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REAL ESTATE

Self-Storage Investing: The Boring Asset That Quietly Builds Wealth

By Scott Tischler · July 28, 2026 · 9 min read

I've been buying, holding, and selling real estate since I bought my first property in 1998. I sold ahead of the 2008 crash, bought back in on the other side, and my largest deal to date is a 48,000-square-foot warehouse. Over that stretch I've watched a lot of investors chase the shiniest asset in the room — luxury flips, short-term rentals, ground-up development — and I've watched a quieter group build serious, durable wealth in the least sexy corner of the business. **Self-storage** is one of those corners.

It's boring on purpose. A storage facility is a fence, some metal buildings, a gate, and a website. Nobody brags about it at dinner. But the boring quality is exactly why it works: low operating costs, tenants who barely notice a rent increase, and demand that holds up when the economy gets ugly. This is the case for self-storage, how the money actually flows, the realistic ways in, and how I'd evaluate a facility before writing a check.

One note up front: this is education, not personalized financial, legal, or investment advice. Rules, taxes, and market conditions vary by location, and you should run any specific deal past your own attorney, CPA, and lender.

Why self-storage is so resilient

The core reason storage holds up is that people need somewhere to put their stuff in both good times and bad. When the economy is booming, people buy more things than their homes can hold. When it's contracting, they downsize, move in with family, get divorced, or relocate for work — and their belongings go into a unit. The industry has a shorthand for the demand drivers: the **four Ds — death, divorce, dislocation, and downsizing**. None of those pause during a recession. Several of them accelerate.

Compare that to other property types. A retail center loses a tenant and you have a five-figure hole for months. An office building empties out and you're staring at a capital-intensive re-lease. A storage

facility with a hundred units doesn't lose them all at once, and replacing one tenant costs almost nothing.

There's also a psychological stickiness that's hard to overstate. A tenant paying \$120 a month rarely bothers to move out over a \$10 increase, because the cost and hassle of renting a truck and hauling everything across town dwarfs the savings. That gives operators pricing power that residential landlords can only dream about.

How the economics actually work

The reason storage builds wealth quietly is the expense structure. Most property types spend 45% to 60% of their income on operating costs. Well-run storage often runs a meaningfully lower expense ratio because there's no plumbing in most units, no HVAC in standard drive-up units, no kitchens, no tenant turnover renovations, and minimal staff. You're renting empty boxes.

Here's a simplified picture of how a stabilized facility's dollars tend to flow. These are illustrative practitioner ranges, not a promise — your market will differ.

Line item	Typical range (% of gross revenue)	Notes
Operating expenses	30% – 45%	Taxes, insurance, management, marketing, repairs, utilities
Net operating income (NOI)	55% – 70%	What's left to service debt and pay the owner
Property management	4% – 6%	Third-party or in-house; automation is shrinking this
Marketing	2% – 5%	Mostly online; storage is a search-driven business
Capital reserves	3% – 5%	Roofs, paving, gates over time

Two things make storage a wealth machine rather than just a cash-flow play. First, it's valued on **NOI and a capitalization rate**, like commercial real estate, not on comparable sales like a house. That means you can **force appreciation** — raise revenue or cut expenses, and the value jumps by a multiple. Push NOI up by \$50,000 at a 6.5% cap rate and you've created roughly \$770,000 of value, independent of the market. Second, the **ancillary income** stacks up: tenant insurance, late fees, retail sales of locks and boxes, truck rentals, and increasingly, revenue from cell towers, billboards, or covered RV and boat parking on the same land.

The management-light reality

Storage earned its reputation as management-light for a reason, but I want to be honest about the word "light." A small facility can genuinely be run remotely with a smart gate, online rentals, automated payments, and a part-time person to sweep units and handle move-outs. Technology has made unmanned or lightly-staffed facilities normal. That said, "light" is not "none." Delinquency management, lien auctions on abandoned units, marketing, and dynamic pricing all require attention. The passive-income dream is real, but it's earned by building good systems, not by neglect.

The realistic ways in

There are four honest doors into this asset, and they demand very different amounts of capital and involvement.

- **Buy an existing facility.** The most direct route. You get in-place cash flow and a track record, and value-add opportunities are common — mom-and-pop owners who never raised rents, never added insurance income, and never marketed online. This is where I'd point an experienced operator, because the upside comes from running it better.
- **Develop ground-up.** Higher risk, higher potential reward. You control the product but take on entitlement risk, construction risk, and a lease-up period where you're bleeding cash until occupancy climbs. Not a beginner's move, and increasingly hard in supply-saturated metros.
- **Convert an existing building.** My warehouse background makes me partial to this. Big-box retail, old warehouses, and vacant industrial can sometimes convert to storage at a lower basis than ground-up. The catch is zoning and the physics of the building.
- **Passive: syndications and REITs.** If you want exposure without operating, you can invest in a **syndication** — pooling money with other investors under a sponsor who runs the deal — or buy shares of a publicly traded storage **REIT**. REITs are liquid and diversified but move with the stock market; syndications are illiquid but can offer better returns and tax benefits if the sponsor is competent. Vet the operator harder than the deal.

The risks nobody puts in the brochure

Storage is resilient, not bulletproof. Two risks dominate, and both are about the same thing: **too many boxes in the wrong place.**

Oversupply is the industry's chronic hangover. Because storage is relatively cheap and fast to build, capital floods in whenever returns look good, and a market can go from undersupplied to overbuilt in a couple of years. When that happens, occupancy softens, everyone drops street rates to fill units, and your pricing power evaporates. Before I buy anywhere, I want to know what's in the development

pipeline within a three-to-five-mile radius. New supply you didn't see coming can wreck an otherwise good deal.

Location and demand depth is the other half. Storage is a hyper-local business — most tenants come from within a few miles. A facility needs enough rooftops, the right income and density profile, visibility, and easy access. A cheap facility in a thin, shrinking market isn't a bargain; it's a trap. Other real risks worth naming: rising insurance and property-tax costs eating your margins, interest-rate moves changing your financing and your exit cap rate, and the operational grind of collections and auctions that turns off people who thought this was truly passive.

How I'd evaluate a facility

When I look at a storage deal, I'm underwriting the market first and the asset second. Here's the short version of what I run through.

- **Verify the trailing financials.** Get twelve months of actual income and expenses, not a pro forma dream. Reconstruct the NOI yourself and check the expense ratio against reality.
- **Map the competition and the pipeline.** Pull every competitor within about five miles, check their occupancy and street rates online, and dig for permitted or announced new supply. This single step prevents most catastrophes.
- **Study demand drivers.** Population growth, housing density, median income, and traffic counts. Storage needs people and movement.
- **Find the value-add.** Below-market rents, no tenant insurance program, weak or no online presence, unrented land for RV/boat parking, or unbuilt phases. The gap between how it's run and how it could be run is your profit.
- **Stress-test the numbers.** Model what happens if occupancy drops ten points and rates fall, and if interest rates and your exit cap rate rise. A deal that only works in a perfect market isn't a deal.
- **Assess the physical asset.** Roofs, paving, drainage, security, and unit mix. Deferred maintenance is a negotiating tool if you catch it and a nightmare if you don't.

The pattern I keep coming back to after almost three decades in this business is simple: the assets that quietly compounded my net worth were rarely the exciting ones. They were the boring, cash-flowing, hard-to-screw-up ones I could hold through a downturn. Self-storage fits that description as well as anything I've owned. It won't make a good story at a party. It'll just keep paying you while the flashier stuff struggles.

Key takeaways

- ② Self-storage is recession-resilient because its demand drivers — death, divorce, dislocation, downsizing — persist or accelerate in downturns.
- ② The economics work through low operating costs, sticky tenants with real pricing power, and value driven by NOI and cap rate, letting you force appreciation.
- ② There are four ways in — buy existing, develop, convert, or go passive via syndications and REITs — each with very different capital and involvement.
- ② "Management-light" is real but earned through good systems and automation, not neglect; collections and auctions still require attention.
- ② The two dominant risks are oversupply and weak location, so underwrite the local market and development pipeline before the asset.
- ② Evaluate a facility on verified trailing financials, competition and pipeline, demand drivers, value-add potential, and a stress-tested downside.

Frequently asked questions

Is self-storage a good investment for beginners?

It can be, but the beginner-friendly path is usually passive — investing in a well-run syndication or a storage REIT rather than buying and operating a facility yourself. Owning and running a facility rewards people who build systems and underwrite the local market carefully. If you go active, start small and learn the collections and marketing side before scaling.

How much money do I need to invest in self-storage?

It ranges enormously. You can buy shares of a storage REIT for the price of a single share, invest in a syndication typically starting in the tens of thousands, or buy a small facility outright, which often requires several hundred thousand dollars of equity plus financing. Your capital and your appetite for involvement should decide the door you use.

Why is self-storage considered recession-resistant?

Because its demand drivers don't stop in a downturn — people still die, divorce, relocate, and downsize, and several of those events increase when the economy weakens. Tenants are also sticky, since the hassle of moving out over a small rent increase outweighs the savings. That combination keeps occupancy and pricing power steadier than most property types.

What are the biggest risks in self-storage investing?

Oversupply and location are the two dominant risks. Storage is cheap and fast to build, so markets can flip from undersupplied to overbuilt quickly, crushing pricing power. A facility in a thin or shrinking market lacks the

demand depth to stay full, so you have to underwrite the local market and the development pipeline before anything else.

How is a self-storage facility valued?

Like commercial real estate, it's valued on net operating income divided by a capitalization rate, not on comparable sales like a house. This means improving operations — raising rents, adding insurance income, cutting expenses — directly increases the property's value by a multiple. That mechanic is what lets skilled operators force appreciation independent of the broader market.

Is self-storage really passive income?

It's closer to passive than most real estate, thanks to automation, smart gates, and online rentals, but it isn't hands-off. Delinquency management, lien auctions, marketing, and dynamic pricing all require ongoing attention or a competent manager. Treat "management-light" as a reward for good systems, not a license to ignore the business.

What's a value-add self-storage deal?

It's a facility being run below its potential — often an older mom-and-pop operation with below-market rents, no tenant insurance program, weak online marketing, or unused land. Buying it and closing the gap between how it's run and how it could be run raises NOI and, through the cap-rate mechanic, the value. The size of that gap is where much of the profit lives.

Should I buy an existing facility or build one?

Buying existing gives you in-place cash flow, a track record, and common value-add upside, which is why it suits most experienced operators. Ground-up development offers more control and potential reward but adds entitlement, construction, and lease-up risk, and it's harder in already-saturated markets. Conversions of warehouses or big-box retail can split the difference if zoning and the building cooperate.

About the author. Scott Tischler is the Founder & Chairman of Alrecommend.ai and a practitioner-authority on AI search and Answer Engine Optimization. With 20+ years in marketing technology — including American Express, MetLife, and UBS — and executive study at Wharton, Harvard, Yale, and Oxford, he helps businesses become the ones AI recommends.