

# Case Study

## Colony Business Park

World-Class Operations Maximizing Investor Returns

### Notable Tenants

Nifty Packaging Products, Rep Associates, Inc., Reliance Adult Day Care, Inc.,  
Alstom Energy, Jocoma Construction Corp.



79,075 SF of Retail



1-11 Jocama Blvd., Old Bridge, New Jersey 08857

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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.

One of FNRP's first properties, Colony Business Park, is an 80,057 SF office building park in Old Bridge, New Jersey. While this asset is different from the grocery-anchored CRE that FNRP would later specialize in, the successful disposition of Colony exemplifies the core business strategies and principles that define our team's effectiveness. Colony was not only a successful property on its own, it was a successful investment in the face of shifting markets and the global uncertainty of COVID-19.

**Purchase Price**

\$8,250,000

**Hold Period**

4 Years



**IRR**

**13.88%**

Received at Closing: **\$11,350,000**



# Why Colony Business Park?

One of the hallowed sayings at FNRP is that **you make your money on the buy**. This was definitely the case with Colony Business Park. But what made this a property worth buying?

For starters, Colony was a strong piece of real estate with 48% of the space available for office purposes and 52% warehousing units. This offered highly flexible spaces for a wide range of tenants. It was well built and maintained, and it already had a strong occupancy of businesses. What's more though is that the center's location was a key factor in its acquisition, as it is for all FNRP's properties.

Highly knowledgeable of the New Jersey area, it was clear to our team that this flex building park was superbly located for business visibility and commercial purposes. Colony is 38 miles from bustling New York City, which of course is a leading economic powerhouse in the US. Additionally, Colony is strategically centered along New Jersey's heavily trafficked Route 18 and Route 9 intersection which further added to the center's accessibility. Our team also knew that Old Bridge itself was a prominent location with great demographics.

All of these factors aligned for FNRP to identify this as a highly stable property that could potentially offer attractive returns relative to overall risk. Buying Colony Business Park for just over \$8.25M, the goal was to use this site as a predictable, consistent source of cash flow for investors and achieve an expected IRR of around 13%. However, the site would **surpass** our return projections.

# Maximizing The Center Through Tenant Relations and Value-Add

From the beginning, FNRP sought to establish trust and positive relations with the tenants, most of whom would remain with the center up to disposition. A major aspect of adding value to the property was by working with key tenants to secure long-term leases. One tenant, in particular, was Nifty Packaging Products, a successful packaging company that occupied two buildings on the property, a quarter of the center. Originally on a 3-year lease, our team negotiated a substantial 10-year extension with moderate rent increases. Managing Principle Andrew DeNardo relates:



“We immediately worked with Nifty and got to know them and their business needs. We reaffirmed that we valued their business and were seeking a long-term solution that would benefit both of us. Nifty was underwritten as paying below-market rent, so we knew there was room for an increase. Nifty also knew they were below market, and therefore signing a long-term lease would prevent us, or another landlord, from bringing them to market rent in the future. The deal just made perfect sense from both sides. A true win-win.”

In the same vain, FNRP secured other long-term leases with current tenants and filled vacancies with new high-performing businesses with strong credit including Reliance Adult Day Care, Inc, and American Prosperity Group. We also added further value to the property through tenant improvement allowances which served to both enhance the space and solidify longer leases that we then brought up to market rates.

# Conquering COVID - Getting In the Fox Hole

One risk that no one saw coming was the COVID-19 pandemic, which would prove a major ordeal for a wide variety of businesses, real estate among them. And while several of the tenants at Colony Park were essential, medically-focused organizations, several were concerned over making rents during shutdowns.

Another core principle that defines the FNRP brand is what we refer to as 'get in the foxhole'. Our organization prioritizes supporting all of our partners in order to overcome obstacles and achieve great results. This includes our tenants.

Often, landlords would stick exclusively to the lease. If tenants couldn't pay rent or were delayed in reaching out to them for aid, these tenants would be placed in default. This is a very passive approach that ultimately hurts both tenants and landlords. We took a different approach entirely.

"We were proactive with our tenants and provided clear options so they could continue to operate their business. We educated them about the PPP and all the government-sponsored funding that was becoming available and emphasized we want to be a good business partner. Part of this involved allowing some abatements and deferments to help some tenants continue to operate their businesses during this time. But while it seems like we took this as a loss, the opposite was true. We didn't just allow tenants to abate their rent, we negotiated with them to get more term in their lease or to remove prohibitive language from their lease. By being flexible with our tenants, we actually created more long-term value for the investment." DeNardo describes.

Working with these tenants, ultimately allowed FNRP to secure additional multi-year lease extensions and more favorable lease terms that culminated in a superbly positioned property that performed well for investors.

"We had an excellent outcome through this strategy. An asset like Colony Business Park could have been decimated by COVID, but instead, it's heavily occupied and extremely valuable after the pandemic, which is reflected in the final returns for our investors. This is because we created a win-win scenario for us and our tenants." DeNardo states.



# Delivering for Investors

So how did investors benefit from investing in Colony Business Park? After leasing up Colony to achieve a nearly 100% occupancy level, **we raised the investor's total IRR to 13.88%** by the time of its four-year hold. Originally we had projected about 13% IRR, but due to the site's performance and lease negotiations, returns were increased.

What's most impressive about this site is that our team exited this deal with a major sale, over **\$3M more than the purchase price**. This is especially significant given the reduced demand for in-person office space amidst the shift to a more virtual workforce and the effect of COVID-19 on the retail real estate market. Seeing the opportunity to maximize final returns, FNRP **exited this property early** to capitalize on the current market for our investors.

## 4 Year Hold Period

FNRP Acquires Colony  
October 2017

FNRP Sells Colony  
April 2022

+ Quarterly Distributions



**~100%**  
Occupancy Level Reached



**+\$3.1M**  
Sold Above Purchase Price

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