



A DEEP DIVE INTO OPEN-AIR RETAIL INVESTING

4Q23

OVERVIEW

LBX Investments is a diversified commercial real estate investment firm that actively invests in open-air shopping centers around the country. LBX has made 20 value-add and core plus investments in U.S. shopping centers since mid-2018 exceeding \$500 million in total capitalization. (Through 12/31/2023)



EXPERIENCED EXECUTIVE TEAM

ABOUT THE PARTNERS

LBX was launched in 2018 by Robert Levy and Philip Block. Prior, Rob and Phil co-founded a partnership with a family office investing in shopping centers in the Southeast. Prior, Rob was COO of the Real Estate Group at Benefit Street Partners, after holding various positions at Centerline Capital Group (CEO, President, COO, and CFO). Phil helped launch Dominion Capital Advisors before running capital markets at Centerline

KEY MANAGEMENT ATTRIBUTES

- Excellent Track Record
- Extensive Capital Markets and Operational Experience
- Broad Industry Network
- Public Company Expertise
- Institutional-Quality Investment Management



ROBERT LEVY
CO-MANAGING PARTNER, LBX

Previously:

- CEO, President, COO and CFO at Centerline Capital Group (\$13 billion+ in AUM)
- COO, Benefit Street Partners Real Estate Platform (\$11 billion+ in AUM)



PHILIP BLOCK
CO-MANAGING PARTNER, LBX

Previously:

- SVP at Realty Mogul (\$1 billion+ in AUM), where he created the firm's commercial lending arm and led institutional capital marketing efforts
- VP at Centerline (\$13 billion+ in AUM)

PLATFORM AND PORTFOLIO OVERVIEW



Executive, Investor Relations & Acquisitions
Los Angeles, CA

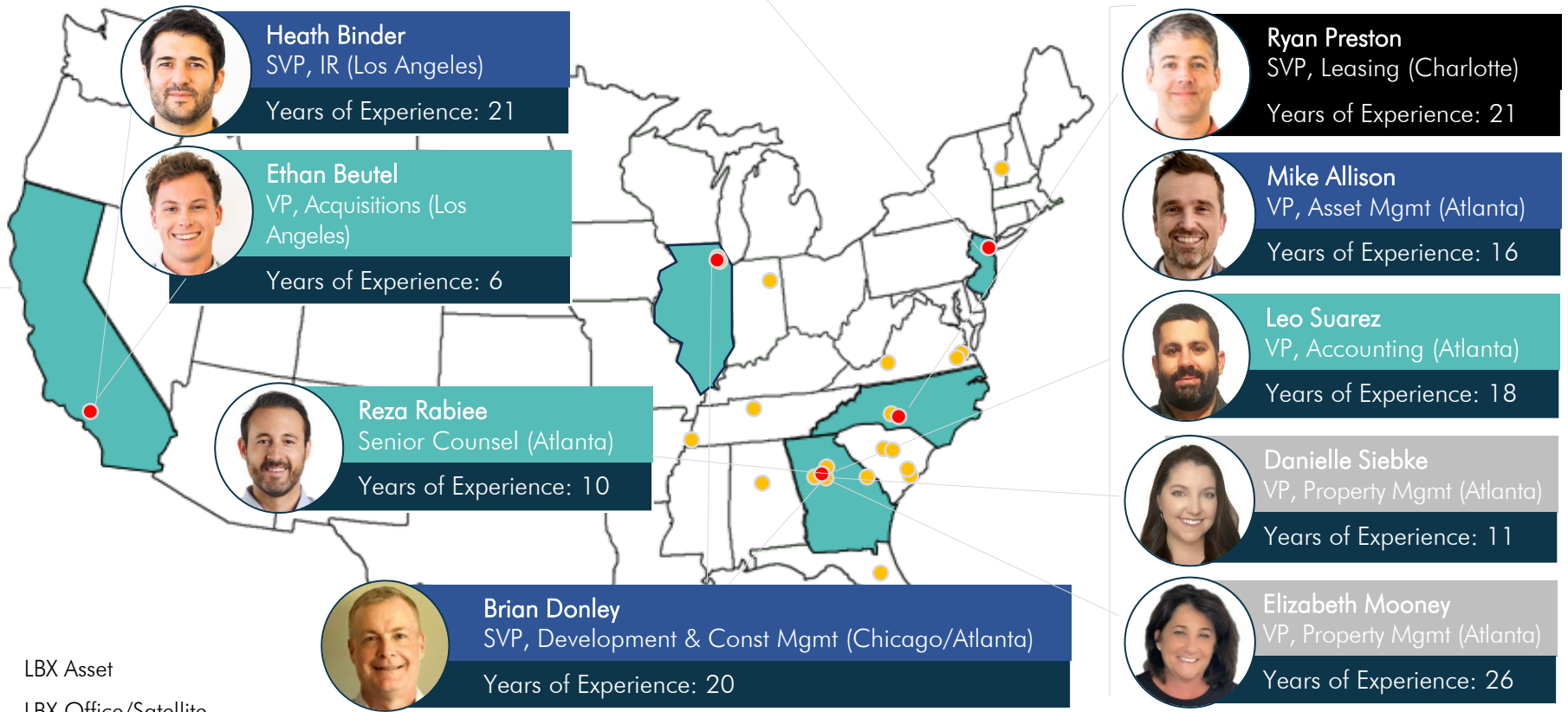


Executive & Capital Markets
NYC Metro



Construction, Property and Asset Mgmt, Leasing, Legal & Accounting
Atlanta, Chicago & Charlotte

With a corporate presence in five states and our network of third-party leasing partners, we are well-positioned to expand into growth markets around the country



WHAT WE MEAN BY "OPEN AIR"



STRENGTHS OF LBX AS A COMPANY



LBX
investments

1 BARRIERS TO ENTRY

Retail is a high barrier-to-entry sector. LBX's best-in-class infrastructure has been built over years and is a huge differentiating factor

5 RELATIONSHIPS

LBX has optimal national and regional strategic relationships with tenants, brokers and lenders to help drive opportunities and outperformance

2 OPERATIONAL SKILL

With the end of cheap money, the emphasis should turn to operators who have the capability to generate outsized returns from active management

4 CYCLE-TESTED

LBX's team has been through multiple downturns including COVID-19, the Great Recession, the Dot-Com Bust and the early 1990s

3 TRANSPARENCY

Best-in-class accounting, cash management and reporting ensures investors have complete transparency and trust in the management of their investment

OPEN-AIR RETAIL TALKING POINTS

THE BEST RETAIL SITS IN THE MOST PROMINENT LOCATIONS: Retail assets typically sit on the best, most centrally located real estate in town – the corners of Main and Main. We buy the best retail, in dynamic submarkets. With retail being a broadly misunderstood asset class, this provides an opportunity to acquire some of the best real estate at depressed prices.

THE BEST RETAIL CENTERS SHARE CERTAIN CHARACTERISTICS, REGARDLESS OF SIZE: Retail comes in all shapes and sizes but the best retail sits in healthy submarkets, is visible, has good ingress/egress, appropriately sized boxes, strong co-tenancy, good demographics, and high traffic counts. If you buy this kind of retail at a good basis and actively manage it, you should outperform the market.

OPEN-AIR CENTERS HAVE BEEN THRIVING AND OUTPERFORMING ENCLOSED MALLS: Open-air centers have been thriving and tend to attract the strongest, growthiest retailers due to their low occupancy costs, visibility and accessibility advantages vs. enclosed malls, which is where most of the sector's issues have occurred.

MOST SHOPPING IS DONE IN-STORE DESPITE THE RISE OF AMAZON & E-COMMERCE: Significantly more shopping is done in-store than online (~85%). In-store and online shopping, in fact, tend to complement each other and work together to benefit the retailer. Successful e-commerce needs bricks and mortar and vice-versa, creating opportunity for tenant growth.

ALMOST ZERO NEW SUPPLY = PRICING POWER: There have been hardly any new additions to retail supply for 15+ years and well-located retail assets, therefore, tend to have pricing power, even in downturns. We expect this trend to persist, as construction costs continue to rise.

RETAILER STORE OPENINGS ARE OUTNUMBERING STORE CLOSINGS: Leading retailers (many of which are public companies), have historically opened stores during both downturns and expansions.

THIS IS A GREAT TIME TO BUY: The dearth of capital in the market (REITs and major institutional investors are net sellers currently) creates an opportunity for active investors like LBX with deep retail knowledge, relationships, and infrastructure.

RETAIL LEASES ARE NNN, OFFERING INFLATION PROTECTION BY PASSING THROUGH EXPENSES: Rising expenses (inflation) pass through to tenants on NNN leases.

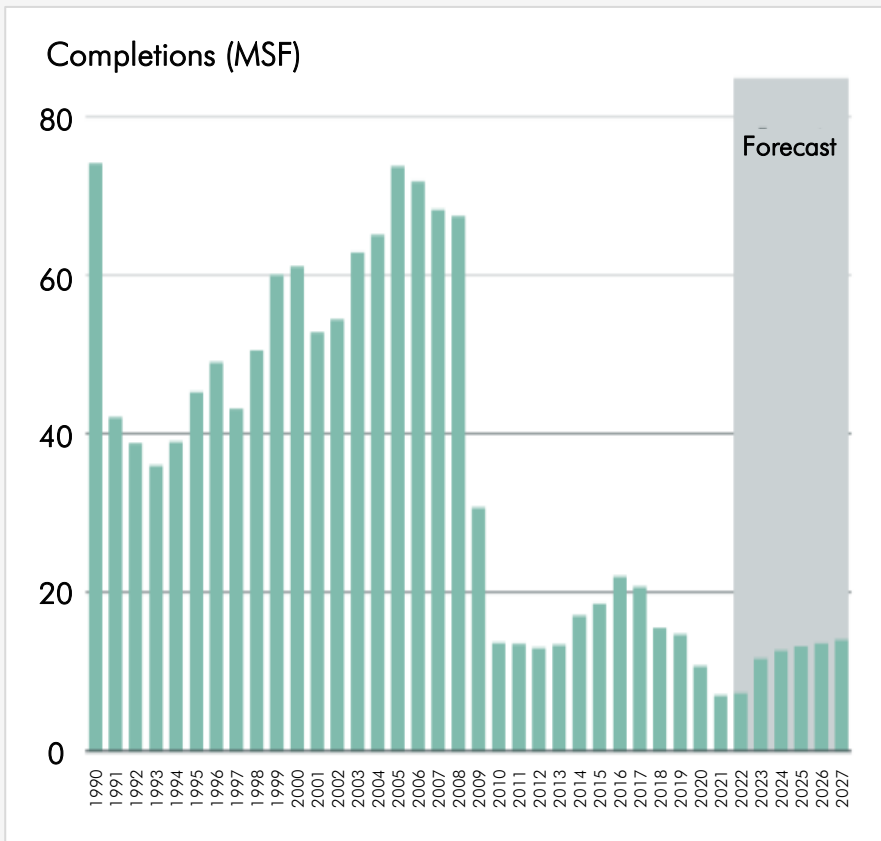
RETAIL INVESTMENTS OFFER PROTECTIVE CURRENT YIELD AND HIGH DEBT SERVICE COVERAGE: Retail offers yield, a high percentage of return through cash flow, and positive leverage: all of these are highly protective for investors.

DOWNTURNS TEND TO FAVOR DISCOUNT RETAILERS: Off-price retailers have historically outperformed during recessions, as consumers adopt tighter budgets.

RETAIL SUPPLY IS FIXED, WHILE RETAILERS GROW

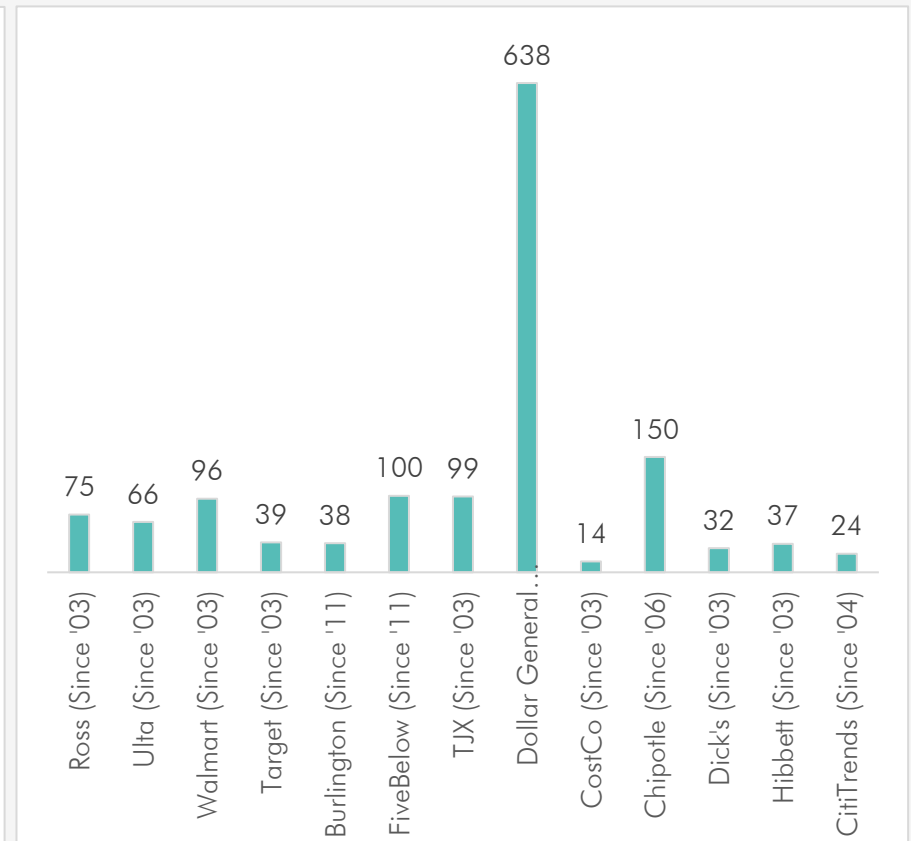
There has been very little addition to the 911 million+ SF in domestic retail supply since the Great Financial Crisis, while leading retailers continue to increase their store counts consistently each year. This creates a supply-demand dynamic in retail that is unmatched by other sectors.

NEW CONSTRUCTION, NEIGHBORHOOD & STRIPS



Source: CBRE

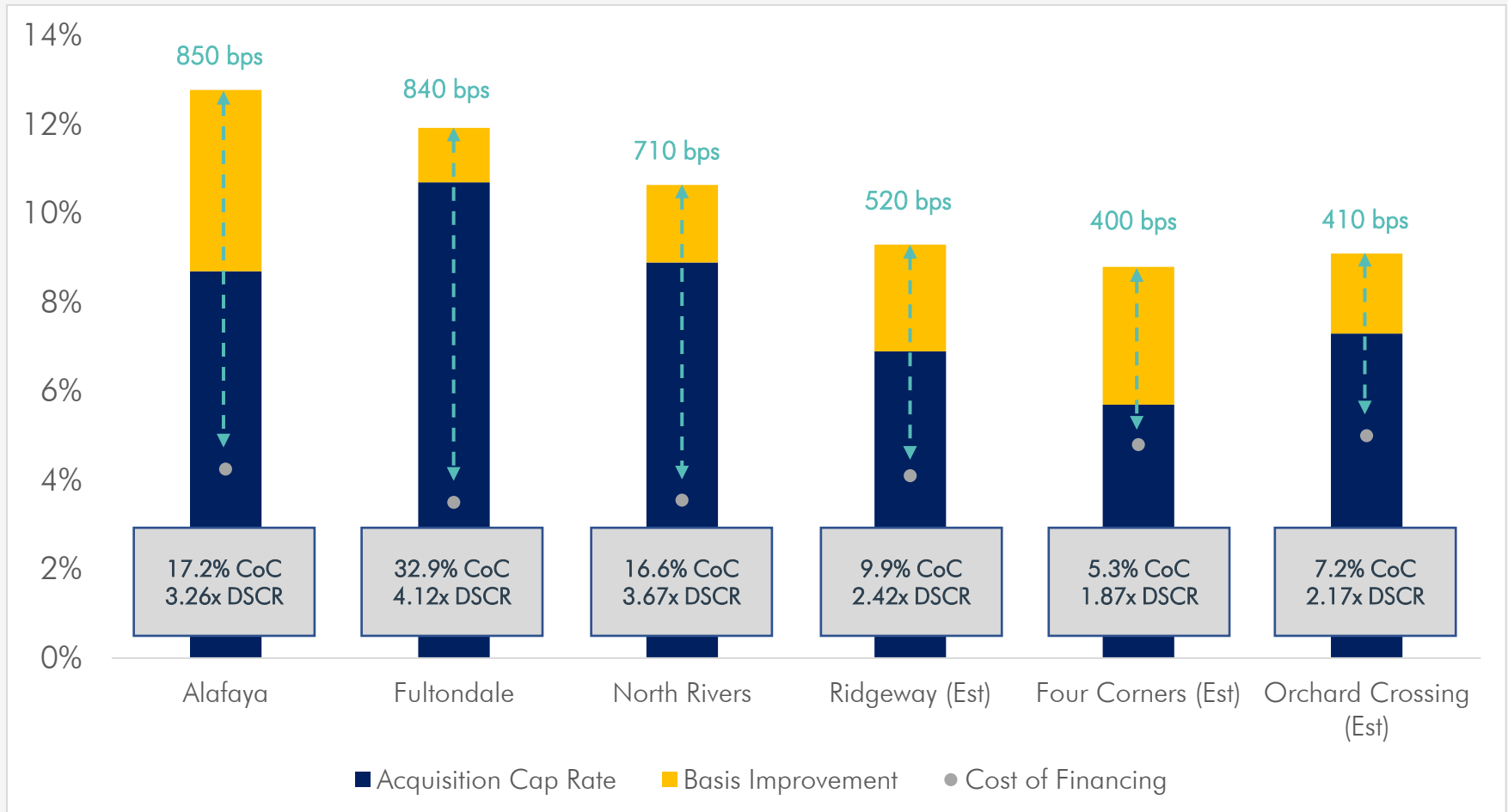
AVG. ANNUAL CHANGE IN STORE COUNTS



Source: LBX Investments and Company Reports

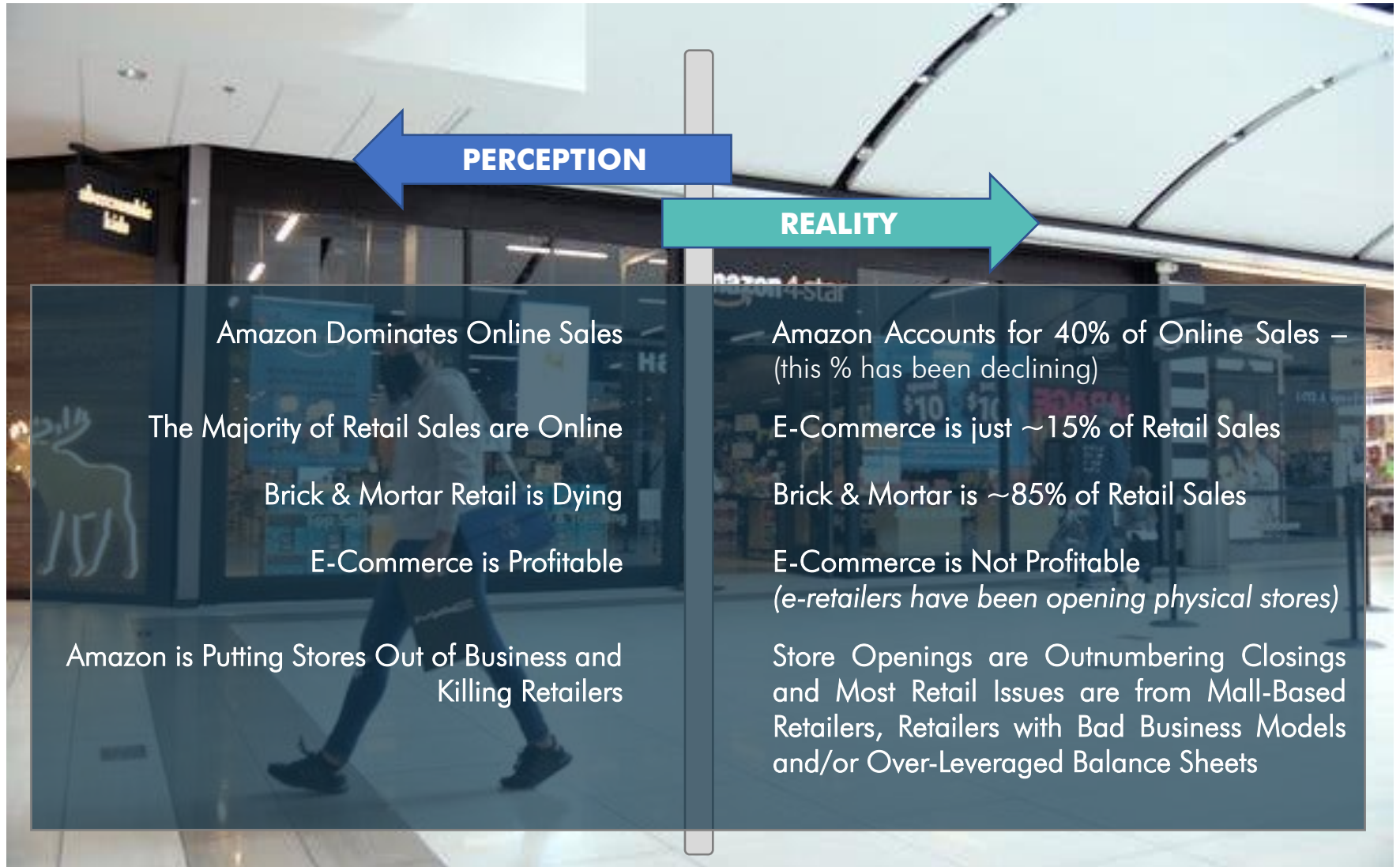
POSITIVE LEVERAGE IS A GREAT STARTING POINT

We start deals with positive leverage and, through outparcel development/sales and shop-space lease-up, often improve that by 200-400 bps, creating outsized cash flow and downside protection for our investors.

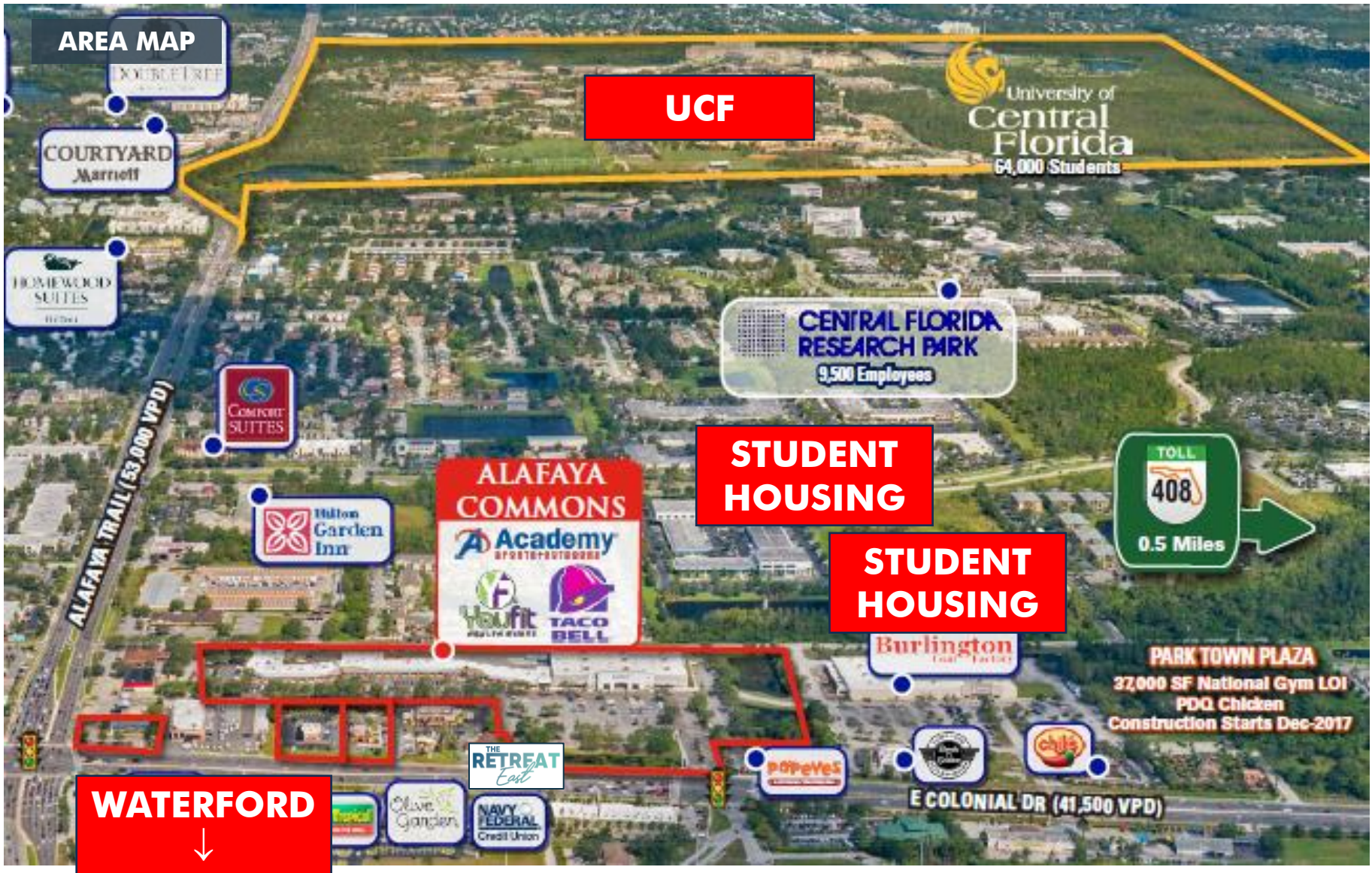


THE “AMAZON EFFECT” IS VASTLY OVERESTIMATED

Amazon’s impact on retail has been widely documented, but the “Amazon Effect” appears to be waning.



CASE STUDY: ALAFAYA COMMONS (ORLANDO)



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2018 STOREFRONT

ALAFAYA OVERVIEW – AT ACQUISITION

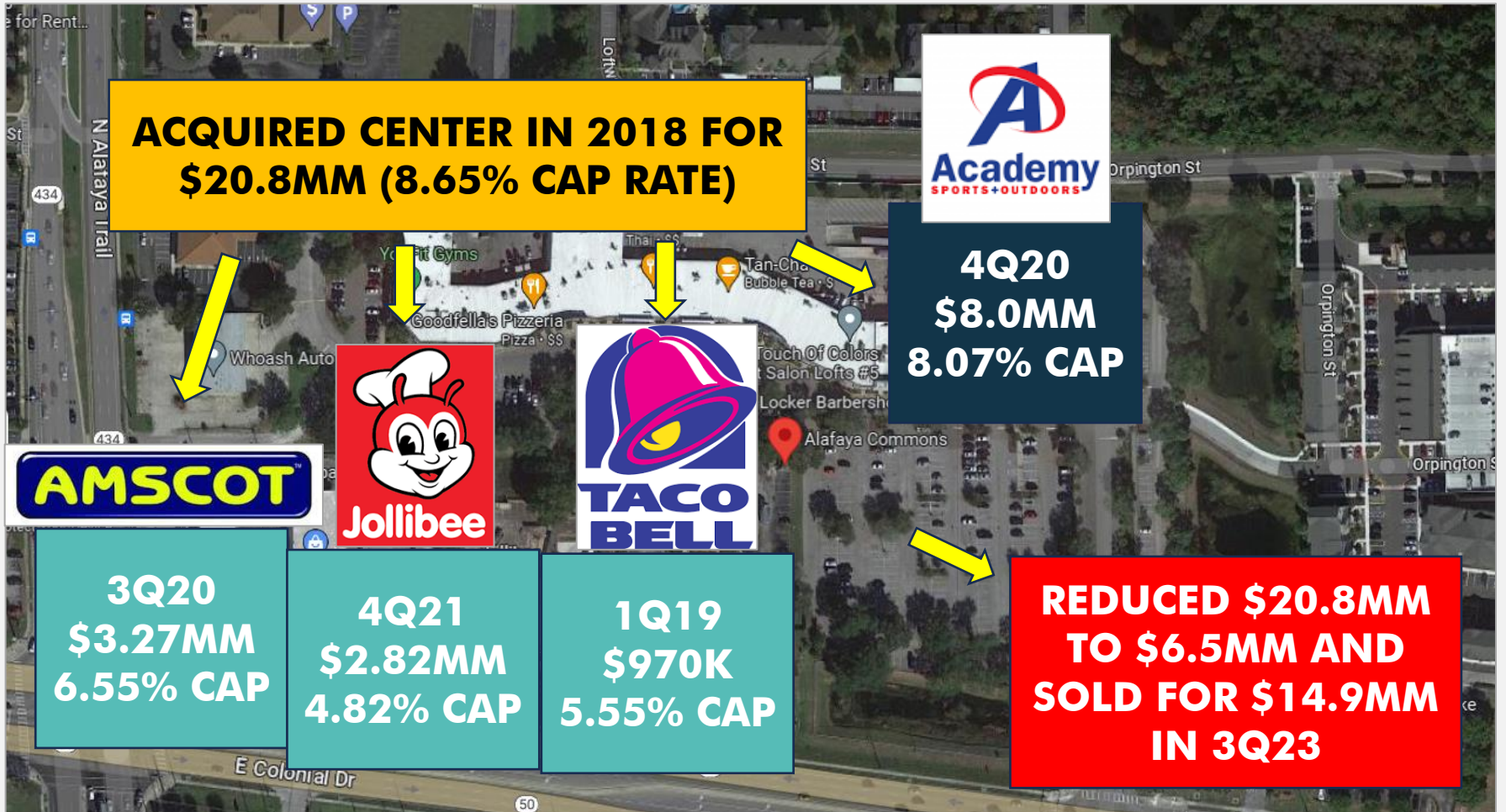
- **EXCELLENT LOCATION NEAR UCF WITH HIGH TRAFFIC, THOUGH PROPERTY SOMEWHAT SET BACK FROM STREET**
- **ATTRACTIVE BASIS (8.7% CAP RATE) DUE TO CREDIT RISK WITH ACADEMY AND BROAD FEARS OF RETAIL**
- **DOWNSIDE PROTECTION FROM COVERED LAND PLAY**
- **NON-CORE ACQUISITION FROM A PUBLIC REIT THAT WAS PASSIVELY MANAGING THE ASSET FROM ATLANTA**
- **OLD FAÇADE WAS DATED AND UGLY, AND PROPERTY WAS POORLY MANAGED**
- **THREE STRATEGIC INITIATIVES:**
 - **SELL OFF ACADEMY AS A STANDALONE**
 - **SELL OFF OUTPARCELS SEPARATELY**
 - **LEASE SHOP SPACE VACANCIES / IMPROVE TENANT MIX**

INITIATIVE 1: ACADEMY STANDALONE SALE

- **IN OCTOBER 2020, WE SOLD THE ACADEMY SPORTS PARCEL FOR \$8 MILLION (8.07% CAP RATE)**
- **IN LINE WITH EXIT CAP RATE ASSUMPTION BUT 2 YEARS EARLY, DESPITE COVID-19**
- **18.2% RETURN OF CAPITAL TO LPS**
- **LEFT US WITH A YOUFIT-ANCHORED STRIP CENTER**



INITIATIVE 2: OUTPARCEL SALES



INITIATIVE 3: SHOP SPACE LEASING

BEFORE (2018)



INITIATIVE 3: SHOP SPACE LEASING

AFTER (2021)



INITIATIVE 3: SHOP SPACE LEASING

TENANTS	SF	2018 RENT/SF	TENANTS	SF	2023 RENT/SF	ANNUAL IMPROVEMENT
LEGACY TENANTS AT ACQUISITION						
Youfit Health Clubs	17,011	\$12.75	Youfit Health Clubs	17,011	\$14.03	\$21,774
Goodfellas Pizzeria	2,942	\$24.15	Goodfellas Pizzeria	2,942	\$26.01	\$5,472
Junior Columbian Burger	1,858	\$20.26	Junior Columbian Burger	1,858	\$23.50	\$6,020
Siam Garden	2,031	\$18.50	Siam Garden	2,031	\$21.44	\$5,971
FX Nail Salon	1,942	\$25.75	FX Nail Salon	1,942	\$28.00	\$4,369
Stop Barber Shop	1,182	\$24.56	Stop Barber Shop	1,182	\$28.47	\$4,622
Advance America	1,400	\$21.22	Advance America	1,400	\$24.60	\$4,732
Total Legacy Tenants	28,366	\$16.64		28,366	\$18.50	\$52,960
RELOCATION / EXPANSION / CONTRACTION						
Orange County Health & Family	6,000	\$17.13	True Health	10,940	\$17.00	\$83,200
H&R Block	2,550	\$21.00	H&R Block	1,802	\$27.84	(\$3,379)
Total Relo/Exp/Cont	8,550	\$18.28		12,742	\$18.53	\$79,821
TENANTS WHO VACATED			NEW TENANTS			
Preferred Hearing Centers	989	\$19.57	Jibeichuan	1,441	\$26.00	
GNC	1,400	\$15.00	Salon Centric	2,100	\$24.50	
Sunset Christian Prep	7,800	\$16.08	Tan Cha Boba	1,200	\$25.00	
			Luxury Canine Spa	1,200	\$26.50	
			Salon Lofts	3,982	\$24.50	
			Fable Coffee	1,892	\$24.00	
			Saku Sauna & Massage	1,400	\$26.00	
Total Old Tenants	10,189	\$16.27	Total New Tenants	13,215	\$24.98	\$164,304
VACANCY						
Total Vacancy	12,607	\$0.00		5,298	\$0.00	
Overall Vacancy Rate	73.2%			90.2%		17.0%
Shops Only (Ex-YouFit)	58.1%			85.8%		27.7%
TOTALS						\$297,085

ALAFAYA – AT SALE

- **FINAL METRICS**
 - **COMPLETED SALE IN SEPTEMBER 2023**
 - **SALES PRICE OF \$14.9 MILLION REPRESENTED A 6.3% CAP RATE**
 - **NET IRR OF 17.2%**
 - **NET EQUITY MULTIPLE OF 1.80x**
 - **FINAL RESULTS WERE IN LINE WITH TARGETS**
 - **WE OUTPERFORMED ON NOI, CAP RATES, OUTPARCELS, & LEASE-UP**
 - **WE UNDERPERFORMED ON COSTS**

2023 DEAL: POPLAR PRAIRIE (CHICAGO)

STOREFRONT



POPLAR OVERVIEW – AT ACQUISITION

- **ACQUIRED IN SEPTEMBER 2023**
 - **THIS IS JUST FOR EDUCATIONAL PURPOSES**
- **CLASS A 272,222 SF POWER CENTER, \$43 MILLION PP, 8.2% CAP RATE**
- **AFFLUENT NORTHWESTERN CHICAGO SUBURBAN MARKET**
- **NATIONAL LINEUP OF STRONG CREDITS INCLUDING SHADOWS (TARGET, BURLINGTON, DOLLAR TREE) AND ROSS, TJ MAXX, HOMEGOODS, ULTA**
- **“STEADY EDDIE”: DOMINANT CENTER IN SUBMARKET WITH GREAT INTERSTATE ACCESS. LIMITED DOWNSIDE RISK DUE TO PROFILE**
- **ACQUIRED FROM FUND AT END OF ITS LIFE**
- **INSTITUTIONAL CAPITAL PARTNER IN PARTICIPATING PREFERRED/SENIOR EQUITY POSITION**

POPLAR OVERVIEW – SITE PLAN



PLACING POPLAR IN CONTEXT OF 2023

- **FREQUENTLY ASKED QUESTIONS BY PROSPECTIVE INVESTORS**
 - **HOW DOES OUTPARCELS STRATEGY WORK WHEN NNN MARKET HAS SLOWED DOWN?**
 - **HOW DID WE ADJUST OUR UNDERWRITING APPROACH IN LIGHT OF ADDED COSTS?**
 - **IS LEASING STILL HOLDING UP AND HAVE LEASING ASSUMPTIONS CHANGED?**
 - **HOW DID DEBT MARKETS IMPACT OUR FINANCING OF THE ASSET?**
 - **WHY DID WE OPT FOR AN INSTITUTIONAL CAPITAL PARTNER IN A PREFERRED POSITION?**

QUESTIONS?

INVESTOR CONTACTS

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