BRIXMOR®

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2Q 2016 EARNINGS CALL - FINAL TRANSCRIPT **JULY 2016**

CORPORATE PARTICIPANTS

James Taylor, Chief Executive Officer and President

Angela Aman, Chief Financial Officer

Brian Finnegan, EVP, Leasing

Mark Horgan, EVP, Chief Investment Officer

Stacy Slater, SVP, Investor Relations

PRESENTATION

Stacy Slater

Thank you Operator. And thank you all for joining Brixmor's second quarter conference call.

With me on the call today are Jim Taylor, Chief Executive Officer and President, and Angela Aman, Chief Financial Officer, as well as Mark Horgan, Executive Vice President and Chief Investment Officer and Brian Finnegan, Executive Vice President, Leasing who will be available for Q&A.

Before we begin, let me remind everyone that some of our comments today may contain forward-looking statements that are based on certain assumptions and are subject to inherent risks and uncertainties as described in our SEC filings and actual future results may differ materially. We assume no obligation to update any forward-looking statements. Also, we will refer today to certain non-GAAP financial measures. Further information regarding our use of these measures and reconciliations of these measures to our GAAP results are available in the earnings release and supplemental disclosure on the Investor Relations portion of our website.

Given the number of participants on the call, we kindly ask that you limit your questions to one or two per person. If you have additional questions regarding the quarter, please re-queue. At this time, it's my pleasure to introduce Jim Taylor.

James Taylor

Thank you Stacy, and good morning everyone. I am very pleased with the operational results delivered by our team during this, my first quarter at the helm and a quarter of transition in the C-suite. I will cover our operational results in a bit more detail, provide some observations from my first 70 days, and further discuss the significant opportunities I see for the Company going forward. I will then turn the call over to Angela who will provide additional insight into our financial results, discuss the progress we have made towards our balance sheet goals, and cover our outlook for the balance of the year.

Prior to beginning the prepared remarks, however, I would like to take this opportunity to thank the Board for its leadership during this transition period and in particular Dan and Barry for stepping into the breach and facilitating such a smooth transition. I am extremely grateful for their contributions and the running start they gave Angela, Mark and me to build upon what I believe is an incredibly strong foundation. I would also like to acknowledge the efforts of Brian, Mike, Haig, Carolyn, Steve, Tom, Barry, Stacy, David and the rest of the Brixmor team for not losing their focus and continuing to deliver outstanding results for our shareholders.

Speaking of results, our bottom line FFO of $0.50 a share represents growth of nearly 10% over the prior year when you adjust for non-cash and non-comparable item such as the executive severance and the acceleration of interim compensation this quarter. That bottom line growth is far above the trend for our sector and is particularly impressive when you consider that it is primarily driven by improving rate and occupancy in the overall portfolio versus redevelopment. I believe that there is significant opportunity to grow redevelopment within what we own and control today, which I will cover in a minute, but first allow me to cover what happened in the quarter.

Our leasing and operations teams again delivered in terms of production with 467 new and renewal leases signed representing over 2 million square feet at an average rent of $15.68 per foot. On a comparable cash basis this is nearly 16% higher than the prior in place rent. While our peers have yet to report, I would wager that those results are at the top of our sector in terms of absolute productivity. This production was strong across all regions of the Company and reflects a focused commitment to driving both rents and occupancy. Importantly, we saw strong rate gains in small shop rents, which averaged 19.4% for new leases and 14% for renewals, excluding options. Our anchor rollover averaged 31.4% for new leases and 9.4% for renewals, again excluding options. This productivity also drove meaningful increases in occupancy with overall occupancy up 30 basis points year-over-year and small shop occupancy importantly up 60 basis points. It is particularly noteworthy that our team drove this occupancy increase despite over 1.3 million square feet or nearly 150 basis points of occupancy drag due to proactive recapture of anchors. As you may recall, the Company recaptured 10 A&P and Kmart boxes representing nearly 700,000 square feet of space in just the last 18 months or so. As of the second quarter, we have successfully backfilled 62% of that space at a rental rate increase of 118%, more than double the prior rents. That to me truly highlights the productivity of our leasing team and also the embedded mark to market in many of our centers.

The Sports Authority closure that has received a lot of press also represents an opportunity for us where we have five locations that we have or will get back representing 200,000 square feet at an average rent of approximately $10 per square foot. At our sixth location, Mansell Crossing, we were outbid at auction by a tenant that should improve our remaining opportunities at that center from a merchandising perspective. While we expect a short term occupancy drag of 25 basis points, these Sports Authority boxes are in strong, desirable markets with a long term opportunity to drive higher rents with more productive retailers.

In addition to driving impressive productivity, we also executed several important deals from a merchandising perspective that continue to drive the relevance of our centers to the communities they serve and the corresponding ability to drive growth. Those important merchandising wins included deals with Nordstrom Rack, J. Crew Mercantile, Trader Joe's, Restoration Hardware Outlet and Orchard Supply.

From a redevelopment and repositioning standpoint, our construction and development teams continue to deliver as well, on time and on budget. This quarter we delivered five repositioning projects for a total cost of $6 million and above a 20% return and we teed up six additional projects for another $6 million of investment and expected return of over 16%. These transactions are of strategic importance to the Company not only in terms of driving incremental returns within the four walls of the spaces repositioned, they also set us up for growth in the balance of the centers impacted. In fact, the Company has historically realized almost 400 basis points of small shop occupancy growth where a new anchor was put in place in the prior 24 months.

Now, I have had the opportunity to see many of these in-process projects. On my trip to Chicago, I saw the newly delivered pad building at Tinley Park, which will stabilize above a 12% return on cost next quarter and importantly cleans up our front door and sets us up well to pursue additional lease up at that well located and productive center. In Dallas, I saw construction well underway at Bardin Place of our new WinCo grocer, a leading regional player whose store is scheduled to open in early 2017. At Maple Village in Ann Arbor, Michigan, one of our Kmart projects, I saw construction on track as well as the positive momentum driven by our recent deals with Sierra Trading Post, HomeGoods and Stein Mart. Our progress there sets us up very well for a second phase. At the Shops at Riverhead, our development project at the gateway to the Hamptons on Long Island, we announced last quarter deals with HomeGoods and Marshalls and expect shortly to announce an additional three leases with best-in-class national retailers.

All this is great and while we are making good progress on the projects underway, simply put, we need to do much, much more.

I have spent significant time in my first 70 days touring assets and submarkets, visiting over 120 of our properties in the North, Midwest and Texas. Importantly, I have had the opportunity to meet with our leasing and operations teams in the field, see the assets through their eyes and make informed assessments about the quality of our people and the potential of our real estate. In short, I am very enthusiastic about both.

I also have had the time while in market to meet with many of our key tenants such as T.J. Maxx, Ulta, Kroger, Target, Sprouts, Ross, Party City, Burlington and many more. Importantly, our leasing teams have great access and relationships with these accounts. And equally, if not more importantly, these tenants continue to thrive and have robust growth plans that align with our assets and markets.

But, what struck me most is the breadth of latent opportunity in the assets themselves. The value add projects announced to date have really only just begun to tap into what I see as unrivaled potential to drive outstanding risk-adjusted returns through investing in these assets. Significant potential projects like 163rd in North Miami, Roosevelt Mall in Philadelphia, Mira Mesa Mall in San Diego, California, and the Village of Newtown in Bucks County are complemented by dozens of smaller but significant value creation projects like Marlton Crossing in Marlton, New Jersey, Devonshire Place in Cary, North Carolina, Chicago Ridge in Chicago, Illinois and Sagamore Park in West Lafayette, Indiana. As a Company, we just plainly need to more diligently execute on these embedded opportunities while appropriately balancing productivity and occupancy targets with setting up long term outperformers. Expect us on future calls to provide more definition around the scope of this reinvestment pipeline and its impact on our ability to drive long term growth as we get to work setting up these additional opportunities and converting them from shadow pipeline to actual projects. But, suffice it to say for now that I am very, very excited about the potential that exists in the assets that we own and control today that drive great returns.

Just as I expect to be more active redevelopers of our assets, I also expect us to be more aggressive and opportunistic in recycling capital. Those decisions will be made on an asset by asset and submarket by submarket basis, recognizing 1) that the decision to hold an asset is an investment decision; and 2) over the long term, I believe strongly that critical mass in a submarket or retail node will drive outperformance. We currently have 90 assets in single asset markets. Some of those markets may provide attractive opportunities for growth through additional acquisition and others we will exit. I am particularly excited to have Mark Horgan and his wealth of transaction experience leading this effort.

Now, I know that many of you will be seeking specific target volumes for modeling purposes. I expect that I may disappoint you in this regard. While I fully expect our volume of capital recycling to increase, please be mindful of two points. First, as you would expect, our capital allocation decisions will be driven by return goals versus volume. Second, as you would also expect, I always want to retain the flexibility to be opportunistic. There simply is no need for fire sales in this portfolio, just as there is no blind ambition in this team to chase metrics such as ABR where the returns are not justified. Of course, our future guidance will reflect our best judgment as to the impact of capital recycling, just as it will leasing and redevelopment and other investment activity. And that guidance will be updated as we execute activity with third party buyers and sellers.

So let me leave you with one thought: I am very excited to have a business plan that stands apart from all of those that are chasing the same ten or so markets. It takes a long time and involves a lot of risk to grow a 4% cap rate to a 6. I also believe that our plans should have more embedded growth opportunity in what we already own and control today.

Let me close with a few thoughts on the organization. As I have mentioned, I have been very pleased with the quality of the people on the Brixmor team. I would place many of them at the top of the industry in terms of their specific roles. With that said, I fully expect to invest an additional talent in certain areas while also reallocating resources away from others. It's premature for me to comment much more on that at this point, but I would expect that such decisions would be neutral to our run rate G&A, although they might incur transition costs.

As I wrote the Brixmor team at the start, we are building a market leader on the base of a very solid foundation. I truly cannot be more excited about the challenges and opportunities that lie ahead. At this time, I would like to turn the call over to Angela to review our financial results and then we will turn the call over for questions.

Angela Aman

Great. Thanks Jim and good morning.

Before reviewing our financial performance and capital markets activities during the quarter, I would like to take the opportunity to say that I am very excited to be part of the Brixmor team and extremely appreciative of the welcome I have received, particularly from the accounting and finance groups, over the last couple of months.

We as a management team are committed to providing best-in-class disclosure and transparency to the investment community and since joining the Company, I have been working closely with the team to review our policies and procedures as it relates to accounting, financial reporting and our internal control environment. Our efforts have also included significant focus on our non-GAAP financial and operational metrics. Our conclusions have been consistent with those of the interim management team, that the methodology being employed by the Company is appropriate. And as you would expect, we have also continued to enhance the structure around our process for reporting non-GAAP metrics and ensured that our public disclosures around these metrics are as clear and transparent as possible.

FFO for the second quarter was $153 million, or $0.50 per share, and was impacted by approximately $5 million of severance and executive equity based compensation expense, as well as $5 million of lower non-cash income relative to the second quarter of last year. Adjusting for these and other items that impact FFO comparability, FFO per share grew 9.6% during the second quarter, demonstrating the progress that the Company continues to make with respect to harvesting the mark-to-market opportunity embedded in the portfolio, as well as the progress being made on reducing the Company's weighted average interest rate.

Same property NOI growth for the second quarter was 3.5%, primarily driven by growth in base rent, which contributed 270 basis points of same property growth during the quarter. Net recoveries, provisions for doubtful accounts, and percentage rents were also positive contributors and were offset by a decrease in ancillary and other income. The growth in net recoveries during the second quarter reflects both the substantial completion of the Company's annual CAM and tax reconciliation processes, as well as significant tax rebates recognized during the quarter, while the decrease in ancillary and other income reflects several non-recurring items that were recognized in the second quarter of 2015. Looking forward, we expect that the pace of same property NOI growth to moderate in the third quarter before accelerating again in the fourth quarter. Our seven leases with Hancock Fabrics and two of our leases with Sports Authority were rejected in bankruptcy at the end of June, while we expect three additional Sports Authority leases to be rejected at the end of July. In addition, the timing of percentage rent, due to the change in accounting method enacted in the fourth quarter of 2015, will likely have an impact on the third quarter same property growth rate.

With respect to our balance sheet, we were very pleased to announce last night the amendment of our $2.75 billion unsecured credit facility. We have received over $4 billion of commitments for the recast and I would like to take a moment to acknowledge the exceptional support and commitment we have received from our bank group. The recast of the facility allowed us to both improve pricing and increase the duration of the facility, extending the maturity on the revolver from 2017 to 2020, while also extending the maturity on $500 million of the $1.5 billion term loan from 2018 to 2021.

We are committed to an unsecured strategy and the recast, in conjunction with the $600 million bond issuance in early June, has allowed us to advance our primary balance sheet objective of creating a more balanced forward maturity profile and improving our weighted average maturity, while also continuing to unencumber the portfolio. We now have ample capacity and financial flexibility to address our secured debt maturities through the end of 2017 and we are well positioned to be opportunistic with respect to future capital raises.

As it relates to guidance, last night we narrowed our FFO expectation from a range of $2.01 to $2.09 to a range of $2.03 to $2.06, reflecting higher G&A guidance primarily due to the severance and equity compensation items in the second quarter and lower non-cash income. Our same property NOI growth assumption of 2.5% to 3.5% was maintained, despite the fact that the majority of income recognized from Circuit City in the first quarter was not included in same property NOI as was originally anticipated in guidance. This has acted as a headwind to the same store NOI range of approximately 60 basis points for the full year, which stronger portfolio performance has offset, allowing us to maintain the range. It's important to note that our revised guidance does not include any expectations of additional one-time items in the second half of the year.

And with that, I'll turn it over for questions. Operator?

QUESTION AND ANSWER

Christy McElroy – Citi

Angela, I know you mentioned that you expect to remain opportunistic on the capital markets front, but in terms of expectations for activity through year-end, I wonder if you could talk specifically about the likelihood of the second bond offering. And you do have an ATM in place? How are you thinking about leverage today, and under what circumstances would you consider using it?

Angela Aman

Thanks for the question. As it relates to activity in the back half of the year, I do think that the activities we have taken just over the last couple of months position us very well to be opportunistic as it relates to further capital raising. Today we sit with an undrawn revolver and plenty of capacity to address all of the remaining secured debt maturities through the end of 2016 and really even into 2017. But that said, I think as we think about continuing to advance our balance sheet goals of terming out the balance sheet, we certainly could be active in the market again to the extent it makes sense to do so and it was an opportunistic execution.

With respect to the overall leverage profile, I think we sit today at around 7x debt to EBITDA on a cash basis and do fully expect that we will continue to work that number lower over time, but I would say that based on the risk profile of the Company, we are certainly comfortable with the current level, but as I said committed to working it lower moving forward. And we think there is a really good trajectory to continue to do that through using operating cash flow that the Company is already generating towards the balance sheet.

As it relates to using the ATM, we like that we have that as a tool in the toolbox but think that we have ample capacity today to continue to meet our portfolio and reinvestment objectives and continue to make progress on the balance sheet.

Christy McElroy – Citi

Great. And then Jim, I just wanted to follow-up on a comment that you made earlier about not chasing the same 10 markets or so as others, and maybe Mark wants to weigh in here as well. Realizing you don't want to provide specific acquisition goals, but maybe you could talk a little bit about some of the potential opportunities you see in acquisitions and how you would think about funding going forward.

James Taylor

You know, it's a great question and one that I am most excited about, particularly after having been on the road and seeing some great assets and great retail nodes that aren't necessarily even in the top 50 markets. Think about markets like Ann Arbor, College Station, markets in New Hampshire, Connecticut, etc. where we are actually in the market so we understand it, and therefore the risk of underwriting expanded investment in that market, I believe, is lower. And when I look at what the pricing is in some of those markets, while tight and look we are in an all-time tight environment, it is nowhere near where we are seeing the pricing, and importantly the IRRs, being driven in some of these gateway markets.

As I alluded to, it takes a long time to grow a 4% to a 6, and importantly when you are looking at some of these investment opportunities, the rents may be already full. We are going to be disciplined about it. We are going to be underwriting these asset opportunities one at a time, just as on the disposition side, which I think is going to be an important pipeline for us to reposition and reallocate our capital prudently over time, we are going to be looking to sell assets where we believe we have maximized the potential and/or we don't like the long-term fundamentals of that particular market.

So, I think there is a lot of opportunity for us to execute out there and not have to necessarily chase the crowd, if you will, trying to improve metrics like ABR or other things, but rather prudently deploying capital to maximize returns. I am particularly excited about it. I would expect that most of that investment activity will be driven through asset sales and, obviously, the other thing I am really excited about is the redevelopment opportunity in assets that we already own.

Capital is finite. Each of these opportunities will have to compete for the capital that we have, but I am excited that we have that lever to drive further growth.

Craig Schmidt – Bank of America Merrill Lynch

How long might it be before we see a ramping up of redevelopment efforts?

James Taylor

As you know, redevelopment can have a long lead time. They are often complicated. I expect by next quarter you should start seeing us incrementally providing new projects in the pipeline, but also, importantly, providing some disclosure on what that shadow pipeline looks like in our view and I would expect us to continue to advance that pipeline going forward.

What's encouraging to me, Craig, is that, we actually some very talented folks within the construction and development teams. I think some of our resources within that effort need to be reallocated and refocused, but we do have some very good talent and as I alluded to in my remarks, we have a lot of very active projects underway just not nearly enough. Particularly not nearly enough relative to what I saw when I was out in the field and many of you who have seen some of the assets have commented to me the same observation off-line: boy, it certainly looks like this center could be more than what it is today. And the range as, I alluded to in my remarks, are large substantial projects like 163rd in North Miami, where I've had a lot of people call and offered a quote take that off our hands, to more tactical and more numerous projects like Marlton Crossing in Marlton, New Jersey where we have the opportunity to replace a large box, but also do a bunch of additional small shop and potential pad opportunities around that. So again, I think from a team perspective it's going to be a real focus on making sure we are prioritizing that activity that we are committing enough resources from a human capital standpoint to diligently pursue what we have.

Craig Schmidt – Bank of America Merrill Lynch

And will you be doing dispositions before you proceed with the redevelopments?

James Taylor

We are working on dispositions as we speak and we will continue to tee those up. It is difficult to match them perfectly, but again, I think if the crowd that came into our booth at ICSC or the number of calls I have gotten from funds, private buyers and others are any indication, I think there is liquidity for us to execute on the dispositions. And you should expect to see us ramp that activity up over time.

Todd Thomas – KeyBanc Capital Markets

Jim, you've been in the seat now for a couple of months, a reasonable time to evaluate the platform and the current portfolio. Prior management had a focus on raising rents and recapturing space. And so, as a result, the lower occupancy was presented as an opportunity.

And then Dan Hurwitz during his stint as interim CEO commented that occupancy needs to be higher across the portfolio and that closing the gap would be a focus much more than it had in the past. And there was seemingly a little bit of a greater sense of urgency there. Just curious where you stand as you think about maximizing revenue here.

James Taylor

I think it's a balance, and what I am proud of with the team is that we continue to execute from a productivity standpoint and when you look at the volume of leases this platform did, I stack it up against any. Importantly, they also were driving rent. You can see that as we broke out for you this quarter, what we are doing on the renewal and new leases, really the deals that involve the negotiation in the present time, versus what was negotiated several years with the inception of the lease.

The team is doing a great job driving that and I still think there is tons of that opportunity. However, that productivity shouldn't be at the expense of the long term potential of its center. So as we look at back filling the space, we need to make sure that we are being holistic about what is most likely to drive long term NOI growth, not simply backfilling space at a better rent, but from a merchandising perspective etc., what is going to drive our ROI over time. And it's in that type of activity that I have seen over time where I think we have a great, great opportunity to achieve that balance. So it's not an either/or proposition, Todd, it is just more of a balance in terms of making sure that we are not just thinking about the four walls and filling them, but we are also thinking about what the potential is for the balance of the center to make it more relevant in the community it serves.

Todd Thomas – KeyBanc Capital Markets

As you look at the portfolio, where do you think stabilized occupancy is? And how long do you think it might be before you are able to achieve that level?

James Taylor

I think over time we should see stabilized occupancy overall for this portfolio in the mid-90s and I expect to see significant improvement as we engage in both leasing and capital recycling and redevelopment and for small shop occupancy, in particular. The time for that will be undetermined as of yet. I think really what you have to look at is the progress we are making each and every quarter towards driving that and also as we move forward I think the market doesn't truly understand the potential that exists in some of these assets.

So, you are going to hear us talking much more specifically about each asset and what the opportunities are. Obviously we have 516, so we are not going to be talking about every asset on every call, but importantly, we are going to be trying to highlight for investors where we are making these decisions and how we are allocating capital.

Jeff Donnelly – Wells Fargo

Portfolio recycling aside, do you feel that any material changes at the administrative level of the organization are largely behind you at this juncture, or do you think we could see more restructuring as we move through in the next, say 6 to 9 months?

James Taylor

I think that more tweaks to the organization are definitely in order. I am not going to talk specifically about it, but as a senior team, we have been talking about it internally to make sure that we are allocating resources, as I alluded to on the call, appropriately. And again, I think we have a significant G&A run rate, so I think we have opportunity to reallocate or reemphasize the deployment of human capital from certain areas into areas that I think are going to be more instrumental in terms of driving our growth. I keep hitting on redevelopment. I think we have a wonderful leasing marketing effort. I think that that could certainly use some more breadth. Our national accounts team has great penetration into their accounts. I think there are opportunities for us to continue to improve the coverage and the breadth of the type of retailers we have.

So I do expect some changes as I get through this assessment period and expect that we will be announcing them soon. And I think the team generally is pretty excited about it. As you know me, I'm an open book. I just want to make sure that it's all communicated internally before we communicate out.

Jeff Donnelly – Wells Fargo

Understood. And I know you want to remain mum on capital recycling figures. But just to give you some perspective, I think investors are concerned that Brixmor may be facing an extended period of earnings dilution or just lack of growth, if you will, as you sell assets to pursue properties that might ultimately have higher value growth. But, nevertheless, the act of the near-term drag on NOI. Is there anything you can say to maybe address those concerns?

James Taylor

I appreciate it. As I alluded to you, Jeff, in my remarks, as I go through the assets, there are not situations where we need to have fire sales. I think we can be opportunistic with a number of these assets, many of which are very granular, which gives us the opportunity to minimize that dilution through recycling that capital into either redevelopment, which I think we can do substantially more of, or acquisitions that build our presence in some of these markets. When you think about where we are going to be selling assets versus where we are going to be acquiring them, will there be some dilutions? Yes, but in the context of this platform, not huge. And we are mindful that it's always got to be a balanced to make sure that we are driving good fundamental outperformance in terms of that bottom line growth and I think we have a lot of tools of which to do it.

Jeff Donnelly – Wells Fargo

And the follow-up question I have is around asset quality and, value growth prospects aside, do you have any specific goal for shrinking or growing the number of assets in the portfolio? Or is that really just sort of an outcropping of your actions? You don't really give specific thought or consideration to the sheer number of properties you hold?

James Taylor

I think the sheer number of properties we hold is a lot. I think that we will probably own fewer over time. And just as importantly, Jeff, as I alluded to, we are in 90 markets where we own one asset in that market. If you look at the small shop occupancy for those assets, interestingly, it's 300 basis points lower than our overall portfolio average. That's actually not surprising to me at all because critical mass in a market matters. It drives relevance of the landlord to the retailers that want to be in that market. It provides more underground intelligence in the field for what the dynamics of that particular market are.

So I would fully expect and hope for us over the 3, 5, and 7 year period to begin aggregating our exposures in tighter nodes. And having fewer and fewer of these assets, where it's the only asset we own in that particular market. What I like about some of these markets, as I alluded to you, is there's not a thundering herd of competitive capital necessarily to acquire what are great retail assets. And I think with a lot of private ownership and the scale and scope of our platform, we have some opportunities to acquire, build presence, and drive good return.

So, yes, I do expect us to have fewer assets but more importantly than the actual number of assets is the number of markets. I think you'll see us concentrating more than what has been historically.

Jeremey Metz – UBS

Jim, in terms of leasing, I think one of your initial observations after taking over was that there could be an opportunity to better align leasing incentives. So, now that you are a few months in, I am wondering if you can give us your views here. Any changes you are implementing or intend to implement to further align that part of the business? And then I guess more broadly, do you have the right size leasing team in place to execute your strategy today?

James Taylor

Let me take the first part of the question first. As it relates to compensation structures, we are focused and working on implementing a plan for our leasing agents in the field that appropriately aligns them with the NOI goals at the asset level. And moving away from pure production, but obviously rewarding production type compensation.

As it relates to the size of the team, we are pleased with the productivity the team generates. We have a lot of great athletes. I think that there are a lot of great athletes that would like to join the team and we are going to continue to evaluate what we have in the field to make sure that people are performing in a way consistent with their goals, number one, and as importantly, that we are supporting them appropriately from a corporate perspective not just in terms of aligning their objectives or their compensation, but giving them the tools to outperform. Whether it's leverage from the redevelopment teams or leasing marketing, etc. I think there's a lot of opportunities for us to be better, and that may involve realignment of some of the leasing teams, but again, all with the focus to making sure that first and foremost the goal will be driving NOI at the asset level.

Jeremey Metz – UBS

Appreciate that. And then for my second one, just wanted to go back to redevelopment. You have mentioned a few times seeing a lot of potential here. Obviously you are in the early stages of reviewing plans, and it sounds like we'll get more color on the shadow pipeline in future quarters, but I guess just longer-term, are you able to give us some color on how big of a piece of the business you want to see development and redevelopment becoming over time maybe as a percentage of enterprise value or even dollar value?

James Taylor

I'd be very disappointed if that level of activity remained at about 1% of the enterprise value of the Company. I think it could be higher than that both in terms of the total pool and what we execute on an annual basis. Again, redevelopment is tough, it's long, it's complicated, but I'd be disappointed if we didn't increase that percentage of the overall enterprise value pretty substantially.

Alexander Goldfarb – Sandler O'Neill

First, a question for you, Jim. You know, if you think back to your alma mater, obviously your comments about high cap rates are sort of 180 from the low-cap markets that you grew up in. But one thing that sounds consistent is it sounds like you want to drive consistent earnings growth and cash flow growth regardless of your external activities or redevelopment programs.

So is that a fair characterization as you said that you are not going to give targets for things whether it's dispo or redevelopment targets. But it sounds like the consistent theme is that you want to drive consistent NAREIT-defined FFO growth over the years. Is that the takeaway, or could we see some years where there is dilutive growth or growth is negatively impacted because of various activities that you are undertaking?

James Taylor

The bottom line is we want to deliver consistent, sustainable bottom line performance. There may be years where we are undertaking some significant projects that slow that down a bit, but yes, I think that the great opportunity here from a business plan perspective is to strike that balance between not just capturing the embedded mark-to-market and the leases, but setting up a pipeline for future growth, funding that out with capital recycling activity and being smart about how we're deploying that capital. As you know this is a very granular portfolio. So unlike some other situations where you might have an asset or two that is so substantial that it really swings of performance, I think we have an opportunity here to be even more consistent and predictable, which I think are important goals.

Alexander Goldfarb – Sandler O'Neill

So the bottom line is that should be the overriding objective that we are looking for is that consistency of growth above everything else. Right?

James Taylor

Well maximizing that long-term value through consistent growth and producing sustainable results, yes.

Alexander Goldfarb – Sandler O'Neill

And then the second question is for Angela. On the guidance, you guys sort of basically maintained the midpoint. But it looks like your G&A went up and then straight-line revenue came down and same store NOI stayed the same. How is it that guidance is staying the same if it looks like expenses are up and revenue recognition is down? What are the positive offsets there?

Angela Aman

Yes, thanks Alex. I addressed this a little bit in my prepared remarks but really it gets back to the Circuit City payment that was received by the Company in the first quarter and when original guidance was provided there was an expectation that that payment, which was substantial as you remember, about $5.5 million I believe in the first quarter, would have been included within the same store pool, but was not. It was treated as lease settlement income. So the fact that a significant amount came out of same store NOI growth, but we were able to maintain the range really speaks to broader portfolio performance, or outperformance, in the rest of the portfolio.

Ki Bin Kim - SunTrust

I know you've already touched on this, but if I look at the number of your markets with four or less assets, or how you guys define it, and MSAs that are ranked 51 to 100 or other, it just seems like, from a surface level, a pretty big pool of assets; by count, about 40% is in that bucket. Is that a reasonable estimate just because you don't have a lot of concentration in these markets, or it's just too far off from the demographic criteria, that this is the reasonable bucket of assets that Brixmor over the next few years might be looking to sell? And are you okay with the Company becoming smaller over any kind of extended period of time?

James Taylor

That is a far bigger number of potential capital recycling than I see. Of course we're always going to be opportunistic and what is embedded also in that question, and I think perhaps what is not understood as well as it should be and, we need to do a better at this as a Company, is that many of those assets might not necessarily be in the top 50 or top 100 MSAs but they nonetheless are very relevant to the communities they serve, their tenants are doing extremely well from a productivity standpoint, and we have great opportunities for growth.

So, when I think about assets like Maple Village in Ann Arbor, I would love to grow the exposure that we have to that market, obviously with the university there. I think there may be opportunities for us to do that in time. And so within that pool of assets that are in single markets, I do think there are going to be opportunities for us to expand. And importantly, as I alluded to before, Ki Bin, we actually have a view, a very informed view, on those markets because we're operating an asset in that market so we understand how the area trades, we understand where you should be and shouldn't. But then again, there also are a large number of assets, many of which are small in terms of their NOI contribution, that probably will get sold in time and we're going to be a bit more aggressive about getting after that, but I'd say your methodology of arriving at the 40% is more substantial than what I see as the near term recycling opportunities.

Jason White – Green Street Advisors

First question, just about dispositions. Can you kind of walk through the cap rates? I know you took out the cap rate disclosure in the supplemental, but could you provide the cap rates on those? It's not material, obviously, but just trying to understand the story there and perhaps why those properties were pruned.

James Taylor

I am glad you raised it. Cap rates on those assets were in the 7% range. Expect us going forward to provide even fuller disclosure, not just on what the cap rates are but what the hold IRRs are on the assets that we are choosing to dispose of to give you a full view of not just cap rate, but also why we are making the decision to sell. As it relates to where cap rates are on the assets that we might sell going forward, that remains to be seen and determined. Mark can comment on this. But I am feeling pretty good about the liquidity that exists today, particularly given the debt markets in some of the markets that we want to sell in. And again though, as you would expect us to, we are not going to not sell an asset because it's a high cap rate just like we are not going to hold an asset that's a low cap rate but might have a really low hold IRR.

Mark Horgan

Yes, Jim, I wish of all the inbound calls we are getting is just because of the special management team we have, but ultimately it feels like there is a lot of liquidity out there in the market. We had a lot of conversations at ICSC, we get calls every day about assets, so there does feel like there's a lot of liquidity. I think our job from a cap rate reflecting perspective is to make sure we're underwriting an asset on an asset-by-asset basis so that we can really understand the hold IRR risk and the opportunities that we have in the assets that are in the portfolio.

As we have seen, the transaction market can evolve over the year. We have seen increased activity from private REITs, we have seen the private equity guys, who are either on a levered basis or on an unlevered basis, looking for assets. We have seen significant demand from high net worth investors. We have seen folks who are recycling out of really low cap rate multifamily asset seeking retail assets, and ultimately those buyers can get a pretty interesting yield given the debt market today. So, we feel like there is interesting depth that we can explore to the extent we can go and sell assets.

James Taylor

Yes, but Jason, to your fundamental question, we want to be best-in-class as it relates to disclosure and we will continue to provide as much color as we can on the capital recycling decisions.

Jason White – Green Street Advisors

Okay, thanks. And then a second question just in terms of types of properties Brixmor owns, small grocery centers all the way up to very large power centers. Obviously there's a lot of grocers in that portfolio, but from a size perspective there's a disparate collection there. I was curious as you look forward and you look at the consumer environment and basically how people shop with e-commerce gaining share, is there a type of property that you might find yourself more prone to own, or does it really just all depend on each individual market and each individual asset?

James Taylor

Well, it definitely depends on the market, it depends on the asset and most importantly, it depends on how the center is relevant or not to the community it serves. Does it really serve the community well or not? Is it relevant? And a relevant center that drives great tenant production in terms of sales may or may not include a grocer and may not be the top grocer in the market, it may be a specialty grocer. But we are really looking at it through the lense of how do we gain confidence that that particular asset is positioned to grow over time.

Jason White – Green Street Advisors

Okay. So you don't see any particular challenges for, say, power centers as some of those tenants seem to be a bit more challenged and maybe the new concepts aren't as fast coming in to replace those types of tenants. Do you believe that that's a robust format going forward just as much as a neighborhood grocery center?

James Taylor

Well again, it really completely depends on the asset and the market. What I like about our portfolio is that we have a great mix and many of our box centers have a lot of small shop, pad opportunities, and other ways to drive growth, including repositioning of those boxes and finding alternative usage for those boxes. But that only works if it's a good asset in a good location. I think that's primarily the key driver of the relevance of a particular product to the community it serves.

Steve Sakwa – Evercore ISI

Just a quick question on the pending SEC investigation. Is there anything you could sort of tell us about the timing and kind of where you guys stand in that process?

James Taylor

Well, at the outset I should comment that from my perspective the Board ran a textbook process in terms of receiving the tip and how they responded to it. We have been responding to all of the SEC requests for information inquiry, but at the end of the day, it's in the SEC's hands. I feel good about the way the Company responded to and addressed the situation, and certainly the transparency with which we have been dealing with the commission.

Haendel St. Juste – Mizuho Securities

A couple questions. One, more on the leasing side. Spreads look to keep falling here on new and renewal ex-options, so, is the next level of redevelopment or mark-to-market opportunities less exciting than the ones in years back? And is that a reflection on market rents?

Brian Finnegan

No. Hi, this is Brian. If you look at our spreads and you look at the rent that we were replacing, it was actually the highest it's been in years. So I think that was the big driver of it. And I think that a 25% new deal spread is still pretty strong and our guys continue to drive rate both on new deals and renewals. Our renewals alone were up 20 basis points over last quarter, so we think there's continuous runway of a higher rent growth in the portfolio. It is something that the team is really focused on. And to Jim's point, as we ramp up this redevelopment pipeline, I think you are going to see our top line ABR number continue to grow.

Haendel St. Juste – Mizuho Securities

So as we think about spreads over the near term, we should see them remain at a pretty consistent level here in the low to mid teens?

Brian Finnegan

Look, I think that's fair right. And we didn't change our guidance, we said 10% to 15% this year and I would expect them to be in that range. We still think we have a lot of runway in the portfolio to higher spreads.

Haendel St. Juste – Mizuho Securities

Okay. Appreciate that. Angela, one for you, a point of clarification. I wanted to talk about, and I'm positive you might have covered this earlier, the tax recoveries in the quarter, which look to add about 100 basis points to same store NOI, curious what they related to and were they previously contemplated in prior guidance?

Angela Aman

Yes, it's a good question. If you look at the net recovery contribution to same store that we provide in the supplemental, it is about 80 basis points of the 3.5% same store growth recognized this quarter. And you are right that there was a component of that related to the lower tax expense recognized during Q2. The lower tax expense is really driven by both tax bills received that were lower than what the Company had expected through the course of 2015 and into early '16 and had accrued for, as well as successful appeals activity and rebates received from some jurisdictions. But the tax component has obviously had an impact on recoveries as well, so the net impact is much lower. I also alluded in my prepared remarks the fact that we completed the Company's annual CAM reconciliations in the second quarter as well, and that was the remainder of the positive impact from net recoveries.

Haendel St. Juste – Mizuho Securities

So if I hear you correctly, the net benefit was not 80 or 100 basis points that we talked about?

Angela Aman

Yes, that's right. I think it's fair to say that the changes in taxes were not in original guidance, but again, sort of a more muted impact as it relates to the bottom line impact from the taxes. I would say, based on the fact that the taxes were lower as a result of some rebate activity and reconciliations based on official or actual tax bills, you should expect that tax expense number to go back to sort of what the run rate had been over the last couple of quarters in Q3.

Vincent Chao – Deutsche Bank

Jim, just a question for you. In terms of pushback on the story, one of them is just the overall quality of the portfolio. You have talked positively about the opportunity that you see on reinvestments and the portfolio overall. I'm just curious, it doesn't sound like you are going to focus on ABR and some of those more traditional metrics that people look at from a quality perspective. Just curious how you are thinking about changing that perception with folks going forward.

James Taylor

Well, I think that perception will take time to change. I think that it will be changed through execution and our underlying performance then as we continue to grow that ABR and demonstrate effective capital recycling, I think what we will demonstrate is that we are providing a growth in underlying cash flows and bottom line results, which from a risk-adjusted standpoint is among the most attractive in the sector and on an absolute standpoint.

And my point about ABR is, of course we want to drive ABR and you will see our ABR accrete over time, but we are not going to make an investment simply for that metric and, in fact, many times what you see particularly in these gateway markets, are ABRs that have outgrown the underlying tenant productivity and when you do that, you take on big risk. Not only that you are unable to keep that rent in place as tenants roll, but also that you may need to deploy a lot of capital into that asset to reposition or whatever you need to do. So, that's really my point about ABR. I think that what you should be looking for us to continue to do, as we demonstrated, is show some real positive growth in that ABR. I like being, if you will, the second owner of a lot of these assets. As I look at the bases, as I look at where the NOI is, as I look at where we should be able to take the ABR on an asset-by-asset basis, I am very encouraged and I think it does present an opportunity to drive growth through one of the most attractive means out there which is investing in existing, proven retail location.

Michael Mueller – J.P. Morgan

Angela, on the straight line rent burn off relative to 2016's $47 million to $50 million, can you talk about what you expect to happen in 2017 and 2018?

Angela Aman

Yes, it's a good question. Straight line tends to be a little bit bumpy and will depend a lot on the pool of leases that get signed over the next year or so, but the FAS141 burn-off which is the most significant driver of the volatility the Company has had in that line item, should decrease by $3 million to $5 million next year.

Michael Mueller – J.P. Morgan

Got it. Okay. And then, from a bigger-picture standpoint, just thinking about anchor repositionings and redevelopments. A lot of times there could be a gray area between the two, so what is the definition when we hear redevelopment coming from you? What's going to be different from that compared to an anchor repositioning?

James Taylor

You know from my standpoint if all you are doing is really re-tenanting the box, that feels like an anchor repositioning; however, if you are dividing the box and the investment is expanding to the balance of the center, whether it's facade or outparcels or repositioning some of the other space, then that really, I think, is more in line with the redevelopment. I think you should expect to see, on a proportional basis, more and more of the projects that we identify being classified as redevelopments and we will provide you more granular disclosure on the total investment, the expected yield, timing etc.

Rich Moore – RBC Capital Markets

Jim, you guys sound pretty busy in terms of all the things you are doing and I'm curious, will ground-up development be any part of this at any time soon?

James Taylor

On a risk adjusted basis, I don't see it being really significant to what we want to pursue. You know, there are opportunities for us to potentially develop upon adjacent parcels that might be outparcel development etc., but again, different risk profile. In terms of pure, ground-up development, in most markets that's underwriting typically to 6%-type returns, maybe 7% if you are really lucky, and I just think we have far more attractive opportunities at higher yields and lower risk in the assets that we own and control. So I don't see that as a primary activity in the next few years.

Rich Moore – RBC Capital Markets

Okay. And then similarly, on mixed-use, when you look at your portfolio do you see any of those kind of opportunities to add, I don't know, some sort of mixed-use component to the center?

James Taylor

I think there may be opportunities from time to time to add density. I mentioned some of the more significant redevelopment projects where you may have additional uses justified by the market and by where conditions are, but certainly nothing on substantial or significant scale. I think we have a lot of opportunity pursuing retail investments and that's really our bread and butter. But, that said, if it's what is called for, then we will be smart about how we execute it. We may partner or do other things, but again I see a few opportunities in the portfolio but I wouldn't say they are substantial.

Rich Moore – RBC Capital Markets

Okay, great. And then last thing, it was interesting, in the last few days there has been this talk out there that Kmart is doing some crazy things in terms of their inventory, like they are positioning for final sales, that sort of thing. Are you hearing anything that would indicate for your Kmart portfolio, or for your whole Sears portfolio, that you are seeing any liquidation activity or that they might make some changes and maybe even if there might be some opportunity to get some more of those back?

Brian Finnegan

Rick, this is Brian. Kmart has been deteriorating for some time and we are working on strategies for every one of our Kmart boxes today. And we have had some success with the five that we've taken back and I think as we go on you'll hear more about what we're doing on that front.

Linda Tsai – Barclays Capital

It sounds like the upcoming dispositions are going to be largely targeted in the 90 single-asset markets first. What percentage of same-store NOI does that currently represent? And then, I guess the corollary is, how many of those 90 properties might you want to hold onto longer-term in order to increase penetration in those areas?

James Taylor

We are going to be looking more broadly than just those 90 single asset markets, but I highlight that because I want to give the market a direction in terms of where we are going and what our goals are in terms of aggregating our investment. And as you point out, we haven't fully gone through the 90 to ascertain, where we want to grow or where we want to exit, but there will be other opportunities in existing markets where we have maximized the opportunity at a particular asset and when we look at the hold IRR we determine it's time to sell. So it really is going to be an asset-by-asset, market-by-market decision. We are going to be opportunistic. I am afraid I can't give you specific guidance in terms of what that would constitute in terms of the percentage of same-store NOI, but also expect us to be demonstrating some good, prudent reinvestment opportunities with that, as we do what you charge us to do, which is prudently allocate capital.

Linda Tsai – Barclays Capital

Thanks. Then just a question for Angela. Maybe it's too early, but how are you thinking about store closures and bankruptcies for 2017? Would you assume a similar level as in 2016?

Angela Aman

Yes, we are just starting our budgeting and forecasting process for 2017, so it's a little bit early. I think the Company has, from a broader perspective and provisions for doubtful accounts, done a good job over the last few years of working through sort of older A/R issues and continuing to work that number down. But in terms of specific retailer disruption in 2017, I think it's just a little too early to tell.

Michael Bilerman – Citi

I was wondering as you came in and evaluated how you have your accounting offices down in Philadelphia and corporate in New York, what changes if any do you contemplate? Would you consider bringing everything together? Maybe that's in New York; maybe that's everyone down in Philly? Do you consider having more senior representation down in Philly? And especially, just coming after what was a more financial-oriented issue that led to the termination of your CEO, CFO and CAO, it would seem that maybe controls and procedures maintaining two offices could have been part of it. So I'm curious how you have evaluated that part of it.

James Taylor

Well you are touching on an important issue and that is, we need to be confident that we do have the right leadership in the financial office down in Conshohocken. Angela and I have been spending a significant amount of time down there and we will continue to work to make sure that we have the right leadership and the right exposure. In terms of relocating, not on the immediate radar, Michael. Also importantly, the issues that the Company faced were less driven by the separation of offices. In fact, that really wasn't the driving issue in terms of the tone from the top. With that said, we are not only committed to having best-in-class disclosure, we are committed to having best-in-class operating controls in a 404 environment. So, Angela and I have been spending a significant amount of time on that, as you would expect, working with the audit committee, working with our external auditors and working with our internal auditors to make sure that we have the best policies and procedures in place. And then to the root of your question, certainly very focused on making sure that we have the right leadership in place down there. But, again, I want to highlight that that is important to us, but certainly wasn't, in my opinion, the casual factor of the challenges the Company faced.

Michael Bilerman – Citi

Can you walk through the changes that have been made in the control and environment as well as the procedures to ensure that everything is sort of running in a much more tighter fashion to what occurred? And I recognize it's the tone from the top, but systems in place allowed it to go undetected for many years. So, what sort of changes have you been able to implement over the last 70 days where we can get just a lot more confidence that nothing ever will come back again?

James Taylor

The primary issue was the tone from the top, and that's important because no set of internal controls or other processes can adequately compensate for a failure in that key control. That said, I have been very, very pleased with the investment that the Company has made in systems and processes, and I would submit that our supplemental package reflects a higher degree of transparency and accuracy and completeness than I think virtually any of our peers, which is a reflection of the quality of information and the systems that we have in place. Some of the controls that we have been focused on are making sure that we are having the right type of training, making sure that we are in fact setting the right tone. Michael, I actually attended a couple of classes on journal entries. I want to make sure that the team sees me there and I want to make sure that everybody understands that transparency and credibility and integrity as the core of what we are going to do as a Company going forward, and what I expect you to hold us accountable for. But in terms of, redundancy, controls, separation of duties, processes, and all the other classic things that you think about in a 404 control environment, I think we are in good shape and I think that's reflected in terms of the testing that we are doing and the controls and processes that we have in place.

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