

MARKET EDGE

BY partners



Industrial Outdoor Storage (IOS)

Texas' Next Logistics Frontier


Geography: Texas

(Houston, DFW, Austin, San Antonio)



Industrial Outdoor Storage (IOS)—low-coverage sites for storing equipment, vehicles, trailers, containers, or materials—is a high-demand niche within Texas’s commercial real estate (CRE) industrial sector. In 2025, IOS properties are surging in Houston, Dallas-Fort Worth (DFW), Austin, and San Antonio due to their strategic locations, shorter lease terms (2-5 years), and lower maintenance costs compared to traditional industrial assets.

Despite their smaller footprints, typically ranging from 2 to 10 acres, IOS properties are often overshadowed by larger warehouse and distribution centers, yet they are gaining traction among institutional investors and private equity firms for their near-full occupancy (averaging 92% in major markets) and significant rent growth potential (5-10% year-over-year). The asset class is becoming increasingly institutionalized, with billions of dollars in equity funds raised across multiple large sponsors specifically for IOS acquisitions, signaling significant portfolio consolidations across the country in the coming years. This report explores IOS trends, recent transactions, key players, and opportunities for investors across Texas, with a focus on Central Texas (Austin and San Antonio) as critical hubs for portfolio aggregation.



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Market Drivers

- » **Logistics and E-commerce Boom:**
E-commerce growth (e.g., Amazon's Texas expansions) and logistics demand fuel IOS needs for last-mile delivery and equipment storage. Houston's port, DFW's inland port status, and Central Texas's I-35 corridor make these markets IOS epicenters.
- » **Manufacturing & Construction Growth:**
Central Texas's manufacturing expansion, supported by a robust and expanding labor pool and major players like Tesla and its suppliers in Austin, Samsung, and Toyota in San Antonio, and Texas Instruments \$40 billion semiconductor manufacturing plant and Global W silicon factory in North Dallas, significantly boosts IOS demand for raw materials storage and trucking logistics, independent of tariff-driven onshoring trends.
- » **Population Growth:**
Population growth across Texas's major metros propels IOS demand, as tenants in general contracting, utility construction, and equipment rental sectors pursue opportunities tied to expanding rooftops and labor pools.
- » **Shorter Lease Terms:**
IOS properties feature 2-5-year leases, shorter than the 7-10 years for traditional warehouses, enabling 10-15% rent bumps upon renewal, a key investor draw. Traditionally IOS leases have been shorter term in comparison to more traditional industrial leases, but with more institutional ownership moving more into this space, longer term leases have become more increasingly the norm than in the past.
- » **Lower Upkeep Costs:**
With minimal building coverage (<20%) and a single-tenant structure, IOS sites require 20-30% less maintenance than traditional industrial properties, resulting in lower management and reducing operating expenses.
- » **Tariff Impacts:**
Rising tariffs on construction materials drive tenant stockpiling, boosting IOS demand in logistics hubs like Houston, DFW, and Central Texas.
- » **Legislative Support:**
Texas's One Big Beautiful Bill (OBBB) provides tax incentives for industrial development, enhancing IOS appeal in opportunity zones.



Texas Market Highlights

Houston

- » **Houston's IOS market thrives due to its proximity to the Port of Houston and robust logistics infrastructure.**

Notable transactions include Apricus Realty Capital's acquisition of three IOS sites totaling 70,000 square feet in the Northwest Inner Loop, including a 9.7-acre fully leased property at 15800 Export Plaza near George Bush Intercontinental Airport, a 10-acre site at 9987 Wallisville Rd., and an 11-acre sale-leaseback with Box Gang Manufacturing featuring rail service and 100,000 square feet. The Houston Infill IOS Portfolio sale, spanning 117 acres with a 92% lease rate and a 37% mark-to-market spread, underscores the market's strength and potential for rent growth. Northmarq brokered a \$5.6 million IOS sale at 509 FM 359 in Brookshire, a 5.22-acre site leased to H&E Equipment Services. Point Acquisitions purchased a 7.2-acre IOS site at 10810 FM 529 for \$4.8 million, leased to a logistics tenant, in Q2 2025. Alterra IOS owns a Houston property, part of its 350+ national portfolio.

Dallas-Fort Worth

- » **In Dallas-Fort Worth, a logistics juggernaut, the Alliance corridor and South Dallas are IOS hotspots.**

Apricus and ABR Capital acquired a 7.5-acre site in Cedar Hill with an 18,000-square-foot high-flow-through building leased to Highway Intelligent Traffic Solutions. Bradford Commercial sold a 9.04-acre IOS site at 11801 C F Hawn Freeway, featuring a 12,950-square-foot maintenance shop leased to Semi-Stow and Truck Depot. Brookfield sold a 10-acre IOS site in Fort Worth's Alliance area to Realterm for \$6.2 million in Q1 2025, part of a \$277 million portfolio sale across multiple markets. Alterra IOS's Dallas properties are part of a \$343.6 million loan portfolio. These transactions reflect DFW's robust transportation infrastructure and high tenant demand, positioning it as a key market for aggregating IOS assets into larger portfolios.

Austin and San Antonio

- » **The Austin-San Antonio corridor, anchored by the I-35 corridor, is a burgeoning IOS hub driven by Central Texas's economic and population growth.**

Alterra IOS acquired two properties: a 3.5-acre site at 168 Park 35 Cove North in Buda, appraised at \$1.4 million, with 17,000 square feet of warehouse space leased to a construction site services provider, and a 5-acre site at 5400 U.S. Highway 90 near Lackland Air Force Base, appraised at \$1.9 million, with 16,500 square feet leased to a building materials supplier. In San Antonio, the sale of a 26,436-square-foot IOS facility at 8034 NE Loop 410, brokered by Partners Real Estate, moved through a full cycle of acquisition, competitive lease-up to Mears Installation (backed by Quanta Services), and sale to Base Industrial, showcasing strong tenant demand and asset liquidity. Quilvest Capital Partners and Axis IOS converted a 16.8-acre San Antonio site into a multi-tenant campus for modular housing and equipment vendors, while Green Courte Partners acquired a development site at 1191 North Foster Road for a multi-tenant

IOS facility with managed truck storage, set for completion in mid-2025. In Austin, tenant demand for IOS significantly outpaces limited existing supply, creating opportunities for developers, though high land prices—requiring costs below \$5 per square foot for IOS development to be viable—and stringent zoning restrictions pose challenges.

El Paso

- » **While El Paso's IOS market is less developed, recent industrial activity signals potential for future growth.**

Amazon's \$51.5 million distribution center at 7850 Paseo Del Norte highlights El Paso's strategic position near border logistics routes, suggesting opportunities for IOS transactions as cross-border trade expands. The ability to acquire these smaller-footprint, high-demand properties at relatively low capital costs and bundle them into larger portfolios, as seen with Triten Real Estate's \$400 million national IOS portfolio strategy, underscores their appeal across Texas's major markets.



Key Players

- » **Buyers:** Apricus Realty Capital (Dallas-based, active in Houston and DFW), Alterra IOS (Philadelphia-based, 42 Texas sites including Austin-San Antonio), Base Industrial (San Antonio), Brookfield, Point Acquisitions (Houston), Quilvest Capital Partners/Axis IOS (San Antonio), and Green Courte Partners (San Antonio) are leading IOS buyers. Peakstone Realty Trust acquired a \$490 million, 14-state IOS portfolio from Alterra in 2024, including Texas assets. Manulife Investment Management and TPG Angelo Gordon are also active.
- » **Sellers:** Harbor Capital (San Antonio's 8034 NE Loop 410), Colliers (Apricus's 11.3-acre Houston deal), Stream Realty (Jack Sallis for Alterra's Buda site), Bradford Commercial (11801 C F Hawn Fwy, DFW), and private owners like Matt McWilliams (Green Courte's San Antonio site) are key seller representatives. Local developers frequently sell to institutional buyers.

Broker Insights

- » **Houston:** "Houston's IOS market thrives due to port proximity and tariff-driven stockpiling. Apricus's Northwest Inner Loop deals and Point Acquisitions' FM 529 purchase show how rail and highway access attract high-quality tenants, with occupancies near 95%."
- » **DFW:** "Dallas-Fort Worth continues to rank among the nation's top IOS investment targets, supported by deep institutional capital interest and sustained tenant demand across key submarkets. Low-coverage sites, ranging from 5,000 to 15,000 sq. ft. on 2 to 4 acres continue to drive the most demand for tenants and investors."
- » **San Antonio:** "The Austin-San Antonio corridor is an IOS sweet spot, as Alterra's Buda and Lackland acquisitions show. Central Texas's I-35 infrastructure ensures stable demand from logistics and construction tenants."
- » **San Antonio:** "Our team's sale of 8034 NE Loop 410 to Base Industrial reflects strong investor appetite for IOS assets with creditworthy tenants like Mears Installation, backed by Quanta Services."
- » **San Antonio:** "Alterra's acquisition of 5400 U.S. Highway 90, which we facilitated, underscores San Antonio's IOS appeal. Its proximity to I-35 and Lackland makes it ideal for national tenants in the utility sector."

Challenges and Opportunities

- » **Challenges:** Zoning restrictions in urban Austin and San Antonio limit IOS development, particularly along the I-35 corridor. Land scarcity in Houston and DFW raises acquisition costs, while tariff-driven material price hikes increase tenant expenses, though shorter leases reduce landlord risk.
- » **Opportunities:** IOS offers 12-15% cap rates (vs. 8-10% for traditional industrial) due to low upkeep and high yields, attracting investors. The influx of billions in equity funds from large sponsors for IOS acquisitions signals a shift toward institutionalization, with significant portfolio consolidations anticipated nationwide. OBBB supports IOS in opportunity zones, notably in Houston's Tomball, San Antonio's South Side, and Austin's East Side.

Outlook

IOS will remain a Texas CRE bright spot, driven by logistics infrastructure, e-commerce, manufacturing, and population growth. Investors like Apricus, Alterra, Base Industrial, and Quilvest/Axis will continue aggregating portfolios, leveraging shorter lease terms and low maintenance costs for strong returns. The institutionalization of IOS, fueled by substantial equity fund investments, will likely drive significant portfolio consolidations across Texas and the U.S. in the coming years.

Partners Real Estate, as a significant player in the IOS sector with recent involvements like the 8034 NE Loop 410 sale, Alterra's San Antonio acquisition, and the listing of the 17.11-acre Speedway Park site in Von Ormy, is well-positioned to guide clients through IOS acquisitions and leasing in this resilient asset class.





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