



VIEWPOINT

Back to Basics:

The New Rules of Self-Storage

July 2026



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Self-storage spent the last decade earning institutional credibility. The next decade may belong to the investors, developers and lenders who execute the fundamentals better than everyone else.

For much of the last decade, investing in self-storage meant believing in the asset class. Today, that is no longer enough.

Institutional investors have already validated the sector. Capital is deeper. Lenders are more competitive. Borrowers are more sophisticated. Success is becoming less about participating in the market and more about outperforming within it. That is a meaningful shift.

\$50 BILLION

Invested in self-storage from 2020-2022

Over the last decade, self-storage established itself as one of commercial real estate's most resilient property types. It weathered the Global Financial Crisis better than many sectors and accelerated through the COVID-19 pandemic, earning a place alongside multifamily, industrial and other institutional investments. Between 2020 and 2022 alone, investors committed roughly \$50 billion to self-storage acquisitions, exceeding the estimated \$35 billion invested during the previous seven years combined.

Institutional investors didn't just validate the asset class. They fundamentally changed how it competes. And now, the industry's next chapter looks different.

Higher borrowing costs have reset financing assumptions. Some markets continue to absorb post-pandemic supply. Municipalities are becoming more selective about new development. Investors are spending more time evaluating submarket fundamentals than broad demographic trends.

None of that changes the long-term appeal of self-storage, but it does change how investors compete.

For Northmarq's self-storage capital markets team, the next phase of the industry comes down to a familiar principle: getting back to the basics. The fundamentals that have always mattered – disciplined underwriting, thoughtful capital allocation, strong locations and sound development strategy – are once again becoming the biggest differentiators.



How self-storage became an institutional asset class

Self-storage did not become an institutional favorite overnight. For years, the sector remained highly fragmented, with independent owners controlling much of the market while institutional investors focused their attention on more traditional property types. The Global Financial Crisis changed that perception.

While many commercial real estate sectors struggled through the downturn, self-storage demonstrated remarkable resilience. Occupancy remained relatively stable. Cash flow held up. Public REITs continued producing attractive returns. And investors noticed.

Then, the pandemic accelerated that momentum. Housing mobility increased as Americans relocated, renovated homes, downsized and adapted to changing lifestyles. Demand surged, development accelerated and institutional capital followed. Investors recognized that self-storage wasn't simply a defensive asset. It had become a scalable investment capable of performing across multiple economic cycles.

The financing landscape evolved alongside it. Five years ago, many lending conversations centered on educating capital providers about self-storage fundamentals and explaining why the asset class deserved consideration. Today, that conversation has largely disappeared.

Lender participation has expanded. Borrowers have become more sophisticated. And competition for quality opportunities has intensified.

The challenge is no longer proving that self-storage belongs in institutional portfolios. It is identifying the investments most likely to outperform in a more mature market.





The bar has risen

Institutional capital did more than validate self-storage. It changed the competitive landscape.

Higher benchmark interest rates have reshaped financing assumptions across commercial real estate. While lender spreads have remained relatively consistent, the cost of capital has changed how acquisitions, refinancings and new development are evaluated.

Borrowers have evolved as well. Today's owners and developers generally enter the market with greater sophistication, stronger market intelligence and higher expectations from their financing partners. At the same time, lenders have become more comfortable with the asset class, creating deeper competition and more financing options than existed just a few years ago.

That combination has raised expectations across the board.

Markets that experienced a surge of post-pandemic development are still working through new supply, making local knowledge increasingly valuable. Investors are spending more time studying individual trade areas, competitive inventory and long-term demand drivers before deploying capital.

Location has always mattered, and understanding what may be built tomorrow can matter just as much as understanding what exists today. Municipal policy has become part of that equation.

Across the country, cities are taking a more deliberate approach to where self-storage fits within future land use plans. Entitlement timelines are becoming less predictable in some markets, while others are encouraging redevelopment patterns that prioritize housing, mixed-use projects and employment-generating uses.

For developers and capital providers, zoning is no longer simply a permitting exercise. It has become another underwriting consideration.

None of these changes suggest the asset class is losing momentum, though. They suggest it has matured. Growth alone is no longer the competitive advantage – disciplined execution is.

Quick take: Then vs. now

FIVE YEARS AGO	TODAY
Educating lenders about the asset class	Choosing among a deeper pool of capital providers
Rapid portfolio expansion	More selective capital deployment
Growth masked execution gaps	Execution drives long-term performance
Historically inexpensive capital	Greater emphasis on capital efficiency
National growth story	Local market expertise determines outcomes

The development playbook is evolving

As capital becomes more selective and entitlement becomes more complex, developers are adapting both where they build and what they build.

Ground-up development remains an important part of the pipeline, but adaptive reuse is playing a much larger role, particularly in dense urban markets where entitled land is scarce or politically difficult to develop.

Today, adaptive reuse accounts for approximately 179 million square feet of self-storage inventory nationwide, representing roughly 10% of total U.S. supply. More than half of that inventory has been delivered within the last decade.

The strategy is gaining traction because it often solves several challenges at once. Repurposing an existing building can shorten development timelines, reduce entitlement risk and unlock opportunities in markets where new ground-up construction faces increasing scrutiny.

Adaptive reuse by the numbers:

Several markets illustrate how quickly development strategies are evolving.

- **Chicago, Illinois** has emerged as the nation's largest self-storage conversion market, demonstrating how obsolete commercial buildings can be repositioned into high-performing storage facilities.
- **Los Angeles, California** continues to expand through office and industrial conversions, helping address one of the country's most undersupplied storage markets while avoiding many of the hurdles associated with new construction.
- **Irving, Texas** currently leads the nation in under-construction conversion volume, illustrating how former retail properties are finding a second life as self-storage.

Developers are rethinking more than the buildings themselves. They're rethinking how self-storage fits into the communities they serve.

Across the country, newer projects increasingly incorporate retail frontage, enhanced architecture and designs that blend more naturally into surrounding neighborhoods. In Tampa, Florida's Hyde Park neighborhood, for example, one recently completed facility was designed to resemble attached townhomes rather than a traditional storage building.

These designs are more than aesthetic choices. They reflect a broader reality that communities are asking more from new development, and developers who respond thoughtfully may be better positioned to secure approvals and create long-term value.

Innovation is extending beyond architecture as well.

Automated urban storage concepts, mixed-use developments that incorporate self-storage and hybrid industrial-storage projects are beginning to emerge in select markets. While these formats remain a relatively small portion of overall inventory, they demonstrate how the industry continues to adapt as land becomes more constrained and development becomes more selective.

The result is an industry that is evolving without abandoning its core fundamentals.

Where local policy is changing the development equation

Municipal policy is becoming an increasingly important part of the investment conversation.

Across the country, local governments are taking a more active role in determining where self-storage fits into long-term growth plans. While the specifics vary by market, the broader trend is consistent: development is becoming more localized and entitlement is becoming more strategic.

Markets to watch

Chicago, IL

New zoning regulations adopted in 2025 prohibit new self-storage development across many business, commercial and downtown districts, significantly limiting future development opportunities in much of the city.

New York City, NY

Development within many Industrial Business Zones now requires a special permit, preserving employment-generating land while making new self-storage projects subject to greater discretionary review.

Atlanta, GA

A proposal introduced in 2026 would prohibit new self-storage development within approximately one-half mile of the Beltline Overlay District, encouraging higher-density mixed-use development instead.

Providence, RI

The city has effectively halted new self-storage development as officials prioritize housing and other land uses that generate greater economic activity.

Miami and Collier County, FL

Communities throughout South Florida are becoming more selective through zoning changes, special approval processes and redevelopment policies that steer self-storage toward specific commercial and industrial locations.

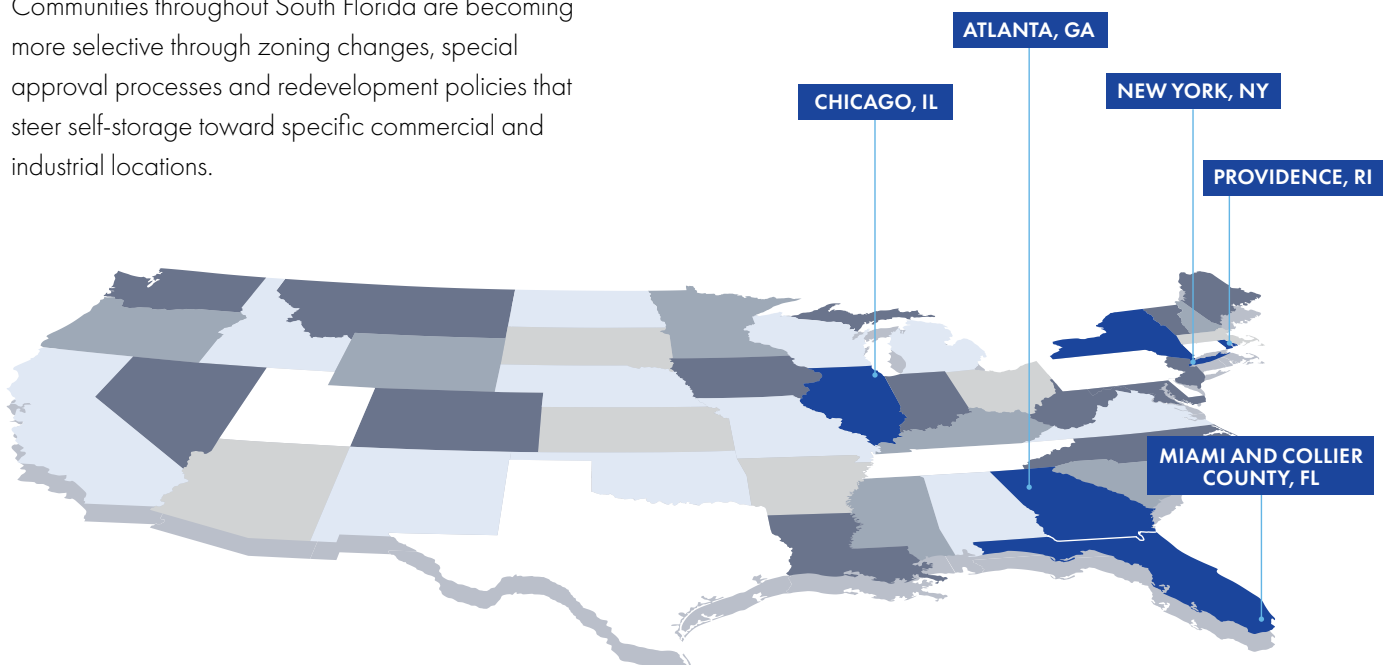
For investors, these policies represent more than planning decisions. They also influence future supply.

In markets where approvals become increasingly difficult, existing facilities may benefit from slower competitive development over time. At the same time, developers and capital providers must place greater emphasis on entitlement risk, municipal priorities and political feasibility before pursuing new opportunities.

Understanding those local dynamics is becoming just as important as understanding occupancy, rental rates and demographic trends. And today, competitive advantage is increasingly created at the local level.

>> THE TAKEAWAY

Demand may be national, but development remains local.



What this means for investors

The same forces making self-storage development more challenging may strengthen the long-term position of well-located existing assets.

In markets where future supply becomes more difficult to deliver, existing facilities may face less competitive pressure over time. For investors, that has the potential to support occupancy, pricing power and long-term income durability.

It also changes how development sites are evaluated.

A parcel that appears attractive on paper can lose value quickly if entitlement becomes uncertain, approvals require significant design concessions or municipalities shift their priorities toward housing or mixed-use development.

That is leading many investors to think differently about where they deploy capital. Increasing attention is being placed on:

- Existing facilities in supply-constrained markets
- Adaptive reuse opportunities that reduce entitlement risk
- Markets where local policy continues to support thoughtful development
- Submarkets with strong long-term demand and disciplined supply growth

Increasingly, location is no longer defined only by demographics. It is also defined by policy.

In some markets, constrained entitlement may ultimately function as a competitive moat. Facilities that already exist in supply-constrained trade areas could benefit from slower replacement pipelines and reduced development competition. While each market must be evaluated independently, the relationship between local policy and future supply is becoming an increasingly important part of the investment conversation.

That represents a meaningful evolution for the sector. A decade ago, much of the focus centered on validating self-storage as an institutional asset class. Today, investors are spending less time asking whether they should invest in self-storage and more time asking where, how and under what conditions they should deploy capital.





Looking ahead

The next phase of self-storage won't be defined by discovering the asset class. It will be defined by executing within it.

That shift carries several implications for investors, developers and lenders.

Location matters more

Strong demographics remain important, but local supply pipelines, entitlement conditions and municipal priorities are becoming equally valuable pieces of the underwriting process.

Underwriting matters more

Higher borrowing costs and tighter margins leave less room for aggressive assumptions. Disciplined underwriting and thoughtful capital allocation are becoming increasingly important differentiators.

Development strategy matters more

Adaptive reuse, redevelopment and creative site selection are giving developers new ways to grow while reducing entitlement risk and responding to changing community expectations.

Local expertise matters more

Self-storage remains a national asset class, but investment performance is becoming increasingly market specific. Understanding local zoning, political priorities, competing supply and long-term development patterns can create meaningful advantages over time.

None of this suggests self-storage is entering a weaker period. Quite the opposite.

The sector continues to benefit from durable demand drivers, institutional capital and a growing lender base. What has changed is the environment surrounding it. The industry has become more competitive, more disciplined and more dependent on execution than it was a decade ago. That is a natural progression for any asset class as it matures.

For years, success in self-storage was driven by recognizing the opportunity before much of the institutional market did. Today, however, the opportunity looks different.

The next decade won't reward investors simply because they're in self-storage. It will reward those who execute better than everyone else. It is back to basics.

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