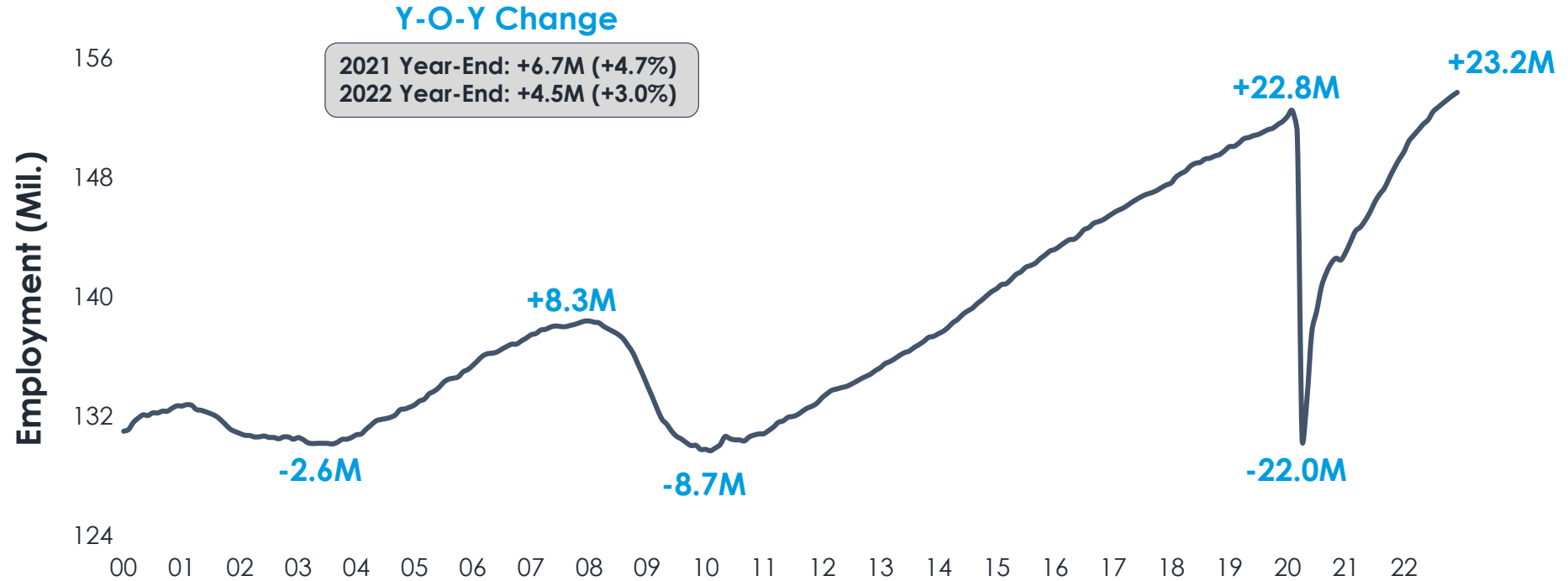


SOUTHERN CALIFORNIA RETAIL MARKET OVERVIEW



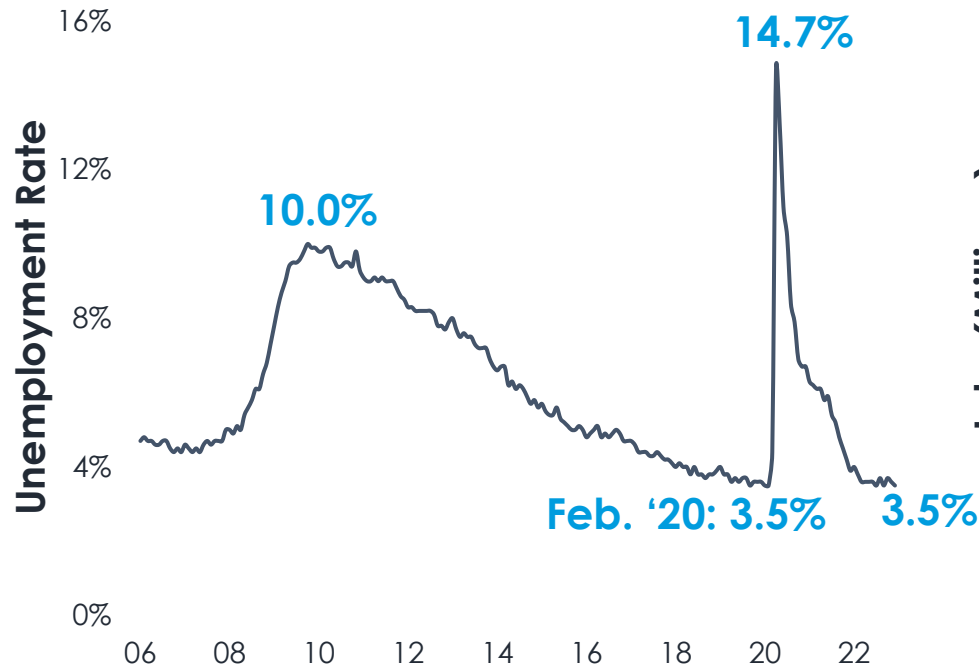
Patrick Toomey
Institutional Property Advisors (IPA)
Executive Director
ptoomey@ipausa.com

Labor Market Has Recovered All Pandemic Job Losses

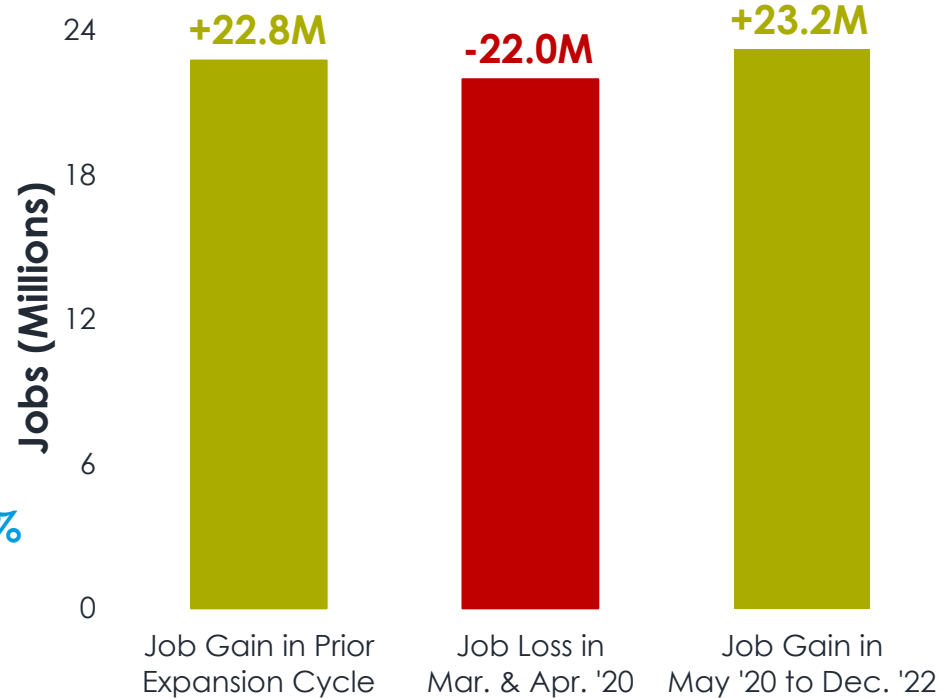


Tight Labor Market a Central Concern Of the Federal Reserve

Unemployment Rate

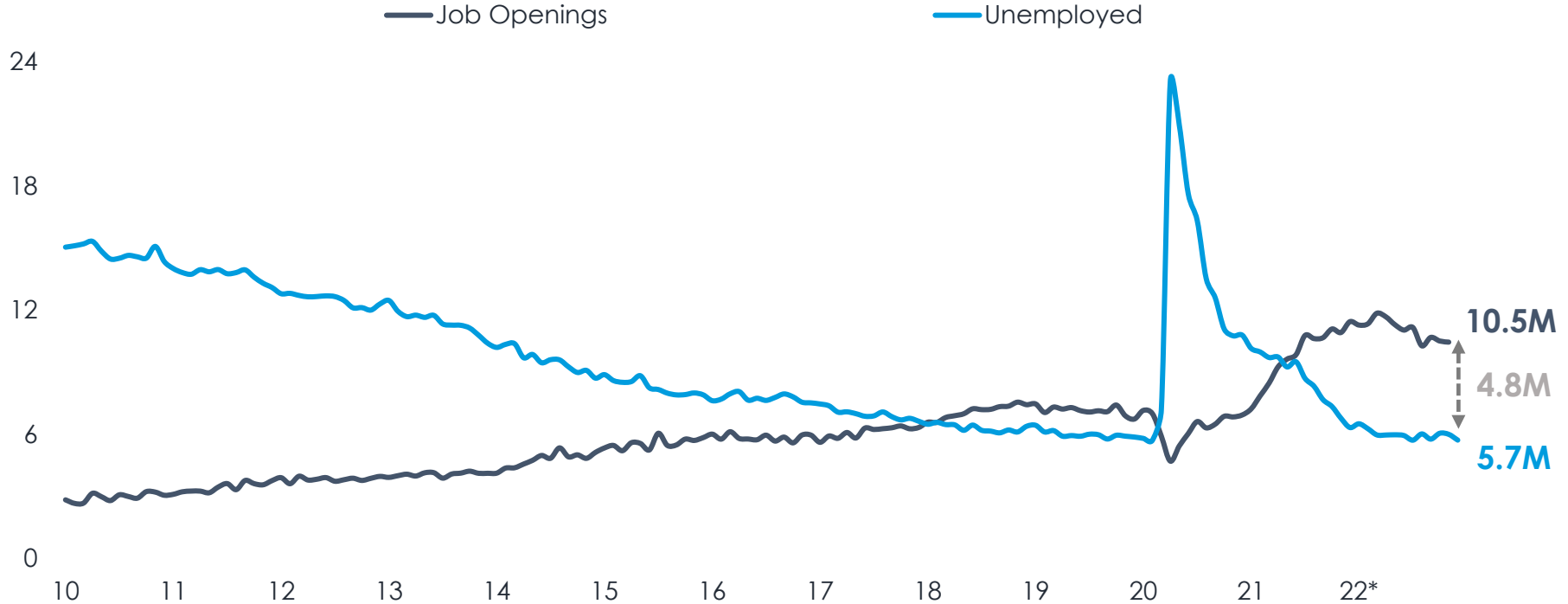


Employment Change: Health Crisis vs. Expansion Cycle



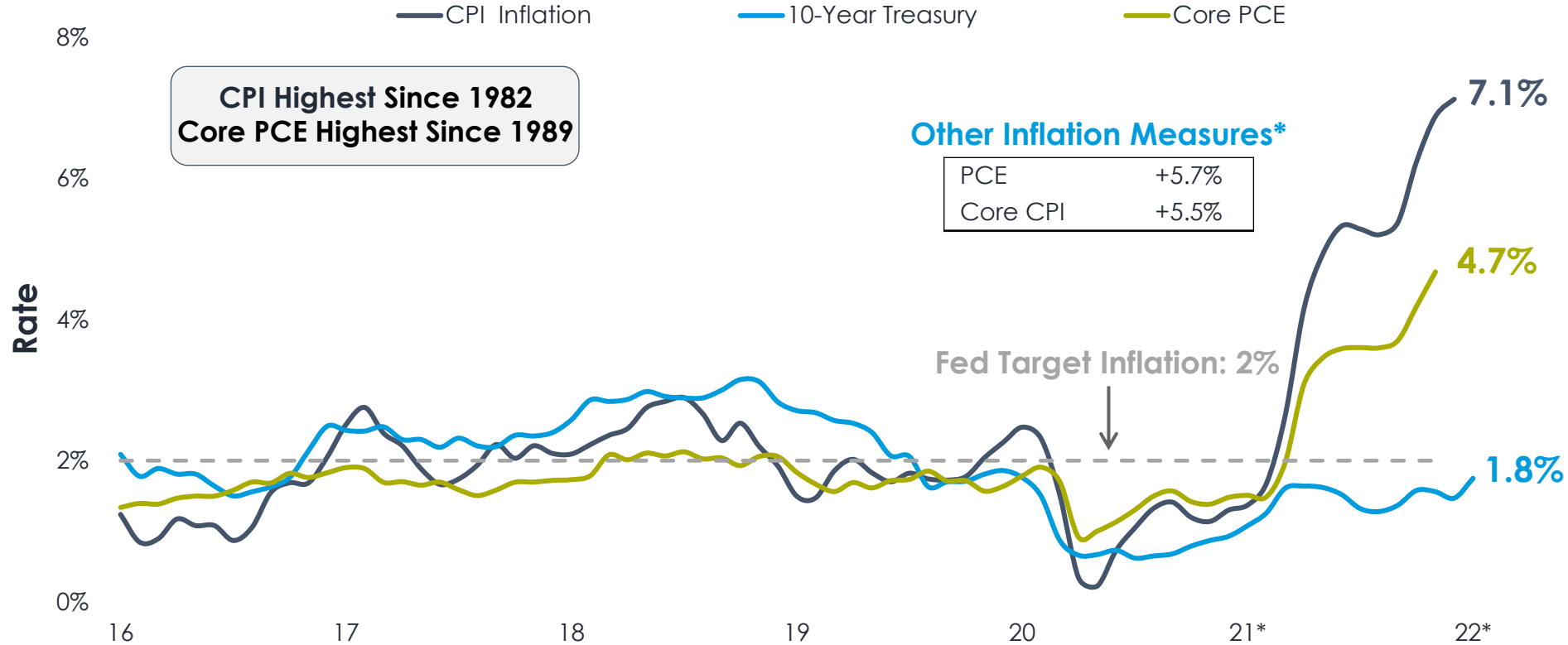
Labor Shortage Persists Despite Tight Labor Market

Job Openings/Unemployed (Millions)



* Unemployed through December, Job Openings through November
Sources: IPA Research Services, BLS

Inflation On The rise; It Could Be Very Persistent in 2023 as Numerous Drivers Put Upward Pressure on Pricing



* Through November; CPI and core CPI through December; 10-Year Treasury through January 21
Sources: IPA Research Services, Federal Reserve, BEA, BLS

10-Year Treasury – Adjusted Excluding Extreme Periods

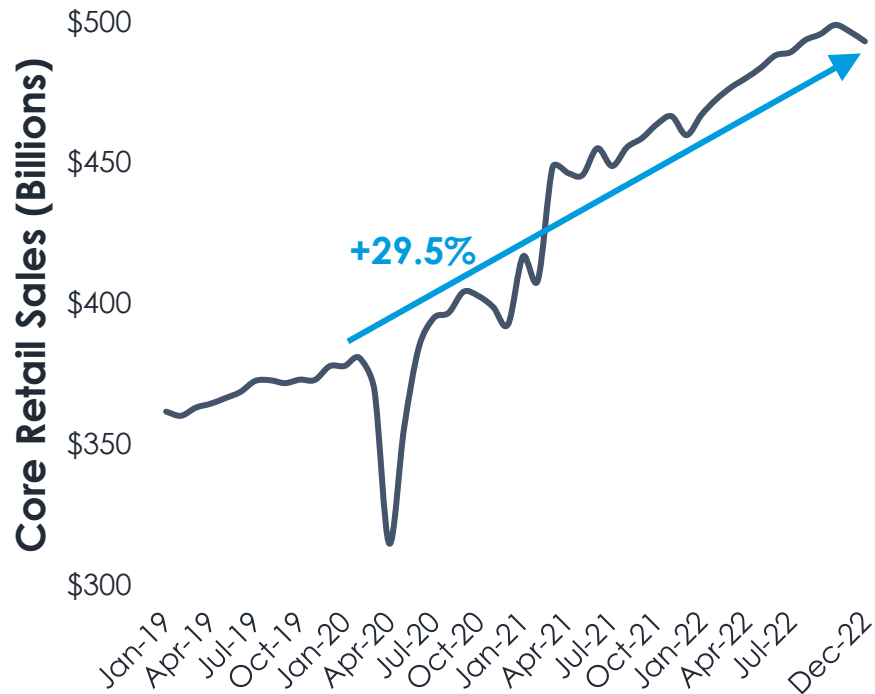
Exceptionally Low Interest Rates Since 2012 Were Anomaly



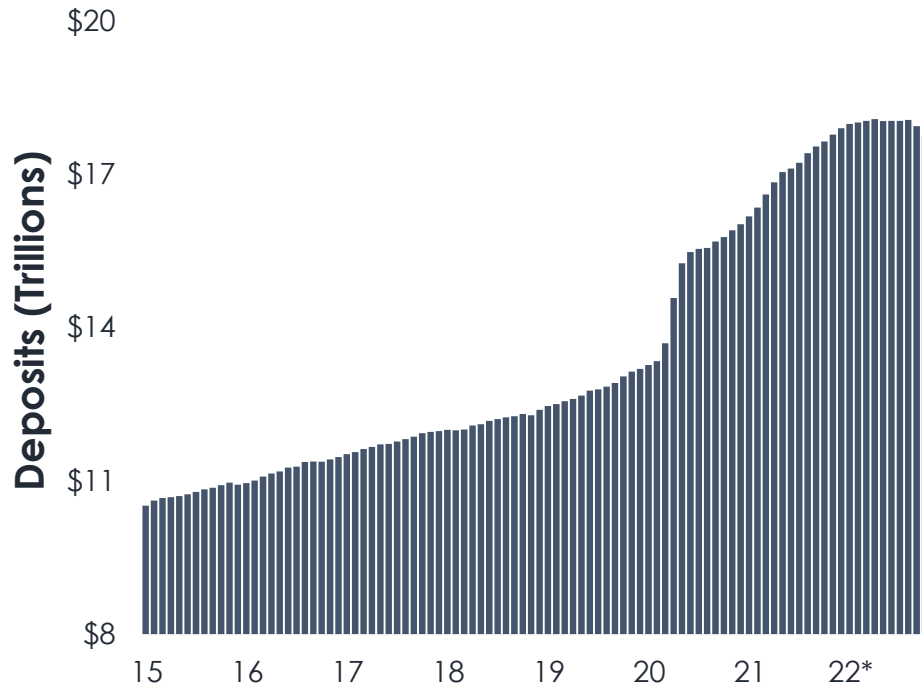
* Through November 09
Sources: IPA Research Services, Federal Reserve

Federal Reserve Efforts To Reduce Inflation Impaired by: Supply Chains, Savings, Labor Shortage, Ukraine War

Core Retail Sales



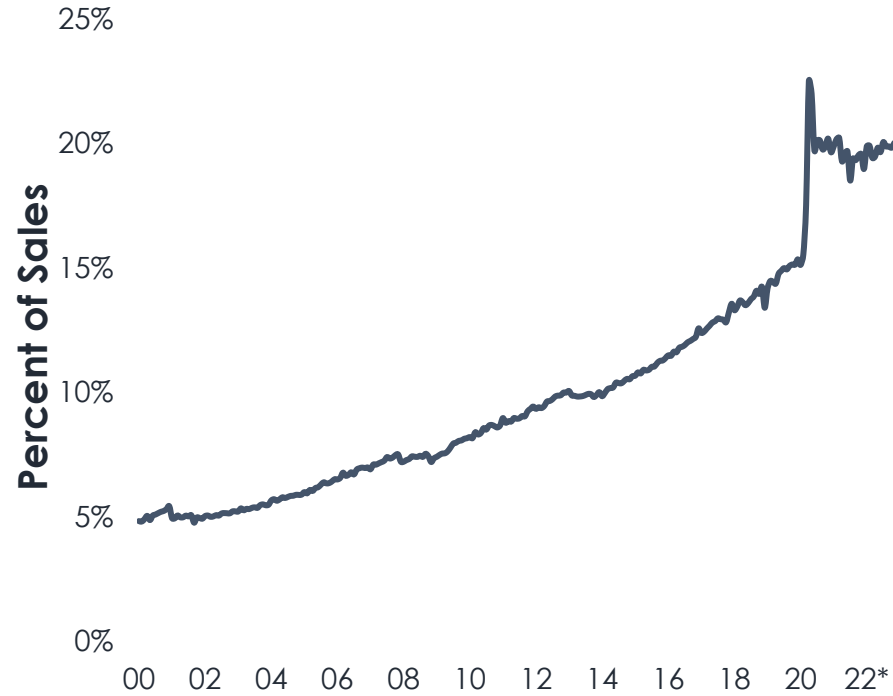
U.S. Total Savings Deposits



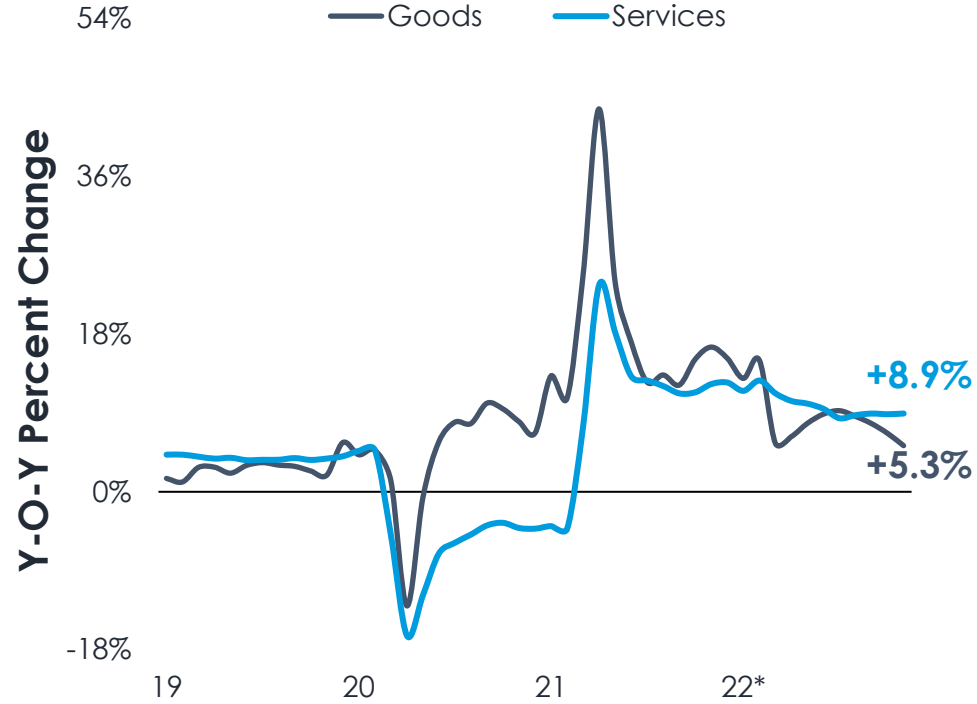
* Through October
 Adjusted for inflation using core PCE
 Core retail sales exclude auto and gasoline sales
 Sources: IPA Research Services, U.S. Census Bureau, BEA, Board of Governors of the Federal Reserve System

Pandemic Altered Spending Trends

eCommerce Share of Retail Sales



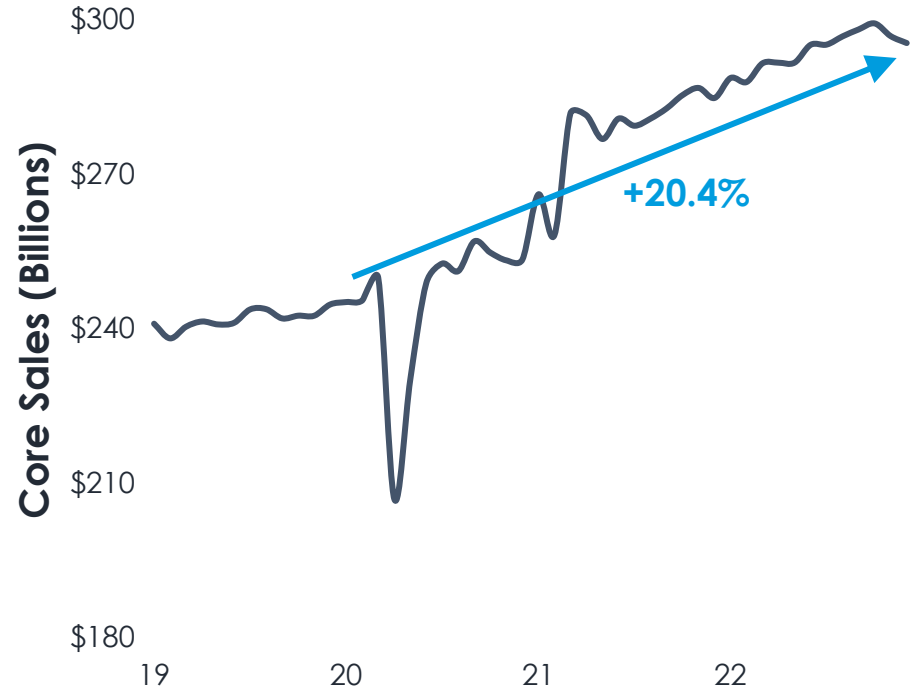
Change in Consumption: Goods vs. Services



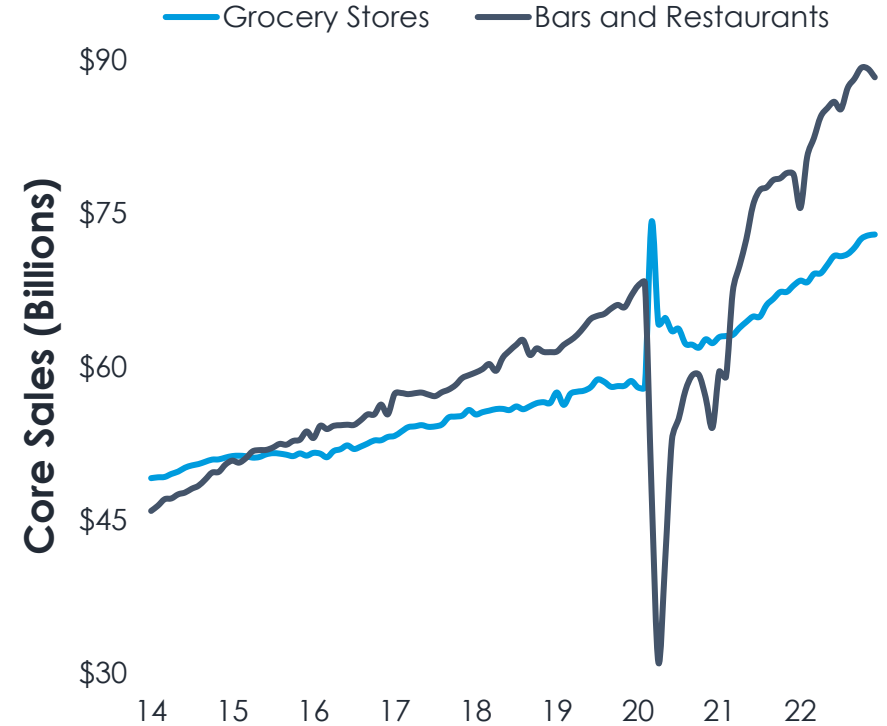
* Through November
Sources: IPA Research Services, U.S. Census Bureau, BEA

Consumers Are Eager to Return to Stores and Restaurants

Store-Based Retail Sales



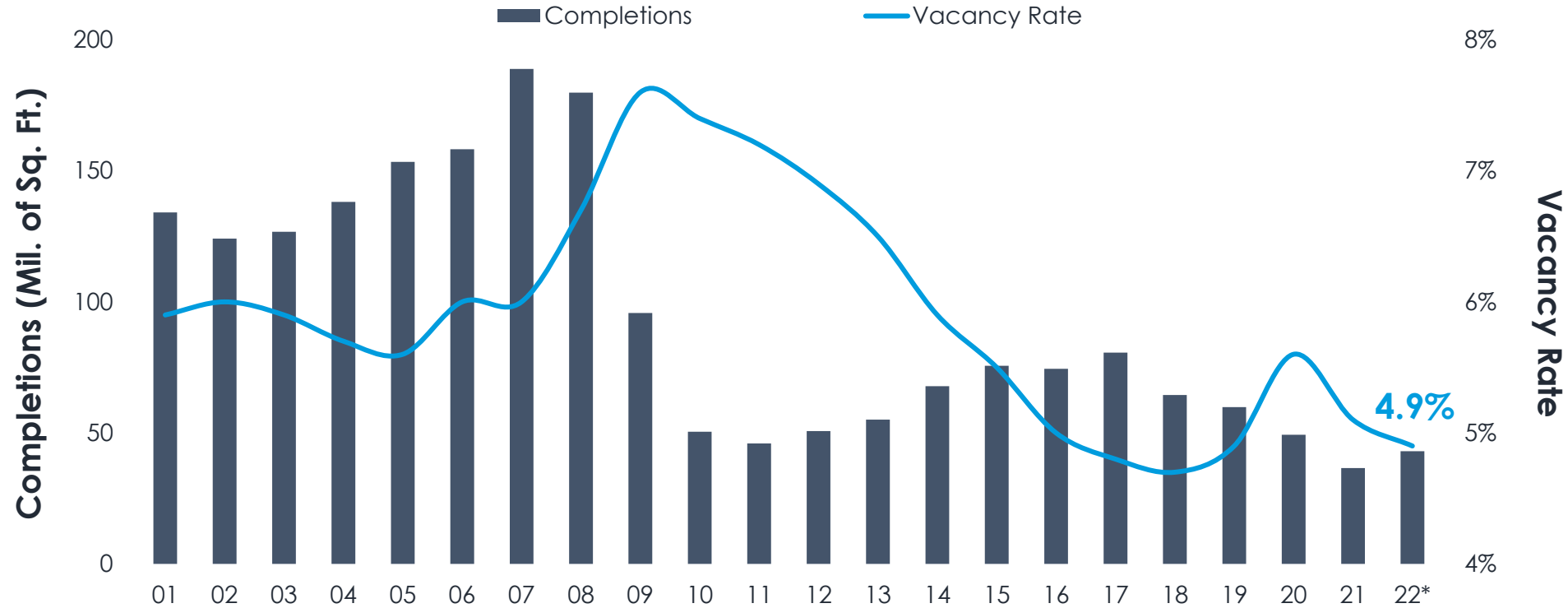
Retail Sales: Grocery Stores vs. Restaurants



Store-based sales exclude non-store retailers, restaurants, gasoline and auto dealer sales
Sources: IPA Research Services, U.S. Census Bureau

U.S. RETAIL OVERVIEW AND INVESTMENT TRENDS

U.S. Retail Vacancy vs. Construction



* Forecast
Sources: IPA Research Services, CoStar Group, Inc.

National Retail Rank by Metro

2023 Completions

Top 10 Metros	2023* Completions	Completions as % Inv.
Dallas-Fort Worth	4,000,000	1.1%
Houston	3,400,000	1.0%
Orlando	2,300,000	1.9%
Atlanta	2,000,000	0.6%
Phoenix	1,500,000	0.8%
Tampa	1,400,000	0.8%
Austin	1,200,000	1.2%
Miami	1,200,000	1.0%
Washington, D.C.	1,100,000	0.5%
Salt Lake City	950,000	0.9%
U.S. Total	42,000,000	0.5%

Bottom 10 Metros	2023* Completions	Completions as % Inv.
Orange County	60,000	0.0%
San Francisco	100,000	0.1%
Seattle-Tacoma	130,000	0.1%
San Jose	150,000	0.2%
Oakland	177,000	0.2%
Denver	225,000	0.2%
Cincinnati	230,000	0.2%
Los Angeles	230,000	0.1%
Las Vegas	270,000	0.3%
Sacramento	300,000	0.3%
U.S. Total	42,000,000	0.5%

* Forecast

Inland Empire: (630,000, 0.4%); San Diego: (320,000, 0.3%)

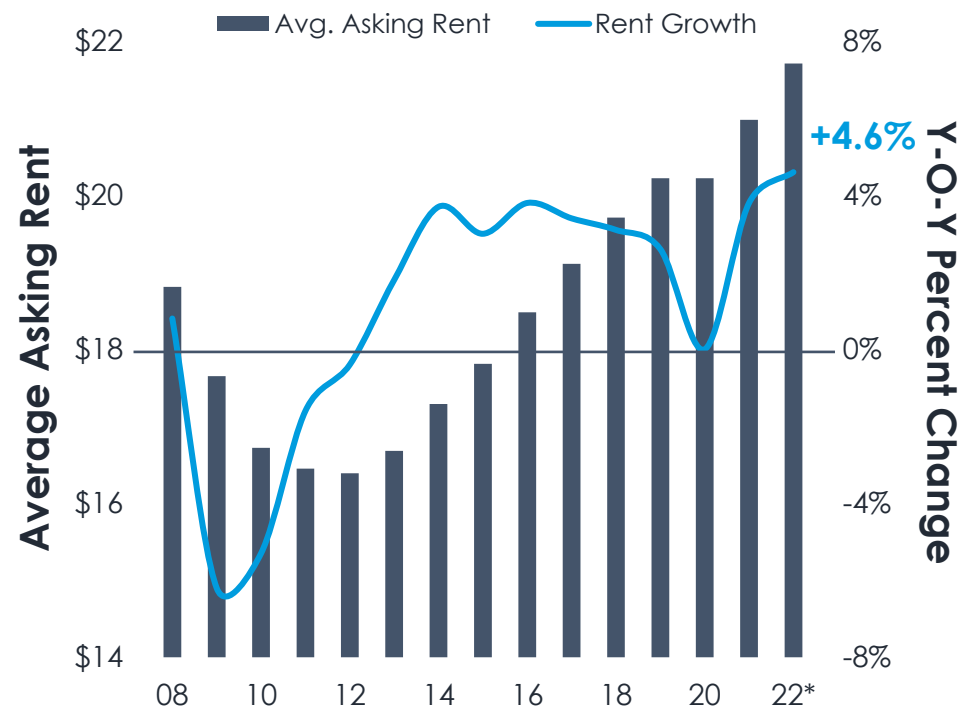
Sources: IPA Research Services, CoStar Group, Inc.

National Rent Trends – MT-Retail vs. ST-Retail

Multi-Tenant Retail



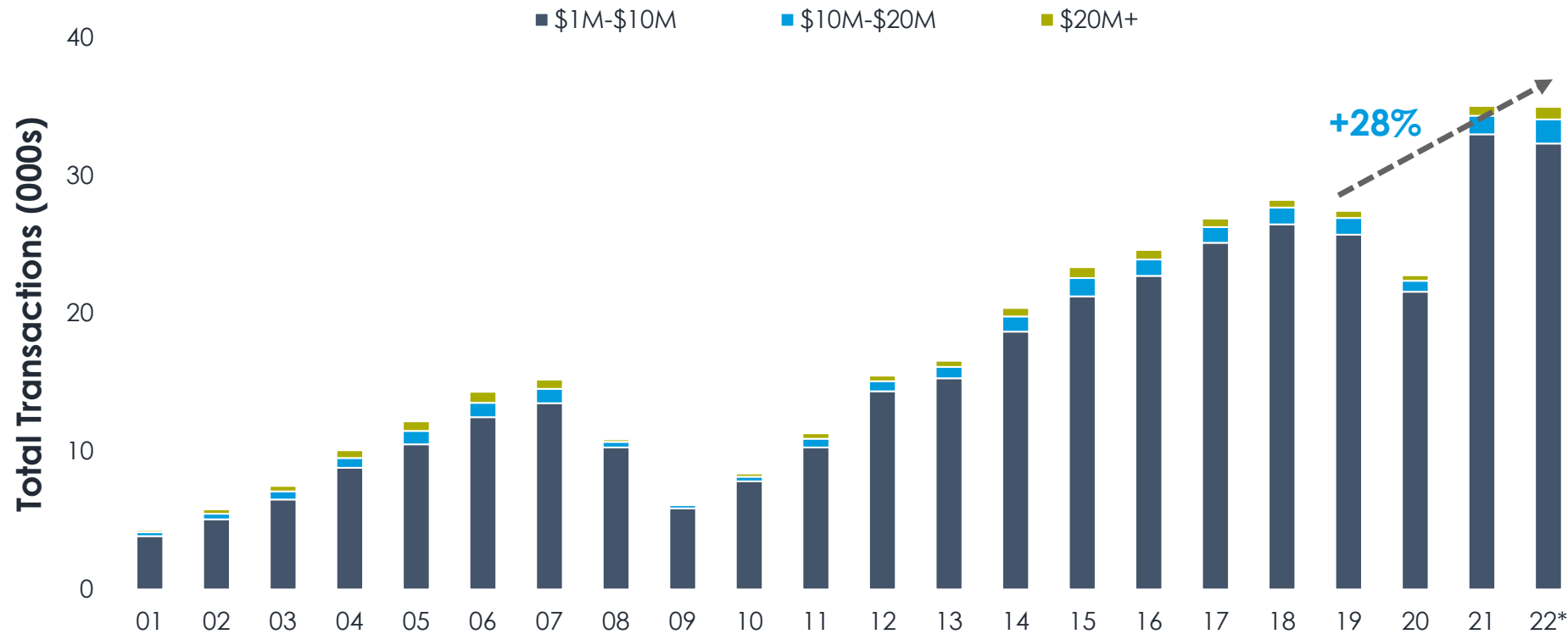
Single-Tenant Retail



* Through 3Q
Sources: IPA Research Services, CoStar Group, Inc.

U.S. Retail Investment Trends

Transaction Activity by Price Tranche

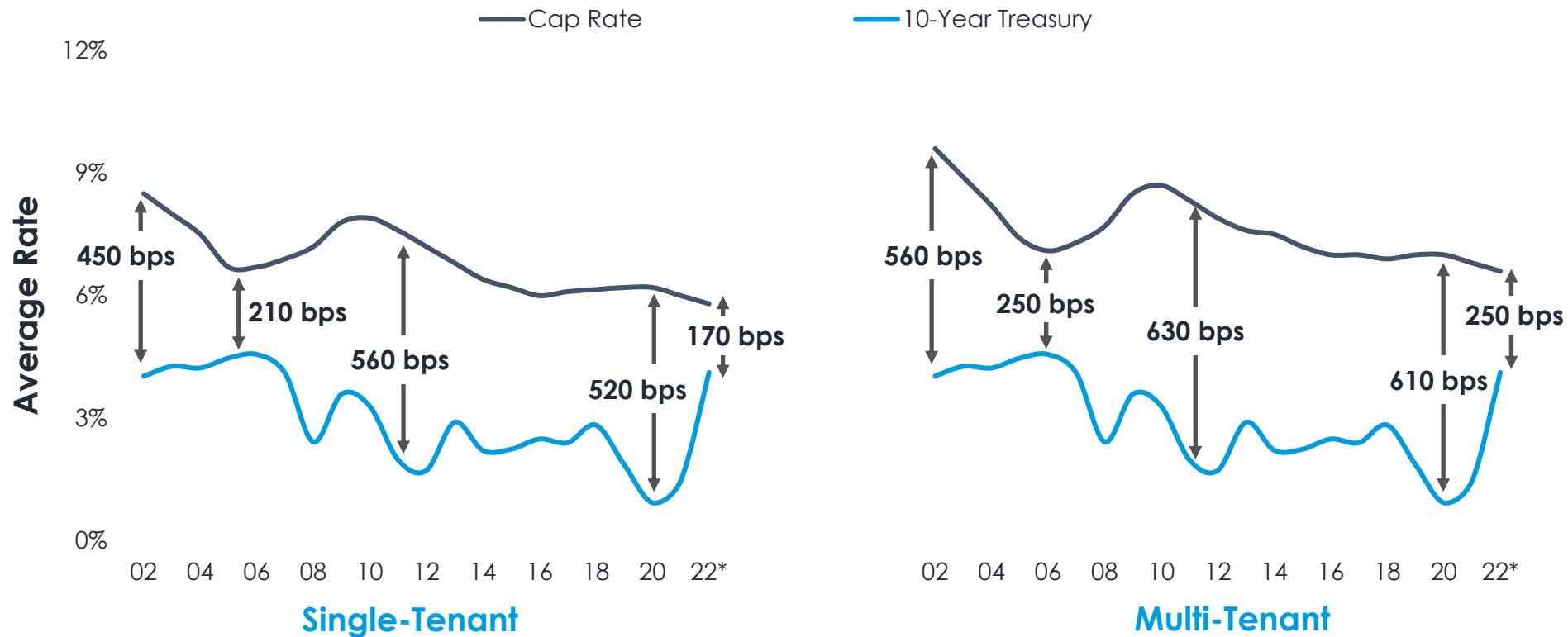


* Preliminary estimate

Includes sales \$1 million and greater

Sources: IPA Research Services, CoStar Group, Inc., Real Capital Analytics

U.S. Retail Cap Rate vs. 10-Year Treasury Single-Tenant vs. Multi-Tenant



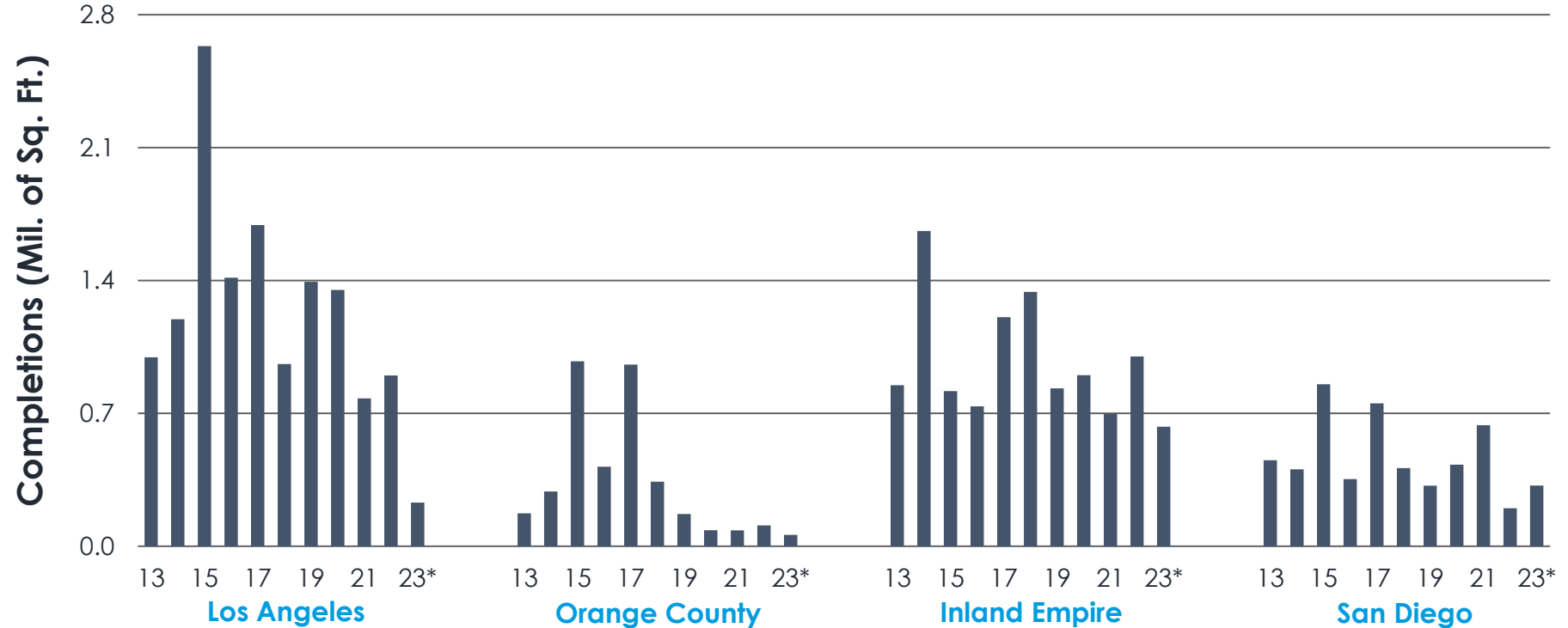
* Through November 09

Includes sales \$1 million and greater

Sources: IPA Research Services, CoStar Group, Inc., Real Capital Analytics, Federal Reserve

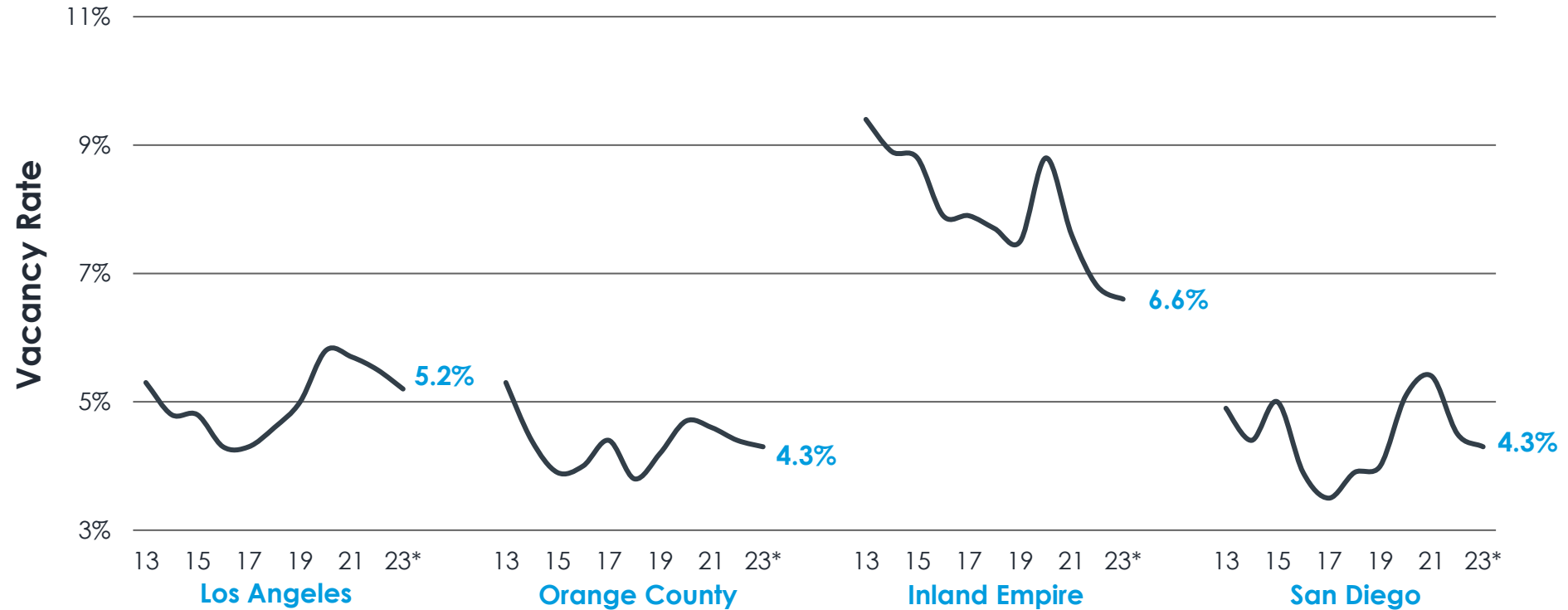
SOUTHERN CALIFORNIA ECONOMIC AND RETAIL OVERVIEW

Southern California Retail Construction Trends



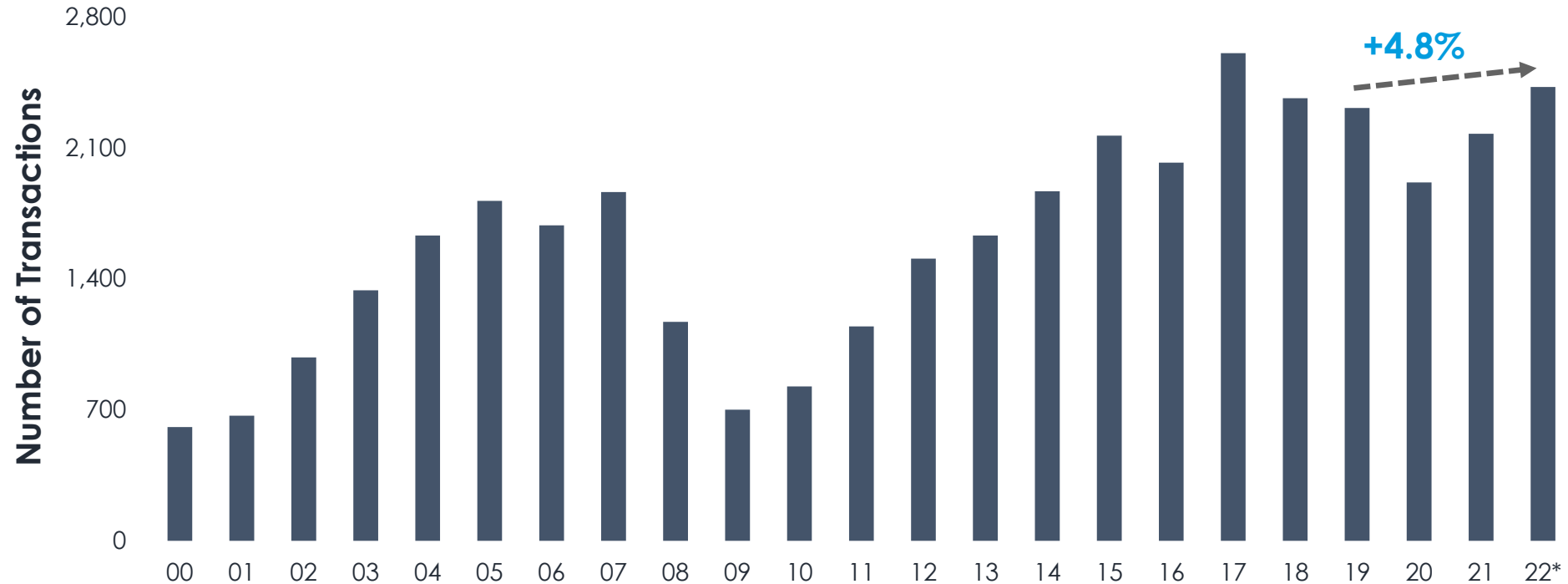
* Forecast
Sources: IPA Research Services, CoStar Group, Inc.

Southern California Retail Vacancy Rate Trends



* Forecast
Sources: IPA Research Services, CoStar Group, Inc.

Southern California Retail Transaction Activity



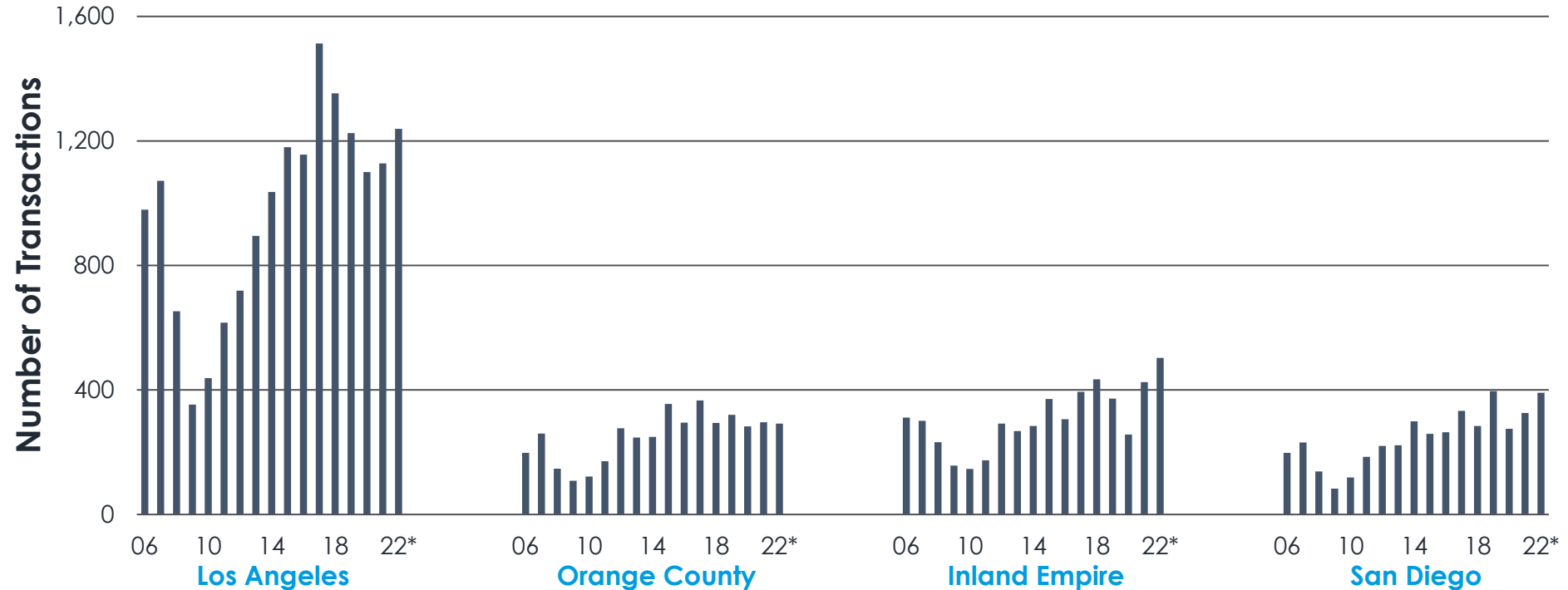
* Trailing 12 months through 3Q

Southern California includes Los Angeles, Orange County, Inland Empire and San Diego

Includes sales \$1 million and greater

Sources: IPA Research Services, CoStar Group, Inc., Real Capital Analytics

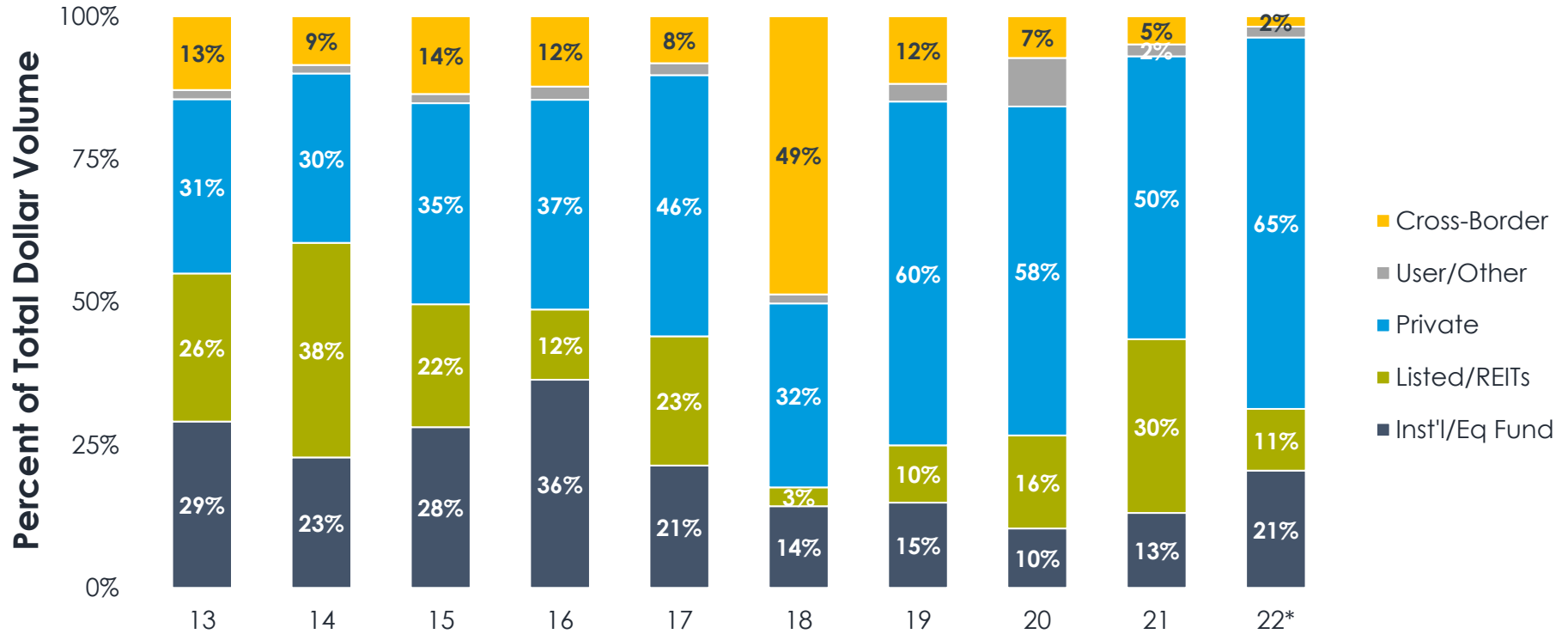
Southern California Retail Transaction Activity



* Trailing 12 months through 3Q
 Includes sales \$1 million and greater
 Sources: IPA Research Services, CoStar Group, Inc., Real Capital Analytics

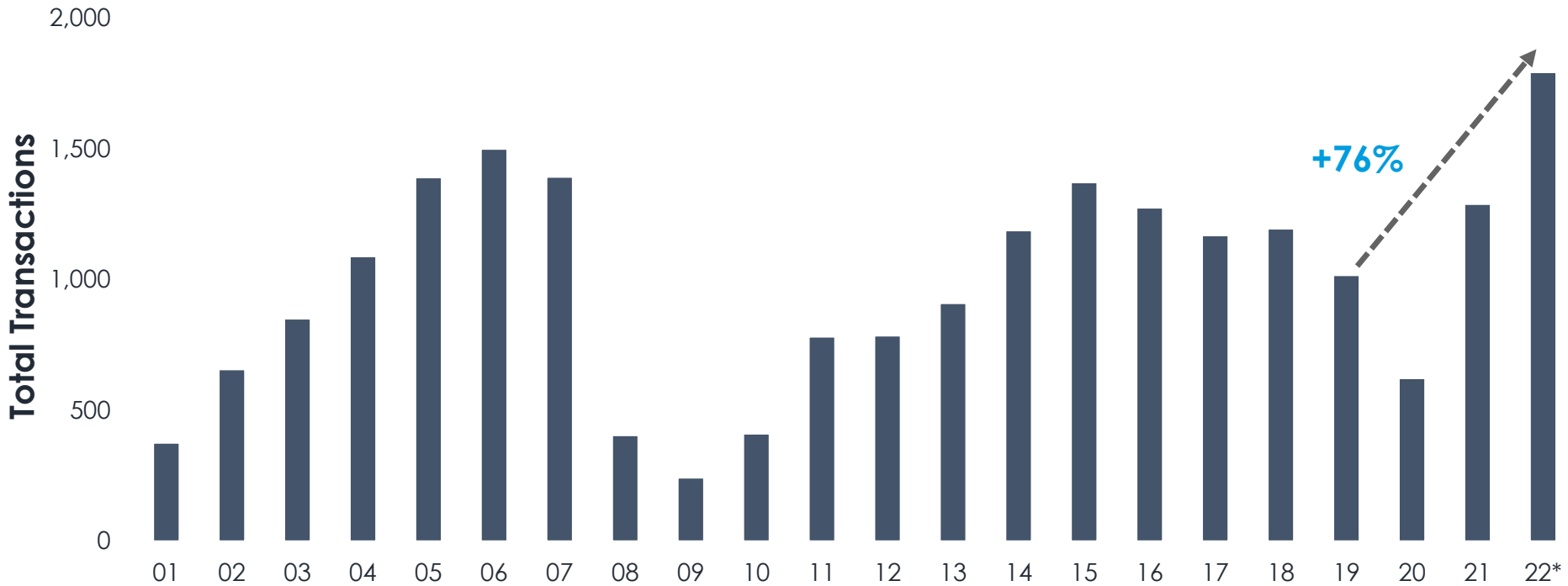
\$10M+ MULTI-TENANT RETAIL SALES TRENDS

National \$10M+ Multi-Tenant Retail Buyer Composition



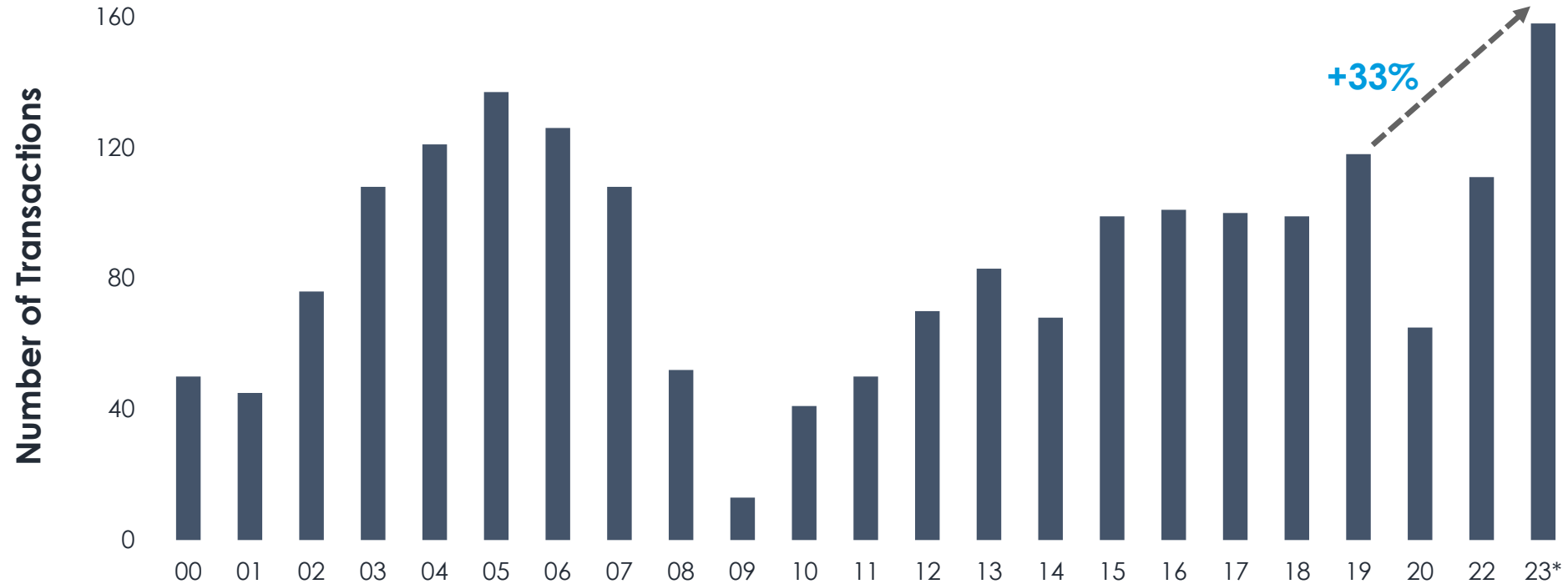
* Preliminary estimate
Includes multi-tenant retail sales \$10 million and greater
Sources: IPA Research Services, Real Capital Analytics

U.S. \$10M+ Multi-Tenant Retail Transaction Activity



* Preliminary estimate
Includes multi-tenant retail sales \$10 million and greater
Sources: IPA Research Services, CoStar Group, Inc., Real Capital Analytics

Southern California \$10M+ Multi-Tenant Retail Transaction Activity



* Trailing 12 months through 3Q

Southern California includes Los Angeles, Orange County, Inland Empire and San Diego

Includes multi-tenant retail sales \$10 million and greater

Sources: IPA Research Services, CoStar Group, Inc., Real Capital Analytics



WESTERN UNITED STATES RETAIL TRADES

YTD THROUGH NOVEMBER 2022

IPA

INSTITUTIONAL
PROPERTY
ADVISORS

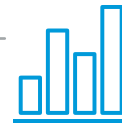
WESTERN UNITED STATES INVESTMENT THEMES



After setting a +/- \$1 billion per month pace over the summer, transaction velocity slowed to approximately \$262 million in November. Traditionally marketed acquisition opportunities appear to be slowing as off market sales become more prevalent



A number of non-traded REIT's reached their redemption limits in the month of November, putting a limit on forced selling in a slowing capital markets environment. If investor redemption requests persist for the largest CRE asset managers, certain retail assets may go to market sooner than previously anticipated to meet investor liquidity demands



The private high net worth buyer pool has remained resilient, providing liquidity for smaller to middle market transactions where discounts relative to early 2022 asset pricing can be as little as 5% to 10%. Larger shopping center deals above \$75 million are requiring a steeper discount to clear the market



The bid/ask spread between seller and buyer pricing expectations continues to widen as sellers remain fixated on early 2022 asset values, while a limited buyer pool attempts to secure high quality deals at a discount



Most institutional investors appear to be in "wait and see" mode and are content to sit on the sidelines with respect to new acquisitions for the time being



Recent inflation data came in lower than expected, prompting some investors to wonder if the Fed might be able to manufacture a "soft landing" with respect to the oncoming economic slowdown



A number of larger B mall transactions have closed recently in the Western US, signaling that there is liquidity in an asset class that was attracting very few buyers over the previous 5-year period



Many industry participants are reporting that leasing activity has been much more robust than they would have anticipated



A number of trades in the Western US represent the conversion of retail to mixed-use redevelopment, especially in infill markets such as Los Angeles, Silicon Valley and Seattle

WESTERN US RETAIL TRADES

ALL RETAIL DEALS | YTD THROUGH NOVEMBER 2022 > \$25MM

Washington

21 Transactions

\$759.1 M Sales Volume

Oregon

5 Transactions

\$201.7 M Sales Volume

California

93 Transactions

\$5.8 B Sales Volume

Hawaii

2 Transactions

\$37.4 M Sales Volume

Nevada

11 Transactions

\$840.7 M Sales Volume

Colorado

7 Transactions

\$313.1 M Sales Volume

Utah

3 Transactions

Sales Volume NAV

Arizona

9 Transactions

\$475.4 M Sales Volume

\$8.4 B

Total Western US Transaction Volume
> \$25MM YTD through November 2022

151

Number of Transactions
> \$25MM YTD through November 2022

\$55.7 M

Average Sales Price
> \$25MM YTD through November 2022

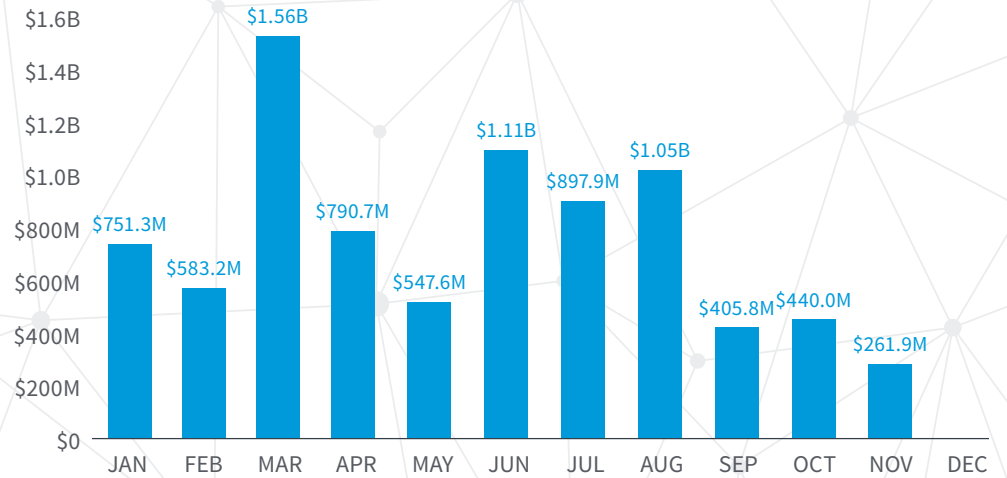
WESTERN US RETAIL TRADES

ALL RETAIL DEALS | YTD THROUGH NOVEMBER 2022 > \$25MM

NUMBER OF WESTERN US RETAIL TRANSACTIONS

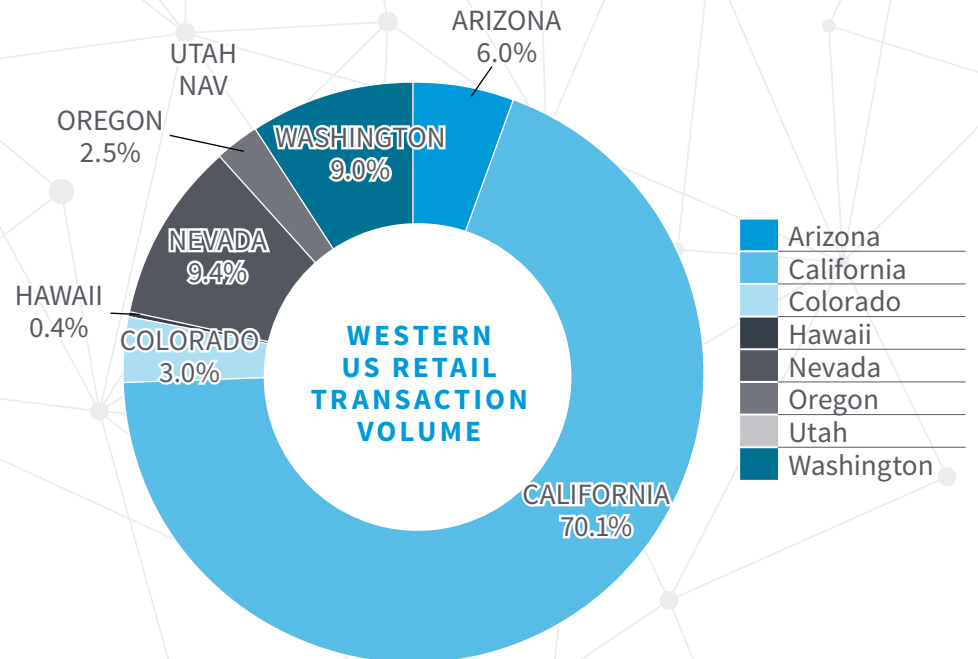
State	Count	% of Total
Arizona	9	6.0%
California	93	61.6%
Colorado	7	4.6%
Hawaii	2	1.3%
Nevada	11	7.3%
Oregon	5	3.3%
Utah	3	2.0%
Washington	21	13.9%
TOTAL TRANSACTIONS	151	

WESTERN US RETAIL TRANSACTION VOLUME



WESTERN US RETAIL TRANSACTION VOLUME

State	Volume	% of Volume
Arizona	\$475,397,152	5.7%
California	\$5,775,302,523	68.7%
Colorado	\$313,050,000	3.7%
Hawaii	\$37,378,300	0.4%
Nevada	\$840,736,726	10.0%
Oregon	\$201,700,000	2.4%
Utah	NAV	NAV
Washington	\$759,101,690	9.0%
TOTAL VOLUME	\$8,402,666,392	





KROGER-ALBERTSONS MERGER SPECIAL ANALYSIS: RESHAPING THE RETAIL LANDSCAPE

DECEMBER 2022

IPA

INSTITUTIONAL
PROPERTY
ADVISORS



THE DEAL

- KR will acquire all outstanding shares of ACI for \$34.10
- Enterprise value of \$24.6B, including assumption of \$4.7B of ACI debt
- ACI will pay a special cash dividend of \$4B (\$6.85/share) to its shareholders (currently blocked)
- \$600M breakup fee if deal doesn't close



THE WHY

- Delivered combined \$210B revenue, \$11.B of adjusted EBITDA and \$3.3 billion in net earnings in FY 2021
- Expected average TSR well above KR standalone model of 8-11% in the first four years close
- Double-digit increase in earnings by year 4
- \$1B annual run-rate synergies net of divestitures by year 4



THE PLAYERS



KR - Cincinnati, Ohio
2,750 grocery stores
\$32B Market Cap



ACI - Boise, Idaho
2,200 grocery stores
\$15B Market Cap



THE DEBT

- KR to fund transactions with cash to new debt
- ACI existing bonds will rank pari passu with KR bonds
- Committed to maintain KR's current Baa's credit rating



THE PATH TO CLOSE

- Transaction subject to Federal Trade Commission approvals
- Targeted close in 2024
- Transaction approved by ACI shareholders
- Create a standalone "SpinCo" company for store divestitures (100-375)

WHAT ARE THE PROS AND CONS OF THE MERGER FOR SHOPPING CENTER OWNERS?

IF STORE REMAINS OPEN...



PROS

- Albertsons landlord gets better credit rating
- Increased sales due to other store closures
- Inline shops increased foot traffic
- Shopping center likely becomes dominant center within 3-mile radius



CONS

- Store becomes part of unproven SpinCo stores (typically inferior locations)
- Store gets subleased to unknown tenant
- Inline shops lose foot traffic

IF STORE CLOSES...



PROS

- Able to replace below market rent to increase NOI
- Able to lease to another top tier grocer



CONS

- Big box could be difficult to lease
- Inline shops suffer during the interim
- Tenant improvement costs (in millions of dollars)
- Leasing commissions

EXPANDED NETWORK ENABLES ACCELERATED PROFITABILITY, GROWTH AND VALUE CREATION



+2,700

STORES

+2,200 pharmacies
+1,600 fuel centers

~\$28B

OUR BRANDS PORTFOLIO

+2,200 pharmacies
+1,600 fuel centers

60M

**HOUSEHOLDS
NATIONWIDE**

~\$34B

FRESH SALES

15.6% growth over 2019

+420K

ASSOCIATES

Make Kroger a place where customers
love to shop



+



4,996⁽¹⁾

STORES

3,972 pharmacies
2,015 fuel centers

~\$43B

OUR BRANDS PORTFOLIO

One of the largest consumer packaged
goods (CPG) brands in the U.S.

~85M

**HOUSEHOLDS
NATIONWIDE**

Expanded customer base nationwide

~\$59B

FRESH SALES

Accelerated growth of
fresh portfolio

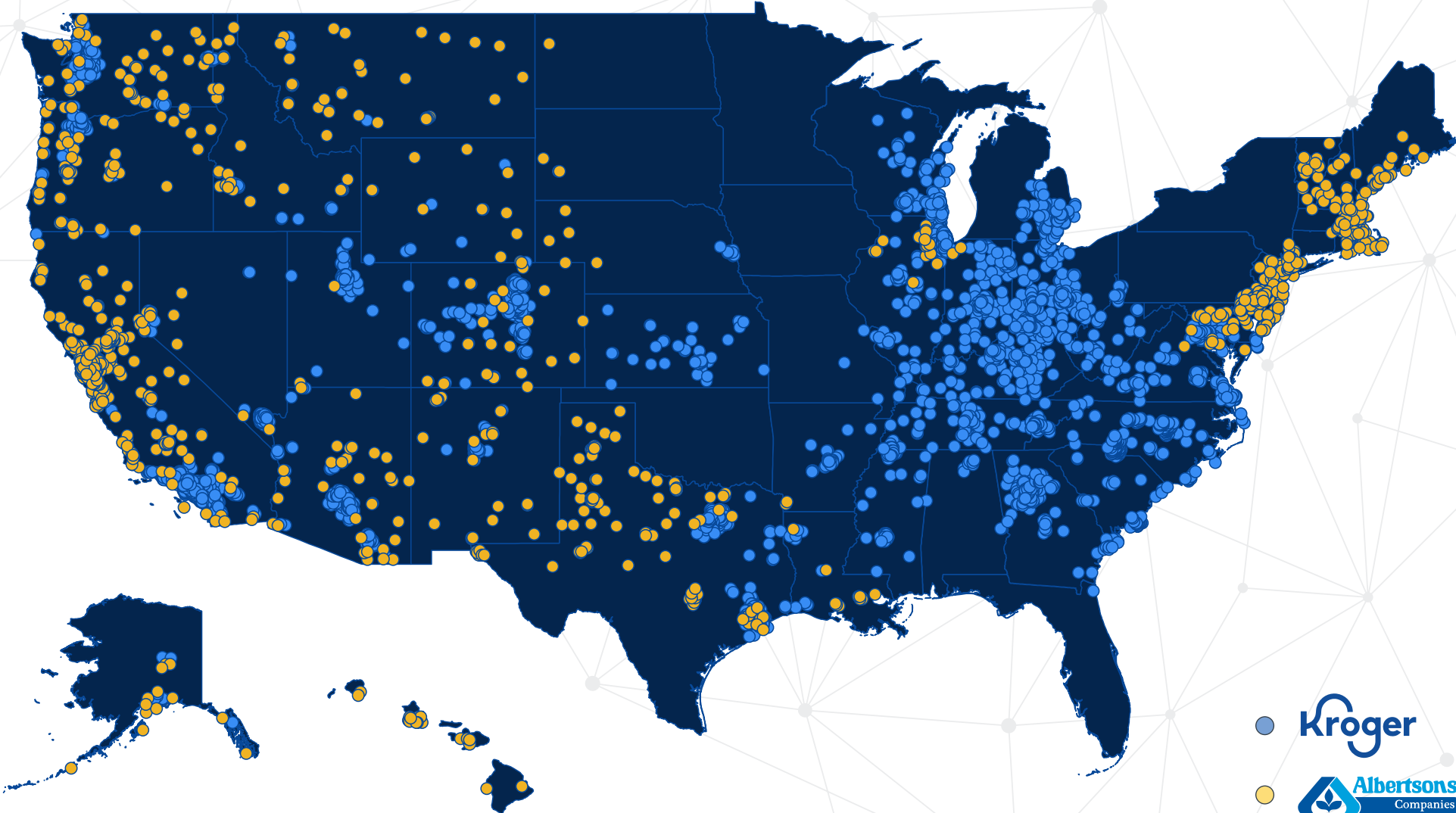
+710K

ASSOCIATES

Key component of
combined success

(1) Current combined store, pharmacy, and fuel center count.
Note: Reflects FY 2021A metrics for Kroger and Albertsons.

SYNERGISTIC NATIONAL FOOTPRINT WITH ICONIC AND TRUSTED SUPERMARKET BANNERS











EXPANDING PORTFOLIO OF BRANDS TO DELIVER GREATER QUALITY AND EFFICIENCY

Kroger + Albertsons Companies



REGULATORY RISK – TRANSACTION SUBJECT TO FTC APPROVAL

FTC VS. MERGER TRACK RECORD

 <p>FTC APPROVED</p>   <p>FTC forced a 168 store SpinCo sold to Haggen; Haggen filed bankruptcy 1 year later</p>	 <p>FTC BLOCKED</p>   <p>Allowed Walgreens to purchase 90% of Rite Aid stores; remaining Rite Aid stores facing bankruptcy today</p>	 <p>FTC BLOCKED</p>  	 <p>FTC BLOCKED</p>  
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COMPETITION COUNTS – ANTITRUST LAWS



Merger would create unfair edge in some communities



FTC to determine peoples' access to grocery stores



What constitutes convenience and access?

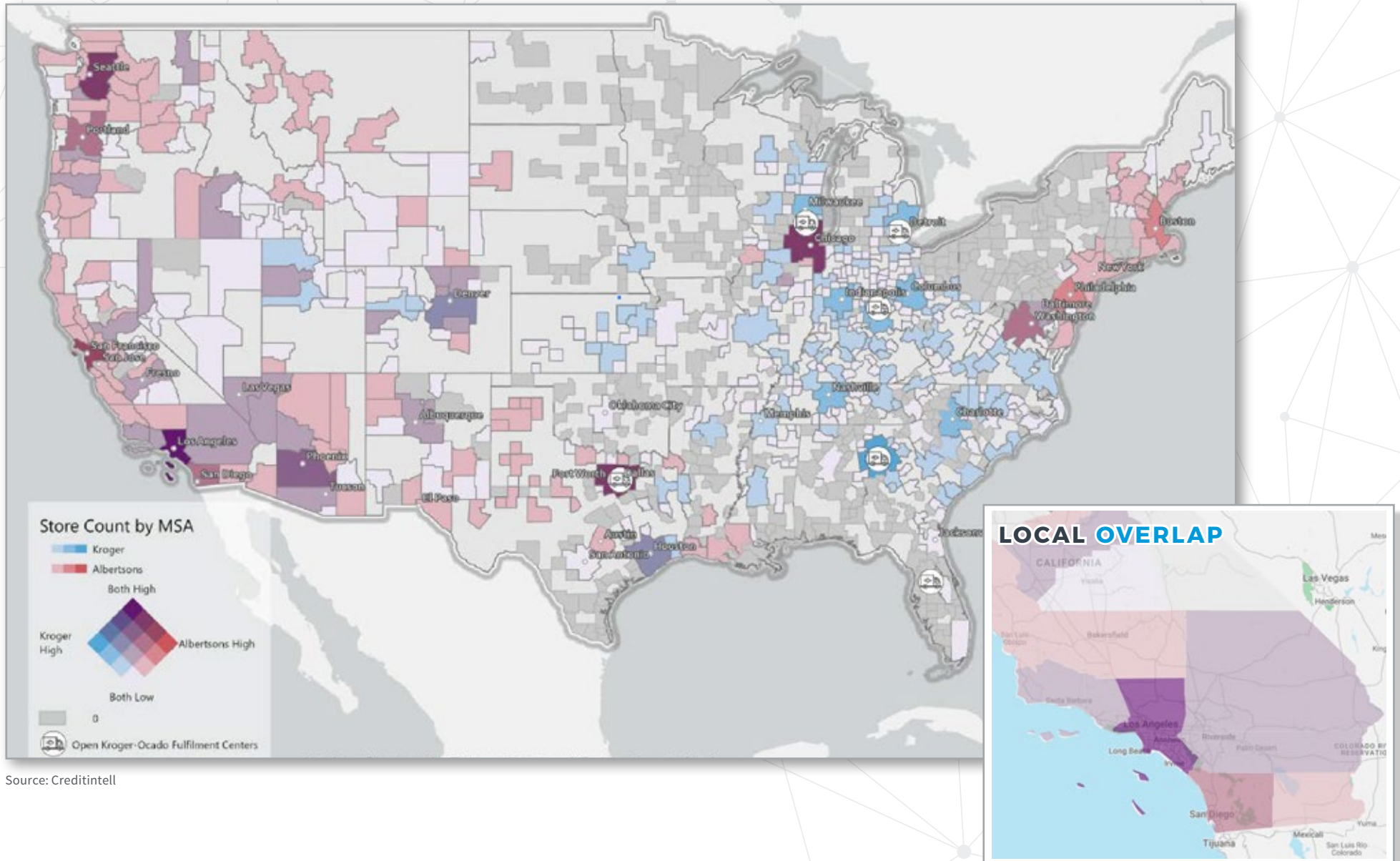


Local Market Share - 3-mile overlap rule

WHO IS THE COMPETITION?



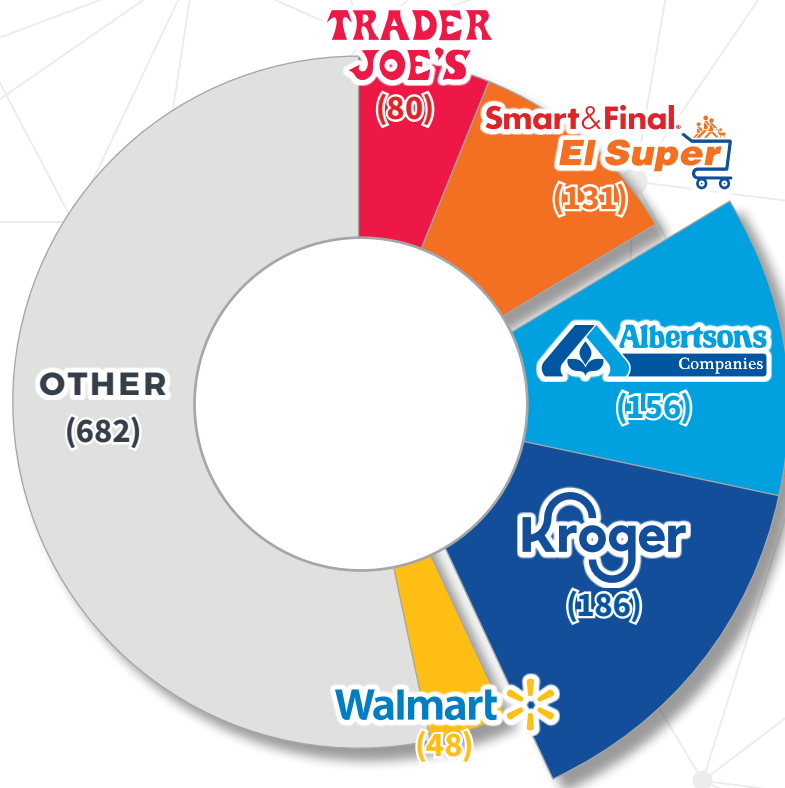
VERY HIGH CONCENTRATION OF BOTH KROGER AND ALBERTSONS BRANDS IN SOCAL



Source: Creditintell

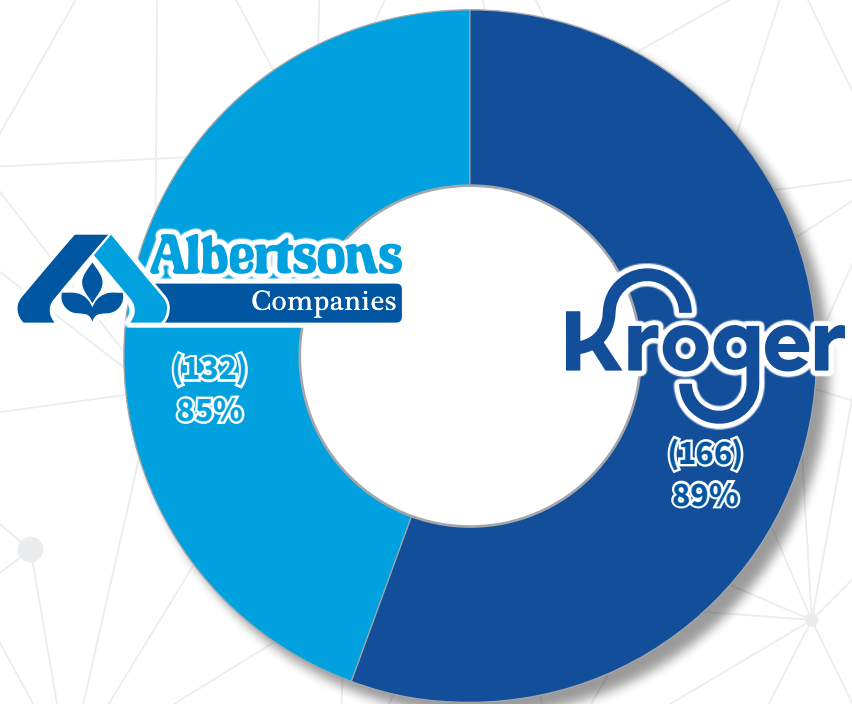
GROCERY STORE BANNER OVERLAP IN SOCAL – KROGER AND ALBERTSONS ARE IN THE SAME 3-MILE TRADE AREA 85% - 89% OF THE TIME

SOUTHERN CALIFORNIA GROCER CHART



Source: Placer

3-MILE OVERLAP STORES AT RISK



Source: Placer

Sea Changes-Howard Marks, Oaktree

Sea changes:

- **Mid 1970s - Junk Bond Market**
 - Michael Milken
 - Emergence of private equity industry
 - LBOs
 - New investor mentality towards risk/return – focus on yield
 - Volker finally whipped inflation but Fed funds rate had to hit 20%, but then ushered in the low interest rate environment
- **Low Interest Rate Environment**
 - 4 decades of strong returns in the stock market
 - Compound return of S&P 10.3% per year from 1982-2022
 - ALL of the money investors made over the last 4 decades was the result of low interest rate environment
 - Low interest rates + accelerating asset values was a bonanza for buying assets with leverage
 - Ultra-low interest rates since 2008-2009 (the “GFC”)
 - Paltry returns on safe investments drove investors to taking bigger risks
 - Longest recovery in history – more than 10 years
- **NOW**
 - Inflation triggered by excess spending capital (savings over COVID, govt distributions) with limited supplies (supply chain issues)
 - Lower interest rates will persist, but not like the last 10 years
 - The “risk-free” rate will likely be single digit (and I don’t mean 0)
 - Likely a return to risk-adjusted return investing

ChatGBT – Is retail real estate a good investment?



Retail real estate can be a good investment, but it also has its own set of risks and challenges.



One of the main benefits of retail real estate is the potential for steady cash flow from rent. Shopping centers and other retail properties can generate income from multiple tenants, which can provide a stable source of revenue for the owner. Additionally, retail properties can appreciate in value over time, especially if the area surrounding the property is growing and developing.

However, retail real estate also comes with its own set of risks and challenges. The retail industry is rapidly changing, with the rise of e-commerce and the shift towards online shopping, which has led to the closure of many brick-and-mortar stores. This trend has led to a higher vacancy rate in some retail properties, which can decrease rental income and reduce property value.

Additionally, managing a retail property requires a significant amount of time and resources, including finding and managing tenants, maintaining the property, and dealing with any legal issues that may arise.

Overall, retail real estate can be a good investment, but it's important to carefully evaluate the potential benefits and risks, including the location of the property, the condition of the property, and the current and future economic conditions before making any investment decision.

SOUTHERN CALIFORNIA RETAIL MARKET OVERVIEW



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