The Weekly Take

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Shop Around: Open-Air Centers and Other Investment Opportunities in Retail Real Estate

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Spencer Levy
I'm Spencer Levy and this is The Weekly Take. If you've heard me talk about commercial real estate and retail this year, and I've been saying this for a while now, you've probably heard me talk about opportunity to be found in this sector, including one property type that I have often touted as my number one value in the overall marketplace. Well, now we're about to put my thinking to the test. On this episode, a conversation about retail with a major investor whose firm is known for its outside the box thinking, along with one of CBRE's capital markets leaders in the space.

Robert Levy
We really create value in retail. It's, first of all, it's a hand-to-hand combat type of property type. Every day you have to be actively and aggressively managing your property.

Spencer Levy
That's Robert Levy, the Managing Partner of LBX Investments, who co-founded the firm in 2018. Based in Northern New Jersey, with offices from coast to coast, LBX has assets throughout the U.S. with a concentration in the Southeast and Midwest, taking what he calls a contrarian approach to the market, which we'll discuss on the show.

Chris Decouflé
We may be at a point where the old, kind of, grocers are good and safe and flat – that may be changing.

Spencer Levy
And that's Chris Decouflé, a CBRE Managing Director and Head of Capital Markets for Retail in the Americas. Chris is based in Atlanta and part of CBRE's National Retail Partners Team, or NRP, as we call it. With an eye on open-air retail, we'll break down the asset types comprising this corner of the market, starting with a primer on all the property types. And we'll fill your shopping carts with wholesale insights from our insiders. If you're into shopping, this is a show that should be on your list. Coming up, we open up the realm of open air retail and more retail investment. That's right now on The Weekly Take.

Spencer Levy
Welcome to The Weekly Take, and this week we are going to revisit one of my favorite asset types, retail. An asset type that, I really believe, is the most undervalued asset type within commercial real estate. And to help us talk about it, we have Rob Levy. No relation, by the way. Rob, thank you for joining us.

Robert Levy
I appreciate it. Thank you for having me.

Spencer Levy
And then we're joined by one of my longtime friends and colleagues, Chris Decouflé. Chris, thanks for joining.

Chris Decouflé
Thanks for having me, Spencer.

Spencer Levy
Great. Well, thanks to both of you. So, Rob, just to start it off easy. There's a lot of different types of open air, neighborhood, community, grocery anchored, not, power centers. Can you just define some of these terms for our listeners?

Robert Levy
Sure. In basic sense, obviously, you have a non anchored center, and those can range from, you have single tenant retail up until kind of larger centers that have really no major tenants associated with them. So all the tenants are under 10,000 feet and you have your neighborhood shopping center that might have a grocery or non-grocery, a bunch of kind of service oriented, smaller tenants alongside them, pizza places, hair salons, etc. A community center, really the difference between neighborhood and community is how large it is, where it’s positioned in the market, and how far it draws from the community versus the neighborhood. Usually they are larger. They'll have greater anchors, larger anchors, more of them, but they also might have a bunch of those more mom and pop and service oriented centers. You have power, which is really kind of a type of community center where you have larger boxes like the TJ Maxx's, the Marshall's, the Ross’s of the world, Targets, etc. And then you'll have your enclosed malls where it's not open air, where you kind of walk through the interior to get to the stores. And those tend to be anchored by our traditional department stores, although those are certainly evolving pretty quickly, where some of those department stores are being replaced with other types of major retailers and other uses. I think I've hit on all of them.

Spencer Levy
I think you hit them all. So, Rob, let’s dig in now. Tell us the types of retail you like and why.

Robert Levy
So we primarily invest in, we have some grocery anchored, non-grocery anchored, open air centers throughout the Southeast, is where we have primarily focused, although we do have assets in the Midwest. We really don't have any one specific investment type, to be honest. In the retail world, we're somewhat contrarian in how we think and operate and we are value- add, so we are looking for opportunity. We're looking for underpriced assets, mispriced assets in the retail space. So today we own some grocery anchors, some non-grocery anchors, some power. We own some larger strips. The only thing we do not really own is kind of an enclosed mall. That's really what we have stayed away from.

Spencer Levy
Got it. Well, this will be contrarian day for two reasons. One, I think it's fair to say that institutions are just getting back into the retail games. It was a good time to be a somewhat new or smaller operator. But also, I have an opinion that I think open air non- grocery anchored may be the most mispriced asset in the marketplace today. Chris, would love to

get your point of view. What are you selling these days and tell us about the different types.

Chris Decouflé
Most of what we sell, Spencer, is open air, so effectively what LBX looks at the most. We do sell enclosed malls, but they don't trade a lot every given year, so the market's primarily open air. If you look at our book of business, I would say about 40% of our counterparties are private equity, similar to Rob's firm. If you look at it in terms of product type, the biggest product type is power and community. They make up about half the marketplace. And then we have grocery anchored, unanchored strips, high street lifestyle. Really, you know, in open air retail, what's terrific is there's lots of formats. You know, I think what's interesting in hearing Rob, I think the difference between, you know, Rob and LBX and a traditional institution is a traditional institution has to be a box checker. So if that box has to have a grocer or doesn't have to have a grocer, it has to have this credit, this wall. And the unique thing about retail, which makes it exciting as an asset class, is it's a corner by corner business. And so when I hear Rob say that we don't necessarily have a type that we invest in, I think reading between the lines, it’s, he invests in great real estate and I think we all have an expression with good real estate, good things happen and we may not know what those are. And with bad real estate, bad things happen and we may not know what those are. That's what's great about retail, but it also makes it tougher for institutions to be consistent investors in the product type.

Spencer Levy
Well, I think the institutional aversion – maybe that's too strong a word – but the reason why they've shied away from it is being quite candid in the last ten years. They've gotten hurt by it. There's been the shakeout, the reformatting stores, learning how to be more experiential. And so there's the fear factor of what they've learned. And second, and this is, I think, even more important, that they're afraid about some of their backers giving them a call if they were to buy it. And that keeps the institutional buyer place smaller than it should be. I've looked at the math and I still think retail is tremendously undervalued. And I think specifically, and I'll go to you on this one, Rob, I think the delta between open air non- grocery and grocery is too wide. I think the greater opportunity might be in non-grocery. What do you think, Rob?

Robert Levy
We agree. I mean, we love buying from the institutions. We have – a significant portion of our portfolio comes out of the sales from some of the public rates and some from some of the larger private equity. And what we find is that they own really good real estate. They've capitalized it well, so there's not a lot of deferred maintenance as they've done kind of all the big things. They have the national relationships with the big tenants, and so they do that well. But what they don't do is a lot of the small things that we do. We really create value in retail. It's, first of all, it's a hand-to-hand combat type of property type. Every day you have to be actively and aggressively managing your property. And number two, where you really make your money is on the 1,000, 2,000, 3,000 square foot units. The anchors kind of anchor the center, but it’s not where you make your money. And so we find is that the larger institutions just don't do a lot of that stuff, we think, as well as we do. We love buying from them. And so we have actively done that.

Spencer Levy
So one of the things you mentioned there is these in-line space with the smaller retailers in these open air centers is where you are most profitable. Part of my thesis on grocery anchored being, I'm not saying it's overvalued, I think the delta in the value between open

air non- grocery and grocer may be too wide, is because the typical grocery release is 20 to 30 years long, and you may not have seen the same shake out there that you've seen in the other retail, which today has already gone through that. Chris, what's your point of view?

Chris Decouflé
Well, it's a super interesting topic and very, very timely because let's take like, say, Publix, for example. They have got a big footprint in Rob's territory in the Southeast. You know, something like two- , three-hundred stores in their fleet now have called 15 to 20 years of total control left on their leases, including options. And all those rents are single digit rents, almost all of them, because they were all built in the nineties or what have you. So now if you're Publix, you're saying, well, wait a second, I've got this incredible occupancy cost. I have single digit rents, but I need to figure something out here in the next few years because, A) I can't find a new store in this submarket, and by the way, if I could, my new rent would be over $20 because of inflation and construction costs. So we may be at a point where the old kind of grocers are good and safe and flat. That may be changing, because let's say the three of us go in and we buy a Publix at 15 years at term at eight bucks a foot. They're going to probably pay us a little more rent. And we're starting to see that happen now. So it's a fascinating time, just when you think you kind of like, here's how grocers, this is going to be the situation. Inflation comes along and changes, not just grocery sales, but it also changes what it costs to create a new grocer box.

Robert Levy
I agree with Chris that there's opportunity, but there's also, I think and I think it goes, Spencer, to maybe what you're saying, is that I think that there is a sense that, you know, you own a grocery anchored shopping center and you have little or no risk because you have a grocer sitting there. We don't believe that. We think that level of risk is understated sometimes with some of these grocers. First of all, it's an extremely competitive business, right? Their margins are 1 and 2%, a lot of these are grocers. And if you go into a market, there could be four or five grocers fighting over the market share. So that's number one. Number two, what we find is that they make decisions that aren't always economic. Like you can, you look at a Publix and they're operating what you think great in this location, but they find a piece of property, you know, a quarter of a mile down the street that they want to open a new Publix in. They have their view on what their perfect store looks like and feels like, and they'll move. And it may not seem economic to you, but they're thinking 30, 40, 50 years out. They're not thinking five or ten years out like we are. We just saw an announcement that Whole Foods is closing five stores. It's not a big deal. It's not a huge number. But those are five stores. Those owners of those properties, they're in trouble, right. They bought those properties, probably at five caps. And now they sit there with an empty Whole Foods that they thought was going to be there for the next 20, 30 years. So you have to be very careful in the grocery anchor space, in our view.

Spencer Levy
You know, there used to be for – people who were not in the retail business – this very, very basic rule, go to where the Apple Store is or go to where Whole Foods is. Is that no longer true? What do you think, Chris?

Chris Decouflé
Well, it's still true. And the reason why is that, and Rob touched on this, you want to own retail where you can get the best shops and tenants. So all the money is made in the shop tenants. That's where you make your real money. So when you have a Whole Foods that’s doing well, or Apple’s, you get the first shot at those tenants. I think Rob is spot on. Like if

you can't circle the risk of that grocer leaving or closing, then you got to walk away. Because what a lot of folks don't realize in a lot of these more neighborhood locations, if you lose a grocer, you actually don't get to put something else there. There's just not a backfill. So they can be binary if you're not being careful. We don't see it a lot, but when it does happen, it hurts.

Spencer Levy
This is a topic that is important to me. There are still so many areas, and a lot of them are in the Southeast, that have grocery wastelands, there just aren't any and people just aren't building. And I've had multiple conversations with developers on this topic, and they all come back to the same basic thing. There needs to be a public- private partnership, if the stores aren't going to generate the level of sales you need to be able to support it. Chris, you had a reaction there. What's your point of view?

Chris Decouflé
You know, actually, I don't see a grocer wasteland. I tend to see, like, we got plenty of grocers, maybe too many in a lot of the markets in the Southeast. Yeah, I don't think that's so much an issue.

Spencer Levy
Maybe it's the issue where I go. I mean, I live in Baltimore and I've been to other big cities and, that, you can go, miles, in some of these cities, no grocer at all. And so it's a, maybe we need to figure out how to get that situation solved and maybe there may be another opportunity.

Robert Levy
I also think maybe that is change. I'm sure there are some urban areas that are dealing with that, but the grocer space is so diverse, right? You have everything from, you know, a Whole Foods and a lot of, you know, kind of local, very high- end grocers, all the way down to like the Aldi's of the world. And I think that your, what Chris is seeing is the same thing I'm seeing, is that in some of these smaller or tertiary or lower, more moderate income markets, we are seeing, like, the Aldi’s of the world opening Lidl’s, etc., which are expanding, you know, massively in the U.S.. And so I have not experienced that either. But I think what we're all talking about is that when you buy retail, most importantly, you have to buy good real estate. I think Chris said this before. That is the key to this business. You have to be where the retailers want to be and where the people want to shop, not just where the retailers want to be, where they have to be, where it's like, this is like, the focus of them is to be in these demographic markets. And that's, for us, from an investment perspective, that's our kind of target.

Spencer Levy
I show a chart in my standard presentation, which showed that Internet penetration of bricks and mortar actually dropped in 2021. And I use the example of what happened in the early eighties to nineties, when around Christmas time, you used to get those big guides from like Sears and Macy's and J.C. Penney. And they'd sell you all these Christmas goods and the bricks and mortar folks were scared because it penetrated their business to the tune of about 9%. And then it actually flattened out sooner than people thought and then dropped. So, Chris, let's talk e-commerce for just a moment. How do you see that impacting your business today? Do you think that retailers have fully adapted? Partner? Enemy? What do you see?

Chris Decouflé

I think if you've been playing with retail for a long time, you know that it's always in flux, there's always something new, and if it's not the Internet, it's a new concept, there's always a better way to do things. So I think retailers, people in retail, are used to constant change and constantly have to adapt. I think number two is that if you look at what Rob invests in, and what we sell and peddle, a lot of our rent rolls, they're really a lot of service. And we're not really worried so much about the traditional, where you might see e-commerce. So there's also a little bit of a notion where the competition really is, as it relates to affecting our rents and our investments. And then I guess, really, the fourth thing is that we've matured to a point where, you know, e-commerce, M-commerce, and then walk-in commerce, traditional retail, they all work together and they have to work together. You know, 90% of Publix's online sales are fulfilled in a store. So if you think about that, you think about what Target is able to do, and they have the marginal sales by having that customer come into the store. And then if their shop's next to the Publix, that consumer goes and uses those shops, comes into this center, maybe goes through Chick-fil-A drive thru or whatever. So it really is an ecosystem. And e-commerce and M-commerce are just one more form of spending a consumer's dollar.

Robert Levy
We view e-commerce, honestly, as a positive for most of these retailers. In our view, the better retailers will be the best e-commerce companies. And then, the better e-commerce companies are expanding into bricks and mortar because you have to have that touch with your customer. You have to have a delivery system and who better to deliver a product than a brick and mortar retailer. So in our view, it is just a natural evolution of the brick and mortar business and the better retailers are the ones that are figuring that out and driving sales through those channels.

Chris Decouflé
The other part of that, I think that is pretty interesting about retail is, we're the only product type where there's virtually no new supply. We have more GDP, we have more people, more people spending money, but we don't have new retail largely being built as a percentage. What that means is that the forces and the pressures as it relates to viability of retail as a product type are probably better than, I don't know, Rob, I think, we've seen in a long time.

Spencer Levy
I think mathematically you're correct, Chris, but I'd give you a nuance here. And the niance, I would say, is that a lot of retail has gotten a lot better or changed formats. A lot of malls have become de-malled and become open air. What I'm seeing also a lot of for many of my open air owners is they're adding multifamily pads and they're turning it into a virtual live, work, play environment. And Rob, I note that LBX is, on your website, looking to get into the multifamily business. So I ask you, what do you think about multifamily and how is it complementary to your retail strategy?

Robert Levy
So, to maybe go to your second question first, as far as part of our retail strategy, we have properties where that could be a great opportunity. The problem is it's very complicated in the retail world, right? When you own a property, you have agreements, as you know, between all of the different retailers. And those agreements have limitations and some of them outrightly do not allow you to do anything on that property but retail. And so you have to go to all of those major tenants and say, hey, we want to take down this part of the building and we want to put up multifamily. It's not easy to do, and we've had those conversations with some of our larger tenants. Some are more open to that discussion

than others. We love the multifamily space. I spent 12 years of my career in the multifamily world. We are out looking for properties, but we're contrarian, as I said. And today there is nothing contrarian about multifamily. When you bid on a multifamily deal, you are bidding against 50 other people, and if you win, you got to feel like, how the heck did I just win that over 49 others. And we're in retail, when we're bidding, it's a very different ballgame and we like that position much better. And so that's why we're focused at the moment more on retail.

Spencer Levy
Well Rob, then, I guess maybe we shouldn't air this episode because we're giving so much love to retail right now, there might be a few more bidders in those pools...

Robert Levy
Right.

Spencer Levy
…going forward. But speaking of that, Chris, one of the things I mentioned, and Chris, you and I have talked about this, is about the underbidder analysis. I look at that. I think it's the most important data that we may have. Could you describe for our listeners what that is?

Chris Decouflé
Yeah, so, underbidder analysis is the same thing as you might have heard the term disappointing capital. And effectively, if our group has, in any given month, maybe we have bids due on $200 million worth of deals that month. All the bids that came in that did not make, that were unsuccessful, we categorize those and we look at what percent of the bid it was. And what type of bidders were they? Were they institutions? Were they public REITs? Were they private capital? So the underbidder analysis is effectively looking at bids that came in that weren't successful.

Spencer Levy
Thank you, Chris. And when you take a look at our underbidder analysis, I am seeing that trend from basically 100% private, non-institutional buyers two or three years ago, and now that institutional backing is creeping back in. What's your point of view, Chris?

Chris Decouflé
Yeah, if you look at our book of business for the last 12 months, probably 70% of the bids we received came from private equity. But in terms of being successful, less than 50% were successful, and various institutions and PE firms were successful. So, basically, I think if you look at a business that's not institutionalized, that is not at least fully institutionalized, usually there's a little vig there to play with as an operator. So I think to Rob's point, like, if our market was completely institutionalized, it might be priced to perfection. Since it's not, you know, there's always little gaps, there's always little places to play. And I think that's where the magic can happen if you're a good buyer.

Spencer Levy
Now, Rob, you're based in Northern New Jersey, but you're buying much of your retail product in the Southeast. Tell us why the Southeast and why don't you give us some highlights of some of the cities you like and why?

Robert Levy
Sure. First, I want to quickly react to what Chris just said. I think the question around institutional focus in retail is somewhat geographic. So to go to your geography question, I

think that every public company CEO in the retail world today is telling their – not every one, most of them are telling their shareholders that I'm going to invest in the Southeast, in the Southwest, because that's where the demographics are. That's where the people are moving and the jobs and the businesses are moving. And so we've been investing in the Southeast for the past five or six years. And my only regret is I wish we bought three times as much as we did because the influx of capital now into those markets is extraordinary from those institutions. And so what we're trying to do is stay a step ahead. We are still buying the Southeast. We're still interested, in fact, we have a deal under contract in Atlanta right now. But we are trying to go where the institutions are not interested and where they are maybe selling their properties to reinvest in the Southeast. So we've actually been very actively looking in the Midwest over the past 6 to 12 months, because there are great markets in the Midwest. They might not be as high flying or as fast moving as some of the Southeastern markets, but they're solid, they're strong. You can buy great real estate, and instead of buying that same property at a six cap in Charlotte, you're buying it at a seven or seven and a half cap in the Chicago Metro or something like that. So we like that play a lot.

Chris Decouflé
I think this is a super interesting point because, you know, this is the other interesting part about retail as an asset class compared to other asset classes. You know Rob just said there is like, he can get more than 50% of his total return on current cash flow. Other property types need rents to grow and you have a big reversion cap rate and everything has to work out good. In retail, you can get a tremendous amount of your total roundtrip return in current cash flow. That feels like a pretty good risk adjusted bet to me. And the Midwest is, you know, I don't know what that looks like. It’s probably more than that, Rob.

Spencer Levy
Chris, you mentioned the word I was trying to not ignore, but I knew we'd get to it on the show, which is inflation. It's hard to ignore. Stock market's been gyrating. Ten-year treasury’s up to three. The Fed raised 50 basis points. How are you dealing with that in your clients, Chris?

Chris Decouflé
Inflation is actually helpful for the retail space, you know, not out of control inflation, but certainly some. For years and years and years, retailers have been dealing with very stagnant pricing environments. So they've had a very tough time changing their price to the goods or the services, even though they frankly have had some increases in their costs. So now, retailers are able to kind of stretch their legs a little bit on how they price their goods and services. So that's number one, that's very good. Number two, as an owner of retail, it used to be that a tenant had a lot of ability to be the threat of leaving. I might not renew. I'm going to go over here. I'm going to go to this space. Well, now we have a supply issue, so there's not really the place to move. But even if I could find a place to move as a tenant, the TI to build out a new space and the fact that, will it deliver next month or in 12 months because I can't get an air conditioning unit, makes switching costs for a retailer higher than ever and maybe almost insurmountable in some cases, in some submarkets. So I think at least in the short run, what we're seeing now with inflation, that's hopefully going to be moderating to something that's not out of control. It really is helpful for our business.

Spencer Levy
In addition to the consumer side of the business, where it's not always helpful if your basket of goods gets more expensive, it does put some pressure on the retailers. But I

think the area that is of more concern, even though I agree with Chris in that in the long term it is good for all real estate, some moderate inflation. What's not good in the short term is the cost of debt going up by a couple hundred basis points. So, Rob, first of all, do you agree with my ballpark estimate of the cost of debt? And second, how are you dealing with it?

Robert Levy
I completely agree. Almost 100% of our debt on our current properties are fixed. So our mindset comes out of the financial crisis back in ‘08 and ‘09, when we were very much involved on the financing side of real estate and saw all of the issues and challenges and disasters that came out of that. And we wanted to protect ourselves personally. The way we run our company is we're low leveraged, fixed rate, long term borrowers. We don't do anything in the securitized market. Nothing against it, but it's just not for us. We want to have, we're kind of relationship borrowers, so that's how we deal with that on our existing portfolio, and I think thankfully we are where we are. Fom a new asset perspective, we are seeing, in at least the beginnings, I think. And Chris, you know, tell me if you're seeing something different. But we are seeing, I think, the beginnings of cap rates moving a bit in our direction. It's slow, as we all know. There's always this kind of time frame where interest rates move and cap rates potentially follow. But we are seeing, we think, a little bit of rise in cap rates to follow that. We're total return investors, so we're looking at a piece of real estate over a five, seven, ten year hold, and if we can finance it, well, low leverage, fixed rate and get our cash flow out, we feel like we're in a good spot and we don't need to push our leverage to get there. And therefore, a little bit of cap rate movement is certainly helpful and that's what we're seeing.

Spencer Levy
So Rob, when you say low leverage, are you typically 50 to 60%, or less than that?

Robert Levy
Probably around, you know, 55, 60%. Every once in a while, you know, depending on the deal, we’ll push it a little bit above 60. But that's really about it.

Spencer Levy
So, Chris, same question to you. The debt capital markets have gotten upset in the last 120 days, where the cost of capital, both in the combination of the base rates, but also spreads, have expanded. Tell us what you're seeing and tell us how we and our clients are reacting.

Chris Decouflé
I think Rob said it well. I think in the A and B-plus assets, we're really not seeing any real change in pricing. As you're kind of on the shoulder of the markets – say, B to B-minus to C – you're seeing, certainly, talk about it. You're seeing some re-trades, some being granted. I think you can't ignore the fact that debt is 60% of your capital stack. And I think to say that it's not going to affect pricing at all is not actually being honest with what's happening. Having said that, it used to be that the cycle that Rob is referring to, people routinely had 75, maybe 80% LTV, and changes in the debt market were much more important and much more affecting to how folks were approaching acquisitions. We're a relatively low margin asset class now. Most things that we sell are 60% LTV. So that means equity is a lot more important, debt is not as important. It’s still very, very important, of course, but I think it's just a unique, maybe a more mature version of the cycle. And I think there's just a massive amount of equity in the system that has to get some level of

return. So it's an issue. I don't know that it’s going to be as pronounced as we've seen it in the past, but it's 100% an issue that should help some pricing with what LBX looks to get.

Spencer Levy
We're going to ask a couple of wrap up questions. And I try to ask a funny question before I ask the wrap up question. But as I was a lifelong Jets fan, I cannot bring that up on this call because it'll bring us all down, Rob. So instead, I'll ask you a music question. The greatest band from New Jersey, is it Bruce Springsteen? Is it Bon Jovi? Is it Southside Johnny, or somebody else?

Robert Levy
Well, first I'll say that I am a miserable, lifelong Jets fan myself. So not only do we share our last name, but we share misery in the Fall. Although, to be honest, I sometimes, I thank the Jets because I have all of my Sundays to myself in September, October and November. I can play golf, I could do what I want without being tied to the television. So that's a good question. You have to say Bruce Springsteen, I guess. Although, I guess you have to say Bruce Springsteen. What do you think, Spencer? What is your…

Spencer Levy
Well, you know, I'm a big Bruce Springsteen fan. It's hard to go with somebody other than him.

Robert Levy
The only other thing I would add is that we did not throw out Sinatra. You have to kind of put him up there, right, with the greats, obviously.

Spencer Levy
Wow, that would be really interesting, like, you know who's better? Sinatra or Springsteen?

Robert Levy
Right.

Spencer Levy
Since they're both from Jersey, you never know. So, Chris, same question to you. But we will spare you the pain of the Jets thing because you are home of the World Champion Atlanta Braves. So you've got that going for you. But I will ask you the question on the greatest band to come from Georgia. And boy, you've got a lot of tough choices here. You've got R.E.M., the Allman Brothers, James Brown, Ray Charles. Wow. Tough list. Who are you picking?

Chris Decouflé
Yeah, there's a lot of quality on that list. You know, I think I may have to go, though, with my college favorites, which is R.E.M. Kind of grew up with those guys.

Spencer Levy
So, Rob, final thoughts? Our listeners are owners, developers, young real estate brokers, some occupiers. What does the future of retail look like over the next couple of years?

Robert Levy
Well, we're really excited about it. I mean, you know, the one thing we didn't talk about today is kind of the impact of the pandemic and what the last couple of years were like. And in our view, and I'm sure you've heard this before, it was an accelerant of some of the

evolution in retail that we have been experiencing. And we think that that is actually really positive. It kind of flushed out some of the lesser profitable, lesser, well-run retailers. The kind of cream rose to the top, and our portfolio has performed great. We do think that there is some risk of recession up ahead. And so we're preparing for that, which we've always done. We're buying good real estate in the right markets. We're financing it properly. And I think that if you do that, actually, the recession could create some opportunity. It's very hard to differentiate yourself in a market where everybody's making money, where everybody looks smart. Where you really differentiate yourself in these businesses, I think, is when things are a little bit tougher and you have to really roll up your sleeves and trade value in tougher times. You have to have the right relationships and the right real estate to do that. So we're excited about that. I mean, you're never excited about a recession, but we do feel that we're well positioned for that if that were to come. So anyway, that's our view of retail. We think it's well positioned and there should be some great opportunities over the next few years.

Spencer Levy
Chris, future of retail next couple of years, what do you see?

Chris Decouflé
Look, I think we're going to see more of the same, which is it's an asset class that if you're willing to be an expert and really to roll your sleeves up, you can make a lot of dough. And you can be a contrarian in good or bad markets and be very successful. I think one of the trends you're going to see, because institutions really have to get capital out and get return. They have to be in retail in a bigger way. And what we've seen is that the most successful institutions have gone to partner models in retail. And by going to a partner model and having an operating partner, they're getting plus sized returns for less risk. Retail you have to staff up for. It's very tough to be an institution and have an adequate bench of retail experts. We see that becoming more and more prevalent amongst, sort of, the classic institutions. I'm not talking about public rates and whatnot.

Spencer Levy
Well, on behalf of The Weekly Take, this was a terrific discussion of retail today with two of the great minds in the space. My friend and colleague Chris Decouflé, Managing Director, Head of Capital Markets, Americas for Retail. Chris, thanks for joining. I'm looking forward to seeing you at the ICSC in Vegas.

Chris Decouflé
Likewise. Look forward to it, Spencer.

Spencer Levy
And then Rob Levy, the Managing Partner of LBX Investments, based in Northern New Jersey, who saved the honor of Frank Sinatra at the last moment. Rob, thank you so much for joining the show.

Robert Levy
Thanks, Spencer. Really appreciate the time.

Spencer Levy
For more on retail investment and our show, check out our website, CBRE.com/TheWeeklyTake. And stay tuned because we have a lot more retail on the horizon. As I just mentioned, I'll be at the ICSC Convention, which kicks off this week in Las Vegas, and you can join me there with The Weekly Take. We'll be recording an

episode with ICSC President Tom McGee, in person at CBRE’s booth on the convention floor. Feel free to stop by and say hello. If you can't make it, of course, we hope you'll tune in for that show in a couple of weeks. In the meantime, please share this show, and also subscribe, rate and review us wherever you listen. I'm Spencer Levy. Be smart. Be safe. Be well.