

Next Realty Affiliate Sells Nagle Plaza in Chicago

Nagle Plaza, the first acquisition for Next Realty Fund VII, was recently sold by an affiliate of Next Realty. The property, located at 6304-6310 Nagle Ave., is a 30,000 square-foot, mixed-use property consisting of retail space and a two-story office building. Located in a busy trade area at the intersection of Milwaukee, Devon and Nagle Avenues, the center is anchored by Walgreens, and shadow-anchored by Shop & Save Market.

The acquisition of Nagle Plaza represented the opportunity to execute a complex value-add strategy. Next initially acquired the defaulted first mortgage note, from a CMBS Special Servicer, and ultimately obtained fee title to the property at a 30% discount via a sheriff's sale. Shortly thereafter, the property was refinanced with a new ten-year fixed-rate CMBS loan. That action allowed the return of approximately 75% of Fund VII investors' initial equity.

Approximately one year ago, Next Realty finalized a long-term lease extension with Walgreens and subsequently refinanced the maturing CMBS loan with a short-term bridge loan that allowed prepayment flexibility. The final management piece before taking the property to market was the lease-up earlier this year of the remaining vacancy within the center.

Next's investment in, and the ultimate sale of, Nagle Plaza demonstrated the firm's ability to identify complicated investment strategies along with the patience required in executing the long-term management program that led to a successful disposition with a net return multiple of 1.42x to investors.



IN THIS ISSUE:

Next Realty Affiliate Sells Nagle Plaza in Chicago

Next Realty Affiliate Acquires Former Bank Facility Outlot in Barrington

Anatomy of a 20-Year Deal

Wilmette Commons Transformation

Events & Subject Matter Nextperts

Nextperts in Print

New Personnel

Next Realty Affiliate Acquires Former Bank Facility Outlot in Barrington

In a strategic acquisition, an affiliate of Next Realty acquired the vacant outlot parcel located at 550 N. Hough Street, adjacent to The Shops at Flint Creek Shopping Center in northwest suburban Barrington.

The property is situated at the entrance of The Shops of Flint Creek and has over three hundred linear feet of unobstructed visibility on Hough Street, where there is an estimated average daily traffic count of 14,300 vehicles per day. Given the location and demographics of the immediate area, restaurants, and professional services businesses such as medical office users are among the logical categories for prospective tenants.

The appeal of the outparcel is enhanced by its connection to The Shops at Flint Creek, a 60,000-square-foot center anchored by Heinen's Fine Foods (the first Heinen's in Illinois) with additional tenants that include Athletico, Amita Health, Meatheads, Club Pilates, and Coldwell Banker.



Anatomy of a 20-Year Deal

The last issue of "The Next Perspective" highlighted the disposition of a Best Buy property in Deptford, New Jersey. Following is a story that looks more closely at that disposition and "The Anatomy of a 20-Year Deal."

The purchase of a 60,000-square-foot Best Buy store in Deptford, NJ in 2001 was one of the first significant acquisitions for an affiliate of Next Realty.

Earlier this year, Next completed the sale of the asset following in-depth negotiations to extend Best Buy's tenancy for an additional 10 years. The results achieved through the disposition of the asset were considerable with a net return multiple of 9.80x to investors.

Some ownership and management highlights over the last 20-plus years include:

- With the consolidated ownership structure, Next refinanced the property making it possible to return the investors' original capital in the early stages of the property's ownership.
- Next successfully negotiated a long-term lease extension with Best Buy. This allowed Next to avoid "option jail," a short-term lease that provides a higher rental rate but significantly hampers ownership's ability to sell an asset.
- Over the course of the 20-plus-year hold, Next cultivated a close working relationship with Best Buy. This relationship, which occurred at a time when the climate for Big Box retail and

Big Box retailers were changing dramatically, couldn't change the prevailing uncertainty but certainly made it easier to work through solutions and opportunities.

Over the 20-plus years of ownership, Next executed a hybrid value-add/value-keep strategy. In the initial stages of ownership, Next added considerable value by creating the fee-simple ownership structure. With that value created, and with a long-term lease in place, Next's ongoing management initiatives allowed it to keep that value, for the benefit of investors.

Results like those achieved with our Deptford investment are possible because Next patiently followed a long-term, strategic course of action, executing the business plan with flexibility and agility, especially when considering the various issues and complexities that were overcome throughout the property's lifecycle.



ICSC@Central

Earlier this month, our team attended the Annual International Council of Shopping Center's Chicago Dealmaking conference. Just as the retail sector has evolved with online shopping and in the aftermath of the pandemic, so has our business evolved. However, our retail portfolio remains well occupied, and we are committed to continuing to pursue attractive investment and leasing opportunities in the retail space. During the ICSC's Chicago Dealmaking conference, we had an opportunity to gather, network, exchange information and lay the foundation for future business activities.

Wilmette Commons Transformation

When Cycle Bar opens its doors at Wilmette Commons in early November, it will mark one of the final steps in transforming what once was a traditional neighborhood center into one that today is focused on health, wellness, and beauty. The recent execution of a lease with a new dental office brings the center to 100% occupancy.

Next acquired the approximately 35,000-square-foot neighborhood center in 2003. At the time of acquisition, the occupancy of the center was not nearly as concentrated in any one segment as it is today.

The transformation of the center's tenancy to health, wellness and beauty was a more organic than targeted effort. Success breeds success, and in the case of Wilmette Commons, as the transformation was taking shape, more health and wellness providers were drawn to the center.

The tenancy at Wilmette Commons characterizes the ongoing persistence of the med-tail trend. Of the fourteen spaces at Wilmette Commons, eleven are in the health, wellness, and beauty categories.

Among the notable tenants that contributed to the transformation of Wilmette Commons include health and wellness tenants such as:

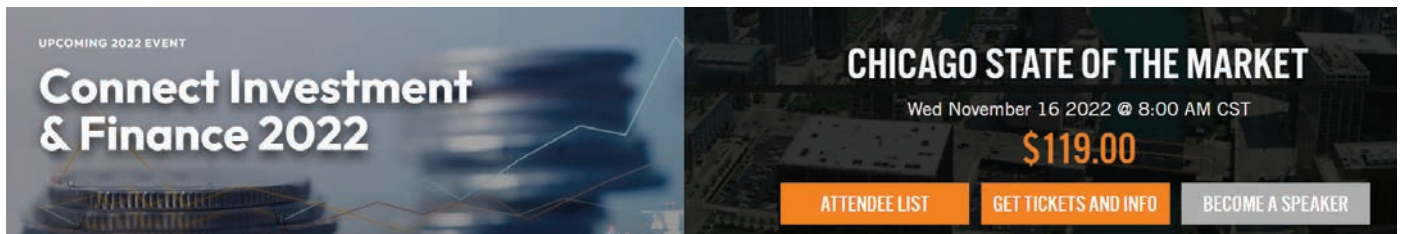
- **OsteoStrong**, a medical/healthcare related business that offers Osteogenic Loading, joined the center's tenant mix in 2018. OsteoStrong® helps strengthen the foundation of the body, more specifically, the skeletal system.
- **SalonFusion**, a tenant of the center since 2005, became a real success story when it nearly tripled in size. Ten years after signing its first lease, Salon Fusion expanded its business, and leased more space at the center.

- **ATI** is a comprehensive physical therapy center.
- **Reavy Fitness** is a private gym offering personal training and other services.
- **CycleBar** is an indoor cycling fitness center that offers personal instruction, classes, and advanced cycling experiences.
- **Women's Life Center** is a women's health and wellness center that provides a variety of aesthetic surgery and medspa services.

The center's other long-term tenants include Chase Bank, Fuenfer Jewelers, and Thai Inbox.

Leasing at Wilmette Commons has been bolstered by an advantageous location in the highly desirable Wilmette, Skokie, trade area. Further, the property's close proximity to Old Orchard Mall in Skokie and Edens Plaza in Wilmette has made it an attractive location.





Next Professionals are Subject Matter Experts

The principals of Next Realty possess dynamic skillsets and are well versed on issues and trends impacting commercial real estate in Chicago and across the country. As a result, they are regularly featured speakers at industry conferences.

At the time of the distribution of "The Next Perspective," Eteri Zaslavsky, Next Realty Managing Director, was in the midst of two Fall speaking engagements produced by local, regional, and national real estate news outlets.

On October 6th Eteri was a panelist at a Connect CRE event when she participated on a panel discussing owner and investor perspectives of the market. Eteri delineated how +/- 12 months ago acquisitions were being underwritten below 3% compared to a current level in the low to mid 6% range.

"The spreads are so severe, it's tough to make deals work," she said. On the leasing front she said that the company has one or two stubborn vacancies it continues to market, but that overall Next has been able to lease spaces and replace tenants, to maintain a high portfolio occupancy level.

On November 16th Eteri is a featured panelist at Bisnow's Chicago State of the Market Conference.



Nextperts in Print



Being a subject matter expert creates opportunities—most notably to position an individual as an authority on various subjects. In addition to paving the way for Eteri’s participation on featured panels at industry conferences, subject matter experts are authors as well, offering insights and perspectives in print.

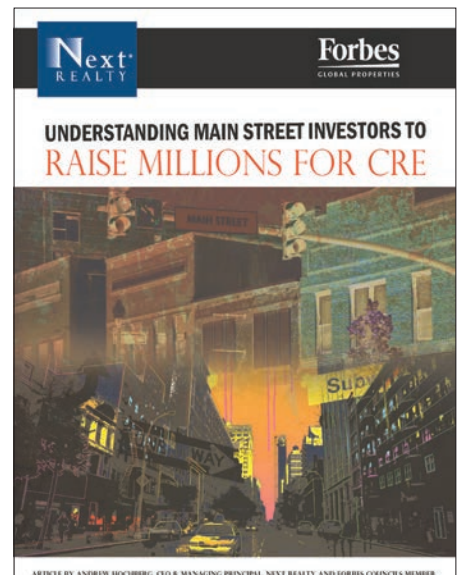
Andy Hochberg and Michael Nichols recently showcased their expertise, contributing articles for well-respected business, real estate, and parking industry media outlets. The following is a brief description of those pieces and a link to the full article.

In June, Michael Nichols, President, Next Parking, penned an article for Parking Magazine, one of the must reads for professionals involved in the parking industry as investors, owners, operators, and managers. Mike’s article looked at how rapidly the industry is changing, given changes in technology, standard operating procedures, and the current economic climate, and how to move forward. The full text of the article can be found here: <https://mydigitalpublication.com/publication/?m=28381&i=749086&p=96&ver=html5>

In the Spring, Andy Hochberg published an article “Understanding Main Street Investors...” looking at the lessons he has learned about the perspectives and patterns he has seen in attracting Main Street versus Wall Street investors. The full text of the article can be found here: <https://www.forbes.com/sites/forbesbusinesscouncil/2022/04/20/understanding-main-street-investors-to-raise-millions-for-cre/?sh=6eb621e73200>.

Look for another Forbes Real Estate Council article that looks at maintaining and evolving a competitive advantage to ensure business longevity.

As issues warrant, and questions arise, Andy and the leadership team craft responses to investor questions about economic issues and their impact on Next’s investment portfolios. In the midst of the Fed’s actions to curb inflation by raising interest rates, Andy responded to some of the most commonly asked questions. See the questions and Andy’s responses at www.NextRealty.com/find-out-whats-next-from-next-realty.



Next's New Personnel

Over the past six months, our team has expanded with the addition of Shannon Powers, Acquisitions Associate; Erin O'Neill, Senior Staff Accountant; and Emma Tanenbaum, Administrative Assistant. Meet the newest members of Next:



Shannon Powers, Acquisitions Associate—As an Acquisitions Associate, Shannon assists in executing Next Realty's investment strategy by sourcing and evaluating prospective opportunities for acquisition. She does so by conducting market research within select target markets and establishing key brokerage/seller relationships.

Prior to joining Next Realty, LLC, Shannon was an investment sales broker at Marcus & Millichap in the Chicago Office. She has a diverse background in real estate on both the operational and brokerage sides of the business after beginning her career at a family office that owns a portfolio of over two hundred assets in Chicago. There, as an asset manager, she implemented capital expenditure and tenant retention programs.

She earned her bachelor's degree from Miami University in Oxford, Ohio. Shannon is licensed real estate broker in Illinois and is an active member of Industrial Women in Real Estate (IWIRE), and Real Estate Investment Association (REIA).

Erin O'Neill, Senior Staff Accountant—Erin joins Next further expanding her experience in commercial real estate accounting. Her responsibilities include accounting operations, financial reporting, and budgeting. Before joining Next Realty, Erin worked as a Staff Accountant in the property industry. She has also held a role as an Accountant. She graduated Phi Theta Kappa and Delta Mu Delta from Elmhurst University with a Bachelor of Arts in Accounting.

Emma Tanenbaum, Administrative Assistant—Emma joins Next as an Administrative Assistant with responsibilities of working alongside and supporting administration, marketing, and various other areas of the firm. She comes to Next from Syntec Group. Emma attended the University of Iowa and graduated with a major in Communication Studies and a minor in Human Relations.

OUR EXECUTIVE TEAM:

The principals of Next Realty have been working together for over a decade and have a combined total of over 75 years of diverse real estate industry experience.

ANDREW S. HOCHBERG

FOUNDER AND CEO



Andrew is responsible for designing Next Realty's strategic direction and executing its investment strategy. He is a real estate industry veteran with a wide range of expertise. Andrew served as CEO of Sportmart, a \$450 million sporting goods retailer, where he led the company's expansion to 70 stores nationwide. He is also the co-founder of Hilco Real Estate. Andrew founded Next Realty in 1998 to invest capital on behalf of his family office and other like-minded investors.

MARC J. BLUM

PRESIDENT AND COO



Joining Next Realty in 2001, Marc oversees all of the company's portfolio operations and asset management activity, as well as Next Realty's financial structuring and reporting. Marc has more than 25 years of experience successfully navigating the acquisition, reposition, and disposition of more than \$1 billion in real estate assets, including more than \$250 million in loan acquisitions and work-outs nationwide.

ETERI ZASLAVSKY, CCIM

MANAGING DIRECTOR



Joining Next Realty in 2006, Eteri is responsible for executing the company's investment strategy, sourcing acquisitions, raising capital and overseeing investor relations. Eteri has more than 20 years of experience in real estate investing, underwriting and financing. Since 1999, Eteri has been involved with the sourcing and execution of more than \$1 billion of commercial real estate acquisitions, dispositions and financings.

ahochberg@nextrealty.com
847-881-2001

mblum@nextrealty.com
847-881-2002

ezaslavsky@nextrealty.com
847-881-2018

Next Realty is a real estate investment and operating company with 25-years of success in the industry. We have closed nearly \$637 million in acquisitions across the country. With over 75 transactions completed, Next Realty continues to manage a diversified portfolio with assets that include retail, industrial, parking, adaptive reuse and medtail holdings. Next Realty has expanded the asset classes in which it considers investing as it broadens its portfolio of assets under management. If you have any questions regarding any of the articles here, or would like to know more about what we do, please contact one of our Nextperts® today.

The Next Perspective In Real Estate™