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# Self-Storage Real Estate: Resilience, Demand Drivers, and the Case for Private Market Allocation

## *Insights into a Durable Real Estate Sector for Financial Advisors Navigating Market Uncertainty*

### I. Preface

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Among the many real estate sectors available to investors, self-storage occupies a distinctive position: it combines consistent income generation, low capital expenditure requirements, and demand characteristics that are driven more by the rhythms of everyday life than by the broader economic cycle. Over the past two decades, the self-storage sector has delivered returns that have outpaced equities, traditional real estate sectors, and inflation – not by chance, but by structural design.

This research brief explores the key attributes that make self-storage real estate a compelling consideration for financial advisors seeking to diversify client portfolios with alternative, private market assets. We examine the sector's current opportunity set, the powerful and diversified demand drivers underpinning long-term growth, emerging trends reshaping the industry, and the sector's outlook as demographic and economic tailwinds continue to build.

### II. The Current Self-Storage Real Estate Opportunity

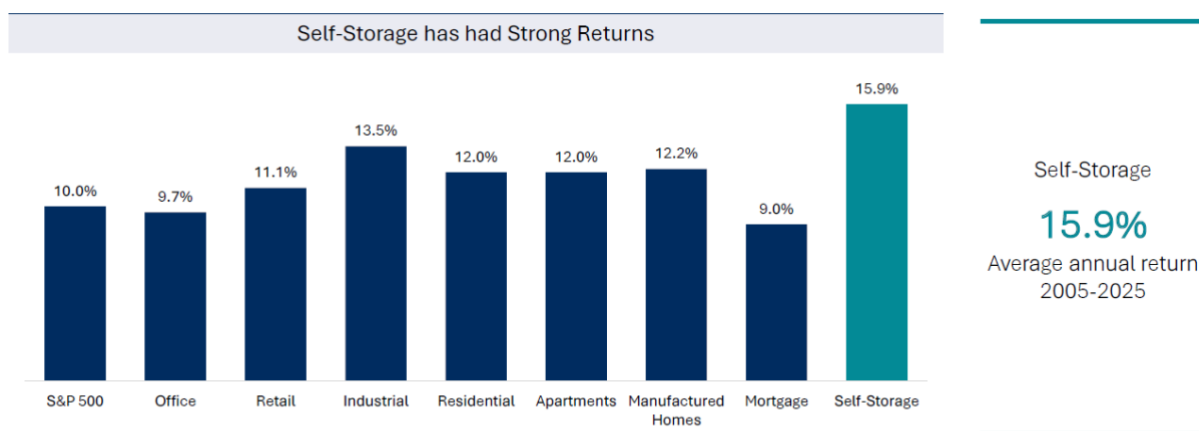
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#### **A Growing, Proven Asset Class**

Self-storage is one of the most resilient and consistently high-performing sectors in U.S. real estate. The industry generates approximately \$58.3 billion in annual revenue across more than 52,000 facilities nationwide – more locations combined than the total count of Starbucks, McDonald's, Dunkin' Donuts, Pizza Hut, and Wendy's.

According to data drawn from the FTSE NAREIT Equity Index, self-storage delivered an average annual total return of 15.9% over the 20-year period from 2005 to 2025 – the highest of any tracked real estate sector and meaningfully above the S&P 500's 10.0% return over the same period<sup>1</sup>.

<sup>1</sup> NAREIT / FTSE NAREIT Equity Index. Returns represent the FTSE NAREIT Equity Index, a free-float adjusted, market capitalization-weighted index tracking U.S. Equity REIT performance. Indices are unmanaged; investors cannot invest directly in any index. Past performance does not guarantee future results.



Source Data • NAREIT Index - Returns are represented by the FTSE NAREIT Equity Index, which is a free-float adjusted, market capitalization weighted index that tracks the performance of the U.S. Equity REIT industry and provides return data broken out on a sector-by-sector basis. Indices are unmanaged and do not include the impact of fees and expenses. Investors cannot invest in any index. Past performance does not guarantee future results. The index presented represent investments that have material differences from an investment in VSIF III including those related to investment objectives, risks, fees and expenses, liquidity and tax treatment.

### An Industry Underpinned by Household Penetration

Self-storage demand is not a niche or cyclical phenomenon – it is a mainstream service deeply embedded in American life. According to the Self Storage Association (“SSA”) 2025 Demand Study, household penetration of self-storage has risen steadily since 2013, reaching a record high in 2024. In raw numbers, that translates to approximately 16.7 million self-storage renter households out of 132.4 million total U.S. households – a penetration rate of 12.6%.

Importantly, demand extends beyond existing users. According to the SSA 2025 Demand Study, 33% of Americans currently use self-storage, while an additional 18% - those not currently renting – indicate plans to rent in the future, suggesting a meaningful runway of untapped demand.

*"Since 2013, the rate of household consumer self-storage usage has risen, peaking in 2024. Each year has seen growth in both the overall population and the number of households renting storage units."*

Self Storage Association, 2025 Demand Study

### Market Scale and Global Growth Trajectory

The global self-storage market is projected to reach \$83.2 billion by 2030, reflecting a compound annual growth rate (CAGR) of 5.9% from 2024 to 2030<sup>2</sup>. Domestically, the industry operates at a current average occupancy of 92.1%, with a break-even occupancy as low as 29% - a margin of safety rarely seen in other real estate sectors<sup>3</sup>.

According to the SSA 2025 Demand Study, business renters represent a meaningful incremental demand pool: despite the total number of operating businesses declining since 2005, the number of businesses actively renting self-storage has increased. As of 2024, approximately 1.5 million businesses rent self-storage - a penetration rate of 13.1%, up from 10.0% in 2005.

<sup>2</sup> Grandview Research, Self-Storage Market Analysis Report, 2026.

<sup>3</sup> Neighbor.com, Self Storage Industry Statistics, October 2024.

### III. Key Trends

#### Trend 1: Demand Is Driven by Life Events, Not Economic Timing

One of the most compelling aspects of self-storage is the structural nature of its demand. Unlike many real estate sectors, self-storage is not primarily driven by corporate expansion decisions, retail foot traffic, or lease rollover cycles. Instead, it is fueled by the ordinary events of human life: relocation, downsizing, divorce, death of a family member, college transitions, home renovation, military deployment, and simply the accumulation of possessions over time.

According to the SSA 2025 Demand Study, 76% of current renters cite long-term storage needs as their primary reason for renting, while 50% cite at least one temporary storage need. The leading reason for renting – cited by 46% of users – is simply a lack of space at their current residence. Additional triggers include storing items inherited due to a death in the family (13%) and storing a relative's items due to a change in living situation (15%). These are not economically sensitive events; they occur across all market cycles.

Primary Reason for Renting Self-Storage	Share of Current Renters
Lack of space at current residence	46%
Temporary storage while changing residence	30%
Storing items no longer needed or wanted	21%
Storing relative's items due to life changes	15%
Inherited items due to death in family	13%
Temporary storage while remodeling	11%

*Source: Self Storage Association, 2025 Demand Study. Renters permitted to select multiple reasons.*

#### Trend 2: "Sticky" Tenants Support Consistent NOI

Tenant retention in self-storage is significantly higher than most renters initially anticipate – a key feature supporting stable, recurring income for operators. According to industry research, approximately 43% of tenants rent for more than 24 months, while only about 12% use storage for fewer than 3 months<sup>4</sup>. Research by Cushman & Wakefield suggests the average length of stay is approximately 10 to 14 months. This dynamic is confirmed in the SSA 2025 Demand Study, which shows that the majority of current rentals have been in place for at least 1 to 2 years, with 49% of current renters intending to maintain their rentals for an additional 1 to 5 years. Importantly, future renters consistently underestimate how long they will ultimately stay – once items are stored, the inertia of continued rental is powerful. Reduced tenant turnover translates directly to lower operating costs – particularly in advertising, labor, and unit preparation – which supports strong net operating income (NOI) margins<sup>5</sup>.

<sup>4</sup> Cushman & Wakefield Research, Self-Storage Market by the Numbers, 2025.

<sup>5</sup> Storable.com, Charting the Future: What's Next for the Self-Storage Industry?, September 2025.

### **Trend 3: The Sector Outpaces Inflation**

Self-storage has demonstrated a meaningful ability to keep pace with – and exceed – inflation over time. Annual NOI growth for the sector has averaged 4.4%, compared to inflation of 2.5% over the same period – an outperformance of approximately 190 basis points<sup>6</sup>. This outperformance is enabled by the sector's month-to-month lease structure, which allows operators to adjust pricing in response to inflationary environments more rapidly than sectors locked into multi-year leases. For investors concerned about inflation eroding real returns, self-storage offers a structural hedge.

### **Trend 4: Low Correlation to Broader Economic Cycles**

One of the sector's most attractive risk attributes is its historically low sensitivity to GDP fluctuations. Research from Green Street indicates that self-storage has demonstrated lower correlation to the broader economy compared to other commercial real estate sectors over a 20-year period ending approximately 2020<sup>7</sup>. This characteristic has meaningful portfolio construction implications: self-storage investments can serve as a stabilizing allocation within a diversified portfolio, potentially reducing overall volatility without sacrificing return potential. This is particularly relevant for financial advisors seeking to manage risk during periods of economic uncertainty or market dislocation.

### **Trend 5: New Supply Is Decelerating**

Rising construction costs have begun to serve as a natural constraint on new supply – a dynamic that supports pricing power for existing and newly completed facilities. As the cost of materials and labor continues to elevate development expenses, many speculative projects have been delayed or abandoned, limiting the pipeline of competitive new supply<sup>8</sup>. This constrained supply environment is particularly advantageous for investors who can access shovel-ready or in-development facilities at pre-stabilization valuations, as the lease-up period benefits from reduced competitive pressure.

### **Trend 6: Demographics and Migration Are Structural Tailwinds**

Population migration patterns in the United States present a significant, long-term tailwind for self-storage demand – particularly in the Sunbelt and Southern regions. According to CoStar, 87% of total U.S. population growth since 2020 has been concentrated in Sunbelt markets<sup>9</sup>.

The South has consistently been the region with the highest concentration of self-storage users, accounting for approximately 43% of all consumer renters as of 2024 – a share that has grown from 40% in 2005<sup>10</sup>.

Demographic factors reinforce these trends. Millennial households – now entering peak family formation and career stages – have shown the most substantial increase in rental activity and represent the largest single renting generation. Gen Z, which tends to rely on digital channels to discover and engage with facilities, is growing rapidly as a new cohort entering the market. Unlike prior generations, younger renters exhibit higher storage penetration earlier in life, suggesting that the generational expansion of the user base will continue over the next decade.

<sup>6</sup> NCREIF Expanded NPI Rent Growth & Federal Reserve Economic Data (FRED) CPIAUCSL.

<sup>7</sup> Green Street, Navigating the "Upside Down" in Commercial Real Estate, September 15, 2025. Historical sensitivity reflects a 20-year period ending on or about 2020.

<sup>8</sup> U.S. Self-Storage Industry Statistics in 2025, September 2025.

<sup>9</sup> CoStar, South Leads as U.S. Posts Biggest Population Growth Since 2018, December 21, 2024.

<sup>10</sup> Self Storage Association, Self Storage Demand Study — 2025 Edition (data collected February–March 2025, reflecting 2024 experience). Survey conducted by C+R Research; n = 3,456 households and 935 businesses.

### Trend 7: Multi-Generational Demand Profile






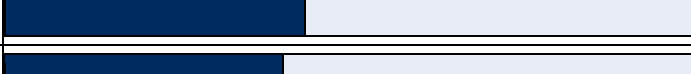
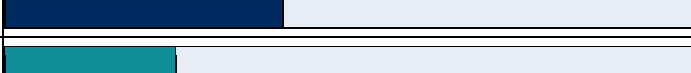
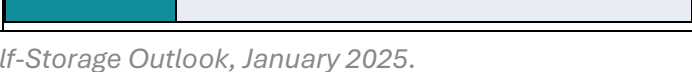
A key indicator of self-storage's long-term resilience is the breadth of its user demographics. The SSA 2025 Demand Study confirms that self-storage usage spans all generations, income levels, and urbanization profiles. The average household income of self-storage renters stands at approximately \$94,000 – a cohort that is financially capable and stable.

Moreover, 27% of self-storage users visit their unit at least once per week, suggesting that for many households, storage is not merely a passive repository but a functional extension of their living space<sup>11</sup>.

### Trend 8: Low Capital Intensity Supports Superior Margins

Self-storage requires significantly less capital expenditure and ongoing maintenance than virtually every other real estate sector. Capital expenditure as a percentage of NOI is approximately 8% for self-storage – compared to 13–14% for industrial, 17% for apartments, 22% for healthcare, and as high as 32% for hotels<sup>12</sup>. Self-storage also has significantly lower initial construction costs - typically \$25 to \$75 per square foot – compared to \$120–\$150 for industrial, and \$250 or more per square foot for office and retail<sup>13</sup>.

#### Capital Expenditure as a % of NOI — Self-Storage vs. Other Sectors

Hotel		32%
Office		30%
Strip Center		22%
Mall		17%
Apartment		15%
Industrial		14%
Healthcare		13%
<b>Self-Storage</b>		<b>8%</b>

Source: Green Street, U.S. Self-Storage Outlook, January 2025.

Typical operating expenses for self-storage facilities run at approximately 35% of effective gross income, leaving a significant NOI margin before debt service and capital items — a structural advantage that supports consistent cash distributions to investors<sup>14</sup>.

<sup>11</sup> StorageCafe, 1 In 3 Americans Rent Self Storage As Space Shortages Grow And Demand Expands, April 11, 2025.

<sup>12</sup> Green Street, U.S. Self-Storage Outlook, January 2025.

<sup>13</sup> Construction cost comparisons: Pillars of Seven, Self-Storage Costs Per Foot, 2024; Cushman & Wakefield, Industrial Construction Cost Guide, 2025; APRO Door, Commercial Building Cost Per Square Foot, 2025.

<sup>14</sup> Modern Storage Media, Rely On Data: Self-Storage Real Estate Market Value, April 29, 2025.

## IV. Sector Outlook

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### Institutional Activity Signals Confidence

Transaction activity in the self-storage sector accelerated meaningfully in the second half of 2025. Self-storage sales reached \$1.6 billion in Q3 2025, representing a 62% year-over-year increase in transaction volume<sup>15</sup>.

Notably, 25% of Q3 2025 deals involved REITs, which paid premiums for assets in high-barrier, high-demand markets<sup>16</sup>. This surge in institutional interest reflects growing recognition of the sector's fundamental strength, and it creates a meaningful potential exit opportunity for private investors who have assembled portfolios of well-located, operating properties – particularly since most large institutions are not configured to develop assets organically.

### Fragmented Ownership Creates a Private Market Opportunity

Despite growing institutional attention, the self-storage sector remains highly fragmented: approximately 65% of all self-storage facilities are owned by small, unsophisticated operators<sup>17</sup>.

This fragmentation creates a durable opportunity for private investors with institutional-quality operating capabilities – including dynamic revenue management, professional property management teams, electronic access and security monitoring, and modern, purpose-built facilities – to compete effectively against undercapitalized local operators while still benefiting from the premium valuations commanded by institutionally managed assets at sale.

### Favorable Demand Pipeline Through 2030 and Beyond

The structural demand outlook for self-storage remains constructive across all major consumer segments. The SSA 2025 Demand Study notes that the housing market has played a significant role in sustaining recent demand: elevated mortgage rates and rising home prices have led many households to delay purchasing or selling homes, or to move to smaller living spaces – both of which drive demand for supplemental storage.

Looking further ahead, continued household formation, business consolidation, and evolving consumer expectations suggest that demand for self-storage will remain robust. Key structural supports include:

- The growth of the suburban and Sunbelt populations, which represent the core self-storage demand base.
- The maturation of Millennials and the emergence of Gen Z as major renter cohorts, both of which exhibit higher penetration rates than prior generations at equivalent ages.
- The persistent reality that Americans are staying in their homes longer and accumulating more possessions – driving ongoing demand for supplemental storage.
- The business demand base, which has grown as a share of total users even as the absolute number of operating businesses has declined – reflecting the sector's increasing utility as a flexible, low-cost solution for business inventory and records management.

<sup>15</sup> Green Street, U.S. Self-Storage Outlook, January 2025.

<sup>16</sup> CRE Daily, Self Storage Sales Surge To \$1.6B In Q3 2025, December 2, 2025.

<sup>17</sup> RentCafe, Self-Storage: Who Owns The Market, September 2, 2025.

## Supply Constraints Support Pricing Power

New self-storage supply is expected to decelerate going forward, as rising construction costs create meaningful barriers to speculative development. This supply/demand imbalance is expected to support occupancy and rental rate growth, particularly in high-demand Sunbelt markets where population and demographic growth continue to outpace the national average. The sector's current average occupancy of 92.1% - well above the break-even threshold of approximately 60–70% - underscores the market's health<sup>18</sup>.

## V. Key Takeaways

For financial advisors evaluating alternatives to traditional 60/40 portfolios, self-storage real estate presents a differentiated, well-documented opportunity. The following observations summarize the core investment thesis:

<b>1</b>	<p><b>Proven Long-Term Performance</b></p> <p>Self-storage has been the #1 cumulative-return REIT sector since 1999, delivering a 15.9% average annual return from 2005 to 2025 — outperforming the S&amp;P 500, apartments, industrial, and all other tracked real estate sectors.</p>
<b>2</b>	<p><b>Recession-Resilient Demand</b></p> <p>Demand is driven by life events — relocation, downsizing, inheritance, and lack of space — that occur regardless of economic conditions. The sector demonstrated resilience through the Global Financial Crisis, the COVID-19 pandemic, and multiple economic cycles.</p>
<b>3</b>	<p><b>Structural Inflation Hedge</b></p> <p>Month-to-month leases allow rapid rental rate adjustment in response to inflationary pressure. Annual NOI growth has averaged 4.4%, outpacing inflation by 190 basis points over the same period.</p>
<b>4</b>	<p><b>Low Correlation to Equities and GDP</b></p> <p>Historically low GDP sensitivity and low correlation to equity markets make self-storage a potentially valuable portfolio diversifier — particularly in risk-off environments.</p>
<b>5</b>	<p><b>Capital-Efficient Model</b></p> <p>With capex requirements of approximately 8% of NOI and operating expenses of roughly 35% of gross income, self-storage generates among the highest margins in commercial real estate, supporting consistent and predictable income.</p>
<b>6</b>	<p><b>Deep and Expanding Demand Base</b></p> <p>At 12.6% household penetration — a record high in 2024 — self-storage is used by all major demographic cohorts. Millennials, Gen Z, and business users each provide incremental demand growth, while 18% of non-renters indicate future intent to rent.</p>
<b>7</b>	<p><b>Favorable Supply Dynamics</b></p> <p>Rising construction costs have suppressed new supply, reinforcing pricing power for existing and newly stabilized facilities. This dynamic is especially pronounced in high-growth Sunbelt markets.</p>
<b>8</b>	<p><b>Growing Institutional Interest</b></p> <p>A 62% year-over-year surge in transaction volume in Q3 2025 — with REIT buyers paying premiums for quality assets — validates the investment thesis and signals potential for meaningful exit liquidity.</p>

<sup>18</sup> Neighbor.com, Self Storage Industry Statistics, October 2024.

*"Self-storage has demonstrated consistent strength and adaptability across changing economic landscapes... The outlook for the industry remains optimistic. Continued growth in household formation, business consolidation, and evolving consumer expectations suggest that demand for self storage will remain strong in the years to come."*

Self Storage Association, 2025 Demand Study — Looking to the Future

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### Contact Us

For more information on Veritas Group:

Email: [Veritas@Veritas.Group](mailto:Veritas@Veritas.Group)

Phone: (407) 794-9446

Web: [Veritas.Group.com](http://Veritas.Group.com)