



Industrial Outdoor Storage:
Delivering Income, Stability, and Long-Term Value



Comunale Properties Group, of which Rectangle is a part, owns the IOS asset.

INTRODUCTION

At Rectangle, we focus on high-quality, last-mile assets that deliver long-term income and appreciation. One area where this strategy comes to life is Industrial Outdoor Storage (IOS), a niche but highly strategic sub-sector offering durable demand drivers, steady cash flow, lower capital expenditures, and downside protection.

Unlike the more traditional IOS model—large truck terminals or sprawling yards along major logistics corridors (~8+ acres)—we focus on smaller (~3-5 acres), infill sites in supply-constrained urban submarkets where leasing velocity is strongest. These are often overlooked by large institutional investors due to their smaller size, but we believe they offer attractive long-term potential. We tend to be attracted to high-quality showrooms and maintenance facilities that can serve a range of tenants and support multiple uses—assets that are not only flexible, but well-positioned for the future.

WHAT IS IOS?

Industrial Outdoor Storage (IOS) refers to low-coverage industrial properties—typically less than 20% building coverage—used for storing trucks, trailers, containers, building materials, and equipment. These sites are mission-critical for transportation, logistics, service providers, and construction tenants, and located near ports, highways, and urban centers. Infill IOS sites are inherently scarce, primarily due to limited zoning, NIMBYism, and sites continuously converted to higher-and-better uses (such as multifamily).

IOS KEY CHARACTERISTICS

1

Minimal building coverage
(often <20%)

2

Zoning and entitlement
constraints (even in
greenfield areas) severely
limit new supply

3

Ideally located near
population centers or
transportation hubs

4

Mission-critical for tenants
in transportation, logistics,
construction, and
equipment rental industries

5

Often only available in
greenfield areas far from
the city center

6

Localized requirements
often lead to market-wide
searches



IOS IN PRACTICE: RECTANGLE'S APPROACH

Rectangle acquires and operates IOS sites institutional investors typically overlook due to their fragmented ownership base and less sophisticated owners. Our vertically integrated capabilities—spanning acquisitions, zoning analysis, leasing, and site-level management—allow us to create Core-quality cash flow profiles from mispriced or under-managed assets, while our boots-on-the-ground sourcing strategy further enhances our ability to find off-market opportunities. We have a long track record in IOS and currently own and operate a growing portfolio of IOS and IOS-adjacent properties.

STRATEGIC FIT

1. HIGHER AND BETTER USE UPSIDE

In addition to unlocking strong industrial fundamental tailwinds, well-located IOS sites in dense submarkets often carry long-term redevelopment value. For example, multifamily developers can routinely justify acquiring land at prices two to three times higher per land foot than industrial investors can justify. This “covered land play” dynamic adds a compelling layer to IOS—collect income today while holding a site that may support far higher value in the future.

2. RESILIENT, INCOME-ORIENTED ASSET CLASS

IOS assets typically trade at cap rates 50 basis points to 75 basis points higher than traditional industrial assets, offering higher going-in yields.¹ Over the last five years, rents have grown 8.8%.² Long-term triple-net leases with annual rent bumps (often 3%+) offer contractual, inflation-hedged income, making IOS a perfect fit for an income-focused strategy.

3. SUPPLY-DEMAND IMBALANCE

Municipalities often resist IOS sites due to limited property tax revenue, minimal job creation, and the strain they place on highways. Due to NIMBYism, restrictive zoning, and a limited amount of usable industrial land near urban centers, supply is structurally constrained, while demand is rising due to ongoing strain in logistics networks and e-commerce fulfillment needs. Across the top 48 markets in the U.S., the vacancy rate of IOS is at 2.8%.² This creates pricing power and low vacancy risk—key factors we look for in the Rectangle investment strategy.

4. COMPLEMENT TO SMALL- AND SHALLOW-BAY (SSB)

While our focus is to invest primarily in traditional SSB industrial properties, IOS provides valuable diversification and exposure to an adjacent asset class that shares similar tenants and economic drivers. IOS stands out for its lower capital intensity and reduced competition from institutional buyers, making it a cost-effective complement to SSB. Yards typically command lower rents per square foot than buildings, and operating expenses—such as taxes, insurance, and common area maintenance—are significantly lower. Additionally, IOS offers practical advantages: for many users, storing large equipment or materials in open-air yards is far more convenient than loading and unloading through warehouse doors.

5. DOWNSIDE PROTECTION

IOS sites are often valued more on land and location than on improvements. This provides strong residual value, especially in infill markets, while also mitigating depreciation risk and creating a scarcity premium. When structured correctly, IOS investments typically exhibit low volatility and high optionality, especially with value-add levers like permitting, paving, or site configuration. This means that in a downturn, IOS sites retain value due to location, scarcity, and flexibility of use. Further, when held in infill markets, their land often outperforms improvements over time.



INVESTMENT CRITERIA

- Infill and last-mile locations in our four targeted high-growth markets (Denver, Dallas, Phoenix, Salt Lake City)
- Strong residual land value
- Credit tenants with operational dependency on the site and ability to re-tenant
- Opportunities to improve cash flow through capital upgrades, active leasing, or mark to market of existing leases

WHY NOW?

As we discussed in our [“All of a Sudden, Income Matters”](#) paper, the income side of real estate is in focus again. In today’s higher-rate environment, we believe IOS offers a rare mix: yield, stability, and long-term upside. It allows us to build an income bridge to future growth—without development risk, high leverage, or volatility. Ultimately, we believe IOS helps us deliver what investors are asking for today: income, capital preservation, and inflation resilience.

With IOS, we believe we can bridge today’s income needs with tomorrow’s growth potential, delivering the stability investors want today while positioning for long-term upside in supply-constrained markets. At Rectangle, our platform is built to unlock that opportunity.

SOURCES

1,2 CBRE, The Weekly Take, Outside Chance: Investment Opportunities in Industrial Outdoor Storage, 6/24/2025



ABOUT RECTANGLE

Rectangle is part of the Comunale Properties Group, a privately owned, vertically integrated industrial real estate platform based in Denver, Colorado. Rectangle acquires, develops, and manages last-mile industrial assets near population centers and major transportation hubs in high-growth markets.

40+

Assets

6

States with Assets

2005

Founded

1.5M

Square Feet

99%+

Occupancy

20+

Team Members



INVESTMENT MANAGEMENT



DEVELOPMENT



CONSTRUCTION



PROPERTY & ASSET MANAGEMENT

By combining expertise across every stage of the real estate lifecycle, we deliver seamless execution and maximize value for our investors.

CONTACT US

1855 South Pearl St., Suite 20
Denver, CO 80210
Phone: +1.720.414.3459
Email: info@rectanglegroup.com

