REFINITIV STREETEVENTS

EDITED TRANSCRIPT

PECO.OQ - Phillips Edison & Co Inc at Bank of America Corp Global Real Estate Conference

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CORPORATE PARTICIPANTS

Jeffrey Edison *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

John Caulfield *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Robert Myers *Phillips Edison & Co Inc - President*

PRESENTATION

Unidentified Participant

We're going to get started here, welcome to the Phillips Edison roundtable. Jeff, I'll turn it over to you, maybe you can introduce the team and also provide some opening remarks.

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

Great. Well, first of all, thank you, everyone, for being here today. We appreciate your time. And I'm Jeff Edison, one of the founders of Phillips Edison & Company. With me are John and Bob, you guys want to give a little --?

Unidentified Participant

Sure, go ahead, John.

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

My name is John Caulfield. I'm the CFO. I've been in the company for 11 years. I think with regards to opening remarks, I'd like to say that I believe we're doing exactly what we said we would do, which is we believe that the platform in the portfolio can deliver 3% to 4% NOI growth every year, and that will translate into mid- to high single-digit FFO per share growth.

And this year, we're going to deliver 3% to 4% NOI growth, FFO growth at -- whether it's NAREIT or core, that will be between 6% and 7%. And as we look to next year, we believe that the same thing will hold true. And I also forgot to mention, we just raised the dividend by almost 6%.

Robert Myers - *Phillips Edison & Co Inc - President*

Good afternoon, everybody. My name is Bob Myers. I'm the President of Phillips Edison & Company. I've been with the company now for approximately 22 years. So it's been a great ride, putting together a great portfolio of grocery-anchored shopping centers. We have over 300 shopping centers in 31 states, about 32 million, 33 million square feet. We've seen a lot of success in our strategy. I'm sure Jeff will speak to this.

But when I look at our overall occupancy, we're at 97.4%. I look at our anchor occupancy, we're at 98.9%, in-line occupancy is at 94.8%. We have some of the highest spreads in this space. New leasing spreads are between 30% and 35%, renewal spreads approximately 20% with 3% CAGR, and we have a retention rate of 94%.

You'll also hear that 70% of our rent roll is necessity-based, and that's very important because we want to align ourselves with quick service restaurants, health and beauty services and Medtail. Lot of demand from the retailers in our discussions. They're looking for store counts for 2026, '27 and '28.

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Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

Well, for those of you who don't know us, we started PECO over 30 years ago with a focus on buying grocery-anchored shopping centers, adding value to them and creating value for our shareholders. And that -- over that 30 years, we've been at a fairly boring strategy of continuing to find the number one or number two grocer in the market and about 115,000 square foot shopping centers across the country, where we can get outsized growth, and we can bring the PECO machine to add really the best operating platform to markets that don't always have the best operating platform.

And that has given us the ability to show the kind of results that we have. And as Bob pointed out, sort of market-leading spreads. And we think that, that's kind of a testament to our portfolio, which is we really focus on giving the best spreads having the highest occupancy being in the best markets that have strong growth to them and then having the number one or number two grocer. And when you put those pieces together, and you get the kind of results that we've been able to put on the board.

QUESTIONS AND ANSWERS

Unidentified Participant

Maybe talk about kind of post earnings like the state of leasing, like what are you seeing on the ground, still a lot of uncertainty with the tariffs. And I know maybe tariffs have less of an impact sort of when you think about your portfolio, but has anything changed on the ground?

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

Well, there was a couple of months of panic over the tariffs. I think that was a real -- had -- it just stopped a lot of things happening for a period of time. I think the market's kind of gotten to the point where they at least have a relative understanding, certainly still some uncertainty, but they seem to have adapted. They have a plan, and they're working towards continuing to expand.

And Bob, do you want to add anything?

Robert Myers - *Phillips Edison & Co Inc - President*

I think one of the best indicators in our portfolio is the visibility we have out in the next six months. So I look at our leasing pipeline and our renewal pipeline, as I mentioned earlier, our new leasing spreads were 30% to 35%. That's going to stay consistent. We're not going to see a slowdown in new leasing spreads. On the renewal front, we were finished at around second quarter 20% renewal spreads with a nice 3% CAGR.

But with the renewals that we have out for signature, those are going to be elevated. So those are going to continue to go up. So we're not seeing any cracks in the portfolio. There was some tariff noise obviously in April, May, some things were put on hold. We didn't have any tenants fall out. The best indication is retention. And we're not seeing any slowdown with the 94% retention. So feel very good about the integrity of our portfolio.

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Not to add on too much, but in our materials, we have materials available online. We did an analysis at our rent roll in about 85% of our ABR we believe will have low impact. I think retailers talked about there, oh, we'll bring inventory in advance. Well, tomatoes and milk don't last that long. So for us, we're heavy service necessity-based goods and services. And so we think the stability of that portfolio will just continue to perform.

Unidentified Participant

The one news that did come out was the Amazon same-day delivery on sort of fresh items. Now I guess -- what changes for the industry, if anything?

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Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

Well, delivery of groceries for all the grocers and Amazon included, is a loser. They have a very difficult time making money at that. They have -- we've seen Amazon in relatively recent history, try bricks-and-mortar. It has not been successful. And they do have a fairly robust plan to expand Whole Foods by 100 stores over the next, I think, two to three years. So we'll watch. I mean, Amazon is great. You never kind of bet against them, but they have had a tough time adapting to the bricks and -- being profitable in the bricks-and-mortar business.

Delivery, they want to be at your house more often because it brings down their costs, but it's a tough business. Kroger made a huge commitment with Ocado to do that, with new warehouses that were fully automized and they've put that on hold. It's not because it was really profitable. They were losing money at it, and they didn't see a runway to grow, to continue to grow that. So how they compete, we'll see.

Our view has been that from the very beginning, to go from bricks-and-mortar to online, we think is an easier transition than from online to bricks-and-mortar. And we if you look at what Walmart has been able to do, they're making a lot of progress.

And so I'd say the jury is still out. They do want to be in the grocery business because they want to be at your house once a week. And which is when -- what the average customer shops at a grocery store. So they'll keep trying and we'll continue to watch. When you have perishables that you're delivering, it's a different thing than delivering a box and it's more complicated. The time frames are much shorter. It's a difficult thing to do. So we'll watch.

Unidentified Participant

Now I'd like to keep this interactive. So if there's any questions, please let us know.

You guys mentioned the occupancy at 97%, right? And I think for the overall portfolio, it's even higher for when you think about anchors and 94%. So having these record levels, I mean, help me understand how -- I mean, you talk about the 3% to 4% of growth, but kind of without occupancy pick up, talk about the building blocks to get to that 3% to 4%.

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

Yes. First of all, we believe that the retailers vote every day when they renew a lease, when they sign a new lease, where the best real estate is in that market. And when you have the highest level of occupancy, we believe we have the best properties. And that number one or number two grocery are driving that traffic, that weekly shopping experience is what has driven those results. And it's why we have the kind of -- we're able to get the kind of returns and renewal spreads as well as renewal percentages in the market.

Robert Myers - *Phillips Edison & Co Inc - President*

John, before you go, the only other thing I just want to mention in terms of occupancy -- even though we're currently at 97.4%, our in-line occupancy is at 94.8%. And we believe that we can move that given the demand that we see currently up to 96.5% over the next 18 to 24 months. So there's still occupancy growth.

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

So we do continue to see occupancy growth, as Bob indicates, but we're also using this high occupancy is pricing power. And so the NOI growth of 3% to 4% really is coming from renewal spreads and new leasing spreads. The best part of renewal spreads and the reason why we focus on retention rate is there's no downtime. And when you're getting 20% spreads and retaining over 90% of your neighbors, it really adds the continuity of your NOI growth.

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So if we look at it, we believe that new and renewal leasing spreads can be 100 to 200 basis points alone on an annual basis. We also have contractual rent bumps embedded in the portfolio. Today, it's about 110 basis points. I think that's on its way to 125 to 150 basis points because ultimately, the in-line neighbors are taking these 20% increases as well as 3% escalators on top of that.

The other piece is we have an active outparcel development program and redevelopment program, which is going to be things like a teardown rebuilds for public and that's going to add about 100 to 120 basis points of growth on an annual basis. We spend about $50 million a year in this program.

We'd love to do more. We have a meaningful pipeline and the returns are very strong. It's just very hard to do because at every one of our centers, it's a negotiation, you're dealing with municipalities and the grocers and things, but we have a platform that is very successful in doing that.

We also utilize the acquisitions that we have that will be a headwind to Bob on his occupancy number because we want to buy shopping centers with occupancy, but that continues to give space for our platform to lease.

Unidentified Participant

How long do you think until the embedded bumps are in that 125 to 150?

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

So we're at 110 now. I still think it's probably another two to three years before it keeps growing there. But we do -- we had the discussion with investors this week about could you get a bigger bump if you didn't take 20% off the top, and we're still -- we think like owners, I'll take the cash value, but it's a good discussion.

Unidentified Participant

Talk about the acquisition pipeline, right? I mean, you look at grocery anchor centers, I mean, pricing is very competitive in that sort of environment. Talk us through kind of the opportunities you're seeing, I guess, grocery-anchored and all the other sort of food groups you're looking at?

Robert Myers - *Phillips Edison & Co Inc - President*

I'll take that one. So year to date, we've acquired $303 million worth of shopping centers. In 2023, we acquired $275 million. Last year, it was around $300 million, so we're already at $300 million to the end of -- well, I'll just say year to date, we were $287 million at the end of the second quarter. So our focus on acquisition has always been to solve for an unlevered IRR above a 9% and the categories that we currently are looking for are core grocery-anchored shopping centers.

We also own shadow-anchored shopping centers, and then we have around 9 or about $185 million of unanchored shopping centers. That seems to be our category. In terms of the overall environment, what we're seeing, activity is up, so is competition, but on the activity side, I would say, based on OEM's offering, underwriting, what we've been presenting to investment committee is up 50% over where it was last year. So we feel really good about our pipeline.

We have another pipeline of deals that have been awarded or under contract of about $100 million. So right now, we're dancing at $400 million, which is right in the midrange of our guidance, which was $350 to $450 million. So we're sitting in a very good spot for the rest of the year looking at all opportunities.

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Unidentified Participant

And pricing on the product you're looking at?

Robert Myers - *Phillips Edison & Co Inc - President*

So again, we're solving for 9% unlevered returns. I would tell you, on the shadow space, unlevered returns around 9.5%. The unanchored space would be a 10% to 11%. Cap rates range anywhere from 5.75% to 6.6%. So that typically is what you'll see.

The assets we acquired in the first quarter, we were at a 6.3% second quarter. We found some inefficiencies, properties that were under managed. We took advantage of that. We were around a 7% cap. And I think as you consider the rest of the year, we'll be somewhere between 6.5% and 6.7%.

Unidentified Participant

So those stuff you're buying. And how are you sort of -- what's the source of funding for these acquisitions?

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

So our guidance does not actually have equity issuance. We were -- we did raise equity in the fourth quarter last year that gave us the ability to buy the $400 million that Bob is talking about. As we look at it, we do think that this is a great opportunity for investment because we think that we're undervalued. I know we're the first people in this room today suggests that they were undervalued but you heard to hear folks first.

But I think it's an opportunity, but what we're finding is that the private markets are a bit more efficient currently with regards to pricing than the public markets. And so what we're going to do is we're going to look at our portfolio and dispose of assets that have reached stabilization. So we're going to lean into that. to maintain our long-term leverage target of about 5.5 times.

To date, we're about 5.4 times, but feel really good about the ability to continue to buy the assets and the pipeline that Bob is talking about while leaning into a portfolio management strategy.

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

And we think we'll probably sell -- be able to sell product in the market today at about a 7% unlevered IRR, the stuff we're selling, and we're buying it at 9%. So there's a 200 basis points spread there in terms of what we're able to by in the market and the pricing at which we're able to sell.

Unidentified Participant

(inaudible)

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

Being sold? They'll be probably pretty comparable to the numbers that Bob said on the acquisition side.

Unidentified Participant

Just given the fact that competition for core grocery has grown so far. Could we expect you to lean more into the shadow-anchored or unanchored type assets?

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Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

I don't know. I mean, we look at them based upon the returns we need to get, and it will be -- it will really be dependent on what comes to market and where the opportunities are. We shop -- we're in 31 states. We have a on the ground -- boots on the ground team that can manage across a wide range, which gives us the ability to find opportunities more broadly than you can if you're in 5 or 10 markets. And that has given us, we think, the ability to find opportunities in that 9% unlevered basis.

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

I think one piece that I would add there is that when we look at it, they're not three categories. We think of it really as two categories because in the grocery-anchored shopping center in the variety of markets that Jeff is describing, 80%, whether the grocer owns their space or we would own their space, the biggest part of our underwriting is understanding the commitment of that grocer to their space.

Because ultimately, 30% of our rent today comes from grocery, and it's an excellent complement if we're able to have a grocer that's highly committed to their space and everything we've acquired year-date the average is $1,000 a foot in terms of their sales.

And so ultimately, what we have is the ability to get more alpha and better growth by owning that portion in the commitment with them. So we kind of look at it as grocery-anchored and then the unanchored space that we've talked about, which, again, we've been buying over the last three years, we have a little less than $200 million, but that is a complement that our platform is utilizing for assets in our market.

So I think to Jeff's point, we are always looking for inefficiencies in the market, and I think that's how we would probably bucket the two.

Unidentified Participant

I guess on the unanchored strips, I mean for people not familiar with just kind of talk about you pivoting towards that segment and buying more of that, like talk about the reasons and what are the risks in that type of segment?

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

I think pivot is a little strong. We are finding select opportunities near our existing centers where we have insight into the market gives us more confidence in what we're buying. And so -- and we think that the risk profile -- I mean, we're getting between 10% and 11% unlevered.

So we're getting paid to take some additional risk there. But our results so far have been in the $180 million that we bought been outstanding, and we are optimistic that we can continue with that.

Robert Myers - *Phillips Edison & Co Inc - President*

Just to add a little bit more color on the unanchored piece. We have nine currently. So about $185 million and the criteria is very consistent with our core grocery-anchored strategy. They have to be in our core markets. Right now, median incomes are around 120,000 in the strategy. We have about 100,000 people in three-mile radius.

We have higher education around 50%. So there's just a lot of positive attributes. On average, we're spending $275 to $325 a foot to acquire these properties. They're typically under managed, which gives us a -- an opportunity to go in and remerchandise and use our national account platform. And a lot of this is transitioning some local tenants to national tenants and regional tenants.

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And we've seen early success. We've only done it in this portfolio for less than three years, but we've moved occupancy in a meaningful way. New leasing spreads are between 45% and 50% and renewal spreads are above 30% in this space. So it's a natural extension of what we do very well with one of the best operating teams in the business.

Unidentified Participant

I would just be curious to know if you can answer this, the spread between the yield you get on acquiring a number one, number two grocery-anchored center versus a number three or lower.

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

We don't buy number threes, we're probably not the right guys to ask. If they're not the number one or two, it's not -- we don't -- we see there's additional risk there. you'd probably guess it's 150 basis points difference in that valuation number.

Unidentified Participant

Anything on the balance sheet. At this point, what's the update?

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

We're 5.4 times. We're BBB flat. We were upgraded last year by the rating agencies and continue to argue with them that we have the same balance sheet as some of our peers, they're just bigger than we are. And we've been successful in continuing to ladder our maturities. That's been something we've talked about.

In the last 12 months, we've issued three bonds, adding duration to the portfolio. We don't have any meaningful maturities until 2027. And so I think that's our goal is to be a repeat issuer in that market. It's the most liquid and we're committed to a long-term leverage target of mid-5x.

Unidentified Participant

One of the things we haven't talked about is sort of redevelopments and repositioning. Talk about kind of where are yields today in some of these projects? And have they moved given higher costs and that.

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

So right now in our portfolio, we do anywhere between $40 million and $50 million of I would call it, redevelopment-development. We do a lot of teardown rebuilds for publics. We build $2.5 million to $4 million strip centers in our outparcels currently. And those returns average anywhere between 9% and 12%. So that seems to be the wheelhouse, and we're not seeing any shift from those return targets.

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

And that 9% to 12% is a cash-on-cash yield, not the IRR. The IRRs will be much higher. And so I think it's a great opportunity, but you have to unlock it at every asset. And thankfully, we have a team that's experienced in doing it. We would love to do more of it. But the returns are strong. Even as costs rise, that's still underwritten and then being matched by the rents we're able to achieve.

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Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

And we have about $160 million of that program over the next three years that we feel really good about. And we're really trying to grow the future buckets. And if we can buy more, we will. But these are $2 million to $3 million to $5 million maybe kind of expenditure. So there's a lot of groundwork.

Unidentified Participant

The one thing that I've asked sort of all my companies here is none of them have provided guidance in the '26, but as you kind of look at street models and kind of think through, is there anything that you think investors or even sell-side analysts aren't -- are they carrying through anything they shouldn't be kind of -- as you think about recurring growth in the next year, '26 sort of building blocks, not long term, but just '26?

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

I'll answer your question also a little bit extra. So the one thing, one of our taglines is we believe our portfolio delivers more alpha and less beta. I feel like the investor space appreciates the lower beta portion of our portfolio, the necessity-based goods and services in the grocery and the portion that's underestimated is the more alpha part.

When we talk about the leasing spreads, our ability to push occupancy and the development that we just talked about. So when I think about that, that is the part that when I look ahead, we believe this portfolio can deliver between 3% and 4% NOI growth, and I believe that will be consistent for '26 and when you take that and you have the platform that we do and that 3% to 4% organic growth flows through the bottom line, that's 450 to 600 basis points of FFO growth.

And then you add our external activity that we're going to continue to do, then that will add additional FFO growth. And then, yes, interest rates, while in the moment are declining, that will be a little bit of a headwind. It was more of a headwind in years past, but we continue to work to smooth that out, so that when you put those pieces, the pluses and then a little bit of a minus on the interest, ultimately, we still believe what we'll be able to deliver is mid- to high single-digit FFO growth and actually believe the AFFO growth will be better than that because that's the other piece that we haven't really talked about, which is the efficiency of having grocery-anchored shopping centers that are 115,000 square feet.

We don't have that large secondary box anchor exposure that seems to be at risk oftentimes and is very expensive. So we put less -- we put the appropriate amount of capital to maintain the centers, but we put less in from a TI standpoint to generate our growth. So our AFFO growth will be better.

Unidentified Participant

So let's put some numbers around that then. And so when you think about CapEx as a percentage of NOI, go back sort of the last two years, what was that as we think the next three years, where would that be?

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

So I would say in the last several years, it's ranged between 12% and 14%, and it's probably that way. We had some anchor activity in '24 that we're kind of going through and paying for. But I would say that 12% to 13% for maintenance capital is a good run rate. I think the significance is we do over 600 renewals a year and pay very little TI for that in addition to the option activity of our grocers.

So the AFFO growth will be strong, and that is what we -- who we pay most attention to, but we do find that it is easiest for the investor community when were speaking NAREIT FFO terms.

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Unidentified Participant

The one thing you talked about was 3% to 4% same-store, external growth gets you to mid- to high single digits, right? So that external growth, how accretive is that considering how competitive that landscape is, right, grocery-anchored.

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

It's an excellent question. The challenge is the acquisitions on a spot basis are accretive, but not very much. Because ultimately, the private markets still see the competitive advantage of owning the grocery-anchored shopping centers. And we're able to own those and grow. But what we're buying are assets with meaningfully higher growth in 3% to 4%.

And so ultimately, even in '26, it will be -- we will be receiving the NOI growth from '25 that doesn't show up in the same-store pool. And so usually, I want to say that's 100 basis points, 150 basis points worth of growth. that we'll be able to see. We would love to have greater arbitrage between the public and the private market. That isn't the case right now, which is why we will work to manage our portfolio to get that 200 basis points of incremental growth that Jeff referenced earlier.

Unidentified Participant

What have you seen on -- I mean, you saw Blackstone get active on ROIC. I mean what are you seeing in the landscape in terms of capital formation or private equity at this time?

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

It continues to be a strong competitor. We would love to have the pricing that ROIC did. We think our portfolio side by side in terms of what we produce in growth and the quality of the assets would have traded inside of that puts us at a $45 stock at that kind of pricing. So there is quite a difference between the where the private markets are, and there continues to be a fair amount of capital in that market.

Now Blackstone is also selling -- going to sell 30 to 40 -- I think they've announced they're going to sell 30 to 40 of the assets that they bought in ROIC that brings new product onto the market. We'll see if that actually happens or not. They've got probably six or seven assets on the market right now and -- but really no price recognition yet in terms of closings.

Unidentified Participant

(inaudible)

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

Yes. We're watching. And I think I was saying a little earlier that we -- Amazon tries a lot of stuff, and we -- having done this for a long time, there was a time where Publix did delivery. They bought an entire fleet of vans. They did -- they had a full plan. They couldn't make it work.

How Amazon can make that work and what we consider probably the best grocer in the country in Publix couldn't make it work. We'll -- I think the Jury is still out on that one. But they do love to be in your house once a week bringing your goods. I mean that is -- they have an incentive to be successful in that business.

Unidentified Participant

(inaudible)

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Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

So we have two active JVs and one JV that's fully invested at this point. We see it as an alternative to kind of expand our net a little bit beyond what we want to have on our core balance sheet. And those JVs have done that and we're in the early days with them, but we think that that's an opportunity to continue to grow really. The fees that you get in that business are very positive to the returns.

Unidentified Participant

Okay. So we've got -- I got some rapid-fire questions, Jeff, hope you're ready for that. All right. Number one, when the Fed starts to cut rates, long-term rates, are they going to decline, stay flat or potentially rise?

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

I tend to bet where the market is. I think that they will kind of remain -- I think they've -- I don't think you'll see the same compression on long term is what you're going to see on the shorter term.

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Flat.

Unidentified Participant

All right, John.

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

You can only say one.

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

Flat.

Unidentified Participant

All right. AI initiative spending next year, higher, flat or lower?

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

Higher. We have 21 AI projects right now under our -- that we're working on across our different departments. We think it's a meaningful opportunity.

Unidentified Participant

Okay. This is for the sector. Same-store NOI growth next year, higher, lower or same?

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Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

Pretty close to the same.

Unidentified Participant

Thanks a lot, guys.

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer, Co-Founder*

Thank you.

Robert Myers - *Phillips Edison & Co Inc - President*

Yes. Thanks, everybody.

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