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EDITED TRANSCRIPT

PECO.OQ - Phillips Edison & Co Inc at Citi Global Property CEO Conference

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CORPORATE PARTICIPANTS

Jeff Edison *Phillips Edison & Co - Chief Executive Officer*

John Caulfield *Phillips Edison & Co - Chief Financial Officer, Treasurer*

Robert Myers *Phillips Edison & Co - President*

CONFERENCE CALL PARTICIPANTS

Craig Mailman *Citi - Analyst*

PRESENTATION

Craig Mailman *- Citi - Analyst*

Good morning, everyone. Welcome to Citi's 2024 Global Property CEO Conference. I'm Craig Mailman with Citi Research, and we're pleased to have with us Phillips Edison & CEO, Jeff Edison.

This session is for Citi clients only if media or other individuals are on the line, please disconnect now. Disclosures are available on the webcast and at the AV desk. For those in the room or the webcast, you can go to liveqa.com and enter code GPC24 to submit any questions if you do not want to raise your hand.

Jeff, I will turn it over to you to introduce your company and team, provide any opening remarks, tell the audience a top reasons investors should buy your stock today, and then we can get into Q&A.

Jeff Edison *- Phillips Edison & Co - Chief Executive Officer*

Thank you for having us today. With me today is Kim Green, our Head of IR; Devin Murphy, the Head of our Asset Management Team; Bob Myers, our President; and John Caulfield, our CFO.

Again, thank you for being here today. As we enter this year and are looking at the sort of the horizon looks like for PECO this year. I think we're in a very similar situation to what we've been talking about sort of the end of last year, which is a really outstanding operating environment, but a more difficult acquisition market.

And if you look at PECO's core strategy, you'll see that we're (technical difficulty) which is one of the key parts of our strategy is when 70% of your retailers are necessity goods, that gives you a different perspective on what the variability will be this year in the market. So we're optimistic about that part, I think we have pretty good visibility in the year and think that we're going to have another strong leasing year.

And again, as we've talked about in the past, we've got tailwinds that continue to be very strong in our business, which is what's really driving a lot of the operating results. And it includes work from home, it includes suburbanization, it includes transfer to the Sun Belt, all bringing more shoppers closer to our centers more of the day, which is obviously very positive on the demand side.

And then on the supply side, there is very limited new development. And that has put us in a position where we're able to have sort of market-leading occupancy, market-leading spreads -- probably as we said, probably it's good operating environment as we've had.

The one issue in the business, as you know we have a really strong internal engine that drives very strong same-center NOI growth, we also have an external program where we're really trying to drive acquisitions, and that's the part of the market that we feel less certain about going into this year and sort of looking out through the end of the year.

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We continue to have more opportunities than we did last year at this time. So we're better than last year, but we're still not back to where we had been in the previous year. So we'll see what happens this year on the acquisition side, we continue to guide towards $200 million to $300 million of acquisitions. And we have set our balance sheet up so that we can do significantly more than that if the opportunity arises. So we're excited about what's going to happen this year, particularly on the operating side. And then we'll see what happens on the acquisition side.

QUESTIONS AND ANSWERS

Craig Mailman - *Citi - Analyst*

That's helpful. And maybe sticking with the acquisition story funding, right. How do you guys' kind of weigh equity versus debt today as you kind of blended into where you can buy.

Jeff Edison - *Phillips Edison & Co - Chief Executive Officer*

When you're in an environment where you have interest rates moving dramatically, prices and equity moving, our target is to make sure that your match funding your acquisitions with your total cost capital. And we that's how we approach it. That's how we approached it last year and actually the year before, giving us a long runway and a really strong balance sheet so that we can be opportunistic when the opportunities are there, but taking a relatively conservative position on the balance sheet. John?

John Caulfield - *Phillips Edison & Co - Chief Financial Officer, Treasurer*

I would say we're 5.1 times leverage, and we have over $600 million of liquidity. If you look at our acquisition guidance of $200 million to $300 million, we're very confident and comfortable with our ability to fund that. And as we look at it as Jeff said, we're looking to be opportunistic. We're going to approach each market when it's in a favorable position versus when it's under.

Last year and the year before the debt market was more in an unfavorable more volatile position. We took an opportunity to over-equitized, well now the debt markets are improving and so we feel very confident in our ability to fund our plans.

Craig Mailman - *Citi - Analyst*

Where do you think debt costs are for PECO right now, as you look out and what are the near-term funding needs from just a maturity standpoint?

John Caulfield - *Phillips Edison & Co - Chief Financial Officer, Treasurer*

We have no meaningful maturities until November 25. So we have a very long runway. In terms of a new debt cost, I would say it's between 5 and three quarters and 6%. Which if you look at the acquisitions we made last year, the weighted average cap rate was a 6.6%. And so we do have an opportunity. But what we have is because we've worked to manage our maturities. We have the ability to be patient and flexible. So we're going to access the market when we feel that it is opportunistic.

Craig Mailman - *Citi - Analyst*

And what's the kind of just overarching thought process on issuing debt when it's -- if the market comes your way, you could still park cash in 5% to 5.5% interest bearing accounts and having on hand if you have a good pipeline of deals versus maybe trying to save on that 25 bips of dilution because you don't have anything. But you're trying to raise debt once the pipeline gets full or you kind of run the lineup, right? Kind of what's the throttle back and forth between the line usage versus locking in longer-term capital?

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Jeff Edison - *Phillips Edison & Co - Chief Executive Officer*

So our target is to again do this match funding. So we want to match fund the debt with longer term, longer duration like our properties are in longer duration. So that is these -- if there's a trigger event, that's what we're trying to make sure that we do match fund that.

And again, it's being opportunistic with regard to where is the acquisition market, where is our ability to place significant amounts more or less than our target in terms of that plan. And then to make sure that we've got the right set of both equity and debt. I don't know John, if you have any other?

John Caulfield - *Phillips Edison & Co - Chief Financial Officer, Treasurer*

I would say, I think the pieces is that we're focused on Jeff as he said, match funding. But also, I mean for us, we are active users are aligned because it's ultimately allows us that flexibility. But we're $180 million drawn on an $800 million line with additional capacity.

So definitely, I hear what you're saying watching to make sure that we're not put in a box on either the equity or the debt side, but it's going to be a function of as Jeff said, if the acquisition opportunities are there, we're certainly interested in managing that liquidity and forecast.

Craig Mailman - *Citi - Analyst*

And the visibility at this point in the $200 million, $300 million of acquisitions, kind of what's in the pipeline, are you close to putting anything under contract? Kind of what could the cadence be on that, or is that still sort of a feel for guidance at this point?

Jeff Edison - *Phillips Edison & Co - Chief Executive Officer*

We have closed on one project that I think has been disclosed Kim accurate. And I would say that we have a okay backlog, a relatively okay backlog. But we've seen twice as many projects in our committee as we did last year at this time.

So we are generally optimistic that the volume will be there. But again, the bid-ask continues to be challenging in an environment where there's uncertainty on interest rates and some of our competitors for these acquisitions are facing.

Craig Mailman - *Citi - Analyst*

Any questions from the audience? So to stick on acquisitions, what has been sort of the return environment? It feels like things have gotten a little bit better, at least from the commentary of the last quarter or so. I know for your assets in your markets, where have cap rates gone? Can you describe a little bit the competitive landscape for the bidding pools at this point?

Jeff Edison - *Phillips Edison & Co - Chief Executive Officer*

Yeah so last year, second and third quarter were probably the most -- the least amount of transactions that we've seen in 10 years. It was a really slow case and there was really as large of a bid-ask discrepancy as we'd seen in a long time.

Today, that is, it's certainly has narrowed. And we're not really a cap rate buyer or an IRR buyer, and we're really looking at where we can take the project over time. We continue to be focused on a nine unlevered or more. And yeah, we found out last year, last year we underwrote to over a 9.5 in terms of the properties we bought, and we bought turned $275 million net acquisitions last year.

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So I would say that we're optimistic we'll be able to do that. I think that will translate probably into a 6.5 somewhere between a 6.4 and 6.7 kind of cap rate for necessity-based grocery-anchored shopping centers that are in that 115,000 square foot category. The market has bifurcated in terms of power and grocery and bigger centers and smaller centers.

So there's sort of multiple things being laid over on the acquisition side to get to exactly like what a cap rate is. But I'm really describing our business in terms of that necessity-based retail, that's that 115,000 with 50 to 60,000 square foot grocer in it, sort of Corner Main and Main right by our house. That's the centers that we're buying and that's what they're trading.

Craig Mailman - *Citi - Analyst*

It's helpful. And you guys are more necessity-based. At this point, kind of what's your current outlook for the health of the consumer and your demographics that people feel like at the lower end they've been a little bit more pressed, at the middle to higher end people are generally in a little bit better shape of super spending continues to chug along, right? defying expectations.

So I'm just kind of curious as you guys look at your exposure. What you're underwriting for kind of the health of tenant credit, the health of the consumer?

Jeff Edison - *Phillips Edison & Co - Chief Executive Officer*

I would say that people have for a long time underestimated the markets that we're in. Our median household income is well above the median household income for the country. It's also above the median household income for Publix and for Kroger who are our two largest neighbors. We're Kroger's largest landlord, Republic's second largest landlord, and we have over time been able to show the market the resiliency of necessity-based retail in the communities that we serve.

And if you look at in history a little bit and you step back and you say, well you know, you guys are really vulnerable because you're serving the average American they're necessity goods. And we're like, yeah we did, and we did it during the great financial crisis. We lost less than 2% of our occupancy, the lowest of any of the peers. When everyone was saying, your consumers' going to get kind of get smashed and get hit. So then you move forward 10 years, you hit the pandemic. Now we're going to show you guys how bad these markets that you're in are. And suddenly we lose less than 1% of our occupancy, the lowest, and we're back to where we were the fastest of any of the peers.

So we're going to continue to have this conversation with people over a long period of time. The facts just don't bear out for our operating because it doesn't bear out the fact that there's any sort of question in these markets. And our consumer is very healthy, employment drives a lot of the buying behavior of the average American, particularly their necessity goods because that's one area that I think people sort of they blend in. If you're a high-end discretionary merchant, you have a very different customer relationship in a recession than what we have. Because people continue to buy their groceries, they continue to do the necessity goods no matter what the cycle is.

And we just look at it and there's less beta in our properties than there is other properties where you may not buy some nice shoes or a new dress because you're cutting back. We are going to cut back on those things well before you cut back on your groceries, your fitness, your medical, those things where that we provide are the last on the list to be slowed down.

Robert Myers - *Phillips Edison & Co - President*

The other thing I would add on that is that the metrics tell the story. We have the highest occupancy in this space at 97.4%, our in-line occupancy is at 94.7%, our retentions at 94%, and we continue to, I think we ended up at 4.2% same-center NOI growth this past year. So the demands the best we've seen it and, in this space, you're going to continue to see strong retailer demand from fast casual, health and wellness, services, and med tail.

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And with our footprint owning the number one and number two grocer at 115,000 feet, we have great visibility into the next six months and the outlook is in line and very consistent with what we've done in the past. You look at our renewal spreads at 16.2%. I mean that's leading the peer set. In addition, leasing spreads at 25.2% last year. So a very, very healthy environment for our type of product.

Craig Mailman - *Citi - Analyst*

Tenant credit bidding issue last year with Bed Bath & Beyond, Rite Aid cropped up, saw some news about Jo-Ann's over the weekend. I mean, what's kind of your view of tenant credit kind of for the industry. Put that against your portfolio, as you guys sort of laid out initial guidance on what kind of expectations you have laid in there and what your view is just generally on the expectations of what could happen versus the cadence of things that have actually played out.

John Caulfield - *Phillips Edison & Co - Chief Financial Officer, Treasurer*

So we had two Bed Bath's. And so when you look at our portfolio, we are highly diversified. Our largest non-grocer, because that's where our concentration is, is the grocer. But our largest non-grocer are the T.J. Maxx brands at 1.3% of our ABR. And so ultimately, the focus and the strategy of Phillips Edison, which is we believe that format drives results, is we have minimized our exposure to that secondary box.

And if you look at you mentioned Jo-Ann's, you've got Bed Bath or some other names there, they tend to be in that category. For us outside the grocer, our spaces are 2,500 square feet, which have significant depth and demand.

And so if you're looking at it from a credit perspective, our portfolio has had bad debt in the 60 to 80 basis points over a long period of time. Jeff mentioned our performance in the two last major events. But as we look at it, we have a very resilient portfolio. Our neighbors are very strong, but it's really a diversification that comes with our footprint. And we believe our centers are differentiated in the markets there in.

Craig Mailman - *Citi - Analyst*

In the evolving kind of Kroger-Albertsons situation, I mean is that a net positive impact for your portfolio? Or what is the view there relative to maybe 6 to 12 months ago in terms of your exposure and footprint there?

Jeff Edison - *Phillips Edison & Co - Chief Executive Officer*

So our view is it's a net positive, if the transaction goes through. But it's important to note that the market is saying they don't think it's going through. I mean, the Albertsons stock at a strike price is still trading at a 23%, 24% discount to where they would execute on the transaction. The FTC is going to fight it. They've already, they've filed the lawsuit.

It was pretty certain early on that Kroger and Albertsons had adopted a strategy that if it did go to court, they were willing to do that. So I assume that we're going to have a legal battle. And the government doesn't win all the time in these. I mean, I think they've lost six cases in the last few years. And there's a lot of precedent in grocery merger. So my guess is this is going to be a bitter fight between the government and Kroger and Albertsons.

But it's really a toss-up in terms of what happens. For us, if it does happen, we'll have a couple of centers probably go into the C&S propco deal. We've estimated anywhere from 0 to 10. So we don't have a great handle on in terms of what that would be and only because Kroger doesn't know exactly what that's going to look like. But that part will be part of it.

And then the other centers will become Kroger centers, and if they do, Kroger sales are better on a per store basis than what Safeway Albertsons is. So we think that will be positive for our centers, they also tend to put more capital back into their stores, which again, I think would be positive as well.

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So generally, yeah, we think we'd like it to go through it. We think it's good for the communities that we're in, and we think it's good for the stores. And if it doesn't happen, these were really strong safe ways that we have, our Albertsons and Safeways that we had. And so we'll continue to operate that way.

It will be uncertain because I think it's pretty -- we have a fairly high level of confidence that eight transaction or multiple transactions will happen because the ownership of Albertsons wants to get out. And if they do, though it's a public company, I think that that will happen in some form.

Craig Mailman - *Citi - Analyst*

Any questions in the room? Perfect. Moving on to internal growth, redevelopment has been a key for you and your peers. And I guess you guys expect roughly about 100 basis points of contribution a year. Could you just walk through sort of the depth of this opportunity in the portfolio and any potential for this to increase over time? The contribution.

Jeff Edison - *Phillips Edison & Co - Chief Executive Officer*

Bob, you want to talk? There's sort of two, I think there are two points. One, financially how we get there, like how do the numbers work, and the other is what's happening on the ground in terms of retailers and what where we're finding demand.

Robert Myers - *Phillips Edison & Co - President*

Sure. So right now we're giving guidance that our redevelopment development pipeline is between $40 million and $50 million a year. So we do have visibility out for the next three or four years on that. So I feel like we will be in that range for the next two or three years.

The only other thing I'd mentioned about, our development pipeline. These are smaller projects, typically $2 million or $3 million in size. Our yields will range anywhere from 9% to 12%. So smaller projects that you might find in your parking areas where you're going to build a 5,000 to 7,000, 8,000 square foot building.

Seen a lot of demand from Starbucks. I think we completed six Starbucks deals last year, Chipotle, we've done some Chick-fil-A deals. Drive-through components are very important to those types of retailers. So we're going to continue to lean in with our national account team on building out that pipeline. But so far, it's been very positive with good returns.

Craig Mailman - *Citi - Analyst*

So drive-throughs have been increasingly kind of relevant for a lot of end cap type tenants, Starbucks, fast casual, name them. Could you -- we kind of think 30,000 feet, but when you get down to the ground dealing with local municipalities, how are they reacting to the prospect of putting these in? How difficult is it with traffic patterns and egress and ingress into centers? Kind of is, there an appetite for it at the local level or are you guys feeling like there's a lot of pushback, even if it could work at the center from a space perspective?

Robert Myers - *Phillips Edison & Co - President*

I'm not seeing a lot of pushback, honestly. The issue you had it right on the head, it's stacking, right? I mean to put a Starbucks or Chipotle in or McDonald's, your swords, you have to have enough acreage to be able to do it and the municipalities have been very favorable working with us on that.

I think during COVID, we ended up putting drive-through windows on the majority of about 78, I believe, of our end caps because municipalities, they wanted businesses to thrive, they wanted retailers to continue to stay open and make money. So I feel like they're still in that mindset of growth.

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Craig Mailman - *Citi - Analyst*

And once you guys do the redevelopments, the 9% to 12% return is more of a immediate kind of benefit. But longer term, the value that you're creating at that overall center to be able to potentially kind of curate with a new tenancy that would want to be near a Starbucks or what have you.

I mean, what's the long-term benefit from just a value perspective across the different centers. I know it's a longer game because it take 10 years to kind of re-tenant. But just what you've seen so far, maybe some of these redevelopment dollars and that ability to re-curate a center over time.

Robert Myers - *Phillips Edison & Co - President*

See, I think from a financial aspect, we believe that we can generate 75 to 125 basis points in same-center NOI growth given the $40 million or $50 million that we're putting in.

John Caulfield - *Phillips Edison & Co - Chief Financial Officer, Treasurer*

More specifically on the projects we're talking about, when we are talking about individual, out parcel that 9% to 12% is a cash-on-cash yield. And so ultimately, we're very happy to generate those kinds of cash returns. But you're right. The actual cap rate of the individual outparcel is tighter than that. So there's absolute value creation.

But I think from our strategy standpoint, the biggest by far traffic generator is the grocer. And so for us, making sure that we have a strong, healthy grocer, the right grocer in that market is even more important. Absolutely, we'd love to have the Starbucks. I don't know that I need to own the Starbucks, but I would like to have the Starbucks to do that. And it is positive, but the biggest generator is the grocer. Well, yes, we're talking 9% to 12% on a cash basis --

Robert Myers - *Phillips Edison & Co - President*

Great example real quick is that McDonald's, we sold a McDonald's deal last year at a 3.5 cap. So there are some opportunities to step into some pretty attractive pricing on McDonald's and Chick-fil-A's.

Jeff Edison - *Phillips Edison & Co - Chief Executive Officer*

The only thing I would add there is when you're serving a community like each one of our 300 centers do. It's really critical that you have the right merchandising mix. Because that merchandising mix will drive the amount of traffic you have at the center and will allow you to be able to maximize rents over a sustained period of time.

And things like a Starbucks has -- I mean we're actually creating value the day they open the door, but they also add a longer-term value because people who shop at Starbucks are also have other similar traits. And the additional traffic that a Starbucks drives, drives more traffic to your small stores, which then allows you to have better small stores and brings the whole merchandising mix up.

So there are a number of benefits a Chipotle and a Starbucks that they bring to your center, not just the traffic, but also who is the traffic that's coming. And that's been a side benefit of our redevelopment and development plan.

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Craig Mailman - *Citi - Analyst*

That's helpful. And going to the other side of same-store occupancy, you guys have had nice high levels here. Kind of what's the confidence that you can continue to drive that higher? Where do you think it could ultimately kind of top out? What's the kind of that frictional point in the portfolio in your opinion?

Robert Myers - *Phillips Edison & Co - President*

Sure. So right now, we're at 97.4% occupancy with in-line at 94.7. We feel like we can move in-line occupancy another 100 to 150 basis points, somewhere around 96, 96.3, that's internally.

On the acquisition side, we acquired 14 assets last year, eight of them had some sort of redevelopment or development component. The average occupancy across all 14 assets was 87%. The assets that we closed about $185 million in the fourth quarter were 84%.

So we're going to continue to run a parallel path on finding some acquisitions that have some occupancy growth, so overall in the portfolio. But then internally, our in-line occupancy number, we feel like we can continue to move it another 100 to 150 basis points. So upside in both areas for our portfolio.

Craig Mailman - *Citi - Analyst*

And the leasing spreads you guys quoted were strong. I'm just curious, as we've talked about maybe remerchandising centers over time, how much of that is driven by bringing some new tenants in with the capacity to pay more either national franchise, on the shop space, or just your ability with kind of top line inflation the last couple of years that your existing tenancy can absorb this and pay these higher rents?

Jeff Edison - *Phillips Edison & Co - Chief Executive Officer*

Do you want to?

Robert Myers - *Phillips Edison & Co - President*

Sure. So when I look at the health of the consumer and our retailer. For our retailers, it's really occupancy costs. So right now, our average occupancy cost is around 9.4% for in-line tenants. We feel like we have room to move that up to 12%. So the retailers will not only stay healthy, but continue to make money.

So there's some runway over long term. And obviously, we are 94% retention with renewal spreads at 16.2%. And even as I visibility out the next six months. I mean, I'm seeing numbers in line with that, if not better. So the health of the retailers are very positive in our shopping centers and the demand is there.

John Caulfield - *Phillips Edison & Co - Chief Financial Officer, Treasurer*

And I think what we've seen over the last several years is that their sales are outpacing even the increases that we're getting. So it's creating that space there. So when it comes to merchandising mix, there's certainly elements there that you'll consider, but when you're as highly occupied as we are, you're pushing for cash. And so we believe that they're very healthy and the economics are not the same.

If you look at renewing a space at the renewal levels we're talking about versus re-tenanting, meaning you've got to put new capital in, you have downtime, and then get going, we would believe you would actually need a re-leasing spread about 50% to match that 16%, 17% that we're getting in place.

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Craig Mailman - *Citi - Analyst*

And that 250 basis points or so of occupancy cost uplift over time, what does that translate kind of into a financial FFO or same-store kind of? And what's the timeframe in years, maybe that it takes to close that gap as you kind of churn the portfolio? (technical difficulty)

John Caulfield - *Phillips Edison & Co - Chief Financial Officer, Treasurer*

Okay, I thought they were going to speak. Look, we think that it can be 100 to 125 basis points. When we look at the mark to market, we believe that as Bob said, as we look at our pipeline and what we can continue to drive, we believe we can be pushing this portfolio in the high teens and on top of that in terms of spreads.

But it does take we've got to wait for the lease roll, but we're also getting a higher rent bumps than we've had historically. And so we're getting 2% to 3% escalators in addition to these renewal and new leasing spreads that we're generating. And so we think the path for growth is continuous.

We went through some math at our Investment Community Day in December. That kind of walked through why we believe we can do it. In addition to we have real models, but then I did it using external information to prove that we can do this over a long period of time generating between 3% and 4%.

Craig Mailman - *Citi - Analyst*

And as you've split it out between the anchors and the shops, what's your success on the anchors getting some bumps through or getting some of these grocers to pay a little bit more, especially if you're targeting the top one or two grocer in a market, they clearly have a need to be there or desire to be there. Kind of what's the success rate on pushing things through to them?

John Caulfield - *Phillips Edison & Co - Chief Financial Officer, Treasurer*

So our grocers control their box for the next 30 years. And so ultimately, when you're talking about anchor for us, it is the grocer. And the most important thing for us is to have a healthy, strong grocer that's going to continue to deliver.

There are opportunities that we have to renew them at very strong re-leasing spreads. But the most important thing as we look at it, is their strength in terms of generating their sales volume but really, it's generating the foot traffic at the center that allows our in-line neighbors to be successful.

And then our rent growth is really coming from that in-line ABR. If you look at, I think we have more than anyone else. I think we're at 55% or so of our rent comes from in-line ABR. And as we said, we think that that's actually kind of the more alpha with less beta, like the beta pieces is we have an investment grade income stream in the grocer and our growth really comes from the in-line neighbors and their success.

Craig Mailman - *Citi - Analyst*

As we think about sort of operating costs and the trends there, insurance has come up a lot. Kind of curious on the trends that you're seeing there, then shrinkage and security have also been a topic. So just kind of -- maybe those two aren't the biggest line items, but just walk through maybe what some are, what some of these kinds of headlines are translating into?

Jeff Edison - *Phillips Edison & Co - Chief Executive Officer*

Yeah. I mean, I think we're in an environment. I mean, particularly given the inflationary environment we've been in, that insurance is going to continue to be a pretty big grower from a cost perspective. And fortunately, we passed 90% plus of that back to our neighbors. Unfortunately,

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though, it still puts pressure on them. But we don't see that changing dramatically. And it's sort of a combination of a lot of things. Primarily the insurers desire to eliminate certain kinds of risks and concentrations. And as they look at that, it's a very simple thing to get out of markets and to raise rates.

And then on the -- was the other question on the real estate taxes expense side?

Craig Mailman - *Citi - Analyst*

You could hit on those if you want to quickly.

Jeff Edison - *Phillips Edison & Co - Chief Executive Officer*

I mean I think real estate taxes is another very -- I think that's going to be something that we talk about more on because a lot of municipalities need the cash and one of the great sources of that is real estate and the retail real estate in particular.

So we think that there will be ongoing pressures there as well. All of that, putting pressure on the retailers as we pass that through to them. And then eventually, that becomes a pressure on your ability to grow rents.

But as Bob pointed out, we're at 9% health ratio with our in-line our neighbors. So when you look at that, that's a very healthy place to be for us. And we think there's room there to get from 9% to almost 12%, which gives us a lot of room to grow our rents.

Craig Mailman - *Citi - Analyst*

Great, rapid-fires real quick. Same store NOI for the group at '25?

Jeff Edison - *Phillips Edison & Co - Chief Executive Officer*

Could you? (multiple speakers) For the group, 3%.

Craig Mailman - *Citi - Analyst*

Property sector, more or less or fewer companies at 12 months?

Jeff Edison - *Phillips Edison & Co - Chief Executive Officer*

Same.

Craig Mailman - *Citi - Analyst*

And then, best real estate decision, buy, sell, build, redevelop, or repurchase stock?

Jeff Edison - *Phillips Edison & Co - Chief Executive Officer*

Buy. (technical difficulty)

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Craig Mailman - *Citi - Analyst*

Alright, we did not waste any time. Thanks everybody for being here.

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