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Contacts

Jeff Adler

Vice President & General
Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Paul Fiorilla

Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

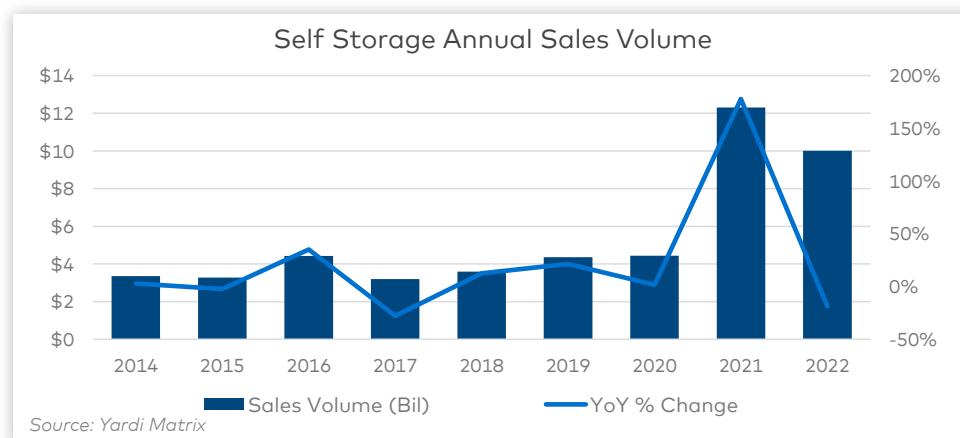
Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Self Storage Sales Waning After Active Year in 2022

The self-storage market recorded its second-highest annual sales number ever in 2022. However, volume dropped sharply in the fourth quarter and is expected to remain light in the immediate future due to uncertainty in pricing and yields.

Self storage property sales totaled \$10.0 billion in 2022, down 18.7% from \$12.3 billion in 2021. Despite the decline, sales activity was more than double any year prior to 2021. Institutional investor demand has grown in recent years, owing to the sector's high returns relative to other property segments over the last two decades, recent strong fundamentals performance, and the prospects for growth as an increasing number of households become storage customers.



Even robust investor demand did not keep volume from slipping as the year progressed, as rising mortgage rates increased the cost of capital. That had the effect of making it difficult to underwrite deals and increasing the difference in yield expectations between buyers and sellers, which some industry executives say is roughly 100 basis points. "The gap between buyer and seller expectations is high," said one self-storage REIT executive.

Self storage sales rose through the third quarter of 2022, totaling \$2.6 billion in 1Q 2022, \$2.8 billion in 2Q 2022 and \$3.0 billion in 3Q 2022 before dropping to \$1.7 billion in the fourth quarter. Some would-be sellers are content to "clip coupons" and collect dividends until prices move up again. "If the market improves, sellers will come back out," said another industry executive.