

Norwell Stop & Shop

Bailard Real Estate Fund

ACQUISITION DATE
August 30, 2022

LOCATION
Norwell, MA
(Boston MSA)

PROPERTY TYPE
Retail - Grocery

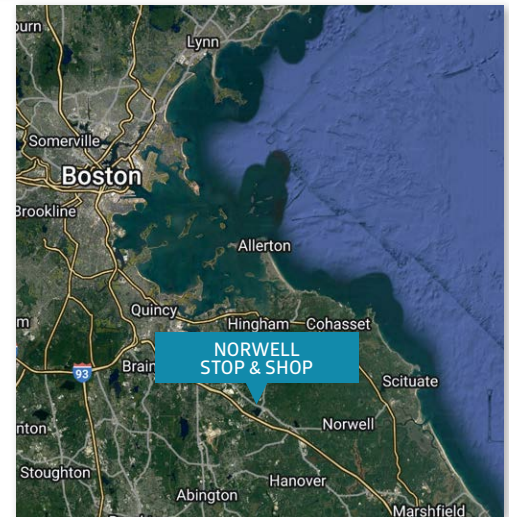
YEAR BUILT
2001

SIZE
59,519 square feet (SF)

PARKING
338 surface spaces
(5.7 per 1,000 SF)

OCCUPANCY
100% leased

PURCHASE PRICE
\$23.7 million



Norwell Stop & Shop

Norwell, MA

THE PROPERTY

The Norwell Stop & Shop (the “Property”) is a stand-alone neighborhood grocery store totaling 59,519 SF. Stop & Shop (“S&S”) currently leases 100% of the building through July 31, 2032 and has four, ten-year options extending through 2072. The Property is located in Norwell, Massachusetts, at a signalized intersection less than one mile from the MA-3 interchange where MA-53 and MA-3 intersect. Norwell lies 20 miles southeast of downtown Boston and 20 miles northwest of Plymouth. Access to Boston’s large population hub (Boston MSA, with 4.94 million residents) provides a location attractive for commuters, as over 21,000 vehicles pass by daily.

Given the robust sales figures, strong suburban demographics, and well-trafficked highway location, the Property represents a valuable opportunity to acquire a neighborhood store with stable long-term cash flows.

THE OPPORTUNITY

Purchase a Highly Trafficked, 100% Leased Grocery Store with Strong Sales – The Property is located in Norwell, MA, proximate to the MA-53 and M-3 interchange, providing exceptional access to the greater Boston MSA. Convenient highway access provides a consistent draw for residents, driving retail demand. The store was purpose-built for S&S over 20 years ago. In 2021, the store posted \$621/SF in sales, equating to a 3.4% health ratio (defined as the rent as a percentage of sales).

Parent Guarantee In-Place for Entirety of the Property’s Rent Obligation – S&S is the leading regional grocer in New England, with over 400 stores in the northeast. With its triple net lease, S&S is responsible for 100% of the Property’s operational expenses. Further, the lease is guaranteed by S&S’s parent company, Koninklijke Ahold Delhaize (“Ahold”), one of the largest international food retailers with over \$80 billion of revenue in 2021 and a Baa1 investment grade credit rating by Moody’s.

Minimal Capital Required – Given the triple net structure, the S&S lease delineates repair and maintenance costs to the tenant. Underscored by S&S’s current engagement to replace the Property’s roof, this lease structure shifts the onus to the tenant, limiting the need for the Fund to invest significant dollars into the Property.

IDENTIFIED RISKS

Single Tenant Rent Roll – As with any single tenant investment, there is a binary cash flow risk. Additionally, there is potential downside in the event the single tenant does not properly maintain the site. However, S&S is one of the stronger grocers in the U.S. Additionally, S&S utilizes KeyPoint Partners for facilities maintenance management across many of its Massachusetts stores, helping enforce the upkeep of the properties. Above all, S&S’s lease obligations are guaranteed by its parent company Ahold, an international food-retailing conglomerate.

Increasing Grocery Store Competition – A large format grocer, Market Basket, recently opened a new location within a ten-minute drive of the Property, which could lead to narrowing profit margins for S&S. Fortunately, it opened within the larger redevelopment of Hanover Crossing, a previously-failing shopping mall. The redevelopment includes a new apartment development, open-air retail, and entertainment options. The Fund believes that this new offering will increase the attractiveness of the overall area. Finally, S&S’s recent renewal indicates that this location is a necessary store even with the potential impacts of new competition.

Second Exposure to Boston Stop & Shop – While the Property offers a stable, core retail investment for the Fund, there is portfolio exposure risk posed by acquiring a second Boston-area S&S. Both the Property and Mansfield S&S are successful stores with robust sales, backed by the same Ahold parent guaranty. While each are subject to Boston’s economy, the suburban nodes of Norwell and Mansfield have different economic drivers and demographics.

THE INVESTMENT

The total purchase price, inclusive of closing costs, was \$23.7 million (\$398/SF), equating to a 5.3% year-one return-on-cost. Norwell S&S is wholly owned by the Fund.

PROJECTED RETURNS*

Projected seven-year unlevered IRR of 5.7% and a 1.4x equity multiple net to the Fund.

* Projected Returns are hypothetical in nature. There can be no assurance that this investment will achieve such projected returns. Please see important disclosures regarding these hypothetical returns at the end of this document. IRR and Equity Multiple represent the investment’s projected returns, net of joint venture partner fees and investment-level leverage. As such, Fund-level fees and expenses are not included in the calculations.

RISKS

The Bailard Real Estate Investment Trust, Inc. (the “Bailard Real Estate Fund” or “Fund”) invests primarily in real estate. As a result, an investment in the Fund entails significant risks that are customarily associated with the development and ownership of income-producing real estate, including illiquidity, changes in supply and demand, and inexact valuation. Fees and expenses may offset the return on the investment. The Fund may be leveraged. An investor may lose all or a substantial portion of the investment. Specific investments described herein do not represent all investment decisions made by Bailard. The reader should not assume that investment decisions identified and discussed were or will be profitable. Specific investment advice references provided herein are for illustrative purposes only and are not necessarily representative of investments that will be made in the future. This document does not constitute advice or a recommendation or offer to sell or a solicitation to deal in any security or financial product. It is provided for information purposes only and on the understanding that the recipient has sufficient knowledge and experience to be able to understand and make their own evaluation of the proposals and services described herein, any risks associated therewith and any related legal, tax, accounting or other material considerations. To the extent that the reader has any questions regarding the applicability of any specific issue discussed above to their specific portfolio or situation, prospective investors are encouraged to contact Bailard or consult with the professional advisor of their choosing. For a more thorough discussion of the risks involved in making an investment in the Fund, please refer to the Offering Memorandum. The Fund's shares fluctuate in value and may be illiquid due to a lack of a right of redemption, the lack of a secondary market, and restrictions on transfer. Shares of the Fund, if offered, would be available for purchase only by accredited investors who could bear a loss and hold shares of the Fund indefinitely. This information does not purport to be complete and is qualified in its entirety by, and an offer or solicitation will only be made through, a final Confidential Offering Memorandum.

DISCLOSURES

Forward Looking Statements

This piece includes forward-looking statements, which involve a number of risks and uncertainties and actual results may differ materially from these forward-looking statements.

Projected (Hypothetical) Returns

The Fund does not guarantee any minimum level of investment performance or the success of any investments. The Projected Returns presented in this document are hypothetical in nature. Target performance should not be considered indicative of the actual results that may be realized or predictive of the performance of the investment in the property discussed herein (the “Investment”). Projected Returns have many inherent limitations; they do not reflect the impact of material economic/market factors might have on the Manager's decision-making. The Projected Returns presented here may not be the same as the actual performance of the Investment. The Projected Returns were calculated using a model and were based upon assumptions determined by Bailard. The model uses assumptions for factors that include development period, lease-up period, rental rates, vacancy loss, revenue, operating expenses, net operating income, debt capital markets, hold period, exit value, and closing costs, among other things. The actual returns of the Investment will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, legal and contractual restrictions on transfer that may limit liquidity, any related transaction costs and the timing and manner of sale and related fund level reserves, all of which may differ from the assumptions and circumstances on which the valuations used in the target returns contained herein are based. Projected Returns are not guaranteed, and a loss of principal may occur.

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