

Feasibility Study

Deer Valley Industrial Park – DEF Manufacturing Facility, Phoenix, AZ

Purchase Price Assumption: **\$5,000,000**

1. Portfolio Overview

Portfoliosize:

- 1 property
- 16,068 sq ft facility
- 0.86 acres
- ~10,000 sq ft outdoor storage

Property:

DEF Manufacturing
& Industrial Facility

Location

21601 N 9th Ave,
Phoenix, AZ

Asset Type:

Industrial /
Manufacturing

2. Stabilized Income

Based on production and pricing assumptions:

Annual Production Capacity:
≈ 1,425,600 gallons

Wholesale Price per Gallon:
≈ \$2.40

Gross Revenue (Stabilized):
≈ \$3,421,000

Gross Margin (25% assumed):
≈ \$855,000

Operating Expenses (post-margin):
≈ \$200,000

Net Operating Income (NOI):
≈ \$650,000 – \$850,000

Underwritten NOI:
\$750,000

3. Cap Rate at Negotiated Price

Purchase price:
\$5,000,000

NOI:
\$750,000

Cap rate:
≈ 15.0%

This is **significantly above industrial market cap rates (6%–8%)**, reflecting a **high-yield manufacturing-driven asset**.

4. Revenue Per SQ Unit Analysis

Total leasable area:
16,068 sq ft

Annual revenue:
≈ \$3,421,000

Revenue per sq ft:
≈ \$213/sq ft annually

Monthly per sq ft:
≈ \$17.75/sq ft

This is **very strong for industrial assets**, driven by **manufacturing output vs traditional leasing**.

5. Value Creation Potential

Using stabilized NOI:

\$750,000

Cap Rate	Property Value
8%	\$9,375,000
9%	\$10,714,000
10%	\$12,500,000

6. Immediate Equity Created

Purchase price:
\$5,000,000

Value at 7% cap:
\$10,714,000

Instant equity:
≈ \$5,700,000

This reflects significant value arbitrage through operational income creation.

7. 5-Year Investment Projection

Assumptions:

- 4% annual revenue growth
- Increased production efficiency
- Exit cap rate: 7%

Year-5 NOI:
≈ **\$910,000**

Exit value:
\$910,000 ÷ 7%
≈ **\$13,000,000**

Total profit:
\$13M - \$5M
≈ **\$8M**

Equity Multiple:
≈ **2.5x - 3.0x**

8. Market Feasibility

Phoenix industrial and logistics market shows:

- Strong freight and logistics growth
- Major highway connectivity (I-10, I-17, I-40)
- Increasing diesel fleet activity
- Rising demand for emissions-compliant products

DEF is a mandatory consumable, making demand:

- Non-discretionary
 - Recurring
 - Regulation-driven
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9. Demand Drivers

Key demand factors:

- EPA emissions regulations (mandatory DEF usage)
- Growth in trucking and logistics industry
- Regional supply gap (transport cost advantage)
- Fleet expansion across Southwest
- Recurring consumption model

This creates **predictable B2B recurring revenue streams.**

10. Risk Analysis

Operational Risk

Manufacturing setup and execution required.

Mitigation: Pre-quoted equipment + turnkey setup.

Commodity Pricing Risk

Urea/raw material price fluctuations.

Mitigation: Wholesale contracts + pricing adjustments

Market Risk

Competition from national suppliers.

Mitigation: Regional cost advantage + faster delivery.

Interest Rate Risk

Higher rates may impact exit valuation.

Mitigation: High entry yield (~15%) provides cushion.

11. Investment Score

Category	Rating
Location	9/10
Demand	10/10
Cash Flow	9.5/10
Growth	9.5/10

Our Honest Opinion

If executed at:

\$5M acquisition

This becomes a **high-performance industrial + operating business investment.**

This is a **hybrid deal (real estate + operating business)** significantly more powerful than traditional industrial assets.

Key reasons:

- 15%+ yield potential
 - \$5M+ instant equity creation
 - 2.5x–3x equity upside
 - Regulatory-driven demand (very strong)
 - Scalable production model
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One Important Strategic Insight for You

Most investors look at this as a real estate deal.

But the real value is in:

Manufacturing + distribution business

The biggest upside comes from:

- Expanding to 24-hour production
- Securing long-term fleet contracts
- Entering retail packaging (higher margins)

This can push NOI beyond **\$1M+**, driving valuation toward:

\$12M – \$15M+ range within 3–5 years