SHOPOFF | REALTY INVESTMENTS

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Welcome to a New Year of Opportunities | January 2024

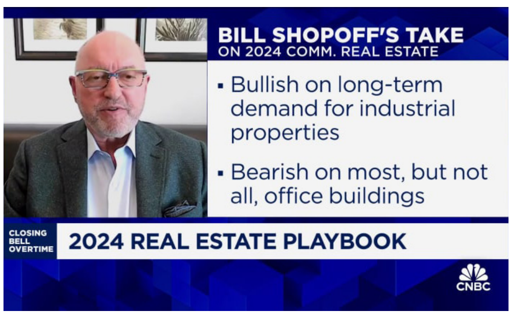
As we step into 2024, I'd like to share with you my perspectives and strategies for navigating the evolving real estate investment landscape. These insights were recently highlighted in my interview on CNBC's Closing Bell: Overtime (watch the full interview here).

Last year, the commercial real estate investment sector experienced a significant downturn, with a more than 50% drop in investment volumes, as reported by CBRE.[1] This shift reflects the larger economic changes impacting our industry. However, with the anticipated interest rate cuts by the Federal Reserve, 2024 presents a landscape rich with potential. At Shopoff Realty Investments, we're poised to capitalize on these changes. Our strategy* for the year ahead includes several key focus areas:

1. Distressed Retail Centers: We see significant potential in acquiring and revitalizing distressed retail centers. These properties, affected by the current market pressures, offer opportunities for high-value transformation.

2. Industrial Development: Continuing our foray into industrial development, we aim to expand our presence in this robust sector, leveraging our expertise to capitalize on its growth.

3. Residential Ventures: Recognizing the growing demand for affordable housing, we will focus on workforce housing and single-family build-and-rent projects. These initiatives are lucrative and positively contribute to the communities we invest in.



Reflecting on 2023, the turbulence in the market led to a notable disconnect between sellers and buyers. As we move forward, I anticipate a realignment in expectations, facilitated by dropping interest rates, which should narrow the gap between these two groups and increase transaction volumes.

A crucial aspect we're monitoring closely is the balance between access to capital and the availability of labor for construction and renovation. I believe we're entering a period where the labor market will reach its best supply balance since pre-COVID times. This equilibrium should help stabilize construction costs and make project budgeting more predictable.

An important trend to note is the division between established players with strong capital access and newcomers. In the current market, depth of experience and financial robustness will be key differentiators in successfully completing projects.

Geographically, our focus remains on the Western U.S., particularly in Southern California, Phoenix, and Las Vegas markets. These regions present robust activity levels and growth opportunities that align with our strategic goals.

In the multifamily sector, despite challenges such as rising operating expenses and flattening rent growth, I foresee continued activity and opportunities for savvy investment.

Disclosures

1) https://www.cbre.com/insights/briefs/global-real-estate-investment-continues-to-fall-in-q1?UUID=none

* There is no assurance that these goals will be achieved or meet investment objectives. Performance has varied in this time frame, with certain offerings generating losses that are detailed in the PPM track record.

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