Here's an LA Apartment Developer's $300 Million Strategy for Building Self-Storage Space Across the Country

LaTerra Development Partners With Macquarie for Projects in California, Sun Belt

A Los Angeles developer is building out a self-storage initiative in response to an influx of demand for the real estate. (LaTerra Development)

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A Los Angeles apartment and commercial developer wants to start building self-storage space after demand soared during the pandemic and resulted in record-low vacancy for the property type in Southern California and across the nation.

LaTerra Development plans to invest up to $300 million in self-storage developments after forming a joint venture with a fund managed by Macquarie Asset Management, related to Australia-based global financial services firm Macquarie Group.

The partners are initially focused on investing in Southern California with an emphasis on Los Angeles, one of the nation's most constrained self-storage markets, Chris Tourtellotte, managing director of LaTerra, said in an email.

Looking ahead, the developer expects to expand to other parts of California and select Sun Belt markets in the wake of people relocating and clearing rooms for home offices in the pandemic. That boosted the need for self-storage

space, which totals more than 1.6 billion square feet in the U.S., according to StorageCafe, a storage listing and data website.

Roughly 44.2 million square feet was built in the U.S. in 2021 and another nearly 50 million is expected this year, according to StorageCafe.

The Los Angeles-Long Beach-Anaheim self-storage market features 63.7 million square feet, making it the fourth-biggest market in the U.S., behind Dallas, Houston and New York City, according to StorageCafe. The L.A. market saw roughly 1 million square feet added in 2021, the ninth-most in the nation.

California is one of the most expensive places to lease self-storage space, having eight of the 10 priciest cities for self-storage, according to StorageCafe.

“Self-storage is complementary to our core apartment development business,” Tourtellotte said in a statement. “Self-storage is part of the neighborhood ecosystem and supports housing density and small businesses, a primary goal for LaTerra.”

Expansion Strategy

LaTerra hired John Wilson as vice president of asset management to head the effort, it said.

Wilson previously worked for Glendale, California-based self-storage giant Public Storage and for Storage West, which was acquired by Malvern, Pennsylvania-based CubeSmart in November.

LaTerra is initially pursuing self-storage development projects in the Los Angeles neighborhoods of Mar Vista and Van Nuys and in the North Hollywood-Burbank area.

On average, development of a self-storage facility generally requires $10 million in equity, so $300 million may leverage roughly 30 projects, Tourtellotte said.

Outside of self-storage space, LaTerra and its general contractor affiliate, LT Building Corp., have roughly 3,000 apartment units and more than 1 million square feet of commercial space in the development pipeline, according to the statement.

The value of these current projects exceeds $3 billion.