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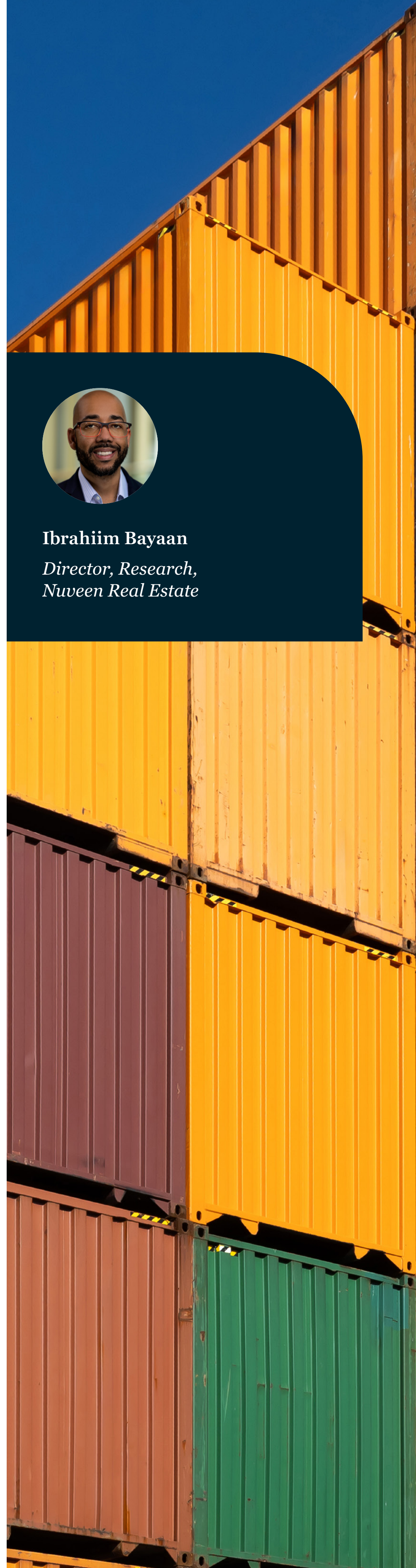
Beyond the Sun Belt: self-storage investment in the midwest



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The self-storage sector has become an attractive target for investment in recent years for its resilience across economic cycles and consistent outperformance over the past decade. However, a deeper examination reveals that performance is far from uniform across the United States. Regional supply-demand dynamics, demographic trends, population migration patterns, and local economic conditions create a genuinely differentiated landscape for investors. Understanding these geographic distinctions is essential to identifying where capital can be deployed most effectively and where long-term risk-adjusted returns are most compelling.

Coastal and Sun Belt markets dominated self-storage investment narratives throughout the 2010s and into the early 2020s. Markets like Phoenix, Dallas, Atlanta, and Charlotte experienced outsized demand growth fueled by long-term migration trends which translated into rapid population growth and strong household formation. However, the demand strength in many of these markets also generated an outsized supply response. Development pipelines swelled, and by 2023 and 2024, several Sun Belt metros were grappling with meaningful occupancy pressure and rent softening as new deliveries outpaced demand absorption. Coastal gateway markets, meanwhile, contended with surging home prices and elevated interest rates that caused homebuying activity to slow significantly, curbing demand. These markets also face persistent challenges around land scarcity, elevated construction costs, and regulatory complexity that compress development yields and limit scalable acquisition opportunities.

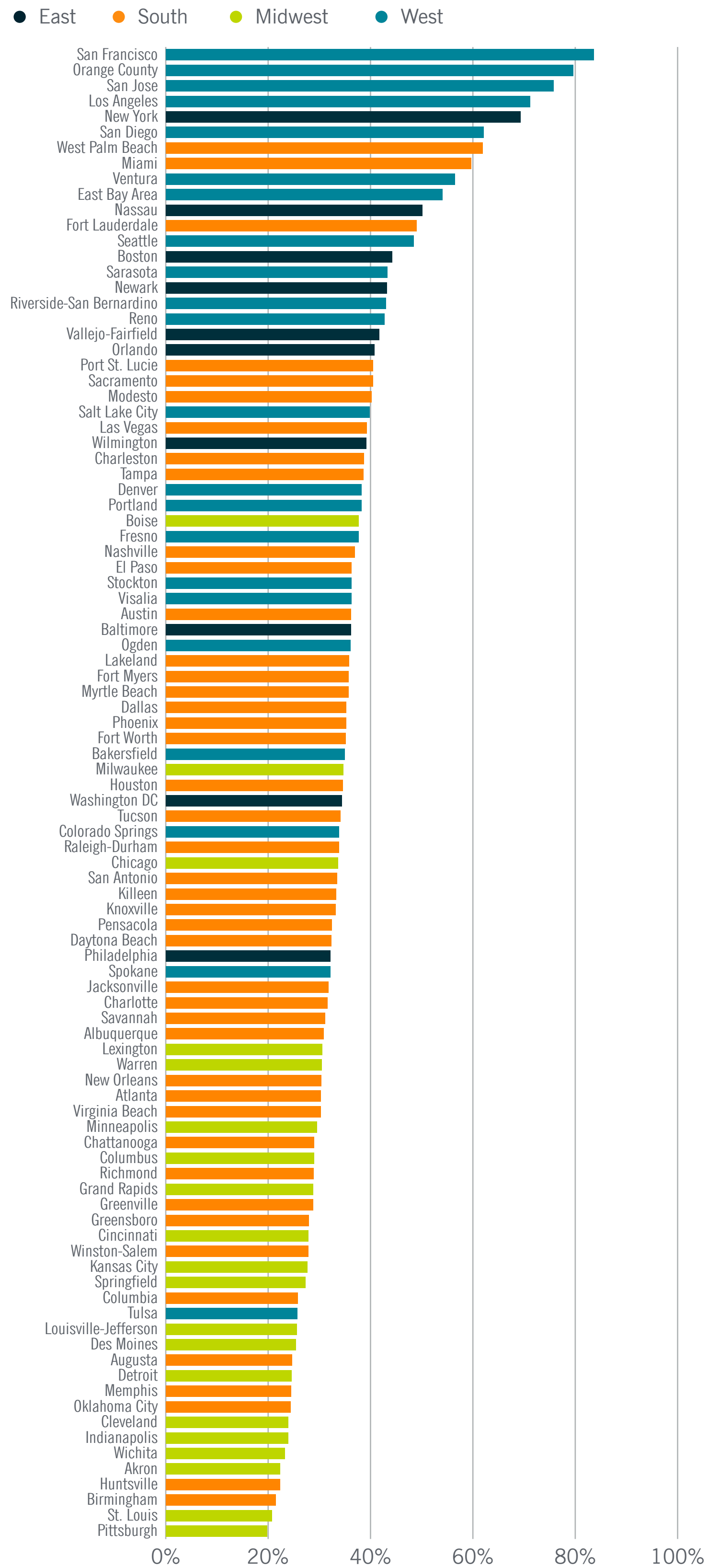
The story in the Pacific Northwest and Mountain West is similarly nuanced. Population growth in cities like Denver and Seattle created real demand, but elevated basis costs and speculative development have left many investors navigating thinner margins and more volatile operating environments. In short, the markets that attracted the most attention have, in many cases, become the most difficult in which to generate superior returns today.

The midwest advantage: a compelling case for reallocation

Against this backdrop, the Midwest has emerged as an increasingly attractive destination for self-storage investment, offering a combination of characteristics that are rare and valuable in today's environment.

- **Measured supply growth driving stable fundamentals:** The Midwest has historically been underpenetrated relative to other regions on a per-capita basis, and, critically, has not experienced the speculative development frenzy that has pressured Sun Belt fundamentals. Construction activity in Midwest markets has remained measured, reflecting both the more conservative capital deployment culture and the more modest rent levels that naturally temper speculative building. This supply discipline creates a favorable operating environment where existing facilities maintain pricing power and stable occupancy.
- **Affordability and economic stability:** Midwest metros benefit from some of the most affordable housing markets in the country. While coastal markets have experienced net out-migration and major midwestern markets like Detroit and Cleveland continue to see population declines, several Midwest metros including Columbus, Indianapolis, Kansas City, and Minneapolis have demonstrated consistent population growth and household formation (Figure 1). This affordability dynamic is directly

Figure 1: Housing cost as a share of income by region



Source: John Burns Real Estate Consulting as of April 2026.

relevant to self-storage demand: homeowners and renters in more affordable markets tend to accumulate possessions over longer periods of residential stability, driving consistent, recurring demand for storage.

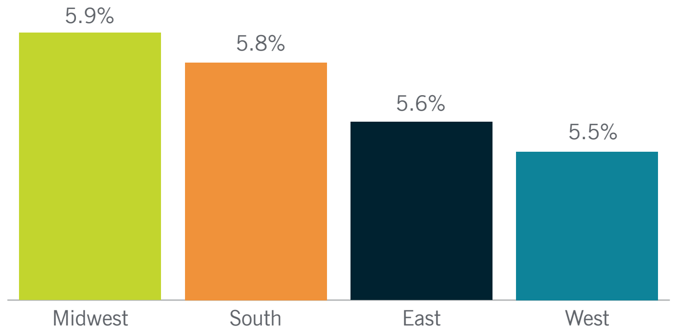
Moreover, Midwest economies are broadly diversified across manufacturing, agriculture, healthcare, and logistics sectors, providing a more stable employment base than markets heavily concentrated in technology or financial services. This economic diversification has historically translated into more predictable, less volatile self-storage demand.

- **Acquisition pricing and return potential:** Perhaps most compellingly from a pure investment standpoint, Midwest self-storage assets can be acquired at cap rates meaningfully wider than those available in coastal or gateway markets. Among the top 50 largest markets, properties in Midwestern markets trade at a 30–40 basis point spread to properties in coastal markets (Figure 2). This pricing advantage, combined with stable and growing net operating income, creates a superior entry point for investors seeking strong current yield alongside capital appreciation potential.

The fragmented ownership landscape in many Midwest markets characterized by a high proportion of independent, single-facility operators also creates substantial opportunities for institutional acquirers to achieve scale, implement professional management practices, and drive meaningful value creation through operational improvement.

Figure 2: Self-storage cap rates by region

Nominal cap rate (Q2 2026)

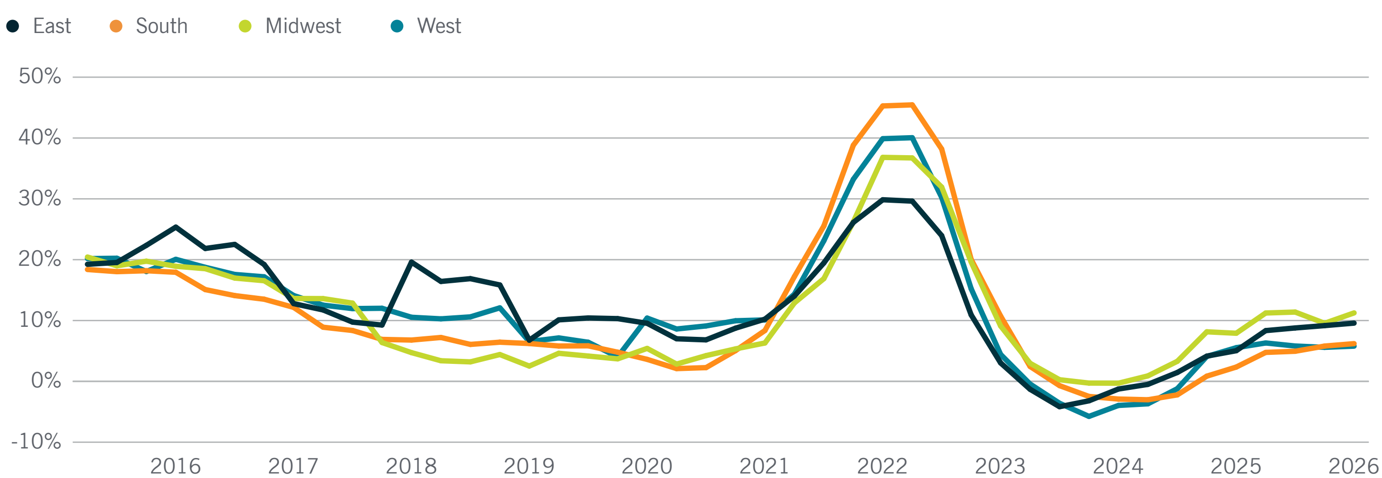


Source: Green Street as of 27 May 2026.

The combination of these factors has boosted return performance in the Midwest in recent years. While total returns in the Midwest failed to keep pace with the South and West in the immediate aftermath of the COVID-19 pandemic in 2021 and 2022, Midwest values in experienced only a minor correction in 2023 before recovering steadily alongside improving fundamentals (Figure 3).

Figure 3: Regional self-storage return performance (2016–2026)

Annual returns by region



Source: NCREIF as of 27 May 2026.

Conclusion

Regional differentiation in self-storage performance is a defining feature of today's investment landscape. While certain high-profile markets contend with the consequences of oversupply and elevated basis costs, the Midwest offers a fundamentally different proposition: measured supply growth, durable demand, economic resilience, and attractive acquisition pricing. For investors seeking a balance of current income and long-term value creation within the self-storage sector, the Midwest deserves serious and sustained attention.

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