

Case Study

ShopRite

World-Class Operations Maximizing Investor Returns



Notable Tenant



60,896 SF of Retail



1121 Jerusalem Avenue, Uniondale, NY 11553

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Founded in 2015 by Tony Grosso and Chris Palermo, First National Realty Partners (FNRP) is a leading private equity CRE firm investing exclusively in the necessity-based retail space, which has grown to own a portfolio valued at over \$1B. This growth stems from our team's effectiveness in both de-risking deals and significantly increasing property values to generate exceptional returns for investors.

Acquired in August 2020, ShopRite is a 60,896 SF single-tenant, freestanding grocer located in Long Island, NY. Positioned strategically to benefit from the area's immense population, ShopRite is a local favorite for essential-needs shopping that also draws traffic from across the area. Our team immediately saw the value of this center and its strategic location. Acquired at the height of the COVID-19 Pandemic, we also recognized it as a lower-risk alternative property investors were really looking for during a time of increasing uncertainty. Learn how our team picked this highly stable center and then increased the property's return for our investors.

Purchase Price

\$19,500,000

Hold Period

2 Years



Total IRR

23.73%

Received at Closing: **\$24,635,039**



Why ShopRite?

Beginning with our core investment criteria, ShopRite met all of the essential metrics for a successful deal. For starters, ShopRite is a local brand favorite in the New York region. Our team identified this individual site as an exceptional performer drawing strong traffic numbers from a large population of about 232,700 within a 3-mile radius alone. Additionally, the demographics were very strong, with average household incomes of over \$125K within a 5-mile radius of the property. Senior Director of Acquisitions, Matt Annibale relates:



“This was a site that exceeded all of our acquisition criteria. It started with an essential operating grocer that had sales per square foot over \$800 with a true triple net lease structure. The store was co-anchored by a Walmart (separately owned) which had a limited grocery selection which created little competition but helped to drive additional traffic to the site and to ShopRite. Finally, the demographic profile of the location along with ShopRite’s long-standing tenure at the location provided us confidence that this investment was a great fit.”

What’s more though, is that our team pinpointed this type of asset because it most aligned with our investors’ interests at the time.



Ending Occupancy
100%



Strong Performing Grocer



Exceptional Demographics



Single Tenant Triple Net

Applying Nimble Investing Strategies

At the time FNRP purchased ShopRite, the COVID-19 Pandemic just hit, and with it came the lockdowns that closed most businesses except for essential operators like grocery stores. The market was getting uncertain and we noticed that most real estate classes were entering an uncertain phase.

While many firms took a more cautionary approach and remained on the sidelines, our team pivoted our acquisitions strategy to take advantage of market opportunities. We anticipated that investors were looking for greater stability more than ever given the onset of the pandemic and we were nimble enough to pursue deals that presented investors with the proverbial safe port in the storm. The key here was presenting a low-risk option for our loyal investors, which is why the single-tenant ShopRite presented the perfect deal to assuage investor fears while delivering strong returns.



Identified Market Opportunity



Calculated Low Risk Options



Secured Necessity-Based Asset

Usually, our team targets grocery-anchored shopping centers. These assets are already stable and help hedge against inflation; however, while a center with multiple tenants offers more returns, they also present more risk as well. On the other hand, a single necessity-based tenant during this time was even more secure, it's only one anchor to deal with.

ShopRite was already a strong performer during the pandemic and we believed it presented little risk, so we jumped on the opportunity, acquiring the asset well below market value.

“The ShopRite acquisition showed how, as an organization, our in-house team was able to pivot and take advantage of opportunities and cater to changing investor demands as the markets change, while other firms weren't as flexible to this change. We were able to be opportunistic and buy this property at a price that was below market rate then capitalize off of this powerful asset for investors.” - Matt

Buying ShopRite below market rate, our team now faced a great opportunity to increase leasing and deliver stable returns, just like investors were looking for.

Delivering Stability and Value to Investors

From the beginning, our team was very conservative in our projections for ShopRite. We anticipated steady returns and a long hold period of around 7-10 years, coasting off the stability of this asset and the credit of this center. However, creating value was a major aspect of our site plan.

During this time, FNRP worked with ShopRite to ensure they were well supported and helped them enhance the property. One notable case was when we allowed ShopRite to install a new cogeneration system on the property to convert natural gas to electricity. The cost of this system was paid by ShopRite and not only benefited the tenant and the property's value, but also the environment as well. Our team also worked with Shoprite to enhance the quality of light and reduce electricity costs by retrofitting the parking with LED lighting.

In addition to enhancing the property's value, we also benefited from contractual rent increases, which were low relative to ShopRite's strong sales, which gave us further confidence in their long-term tenant presence. As a result, we were able to provide high, consistent returns to our investors.

With the market returning to more stabilized conditions, ShopRite was significantly more valuable than it was when we purchased. We literally made our money on the buy because we purchased ShopRite at an above-market cap rate. This set us up to be highly successful when a buyer approached us.

Because of ShopRite's performance and the increased demand for single-tenant triple net lease properties during post-COVID market recovery, this was a very enticing property that we were able to sell for a significant profit only two years into the hold period. This was just too good of an opportunity to pass up for our investors, so we decided to exit the property, securing high returns.

Our team was able to successfully sell ShopRite at the market rate for \$24,635,039, over \$5M more than what we purchased it for, which brought total investor IRR to 23.73%. ShopRite not only offered the stability investors needed during the global unrest, but by shrewdly navigating the market, our team was able to capture superior return value as well.

FNRP Acquires ShopRite

July 2020

2-Year Hold Period

+ Quarterly Distributions

FNRP Sells ShopRite

July 2022

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