



Phillips Edison & Company Reveals Top Shopping Center Trends to Watch in 2023

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CINCINNATI, Dec. 06, 2022 (GLOBE NEWSWIRE) – Phillips Edison & Company (NASDAQ: PECO), one of the nation’s largest owners and operators of grocery-anchored shopping centers, today released its findings on the top shopping center trends to watch in 2023 as part of ICSC New York.

Despite uncertain economic conditions, retailers are expected to continue advancing their expansion plans throughout 2023. The goal is to be closer to consumers and to leverage hyperlocal leasing strategies to support last-mile fulfillment efforts. While these retailers anticipate opening the same number of stores, what has shifted is the footprints of these locations. Many brands are opting for smaller shops in the face of elevated inflation and interest rates, as well as in response to evolving consumer shopping behaviors.

“I am amazed when we stop to look at how we are merchandising our shopping centers now against how we did it even five to 10 years ago – it paints a clear picture as to how significantly our world has changed in such a short time,” said Mike Conway, Vice President of National Accounts and Retail Partnerships at PECO. “A decade ago, I wouldn’t have considered there would come a day when so many of our deals are food-related. The name of the game going into 2023 is really about four key categories – grocery, service, restaurant and health/fitness.”

Earlier this year, PECO cited a rapid expansion of healthcare providers among open-air shopping centers, and the “medtail” trend has advanced full steam throughout the year. Over the course of 2023, the company expects to see an even broader expansion in the concepts and uses emerging in this space. In addition to new names such as Sage Dental and primary care provider Oak Street Health electing to focus on grocery-anchored shopping centers as they expand, PECO has noted an uptick in veterinary health and wellness concepts joining the fray. These include Boulder, Colorado-based dog grooming, bakery and pet store Woof Gang Bakery & Grooming, and UrgentVet, a veterinary urgent care concept that is rapidly expanding with locations across Florida, North Carolina, South Carolina, Georgia and Texas.

We have also seen popular fitness concepts, including OrangeTheory, revise their floorplans to accommodate shifting consumer preferences that emerged during the pandemic. Specifically, the fitness studio noted that members are not using lobbies, locker rooms or showers as they once did, opting instead to shower at home and not sticking around after their workouts are over. As such, OrangeTheory is decreasing the size of its lobbies and eliminating showers altogether in its new locations, allowing it to take space as small as 2,000 square feet. In doing so, the brand can expand to even more locations in smaller storefronts across the U.S., getting even closer to its end users.

Moreover, PECO notes that one of the most exciting health and wellness concepts currently expanding across the U.S. is KidStrong, a milestone accelerator that helps children from walking age through 11 years old with physical and mental development – including critical skills such as communication, problem-solving and teamwork – empowering them to succeed across all areas of life. Founded in Dallas in 2015, KidStrong has since expanded to nearly 90 locations across 29 states and Canada.

The company has also noted an uptick in the number of quick-service restaurants that had traditionally gravitated towards in-line storefronts or lifestyle shopping centers seeking drive-thru and outparcel locations in neighborhood shopping centers. According to data from Placer.ai, these suburban markets offer retailers several advantages in today’s environment including comparable, if not superior, visit-per-location trends compared to larger markets; less competition; greater diversification of their customer base; easier access to labor as an “employer of choice” within a market; and less expensive build-out costs. These metrics result in higher-margin stores which are more

profitable. In fact, national retailers are raising their long-term store base targets in these markets because they have proven to deliver the same or better store-level economics as traditional locations. In addition, Placer data noted that retailers such as Chipotle, Petco, Kohl's, and Shake Shack all saw higher visits per location in suburban markets compared to the top 25 MSAs.

"The bottom line is we are seeing record leasing demand that is unlikely to abate anytime soon," said Ryan Mitzel, Senior Director of National Accounts at PECO. "Local, regional and national retailers alike recognize the power that neighborhood shopping centers offer in bringing them as close as possible to their consumers, driving their sales and last-mile fulfillment strategies. In fact, since 2018, the combined number of national retailers in our portfolio has increased by 40 percent, reflecting the strength of their performance in these centers and influencing their continued focus on leasing in these locations. This demand, combined with the strategic merchandising of our portfolio and limited exposure to underperforming retailers, is contributing to industry-leading renewal spreads that will support the continued growth and performance of our shopping centers."

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 400 accounts and actively engages with 150 growing retailers. This team travels the country meeting with brands to learn how they 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 and discount.

This deliberate information-gathering approach has proven extremely beneficial to PECO since the team was formed in 2016. This focus leads to collecting a copious amount of data that is constantly informing the company's leasing strategies as well as how, where and when it chooses to deploy capital. The team's efforts have resulted in new and stronger relationships with a wide range of innovative retailers that are redefining the retail landscape and customer experiences.

For more insight from the Emerging Trends team, visit Phillips Edison's booth #2325 this week at ICSC New York and connect with the Company on [Instagram](#), [Twitter](#) and [LinkedIn](#).

About Phillips Edison & Company

Phillips Edison & Company, Inc. ("PECO"), an internally-managed REIT, is one of the nation's largest owners and operators of 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, Ahold Delhaize, and Albertsons. As of September 30, 2022, PECO manages 290 shopping centers, including 270 wholly-owned centers comprising 31.1 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.

PECO uses, and intends to continue to use, its Investors website, which can be found at <https://investors.phillipsedison.com>, as a means of disclosing material nonpublic information and for complying with its disclosure obligations under Regulation FD.

Investors:

Phillips Edison & Company, Inc.
InvestorRelations@phillipsedison.com

Kimberly Green, Vice President of Investor Relations
(513) 692-3399
kgreen@phillipsedison.com

Stephanie Hout, Director of Investor Relations
(513) 746-2594
shout@phillipsedison.com

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