

Industrial Outdoor Storage Leasing Market Update - Inland Empire, California | November 2022



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#industrialrealestate is the most coveted and highly discussed asset class in all of commercial real estate. Within that asset class, there is a sub-category demanding a massive portion of the attention, discussion and debate: **#industrialoutdoorstorage** or **#IOS**.

There are billions of dollars allocated for investment specifically in this relatively new (or newly categorized) asset class. But IOS is still in its infancy of gaining institutional investor attention and scrutiny. As a result, the need for data and analysis has never been greater.

Our company **MacLeod & Co.** recently aggregated all lease inventory data specifically for industrial outdoor storage throughout the **#inlandempire** of Southern California and we *identified five (5) key takeaways.*

First Takeaway

Our company represented the landlord on a recent IOS lease in Fontana. What stood out most is the speed in which we were able to secure a solid credit tenant and the rental rate at which we were able to negotiate a deal. In addition to aggressive and targeted marketing by our company - the key reason both were achieved is because the property already had an approved conditional use permit (CUP) for **#truck** and **#trailer** storage.

Address: 11080 Cherry Avenue, Fontana, CA

Starting Rate: \$0.505 per Land SF per Month Industrial Gross + \$1,500 per Month CAM

Lease Term: 61 Months

Annual Increases: 4.00%

Notes: Truck & trailer storage use, One (1) month abated rent

Second Takeaway

According to the data, there are **42 sites actively on the market for lease** that would be categorized as industrial outdoor storage. Those 42 sites aggregate to just over 200 acres of product for lease. Of the 42 sites, less than 40% have a clear path to getting or allowing the storage of trucks and trailers. We define “clear path” as having an existing conditional use permit (CUP), or having existing zoning that supports truck and trailer storage in a city that supports the use. Our experience has proven if those list of items do not exist - the path to getting a trucking use approved is extremely difficult, if not close to impossible. What that means is that well over half of the IOS sites actively on the market for lease will have to pull from a tenant pool that does not require truck and trailer parking as their primary business.

Third Takeaway

Of the 42 sites on the market (across three sub markets - IE West, IE Central & IE East - and 15+ cities) over half are concentrated in just two cities. Fontana and San Bernardino. What is noteworthy is those two cities seems to be the most accepting of outdoor storage uses, including truck and trailer parking. The city of Fontana has by far the most number of sites actively on the market for lease at twelve, with an average site size of +/-4.5 acres.

Fourth Takeaway

Asking rental rates for IOS sites across in the Inland Empire are inconsistent and all over the board. The one common theme is that sites with grandfathered uses or previous conditional use permits (CUPs) command significant premiums on rent. We’ve seen sites asking as low as \$11,000 per acre per month and as high as \$35,000 per acre per month on an industrial gross basis. The premium comes when sites are fully **approved** for truck and trailer parking - and fully **improved** with improvements including being fully paved, fenced, lit & secured. Not only do these sites command and achieve higher pricing - the velocity in which they lease is substantially faster.

Fifth Takeaway

Cities are cracking down on historical uses that are not permitted. In other words, a business that has been operating on a site for a significant period of time may have been allowed to continue operating as a non conforming use. If the owner of that site were to sell - or if the current or future owner were to attempt to re-lease the property to a new tenant - that use would require a new permit. Historical uses that are not permitted are increasingly NOT getting approval from cities. Furthermore, cities are saddling conditional use permit approvals with infrastructure related conditions of approval including requirements for on site and off site improvements like on site water quality and retention, street widening, under-grounding power and installation of curb and gutter. In other words, cities are charging owners of IOS sites more and more in return for granting them use approval.

About Our Company - MacLeod & Co.

We are hyper focused on the identification and execution of industrial real estate acquisitions, dispositions and development opportunities for institutional investors. Our expert, forward thinking team based in southern California specializes in the proactive identification of industrial real estate transactions across the county. We have a proven and consistent track record of originating and executing deals in highly sought after markets. We leverage long standing relationships with institutional and private buyers to maximize exit value for sellers. We specialize in providing insight to some of the largest institutional landlords in the world and representing the tenants that lease their properties.

The information contained herein was obtained from sources believed reliable; however, we make no guarantees, warranties or representations as to the completeness or accuracy thereof.



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