

# The Case for Grocery-Anchored Retail

*An Investor's Guide to Essential Retail Real Estate*



# 01

## *Table of Contents*

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Why Grocery-Anchored Retail .....	3
The Syndication Model .....	4
How Value-Add Investing Works .....	5
Anatomy of a Grocery-Anchored Deal .....	6
Risk Factors & Mitigation .....	7
What to Look for in a Sponsor .....	8
Getting Started as an Investor .....	9



# 02

## *Why Grocery-Anchored Retail*

Grocery-anchored shopping centers — retail properties where a major supermarket serves as the primary tenant — have long been considered one of the most resilient asset classes in commercial real estate. Here's why they continue to attract sophisticated private equity investors.

**95%+**

### **Average Occupancy Through Recessions**

Grocery-anchored centers maintained occupancy above 95% during both the 2008–09 financial crisis and COVID-19 — outperforming malls, office, and unanchored strip centers.

**2–3x**

### **Weekly Customer Visits per Household**

Grocery anchors generate recurring foot traffic that benefits every tenant in the center — from restaurants to salons to medical offices.

**15–25 Yr**

### **Typical Anchor Lease Terms**

Long-duration leases with investment-grade grocers provide income stability and reduce re-tenanting risk.



## 03

## *The Syndication Model*

A real estate syndication pools capital from multiple investors (Limited Partners, or LPs) to acquire properties managed by an experienced operator (the General Partner, or GP). This structure gives passive investors access to institutional-quality real estate with professional management.

Role	Who	Responsibilities
General Partner (GP)	ETP Properties	Identify, acquire, finance, and manage the property; execute business plan; report to investors
Limited Partner (LP)	You, the investor	Contribute equity capital; receive preferred returns and profit share; no active management required

### How It Works

1. The GP identifies and underwrites a property.
2. LPs commit capital (typical minimum: \$50K–\$100K).
3. The GP closes the acquisition using LP equity + senior debt.
4. The GP executes the value-add business plan (lease-up, renovations, management).
5. Cash flow is distributed to LPs (preferred return first); property is sold at end of hold period.

*Most syndications target a 5–7 year hold. Investors receive periodic distributions during the hold and a share of profits at sale.*



## 04

## How Value-Add Investing Works

Value-add real estate investing means acquiring properties that are underperforming relative to their potential — then executing a business plan to increase income and property value. Grocery-anchored centers are ideal candidates because of their essential-tenant foundation.

### The Value-Add Playbook

<b>Lease-Up Vacancy</b>	Fill empty inline and outparcel spaces with quality tenants at or above market rent to grow occupancy from ~80% to 95%+.
<b>Improve the Asset</b>	Facade renovations, parking lot repairs, new signage, and ADA compliance upgrades that justify higher rents and attract national tenants.
<b>Optimize Management</b>	Hands-on property management, CAM reconciliation, vendor rebidding, and tenant relationship building to reduce expenses and increase retention.
<b>Re-Tenant or Renew</b>	Proactively renew leases at higher rates or strategically replace underperforming tenants with stronger credits and better co-tenancy.

*A well-executed value-add plan can generate a Net IRR of 13–18% to limited partners, with a 1.7–2.2x equity multiple over a 5-year hold.*



## 05

## *Anatomy of a Grocery-Anchored Deal*

Every deal is unique, but the structure below illustrates a typical grocery-anchored acquisition.

Metric	Example
Property Type	Grocery-anchored shopping center
GLA (Gross Leasable Area)	±107,000 SF
Anchor Tenant	Regional grocer (e.g., Giant Eagle, Kroger)
In-Place Occupancy	~80%
Stabilized Occupancy Target	95–97%
In-Place NOI	~\$665,000
Stabilized NOI (Projected)	~\$890,000

### Capital Stack

Within Equity		Within Total Project Cost	
LP Equity	70%	Total Equity	~35–40%
GP Equity	30%	Senior Debt	~60–65%

*The preferred return (typically 7–8%) ensures LPs are paid first. The GP earns a promote only after LPs receive their preferred return and return of capital.*



## 06

## *Risk Factors & Mitigation*

All real estate investments carry risk. Below are the primary risks associated with grocery-anchored retail syndications and how experienced operators mitigate them.

<b>Anchor Departure</b>	Mitigated by long-term leases (15–25 years), high switching costs for grocers (refrigeration, fixtures), and co-tenancy clauses that protect landlord economics.
<b>Lease-Up Risk</b>	Conservative underwriting assumes slower lease-up timelines. The GP budgets for extended vacancy carry and tenant improvement allowances.
<b>Interest Rate Risk</b>	Managed through fixed-rate or rate-capped financing. Shorter hold periods (5–7 years) reduce exposure to long-term rate movements.
<b>Market / Economic</b>	Grocery-anchored retail is inherently defensive. Grocers are essential businesses with demand that persists through recessions.
<b>Execution Risk</b>	Mitigated by the GP's direct operational experience, conservative underwriting, and proven track record of similar value-add executions.
<b>Illiquidity</b>	Syndications are illiquid with a defined hold period. Investors should only commit capital they can afford to lock up for 5–7 years.



## 07

## *What to Look for in a Sponsor*

The sponsor (GP) is the single most important factor in a syndication's success. Here's what to evaluate.

<b>Track Record</b>	Has the sponsor successfully executed similar value-add deals? Ask for realized returns on prior investments, not just projections.
<b>Skin in the Game</b>	Does the GP invest meaningful personal capital alongside LPs? Alignment of interest is critical.
<b>Operational Capability</b>	Does the team have direct property management experience — not just acquisition experience? Grocery-anchored retail requires hands-on management.
<b>Transparent Reporting</b>	Look for sponsors who provide regular, detailed updates: monthly or quarterly financials, leasing progress, and market commentary.
<b>Conservative Underwriting</b>	Beware of aggressive assumptions. Strong sponsors underwrite to realistic rent growth, vacancy, and exit cap rates — and still deliver attractive returns.
<b>Legal Structure</b>	Review the PPM and operating agreement carefully. Understand fee structures, profit splits, and your rights as an LP.



## 08

## Getting Started as an Investor

If you're an accredited investor interested in grocery-anchored retail, here's a simple roadmap to begin.

<b>1. Join Our List</b>	Sign up at <a href="http://www.etpproperties.com">www.etpproperties.com</a> to receive deal alerts, market research, and educational content.
<b>2. Review a Deal</b>	When a new offering opens, you'll receive a CIM with property details, financial projections, and terms.
<b>3. Ask Questions</b>	Schedule a call with our team to discuss the deal, ask questions, and understand the risk/return profile.
<b>4. Commit Capital</b>	Complete the subscription agreement, verify accreditation, and fund your investment via ACH or wire.
<b>5. Get Distributions</b>	You'll receive periodic cash distributions and regular updates on property performance throughout the hold.

### Ready to See a Live Deal?

Visit [www.etpproperties.com](http://www.etpproperties.com) | [evan@etpproperties.com](mailto:evan@etpproperties.com)

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