

Metal Is Not a Four-Letter Word

Why small-bay investors may be discounting pre-engineered metal buildings for the wrong reasons



SMALL-BAY INVESTMENT THESIS

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The meeting you've already sat through

You know how this one goes.

A clean small-bay park comes across the table. Good infill location, sensible bay depths, well leased, the kind of tenant roster that pays on the first and calls the landlord twice a year. The numbers pencil. Someone starts nodding.

Then the photos come up. Ribbed steel wall panels. A long, low standing-seam roof catching the sun. And you can feel the temperature in the room change before anyone has opened a single drawing.

"It's a metal building."

Nobody has looked at the frame. Nobody has checked who engineered it, under what code, or how the roof has held up. Nobody has priced the actual capital needs. But the deal already has a haircut on it - a discount applied to the picture, not the property. The residual value quietly drops. The exit gets nervous. And more often than it should, a functional, well-located, hard-to-replace building gets treated as a liability because of the material it's clad in.

I've watched a version of that scene play out enough times that it stopped looking like a coincidence and started looking like a pattern - and a pattern that isn't grounded in the actual building is a mispricing waiting for someone disciplined enough to underwrite through it.

That's what this report is about. Not a defense of metal buildings - some of them genuinely deserve the discount and then some. It's about the difference between the ones that do and the ones that don't, and why the market so often refuses to make that distinction.

The turn: a label is doing a job it was never qualified for

Here's the sentence I want you to keep.

"Metal building" is a construction description, not a quality grade.

When a broker or a committee says "it's a metal building," they think they've told you something about quality. They haven't. They've told you what the walls and roof are made of. That's it. A metal building can be excellent, mediocre, or genuinely dangerous - and so can masonry, tilt-up, precast, or conventional steel. The construction type is a category, not a verdict.

The useful distinction was never metal versus "real" construction. It's a building that was properly designed, fabricated, erected, maintained, and adapted - versus one that wasn't. That line cuts across every material. There are masonry buildings I wouldn't touch and pre-engineered metal buildings I'd compete hard to own.

So the opportunity here isn't "buy metal." Buying every pre-engineered metal building because it's cheap is exactly as lazy as discounting every one because it's metal - you've just flipped the same shortcut over. The opportunity is narrower and better: **underwrite the system instead of the stigma.** Find the building the market has priced as cheap construction when the evidence says it's durable, functional, insurable, maintainable, and hard to replace. When the discount is attached to the picture rather than the property, that gap is yours to close.

To do that, you need to know what you're actually looking at. So let's start there.

The category that got discounted for looking like a stereotype

Before the field guide, a detour - because there's a useful parallel in a completely different corner of real estate, and it explains the psychology better than any argument about steel gauge ever could.

Think about senior housing.

For a long time, "senior housing" collapsed a whole range of very different products into one mental image: the nursing home. Institutional capital largely stayed away - not because the buildings were bad, but because the operations and returns were poorly understood and hard to compare. When you can't cleanly categorize something, capital gets nervous and applies a blanket discount. The stereotype did the pricing.

What changed wasn't the buildings. It was the *information*. The National Investment Center for Seniors Housing & Care wrote back in 2014 that senior-housing operations and profits weren't well understood by institutional investors, which made them reluctant - and the fix it emphasized was standardized data and benchmarks. Give capital a way to tell a high-quality operator from the stereotype, and capital shows up. By 2026, NIC still describes a highly fragmented market - private investors, owner-operators, and nonprofits own something like 86% of it - but experienced REITs have become major, active buyers. The stigma didn't vanish. It got *segmented*.

The analogy has limits. Small-bay metal buildings and senior housing do not have the same economics, operating intensity, demand drivers, or capital-markets path. The narrower point is what matters:

Capital discounts what it can't categorize cleanly. Better segmentation turns a category stigma into an underwriting edge.

The senior-housing story shows how a whole category can stay mispriced for years - not because the product is bad, but because the market is looking at a stereotype instead of the underlying asset. If you can be the buyer who sees the asset while everyone else is still seeing the stereotype, you're getting paid for diligence the next person refused to do.

So let's do the diligence. Starting with what these buildings actually are.

A field guide to what you're actually buying

Small-bay industrial isn't one thing structurally. Here's the plain-English version of the major systems - what each one usually means, what tends to make it attractive, and where you need to look harder.

System	What it usually is	What investors tend to like	What needs a closer look
Pre-engineered metal building (PEMB)	A custom-engineered system: primary rigid steel frames, secondary purlins and girts, and a metal roof and wall envelope	Efficient clear spans, flexible layouts, speed to build, expansion potential, relatively light structure	Roof and wall attachments, corrosion, insulation and condensation, older wind design, undocumented alterations
Conventional steel frame	Standard structural-steel framing with a separate envelope - masonry, precast, glass, or metal panels	Flexible design, robust framing, adaptable use	Fire protection, coatings, connections, envelope condition
Tilt-up concrete	Wall panels cast on site and lifted into place, usually with steel roof framing	Durable walls, familiar institutional product, good security and fire behavior	Panel joints, roof-to-wall connections, seismic/wind detailing, a bias toward larger bays
Masonry / CMU	Load-bearing or infill block and brick walls, wood or steel roof framing	Familiar, durable, often strong in older infill locations	Unreinforced walls, moisture, cracking, roof connections, limited expansion
Precast concrete	Factory-made panels or structural components assembled on site	Consistency, durability, institutional acceptance	Connections, joints, repair history, local availability
Wood / light-frame	Wood or light-gauge framing, sometimes with industrial finishes	Lower cost, adaptable for some light uses	Fire, moisture, span and loading limits, insurance
Hybrid / mixed	More than one system, usually because the building grew over time	Can combine the strengths of different systems	The <i>transitions</i> - connections, drainage, differential movement, mismatched code vintages

Two things are worth flagging before we go on.

First, the labels in county records are messier than this clean table suggests. Assessors use hundreds of local terms - "Pre-Engineered Steel," "Single Wall - Metal on Steel Frame," "Open Steel Skeleton," "Metal Frame and Walls," and on and on. Some describe the *structure*. Others describe only the *cladding* or exterior finish. "Metal siding" on an assessor card does not prove you're looking at a PEMB, and "open steel skeleton" tells you nothing about the wall system. Structure and envelope are not interchangeable.

Second, the hybrid row is where a lot of small-bay reality lives. These buildings get added onto: a masonry front office, a metal warehouse addition, a lean-to for a tenant who needed covered storage. The building isn't one system; it's an archaeology of decisions. The strengths can stack - but so can the problems, and they almost always show up at the *seams*.

What a good PEMB genuinely does well

Set the stereotype down for a second and look at the engineering, because on its own terms the modern system is impressive.

A pre-engineered metal building is exactly that - *engineered*. The Metal Building Manufacturers Association describes it as an interdependent assembly: primary structural-steel frames, secondary cold-formed purlins and girts, and metal roof and wall cladding, all custom-designed for the intended use, applicable code, loads, and

required performance. MBMA's 2024 manual is aligned with the 2024 International Building Code and ASCE 7-22. When people picture a "tin building," they're often picturing a decades-old screw-down shed. The current product can be a very different animal.

And it is not a fringe method. MBMA estimates that metal building systems account for nearly 30% of U.S. low-rise commercial construction. That's an industry-association estimate, but it still lands the central point: institutional investors often treat this category as *unusual* when the construction market treats it as *ordinary*.

The functional advantages are the ones your tenants actually feel. Clear spans mean fewer interior columns and a floor a tenant can actually use and reconfigure. Layouts flex. Expansion can be straightforward - you extend the frame line rather than fight a bearing wall. And the structure is efficient, which is part of why these buildings can go up quickly.

Durability is real too - as long as you keep the qualifiers attached. MBMA says these buildings can last six decades or more. On roofs specifically, Metal Construction Association research on modern coated standing-seam systems reports service-life expectations of at least 60 years, with some properly designed and constructed systems estimated near 70 years in non-coastal environments.

That does not mean every metal roof lasts 70 years. Roof type, coating, sealants, fasteners, coastal salt exposure, penetrations, drainage, workmanship, and maintenance determine what you actually get. A standing-seam roof installed well and maintained can be a long-lived asset. An exposed-fastener roof nobody has touched in 20 years is a leak schedule. Same category, opposite outcomes.

Energy is the same story. Nothing about the word "metal" dictates envelope performance. A metal building can perform badly when insulation, thermal bridging, air sealing, or condensation control is weak - and plenty of older ones do. It can also be designed or retrofitted to modern energy codes. The envelope is an engineering choice, not a property of the material.

There's even a paper trail available. The International Accreditation Service accredits manufacturers that design and fabricate these systems under AC472, a program built on Chapter 17 of the International Building Code, and separately accredits assemblers under AC478. That does not prove *your* building was designed or erected well. It does hand you a very good diligence question: *who designed, fabricated, and erected this building, under which code, and what documentation survived?*

Buildings that can answer that are worth more than buildings that can't - regardless of what they're clad in.

The bear case, told straight

Now the part where I refuse to sound like a trade association.

Some pre-engineered metal buildings are bad. Not "misunderstood." Bad. The reasons they are bad are exactly the reasons the market is nervous - which means the stereotype isn't pure prejudice. It is an overgeneralization built on a foundation of real failures.

FEMA's post-storm assessments are the honest record here, and they don't flatter the category. After Hurricanes Ivan, Charley, and Katrina, FEMA's building-performance teams documented poor performance in some older or minimum-standard pre-engineered metal buildings - particularly where cladding tore off, corrosion had damaged connections, or wind design and connection details were simply too old and too light for the event. When a metal building fails in a storm, it can fail dramatically, and the photos are memorable.

But read the whole record, not just the scary pictures. The same assessments observed newer metal buildings that performed adequately and a small sample of buildings designed for high winds that came through with minimal cladding damage. The useful distinction isn't "metal is dangerous." It is "under-designed, corroded, unmaintained metal is dangerous." The second sentence is true. The first one is lazy.

Here is the bear case you should actually carry into a walkthrough - every item real, inspectable, and priceable:

- **Old wind design.** A building engineered to an older code for a coastal market may not carry today's loads. This is knowable from the drawings and vintage.
- **Corrosion.** Especially at column bases, connections, and anywhere water has been sitting. Steel rusting at a connection is a structural conversation, not a cosmetic one.
- **Cladding and roof failure.** Exposed-fastener roofs age. Fasteners back out, sealants fail, panels oil-can and leak. A screw-down roof near the end of its life is a capital line item, not a surprise.
- **Insulation and condensation.** A poorly detailed metal envelope sweats. Chronic condensation damages insulation, can corrode the structure from the inside, and makes tenants miserable.
- **Fire.** Occupancy changes and tenant improvements can outrun the original fire protection and separations.
- **Undocumented alterations.** Mezzanines, widened overhead doors, rooftop units, cranes, and solar arrays all change loads on a frame engineered for a specific set of them.
- **Insurance.** If the market won't insure it on realistic terms, your returns don't matter. Test this early, not at closing.
- **Workmanship.** The quietest killer. Two identical designs, erected by two different crews, are not two identical buildings.

None of these is a reason to avoid the category. They are reasons to *inspect* the category. A risk you can identify and price is a risk you can win on. A risk you refuse to look at is just a discount you handed to someone else.

The pricing question

Here is where the stigma turns into dollars.

In my market experience, metal small-bay properties tend to meet more resistance from institutional and sophisticated capital. That resistance shows up in the cap rate sometimes - but I think it is often *more visible in the total sale price and the price per square foot.*

My rough observation, watching a lot of these trade, is that in many ordinary markets these buildings can struggle to push past roughly **\$200 per square foot**, while high-quality locations - particularly Florida and California, and sometimes Texas - can break through it without much trouble.

That \$200 number is my experienced read, not a verified national ceiling. SpanVor's current transaction evidence is not yet clean or broad enough to publish a national metal-building price-per-square-foot comparison. What it does show is enough recorded metal-building sales above \$200 per square foot to disprove the idea that the material itself creates a hard cap.

If the ceiling were inherent to metal, those trades would not exist. They do. Location, land, rent, occupancy, vintage, function, and the depth of the buyer pool can overwhelm the construction label entirely.

Price per square foot is a blunt instrument. It mixes land value, rent per foot, occupancy, location, age, site coverage, tenant credit, and liquidity into one number. But it is also where the market's hesitation can become visible. A well-leased metal building may produce an attractive current yield while the buyer still assigns a lower residual value to the structure and refuses to stretch on total basis.

That creates the opportunity: the psychological ceiling often appears in the total basis and price per square foot, yet the exception markets prove that the ceiling isn't inherent to metal. The label is partly sentiment, and sentiment is exactly the thing a disciplined buyer gets paid to underwrite against.

The diligence framework - save this part

When a metal small-bay building comes across your desk, these are the questions that separate a real opportunity from a real problem:

- Are the original drawings, calculations, manufacturer information, permits, and certificates available?
- Was the manufacturer or fabricator accredited - or can the engineering be independently verified?
- What code and what wind, snow, and seismic loads governed the original design?
- Is the roof standing-seam or exposed-fastener - and what are its age, coating, leak history, repairs, and inspection history?
- Are the frames, purlins, girts, bracing, anchor bolts, and connections free of material corrosion, damage, or undocumented alteration?
- Have overhead doors, mezzanines, cranes, solar, HVAC, or tenant improvements changed the structural loads?
- Does site drainage move water *away* from the slab and wall base?
- Does the envelope control air leakage, insulation gaps, thermal bridging, and condensation?
- Are fire protection, sprinklers, separations, and any occupancy changes code-compliant?
- Does the building actually *work* for the market - clear height, door count, power, loading, parking, yard, circulation, and expansion room?
- Can you get acceptable insurance on realistic terms?
- What near-term capital does it need, and what would it cost to replace today?

Run those, and almost every metal building sorts itself into one of three buckets.

Good PEMB. Documented, code-appropriate, functional, well-maintained, insurable, and adaptable. This is the one the market discounted on sight. Underwrite the building, not the stereotype - and be willing to pay up relative to the crowd, because the crowd may be mispricing it.

Fixable PEMB. Sound frame and slab, but the roof, envelope, insulation, drainage, doors, or deferred maintenance need capital. This is a math problem, not a disqualifier. Price the work honestly and preserve your basis. Many of the best returns in this category live in the gap between "looks rough" and "is structurally fine."

Bad PEMB. Material corrosion, questionable wind design, undocumented structural changes, chronic leakage, weak connections, poor drainage, or a functionally obsolete layout. Walk away - or buy it as land. The metal label isn't the problem. *The building* is the problem. It would be a bad building in any material.

The label never told you which bucket you were in. The diligence did.

What SpanVor sees - without pretending the data is cleaner than it is

SpanVor covers more than a million small-bay industrial properties, but construction data is one of the messier fields in public records. Only a fraction of properties currently carry a usable construction label, and local assessor terms often mix a building's structure with its exterior cladding. That makes our metal-building counts directional rather than a national census.

Our current sale observations are also uneven by geography and occasionally complicated by multi-parcel transactions. That is why this report does not publish a manufactured national "metal discount." The better point is also the more useful one: recorded metal-building sales above \$200 per square foot exist, which means location and building quality can overcome the label. A cleaner, like-for-like comp study is worth doing next. Until then, treat the direction as real and the precision as pending.

The idea to walk out with

The market does not need to fall in love with metal buildings. It doesn't need to decide they are all good - they aren't. It only needs to stop confusing *unfamiliarity* with *inferiority*.

Every time a committee discounts a building because of what it is clad in, before anyone has read a drawing or climbed on a roof, it leaves a specific kind of asset priced for someone else to buy - durable, functional, insurable, hard to replace, and cheap for reasons that have little to do with whether it works.

The senior-housing story shows how long a category can stay mispriced when capital sees a stereotype instead of a product. The FEMA record shows the risks are real but *inspectable*. And the field guide shows the label was never the answer in the first place.

So here is the edge, stated as plainly as I can:

Your competition is underwriting a photograph. Underwrite the building, and the discount they hand back becomes your basis.

Find the metal building the market has priced as cheap construction when the evidence says it is sound. Do the diligence they won't. Buy the Good PEMB they flinched at and the Fixable PEMB they never bothered to price. Let the stigma keep working - as long as it is working in your favor.

Metal isn't a four-letter word. It is a construction description. The quality grade is something you have to go earn, one building at a time - and getting paid for that work is the entire point.

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- NIC, Senior Housing Transaction Environment - <https://www.nic.org/blog/senior-housing-transaction-environment/>

SpanVor property-universe and sale observations are drawn from the Industrial Property Intelligence database as of July 24, 2026. Construction labels are normalized from inconsistent local assessor terms, and the sale set is geographically uneven. The roughly \$200/SF figure is the author's market observation, not a verified national statistic.

See the buildings the market is mispricing. SpanVor's Industrial Property Intelligence lets you underwrite the system instead of the stigma - construction, vintage, sale history, and site utility on the small-bay universe.

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