

The Weekly Take

What's in Store: Retail Real Estate's Investment Outlook

4.7.2026

Spencer Levy

In retail today, one of the leading headlines is about welcome signs of low vacancy after a period where foot traffic was slowing down, to say the least. And yet, as you'll hear, when it comes to new development in some types of centers, the story still reveals some challenges. On this episode, we'll check out the latest news in buying, selling, and leasing retail.

Phil Block

We started investing in shopping centers when it was retail apocalypse, and all the fear surrounding retail at that time. And we joke now we were right about that.

Spencer Levy

That's Phil Block, a co-founder and managing partner of LBX Investments, a platform with a mix of retail and other asset types. But LBX's bread and butter is shopping centers on a national scale, largely concentrated in the Southeast, Midwest, and Mid-Atlantic regions.

Chris Decouflé

What we see is, in great retail operators, is looking at these sites as puzzles and how can I unlock value.

Spencer Levy

And that's Chris Decouflé, a CBRE Executive Vice President who leads CBRE's Retail Capital Markets platform and CBRE National Retail Partners, a top retail investment sales team in the U.S. Coming up, we're back at the CBRE Symposium outside Phoenix for a conversation about the retail sector, where the retail capital markets keep getting hotter. I'm Spencer Levy, and that's right now on The Weekly Take.

Spencer Levy

Welcome back to Phoenix, and I'm here with two good friends, two great real estate leaders, starting with Phil Block. Phil, thanks so much for coming to the show.

Phil Block

Hey, thank you. Great to be here.

Spencer Levy

And Chris Decouflé, our long time friend.

Chris Decouflé

Thanks for having me, Spencer. Great to see you.

Spencer Levy

Great to have you. So Phil, since it's your first time on the show. Why don't you tell our listeners what you do?

Phil Block

Sure. So I am one of the founding partners of LBX Investments along with my partner, Rob Levy, and we are really an opportunistic, value-driven investment shop. We started the company about eight years ago now. We had a prior partnership with a family office, and then we launched LBX about eight years ago. And we own about a billion dollars of real estate, largely retail. We started investing in shopping centers when it was retail apocalypse, and all the fear surrounding retail at that time. And we joke now we were right about that. We were an early seller of multifamily, even though we love that space. And maybe we called that a little early because there was a nice run for another five years or so. And now we own some apartments. We're buying an office building now and we own a lot of retail and we've got a great platform.

Spencer Levy

So Chris, let me turn to you and the comment that Phil made about the retail apocalypse turning into a tremendous opportunity that's now in office. I'm not here—this is not the pat Spencer on the back show – but I was an early mover advocating for open air retail and doggone it worked out. But where is it today?

Chris Decouflé

Yes, Spencer, I think what's interesting is it's in the same place, which is a good place. And the reason for that is two reasons. One's obvious and one is not obvious. The obvious one is there's not retail development, okay? There's two reasons for that. One is just cost. You know, the costs don't make sense for the rents that you can achieve. And then number two, it's harder to understand, but it's just as real. It is the availability of sites. Okay? So those are two. What we started describing when you and I were speaking five, six, seven years ago, those are permanent barriers. And we don't see that going away. The other barrier – it's not as easy to quantify – but because a lot of the retail product that we trade in was built in the '90s and the 2000s. And retail leases, especially with nationals, tend to have 30, 40, 50 years of total term. Those lease rates were set in a cost environment that's totally different than today. In fact, more than 50% different. So you've got these leases that on the buy side, you're buying things at half of replacement cost. And so now we're going to be into a very, very long period of time of harvesting those spaces and moving them to market. And that's a really exciting aspect of our business that I don't know that is as quantifiable to investors at large as it could be.

Spencer Levy

Let's get a little more granular for a moment. You mentioned that some anchor tenants have these long, very long-term leases, 30- to 50-year type leases. But that's not the case for the inline space. The inline spaces typically have shorter term leases, call it 10 years is a more common term. And I've also heard that if you're dealing with traditional open-air retail that you make most of your money on inline. Is that still the case?

Chris Decouflé

It's still the case, Spencer, and I think you're right. I think in terms of the aging of leases, I think the shops are lucky to get five years and two five-year options. That's probably as long as you can get. But I do think that if you look at the entire stock, there's still a lot of national tenants that are smaller footprint that have more term. And it's exciting to get these back. Some of them, as Phil would say, it's gonna take some TI and LCs, but when you look those returns, it's pretty exciting. And then you have sort of another level to it as

well. And again, this is not easy to see, but when these centers were built in the '90s and 2000s, parking was a very different ratio than it is today. It used to be everything was five per thousand. Now most communities are four or even three per thousand because they don't want all the runoff into their systems. So many of these sites have the ability to densify as well, and so I think what we see in great retail operators is looking at these sites as puzzles and how can I unlock value. Phil will tell you there's multiple paths to unlocking value.

Spencer Levy

So Phil, going back to Chris's basic analysis of how people look at retail today, and you've been in your current business for eight years, but you've been in the retail business a long time, how much has that changed over the last ten years?

Phil Block

It has certainly evolved, and one of the things that's evolved is to think about where value is created. And look back eight years ago, you had much more risk, or perceived risk, in your anchors. You had much vacancy within retail centers. And so, you were in a more defensive posture at that time, I think, as a landlord, and you were looking for opportunities where, as the value-add buyer, we were looking for opportunities where there were vacant boxes that we knew we could lease up because we saw sales and opportunity where tenants were outperforming and there was a misunderstanding or a misperception of those risks. Where there were vacancies in the out parcels or a spot as Chris mentioned where you could build an out parcel. You could build a Starbucks or a Chick-fil-A. Those types of opportunities are fewer and far between today. But the densification is real, and there are opportunities. Historically, we never looked in California, as an example, because things were wildly overpriced. Now, maybe who knows why, but there are our opportunities. There's a site that we're buying now that is a retail strip center where it is begging for densification and there is a push for housing because all across the country we need housing and this is an urban enough market outside Los Angeles that the numbers work. You can't build retail, as Chris said. It doesn't—the numbers just don't check out. Tenants can only pay so much and they're not profitable. But you can build apartments and so kind of rejiggering the site turning things sideways as you said – finding what used to be a theater in the back, or a Marshall's that kind of sits behind and no longer is viable because it's not a mall anymore – and building apartments, I think those are the types of opportunities that we see today that we wouldn't have looked at eight years ago.

Spencer Levy

It's interesting. We've had several publicly traded REITs on this show including in the retail sector and I don't think I'm overstating the fact that I think they've looked at every one of their retail properties and said how much multifamily can I put on here? Is that really the story?

Phil Block

Well, you don't see a lot of it get done, because you need the dynamics in that specific market and that specific site to work. And most of the owners that I assume you're talking to are mall owners. And a mall has an REA with—

Spencer Levy

What does REA stand for?

Phil Block

Restrictive easement agreement. And you'll have these agreements that govern how the entire site works. And we call malls typically the doughnut hole because all around it, you've got the Sears boxes owned by maybe Saritage, now they're liquidating. But maybe they own their box. Macy's may have been owned by Macy's separately. Pick your other Lord and Taylor boxes owned separately by them. And the mall owner owns the shops in the middle. Well, if you want to change anything about that site, you need everybody's approval.

Spencer Levy

Well, that's part of the change, right? There used to be certain prototypical restrictive uses like bowling alleys. People didn't like bowling alleys. People didn't like too many restaurants. And certainly you don't want a competitive retailer. Given the changes in how people are trying to drive foot traffic as the primary value creator for retail, have some of those changed?

Chris Decouflé

Well, they haven't changed a lot, but the motivation for them has changed as well. So it used to be, there was some legitimacy to, hey, I don't want to have a gym here, I don't want a theater here, restaurant, things like that. Now, the anchor likes to have those clauses so that the landlord gets to go to the anchor, hand in hand asking for a favor that they know that the anchor has no problem giving, but they're going to want something for it. I think what is interesting is that with all of this rebalancing that we're talking about, there's another hammer coming when anchor has 10 years of total term left and they're in a really low rent and there's no place for them to go, the favor gets turned. Okay, and so I think what we see Phil and groups like LBX do is say, it's not just a rent conversation, but we got to clean up the lease. And I know you didn't mean to do this. But we're going to have to remove that view quarter for you to stay. Or we're gonna need to have this exclusive, this co-tenancy, so on and so forth. Now that takes some pretty deep retail chops to know what you're looking for there, but that is gonna be the next conversation over the next 30 years. As terms run out, there's gonna have to be deals. As Phil said, you can't charge retailers, they can't grow to the trees. They need numbers where they can make money. But they have a lot of other gives that they can do through changing leases.

Spencer Levy

And I think this is an aspect of the retail ownership business that people don't appreciate if they're not in the business. Your relationship with these retailers is a living, breathing thing. It isn't you sign the lease and you hope for the best. Retail is a volatile business. It changes with the weather. I mean, like literally with the weather. But it changes with major economic changes, obviously COVID being one of them, the internet being another one of them. So, Phil, how much of your time is managing the retailers you've got so that when that conversation that Chris has described comes up, you have a good outcome?

Phil Block

I think there were a lot of investors who got spoiled, use multifamily, in the run up as cap rates compressed and rents grew, that they thought you can just passively buy an apartment building or a piece of real estate and hire any property manager and ride the wave and you're going to do great and you don't really have to know anything. And that is simply not the case in retail and it's a thing that we love about retail because when we started buying eight years ago, we initially started with third parties and we used third-party management. And we knew and understood the dynamics in leasing and those relationships and how important they were. So we brought leasing in-house immediately. Nobody is gonna understand and manage those relationships and kind of create the

placemaking that you really need in a shopping center other than you, right? You're only, you can do that for yourself and no third party is gonna do that as well as.

Spencer Levy

And so Chris, it seems to me that the operational intensity in retail has gotten a lot more operationally intensive. In the last five years, because of really in the last 5 years, retail has turned the corner in terms of being institutional grade again. I'm saying it wasn't institutional grade before, it was institutionally disfavored before, better way to put it, before. But that operational intensity cost money, cost time. How do you play that when you're trying to sell these assets to the marketplace?

Chris Decouflé

Well, it's an interesting question. I think Phil hit on something that is really important. I think if it's operational, and you're on the back foot, defensive all the time, that's a very different proposition than where we sit now. I think you're effectively unlocking value or adding to value as opposed to, look, the wheels are coming off and I've got to figure out what to do. I think it's a different conversation. And I think not only is it, I think, motivating to go to work and start working on these assets, but I think it's also in terms of employees. I you think about it, if you have an employee all day long, they're dealing with lease re-trades or this and that it's fun to be on the front foot. It's fun to be able to unlock some value and I think that's really, really the difference in the business now versus really even pre COVID frankly. So it's a very different tenor and it's fun again, frankly to work in the industry.

Spencer Levy

We used to say, back in the day there were the big four assets – office, industrial, retail multifamily, and then all the other forms were some different levels of operational real estate. Self-storage, senior housing, student housing, data centers, you name it, anything but the big four was operational. I think retail is right down the middle of a plate operational maybe not quite to the level of hotels but close. What do you think?

Phil Block

I think that's true, but you're using retail broadly. There are different kinds of retail. There are the single tenant, triple net buyers that would say they're in the retail space, but they own a Chick-fil-A, then they get a check in the mail.

Spencer Levy

What they have is a bond.

Phil Block

Exactly. Yeah. But if you're in a larger multi-tenant shopping center and you're not operationally focused, you're going to underperform. No question.

Spencer Levy [00:14:33]

Walk me through your thought process of grocery-anchored versus other inline, other open air that doesn't have a grocer and where you might find value in either one.

Phil Block

I think it's just our disposition. Rob, and my disposition is we're a little bit contrarian and we are always going to go kind of against the flow. Wherever the most amount of capital is flowing, it is the most efficient kind of by definition. And you're going to have the least amount of opportunity to earn returns outside of what you should earn from a risk-adjusted

basis. We love to buy a center and bring a grocer. We've done that countless times, and that is where historically we've earned the highest returns.

Spencer Levy

Now let's define that for just a second, because much like there's 50 different flavors of retail. There's fifty different flavors of grocer. There's the big bomber, Wegmans, and then there's a specialty store. What do you like to bring to these centers?

Phil Block

Well, ideally Trader Joe's or Whole Foods, because that is where the most liquidity is and where it's going to trade the tightest. We own a shopping center in Columbia, South Carolina, as an example. And you'd call that secondary, tertiary – depends on how people want to think about it – but it's the state capital and a university town, and we owned in the best retail corridor. But we kind of bought the ugly duckling in the location, in the visibility, and then we brought Trader Joe's and they opened at the end of last year. And we bought that for probably – I'm going to make folks jealous probably – but we bought it for like a nine cap, I think, six years ago maybe. And Chris will tell you better than me, but maybe a six cap today after increasing income pretty dramatically.

Chris Decouflé

The thing that people have to understand is the grocer in shops is a very conservative investment and there's capital lined up for that and they'll always be capital lined up for them. I think that if the three of us, if we started "LBX-SD" what we'd probably add to that is hey, I'll take the power center with the grocer, but I want the price per square foot to be low and I want a great site that I can, as we describe—the puzzle. So, and I think what's interesting right now. It used to be historically core capital. Other than having A plus mall positions—other than that, they went to the friendly neighborhood grocer in shop. So to your point, you're gonna get kind of a seven total return over 10 years, very conservative. I think what we're seeing right now in this new cycle of retail is we're seeing the core capital say, okay, I'm gonna expand my box, okay? And in some cases I need an operator for that, but I am gonna expand my box. I'm going to do grocer and a box. And I do a secondary or tertiary market because there's lots of data points that we have liquidity. Okay, and that's one of the big things when you're making an investment. If you're a core fund, liquidity is very, very important. So I think what we're seeing, we're seen power centers be taken down by core funds. You wouldn't really see that in the past, but those are power centers with a nine, unlevered IRR, that's pretty exciting. And so I think that's really one of the megatrends right now is what core capital's doing. Historically, a core fund may not actually make that kind of move. So I think we're optimistic with what we see in terms of capital being a little smarter, being a little bit higher on the perceived risk spectrum but not the real risk spectrum.

Spencer Levy

Phil, correct me if I'm wrong, you described your fund, LBX, as value-add. Tell me why it's value-add, what kind of returns you're looking for, how you compete with the different types of funds.

Phil Block

Well, we've done everything to date deal-by-deal, so we don't have a fund, which drives a lot of this. We built this platform necessarily to manage the retail because we saw the opportunity in retail. So I think of us as opportunistic where we can go in any asset class, frankly, and find deals that are misunderstood and mispriced. And we think we're better at that than, frankly, anybody. We got into the retail space because I think that was most true

in retail versus anything else kind of eight, ten years ago, over the last six, seven, only until recently, where you could really find opportunities where you were hitting value-add returns, to use your point, levered, high-teen, 20-plus type returns without, frankly, taking much real risk. There was perceived risk, but risk that we could fundamentally manage. We then built a platform around that to execute and now we have this fantastic best-in-class, we believe, retail asset management platform. And so now what do you do with that platform? Because there are investors, to Chris's point, core type investors who are now looking to deploy in retail. And historically, my investor base would want to hit a 20. Could I reasonably go out and thematically buy retail value add and hit 20s today? No, I mean, there are one-off opportunities here and there, but that trade is gone. But who am I to tell a core investor that they shouldn't? From a risk-adjusted basis, they should be buying great power centers and great gross or anchored centers. And you can build a great portfolio today that's going to hit a 12-levered or a 9-unlevered. And they need an operating platform, and that's what we can offer today.

Spencer Levy

Let's understand—stay on the capital side for just a moment here. Dialing for dollars, I guess is probably the way that used to be called of saying, we're gonna call up a family office, we're going to call up high net worth individuals. You hope you get a smaller institution. Tell me about how that process works per deal.

Phil Block

It started, as you said, kind of eight years ago, dialing for dollars, right. That was us. I have a head of investor relations who's fantastic at this, and it was a lot of my capital and Rob's capital. And then we were calling family and friends. We're calling Chris. We are calling folks like, you know, who wants to put some dollars into this? And we performed exceptionally well, and we have a lot investors who are grateful for that, and were grateful for them, and they've made a lot of introductions. And so today we have a pretty significant syndicate. It depends on the deal size, how much capital we're raising, whether we're gonna go to that syndicate or a portion of that syndicate or one of the large family offices. We've got many significant sized family offices, billion dollar plus type family offices that invest with us. We have some institutions when deals get even too large for them. And the best capital, I think anybody in capital raising or in real estate will tell you is your family and friends type money, that syndicate. But as you do more deals and increase in scale and size, I wish we could raise 50, 60, 70 million that way for a deal. You can't always do that.

Chris Decouflé

I think the reason that a mid-major size company competes against large capital, whether it's a public company or not-public, I think is really the complexity of retail allows differentiation on a buyer perspective. So I think that can look like a couple things. That could be somebody who understands they can pay more and they're going to get their returns. So it could be that. Could just be someone that sees something different than anyone else and that really comes down to retail chops. I think the other thing is that retail is complex enough that we often see groups make mistakes on their underwriting and it turns out that when people don't do a good job on their homework they come to the seller to bail them out. Sellers don't like that. Sellers like to bail out people who didn't really do their homework correctly. So I think as you're choosing buyers, if you're in the retail business, you're very, very careful that your buyer has looked at the asset. In a very dispassionate way, in a manner that you're not going to hear back from them when it's time to go non-refundable.

Spencer Levy

What are some of the pitfalls that you would say to the retail or the wannabe retail buyers out there of saying, look, focus on this?

Chris Decouflé

You want to go first, Phil, or do you want me to take it?

Phil Block

There are a lot. We talked about REAs earlier, certainly the restrictions from your existing tenancy and mistakes that maybe prior owners made in the leasing that they've done and things that maybe they don't even know until you get into diligence. There's obviously physical things, but that's somewhat simple. You have a roof, you've got a parking lot, you got HVAC, right? There's not that much more in retail that's going to be a big dollar item. But what we see is much more on the restrictions. Like, where have these guys tripped?

Chris Decouflé

It's a little bit funny, but it is that, it's like, here's this lease amendment that we forgot to tell you about but it says X, Y, and Z, and you didn't know about it, and it could be things like maybe a landlord overbills tenants, and then you get it, and you say, well, that's all fine and good that you've been billing \$3 a foot for your cam, but you're only allowed to pass through two. You know, that is going to fall on me. Just from an operations perspective, old leases, things landlords agreed to. And then you have basic things, basic real estate things. Is there a condemnation? Okay, is there an overlay district or zoning coming or people don't know about? I will say a lot of these changes are good changes now. It used to be bad changes, but changes in parking ratios and architecture, things like that. So look, I think in our business, we view that as all fun and we get to think who's the most cleverest out there. But I can tell you that when you come down to buying and selling, you need to have a clever buyer and not a dumb buyer in most cases. In most cases.

Spencer Levy

So when you're doing buyer selection – and that for folks who aren't familiar with the brokerage business – it may be the single most important thing we do is to winnow down the field and say because when we go to Phil and we say this buyer is going to perform and God forbid they don't that's not a bad day. That damages our reputation. And so we are very particular about it. But what you're saying Chris is the selection of that buyer isn't just financial capability. It's the retail capability

Chris Decouflé

Yes, let's say that it might not be a bad idea to come in second place a lot and wait for the cavalier buyer to retrade the seller. And then the seller says, yeah, I'm not gonna go through that again. Who's your best buyer that will definitely close at the number? And I would say that we've seen a lot of people have a lot of success doing that and then they're just burnishing their credentials.

Phil Block

That's got to be half of our deals, I think, where we finish second and ultimately we're awarded the deal. And it's a big deal to us. All that we have is our reputation, because I mean, the crux of what you're getting at is, you know, you're LBX, you are not AEW or, I don't know, pick your giants – Calpers, right? – with a trillion dollars on the balance sheet. How do you win the deal? And it's by closing. So we've never not closed a deal that we've put under contract. You know, it was harder at the beginning and now I think all the brokerage and selling community understands that about us. But that's a real thing and you've got to live by that. But we see a decent amount where the largest capital out there

has two or three levels of investment committee. So they can say they want to do the deal all day long and then when it gets to the end after three months and you're ready to close and they say, oh, you know, John on IC says we need this or we can't close or whatever, right? Those deals come back to us a lot. So you may look good on paper, the largest buyer out there, but that can be a challenge too.

Chris Decouflé

Another thing that's coming at us is—megatrend number one is kind of core capital sort of widening the box. Megatrend two is really the rise of operators. And I think if you look at operators in the U.S., whether it's demographics or the fact that retail wasn't doing well, you have a lot of operators that are gone or have aged out. So now you have that situation and at the same time you have capital really doing everything they can to get into the sector. That's going to play out in an interesting way over the next five years. And I think one of the most valuable things of an operator is to don't tell capital *not* to buy this. You know, like the profitable “no”, right? So that's one of the ways that I think we're seeing capital disintermediate their own internal process.

Spencer Levy

I think there are few asset types that are more locally driven than retail. In fact, the old school way to do retail, you used to take a ring of circles outside, you know, half a mile, mile, five mile, seven mile. We learned very often those were completely bogus because the shoppers were coming from someplace else. But nevertheless, that's how it used to be done. So talk about modern retail today. What are you looking for in terms of these are the indicators that maybe this is not the perfect location at the moment, but it's coming.

Chris Decouflé

I think number one is you do have to lean on some of the new technology like Placer and services that track cell phones. I think it's very important to understand where those cell phones are sleeping at night, and then where they're going during the day, and that those are very different patterns and how far they are away. So I think on a basic level, I think you do want to understand, where are the people – where are they going. And because we now have multiple years of the cell phone data, you can see the data get more intense as there's more heads in these beds in these areas and working here or maybe you're not working at Starbucks and working at the office. So I think you do want to rely on technology, but I think ultimately retailers are super clever and if you follow the retailer, you pretty much are going to be in the right spot. Retailers are incredibly clever and now they have another force that a lot of folks don't really think about. But if you think about like, say, let's take Instacart. Let's take anything that's data-based, okay, whether it's online shopping or Instacard. Instacart's not profitable. What's profitable on Instacart? The data of what they're buying and where they're buying it from. They sell that data, okay. That's super profitable. And now the retailers, they can see where if you're selling some kind of widget, If you have an online presence or an e-commerce presence, you know where every buyer is. And what we find, time after time, if you've got some e-commerce sales there, you put a store, your sales at the store become excellent and your e-Commerce sales double.

Spencer Levy

Let me push back on that point – not that I disagree with it – but I've gotten push back on this point because I used to say, look, exactly what you just said, Chris. And this is probably the wrong way to put it: There's a billboard effect if you put your store in the right place with the right rooftops.

Chris Decouflé

Yeah, I think that's right and I think a lot of capital allocators sit in New York and they tend to think the rest of the United States is like New York, and it turns out that's not the case. So I think that's probably one of the barriers, I think, for people to get their arms around retail, because everybody shops everybody thinks there's an expert. But they're not an expert across every socioeconomic, every region, and that's where you can be a very successful investor.

Spencer Levy

So, Phil, digging into what Chris just said there, because you said you're now buying in California. We're looking at megatrends now. What megatrends do you look at, Phil that makes you buy in California or elsewhere?

Phil Block

We started in the Southeast and then COVID hits and all the institutions that we were buying from all of a sudden say, oh, look at these trends in the Southeast. This is fantastic. All the growth—we need to be in these markets. And they started to drive prices up, right? This is supply and demand. And we started to buy in Chicago. And we got certainly a lot of side eyes from big investors. We were buying from these big institutions in Chicago. And I would say, and I love some of these – like I love Greenville, South Carolina, and Orlando, and Charleston. They're growing up. When they grow up, they're gonna be a fraction of Chicago. I don't care what, right? It's relatively flat. Even if you took negative population growth, which isn't the case in the better markets, in Chicago, these other markets are never gonna be that scale. That's just the reality. So what we look for from a macro standpoint, kind of what you're getting into is where do you develop? Developing retail is next to impossible, and to earn money developing is maybe impossible, right? And frankly, a lot of—and Chris will tell you, like a lot the single tenant Publix-type developers, like, that trade, I'm not sure is working out anymore. And for a long time, that's what everybody wanted because now they're in these tertiary markets. And what does that look like after you've developed it? So what we're looking for is flow of capital. It drives a lot of this. So as I said, Chicago, now California, where folks are mispricing risk because of whatever fears are in the market, because investment committees at these large institutions are saying, for whatever reason, good or bad, and in some cases they're good reasons. We have to make – we, these larger institutions – have to make a thematic larger bet, and they're saying, this isn't where we want to be. Well, I don't have to a thematic bet. I have to pick a single asset. And these individual assets, what are the dynamics of those specific assets? In retail, we have sales. We know, for the most part, how these tenants are doing, how they're performing. If there's four Target centers in a city or in a market, there's two Whole Foods centers, there's two Trader Joe's, right? – there's not that many of these. And if you can buy one of those with the same credit profile at a return profile that is better than in one of these other markets, well, you're doing pretty well.

Spencer Levy

I think what Phil said there sums up my thinking in one phrase: mispriced risk. That's what we do, folks. We look to find mispriced risk. That's why you go back to grocery-anchored and grocery anchored is appropriately priced risk. I mean, the risk is priced in.

Chris Decouflé

Yeah, well, let's think about this. Let's say the power center—let's, say, I think power centers have whatever risk they have, okay? And higher – elevated risk over your grocer in shops. If we're selling that for 200 bucks a foot and we have, like, generally kind of call it 20% ground coverage, okay, on a shopping center, you're buying, like, maybe 30 of the best

acres in a town. You're paying \$2 million an acre and it's already entitled and has like sewer and everything. That's dirt, dirt cheap. So that gives you another way to think about kind of the risk. If you just think about real estate as a hard asset, which we probably need to start doing, right? It's interesting. It's a very interesting play.

Spencer Levy

So as real estate investors, we can buy anything. And I know that, Phil, you're now buying office. And if there's a place where there's mispricing all over the place, office is it today. But just walk me through your thought process on using the concept of risk-adjusted return, mispriced risk, why you pivoted a little bit from retail to buying office?

Phil Block

So I equate office—again, there are different kinds of office, so tower-type, larger CBD office—as more akin to enclosed malls. And when you bought an enclosed mall five years ago or seven years ago for a 12-cap, you may have done great, right? You're cash flowing, you feel great. If that C mall or B-minus mall, if that stays a C mall forever, and some of them do and they just kind of keep bouncing along it kind of doesn't feel great but they exist and they operate and they function, well now your cash flows off the charts. You've made your return back. It's fantastic. And then on the other hand if it went to a D mall or closed, your 12 cap all of a sudden is a four cap and it doesn't feel quite as good. In this particular case we think there are opportunities and we think you have to look hard. We're buying in kind of the best market out there. We're buying in Del Mar, California. So what we thought the opportunity in office is, is go and find the best dirt, the best piece of real estate today, where there's some mispricing because it's office, right? So it's called “office” so all of a sudden a lot of buyers are gone. There's not a lot of capital flowing there. There's an opportunity to acquire this at a historically incredibly cheap price. And we know we can execute on the business.

Spencer Levy

So, we only have a few minutes left and I have to ask the technology question, but we already touched on the technology thing as it related to how you underwrite. How else do you use technology? And I know it's a big question – and so Chris give us a summary of how do we use technology to be better

Chris Decouflé

Well, there's a lot to that. I think, first of all, I'm not one of these guys that AI is going to kill us. You know, I kind of laugh. I remember how, like, the wheel really messed up the economy and before that fire kind of screwed everything up. And so I'm really not so worried about AI. And I think that part is really in the infancy. I think we're all trying to figure out, how does it make us efficient? But I think ultimately, all of us are using technology to do just that, to be more efficient. In our business—so let's just say, specific to us--it's how do you take, and this is more, maybe more big data than AI—but how do take big data and sort of boil that down and essentially you're doing pattern recognition to find fits, non-fits, opportunities. You can do this with a lot of data sets. To me, there's real opportunities in taking big swaths of data, organizing it in certain ways and looking for patterns and then acting on those patterns.

Spencer Levy

I'm in great agreement with you. I don't fear AI. I use it. I use it to give me ideas. It's a good starting point for a lot of my ideas.

Phil Block

I am typically a technology skeptic and over the last few months the latest updates to Claude are pretty remarkable. And I am seeing now where the—particularly junior employees across the economy, you know, we're going to have to figure out how this is going to work because it effectively it's going to be able to do all of those tasks more efficiently than our current junior employees do it. But how do you become a senior employee without having been a junior employee? So there are obvious challenges there, but it is super interesting and we are using it. I can barely use a calculator and I built an asset management software system with Claude that is better than anything you could buy off the shelf. It's wild and just like really a few hours of work—of like dropping Yardi outputs into it. It's pretty incredible. And so we're starting to use it for underwriting the add-ins to Excel. It is remarkable technology, we'll see where it goes.

Spencer Levy

Well, on behalf of The Weekly Take, what a great conversation with Phil Block, founder and managing partner, LBX Investments. Terrific job, Phil, thanks for coming out.

Phil Block

Absolutely great to be here

Spencer Levy

And my old friend Chris Decouflé, our Head of Capital Markets, Retail. Thank you, Chris.

Chris Decouflé

Spencer, it's a real pleasure.

Spencer Levy

We'll return to the CBRE Symposium in Arizona for more insights and analysis, specifically for an update on the state of the debt capital markets. As always, you can stay on top of our programming by subscribing to our show at [CBRE.com/TheWeeklyTake](https://www.cbre.com/TheWeeklyTake), or on the podcast platform where you listen. Check out our archives as well. There's a wealth of information and takeaways that go deep into the business – across sectors, markets and sub-markets around the world. For now, thanks for joining us. I'm Spencer Levy. Be smart. Be safe. Be well.