Phillips Edison & Company Highlights Top Trends of 2023 for Grocery-Anchored Neighborhood Shopping Centers

May 22, 2023

CINCINNATI – May 22, 2023 - Phillips Edison & Company, Inc. (Nasdaq: PECO) ("PECO"), one of the nation's largest owners and operators of grocery-anchored neighborhood shopping centers, today commented on the top shopping center trends of 2023 as part of ICSC Las Vegas.

Mike Conway, Vice President of National Accounts and Retail Partnerships at PECO, said, "We continue to see strong demand for space among growing retailers, which we believe is a reflection of their expectations for the impact – or lack thereof – that a down cycle will have on their performance. Consumer demand for necessity-based goods and services continues to be strong, and so does retailers' demand for space in grocery-anchored neighborhood shopping centers as they continue to expand. The most active categories continue to be medical, quick-serve restaurants and health and beauty. We are also seeing consistent strong demand across all geographic regions. One example of a growing retailer we are excited about is Japanese dollar store Daiso, which is rapidly expanding across the U.S."

Daiso announced at the end of last year its intention to open 25 to 30 new locations across the U.S., and the global cult favorite has made good on those plans with several store openings in the first quarter of 2023 that have driven significant consumer interest and round-the-block lines. In addition to the typical dollar store finds, Daiso offers a wide selection of products, such as popular Asian snacks and housewares, that can't be found at competing retailers. According to Daiso, it creates nearly all of its products in-house and refreshes its inventory with hundreds of new products monthly, capitalizing on the treasure hunt environments that have been successful for TJ Maxx, Marshalls and others.

Among the growing quick-service restaurants, PECO notes that Sweetgreen, True Food Kitchen, Salad & Go, Dig and Vitality Bowls are highly active in seeking new locations for expansion. Some, including Sweetgreen and Dig, started as urban-native brands in the central business districts of cities like New York to target the workday lunch crowds. However, as remote work and suburban migration have driven a strong shift in population and demand out of the urban markets, many of these retailers have been refining their urban footprints and prioritizing expansion across suburban neighborhoods with growing populations.

On the other end of the quick-service spectrum, PECO has seen a rise in the number of concepts in the specialty sweets and treats category targeting aggressive expansion. These include drive-by drink shop Swig Soda, creative cookie maker Crave, signature donut maker Pinkbox Donuts and Wow Wow Lemonade Stand, which offers fresh pressed Hawaiian lemonades.

The medical – or "medtail" – category also continues to provide strong demand. As one example, PECO continues to see an uptick in the number of therapy locations opening within its portfolio, ostensibly in response to the mental health crisis that became more prevalent during the pandemic. Most notably, West Side Children's Therapy has been highly active, opening more than two dozen locations across the Chicagoland area – including multiple
in PECO shopping centers.

Brian Sheehan, Director of National Accounts at PECO, stated, "In addition to some of the rapidly expanding brands and categories that are taking the suburbs by storm, we are also seeing a growing number of regional retailers looking to leverage our footprint in a trade area to grow. For example, BackYard Kitchen & Cocktails expanded within Murphy Marketplace in Texas to open Yard Dawgs Beer Garden, which has since been named the best patio and bar by Living Magazine. On the national front, Chipotle and Starbucks remain highly active dealmakers for outparcel locations, and Dave's Hot Chicken is coming on strong in this regard as well."

On the topic of technology, artificial intelligence is the word of the year, and retailers across categories are looking for innovative ways to leverage newly available capabilities to improve customer service and experience. For example, earlier this month Wendy's announced a partnership with Google Cloud to pilot Wendy's FreshAI, which it says is intended to revolutionize the drive-thru ordering experience in the quick-service industry. According to Wendy's, it will launch its pilot FreshAI drive-thru in Ohio in June, with plans to refine the tool prior to executing a national roll out.

Despite headlines about a more active retailer bankruptcy season this year, PECO notes that it believes the retail industry more broadly appears to be unconcerned given strong demand for spaces being vacated by the likes of Bed Bath & Beyond, Tuesday Morning and Party City among better-performing, higher-credit retailers that are more relevant to consumer needs and preferences. PECO's portfolio has very limited exposure to distressed retailers For the few spaces it does plan on backfilling, PECO is seeing strong demand from Five Below, Pet Supplies Plus and Pacific Dental, among others, and the Company believes there is opportunity to obtain higher-rent leases with significant upside.

These insights are produced by PECO's National Accounts and Emerging Trends team, which consists of a group of highly specialized leasing professionals that tracks over 600 accounts and actively engages with 150 emerging and growing retailers. This team travels the country meeting with brands and the brokerage community to learn how stores and shoppers are evolving to identify creative ways that PECO can advance their real estate objectives. In the process, the team closely tracks and documents developing trends across different retail categories including grocery, restaurant, fitness, health and beauty, medical, entertainment, specialty retail and discount.

For more insight from the Emerging Trends team, visit Phillips Edison's booth #4131Q this week at ICSC Las Vegas and connect with the Company on Instagram, Twitter and LinkedIn.

Follow PECO on:
Twitter at https://twitter.com/PhillipsEdison
Facebook at https://www.facebook.com/phillipsedison.co
Instagram at https://www.instagram.com/phillips.edison/; and
Find PECO on LinkedIn at https://www.linkedin.com/company/phillipsedison&company

About Phillips Edison & Company

Phillips Edison & Company, Inc. ("PECO") is one of the nation's largest owners and operators of omni-channel grocery-anchored shopping centers. Founded in 1991, PECO has generated strong results through its vertically-integrated operating platform and national footprint of well-occupied shopping centers. PECO's centers feature a mix of national and regional retailers providing necessity-based goods and services in fundamentally strong markets throughout the United States. PECO's top grocery anchors include Kroger, Publix, Albertsons, and Ahold Delhaize. As of March 31, 2023, PECO managed 295 shopping centers, including 275 wholly-owned centers comprising 31.5 million square feet across 31 states, and 20 shopping centers owned in one institutional joint venture. PECO is exclusively focused on creating great omni-channel, grocery-anchored shopping experiences and improving communities, one neighborhood shopping center at a time.

Forward-Looking Statements

This press release contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Phillips Edison & Company, Inc. (the "Company") intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and includes this statement for purposes of complying with the safe harbor provisions. Such forward-looking statements can generally be identified by the Company's use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," "believe," "continue," "seek," "objective," "goal," "strategy," "plan," "focus," "priority," "should," "could," "potential," "possible," "look forward," "optimistic," or other similar words. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this earnings release. Such statements include, but are not limited to: (a) statements about the Company's plans, strategies, initiatives, and prospects; (b) statements about industry trends and retailer plans and expectations; and (c) statements about demand for the Company's properties. Such statements are subject to known and unknown risks and uncertainties, which could cause actual results to differ materially from those projected or anticipated, including, without limitation: (i) changes in national, regional, or local economic climates; (ii) local market conditions, including an oversupply of space in, or a reduction in demand for, properties similar to those in the Company's portfolio; (iii) vacancies, changes in market rental rates, and the need to periodically repair, renovate, and re-let space; (iv) competition from other available shopping centers and the attractiveness of properties in the Company's portfolio to its tenants; (v) the financial stability of the Company's tenants, including, without limitation, their ability to pay rent; (vi) the Company's ability to pay down, refinance, restructure, or extend its indebtedness as it becomes due; (vii) increases in the Company's borrowing costs as a result of changes in interest rates and other factors; (viii) potential liability for environmental matters; (ix) damage to the Company's properties from catastrophic weather and other natural events, and the physical effects of climate change; (x) the Company's ability and willingness to maintain its qualification as a REIT in light of economic, market, legal, tax, and other considerations; (xi) changes in tax, real estate, environmental, and zoning laws; (xii) information technology security breaches; (xiii) the Company's corporate responsibility initiatives; (xiv) loss of key executives; (xv) the concentration of the Company's portfolio in a limited number of industries, geographies, or investments; (xvi) the economic, political, and social impact of, and uncertainty relating to, the COVID-19 pandemic; (xvii) the Company's ability to re-lease its properties on the same or better terms, or at all, in the event of non-renewal or in the event the Company exercises its right to replace an existing tenant; (xviii) the loss or bankruptcy of the Company's tenants; (xix) to the extent the Company is seeking to dispose of properties, the Company's ability to do so at attractive prices or at all; and (xx) the impact of inflation on the Company and on its tenants. Additional important factors that could cause actual results to differ are described in the filings made from time to time by the Company with the SEC and include the risk factors and other risks and uncertainties described in the Company's 2022 Annual Report on Form 10-K, filed with the SEC on February 21, 2023, as updated from time to time in the Company's periodic and/or current reports filed with the SEC, which are accessible on the SEC's website at www.sec.gov. Therefore, such statements are not intended to be a guarantee of the Company's performance in future periods.

Except as required by law, the Company does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Media:
Cherilyn Megill
(801) 415-4373, cmegill@phillipsedison.com

Investors:
Kimberly Green
(513) 692-3399, kgreen@phillipsedison.com