

STOCKBRIDGE

INDUSTRIAL
OUTDOOR STORAGE:
KEY VALUE DRIVERS

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INDUSTRIAL OUTDOOR STORAGE (“IOS”):

IOS has emerged as a consequential segment within the industrial property sector, serving as essential infrastructure for the modern supply chain. IOS fundamentals, however, are shaped by a uniquely constrained development environment: stringent zoning, limited site availability, and persistent “Not in My Backyard” (NIMBY) opposition, which have collectively suppressed new, purpose-built supply for more than a decade (Chart 1). This structural scarcity, paired with steadily expanding demand from logistics, construction equipment and materials, utilities, and other equipment-intensive operators, has created favorable supply–demand conditions and has historically contributed to outsized rent growth of 123% since 2020 [per Newmark].

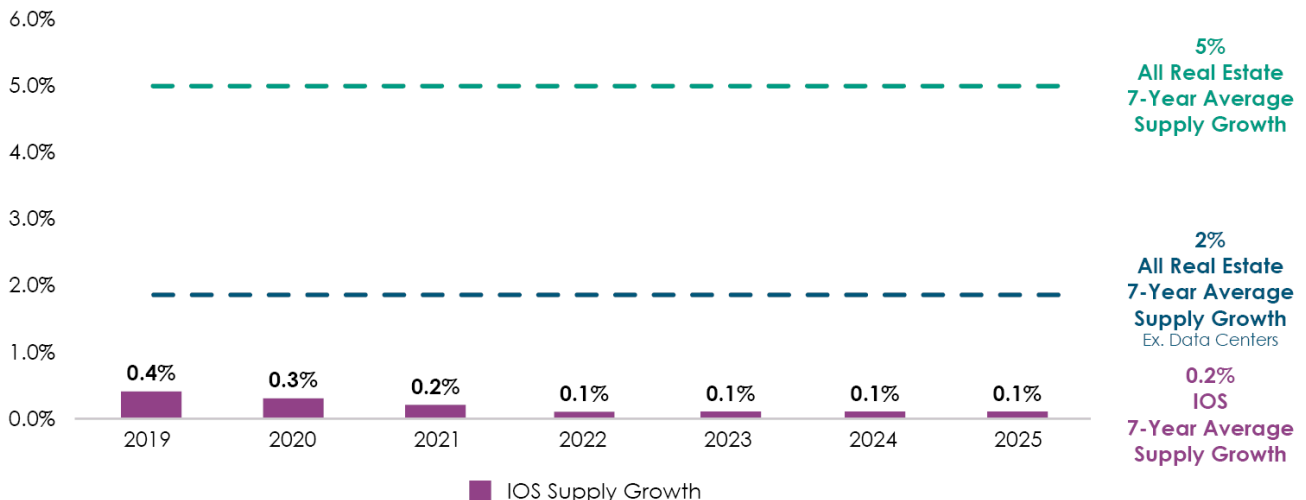


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CHART 1

SUPPLY GROWTH IOS VS. ALL PROPERTY TYPES



Source: Stockbridge, CBRE Research, Green Street
 Note: Supply Growth averages are unweighted



Beyond headline growth, IOS performance is reinforced by a notably "sticky" tenant base. In fact, IOS has experienced zero quarters of negative absorption since 2000, helping protect rents during a downturn and amplify rent growth during expansions (per CBRE). Many IOS users require specific locations, yard configurations, and entitlements that are difficult to replicate, leaving them with few viable alternatives if displaced. An IOS site in each market is often almost impossible to replicate, and from a tenant's perspective, alternatives within the same market are limited, as switching locations is costly and disruptive. As a result, tenants frequently renew in place, typically at higher rental rates, supporting consistently high occupancy and reducing the sector's sensitivity to short-term swings in GDP and consumer spending.

This paper examines the primary demand and supply drivers behind IOS' resilience, with a particular emphasis on supply constraints, demand durability, and barriers to entry for investors.

DEFINING IOS

IOS refers to industrial real estate characterized by a substantial outdoor yard component used for storage, heavy industrial activity, and/or truck and vehicle parking. IOS assets range from sites with minimal or no building improvements to facilities that include service bays, light warehousing, and a modest administrative or small-business office component. In most cases, IOS utility is driven less by the quality of the structures and more by the site's location, zoning and entitlements, and the amount of usable, improved land area.





The outdoor yard is typically configured to accommodate vehicle and equipment storage, bulk materials and containers, and staging for finished goods. As such, IOS serves a diverse set of users across transportation and logistics, equipment rental, construction and material handling, and corporate fleet operations. Importantly, many of these tenants are not simply "seeking space", they are seeking operational functionality: secure outdoor capacity, durable surfacing, circulation and turning radii, convenient access to transportation corridors, and entitlements that permit industrial outdoor activity.

DROP LOTS & CONTRACTOR YARDS





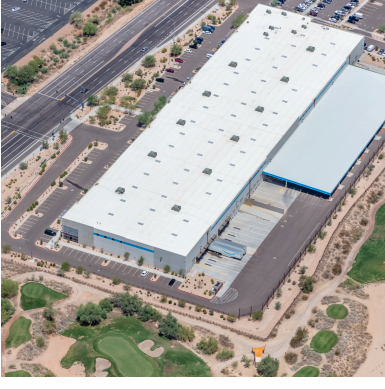


COMMON IOS USES

	IOS FACILITY TYPES:	DESCRIPTION:
<p>IOS Lincoln Riverside, CA</p>  <p>Equipment Maintenance, and Heavy Equipment Facilities</p>		<p>Equipment maintenance facilities are sites where fleets, such as trucks, trailers, and company vehicles, are serviced through inspections, routine upkeep, repairs, and tire work. Heavy equipment facilities provide comparable services, but they specialize in larger construction machinery like excavators, loaders, bulldozers, cranes, and paving equipment.</p>
<p>Fedex KC Edwardsville, KS</p>  <p>Truck Terminals</p>		<p>Truck terminals are high-throughput logistics facilities designed primarily to shift freight from one trailer to another. They're commonly set up as long, narrow buildings with loading docks on both sides to keep trucks moving in and out efficiently.</p>
<p>IOS S La Cadena Colton, CA</p>  <p>Drop Lots and Contractor Yards</p>		<p>Outdoor storage yards that support contractors and trades with space for materials, tools, job-site supplies, and equipment staging; often include a small office or shop and prioritize proximity to projects and flexible loading/unloading.</p>
<p>IOS Holt Ave Ontario, CA</p>  <p>Fleet Facilities</p>		<p>Dedicated locations for corporate or service fleets to park, secure, and manage vehicles (vans, trucks, utility vehicles), often paired with light maintenance, charging/fueling, and administrative functions to support daily routing and operations.</p>



COMMON IOS USES (CONT.)

IOS FACILITY TYPES:	DESCRIPTION:
<p>IOS Youngs Channahon, IL</p>  <p>Container Yards</p>	<p>Yards designed to store and handle intermodal containers and chassis, supporting drayage and port/rail logistics; typically require durable surfacing, security, and efficient stacking/traffic flow for frequent in-and-out moves.</p>
<p>IOS Vasquez Denver, CO</p>  <p>Bulk Material Yards</p>	<p>IOS sites used for open-air storage and processing/staging of bulk commodities (e.g., aggregates, lumber, asphalt inputs, salt), often requiring heavy-duty paving, environmental controls, and strong truck access.</p>
<p>AMZL Mesa Mesa, AZ</p>  <p>"Final Touch" Facilities</p>	<p>Light industrial/service-oriented IOS sites used for last-step activities - such as inspection, minor assembly, packaging, kitting, customization, or vehicle upfitting - where a small building supports finishing work while the yard enables staging and rapid distribution.</p>



GROWING DEMAND

Several durable, multi-year drivers are increasing the need for IOS across major U.S. markets. While each driver is distinct, they share a consistent implication: modern operations require more flexible outdoor space closer to end users, job sites, and transportation nodes.

Supply Chain Resiliency: Over the past 15 years, and especially within the last five, major disruptions have increased dramatically (Chart 2 below). Yet many of today's supply chains were originally designed around the assumptions of inexpensive oil and low-cost labor sourced from regions far from the U.S. This model of "globalization" pushed production and storage across vast distances, creating an increasingly inefficient and vulnerable delivery system. As a result, goods are often held in warehouses far from the end customer, making transportation not only more expensive but also more susceptible to disruption.

To reduce this exposure, modern supply chains require more nodes, not fewer. The sharp rise in global shocks, including pandemics, natural disasters, geopolitical conflicts, tariffs, and other systemic events has made it clear that disruptions can be catastrophic for business operations and can ultimately erode customer loyalty. Companies now face a simple reality: they must invest in supply chain resiliency or confront the risk of operational failure and putting their business at an existential risk.

Expanding logistics real estate is one of the few effective ways to build resilience. IOS facilities play a critical role by enabling more localized staging, storage, and equipment flexibility. With continued ecommerce growth and escalating expectations around delivery speed and convenience, supply chains could require increasing volumes of containers, trucks, trailers, and equipment. IOS sites provide scalable infrastructure that helps absorb these pressures and keep goods flowing with minimal disruption.

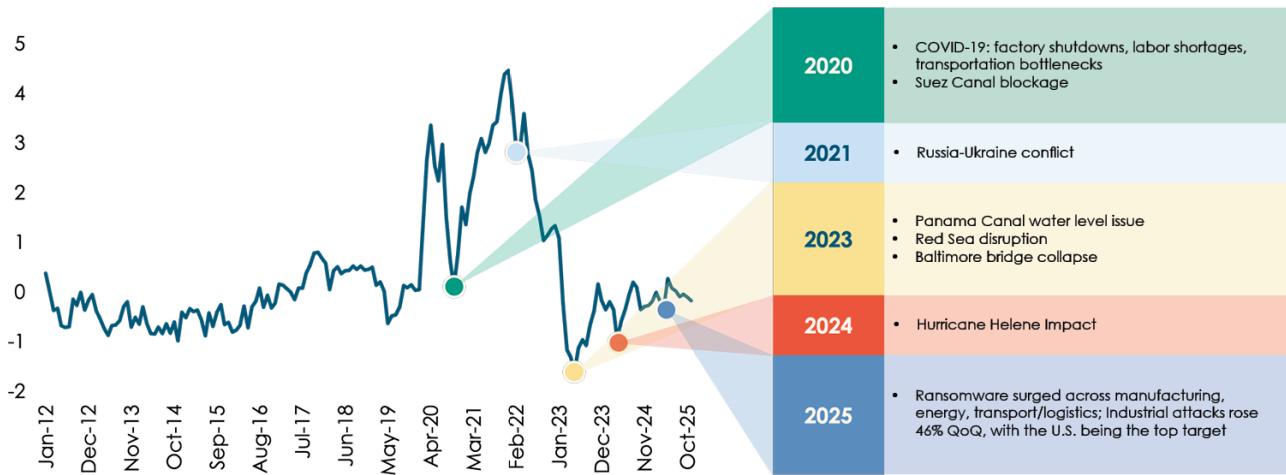


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CHART 2

GLOBAL SUPPLY CHAIN PRESSURE INDEX



Source: Stockbridge, New York Fed, UN Trade & Development Data Hub

E-Commerce Growth: E-commerce is firmly established as a permanent component of modern retail and continues to reshape logistics networks. Over the past 25 years, e-commerce has expanded from virtually no measurable volume to approximately \$1.2 trillion annually [Source: US Census]. Since 2015, it has maintained a compound annual growth rate of 27%, underscoring the sustained shift in consumer purchasing behavior. At the same time, consumers have become increasingly demanding, expecting faster delivery speeds and seamless, low friction return options.

Meeting these expectations requires supply chains to evolve with greater complexity and flexibility. Logistics networks must incorporate additional connection points, increased truck capacity, expanded parking and staging areas, and larger, more adaptable storage solutions, which are requirements that can be fulfilled predominately through IOS facilities. As e-commerce volumes and customer expectations continue to rise, IOS will play a critical role in enabling businesses to scale their operations while maintaining the level of convenience and dependability today's consumers increasingly require.

FLEET FACILITY



IOS UNION STREET
EAST WALPOLE, MA



Technological Advancement: Technology continues to reshape modern life, often without society fully realizing the extent of its dependence. In less than two decades, the smartphone has evolved into an indispensable tool, enabling consumers to order virtually any product from any location at any time and have it delivered within hours, often with the ability to return the item just as easily.

As technology accelerates further, the next wave of innovations such as drones, autonomous vehicles, and electrified transportation fleets will introduce new infrastructure requirements. These assets will need places to charge, park, stage, and maintain operations, including during off-peak hours. As a result, demand for strategically located, flexible IOS sites should continue to expand, supporting the physical infrastructure layer beneath the technological ecosystem that consumers and businesses increasingly rely on.

Construction and Infrastructure Projects: Large construction and infrastructure initiatives, such as highway expansions, data center developments, and advanced manufacturing facilities directly increase demand for IOS. These projects require sizable staging areas for materials, equipment, and vehicle fleets, but most job sites lack sufficient space to accommodate ongoing storage needs. IOS properties fill this gap by offering proximate, flexible, and secure outdoor capacity for everything from heavy machinery and trailers to building materials and oversized components.

Because infrastructure projects often span multiple years and move through phased milestones, contractors, subcontractors, and specialized service providers use IOS sites as operational hubs for fleet parking, equipment maintenance, materials handling, and daily dispatch. The rapid expansion of data centers, traditional bulk industrial warehouses, and manufacturing further amplifies these requirements, as each involves tightly sequenced deliveries, high material volumes, and dedicated laydown areas throughout construction.

As a result, markets experiencing sustained infrastructure investment tend to see elevated and persistent IOS demand. These sites act as essential support nodes, helping reduce on-site congestion, improve logistics efficiency, and maintain continuity across multi-year development cycles.

EQUIPMENT MAINTENANCE & HEAVY EQUIPMENT FACILITIES





EXTREMELY LOW SUPPLY

While IOS benefits from strong and growing demand, the sector continues to add very little incremental inventory. Since 2019, new IOS supply has averaged approximately 0.2% of existing stock (Chart 1). By comparison, Green Street estimates that real estate supply has grown roughly 5% in aggregate (approximately 2% excluding data centers), underscoring how difficult it is for investors to access and scale exposure to IOS. Looking ahead, IOS supply is expected to remain structurally muted for the foreseeable future for several reasons outlined below.

Not In My Backyard (NIMBY): While supply chains increasingly need IOS assets close to consumers and major nodes of commerce, municipalities often resist industrial uses, particularly those associated with delivery trucks, trailer parking, open-air storage, noise, and visual impact. Further, IOS properties typically comprise outdoor operational components which are highly visible relative to enclosed warehouse product. This dynamic creates meaningful friction for approvals and contributes to resistance of adding additional IOS product in many municipalities, where entitlement may be theoretically possible but practically difficult. This dynamic makes existing IOS difficult to replicate and mission critical for existing tenants.

Stringent Zoning: As a result of NIMBY pressures and the perceived “higher and better use” of scarce land, municipalities often apply strict zoning rules that prevent new IOS supply. Even if an owner receives initial support, it generally takes years to move IOS assets through the zoning process, dramatically slowing or preventing new supply. In many markets, new supply of outdoor storage is either prohibited outright, restricted to a limited set of industrial corridors, or subject to onerous conditions that reduce feasibility.

Site Availability: A frequently underappreciated constraint on IOS development is that these sites require infrastructure that can support the operational intensity of IOS users. Many tenants store, stage, and transport heavy equipment and materials tied to construction and large-scale infrastructure projects, such as roads, power generation, and data center development. As a result, viable IOS locations must sit on transportation networks that can accommodate heavy loads, frequent truck movements, and efficient ingress/egress (e.g., access to highways, industrial corridors, and routes designed for oversized vehicles). This narrows the universe of suitable parcels and concentrates IOS in a limited set of submarkets where road capacity, connectivity, and entitlements align with tenant needs, further reinforcing structural scarcity.



HIGH BARRIERS TO ENTRY FOR INVESTORS

Sourcing IOS assets differs markedly from traditional real estate acquisitions because these properties are seldom institutionally owned and rarely brought to market through conventional sales channels. Instead, IOS sites are typically held by “mom-and-pop” owners, making the process of identifying and securing acquisition opportunities highly relationship-driven and inefficient. Occupiers also represent a sizable share of IOS ownership, which can make access difficult: these sites often aren’t for sale, and when they are, they’re rarely marketed by a traditional capital markets broker. As a result, building an IOS portfolio requires intensive, on-the-ground engagement – cultivating trust with local owners, monitoring generational ownership transitions, and anticipating when individuals or families may become willing to sell.

Historically, financing these assets has also been challenging. Lenders had limited familiarity with IOS as a distinct property type, which constrained debt availability for both acquisitions and development initiatives. As the asset class has matured, however, financial institutions have gained greater underwriting expertise, resulting in expanding capital access.

Even with improving liquidity and capital markets acceptance, assembling an IOS portfolio of scale remains exceptionally difficult. Based on Stockbridge’s experience, IOS assets typically have a gross value in the range of \$7 million to \$15 million. Many institutional real estate firms are not structured to pursue small, one-off transactions over extended periods, nor do they have the operational platforms needed to manage the complexity and leasing of these assets. Organizations that dedicate specialized teams to sourcing, underwriting, and operating IOS properties, and that embrace the long-term, labor-intensive nature of the strategy, are generally well positioned.

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CONCLUSION

Industrial Outdoor Storage has become a vital yet structurally scarce component of the modern supply chain. Demand continues to expand, driven by ecommerce growth, technological change, supply-chain restructuring, and major construction and infrastructure activity, while new supply remains severely limited by zoning, “NIMBY” pressures, and the scarcity of suitable sites. These conditions have produced resilient occupancy, durable rent growth, and exceptionally “sticky” tenancy.

At the same time, IOS remains difficult to scale as an investment strategy. Most properties are locally owned, sourced through deep relationship-driven channels, and require specialized operational expertise. Although lender familiarity is improving, barriers to entry remain.

Taken together, IOS represents a synergistic combination of strong secular demand, constrained supply, and meaningful investment barriers. As supply chains evolve and infrastructure needs intensify, IOS could continue to grow as a critical and increasingly valuable component of the industrial real estate ecosystem.

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