WEEKLY NEWSLETTER

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Inflation Slows Sharply in June, Easing Near-Term Rate Pressure

- U.S. consumer prices rose 3.5% year-over-year in June, well below the 3.8% forecast and down from 4.2% in May. This was the largest monthly CPI decline since April 2020.
- Core inflation eased to 2.6% year-over-year, tempering concerns that price pressures were broadening.
- The softer reading gives the Federal Reserve some breathing room at its late-July meeting, with markets still pricing in only modest odds of a hike this year.

Construction Costs Show Signs of Cooling

- The Producer Price Index for final demand fell 0.3% in June. This was the largest monthly decline since 2022 driven mainly by a sharp pullback in energy prices.
- Prices for processed goods used in construction dropped 1.2% for the month, with steel, plastics, and other input costs showing signs of relief after months of sharp increases.
- Building materials make up a meaningful share of the cost to develop a new self-storage facility, so a pullback here is a direct input into development budgets across the industry.

Our Thoughts

- Slowing inflation gives the Federal Reserve room to hold rates steady instead of increasing them further. That stability could make now a good time for storage owners to get an updated valuation on their assets.
- Cheaper steel, plastics, and other materials make new construction more affordable for developers. Storage owners in markets with active development pipelines should keep an eye on whether this eventually leads to more competing supply.

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