



grocapitus

FEATURED CASE STUDY

# STORAGE DEPOT

📍 West Memphis, Arkansas

## PROJECT OVERVIEW

	PROFORMA	ACTUAL
YEARS HELD	5 YEARS	2.25 YEARS
EQUITY MULTIPLE	2X	2.1X
AVERAGE ANNUAL RETURN	28%	62%
INTERNAL RATE OF RETURN	20.6%	49.6%

## OVERVIEW

Storage Depot was a 718-unit self-storage facility in West Memphis, Arkansas, purchased in **early 2020 for \$8.975M** in partnership with Michael Anderson—CEO of AKA Partners, with over 50 years of experience under his belt.





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## THE OPPORTUNITY

The storage asset class, often overshadowed by flashier real estate opportunities, presents compelling investment advantages. Notably, it offers immediate cash flow, resilience during economic downturns, and consistent profitability. Moreover, the industry's fragmented nature and low tenant turnover contribute to its allure among investors seeking stable returns. All things considered, we knew that this specific opportunity had **massive potential to be a home run deal**.

The acquisition conditions presented a prime opportunity, boasting a highly attractive **6.49% cap rate** and a history of mid to high-90s occupancy rates. Even better, rental rates were up to **26% below market**, offering significant room for revenue growth.

Furthermore, the property included **3.06 acres of undeveloped land**, giving wiggle room for additional development to account for a projected demand surge due to population growth. Finally, a third-party feasibility study indicated a remarkable scarcity of storage space per capita, coupled with a substantially higher median household income in the area.

## VALUE-ADD SOLUTION

Our value-add strategy for Storage Depot goes beyond traditional methods. We chose to incorporate **environmentally conscious initiatives**, such as solar integration, giving the Storage Depot an edge in reshaping the self-storage landscape. This innovative approach not only enhanced sustainability but also presented substantial long-term benefits for investors. More so, we included RV parking underneath parts of these solar panels, opening up to meet the needs of a wider pool of potential customers. But we didn't stop there. The addition of a climatized storage building enhanced the dynamics of this facility, giving the Storage Depot an advantage in meeting the region's growing demands.





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## THE RESULTS

**Storage Depot was sold after just 2.25 years, cutting the original projected hold period in half.** During the holding period, we executed a strategic expansion plan, adding 155 units to the property, thereby amplifying its revenue-generating potential by an impressive **21.5%**. This expansion not only diversified our income streams but also positioned the property as a formidable player in the local market.

The culmination of our efforts was evident in the financial gains realized from the sale. With an astounding **2.1X return on the original equity**, investors enjoyed substantial rewards, underscoring the efficacy of our value-driven approach. The achieved **49.6% Internal Rate of Return (IRR)** doubled initial projections, reflecting the exceptional performance of Storage Depot under our stewardship. And, despite initial expectations forecasting an average annual return **(AAR) of 28%**, the actual performance soared to an impressive **62%**.

The Storage Depot project underscores Grocapitus' commitment to delivering exceptional returns through strategic acquisitions and value-enhancing initiatives. By leveraging market opportunities and pioneering sustainable solutions, we continue to redefine success in the real estate investment landscape.



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