

June 2024

By Bill Shopoff, Shopoff Realty Investments President and CEO

Revitalizing Retail: A New Era for Shopping Centers

The real estate landscape is experiencing a renewed interest in retail spaces, with innovative redevelopment strategies at the forefront. Our latest projects aim to transform distressed retail properties into mixed-use developments that may rejuvenate communities and offer potential investment returns.

I recently shared insights with The New York Times about our approach to revitalizing retail spaces. According to industry data reported by The New York Times, demand for retail space outstrips supply for the first time in 20 years. Shopping center landlords are now seeing increased demand, with vacancy rates dropping to just 5.4%, the lowest in two decades. This demand shift has been driven by strategic tenant mixes that prioritize experiential spaces, such as restaurants and entertainment venues, over traditional retail stores.

This tightness in vacancy and the driving demand is in large part due to the reduction in available retail space resulting from the reuse of outdated retail spaces and a lack of new development. Additionally, viable tenants have relocated to better-located retail spaces, further intensifying demand.

At Shopoff Realty Investments, one of our key initiatives is transforming distressed retail spaces into mixed-use developments. For instance, our project at Westminster Mall, south of Los Angeles, involves converting a former Macy's and a vacant Sears into residential units and approximately 25,000 square feet of food retail space. This redevelopment reduces shop space by 60 to 90 percent, aligning with our strategy to adapt to modern consumer preferences.

California remains our key focus, with high-end malls within the state experiencing tight vacancies, reflecting the broader potential for mixed-use redevelopment. We see opportunities to rejuvenate these spaces, creating community-centric environments.

Redeveloping retail spaces involves navigating several challenges, including existing tenancies, Covenants, Conditions, and Restrictions (CCRs), and reciprocal access agreements. Thorough diligence and proper budgeting are essential to address these complexities. Additionally, engaging with local officials and communities early in the process helps build support and ensure the projects align with local needs.

We aim to create successful housing and revitalize the retail environment by adding residential units to underperforming retail projects. Retail spaces surrounding new residential developments benefit from built-in customers, potentially improving the overall community and reducing sub-quality competition. This synergy between residential and retail components can enhance the project's value and appeal.

The current market environment is reigniting investor interest in retail properties. Retail properties have not seen the same value increases as apartments and warehouses. As a result, shopping centers may have the potential to generate competitive yields compared to these pricier assets, especially in a time of high interest rates. However, it is important to manage potential challenges such as inflation, rising interest rates, and shifts in consumer spending to maintain the project's viability.

For more detailed insights, please refer to my interview with The New York Times:

<https://www.nytimes.com/2024/06/09/business/shopping-centers-mall-demand-comeback.html>

Disclosures

-The shared article is offered for convenience and informational purposes only. The sharing of this article does not imply an endorsement of its content.

-The reference to future events and general optimism about the retail real estate industry does not predict specific performance of this project.

-This is not an offering to buy or sell any securities. Such an offer may only be made through the offering's memorandum to accredited investors. Any investment in Shopoff Realty Investments ("SRI") programs involves substantial risks and is suitable only for investors who have no need for liquidity and who can bear the loss of their entire investment. There is no assurance that any strategy will succeed to meet its investment objectives. The performance of former assets is not indicative of the future results of other assets. Securities offered through Shopoff Securities, Inc. ("SSI") member FINRA/SIPC. SRI is the sponsor firm for Shopoff Secured 9 Pct Interest Fund, LLC.



Bill Shopoff, CEO
Shopoff Realty Investments

Confidential and proprietary information. The views, thoughts and opinions expressed in this outlook belong solely to the author. This outlook is based on current public information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. The information, opinions, estimates and forecasts contained herein are as of the date hereof and are subject to change without prior notification. This material is for information purposes only and is not intended to provide investment, legal, or tax recommendations or advice.