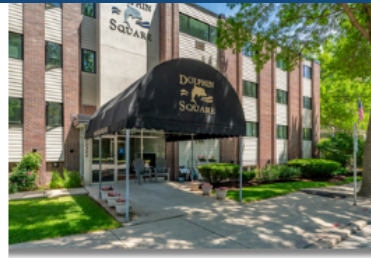


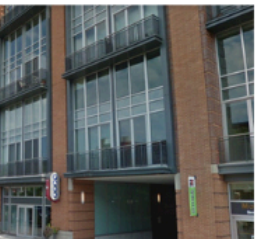
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# THE NEXT PERSPECTIVE IN REAL ESTATE<sup>®</sup>

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# Next Realty Delivers Strong Returns with Sale of Kings Automall Shopping Center



We are pleased to share the successful sale of the Kings Automall Shopping Center in Cincinnati, Ohio — an outcome that underscores the value of proactive asset management and disciplined execution.

Acquired by Next Realty Fund IX, LP in July 2021, in the midst of the pandemic, the property presented a unique opportunity to acquire a well-located center at the entrance of the Kings Automall corridor—home to 14 auto dealerships representing 18 vehicle brands. The property benefits from strong traffic and excellent visibility. Purchased for \$7,725,000 (\$115 per square foot), the acquisition was financed with a ten-year fixed-rate financing at 4.04%. This financing structure ultimately played a key role in the sale, with the buyer assuming the loan.

Our business plan focused on improving occupancy and strengthening tenant retention. During the 3.75-year hold period, we leased the remaining vacancies and negotiated several lease extensions, including a recent seven-year renewal with LensCrafters. These efforts contributed to a 25% increase in Net Operating Income and positioned the property for a compelling exit.

In early 2024, we engaged CBRE to market the property.



The offering attracted strong interest, and the property was ultimately sold for \$9,690,000 (\$144 per square foot), representing a 25% increase in value.

The sale resulted in a property-level Net IRR of approximately 20.66% and a Net Return Multiple of 1.79x for Fund IX investors.

This transaction reflects our continued focus on unlocking value through hands-on management and strategic decision-making. We look forward to sharing additional updates as we continue to execute on behalf of our investors.



# Next Realty Fund XI, LP Update

In 2024, Next Realty launched Next Realty Fund XI, LP, a private real estate offering tailored for investors seeking a combination of current income and long-term value creation, guided by an experienced and committed management team.

Since the fund's inception, we have reviewed hundreds of investment opportunities. As we pursue properties that align with our strategic objectives, we emphasize patience, agility, and diversification. Our longstanding relationships with brokers, financial institutions, and trusted advisors continue to generate high-quality deal flow. Each prospective acquisition is subjected to a thorough vetting process, including rigorous financial evaluation and comprehensive due diligence.

Below please find an overview of some of the opportunities we have pursued to illustrate our approach in action:

## Potential Acquisition #1

Asset Type:	Vertical power center
Purchase Price:	\$20,000,000
Size:	90,455 SF
Occupancy:	100%
Tenants:	3
Business Plan:	Urban in-fill lease renewal
Decision:	We could not get comfortable with the major tenant's future occupancy, and decided to terminate the investment.

## Potential Acquisition #2

Asset Type:	Residential conversion
Purchase Price:	\$3,250,000
Renovation Cost:	\$12,000,000
Number of Units:	36-54
Business Plan:	Office-to-multifamily conversion
Decision:	The real estate fundamentals were strong, but securing approval from other property owners for a change of use proved too difficult.



Given Next Realty's investor-focused approach, we prioritize building meaningful relationships.

Our investors have choices in where they allocate capital, and we take pride in knowing them personally. Many have been with us for years, and we strive to be a key resource for their real estate investments.

With a diversified portfolio spanning retail, parking, and multi-family assets, we offer strategic exposure across property types, geographies, risk levels, and hold periods.

In light of evolving market conditions, we have extended the target final close for Next Realty Fund XI, LP.

# Q&A with Andy Hochberg

Andy shares his knowledge on trending industry topics.

## Q. What do you think people misunderstand about risk and return?

**Andy:** Risk and return are inherently linked. A successful outcome doesn't always mean it was a good investment decision at the outset.

Many investors focus solely on returns without considering the risks taken to achieve them.

For example, if you bought a struggling company's stock and it rose 5%, was it truly a sound investment? Perhaps you should have made 20%. Evaluating the risk-reward ratio is critical to assessing the quality of an investment decision.

Too often, people get excited about returns, but overlook the level of risk involved. Even if an investment performs well, excessive risk may mean it wasn't a good risk-adjusted decision. Conversely, an investment that didn't pan out might still have started off with a solid risk-reward profile.

Take Walgreens, for example. Investors who acquired a Walgreens property 4 or 5 years ago are likely losing value today because the company's credit rating has declined, and coupled with the increase of interest rates, property values have been impacted. At the time, purchasing Walgreens at a 6% return was a reasonable decision, especially when alternatives were yielding 2%-3%. However, due to the company's sales downturn and increased leverage requirements, the 6% return may no longer be attractive. Investors didn't anticipate these changes at the time of purchase. A track record looks at past performance, but it doesn't always reveal the full picture. Just because an investment worked out, doesn't mean it was a good investment decision – understanding the risks taken and the external factors that contributed to the return is just as important.

There will always be an element of ambiguity in investing. The key is making informed decisions based on a thoughtful risk-reward analysis rather than simply chasing returns.

## Q. Where do you see interest rates going?

**Andy:** The long-term fiscal sustainability of our economy and trade policy are key drivers. With national debt exceeding \$36 trillion dollars and interest payments surpassing defense spending, it's hard to see rates declining significantly without addressing budgetary issues.



Interest rates are closely tied to inflation. If inflation drops to 2%, 10-year Treasury yield could decline from 4.5% to 3.9%, leading to more favorable conditions.

However, factors like tariffs and global events add uncertainty to future rate movements.

Unforeseen events, like the pandemic, significantly impact the economy and financial markets. No one anticipated COVID-19, yet in just one month (from mid-February to mid-March 2020), it fundamentally altered the world. These types of disruptions are rare, but when they happen, their fiscal consequences are unpredictable and far-reaching. While another major event might not occur for another 15 years, the challenge lies in timing. Even if you anticipate the right issue, getting the timing wrong could deliver an unsatisfactory result.

## Q. How would you summarize 2024?

**Andy:** 2024 was a year of patience. There was a lot of uncertainty in the market, but our portfolio maintained on average 90% occupancy, and we continued evaluating potential investment opportunities. Fortunately, a significant portion of our debt remains fixed, limiting our exposure to interest rate hikes.

## Q. What property types will be in demand for 2025?

**Andy:** We anticipate strong demand for:

- **Neighborhood shopping centers:** With little new retail development over the past decade, neighborhood shopping centers deliver products and services to their areas that are not negatively impacted by internet sales and continue to draw foot traffic and drive tenant demand.
- **Multifamily:** Housing affordability challenges and limited supply will drive apartment demand.
- **Small warehouse facilities:** Large speculative developments remain unfilled, while smaller, well-located warehouses remain highly desirable.

# Celebrating 20 Years of Partnership: Andy, Marc and Eteri

For 20 of Next Realty's 27 years, Andy, Marc Blum, and Eteri Zaslavsky have worked side by side—leveraging complementary strengths to drive the firm's sustained success.

"I joke that I met Marc on the internet," Andy recalls with a smile.

Their partnership began after Andy and Marc co-invested in an internet company led by Marc's brother-in-law. When that company was sold, Marc joined Next Realty, bringing a laser focus on execution and asset management.

"Marc excels at operations," says Andy. "He keeps us grounded in what matters most to our investors—ensuring that every deal is executed efficiently and responsibly."

Eteri agrees: "Marc's operational expertise turns strategy into action. His execution is what brings our ideas to life."

While Marc handles the execution, Eteri brings analytical rigor to the table. She joined Next after initially interviewing for a role at another company where Andy was a partner.

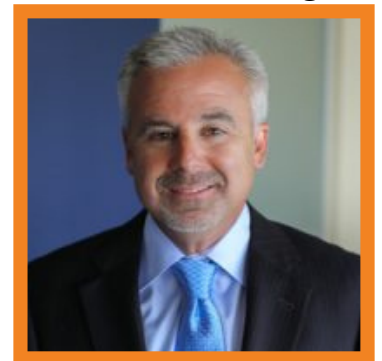
"I immediately recognized that Eteri's talent was a perfect match for what we were building at Next," Andy says. "I asked her to join us, and she's been an invaluable partner ever since."

Eteri plays a critical role in sourcing and evaluating investment opportunities. Her ability to distill complex data into actionable insights ensures that decisions are always rooted in research and forecasting.

Beyond her analytical acumen, Andy says Eteri brings energy, warmth, and an unwavering dedication to getting the job done.



**Andrew Hochberg**



**Marc Blum**



**Eteri Zaslavsky**



For her part, Eteri sees Andy as the strategist of the team. "Andy always has an eye on the bigger picture. His ability to anticipate market shifts and identify long-term opportunities positions us for continued growth," she says.

As Marc puts it: "When you invest with Next—or with anyone—it's not just about the strategy. It's about who you're investing with. If you believe in us, the strategy becomes clear."

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### Key Milestones & Looking Ahead

- **Navigating Market Cycles:** From the global financial crisis to the COVID-19 pandemic, Next Realty has shown resilience, adapting and thriving through unpredictable markets.
- **Strategic Growth:** In 2024, the firm expanded into Florida with the acquisition of the Shoppes of Rolling Hills in Davie—marking a major milestone.
- **Selective Dispositions:** Next plans to strategically sell assets from Funds VIII, IX and X over the next several years where business plans have been executed and values have matured.
- **Future Vision:** With a strong platform in place, the firm will continue to selectively grow its portfolio, guided by a long-term, value-driven approach.

After two decades of working side by side, Andy, Marc, and Eteri have built more than a business—they've cultivated a culture grounded in trust, passion, and shared purpose.

“Our shared passion has not only kept us together for 20 years,” Eteri reflects, “it’s what enables us to navigate a constantly changing market and keep delivering strong results.”

