

THE NEXT PERSPECTIVE IN REAL ESTATE®



Next Realty's 25th Anniversary Year

On June 5th Next Realty officially celebrated its 25th anniversary with an evening reception downtown at The Dalcy, an entertainment venue in the popular Fulton Market District west of the Chicago CBD.

The event was attended by more than 150 people, including Next team members, investors, trusted advisors, family, and friends. There were several highlights to the event that featured cocktails, dinner, a musical ensemble and remarks from Next Realty founder and CEO Andy Hochberg. The following two stories, "The Art of Next Realty" and "Lights, Camera, Action" detail two very memorable elements of the evening.

The Art of Next Realty

From start to finish, the evening of June 5th was a well-planned, memorable evening. All the details added to the overall ambiance of the event. Yet one of the lasting highlights was guest participation in creating an interactive, one-of-a-kind piece of artwork.

During the course of the evening, guests were encouraged to visit an artist station with a blank canvas where they could draw an image they felt illustrated the identity and persona of Next Realty, its business and the characteristics of its founder and overall team. At the end of the evening, the canvas was filled with a variety of graphic images that demonstrated the guests' impressions of and respect for Andy and the Next team.



Some highlights include:

- Next spelled in Hebrew along with the number 25 to underscore the commitment Andy has to his heritage and a lifetime of service to the Jewish community around the world.
- A shopping cart filled with real estate properties to depict Next's core business.
- Numerous pieces of sports equipment, an obvious reference to SportMart, the family business founded by Larry Hochberg and led by Andy before he founded Next.
- Depictions of marketing philosophies and slogans that have been central to Next's branding over the years, such as:
 - A Burtle®, the Next icon, that is quick like a bunny but also diligent like a turtle
 - The acronym PAD, a reference to the firm's focus on Patience, Agility and Diversification
 - A megaphone with 3 Ls to signify Andy's slogan "Location, Liquidity, Luck®"
- Other images depicting thoughts and memories of Next and its people were Chicago buildings and skylines, cars (for parking garages), and airplanes (for all the travel Next and its people do).

Following the event, artist Roni Golan took the canvas back to his studio to add additional elements to the artwork and create one cohesive piece. The final piece of art now hangs in the Next Realty lobby for everyone to enjoy, and to reflect on the last 25 years as the firm charts its future course.



Lights, Camera, Action!

One of the focal points of the 25th anniversary celebration was the creation of a short video telling the story of Next Realty, through the perspectives of a number of tenured senior professionals who have made significant contributions to the firm.

The video opens with a wide angle shot of the 5215 building where Next is based and a voiceover of Andy Hochberg explaining, "Risk is inherent in everything you do ... and the key question is are you getting paid for the risk you are taking."

This thought process guides the acquisition, property management and operating philosophies at Next Realty as it executes an overall corporate business plan as well as individual business plans for each property it acquires. Next's overarching objective is to ensure that investors are compensated for the risks associated with each property investment.

The video, housed on www.nextrealty.com and highlighted in social media posts, introduces the firm's principals as well as individuals who have roles in Next's acquisition, leasing, property management, and accounting functions. Over the course of less than five minutes Marc Blum, Eteri Zaslavsky, Tina Jensen, Jack Ramirez, Carole Mostow, Amy Levin and others share a variety of perspectives, including:

In property management, every day provides new and challenging situations;

The great thing is there aren't a lot of layers for making decisions at Next;

We all have and work toward the common goals that are at hand.

Common themes surrounding the company's culture were expressed, such as "what makes Next Realty is the people who are like family," "collectively we are a well-oiled machine," and "we are a team willing to embrace change."

Near the end of the video, as Andy expresses his pride in building Next Realty and achieving the 25th anniversary milestone, he perfectly encapsulates the firm's motivation, "At Next, our investors are our friends and our friends are our investors."

Signature Moments & Milestones

In the Spring issue of *The Next Perspective in Real Estate*® three signature moments were highlighted and included the first day in 1998, rounding out the executive team, and being side-by-side with the big guns. Following are three additional events that are considered “signature moments and milestones” in the history of Next Realty.

Launch of Fund VII

The launch of Next Realty Fund VII in 2008 was a milestone moment because it gave Next a committed source of capital rather than Series investments based on individual capital raises. By the time the Fund had allocated all the capital raised for investing, its four-property diversified portfolio included:

- Fountain Alley Parking Lot, a 160-space surface lot in San Jose. The asset was sold in 2014.
- Country Club Hills Plaza, a 11,924-square-foot retail center located in a southern suburb of Chicago. The asset was sold in 2013.
- Nagle Plaza, a 30,000-square-foot retail center on Chicago’s north side. The property was sold in 2022.
- Oak Lawn Promenade, a 32,274-square-foot retail center located in a southern suburb of Chicago. Next Realty Fund VII continues to own this property.

10 Years - Big Round Number; 25 Years - An Even Bigger Round Number

In addition to being big round numbers, the 10 and 25th anniversaries are significant when put into context using statistics from the Bureau of Labor and Statistics. Approximately 65% of businesses fail during the first 10 years. Only 25% of new businesses make it to 15 years or more.



Next Realty Firsts

Over the course of 25 years, Next Realty has acquired a diverse mix of properties. The following describes our first acquisition in the various sectors:

First Retail Property: San Marcos Plaza, Chicago, IL (Logan Square)

Next Realty's first shopping center acquisition in 1999 was the San Marcos Plaza retail center in the thriving Logan Square area of Chicago. The 18,000-square-foot center continues to be owned by an affiliate of Next Realty and is leased to tenants that include Wendy's (which operates a drive-through), Orange Theory, Dunkin' Donuts & Baskin-Robbins, Cosmo Prof and Bubbleland.



First Parking Facility: 200 W. Randolph St., Chicago, IL

The 400+ space parking garage at 200 W. Randolph (Randolph & Wells) in Chicago's CBD marked Next's entry into the parking business. It also is one of Next's most storied and high-profile properties because of its use in the Batman movie "The Dark Knight." Next sold 200 W. Randolph in 2013, but the property remains a great Next Realty investment and Chicago movie trivia story.

First Office Building: Arlington Executive Plaza, Arlington Heights, IL

In early 2019, a Next Realty affiliate acquired Arlington Executive Plaza, an office complex consisting of six, single-story buildings located in Arlington Heights, IL. The acquisition was made on behalf of Next Realty Fund IX, LP and represented the first office building acquired by Next. Arlington Executive Plaza, which continues to be owned and managed by Next, totals approximately 62,500 square feet of space and is occupied by general and medical specialty tenants.

First Multifamily Asset: Noble Square (1523 Chicago Avenue), Chicago, IL

Next Realty entered the multifamily sector in 2017 when an affiliate acquired the vintage mixed-use property known as Noble Square, at 1523 Chicago Avenue in the East Village neighborhood of Chicago. The four-story building includes 15 one- and two-bedroom apartments, 3,600 square feet of ground floor retail/restaurant and 3,200 square feet of lower-level retail space. Upon acquisition of the property, a comprehensive renovation and repositioning initiative was undertaken.



Notable Disposition

Deptford Best Buy

In early 2022, a Next Realty, LLC affiliate completed the sale of a single-tenant, net-leased Best Buy store at 1851 Deptford Center Road in Deptford, NJ. Next acquired the asset, in an irreplaceable, regional location, in 2001. Best Buy has leased the property since 1995.

The 60,759-square-foot property was one of the first acquisitions for the Next team in 2001. Over the years, Next worked hand in hand with Best Buy to make it one of the most successful stores in the Philadelphia region. Leveraging that history of success, Next was able to negotiate a 10-year lease renewal with Best Buy.

The Deptford Best Buy holds a special place for Next and its early investors. Upon acquisition, Next combined the ownership of the ground lease with that of the building thus creating the current fee simple ownership structure. After successfully negotiating a long-term lease extension with Best Buy, Next determined it was an optimal time to market the property for sale to close out the partnership and provide a significant and final return to investors.

The combination of the recent lease renewal and strong real estate fundamentals created an attractive opportunity for investors looking for a standalone \$15M - \$20M asset. The great combination of credit quality, location and market conditions allowed Next to achieve a market-leading cap rate for a free-standing, 60,000-plus square-foot Best Buy.



More Lessons Learned

Some of the greatest lessons learned by Andy Hochberg during the 25-year history of Next Realty, and before, were featured in the Spring Issue of *The Next Perspective in Real Estate*®. In this issue, we highlight lessons learned by other members of the Next Realty team.

- In all transactions, whether it's a lease, an acquisition or a disposition, there comes a point where it's "good enough." ~ Marc Blum
- Nothing matters more than the partners that you chose (both personally and professionally). Our Next Realty team has stayed together through thick and thin. Even in the more difficult times, we have handled things with respect, ethics and compassion. This is the main reason I have worked here for so long. ~ Eteri Zaslavsky
- Nothing is easy! Things usually don't go as planned or as underwritten. Success in this business requires perseverance, capital and luck. ~ Eteri Zaslavsky
- Go with your instinct; it's usually correct.
- Sometimes the best deal you do is the deal you don't do.

Cumulatively, these lessons learned, regardless of who learned them, may be best summed up by Amy Levin who said, "Sometimes you win, sometimes you learn." Taking that a step further, the reality is that if you are learning, that's a win.

Around the Company

Brochure Highlights 25 Years of Client Focus: At mid-year, Next Realty completed the production of “Twenty-Five Years of Meeting Our Clients’ Needs Through Multi-Solution® Investing.”

The brochure takes a closer look at the firm’s Multi-Solution® Investment Strategy, which has been an important strategic concept that will continue to guide Next in the future. It looks at the key investment objectives that motivate the firm. The 24-page piece also describes the seven steps that make up the process—from focusing on favorable markets to developing property-specific business plans to exiting the investments. Additional information contained within its pages includes important aspects of Next’s acquisition philosophy, such as target geographies and product types.

Copies of the brochure are available by contacting Emma Tanenbaum (etanenbaum@nextrealty.com or 847.881.2009).

In the News: In early May, Andy Hochberg was profiled in the Daily Herald, in part to commemorate the firm’s 25th anniversary. The “Coffee Break” piece featured a Q&A with Andy’s responses to questions about the firm, its success and his overall experiences.

Coming Soon: Andy is working on his next piece for Forbes Business Council. Later this Fall he will publish an article through Forbes on the differences, advantages and disadvantages, and mechanics of investing in a fund versus a syndicated opportunity.

On the Stage: At the end of August, Eteri Zaslavsky was invited to speak at a Bisnow retail conference to discuss the state of everything retail, from leasing velocity and trends to capital markets activity.

Around the Portfolio

Embracing Retail Trends, Next Adds Entertainment/Activity Center

Next Realty continues to embrace what traditionally may have been atypical uses for its retail holdings with the opening of the second Urban Air Adventure Park. The most recent lease transaction with an Urban Air franchisee was for 28,000 square feet of space at 3201 E. Lincoln Highway in Merrillville, IN.



The indoor entertainment and kids’ activity franchise completes the leasing at the Merrillville retail center. Other tenants include Big Lots, which occupies 50,000 square feet of space and Comcast Xfinity which occupies 6,000 square feet.

A little more than three years ago, another Urban Air Adventure Park franchisee leased 30,079 square feet at 1735 Galleria Blvd. in Franklin, TN. The addition of Urban Air also completed the leasing activity at the center in TN.

Increasingly, as the retail sector continues to evolve, property owners like Next are adapting their targeted marketing and leasing efforts to attract new tenants and uses. Space previously occupied by big box retailers provides an attractive opportunity for activity/ entertainment uses like Urban Air. The adventure park features trampolines, climbing walls, virtual reality, a slam dunk zone, a ropes course, and an obstacle course, among many other attractions. There is also a food/concession area.

Next has broadened marketing and leasing efforts at a number of its centers to reshape the makeup of certain assets. At Wilmette Commons, for example, the center has become oriented toward health, beauty and fitness retailers. At Lincolnshire Commons, a roster of new restaurants helped to further elevate the positioning of the center.

Next Realty JV Acquires Cincinnati Shopping Center



An affiliate of Next Realty, LLC in a joint venture with an affiliate of Midland Atlantic Properties has completed the acquisition of Waterstone Center, a 160,000-square-foot, shopping center located in Cincinnati, Ohio.

Waterstone Center is fully leased and features a diverse tenant line-up including Best Buy, Ross Dress for Less, Michaels, Old Navy, Petco, and Verizon. Target and Costco are “shadow anchors” of the center and help to generate strong traffic to Waterstone Center.

The property is located in the Mason submarket, in the heart of the northeast quadrant of Cincinnati, one of the most sought-after submarkets in the metro area.

Waterstone Center is the fourth acquisition for Next Realty Fund X and the second retail acquisition for the company in Cincinnati. The first property that Next Realty acquired in Cincinnati, Kings Automall Shopping Center, is located adjacent to Waterstone Center.

The acquisition presented an opportunity to expand and further diversify Next’s portfolio and to partner with an experienced, local operator. The successful completion of the transaction, in a landscape of capital markets headwinds, is attributed in part to the combined forces of Next and Midland Atlantic Properties.

Around the Portfolio

Following is an update on various activities around the Next Realty portfolio of properties, including leases, buildouts and tenant openings.

Chipotle has completed a lease for 2,400 square feet of space at The Shops at Flint Creek, the Heinen’s-anchored center at 550 Hough Road in Barrington, IL. The restaurant will operate in a portion of the 4,500-square-foot outlot that formerly had been occupied by a bank. An early 2Q2024 opening is planned.

Next is in the final stages of negotiation for a lease of the remaining 3,161-square-foot restaurant space at **Kingsbury Plaza** in the River North submarket downtown. More details to come on this transaction that fills the former Three Greens space.

Buildout of the **Aldi** space at Roosevelt Plaza continues on schedule in anticipation of a late 2023 opening of the 22,951-square-foot grocery store.

Drop The Bop, featuring Asian cuisine, completed a lease for 1,800 square feet and is now open at Lincolnshire Commons. **Sola Salon Suites** has opened its 5,697-square-foot salon that rents out spaces to beauty consultants and technicians— stylists, colorists, etc. **Stretch Zone** and **Redwing Shoes** also recently opened at the center.

