Shippers rush for LA-LB storage amid backlog

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Lance Theobald, founder and CEO of the online marketplace SecurSpace, said warehouses in Southern California are overflowing with front-loaded spring merchandise. Photo credit: Shutterstock.com.

Driven by the front-loading of imports from China, US truckers and beneficial cargo owners (BCOs) in need of short-term container storage space are snapping up parking slots at motor carriers' yards and container storage depots in Southern California. As a result of the rush of imports, fueled by an effort to beat a now-delayed US tariff deadline, movement is spreading to other US seaport cities and inland hubs as well.

Lance Theobald, founder and CEO of the online marketplace SecurSpace, said that with warehouses in Southern California overflowing with front-loaded spring merchandise, more than 2,000 containers are in temporary storage at about two dozen facilities from Los Angeles-Long Beach to the Inland Empire. Most of the locations are trucking company facilities, but operators of container depots and distribution warehouses are also leasing out excess parking spaces for short-term storage of containers.

SecurSpace has been operating its Airbnb-type platform for more than a year, but demand has skyrocketed since last summer with the Trump administration's 10 percent tariffs on imports from China. Demand surged in late autumn when the possibility of a tariff increase to 25 percent was announced. "The tariffs are hitting the hardest in LA-Long Beach, but there is a ripple effect in Chicago and the Southeast," Theobald said.

Trucking companies are turning unused parking slots for containers on chassis into a source of incremental revenue, said Weston LaBar, CEO of the Harbor Trucking Association. Given the time and difficulty involved in locating and permitting property for container storage, trucking companies with facilities that are already permitted for container storage are offering their excess yard space for use as “mobile warehouses,” he said.

The arrangement works to the benefit of lessors as well as lessees. An importer whose warehouse is full will look for parking slots at nearby facilities for a few days, paying only for the time the containers are stored. The motor carrier that has excess yard space earns incremental revenue for that space that would otherwise have been unused. Theobald said most of the leases have been for 10 days or fewer.

A very low vacancy rate

With a vacancy rate of about 1.2 percent for industrial properties in Los Angeles County, and online shopping growing 19.1 percent nationwide this holiday season, warehouses in Southern California ran out of space for holiday merchandise. The front-loading of spring merchandise to get ahead of the possible 25 percent tariffs on more than $200 million of imports from China, effective Jan. 1, dumped additional freight on warehouses that could no longer accommodate the merchandise. Even though the US and China agreed to postpone the tariffs and counter-tariffs until March 1 to provide breathing room for a possible agreement, imports are expected to remain elevated at least until factories in Asia close on Feb. 5 for the Lunar New Year celebration.

BCOs and smaller drayage companies with limited yard space are constantly on the hunt for short-term storage space where containers on chassis can be parked. Although much of the action to date has been in Southern California, where Los Angeles-Long Beach is on track to handle more than 16 million TEU when the 2018 numbers are finalized, demand for temporary space is also developing in other coastal and inland cities with large populations and tight industrial real estate markets. Industrial vacancy rates nationwide in both primary and secondary markets average 4.9 percent.

SecurSpace on Monday announced a partnership with ITS ConGlobal, a provider of container yard and depot services, to enable on-demand storage and parking access to ITS Global’s network of facilities across the country. The two companies have been working in partnership in Southern California since 2017.

Theobald said many seaport and inland transportation hubs face the same challenges of rising industrial real estate costs and low vacancy rates. The partnership since last autumn has operated about 30 locations for on-demand storage in the Chicago area. Generally in the locations where it offers services, about 80 percent of the spaces it rents are for 10 days or fewer, but leases can extend for weeks or months, Theobald said. Having operated the online platform in Southern California for the past year, it has become a “plug and play” operation in new locations, he said.

The move toward short-term and on-demand leases at industrial properties has actually been under way at least for the past 36 months, said Kevin Turner, executive director and practices group leader of ports and logistics at Cushman & Wakefield. Traditionally, developers built industrial sites on a formula of 50 percent coverage by the warehouse and 50 percent for parking. With the advent of "rapid deployment" facilities, the facility coverage in new locations is often 40 percent or less, allowing for more parking space for trailers and containers, he said. Now that extra space for parking is in strong demand. "We get calls everyday for trailer drop storage," Turner said. Last year's enforcement of the electronic logging device to better regulate drivers' hours of service, coupled with the steady growth of e-commerce fulfillment, is serving to accelerate the trend, he said.

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