

# Case Study

## Pick n' Save

World-Class Operations Maximizing Investor Returns

*Pick'n Save*

Notable Tenant



61,048 SF of Retail



640 E Main St, Sun Prairie, Wisconsin 53590

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640 E Main St, Sun Prairie,  
Wisconsin 53590

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.

Pick n' Save would be a record-breaking acquisition for our firm with the biggest return on investment yet for investors. This deal stands out because, while this was a single-tenant property, our team successfully identified its value as an institutional-quality investment and then worked deftly within the market to secure even more value at its exit. This began our trend of focusing on grocery-anchored CRE, with Pick n' Save as a prime example for the power of this asset class.

## Purchase Price

\$13,000,000

## Hold Period

1 Year and 2 Months



## IRR

**45.01%**

Received at Closing: **\$17,075,000**





# Why Pick n' Save?

Pick n' Save is a single-tenant, NNN Lease, freestanding grocer only 15 miles from the city of Madison, WI. There were several factors that led our team to acquire this property, one of the core considerations being that this is an essential-needs tenant.

What makes grocers such powerful tenants is that they deal in necessity-based goods. Everyone needs to eat. In the case of Pick n' Save, it was a thriving residential grocer that served a highly affluent population that was projected to grow by over 9.4% at the time of purchase. Additionally, Pick n' Save was close to the large urban center of Madison, where a lot of the shoppers commuted to work. These demographics and strong location were critical indicators for the potential success of this investment, but there was also the grocer itself.

Right away, our team also recognized the strength of Pick n' Save. For one thing, this national brand had significant strategic value, as a regional favorite, with over 100 Pick n' Save stores in Wisconsin. Pick n' Save is also a subsidiary of Kroger, the 2nd largest grocer in the US, which saw strong, steady sales even throughout the COVID-19 pandemic. Therefore, the credit behind Pick n' Save was exceptional. Pleased with the opportunity, FNRP purchased Pick n' Save in February 2021 for \$13M.



# The Power of Choosing the RIGHT Deal

One of the guiding principles behind FNRP's investment strategy is that we look at 1000 deals and choose one. With Pick n' Save, we didn't choose a good property but the right property that would perform strongly given its strategic location and market, surpassing our own initial projections.

Our original strategy was pretty straightforward. Our team projected a 14.2% IRR for investors throughout a hold of seven years. During this time, we'd capitalize on the stability of the center as the central grocer of its residential area. This would provide steady cash distributions for our investors from which they would be able to claim several tax benefits of owning CRE, and also enjoy steady returns as we increased the lease rate throughout Pick n' Save's lifecycle. But our team was not only able to exit this deal extremely fast, we were able to take advantage of the shifting real estate market to sell the property at a tremendous rate that increased Investors' IRR by over 30%.

As our team predicted, Pick n' Save was a very reliable and strong performing tenant, even during COVID. Because it was so well maintained and strategically located, this caught the attention of a buyer seeking a reliable investment with strong cash flow.



**FNRP Dragnet Acquisitions Model**

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# Delivering for Investors

Pick n' Save became our fastest property to be acquired and disposed of, after only holding the asset for a year and 2 months. Because of Pick n' Save's position as a market-dominant grocer, we negotiated a sale of \$17M+, over \$4M more than our original purchasing price. FNRP's Matt Joslyn relates,



"Over the last 12 months, we saw a major increase in demand for triple net lease properties in the market, especially grocers, given the credit and stable nature of the business. It's why we prioritize grocery-anchored CRE ourselves. But while we had planned for a more long-term hold of this asset to draw from the stability of the site, the unsolicited buyer came to us with an offer we just couldn't look past. With increasing interest rates and cap rates, this gave us a golden opportunity to sell Pick n' Save for top value and distribute significantly more value to our investor partners."

This early exit brought the investors' total IRR from 14.2% to 45.01%, the largest return to-date for our properties. What started as a steady moderately profitable investment, produced a significantly higher return in a fraction of the projected timeline thanks to our team's strategic planning and knowledge of the real estate markets.



**\$17M+**

Sale Price



**\$4M+**

More than our Original Purchase Price



# DISCLAIMER

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## FIRST NATIONAL REALTY PARTNERS

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