

Overview of the Self-storage Industry in Montgomery County September 2024

What are the regional and national trends in self-storage?

- A Cushman and Wakefield August 2023 market report said that increased migration within the US, remote work, and a thriving residential market were leading people to move and store their belongings in these units.
- The industry benefitted greatly from people moving during the pandemic.
 - Average occupancy of self-storage facilities pushed above 90% in 2017 and maintained that level, reaching 93% in 2021.
 - Construction starts reached all-time highs in the third and fourth quarters of 2022.
 - Outside investment surged to \$26 billion in Q1 2022, more than tripling the previous peak of \$7 billion from the period 2013-2021.
- However, the pandemic-era boom is waning, and the market normalized in the latter half of 2023. Federal Reserve interest rate changes and inflation in building materials hurt companies' ability to expand.
 - An industry group, Inside Self Storage, says much of the planned construction will not be built.
 - Some indicators – slower rent growth, less occupancy, less developer activity – show the boom tapering
 - Increasing property taxes are weighing on these companies, and their new locations are in small or mid-size municipalities where taxes tend to be lower.
- Investors view self-storage as a safe bet – similar to other forms of real estate.
- Still, continued industry growth is expected. Millennials are a much larger generation than Generation X and already 40% use a storage unit. Their share is expected to grow due to tight and expensive housing markets, which give people reason to move.
 - Generation X: 54% rent a unit.
 - Millennials: 40% rent a unit
 - Generation Z: 25% rent a unit.
- Trends for the Washington, DC region in 2023 include the following:
 - Actual Occupancy: 94% of storage units owned by REITs are in use (68% of locations in Montgomery are in REITs), according to a SkyView Advisors market report.
 - Average rent per unit for a typical size of 50 square feet: \$90 per month, as of Q2 2021 (this is the most recent data available, from Cushman and Wakefield Self-Storage Metropolitan Statistical Area Report)
 - The DC Region is not a “Large Market to Watch,” according to a market report from Inside Self Storage.

How many self-storage facilities are in Montgomery County and where are they located?

- Based on an analysis of SDAT and Costar, RSP staff identified 54 self-storage facilities in Montgomery County, 15 of which are in municipalities and so outside of MNCPPC’s jurisdiction.
- A substantial portion (25) are close to Route 355, between North Bethesda and Germantown, and another 8 are on the west side of I-270 nearby. Particular concentrations are near Montgomery Village (13) and North Bethesda (11).
- Eleven facilities are close to Route 29, between downtown Silver Spring and Fairland.
- Policy Areas: 31 locations (57%) are in Orange Policy Areas, 14 (26%) are in Yellow Policy Areas, and 9 (17%) are in denser Red Policy Areas
- Zoning: these facilities are most often located in Industrial Light 1.0 zones (16 facilities) and second most in Industrial Medium zones 2.5 (7). The remainder are spread evenly across other commercial zones, with no other zone type having more than 3 facilities.
- Facilities in Montgomery County have an average of 94,013 square feet (median of 87,477 s.f.) with the smallest facility at 11,440 s.f. and the largest at 280,934 s.f.

What is the distribution of ownership?

- 41 facilities (of 54) are affiliated with the largest companies in the US – Public Storage owns 21, Extra Space Storage owns 15 locations, U-Haul owns 4 and Cubesmart owns 1. This dataset is from CoStar Group.
- For the remaining facilities, the owner was not clear. There was often only an address listed in the category of owner.

Do they make money, i.e., are we over-supplied or under-supplied?

- The regionwide occupancy rate (self-storage units in use) was 94% in the 2nd quarter of 2023 and calls to a few Silver Spring locations in the past week indicated a similar rate.
- This suggests that the current supply is probably “just right” and there is likely demand for growth.
- Price: Calls to two storage facilities found that the cost of renting a unit can depend on various factors. This is information on the most common size of unit – 5 ft by 10 ft at Extra Space Storage or 5 ft by 15 ft at Public Storage:
 - 5’x10’: \$90 per month, \$47 per month if you book online
 - 5’x15’: \$188 per month
 - Other factors: if the unit is on a first or second floor, time of year (facilities are in “moving season” now, which means higher rates), and Extra Space Storage uses demand pricing (if there is more demand, there is a higher cost – but the cost typically only changes by a few dollars)

What are the assessed values for these facilities?

- Regarding most facilities in the county, assessed values are predictably lower farther from DC, apart from Red Policy Area facilities, which are far fewer in number as well as smaller in size, and are likely in less valuable locations.
 - Value per square foot in the county overall is \$225.80
 - Yellow Policy Areas – \$211 per square foot

- Orange Policy Areas – \$251 per square foot
 - Red Policy Areas – \$162.36 per square foot
- The zone types with the most square feet of self-storage are:
 - Industrial Light – \$210 per square foot
 - Industrial Medium – \$283 per square foot
 - Commercial Residential – \$216 per square foot
- The Cubesmart self-storage facility along I-270 in Rockville was an obsolete office building that was converted to self-storage around 2020. Its assessed value compared to nearby office buildings illustrates both the weak demand for older office buildings and the strong demand for self-storage spaces in highly visible and accessible locations.
 - Cubesmart (spread into two parcels at 4 & 44 Research Place, alongside I-270 in Rockville) compared to nearby Office:
 - Cubesmart: \$174.72 Value per Square Foot (173,838 square feet)
 - Office at 1 Research Court: \$154.25 Value per square foot (116,425 square feet)
 - Office at 3 Research Place: \$105.16 Value per Square Foot (41,511 square feet)

How many people are employed in the self-storage industry?

- RSP staff counted a total of 159 jobs at 43 self-storage facilities, according to data from the Maryland DLLR Quarterly Census of Employment and Wages (2023). Using an average of 3.7 employees per facility, we estimate that all 54 facilities could employ a total of approximately 220 people.

Sources:

Cushman and Wakefield Inc., Market Trends and Sector Outlook – U.S. Self Storage. August 28, 2023. [usselfstoragetrendsh123.pdf \(cw-gbl-gws-prod.azureedge.net\)](https://www.cw-gbl-gws-prod.azureedge.net/usselfstoragetrendsh123.pdf)

Cushman and Wakefield Inc., Self-Storage Metropolitan Statistical Area Report. Data as of Q2 2021, date not listed. [Q2_SSAG_MSA-Reports.pdf \(melestoragegroup.com\)](https://www.melestoragegroup.com/Q2_SSAG_MSA-Reports.pdf)

Inside Self Storage, Self-Storage Market Outlook 2023-24, December 19, 2023. [Self-Storage Market Outlook 2023-24 \(insideselfstorage.com\)](https://www.insideselfstorage.com/Self-Storage-Market-Outlook-2023-24)

SkyView Advisors, Self-Storage Market Showcases Resilience in Q1 2024, Date not listed. [Self Storage Market 2024 Q1 REIT Report - SkyView Advisors](https://www.skyviewadvisors.com/Self-Storage-Market-2024-Q1-REIT-Report)

Data on Montgomery County:

- Maryland State Department of Assessments and Taxation (SDAT), 2024
- Quarterly Census of Employment and Wages (QCEW), 2023
- CoStar Group, 2024 (data pulled in August 2024)

Appendix – Summary Tables

Distribution of Self-Storage Facilities by Zone in Montgomery County

Industrial Light	17	1,181,207
Industrial Medium	9	1,046,281
Commercial Residential	8	780,432
Commercial Residential Town	6	738,354
General Retail	2	200,404
Employment Office	2	164,293
Residential (R-200 only)	1	110,587
Total	54	4,221,558*

*This total does not include municipalities.

Distribution of Self-Storage Facilities by Policy Area in Montgomery County

	Number of Facilities	Square Footage
Yellow	14	1,006,982
Orange	31	3,085,532
Red	9	984,164
Grand Total	54	5,076,678

*This total includes municipalities