

## Truck Terminals Move Into Fast Lane of Industrial Real Estate Investment

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While the commercial real estate industry has been focused on ever-larger industrial warehouses, the low-profile truck terminal has been picking up speed in drawing investors across the country.

Sales of U.S. truck terminals more than doubled to a record \$1.4 billion over the past four years as the pandemic accelerated the growth of e-commerce and ramped up investor demand for this type of property used in the growing effort to carry goods to doorsteps.

That jump in demand preceded the more than \$1 billion in sales so far this year of properties used for transferring freight, truck maintenance and equipment storage around the United States, CoStar data shows. Buyers of the real estate, a crucial link in the U.S. supply chain, include firms such as Salt Lake City-based Bridge Logistics Properties and Realterm Logistics of Annapolis, Maryland.

“Truck terminals are a real hard product type to buy because there’s pent-up demand from e-commerce companies, retailers and trucking companies for facilities to move goods and consolidate product. They are extremely scarce, in high demand from investors, challenging to entitle and largely controlled by owner-users,” Paul Jones, a managing director for Bridge Logistics, said in an interview. “At the same time, they’re very hard to get approved and built because municipalities and communities really don’t like the stigma of truck traffic.”

Most truck terminals, an important link in the U.S. supply chain, have been owned by longtime operators and rarely go up for sale — and those that do are seeing record investor demand that makes it hard to find a terminal to buy. Large funds controlled by such investors as global banking giant [JPMorgan Chase](#) have raised billions to buy the properties.



"Storage yards and terminals have historically been owner occupied, and there's not an abundance of them," JLL industrial broker Patrick Wood told CoStar. "Because there's such a limited supply, the occupier that gets control of one very rarely will leave."

Unlike in-demand warehouses used to store goods that can have millions of square feet under one roof, truck terminals typically range from 15,000 to 100,000 square feet with plenty of truck and trailer parking. As a result, proposals to build truck terminals and storage yards are often opposed in communities wary of potential traffic congestion, pollution and the sight of truck and trailer parking and storage lots.

### **Dwindling Supply**

Many terminal and storage yard owners in the western Inland Empire in California along Interstate 10, one of the nation's busiest freight and distribution corridors, years ago sold their land to big industrial developers that were piecing together multiple parcels to build massive warehouse and distribution parks, Wood said.

"That area was one of the most actively speculated land markets in the country," Wood said. "Truck terminals and storage facilities had to find other locations, and when you have a dwindling supply of a product type, it creates more demand for what's still available."

The latest wave of high-dollar terminal and storage yard purchases is persuading more longtime owners to sell, Wood said.

"Some of these owner operators are making more money on their real estate than they ever did in their operating businesses," he added.

The facilities are often not listed or marketed for sale. Jones of Bridge Logistics Properties said his company was at the right place at the right time to buy a rarely available truck freight loading terminal in Southern California's Inland Empire industrial hub. But it came at a high price.

The terminal across 14 acres at 2650 S. Willow Ave. in Rialto became available after Canadian transportation and logistics company TFI International bought it last year as part of an \$800 million purchase of UPS' freight operations. Bridge paid \$83 million — one of the largest amounts shelled out on record for a truck terminal in the Inland Empire — for the 41,100-square-foot building with a truck wash and nearly 7 acres for trailer storage.

"TFI was looking to sell some facilities to help finance the purchase of UPS Freight and we got lucky," Jones, who with other industrial real estate executives last year helped launch the logistics division of Salt Lake City-based real estate investment management giant Bridge Investment Group, told CoStar News. "We sent an unsolicited offer and were at the right time and right place."

Bridge has quickly amassed a portfolio of nearly 15 million square feet of warehouses, terminals, storage facilities and other industrial properties purchased or under agreement to buy.

## **Lacking Curb Appeal**

Local governments often don't have much incentive to approve terminal or storage yard projects, which, unlike modern warehouses and manufacturing facilities, don't employ large numbers of workers or generate high tax revenues, said David Eseke, an industrial broker with Cushman & Wakefield in Dallas.

Moreover, municipal leaders often face pressure from residents opposed to the projects based on fears they will bring traffic, accident hazards and air pollution. In one recent example, elected leaders in northeast Georgia's Banks County voted to reject logistics firm Southeastern Freightline's proposal to build a terminal with 150 dock doors.

Commissioners in the largely rural county turned against the project because of Southeastern's estimates that the terminal would create a higher-than-expected 2,300 truck trips per day along routes shared by school buses during the morning and afternoon.

"We know a truck coming down at 55 miles per hour cannot stop if a school bus suddenly pulls out," said Ellen Hulford, one of 20 residents who spoke to oppose the plan during the commission's Aug. 23 meeting. "I'm not opposed to growth; it's inevitable and happens everywhere no matter where you live, but your obligation is to do what's best and what makes sense for the county as a whole."

Commissioners voted 5-0 to reject the proposal.

Between the lack of tax revenue and job creation and the opposition, it's not unusual for local planning departments and leaders to kill terminal and storage yard proposals from developers.

"From a city's prospective, the inherent benefits just aren't there," JLL's Wood said. "Truck yards just don't look as good as these modern state-of-the-art industrial buildings that are so immaculately designed that they look like office buildings."

(This story was updated Sept. 9 to add comment on the reasons truck terminals can command high prices.)