

# Feeding Frenzy: Aldi to Acquire 400 Winn-Dixie Locations

*What it means for Winn-Dixie Property Owners*

On August 16th, Aldi – one of the fastest growing retailers in the U.S. – announced their intention to acquire Winn-Dixie and Harvey Supermarkets. The acquisition will add approximately 400 locations in the Southeast to the retailer’s national footprint, bringing their total store count to more than 2,300 across the United States. Aldi’s store expansion in the U.S. has been rapid, growing from 1,269 stores in 2013 to more than 2,300 stores as of 2023. In 2022 alone, Aldi opened and remodeled 139 stores and welcomed approximately 9.4 million new customers, driving double digit growth on a year-over-year basis.



The acquisition of Winn-Dixie by Aldi follows an emerging trend of grocery store consolidation in the U.S. As many know, two of the largest grocery store operators in the U.S. – Kroger Companies and Albertsons Companies – merged together at the end of 2022, creating a grocery store behemoth that employs more than 710,000 people and operates 4,996+ locations.

*The news of Aldi’s acquisition of Winn-Dixie carries obvious consequences for the grocery store industry, but it also carries massive implications for property owners that lease out space to Winn-Dixie.*

The two most pressing questions for a landlord who owns property leased to Winn-Dixie are:

1. What does this mean for the value of my Property and the strength of my tenant (i.e. the credit question).
2. How will Aldi integrate the Winn-Dixie legacy locations into their existing business model (i.e. the branding question).

## How does this acquisition affect the value of my Winn-Dixie leased property?

The simple answer is: it’s an unimaginable windfall increasing the value of these assets massively on the magnitude of 10-40% broadly speaking. A commercial retail property’s value is greatly affected by the quality of tenant operating from the space and strength of the underlying lease that the tenant signed. Winn-Dixie’s parent company – Southeastern Grocers – has struggled mightily over the past decade, even filing for Chapter 11 bankruptcy in 2018. Said succinctly: the historical credit backstopping a Winn-Dixie lease has been subpar at best, which has suppressed the underlying value of the properties they’ve operated from.

With the acquisition of Winn-Dixie by Aldi, a property owner will immediately be able to boast the strong credit profile of Aldi (one of the most profitable retail chains) on their Winn-Dixie lease. Aldi is owned by the Albrecht family, who has reported net worth of more than \$50 billion.

## How will Aldi choose to integrate the Winn-Dixie stores into their business?

In their announcement of the intended acquisition, Aldi declared “some of the (Winn-Dixie) locations will be converted into Aldi stores, while the others will remain operating under their current brands.” For a property owner that leases space to Winn-Dixie – that’s not concrete guidance, and requires careful, deeper analysis. Most central is the question of the difference in the prototype floorplate between Aldi and Winn-Dixie; the fact that the average leased space for Winn-Dixie is 46,800 SF, while the average leased space for Aldi is significantly smaller at 16,000-19,000 SF, complicates the issue. Upon initial consideration

# Feeding Frenzy: Aldi to Acquire 400 Winn-Dixie Locations

*What it means for Winn-Dixie Property Owners*



August 2023

it appears there are three most possible routes that Aldi will take:

1. Continue operating larger legacy Winn-Dixie locations under the Winn-Dixie brand (i.e. business as usual).
2. Subdivide the box and sublease the excess space.
3. Rebrand to Aldi and operate from a larger format footprint.

The first possible outcome seems the most plausible for the majority of locations – mainly because it is the cheapest and most simple of the three - requiring no expensive retrofit of the property's space and branding. On the other hand, the strategy does little to expand the Aldi brand, and requires them to operate their business plan from a square footage footprint that they are not used to.

The second possible outcome makes sense from a long-term operational standpoint, but will be capital intensive and complicated. Although Aldi has been known to sublease portions of their space to reduce their overall footprint to below 20,000 SF, to execute this same strategy on a scale of this size would be a huge undertaking. Not to mention the complexity that would arise with the unique loading and cooling that a grocery store box requires at the rear of their space.

The last possible outcome– Aldi operating their brand from the existing larger legacy Winn-Dixie footprints – would immediately increase the brand awareness for Aldi in the Southeast. What makes this the most unlikely of the three options is the fact that it would require a much different business model (given the 2X larger space) than what they've built the brand on and ultimately been successful with.

When all is said and done, Aldi will likely implement a multi-pronged approach that incorporates all three strategies in a case-by-case basis.

How Aldi will ultimately incorporate the legacy Winn-Dixie locations into their portfolio will only be revealed through time. What is known now for Winn-Dixie property owners is that the Aldi acquisition will provide them with a massive credit boost on their underlying Winn-Dixie lease, and that alone will provide an immediate improvement in their real estate value and into the future.

---

## **Josh Dicker**

*Associate*

[jdicker@northmarq.com](mailto:jdicker@northmarq.com)

+1 781.854.6954

## **BJ Feller**

*Senior Vice President & Managing Director*

[bfeller@northmarq.com](mailto:bfeller@northmarq.com)

