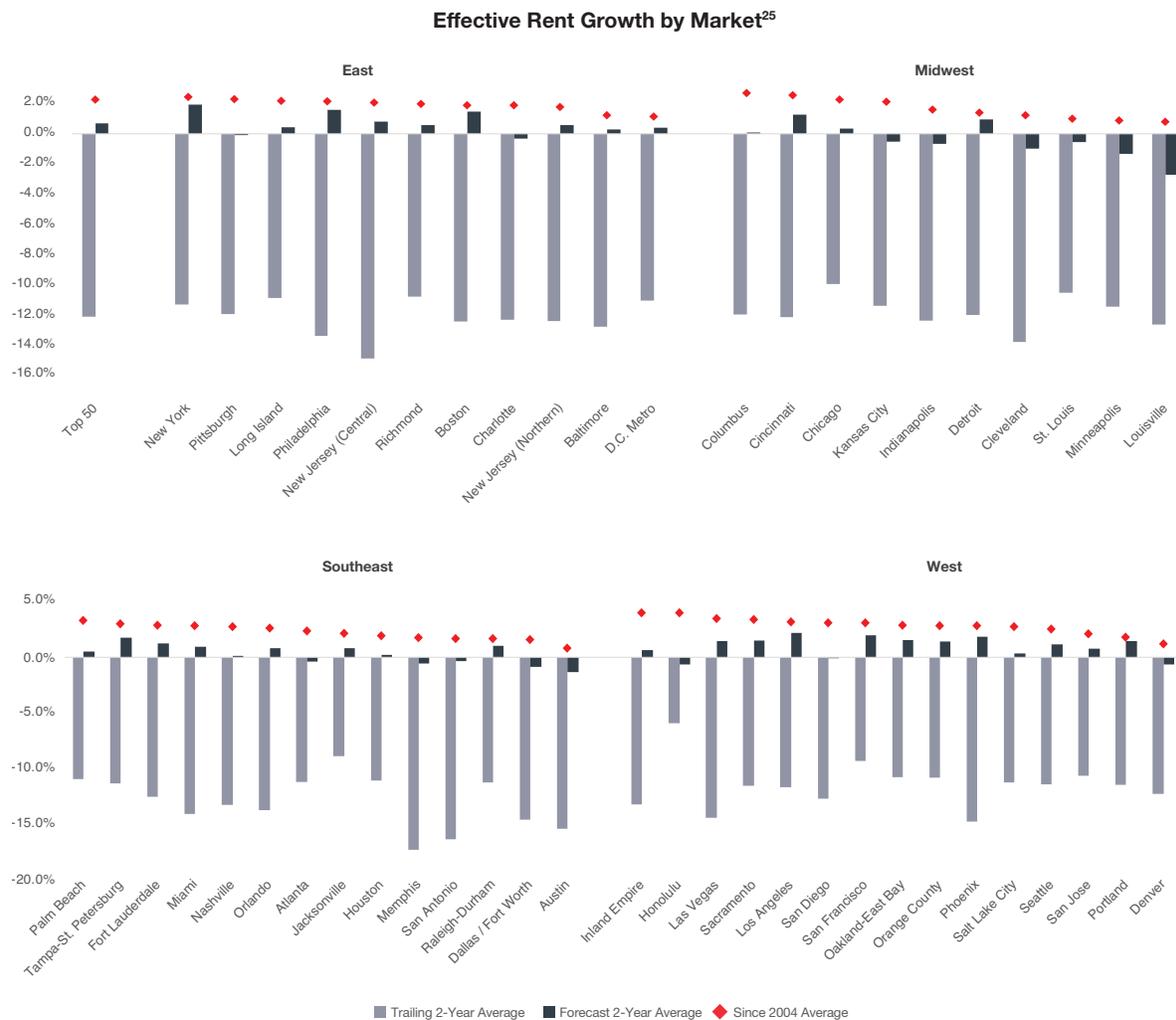
A unique feature of self-storage is the ability to reset rents monthly, which can be advantageous for operators as they seek to optimize revenue. The ability of a particular operator to raise rents on its existing tenants via ECRI (Existing Customer Rate Increases), allows for higher in-place rents than the quoted asking rent. Historically, this spread has hovered around ten percent. Today, however, this spread is at 43 percent.<sup>23</sup> This trend aligns with the peak in storage demand around 2021/2022 followed by the decline through 2025. This will be an important metric to track in the coming months as the market recuperates.



## Rent Recovery

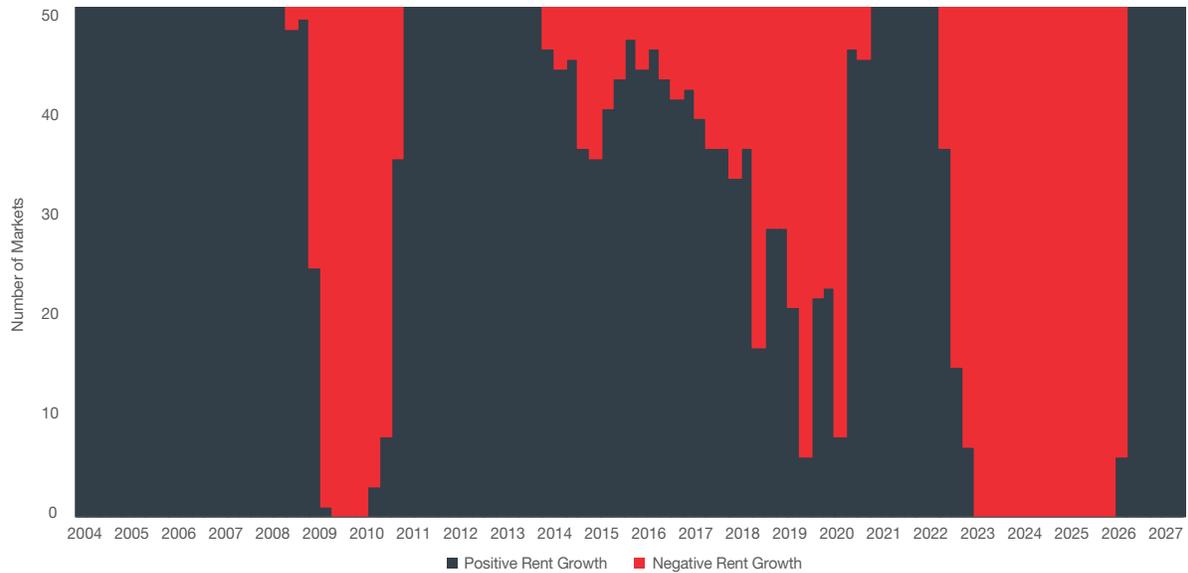
Effective rent growth across all markets has suffered throughout the last two years, with many nearing double-digit declines. Amid its current struggles, bright spots are beginning to emerge across the self-storage market. According to a July 2025 report, 13 out of the top 30 markets in non-climate-controlled facilities saw year-over-year increases in advertised rates (these differ from effective rents as they measure what is being offered to new customers versus effective rent, which measures the advertised rent minus concessions).<sup>24</sup> Additionally, forecasts from Green Street, indicate that over the next two years, all markets are projected to move in a positive direction mid-way through 2026.<sup>25</sup>

As the self-storage sector becomes increasingly institutionalized, investors will need to adopt a dynamic and strategic approach to market selection. Future outperformance is expected to be driven by both targeted market dynamics and asset-level value creation. Markets that are forecasted to rebound the strongest are New York, Philadelphia, Los Angeles, San Francisco, and Phoenix.<sup>25</sup>

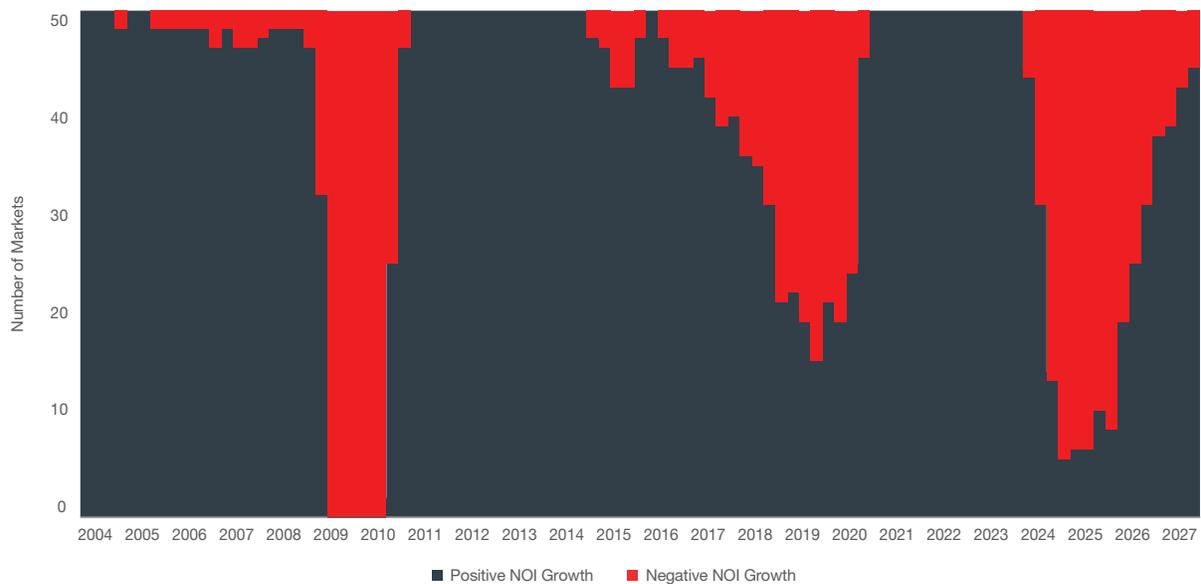


Digging deeper into market performance, the recent cycle has proven more challenging than previous ones, with all markets experiencing negative rent growth. A similar trend is evident in NOI growth, though the impact has been less pronounced. Encouragingly, strong fundamentals and experienced operators have helped mitigate the severity of these declines. We believe the outlook is improving for the sector as fewer markets are projected to see negative rent growth in Q3 and Q4 2025, and even fewer are expected to report declining NOI, signaling a potential turning point in performance.

**Number of Markets with Positive or Negative Rent Growth – by Quarter<sup>25</sup>**

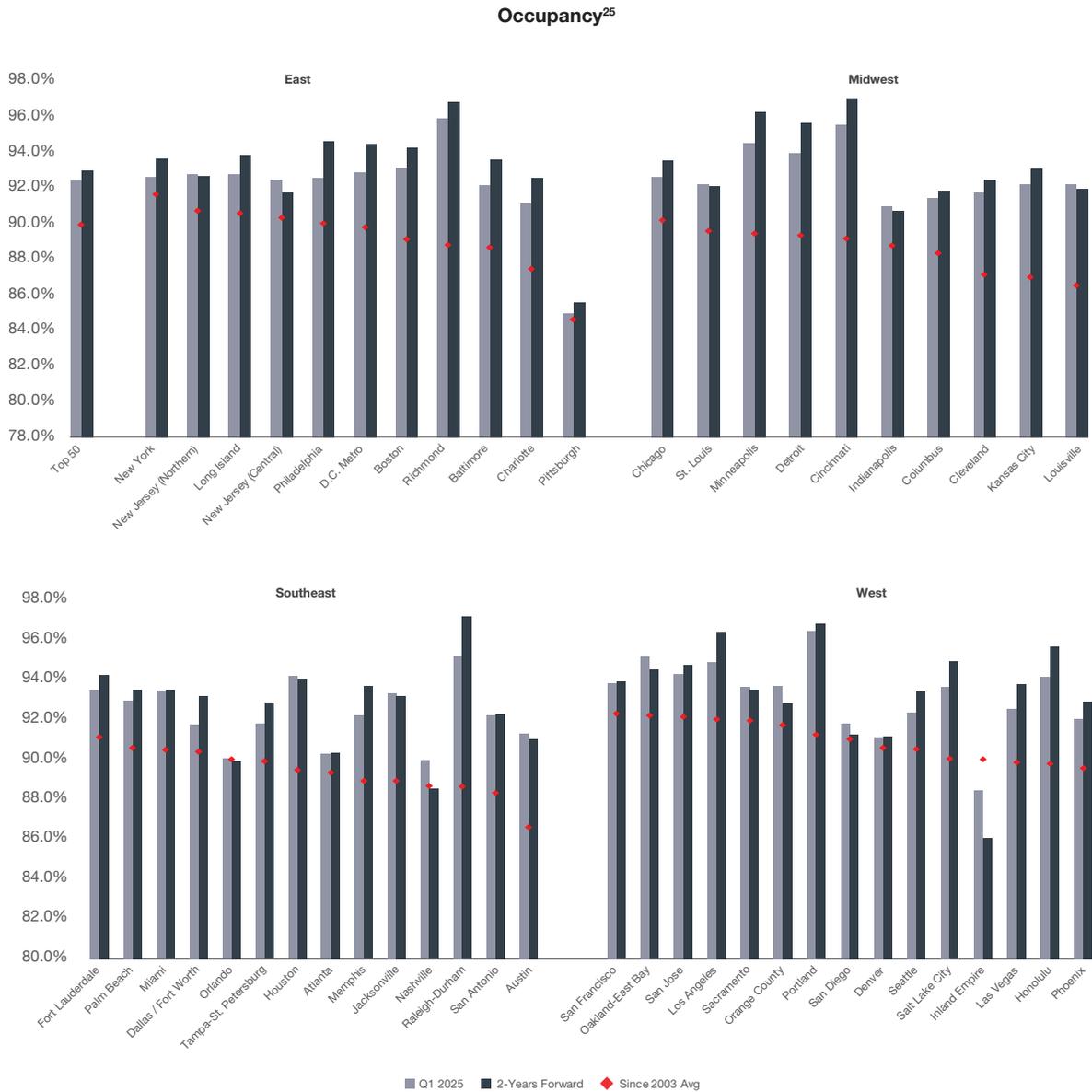


**Number of Markets with Positive or Negative NOI Growth – by Quarter<sup>25</sup>**



## Occupancy<sup>25</sup>

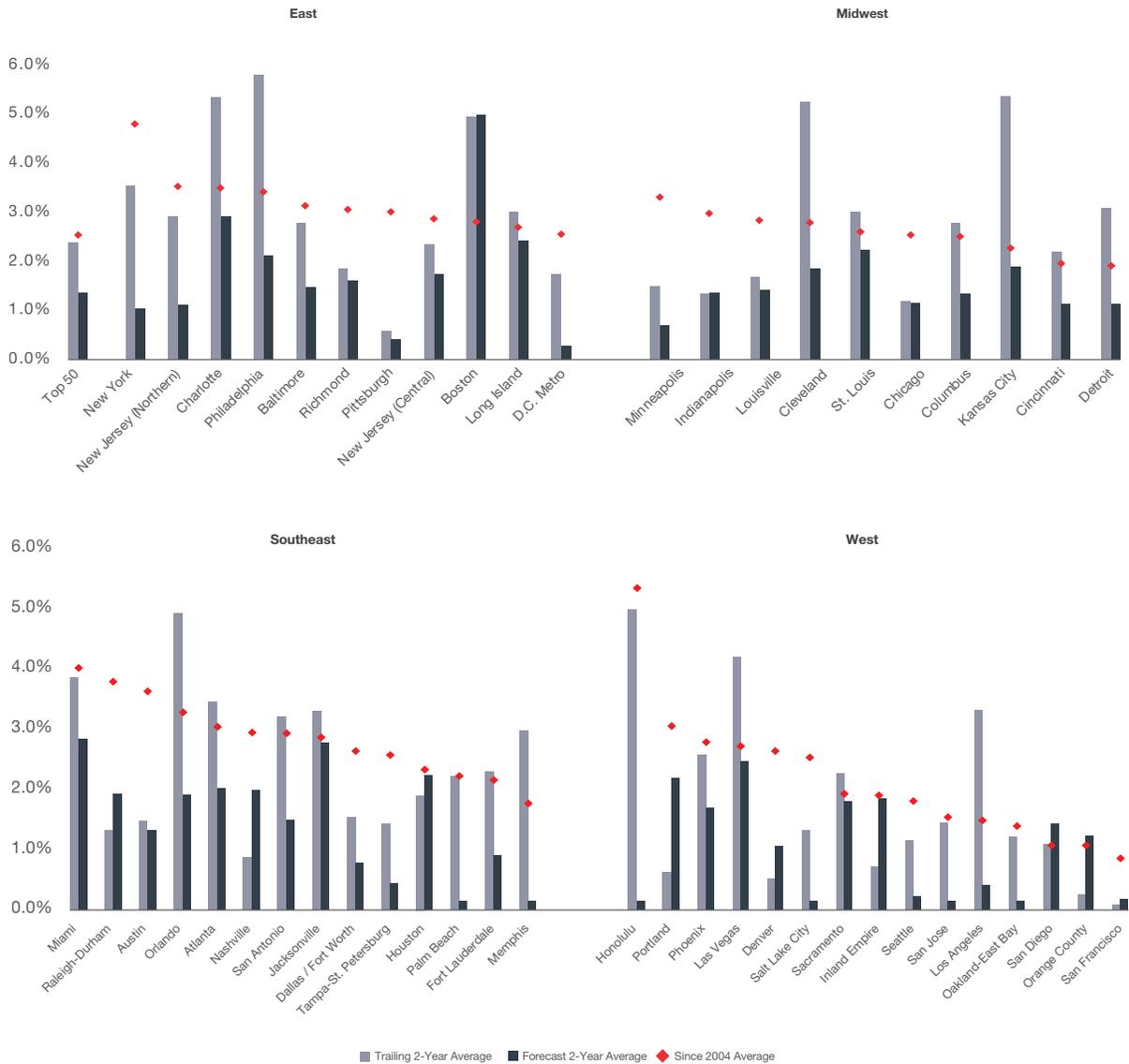
Although market rents have decreased across all major markets in the past few years, occupancy has been positive and is partially why NOI has remained stable in many markets – operators have driven NOI growth through ECRIs, and occupancy optimization. National occupancy for self-storage facilities remains above the average since 2003 and is higher for every top 50 market except two. Looking forward, nearly all markets are expected to see occupancy gains in the coming 24 months.



## New Supply<sup>25</sup>

New supply has varied widely, with nearly a quarter of markets delivering far more new supply as a percentage of stock than their historical average. The new supply wave is now largely past the peak, as nearly all top markets are forecasted to deliver well below their historical averages in the next two years. As new supply falls, we expect to see higher occupancy levels and increasing rental rates.

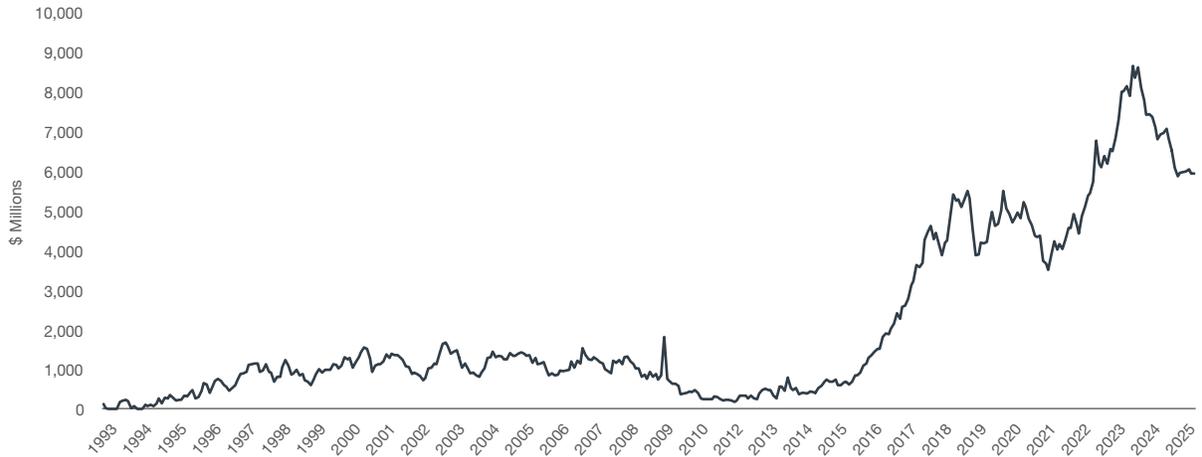
New Supply as a % of Stock<sup>25</sup>



## Construction Spending

Total spending on self-storage construction spiked significantly despite a more modest increase in overall inventory, suggesting that construction costs per facility rose dramatically in the early 2020s. This dynamic, combined with higher interest rates and land costs, has resulted in fewer new projects that make financial sense to developers, thus limiting the expected new supply and limiting the potential for a supply disruption in the near term. Construction spending growth turned negative following the peak in 2023, as higher interest rates along with elevated costs drove away developers.<sup>27</sup>

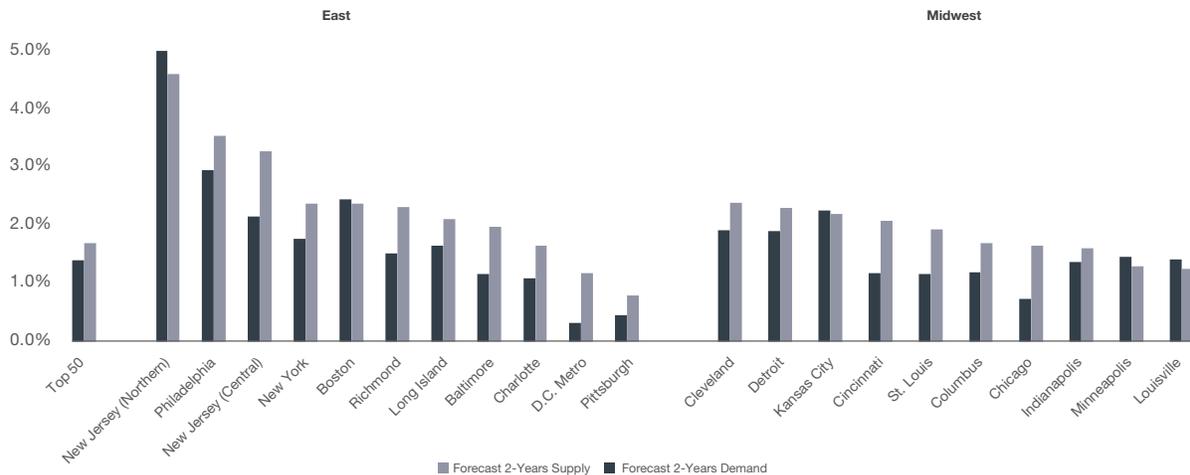
Storage Construction Spend<sup>27</sup>



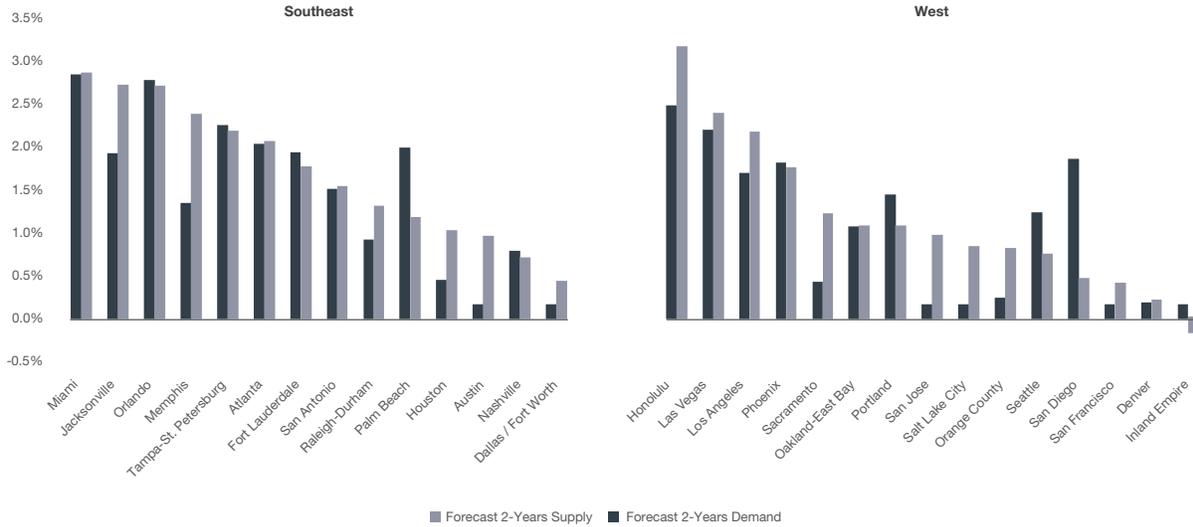
## Supply vs Demand<sup>25</sup>

As new supply slows over the next 24 months, Green Street forecasts increased levels of demand, either matching or surpassing new supply. The next two years are expected to be stronger than the prior two as markets heal and absorb the recent new supply.

Supply vs Demand 2-Year Forecast<sup>25</sup>



### Supply vs Demand 2-Year Forecast<sup>25</sup>

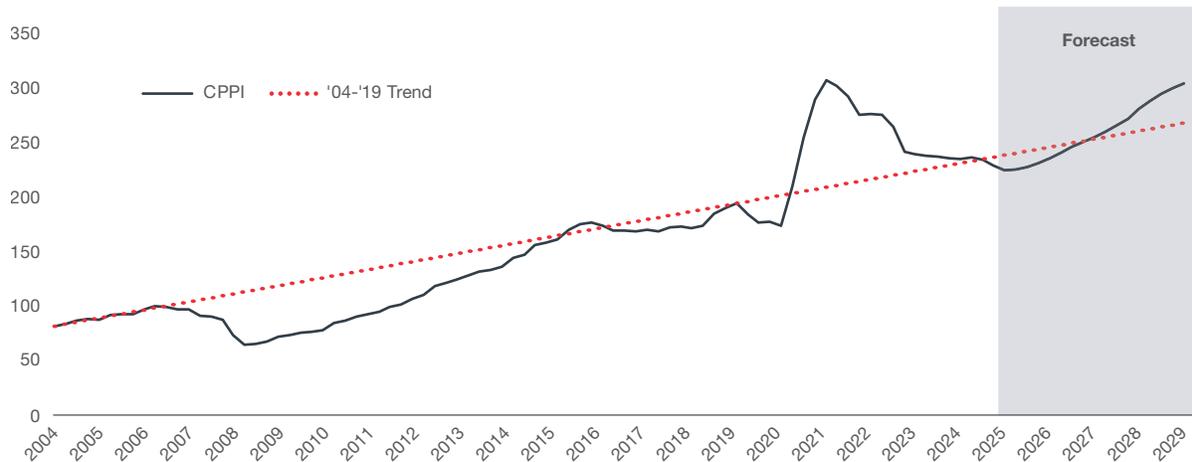


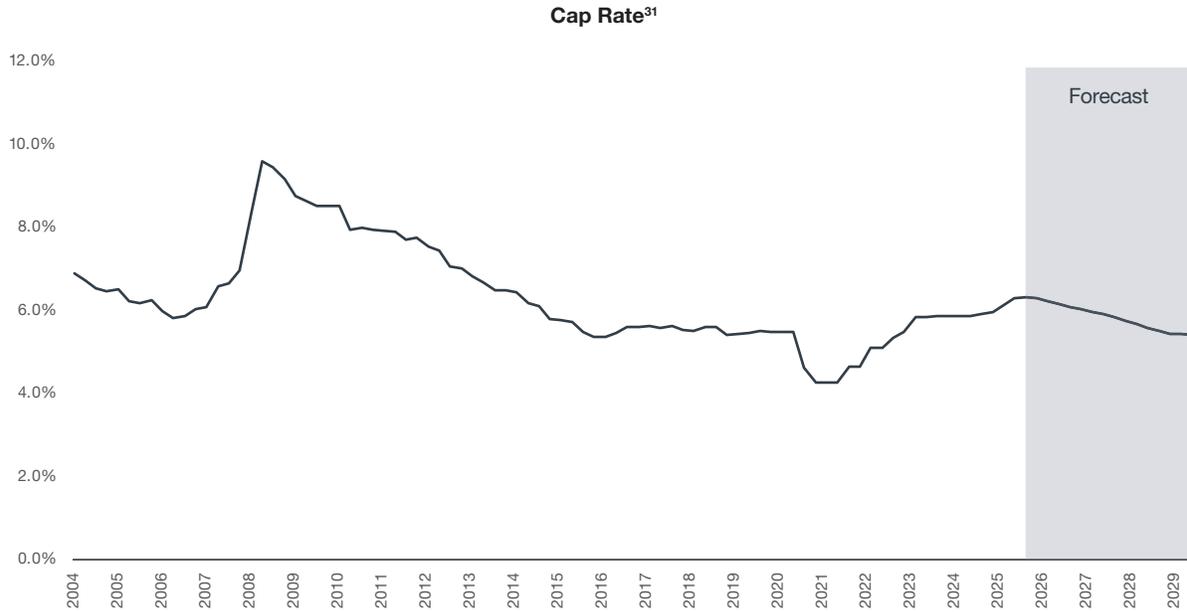
## Capital Markets

### Values, Cap Rates, and Transaction Volume

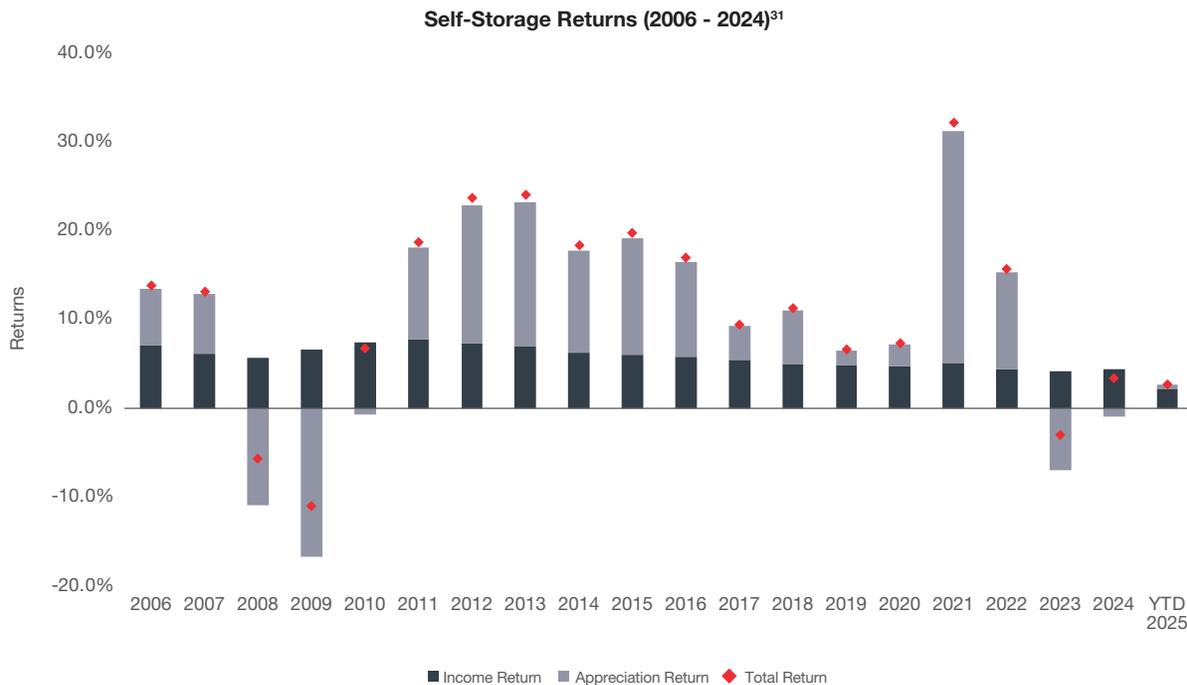
Pricing for the sector has struggled with the Green Street Commercial Property Price Index (CPPI), which is a measure of property values, estimating peak-to-trough (Q1 2022 - Q2 2025) value declines of -23.1 percent. This steep decline is less than the peak-to-trough losses seen during the GFC, which reached -35.4 percent.<sup>29</sup> The recent drop in values is partly due to the expansion of cap rates that followed a sharp compression in 2021. Cap rates bottomed in Q1 2022 at 4.3 percent and have since risen 160 basis points to 5.9 percent. Q1 2025 transaction volume was \$855 million, an increase of 37 percent over Q1 2024, signaling increasing sentiment in the sector.<sup>30</sup>

### Values





Self-storage has consistently ranked among the top-performing real estate sectors over the past decade. Following the GFC, the sector rebounded strongly, delivering an impressive average total return of 21 percent over the subsequent five years, despite experiencing two years of negative total returns and three years of negative appreciation during the downturn. More recently, Q2 2024 marked the first quarter of positive total returns since Q3 2022. Year-to-date returns for 2025 have reached 2.7 percent, signaling renewed momentum for the sector.



## Looking Ahead

While recent performance across the storage sector has been characterized as weak, we believe this period reflects a large retracement following the unprecedented gains the sector experienced during pandemic-era disruptions and trends. The exponential surge in demand during that time was fueled by rapid lifestyle shifts, increased household formations, remote work adoption, and a wave of relocations—all of which temporarily accelerated the sector’s growth beyond its historical norms.

As those short-term tailwinds fade, we see the self-storage sector entering a period of normalization, which is not a signal of long-term sector weakness, but rather a return to strong fundamentals. Demand drivers, including the “Four Ds,” household formation, and the continued shift toward remote work, continue to fuel the need for more space, remain strong and economically resilient. These factors are notably tied to the demographic realities of prime age cohorts who continue to seek convenience, mobility, and storage solutions that align with evolving lifestyles.

We believe that the self-storage sector is well-positioned to resume its long-term growth trend. As new supply tapers off, occupancy rates are expected to improve, supporting rental rate recovery. Operators who adapt to shifting consumer preferences and optimize operational efficiency will be best equipped to capture future, long-term tailwinds.



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Publication date: 10/21/2025

<sup>1</sup>NCREIF Data Subscription

<sup>2</sup>Green Street. Navigating the “Upside Down” in Commercial Real Estate. September 15, 2022. Per Green Street, the historical sensitivity displayed reflects a 20-year period ending on or about 2020.

<sup>3</sup>NCREIF Expanded NPI Rent Growth & FRED CPIAUCSL.

<sup>4</sup>Storable. Self-Storage Industry Pulse. Q1 2025.

<sup>5</sup>Green Street Data Subscription.

<sup>6</sup>Nasdaq. What Is the Estimated Median Income for the Upper-Middle Class? July 2025. Assumed \$74,580

<sup>7</sup>Selfstorage.com. Self-Storage Trends and Statistics to Watch for 2025. April 2025.

<sup>8</sup>Green Street. U.S. Self-Storage Outlook. January 2025.

<sup>9</sup>FRED, NAR, CDC.gov, wfhresearch.com

<sup>10</sup>Population Deaths in United States of America (1950-2025 & Future Projections)

<sup>11</sup>USA Facts. How has marriage in the US changed over time? February 2025.

<sup>12</sup>Modern Family Law. Top 10 Divorce Statistics You Need To Know. May 2025.

<sup>13</sup>U.S. Census Bureau. Median age at first marriage. 1890 to present.

<sup>14</sup>U.S. Census Bureau.

<sup>15</sup>CBRE. Self Storage Investing: Unpacking a Sector on the Move. November 2024.

<sup>16</sup>Grand View Research. Self-storage Market Summary.

<sup>17</sup>FRED: A794RX0Q048SBEA, A797RX0Q048SBEA, and AGDSRX0Q048SBEA

<sup>18</sup>World Population Review. Consumer Spending by Country 2025.

<sup>19</sup>FRED: RSXFS

<sup>20</sup>Green Street Advisors Data Subscription; Mortgage News Daily. Existing Home Sales. July 2025.

<sup>21</sup>Yardi Data Subscription; FRED: TTLHH.

<sup>22</sup>Google Trends.

<sup>23</sup>Marcus & Millichap 2025 Self-Storage Outlook.

<sup>24</sup>Yardi Matrix. 2025 July National Self Storage Report.

<sup>25</sup>Green Street Advisors. Data Subscription.

<sup>26</sup>Yardi Matrix. National Self Storage Report. July 2025.

<sup>27</sup>U.S. Census Bureau. Mini storage value of private construction put in place

<sup>28</sup>Green Street Advisors. Commercial Property Price Index (CPPI).

<sup>30</sup>StorageCafe. 2025 Self Storage Sales Hit \$855 Million Amid Positive Investor Sentiment. July 2025

<sup>31</sup>NCREIF. Expanded NPI. The NPI is a leading benchmark of institutionally owned, private real estate programs. The NPI is based on the unleveraged returns from a large pool of individual, investment grade commercial real estate properties across retail, office, industrial, and apartment sectors. The market values of the properties in the NPI are determined by appraisals rather than by market-based prices of the programs. While the NPI is not a measure of non-listed REIT performance, ALT REIT management generally believes that the NPI is an appropriate and accepted index for the purpose of evaluating real estate returns and risks against other types of investments. The NPI is not a measure of non-listed REIT performance, since non-listed REITs use leverage; require the payment of up-front and other fees that typically exceed those of institutional programs; subject to expenses related to being a public company and fees and expenses associated with raising capital. These fees and expenses lower non-listed REIT returns. The NPI does not reflect management fees and other investment entity fees, costs and expenses that are typical of non-listed REITs. In addition, non-listed REITs are illiquid and their investment goals and objectives, as well as their strategies, may differ from the entities represented in the NPI. Non-listed REIT also differ from the NPI since a portion of the REIT's holdings may consist of loans and other real estate-related investments, while the NPI is a measure of performance of equity investments in institutional properties that consist of office, industrial and retail. Asset allocation/ diversification does not guarantee a profit or protect against a loss in a declining market. Past performance is no guarantee of future results. There can be no assurance that we will be able to identify or acquire investments in any particular asset classes or in any particular concentration or ratio or that we will meet our investment objectives.