

# More Investors Park Dollars in Industrial Outdoor Storage

Demand Grows for Sites Viewed As Critical to Supply Chain



Turnbridge Equities acquired 555 W. 189th St. in Gardena, California, a 2.49-acre site in the Los Angeles market slated for industrial outdoor storage use. (CoStar)

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Industrial outdoor storage facilities, considered critical in the shipping of goods to U.S. consumers, are attracting more investment as buyers turn to a property type that's in short supply to hedge against higher interest rates and economic uncertainty.

In the past month, several firms have announced new ventures targeting these sites used for parking trucks, containers and equipment. That's spotlighting a wider bet by investors on this niche commercial real estate sector that provides some protection from

economic volatility because of its limited supply and the need for storage space in good times or bad.

New partnerships and strategies emerging include Dalfen Industrial teaming up with Centerbridge Partners, GreenPoint Partners working with GCM Grosvenor, and initiatives from H.I.G. Realty Partners and Turnbridge Equities. [Dalfen](#) is one of the nation's biggest owners of so-called last-mile industrial real estate that houses trucks that bring goods increasingly ordered online to customers' doorsteps.

Alan Pontius, senior vice president and national director for office, industrial and healthcare at real estate firm Marcus & Millichap, said investors are drawn to industrial outdoor storage as zoning regulations keep its availability scant.

"You're not going to see an ever-increasing supply of this space," Pontius told CoStar News in an interview.

Industrial outdoor storage facilities are usually built close to large airports, ports, railroads and major highways, and typically are mostly concrete, with less than 20% of the property covered by a building. Tenants use the space to store and sort products, equipment, building materials, containers, trailers and trucks, making the properties an important link in the supply chain.

"Cities and communities ... don't necessarily like to see the expansion of this kind of space," Pontius said. "It's not terribly attractive. It's also not densely utilized. Zoning creates some limitations. Land costs create some limitations. Consequently, it's not a product type that we would anticipate heavy inflation of supply."

## New Investors

The constraint on new supply attracted two of the newest investors to the property type, including New York-based H.I.G. Realty, the real estate unit of a global private equity and alternative asset investment firm with \$55 billion of equity capital under management.

“New supply ... will remain constrained due to stringent zoning regulations” and a “broader focus by developers on larger scale industrial assets,” said David Hirschberg, co-head of H.I.G. Realty, in a statement.

Matt Dabrowski, senior managing director at [Centerbridge](#), a global private investment firm, agreed. “As the demand for fulfillment and distribution infrastructure continues to grow, the opportunity to provide additional outdoor storage is essential to the movement of goods across the supply chain, especially given the lack of availability amongst” industrial outdoor storage space, he said.

The property type has significant upside. Vacancy fell to less than 3% in mid-2022, below the historical average, while rents have advanced by nearly 30% on average since the end of 2019, according to Marcus & Millichap research.

As an example of increased interest, investors completed the purchase of \$585.2 million in truck terminal facilities in 2018, according to CoStar data. The sales figure for truck terminals, a major component of industrial outdoor storage, increased annually since 2018, hitting \$1.74 billion last year.

Some buyers of industrial outdoor storage properties before 2018 are seeing hefty returns on those investments. EverWest Real Estate Investors [sold a portfolio of six such properties](#) in greater Atlanta to an investor group for \$50 million, more than twice what it paid in 2016, thanks in part to increasing rents in the area.

## Recession Resistant

Though no property sector is totally recession-proof, according to Pontius, Marcus & Millichap views industrial outdoor storage as recession-resistant. Logistics firms need space to store equipment even if it is not being used, he said.

“It’s possible certainly that with more bidders, there’s at least some degree of risk that people overpay in the short run,” he said. “Maybe they don’t hit their rental growth projections in the potential that a recession does hit.”

Dallas-based Dalfen and Centerbridge plan to invest in properties that provide space for vehicle parking as well as storage for containers, trailers, construction materials and machinery.

New York-based Turnbridge, an 8-year-old real estate investment and development firm, acquired [555 W. 189th St.](#) in Gardena, California, a 2.49-acre site in the Los Angeles market slated for industrial outdoor storage, for \$18.3 million.

The purchase represents Turnbridge's launch of a new investment strategy, targeting "port-proximate infill sites with high barriers to entry and strong demand drivers that are difficult to replicate elsewhere," Jack Hechinger, vice president of acquisitions, said in a statement.

H.I.G. Realty initiated its industrial outdoor storage strategy by acquiring a 55-property portfolio totaling 2.3 million square feet in 20 states. The portfolio is 100% leased with a weighted average tenant tenure of 12 years. The properties are located in markets with strong economic and industrial fundamentals, with prevailing rents approximately 50% higher than existing rents, the company said. H.I.G. Realty didn't provide further details about the transaction and didn't respond to a query from CoStar News.

GreenPoint announced a strategic investment in Semi-Stow, an Austin, Texas-based semi-truck parking and trailer storage operator, part of the New York-based alternative investment firm's dedicated \$500 million truck and trailer industrial outdoor storage strategy. The firm, in partnership with Chicago-based alternative asset manager GCM Grosvenor, has already closed on its first two acquisitions, which provide collective storage capacity for over 1,000 semi-trucks and trailers in both the Houston and Dallas-Fort Worth markets.

As Chris Green, founder and CEO of GreenPoint, put it in a statement, "Truck parking and trailer storage is a key component of the logistics and e-commerce value chain."

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