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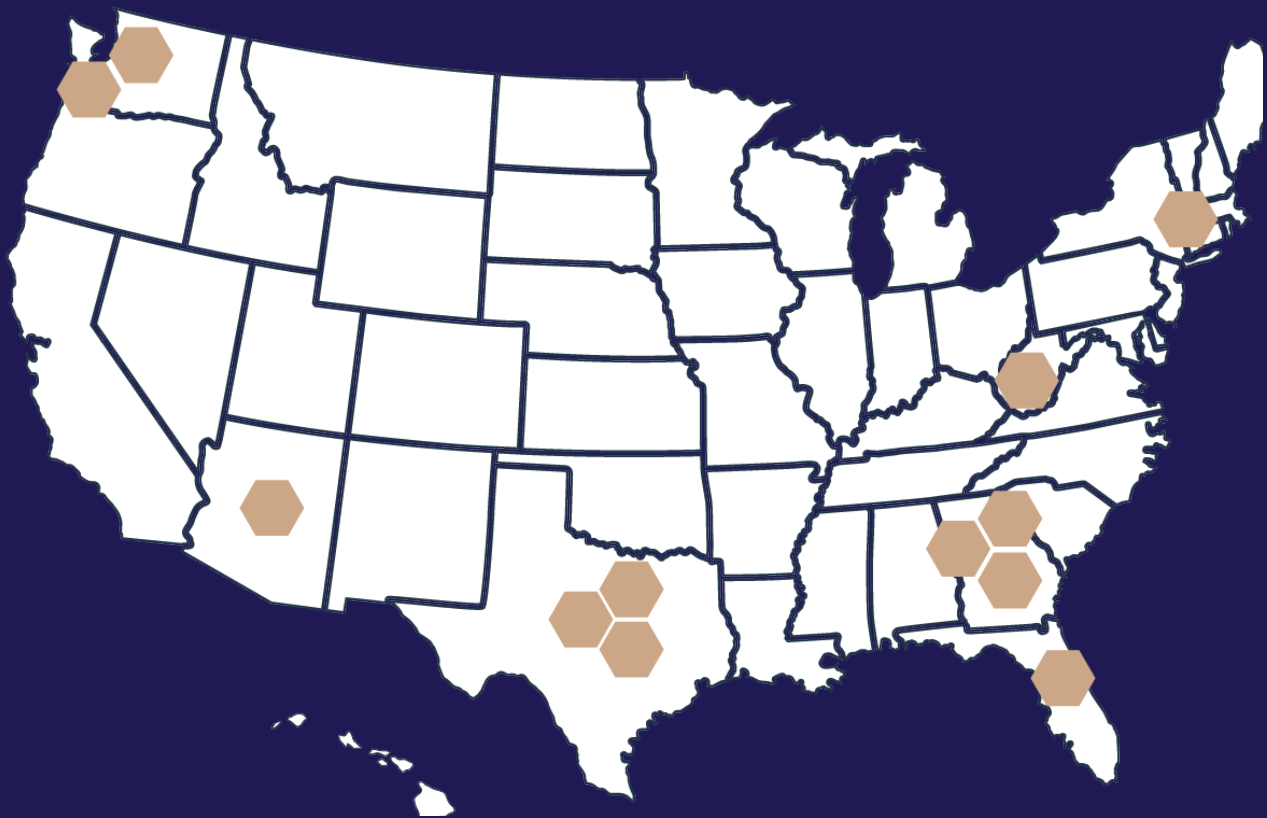
2025 CONTRACTOR SURVEY



EXECUTIVE SUMMARY

The self storage construction industry is experiencing dynamic shifts due to supply chain changes, labor market uncertainties, and potential tariff impacts. DXD recently conducted its annual construction survey to understand the implications of these changes, reaching out to contractors who have built or bid on our projects over the past year. The survey encompasses a diverse group of contractors across the United States, with nearly equal representation from the Southeast, Southwest, East Coast, Texas, and West Coast. The survey responses are gathered from these construction companies' owners or presidents, ensuring we receive feedback from decision-makers. This top-level insight adds considerable weight to our findings.

The findings suggest a moderate increase in construction costs, a stable but cautious labor market, and increased reliance on U.S. material suppliers. Construction firms must navigate an increasingly complex landscape of geopolitical factors, inflation concerns, and evolving building regulations. Industry leaders are adjusting sourcing strategies, investing in workforce development, and implementing cost-control measures to remain competitive.

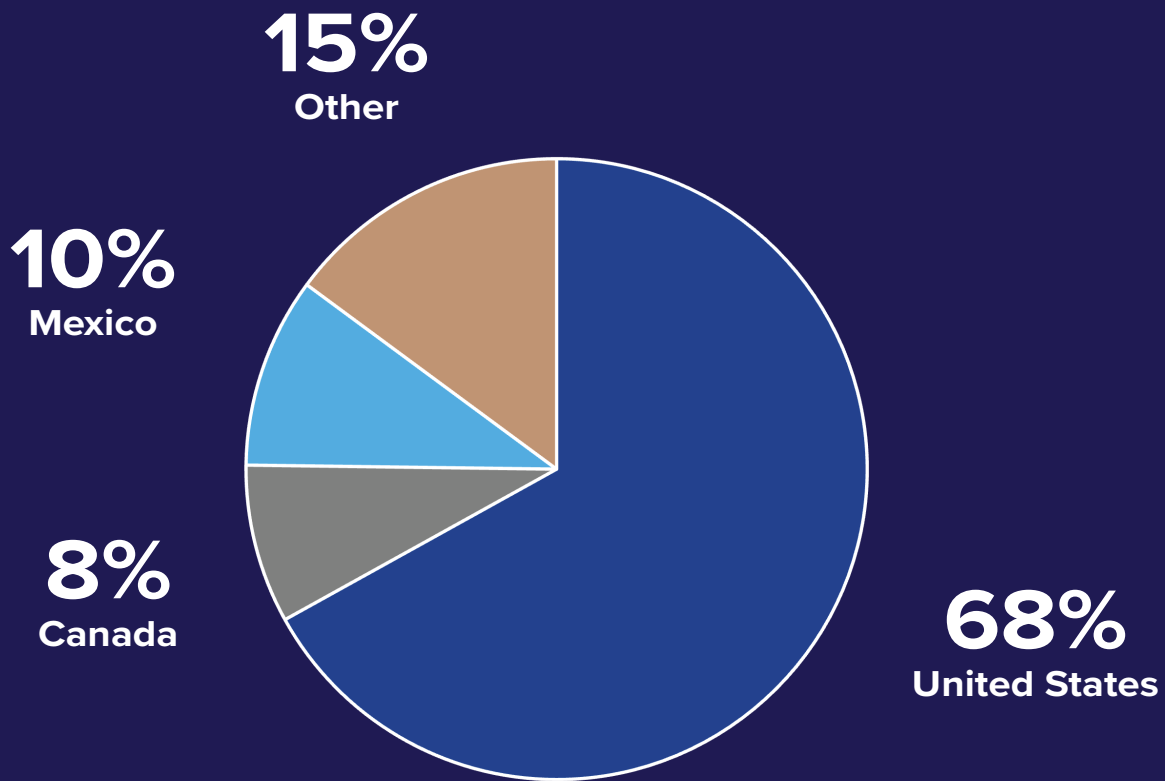


LOCATIONS OF CONTRACTORS SURVEYED

KEY FINDINGS

MATERIAL SOURCING

Where do you source your materials?

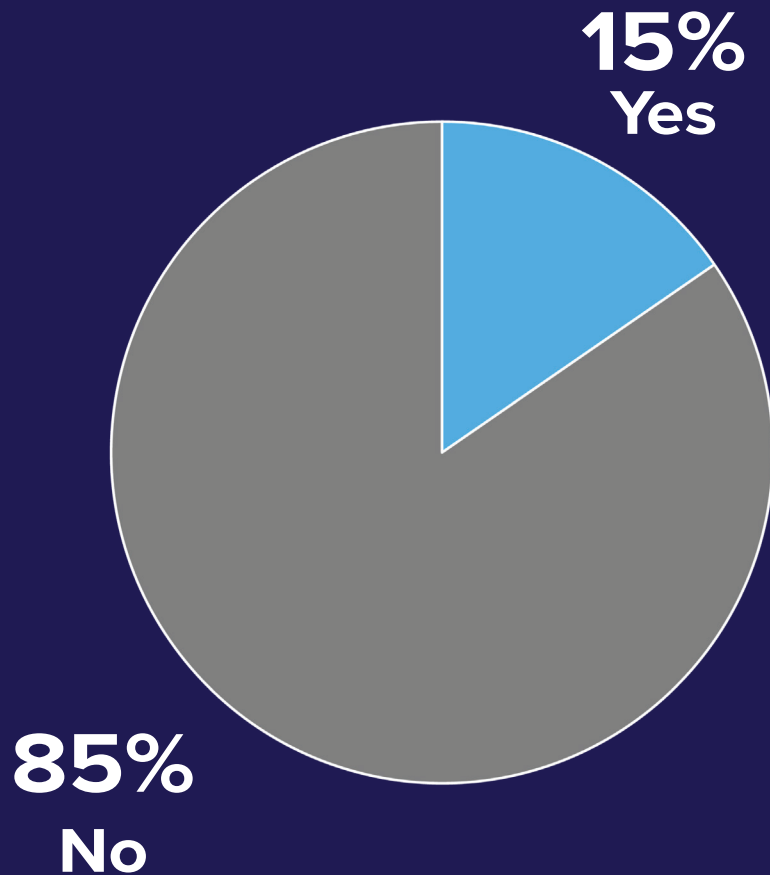


A significant finding from the survey indicates that 68% of the materials used by contractors working on DXD self storage projects are sourced from the USA. The remainder is divided almost evenly among Canada, Mexico, and other countries, primarily China. Interestingly, four contractors obtain 80% of their materials from U.S. suppliers, and one obtains 100%. If tariffs are implemented, this percentage could rise, although supply and demand dynamics will likely result in concurrent price increases. Most of our contracts are bracing for an estimated 5-10% increase in total construction costs should tariffs become a reality. As supply chains remain volatile, developers should be exploring alternative materials and regional sourcing to mitigate risks of shortages or cost increases.

KEY FINDINGS

LABOR MARKET & WORKFORCE STABILITY

Do you anticipate labor issues tied to deportations in 2025?

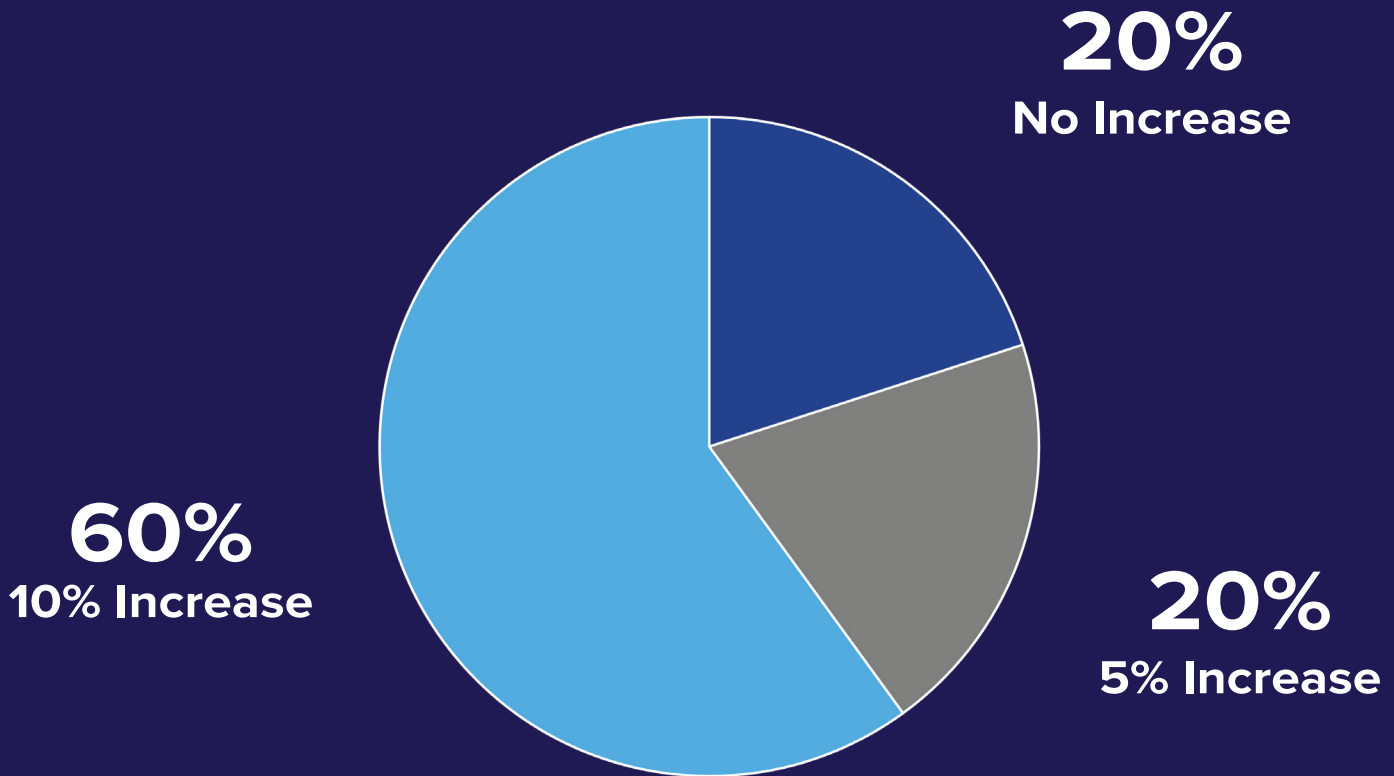


Only two of the 12 contractors responded yes when asked if they anticipate labor issues tied to deportations. The contractors surveyed were all over the United States, which gave us a diverse response. It could be that deportations impact some areas of the US more than others. Unfortunately, the sample size is not large enough to draw that conclusion. Our surveyed contractors would be classified as commercial contractors, which means they are doing substantial projects in a broad range of asset classes, self storage, retail, industrial and multifamily. None of them would qualify as residential contractors building single-family homes. If this question was asked of the residential contractors, that percentage would likely be much higher.

KEY FINDINGS

CONSTRUCTION COST PROJECTIONS

How much will construction costs increase in 2025?

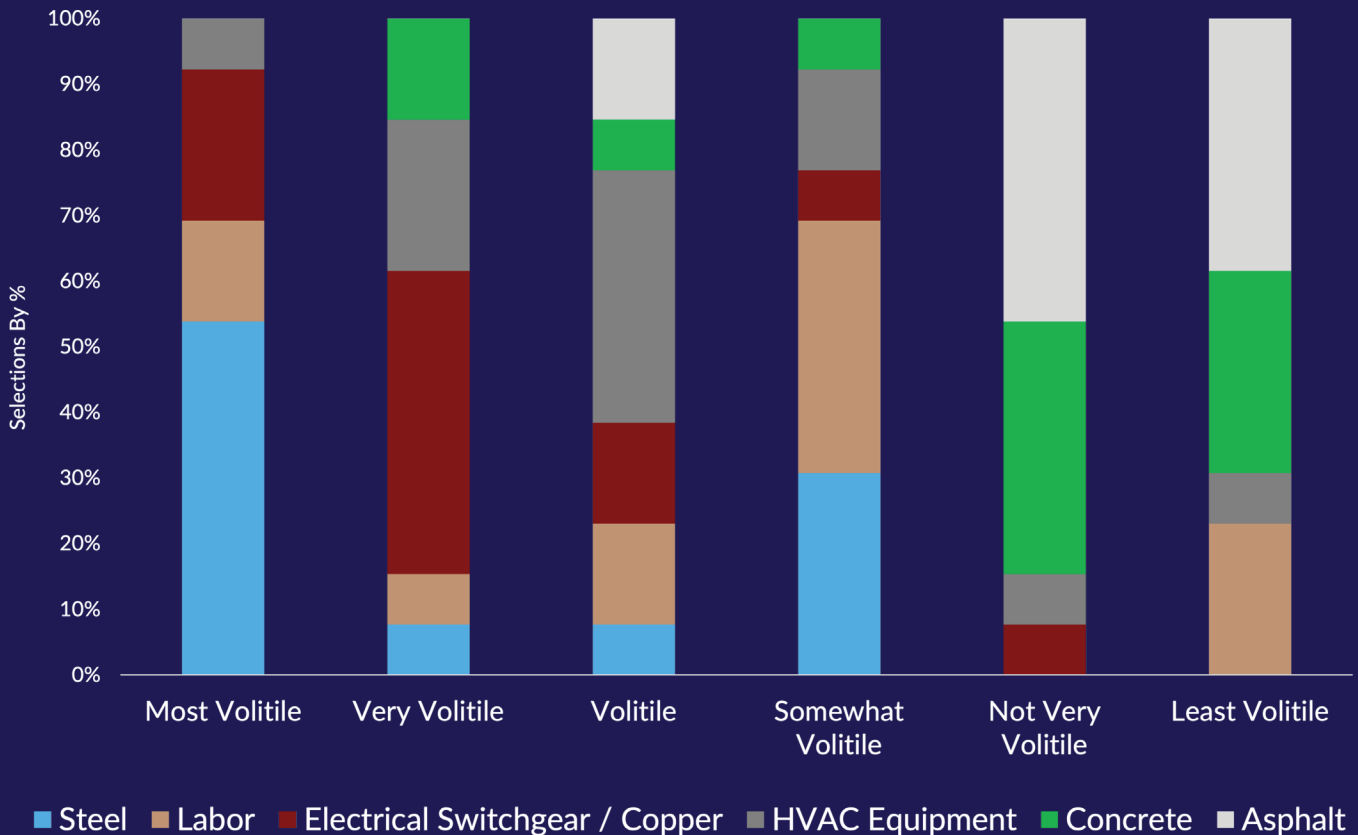


When asked the contractors if they could project how much their construction costs would increase many said that they were still uncertain. Of those contractors that answered, 60% expected a 10% increase, 20% expected a 5% increase and 20% stated they *didn't expect an increase at all*. Based on the feedback, the projected 10% increase is centered around steel.

KEY FINDINGS

MATERIAL PRICING VOLATILITY

How volatile is pricing on construction materials?

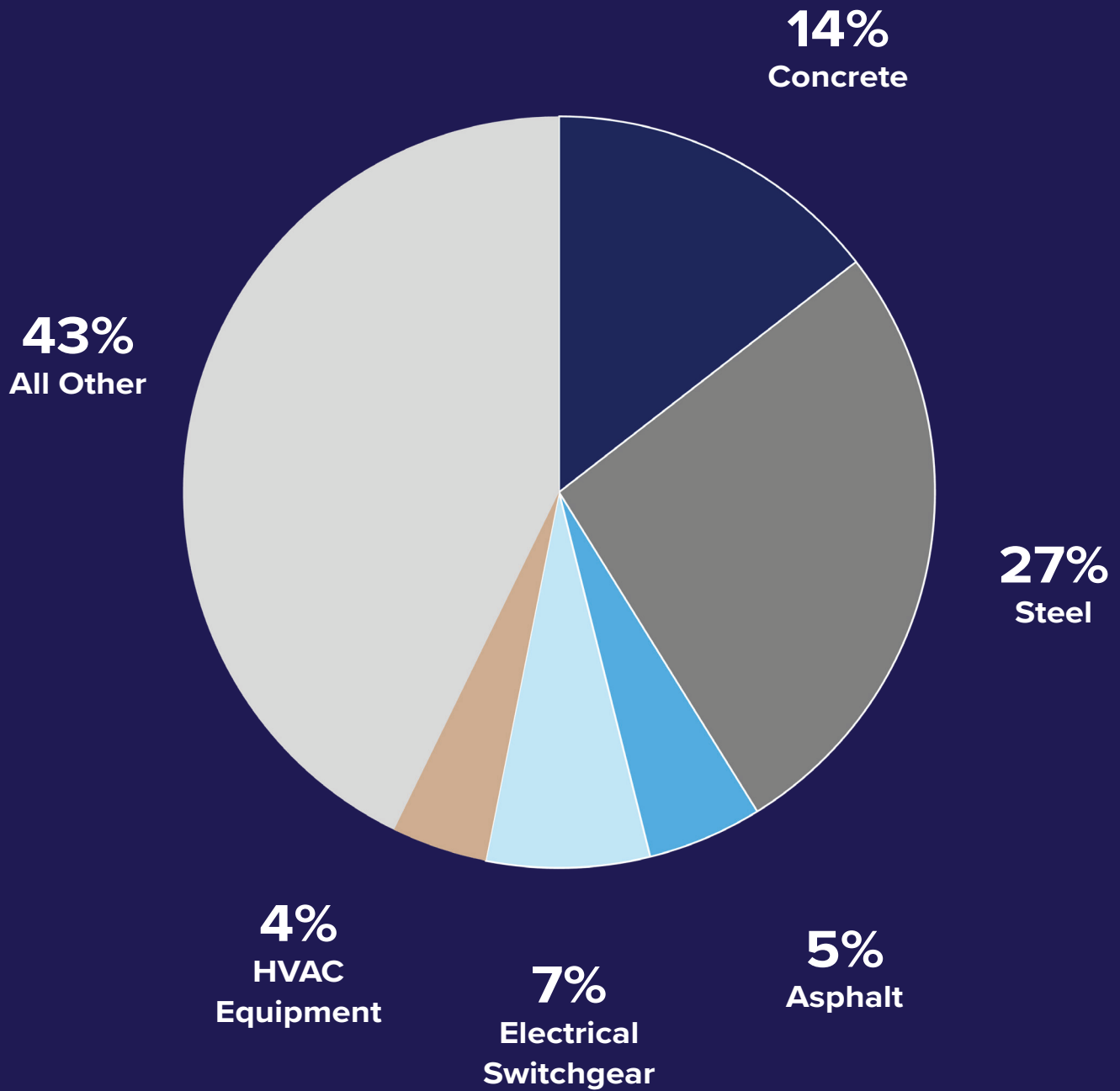


The contractors view steel as the most volatile commodity, followed closely by electrical switchgear. Contractor feedback was that US-based steel manufacturers would be opportunistic and use the tariffs to raise prices regardless. One supplier has already announced that steel prices were anticipated to increase at least 10% over the next three months. To offset this cost contractors may try to negotiate a deposit to lock in pricing.

Conversely, asphalt and concrete have shown relative stability, primarily due to their dependence on oil prices. The binder in asphalt is petroleum-based, while the raw materials for concrete are not particularly costly; it's the transportation of these materials that drives up prices. The current expectation is that with changes in US leadership, oil prices will remain stable due to adequate supply, contributing to lower volatility in asphalt and concrete.

BREAKDOWN OF HARD COSTS

The following charts represents a breakdown of hard costs based on new construction of a multi-story, climate-controlled self storage facility.



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INDUSTRY IMPLICATIONS & RECOMMENDATIONS

DIVERSIFICATION OF MATERIAL SOURCING

Given that most materials are sourced from the U.S., a continued effort of exploring domestic suppliers could mitigate potential tariff-related cost increases. Additionally, firms should consider regional material procurement strategies to reduce dependency on long-haul shipments. Companies should budget for cash deposits on materials to secure pricing and improve cost predictability.

WORKFORCE RETENTION & LABOR STRATEGY

Although the labor market remains stable, a proactive hiring strategy and investment in workforce training programs may help prevent labor shortages and increase retention in 2025. Employers should focus on upskilling workers, providing competitive compensation packages, and enhancing on-site safety measures to retain skilled personnel. There is a growing trend among the younger generation of workers who are looking for alternatives to massing huge amounts of debt to pay for the high costs of education and seeking out affordable vocational training. Now may be a perfect time to recruit and invest in this new workforce.

BUDGET ADJUSTMENTS FOR COST INCREASES

With an anticipated 10% rise in material costs, developers should adjust financial models to account for higher material and labor expenses. Organizations should consider deposits to lock in pricing and explore cost-sharing partnerships to negotiate bulk purchasing agreements. As always, creative sourcing strategies can help navigate difficulties, especially when cost increases and price gouging are possible.

MONITORING TARIFF DEVELOPMENTS

There is no question that under the current administration, companies should closely monitor government policies for changes that affect trade and tariffs and adapt sourcing and pricing strategies accordingly. Leveraging real-time data analysis tools and maintaining strong supplier relationships will be essential to navigating potential disruptions. A flexible procurement approach can allow firms to remain competitive despite fluctuating economic conditions.

LOOKING AHEAD IN 2025

For construction industry professionals, the next few years may be a bit of a rollercoaster ride. Whether this journey will be thrilling or frightening remains to be seen.

DXD CAPITAL CONTACT INFO

DXD - Bristol, Rhode Island
MSM 2024 Self Storage Facility of the Year*



**Modern Storage Media - January 2024 Issue*

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MARTHA HARGROVE LEEDER

Managing Director
Investor Relations

(512) 810-0108
martha@dxd.capital

MARTIN HUFF

Director
Investor Relations

(706) 615-2323
martin@dxd.capital

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