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What is industrial outdoor storage land really worth anyway? - by David Skinner

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David Skinner

Back in the good old days of Boston-area commercial real estate, industrial land was worth what the sale comps said it was worth. The land in the park, or around the corner, or in that submarket sold for between X and Y to an industrial company that needed to park trucks or build a building, and they paid a certain amount for that land. That land sale then became a comparable sale for future buyers who wanted or needed to buy that land, and then again for the next buyer, and the next buyer, and so on.

Around the turn of the decade, an odd development began to take shape. These developers – who were not really “ground-up” developers in the traditional sense – would make an offer on a property based on what the rent would probably be in the future. They raised money from both syndications and institutions looking for a new way to deploy capital. When I first heard of this in 2018, it was mind-boggling. What followed was an industrial feeding frenzy – record-setting sale after record-setting sale, sometimes even with the same building trading twice in two years with no change other than a local lease being signed at a new market-setting rate.

That trend ran hot until 2022, when interest rates spiked faster than we’d ever seen. Then came 2023 and the emergence of industrial outdoor storage (IOS) as a defined asset class. Many of the same developers who had timed the market perfectly in the typical industrial sector started applying the same rent-forecasting logic to IOS sites – gravel yards, equipment depots, contractor yards – buying based on what the market lease rates could be. I’ve watched it closely and seen both big wins and painful misses.

Those who have done well tend to share a few traits.

First, they have a surgical understanding of where appreciation will actually happen. They know Boston is a last-stop market – land is scarce, infill IOS is virtually nonexistent, and certain “drop lot” uses common in Atlanta or Dallas simply don’t work here. The smart players identify pockets in secondary and tertiary markets where zoning is right, tenant demand is growing, and rents can rise sustainably. They study supply chain realities, truck routes, and even local politics before making a move, even being willing to go out to the “suburbs” because they understand where the tenants want to be.

Second, they structure their deals for flexibility. The winners often secure seller financing, step-up lease terms, or bank relationships in smaller markets where lenders understand the real, local value of the dirt. They avoid locking themselves into rigid terms that only work in a perfect market cycle, knowing that interest rates, tenant timing, and municipal hurdles rarely cooperate.

Third, they’ve built their own data sets. In Boston, lease comps for IOS are scarce and often misleading. Many users own their sites, meaning there’s less lease activity to benchmark. Successful investors track their own intel through years of relationship-building and site visits. They don’t hang a purchase price on one nice lease comp without confirming that other tenants will pay similar rates.

On the other side of the ledger, the missteps tend to be just as predictable.

Some buyers assume that the last record lease rate is the market. They'll see an \$6-per-foot IOS lease in one area and value land in a seemingly similar piece of land as if they are interchangeable. But the first deal might have been a one-off – an equipment company in a pinch, overpaying for a location they couldn't live without.

They also miss the subtleties of a submarket. I had a conversation with an owner who thought that a building 5 miles from the nearest highway was a prime market opportunity because that's what it would be in New York. Unsurprisingly they did not achieve their projection.

At the end of the day, IOS land is worth exactly the terms on which the landlord and tenant can agree. This means writing the best pro forma takes knowing who is in the market, who will be in the market, and what it will take to get that tenant to sign a lease.

Prescott is an award-winning commercial real estate brokerage specializing in selling and leasing industrial properties with a focus on industrial outdoor storage (IOS) in Greater Boston and throughout New England. If you own this type of property and you are interested in a sale or lease evaluation or you are looking for property that is very difficult to find, please reach out.

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