

THE NEXT PERSPECTIVE IN REAL ESTATE®

Next Realty Fund X, LP Acquires 5th Asset

With the recent acquisition of the Shoppes of Rolling Hills in Davie, Florida, Next Realty Fund X, LP became substantially invested. The retail center near Ft. Lauderdale, Florida was the fifth acquisition for the Fund.

Our Multi-Solution® strategy emphasizes diversification across geography, asset classes, and revenue streams. Following this strategy, Fund X, LP investments include a mix of retail, office, and multifamily properties in the Midwest, Mid-Atlantic, and Southeast.

The diverse Fund X portfolio includes:

- **Dolphin Square, Wauwatosa, WI:** Next Realty launched Next Realty Fund X, LP with the 64-unit acquisition of Dolphin Square Apartments in suburban Milwaukee (Wauwatosa). Since acquiring the property, Next has continuously executed its renovation plan as units become available, allowing for commensurate rent increases.
- **Essex Square, Madison, WI:** Essex Square is a multi-tenant neighborhood center. The center is comprised of three buildings, including a main single-story building, a two-story mixed-use building, and a 399-square-foot freestanding drive-thru facility. The property features a diverse mix of medical, retail, restaurant, and convenience-oriented tenants. Essex Square has enjoyed strong historical occupancy, with many of the current tenants in occupancy for 20+ years.

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- **Roosevelt Commons, Elkridge, MD:** The 14,344-square-foot, four-story office building features 52 individually furnished executive office suites. Shortly after acquisition, an affiliate of Next Realty, who had been a tenant at the property, took over on-site property management and leasing.
- **Waterstone Center, Cincinnati, OH:** The 161,781-square-foot shopping center was acquired through a joint venture between affiliates of Midland Atlantic Properties and Next Realty. Tenants at the fully leased property include Best Buy, Ross Dress for Less, Michaels, Old Navy, Petco, and Verizon, and shadow anchors Target and Costco.
- **Shoppes of Rolling Hills, Davie, FL:** The Shoppes of Rolling Hills is a multi-tenant “neighborhood” shopping center. With approximately 17,000 square feet on 1.69 acres, the property is currently 100% leased and features a diverse mix of convenience-oriented tenants. This asset represented an attractive opportunity to secure an in-fill property in a robust retail submarket offering the potential for future rent growth and appreciation.



Dolphin Square



Essex Square



Roosevelt Commons



Shoppes of Rolling Hills



Waterstone Center



Next Realty's Commitment To Its Multi-Solution® Strategy Leads To Two “Acquisitions” In Florida

In pursuit of its Multi-Solution® Strategy, Next Realty has made two “acquisitions” in Florida—one personnel related and one property related.

Brad Saulson has been appointed Director of Acquisitions for the Southeast. Saulson brings 14 years of experience in commercial real estate. He is based in Tampa, where he will source new opportunities for Next in the southeastern U.S., with an emphasis in Florida.

The addition of Saulson expands Next's infrastructure and enhances the firm's ability to cover a broader geographic area. He has extensive national commercial real estate brokerage and development experience, completing more than \$600 million in transactions. Most recently he was Director of Acquisitions at The Altman Companies and focused on acquisitions and development.

This hire aligns with Next Realty's ongoing focus on sourcing acquisitions that fulfill the firm's Multi-Solution® investment and management strategy. Purchasing a diversified portfolio of properties is intended to balance attractive risk-adjusted current yields with a potential for value creation. Last month, for example, an affiliate of Next Realty acquired the Shoppes of Rolling Hills in Davie, Florida.

Why Florida?

As a fund manager, Next Realty seeks acquisitions where it can add value by developing and executing individual business plans for each property. Ultimately, the ability to achieve rent growth is critical to enhancing value at any property. Next sees Florida as a market that should produce strong rent growth for the long term.

In a number of markets across the country, increased operating expenses, including real estate property taxes, make it increasingly more challenging to achieve the rent growth necessary to capture an acceptable level of risk-adjusted returns.

With patience and agility, Next is targeting the Southeast, including South Florida, to better position itself to achieve greater diversification and risk-adjusted returns for investors.

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patient • agile • diversified



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Shoppes of Rolling Hills

An affiliate of Next Realty, LLC, has completed the acquisition of the Shoppes of Rolling Hills, a 16,820-square-foot retail center at 2853-2889 S. University Dr. in Davie, Florida. This represents Next Realty's second acquisition in Florida. The property was acquired on behalf of Next Realty Fund X, LP. Next expects to make additional investments in targeted markets throughout the southeast.

The fully leased Shoppes of Rolling Hills features a mix of restaurants and convenience-oriented tenants that are well-known throughout Broward County including Fresh Kitchen and Vicky Bakery.



The Shoppes of Rolling Hills is an ideal example of an unanchored retail strip center, an asset class that has been attracting a growing number of bids in today's market environment due to lack of construction of new space. The fully occupied property and its tenants are performing exceptionally well thanks to its infill location, high traffic counts and ideal mix of service and convenience retail uses.

Directly across the street from the property, Mill Creek Residential is building Modera Academical Village, a two-phase apartment community which will feature approximately 800 units, with first move-ins anticipated in the Fall of 2024. The center is also located near several educational institutions, including Nova Southeastern University (directly across the street), satellite campuses for the University of Florida and Florida Atlantic University, and the main campuses for Broward College and McFatter Technical College.

*We're always
looking for
our "Next"
opportunity.*



Next Realty Affiliate Completes Sale of Grocery-Anchored Center in Barrington

An affiliate of Next Realty, LLC has completed the disposition of The Shops at Flint Creek after nearly a decade of ownership. The grocery-anchored retail center is located in northwest suburban Barrington, Illinois.

The Shops at Flint Creek is a 60,000-square-foot retail center that is anchored by Heinen's Grocery Store. This was the first Heinen's location in Illinois. Additional tenants included Athletico, Alexian Brothers Health System, Epic Burger, and Club Pilates.

An affiliate of Next Realty acquired the center in 2014. Through the course of property ownership and management, Next maintained a high occupancy rate at the retail center. Recently, Heinen's executed a long-term lease extension at the property which further enhanced the value of the center.

After fulfilling the long-term business and investment plan Next originally devised and executed for The Shops at Flint Creek, the disposition of the asset created the opportunity to provide strong investment liquidity to investors.

Grocery-anchored centers like The Shops at Flint Creek tend to exhibit strong performance, often surpassing other types of centers. This is attributed to the essential nature of grocery stores which typically serve as significant traffic generators. Additionally, these centers usually boast a diverse tenant mix, enjoy strategic location advantages, and tend to be resistant to the impact of e-commerce.

Chipotle Restaurant Build Complete, May Opening

Chipotle opened May 7th at the newly developed 2,460-square-foot restaurant on a shopping center outlot in Barrington. The quick service restaurant has parking for 25 cars and a "Chipotlane" for mobile order pickups. An affiliate of Next Realty acquired the 0.93-acre site in 2022 and developed the site.

The new Chipotle store is complementary to the overall tenant mix at the 60,000-square-foot The Shops at Flint Creek, which is anchored by Heinen's.





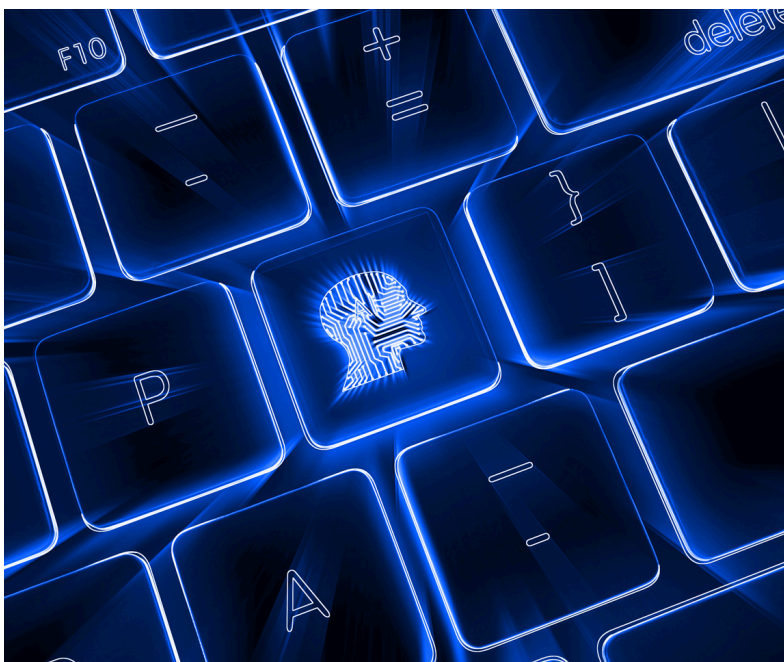
The Role of Technology & Artificial Intelligence at Next Realty

Nothing Artificial About Next & Technology

The importance of capturing, analyzing, and leveraging data to make informed decisions has always been critical to investment decision making. Recently, “artificial intelligence” and/or “machine learning” have become accepted industry tools.

Next CEO Andy Hochberg has noted, “The integration of AI is something everyone in the industry must get behind. It’s an important decision-making tool.”

Next has always used a data-driven approach to analyzing retailer performance metrics to determine the health of retailers within the centers it owns or considers acquiring. As technology and data collection methods continue to evolve, Next is tapping into other platforms to help inform decisions throughout the lifecycle of the investment process.



Next recently invested in the data provided by Placer.ai, a national, subscription-based technology service that provides statistics to track consumer retail traffic patterns including visits both to a center and to specific tenants within the U.S. Below are some of the ways Next uses this information for retail-specific properties:

- **Acquisitions**—properties within a market can be tracked, ranked, and analyzed over time to highlight trends that, when paired with other metrics, can further validate investment decisions. Going a step further, Next has initiated more detailed tracking of targeted trade areas within specific submarkets to help identify and focus on specialized opportunities.
- **Management**—key or contributing performance indicators are now available to identify changes in traffic patterns, length of visits and other factors that may provide early signs of tenant challenges. This creates an opportunity to strategize solutions with our tenants.
- **Leasing**—the same data, or slight variations, is being used to help target leasing efforts. For example, Next can track the number of visits to a center including volume to specific tenant locations that can be valuable to share with prospective tenants when marketing available space.

Next believes artificial intelligence won’t replace the sector and market-specific analytical experience and expertise required to execute a business plan. Instead, by harnessing data platforms like Placer.ai, Next Realty is further advancing its strategic and proven, best-in-class decision-making acumen.

WHAT'S NEXT?

What's Next in CRE – Forecast 2024

Next Realty CEO and Managing Principal, Andy Hochberg, was a guest panelist at a commercial real estate forecast conference produced by RE journals. The following article blends together some of the highlights of that panel discussion along with reflections on current market conditions.

It's Baaack!?

At the Forecast event, Hochberg agreed with the other panelists in emphasizing, “It’s Back, It’s Back, It’s Back.” While optimistic about the state of retail, he also emphasized that the sector continues to face challenges.

One of those challenges, according to Hochberg, is the reliance on rent growth to increase property values. There are markets, including Chicago, where rent growth is increasingly more difficult. To be successful, property owners must consider creative new strategies, embrace new tools like AI to evaluate opportunities, and look more closely at new markets that are pro-business and have strong population and job growth.

On Investing

Hochberg frequently cites a quote from *Howard Marks’* book, *The Most Important Thing*, “Investment success doesn’t come from buying good things, but rather from buying things well.” The quote is as relevant today as stubbornly high interest rates continue to produce a significant differential between buyer and seller price expectations. It further demonstrates that investors like Next have to exercise patience while waiting for the right opportunity and agility to execute when opportunities arise.

The Social and Entertaining State of Retail

The presence of a younger consumer demographic is having an impact on the retail sector. Hochberg attributed this in part to a general feeling that during the pandemic people missed being able to interact with other consumers and products. “It has made social outlets—shopping and entertainment-related venues even more popular, especially for the younger consumers,” he said.

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As the retail industry evolves and changes, there have been many opportunities to re-tenant vacant spaces, including big box spaces. It's possible to fill some of the big box spaces with non-traditional uses, like pickleball facilities and other social or entertainment options, Hochberg noted. Securing these tenants has proven to be a successful strategy for Next.

Hochberg added "We recently backfilled a big box space with an Urban Air Adventure Center, and their reception in the community has been great. Some were skeptical, but their performance has been very strong."

The State of Leasing and Lease Terms

Panelists offered their perspectives on the state of leasing as the moderator asked which is more prevalent, three-year, five-year, or seven-year lease terms. In a light-hearted moment, Hochberg replied, "Yes."

He explained that the length of leases varies from situation to situation, from tenant to tenant and from property to property. It is difficult to increase value without rent growth, which in turn is dependent on increased demand and sales.

Hochberg said that Next's own analysis of lease terms found that while face rent may appear higher, that isn't always the case for effective rent. It's important to evaluate the impact of rent abatements, tenant improvement allowances and lease commissions on effective income.

Toughest Spaces to Lease

According to Hochberg, the spaces that can be the most difficult to lease are spaces that may be the result of carving up a vacancy to accommodate a valuable tenant/prospect. That action may result in creating a space that may be challenging to market, because of its odd shape or location. An owner must make the critical decision to lease partial space to an attractive tenant while working on creative plans to lease the remaining space or decide to wait for a different tenant to lease the entire vacancy.

AI's Place

Speaking to his days as an executive with Sportmart, Hochberg reflected that the sporting goods retailer "was an early AI leader." Sportmart used its Frequent Buyer Program to collect data about purchasing habits. If a patron purchased running shoes, for example, they soon may have received an offer to buy other complementary merchandise.

The panelists noted that one of the differences with current AI is that data is often available in real time. Not only can retailers track purchases, but with data collected from cell phones, they can send messages and coupons to consumers while they are in the store or vicinity.

"The privacy side is a big debate," Hochberg said. "Yet AI's integration is something everyone in the industry must get behind. It's an important decision-making tool."

Conclusion

Navigating the spread that exists between buyer and seller expectations along with positioning a property to achieve rent growth and enhance property values and returns remains a challenge. According to Hochberg, retail will continue to grow and thrive as long as the industry stays open to new concepts in tenants, and we remain creative in upgrading and filling existing centers.