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3Q 2016 EARNINGS CALL - FINAL TRANSCRIPT **OCTOBER 2016**

CORPORATE PARTICIPANTS

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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 third 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 Web site.

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

Thanks Stacy and good morning everyone. We appreciate your dialing in. I'd like to begin with a review of the quarter, then cover what we've accomplished and learned since our journey began last May and, prior to having Angela provide a bit more detail on our financials and outlook, conclude with a discussion of the path and opportunities ahead of us.

To begin, I couldn't be more pleased with the results this team delivered even as we made the organizational changes necessary to set us up for the years to come. Simply put, our team kept their eye on the ball. I'm also very excited about how that same performance underscores our potential to deliver truly sustainable long-term growth. Our new and renewal volume of 2.0 million feet eclipsed what we achieved last year during the slower summer months, as we signed 420 new and renewal leases at an average rent of $13.40. For comparable new and renewal deals, we achieved a 15% cash increase over the prior in place rent. This is despite the fact that during the quarter we made the strategic decision to renew on a short-term basis three Kmart leases at just 3% over the in place rent of $3.27. Doing so allowed us to eliminate options and continue driving cash flow, while we tee up larger redevelopments at those centers. Without those short-term renewals, our new and renewal rents would have been $15.00 per square foot. Importantly, our average new rent set a new record at $18.59 a foot.

I'm also pleased with the progress our team has made releasing recaptured boxes at higher rents to better tenants:

- For the 10 A&P and Kmart boxes that we took back, we've successfully released 427,000 square feet at an average rollover growth of approximately 120% and we have LOIs for another 100,000 square feet. Importantly, many of these recaptured boxes provided the base opportunity for larger scale redevelopments of the assets themselves. Redevelopments now or soon to be underway such as Maple Village, Erie Canal Center, Mamaroneck and Park Shore Plaza.
- We also backfilled two in-line CVS boxes that we acquired at double digit returns. Our first with Total Wine that will kick off the redevelopment of Rose Pavilion. The other kicked off the redevelopment of Gateway Plaza, where we split the oversized box and leased it to DSW and Ulta, one of three new Ulta deals we did this quarter.
- Finally, I couldn't be more pleased with where we stand on Sports Authority. For the five locations comprising 211,000 square feet that we got back in the bankruptcy, we are at lease or LOI on all five at an expected rollover rent well over 50% higher than the prior in place rent. I'm not sure anyone else can report similar progress. I'm proud of the team for seeing it coming and jumping on it. Again, our new leases are at higher rents with much stronger tenants that will drive higher traffic to our centers.

In addition to merchandising wins like Ulta and Total Wine, we also scored wins with tenants like Kroger's new Marketplace concept, Panera Bread, PetSmart, Pure Barre, Blaze Pizza, Chronic Tacos and Aspire Fitness. Better tenants at better rents not only drives growth in NOI, it also drives long-term value creation. As Angela will discuss a bit more in guidance, expect us to report more activity on the space recapture front next quarter, as we look to reposition boxes to drive long-term growth and value.

From the perspective of the quarter, even with 30 basis points of occupancy drag from the Sports Authority and other bankruptcies, our overall occupancy remained flat year-over-year at 92.6%, and was down only 20 basis points sequentially. Importantly, our heightened focus and organizational changes I will discuss shortly drove small shop leased occupancy up 100 basis points year-over-year at attractive initial rents and importantly strong embedded rent bumps. The 80 basis point sequential increase is the best we have achieved since the IPO, truly great results and great production. As Angela will cover in a minute, much of this leasing activity will not be rent commenced until later in 2017. However, the strong releasing spreads coupled with the redevelopments now underway, provide a very clear indicator of the growth to come, and the value creation opportunities that we have already capitalized upon, not simply through marking our rents to market, but through making the assets we own more relevant to the communities they serve.

Before I turn to some of those organizational changes, I should mention briefly what we've accomplished from a balance sheet perspective. It is difficult to fully comprehend, but in the first 150 days we've raised almost $7.0 billion of public equity and debt capital. In addition to providing Blackstone liquidity for its entire ownership stake, that capital:

- Reduced our overall weighted average interest rate;
- Extended our weighted average tenor; and
- Most importantly, puts us in a position where we don't have to access the public markets until 2018, except at a time and manner of our choosing.

We are extremely grateful for the liquidity and the vote of confidence the market has given us.

As previewed on our last call, this quarter we made several organizational changes to provide clear accountability and empowerment. Specifically, we realigned the regional leasing structure under Brian Finnegan and changed from three to four regions to ensure that we have key decision-makers closer to the real estate. In addition, we realigned specialty leasing under Brian from property management to refocus our efforts on maximizing ancillary income and leasing opportunities that are consistent with long-term NOI growth. Finally, we supplemented the regional leasing teams with financial asset management partners to ensure that we are thinking like owners at the asset level. In other words, that we shift our mindset from a portfolio level to one focused on making the best capital allocation decisions at the real estate.

Secondly, we clarified the roles and responsibilities of our national accounts coverage team, led by Mike Moss, to make sure that we leverage the already strong national tenant relationships we have and importantly broaden the scope and types of tenants we do business with. While our regional leasing teams are accountable for driving NOI at the asset level, our national accounts team is accountable for goals like tenant market share and quality of merchandising versus just deal volume.

Speaking of the assets themselves, under Haig Buchakjian's leadership, we have weaned ourselves from utilizing third-party service aggregators, and instead have transitioned to directly contracting for critical functions such as landscaping, portering, sweeping and maintenance. As part of this move, we've implemented basic quality control metrics and scorecards on property appearance. We believe these changes will be critical in improving the look and feel of our centers, and when necessary provide greater flexibility to change our service providers. Our centers, simply put, must look better and be more inviting to the communities they serve. By eliminating the middleman, we believe we can provide a better experience at equal cost to ourselves and our tenants.

A fourth critical change has been the consolidation of regional redevelopment under the leadership of Mike Wood, who originally ran that effort in the southeast. Mike, who has relocated to New York and now reports directly to me, has already made significant progress putting in place processes to ensure that we're driving these redevelopment opportunities to fruition.

Finally, under Angela's leadership we've implemented an enhanced internal controls and reporting framework to ensure, one, timely reporting metrics and analyses to guide effective decision-making, and two, importantly, transparency and best-in-class financial reporting for our investors. Importantly, Angela has also taken an active role in leading the creation and implementation of our financial asset management team. I should note that we're very pleased to have Jason White join this new team.

As with any endeavor, our long-term success will rely on making sure that we have the right people in the right seats. As alluded to on our last earnings call, that effort has involved changing out certain folks, promoting some internal talent and going outside to bring in new talent. As mentioned before, we are targeting to remain net neutral on a G&A basis by eliminating capacity in certain areas and refocusing in critical areas of growth, such as national accounts, marketing, redevelopment and operations. While I'm very pleased with the early returns on the changes we made, we remain committed to continuing to drive excellence in each one of our functional areas.

Looking forward, I believe we have one of the most compelling business plans for growth in the open air retail sector. With a core that should continue to generate 2.5 to 3% annual growth on an unlevered basis, we have an unparalleled opportunity to drive another 150 to 200bps of sustainable growth through simply reinvesting in assets that we own and control today. That growth will require moderately increasing our redevelopment and repositioning spend by approximately $150 to 200 million annually, or increasing our value added investment from 1.25% of enterprise value to 2.5%. Based on my tours of over 250 properties representing over 60% of our total NOI, I truly believe this increased level of activity is imminently achievable. You'll see in the supplement that we have highlighted those projects that we expect to execute upon in the next two to three years on page 26. These range from major redevelopment assets like University Mall, Mall at 163rd and the Village at Newtown in Bucks County to more moderate redevelopments such as Marco Town Center, Collegeville Plaza and Falcaro Plaza in New York. In addition, we have well over 150 outparcels, pad buildings and anchor repositionings across the portfolio. We believe that the aggregate investment in just those identified projects will exceed $800 million and that we have much more in the shadow pipeline beyond what we have identified for you.

Importantly, we have the team in place under Mike Wood to scale into this pipeline of activity. In fact, you can see on pages 22 through 25 of the supplement, the $23 million in nine projects that we delivered in the third quarter, bringing our year-to-date completions to $46 million at an average yield of 13%. Now stop and consider that for a moment. While $46 million may not sound like a large investment, at those returns, you would have to deliver over 5x the amount of ground-up development to create the same amount of value. Mike and team, working with leasing, have expanded the scope of projects like Rose Pavilion and Maple Village, and added to the pipeline this quarter projects like Green Acres and Gateway Plaza. Most importantly, we expect these investments, which in total represent at least $175 million to yield an average of 10-12% on cost. This is extremely attractive on a nominal basis and even more so when you consider this opportunity on a risk adjusted basis. Again, these investment opportunities reveal and will continue to reveal the true quality of our retail locations that support these types of value accretive returns.

One final note before turning it over to Angela, you should expect us to accelerate the pace of capital recycling under Mark Horgan's leadership as we harvest those assets with lower hold IRRs. As discussed on our last call, we are focused on reducing our single asset markets and refocusing our capital in retail nodes where we can build critical mass at attractive returns. Please note that we will not necessarily sell each of our single asset markets. In fact, I strongly hope we add to our presence in many those markets. As for dispositions underway, expect to see us complete at least $75 million more this quarter based on sales that we have under firm contract at an average cap rate of 6%. You should again expect us to deploy that capital in the both redevelopment of existing assets and acquisitions that are complementary to our existing properties. Again, please don't expect us to give longer range activity targets, but do expect us to be opportunistic and work very hard to minimize any temporary earnings dilution caused by capital recycling. Finally, please don't lose sight of the fact that most of our reinvestment opportunity exists in what we already own and control, at yields far above today's acquisition cap rates.

In summary, I couldn't be more excited about the team we have in place and the opportunities we have for continued growth. Thanks for your interest in Brixmor.

Angela Aman

Thanks Jim and good morning. I am pleased to report a strong quarter of performance from our leasing and operational teams, as well as significant progress on our key balance sheet initiatives. Before I discuss our financial and operational performance during the quarter, I would like to reiterate the comments that Jim made about our commitment to transparency and best-in-class disclosure. Along those lines, you will continue to see us expand and refine information provided in our quarterly supplemental package with enhancements made last quarter to releasing spread disclosure and enhancements made this quarter to our lease expiration and redevelopment pipeline disclosures.

FFO for the third quarter was $0.51 per share and was negatively impacted by lower non-cash rental income and a loss on the extinguishment of debt. Adjusting for these and other items that impacted FFO comparability in both periods, FFO per share grew approximately 5% year-over-year, driven by growth in same property NOI and lower interest expense, as we continued to term out our debt and unencumber the portfolio.

Same property NOI growth was 2.0% for the third quarter, or 2.7% on a year-to-date basis, driven by higher base rent, which contributed 250bps to same property growth in Q3 and 260bps year-to-date. Contractual rent increases and the impact of strong positive releasing spreads and accretive portfolio reinvestment activity have continued to result in compelling top line growth and while these factors will continue to benefit the portfolio in the fourth quarter, we do expect to see moderation, largely due to the impact of additional bankruptcy activity including Hastings, Golfsmith, Champps and Logan Roadhouse, and proactive box recapture. As Jim discussed, we've made substantial progress on addressing our Sports Authority and Hancock Fabrics vacancies and are now at lease or LOI with tenants to backfill all five of our Sports Authority locations and over half of our Hancock Fabrics locations, at very significant positive releasing spreads, with rent primarily commencing in late 2017 and early 2018, mitigating downtime and disruption while creating meaningful value at the asset level.

As it relates to the balance sheet, we've made significant progress in the third quarter with respect to extending our average duration and unencumbering the portfolio. In August, we opportunistically accessed the market, raising $500 million of seven-year unsecured bonds at a coupon of 3.25%. And during the third quarter, we also repaid nearly $700 million of secured debt at a blended rate of approximately 5.4%, unencumbering 43 properties and increasing our unencumbered pool to over 75% of ABR or NOI. As a result of this transaction, the ten-year unsecured bond offering completed in June and the recast of our credit facility completed in July, our weighted average maturity is now five years, a substantial improvement from just two quarters ago. We're extremely well positioned to address our near term debt maturities with less than $340 million of scheduled maturities, at a rate of approximately 6.4%, between now and the end of 2017. With the evolution of our operational strategy, encompassing higher levels of capital recycling and portfolio reinvestment activity, which we expect to be self-funded, we remain focused on preserving and strengthening our balance sheet as we seek to drive value for our shareholders.

With respect to guidance, we have narrowed our expectation for 2016 FFO per share from a range of $2.03 to 2.06 to a range of $2.04 to $2.06. This change primarily reflects refined expectations for G&A and interest expense. We've also modified our disposition guidance, although given the timing of potential Q4 dispositions, this change had a de minimis impact on our expected full year results. In addition, we've narrowed our full-year same property growth guidance from 2.5 to 3.5% to 2.5 to 3.0%. On a year-to-date basis through September 30, same-store NOI growth has been 2.7%. The change in our full-year expectation was driven by two key items. First, additional moderation in base rent due to more recent retailer bankruptcies and box recapture, as previously discussed, as well as delays in certain rent commencement dates. Second, we have revised our expectations for ancillary and other income as we refocus our efforts on higher quality income streams going forward. The fundamentals of our business remain strong with record leasing productivity, consistent positive releasing spreads and meaningful growth in small shop occupancy as we proactively position the Company for growth going forward.

Looking ahead, I would also remind everyone that while the fourth quarter of 2015 was impacted by adjustments related to the Audit Committee review, there were also several items recognized within other income that were more one-time in nature and not anticipated to reoccur in the fourth quarter of 2016. In totality, these items will impact the comparability of individual line items next quarter.

We look forward to providing 2017 guidance on our next conference call. But in the interim, there are a few items of note as it relates to expectations for next year. First, the midpoint of our current 2016 FFO guidance range is $2.05, which includes approximately $10 million, or nearly $0.035 per share of lease termination fees that have been or will be recognized during the year, reflecting both the Circuit City amounts received during 2016, in addition to fees related to early lease terminations that were or will be executed to advance our goal of harvesting the embedded mark-to-market opportunity in the portfolio. As a reminder, we will not include any speculative lease termination fees in 2017 guidance. In addition, 2017 will again be impacted by declining non-cash rental income, particularly related to the acceleration of below market lease intangible amortization in 2016 due to early tenant move outs such as Sports Authority. While we naturally experience a $3 to 5 million decrease in amortization of below market lease intangibles each year, the decrease from 2016 to 2017 could be more pronounced, approximately $6 to 8 million, or nearly $0.025 per share. Again, we will provide further detail relating to 2017 guidance on our fourth quarter call.

QUESTION AND ANSWER

Jay Carlington – Green Street Advisors

Jim, just wanted to kind of touch on the future redevelopment pipeline. I guess what was the starting point kind of when you determined how to prioritize what you have in that pipeline now, is that market specific or is it driven by lease expiration? Just kind of wondering what's the rationale for picking these certain assets?

James Taylor

Thanks for asking. And again, it doesn't represent the entire shadow pipeline, but it's meant to be more representative of the types of assets that we think we'll be able to execute redevelopments on or begin redevelopments, as I said, within the next two to three years. A lot of that will be driven by the timing of the in place leases and overall tenant demand. But again, I went across the country and saw over 250 assets. What's really striking is how many would support accretive reinvestment. And again what I'm really proud of this quarter is that we're delivering it now in terms of releasing a lot of the boxes that we've gotten back and kicking off redevelopments.

Jay Carlington - Green Street Advisors

Just in terms of framing the size of that. I think you mentioned $800 million. Is that related to the $175 million that you kind of highlighted in the press release and on the call today, and the $800 is kind of a longer term opportunity?

James Taylor

Exactly, so $175 million represents the collective bucket of what we're doing in term of anchor repositioning, pad sites and redevelopments. And the $800 million represents what we've identified in the shadow pipeline beyond that. And again, I look at that and see four to five years of activity. 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.

Craig Schmidt – Bank of America

With the anchors in place, are you in a position to take small shop occupancy to 88% or do you need to do further anchor re-tenanting?

James Taylor

I think it's going to be a combination of more aggressive leasing, as we've already done, and through our reorganization, we got after it in a major way this quarter. I do think that we want to, where possible, reposition the anchors to drive not only additional small shop occupancy in the centers where we do it, but also higher rents and better returns. And then there are some assets that have chronically low small shop vacancy that will likely be recycled. So it's really going to be through these levers, if you will, that we continue to advance where that small shop occupancy will be.

Craig Schmidt - Bank of America

And the acceleration of pick up in small shops, what do you attribute that to?

James Taylor

I think most importantly focus. Making sure that the teams were aligned from an incentive standpoint and that the regions felt direct accountability for where their small shop levels were. And I really have to tip my hat to Brian Finnegan for his leadership in this regard. Having been in the field himself, he has a lot of credibility with the leasing teams. And so when he steps up the demands, they step up. So of all the changes that I've made, certainly consolidating the leadership of the regional leasing teams under Brian has been one of the best.

Jeff Donnelly – Wells Fargo

Just want to circle back on your 250+ asset road trip and the redevelopment. Can you just provide some characterization to the activity that you see in that redevelopment pipeline down the road? Is that just the basic blocking and tackling of maybe adding pad sites or sort of reconcepting the anchor or is there some more measureable component of that $800 million that you see that maybe relates to densification of a property?

James Taylor

Most of it is singles, bunts, projects that are like $2 to 3 or 4 million in scope. As you get more significant, $25, 40, 50 million of potential investment opportunity and even higher you're looking at opportunities like we've identified at The Mall at 163rd or one of my favorite assets I saw on the tour, University Mall, which sits on the doorstep of the University of California Davis. It's literally their little town center and has a huge amount of potential. So in assets like that in time I think we will make a lot of money adding density. But most of it is $3, 5, 7, 10 million type, not only repositioning of the anchors, Jeff, but also getting after putting new facades, adding pad buildings, in some instances acquiring non-owned pieces of the property as we did with the two CVS boxes at Rose Pavilion and Gateway, where just the acquisition of those boxes, which by the way we were able to acquire and release at double-digit returns, opened up the door for broader redevelopments.

For example, at Gateway in Vallejo, California, we were able to remove restrictions on an outparcel that we put a Panera Bread. And then in the process, also invested in improving the facade, which we hope will drive small shop rents, but we didn't consider in our return. So there's a lot of that type of activity, but most of it is bunts, singles, maybe a few doubles to assets like The Mall at 163rd, which I think is a multi-year project that, I should be clear, we only expect to get started in the next two to three years.

Jeff Donnelly – Wells Fargo

And it's fair to say those bunts and the singles are largely entitled, if you will. It's not something that might require a sort of more weighty review process, if you will?

James Taylor

Exactly. In some instances, we are going back though to get better zoning. And if you're following the local rags, you'll see some of the stuff we have been doing, for example in Mamaroneck or other areas where we're looking to not just fill the box, but get some additional parking waivers and other things to put the density on the site that we think we need.

Jeff Donnelly – Wells Fargo

The midpoint of disposition volume was lowered I think in the quarter, deal volume this quarter was maybe a little low. Is that just market timing or is there something going on in market conditions in your view, and with the redevelopment pipeline growing, do you think your '17 dispositions are going to accelerate?

James Taylor

I'm not going to provide you specific guidance, and under Mark Horgan's grimace across the table from me, I will just comment that it does take a while, Jeff, to set up acquisitions and disposition activity. And I'm just really pleased with the three assets that we do have under contract for $75 million of proceeds at a fixed cap rate. Each of them I think represents compelling capital allocation decisions in terms of where we thought the hold IRRs would be. And in particular, discipline on Mark's part in terms of driving price.

Christy McElroy – Citi

Just to follow-up on Jeff's question in regards to capital recycling, I guess one of the biggest push-backs that I get is that transaction activity could be meaningfully dilutive to earnings growth over the next few years. And I appreciate your comments about not providing longer range targets and not having as much visibility right now. But can you sort of address that bigger concern and give us a sense for kind of your philosophy around earnings growth versus NAV growth?

James Taylor

Well, I think that it's always got to be the right balance and as we're starting up the capital recycling engine, I've got to make sure the cylinders on both sides are firing. In other words, I've got to make sure that we're lining up sales, at the same time we're lining up some acquisitions to help us mitigate, if you will, dilution caused by timing, or in some instances by the spread between where we might sell an asset and where we might buy. On that second point, I would say that I'm feeling fairly encouraged by where we're able to sell some of our assets and the types of opportunities we see in markets that we want to invest in. Obviously as we recycle some of that capital into redevelopment there will be some timing issues, but we're also generating, as you know, above and beyond our current pace of capital investment activity, about $40 to 50 million of free cash flow.

So that gives us, when you think about the total pipeline of activity that we want to execute upon of an additional $150 to 200 million, it gives us a lot of flexibility in terms of how we decide to fund that. But one of the reasons I really don't want to give very specific guidance is -- and I think long-term owners don't want me to biased is what I've heard from a lot of them -- is I want to remain opportunistic, but commit that we will do our best to manage that dilution, understanding that earnings growth is part of our job. We just grew our dividend this quarter by 6%, we're managing that growth as low as we possibly can, but we're proud that we're able to deliver that growth. And we know that at the end of the day, that's how we're going to get measured.

Christy McElroy – Citi

Both you and Angela talked a lot about proactive recapture of space. How are you thinking about the pace of that, that type of re-tenanting that you're comfortable with which is within your control at a time when you're also seeing a good amount of bankruptcy driven closures from Sport Authority and others? And Angela, I think you mentioned a delay in rent commencement. Is that related to shop space or the box space?

Angela Aman

It was a couple of boxes during the quarter that were anticipated to open in Q4 and will open in early first quarter of '17.

James Taylor

Yes, but nothing systemic. Each of those two situations really had more to do with some zoning and other things that we had to get in place before the tenant could commence work. And unfortunately there was a delay in that. As it relates to where we stand on the box recapture, that's one of the points I'm proudest of, in that we have such great visibility already on the Sports Authority boxes. Again, we're at lease or LOI with all five at rents that are substantially higher than what's in place, importantly with better tenants. And as you think about the additional bankruptcies that are coming our way, whether it's Golfsmith or Champps or Logan Roundhouse or some of the other concepts, we feel really good about where we sit relative to market. And importantly, under Brian's leadership and under Mike Moss' leadership, we're incredibly focused on making sure that we're looking out, not just for what we're seeing coming next quarter, but that we're looking out 12-18 months so that we're on the front of our foot.

Samir Khanal – Evercore ISI

You talked about the Sports Authority spreads being 50% higher, but what would that be on a kind of net effective basis? I guess I'm trying to figure out how much capital you have to put in to get that.

James Taylor

I don't have the exact number, but given that our rent increases are better than 50%, I'd say we're easily into the double-digits, high teens and that's with capital.

Samir Khanal – Evercore ISI

It feels like we're at a part in the cycle where we're seeing sort of a larger than average turn in the boxes, especially from the office segment. I mean, you have the merger that didn't go through, so you kind of sense that there'll be a slow bleed with a lot of the boxes coming through. How much of a drag do you think that sort of has on your portfolio maybe into next year at this point?

James Taylor

Well, I look at that two ways. The first is, and perhaps most importantly, do I have value at risk. In other words, are the rents that I have in place on those office boxes materially above where I think I could relet the box today without capital. And the good news there is I think we're at a very good basis from a rent perspective on those office boxes, just to draw that. But we'll see how the pace of those boxes come back to us, I don't know. What I do know though is that we need to have an eye on it -- that is a lot of potential supply. And in addition, when you talk about potential supply you can't forget what's coming through some of these malls, particularly if you're an owner of boxes around a mall, that mall could become competition for you. So we are watching all of those trends very carefully. I think from a competitive situation though I feel pretty good about the team that we have on it. And I also feel very good about the rents that we have in place that we will be able to drive, at these kind of older retail locations admittedly, really attractive returns if those boxes comes back at us.

Todd Thomas – KeyBanc Capital Markets

It sounded like G&A expense will remain net neutral as you realign certain units. But last quarter you commented that the Company has a significant G&A run rate and sounded like you previously anticipated some cost saving. So, I am just curious what's changed over the last three months as you have taken a little more time to settle in? And then, Angela, there has been a lot of volatility in G&A. What's the right run rate to think about heading into 2017?

James Taylor

I love the question. You are in my pocket a little bit. Particularly as I look forward, what I thought was most important to do initially was not to come in and necessarily cut cost, but to reorganize the Company in a way that I thought it needed to be reorganized to effectively execute. Of course, going forward, we are going to make sure we are being frugal with how those G&A dollars are spent. But at the outset, I want everybody to expect that we're going to remain net neutral as a result of those changes.

Angela Aman

And I would just say the third quarter actually represented a pretty good run rate. There wasn't a lot of noise in the third quarter. And it's just under $22 million that would annualize to around $88 to 89 million, which I think would represent sort of modest growth over what the Company's unaffected 2016 G&A number would have been.

James Taylor

Again expect that is sort of the second phase of things, as we critically assess where we can be more efficient as we implement this new organizational structure, and that's really what I pointed out. I do think our G&A run rate is too high, but that's not my #1 priority at this point.

Todd Thomas – KeyBanc Capital Markets

You touched on the three Kmart renewals in the quarter, but it looks like you signed a new 100,000 square foot lease with Sears in the quarter. Can you just talk about that decision? And maybe when you speak about recapturing additional space, whether or not you're having conversations with Kmart in the near term?

Brian Finnegan

We didn't sign a new lease with them. These were three strategic renewals that we made, as Jim mentioned in his opening remarks. We were able to renew those short-term, it teed up redevelopment plans, removed some options to give the flexibility. And I would say, they have been a tremendous partner of ours across the board. We've been able to negotiate with them, to get some space back to take advantage of the opportunity. For some profitable stores, they have been able to renew short term. So we'll continue to be in discussions with Kmart and have strategies on those boxes, but for this quarter in particular, no, there were three specific short-term renewals.

Ki Bin Kim – SunTrust

Going back to the shadow pipeline comment, how would you describe the return on risk profile of the $800 million pipeline versus what you guys have been doing currently at around 10% yield?

James Taylor

I think that it's particularly consistent across the board, particularly if you look at the minor redevelopment. As you go into some of more significant redevelopments as we look to add more density, there will necessarily be some risk in that. But I feel pretty good about those locations. And also, you can count us to be very prudent and balanced as it relates to how much we try to bite off at any one point in time.

Ki Bin Kim – SunTrust

So, no material change in return expectations, that's what it sounds like?

James Taylor

Right.

Ki Bin Kim – SunTrust

On the asset sales you expecting to achieve in the fourth quarter, 6% just sounds little low just from the headline basis given that you are trying to sell, at least on the surface, demographically little bit weaker markets. Just curious if there is anything specific on those assets that you are selling that you are achieving a 6% cap rate, and if that is in the ballpark for what we can assume for your future dispositions?

James Taylor

The way we honestly look at it is what we think that hold IRR can be, and we're typically going to be looking very critically at hold IRRs that are below 7%. We won't sell some assets going forward in markets with higher cap rates or assets that may have declining NOI streams. So again, the cap rate is one indicator. But the most sort of consistent benchmark that we have as we evaluate assets for disposition is what that hold IRR is. And obviously, we're mindful of the cap rate in terms of managing the earnings impact as we go and recycle capital. But we could be selling an asset in rural Georgia at something north of a six, and an asset that might otherwise look like a great asset but has no growth and a cap rate today that might startle you. That's the type of thing I think you can expect us to execute upon going forward.

Jeremy Metz – UBS

I want to go back to an opening comment, Angela, you had mentioned of reduced expectations for ancillary and other income, and you are going to focus a little more on higher quality opportunities. So I just wonder if you can give us some more color on it, exactly what you meant there, what you are doing at the properties?

James Taylor

One of the things that we are looking at is reducing our reliance on our trash bin or recycling bin type income at the properties, particularly where we think it detracts from the appearance of the center, or is inconsistent with what we are trying to do at the center. Specialty events may not be necessarily consistent with what we are trying to do at the center. That type of thing. And instead we are trying to shift towards income streams that we think are more recurring whether its specialty temp tenants, solar income, other types of recurring ancillary revenue that really will be driven with more of a leasing mindset than a property management mindset.

Jeremy Metz – UBS

In terms of the shifting of some of the projects from the anchor repositioning pipeline to the redevelopment pipeline, was that a result at all of adding any additional scope to any of those projects? Or is it more just a classification exercise given what's going on in those?

James Taylor

It was both. We did expand the scope and in certain cases we added square footage. We added a pad. We included some additional façade renovations as part of it. And most importantly, we wanted to show to investors what type of activity that we are executing upon and give you specific project level returns and timing expectations. So, really an effort on our part to not only expand the scope of some of the things we have underway, but provide you with a bit more visibility on how we are executing and the timing. And I would fully expect to see us continue to add to that active pipeline. Mike and team has been really phenomenal at getting that process a little bit more disciplined and to a place where we are comfortable with reporting things like this in the supplement and certainly more comfortable committing to you that this is a pipeline that we will continue to grow.

Daniel Santos – Sandler O'Neill

Looking at the balance sheet, what are rating agencies looking for to improve the credit rating and what's ultimately the timeline to get to say a BBB+?

Angela Aman

We've been in active dialog with the rating agencies since we arrived a few months ago, focused not just on removing the negative outlook we have from two of the agencies, but on continuing to migrate up the rating spectrum and to get to mid-to-high BBB over time. I think the access to capital that the Company has demonstrated, as Jim mentioned in his remarks, over the last few months has been pretty extraordinary. And I think definitely lends comfort to the ability for the Company to continue to execute on the business plan as laid out.

I think all of the additional clarity over the last two quarters on what the business plan is, how we intend to drive value, as we continue to work through the credit metrics, has been really important, but we definitely feel if we look at the balance sheet and look at metrics today that we are well positioned for that mid-to-high BBB rating today. We have made progress on the balance sheet. We focused on some of the more qualitative metrics including the weighted average tenure, which has improved dramatically. And we are continuing to work on sort of the composition of the balance sheet, as well in continuing to access the investment grade bond market. So, I think the balance sheet as it stands today, is well positioned. We have made incremental progress over the last three months. And think as we continue the dialog with rating agencies, we are hopeful that we can continue to move in that direction.

Daniel Santos – Sandler O'Neill

We know the focus for investors has really been on the major metro markets, would you say that's been the case for retailers or are you seeing any increase in retailer demand in secondary markets?

Brian Finnegan

We are really seeing it across the board if you think about where our Ulta deals were signed this quarter. We already had them in some major metros and some secondary markets, but retailers, particularly someone like Ulta or Party City, they are working on smaller market formats. We are actually finding more prospects for some of these properties than we previously had. So I think they are recognizing the demand of the locations in these markets, well anchored centers with good tenants, so we feel pretty good about demand really across the space.

Vincent Chao – Deutsche Bank

In terms of the organizational changes that you have made, obviously outlined quite a few things that have been taking place, just curious now that the structure is in place, how long it will take the new org to sort of reach its full productivity?

James Taylor

It's a great question. And while we have the structure in place, one of the comments I made in the remarks is that the changes don't stop. In other words, we are going to continue to make sure that we are getting excellence out of our whole team. And what's important now though is that we have clear roles, more empowerment and it's very clear when somebody is or isn't succeeding what they are supposed to be doing. And I think it will be a process of gradual improvement. I am really pleased with how we have started out at the gate, and I mentioned Brian's efforts, Angela has got the FAM team up and running, and they are providing critical support and real-time decision-making assistance to our leasing folks in the field as it relates to leasing decisions so that we can make those decisions very quickly.

I alluded to the progress Mike has made, and his efforts, Mike Moss has brought on board some new really talented people to focus on restaurant leasing, entertainment concepts and a broader menu of retail tenants. And I am really excited by the early returns I am seeing in terms of LOIs and interest being gained on space, but nothing yet to report to you on that front, but I am certainly hopeful. And then we have actually centralized the property operations for the Company to make sure that we are employing consistent standards and best in class practices across the portfolio. We are just weaning ourselves off the third party service aggregators and contracting out directly with some of the landscapers, portering services and everything else. There may be a few bumps as we get through that transition but I think it's critical to having our property management team more directly connected to the feel and appearance of the property and I think Haig's done a great job there, but that will be something that we will see and measure improvement over time. So again, I hope it continues to progress and accelerate, but certainly will commit to you that where we have some weak spots, we will address it.

Vincent Chao – Deutsche Bank

Given some of the pressures on the industry that we have been hearing about, you mentioned Logan Roadhouse and Champps in terms of bankruptcies, curious maybe for Brian, what you are seeing from that group overall and is some of the weakness that we are seeing in casual dining running over into the fast casual that's been a big driver?

Brian Finnegan

We have certainly seen some dislocation in the casual dining space, particularly with the bankruptcies that Angela mentioned. I would just say that overall we love restaurants, they bring consistent traffic to our centers, they're a great draw. If you look at our small shop, we have seen in the past 12 months the highest category of deals we are doing are with restaurants, great QSRs, good franchise brands in local markets. This quarter, we signed two more deals with Blaze Pizza, you are seeing that build your own pizza concept expand across the U.S., the good burger operators, both entering into new markets.

I think the other thing that's good to point out, as we start to start up the redevelopment engine, we are putting more capital into our properties; you are going to see us be able to create even more restaurant opportunities just as we did this quarter with the Panera Bread that we unlocked at Gateway Plaza. So while we think there has been a shakeout and there will continue to be, I think particularly in the casual dining space, we feel pretty good about the restaurant demand overall and our ability to create opportunities.

James Taylor

It's a class of retail tenants that's been remarkably stable since coming through and out of the downturn and now we're starting to see some weakness in some of the concepts. For most of those cases, for us its near term an opportunity and I think that dining is going to be something that is going to remain in large demand, albeit, you're going to see some concepts change out and for us being able to replace the Champps with a much better concept with a tenant who's willing to put capital into the space and make that end of the center better, it's a win-win-win. So I think if you're in our investment committee, you'd be making the same decisions, albeit, we have a long way to go before we get concerned about our overall restaurant exposure.

Haendel St. Juste – Mizuho

First on the Sports Authority boxes, can you discuss in a little bit more detail how you're repurposing these boxes? Who some of the new tenants you're bringing in are and maybe give us an example of some of the economics behind one or two of these deals, and then as part of that are these or any of these five boxes part of one of your redevelopment projects?

Brian Finnegan

As you mentioned LOI or intent to lease, and we'll be announcing who we're going to be leasing these to specific tenants here in the future. I would say that from a category perspective, they're the top names in off-price, but also in specially grocers that are expanding. And we're looking at one entertainment concept, so really kind of runs across the board. The capital is similar to what we've been doing with our anchor boxes really across the board, pretty consistent at $30 - 40 a square foot, but we're thrilled with where we stand today and expect over the next two quarters, we'll give you more concrete answers in terms of who the tenants are.

Haendel St. Juste – Mizuho

On cap rates more broadly. We've talked to some brokers lately, retail brokers who mentioned that at the higher end, cap rates have certainly been sticky, but they're seeing signs of degradation of 25-50bps on the lower end for shopping centers and 50 to 100bps of blowout for power centers. So curious what you're seeing and perhaps how that jives with what you're seeing and then how that might be playing into your thoughts on after sales?

Mark Horgan

Over the past three months we've seen the market tighten a bit for better quality properties. The top end continues to trade at extremely tight cap rates. I would say on balance, we are seeing power centers come out of bidding at cap rates that indicate more of a yield play vs a growth play. We do continue to see pretty strong demand for assets across the spectrum from private REIT and high net worth investors. When we have been reviewing external growth opportunities the deals have been competitive and the deals that institutional type investors seek are not coming off of pricing across geographies.

James Taylor

And in terms of how it influences our decision, we really are hold IRR focused, so that guides a lot of our decisions versus that nominal cap rate.

Haendel St. Juste – Mizuho

But to understand you correctly, the numbers that I'm hearing are pretty consistent with the numbers you're hearing and saying?

James Taylor

I think that what we're saying is that we're seeing some widening in certain markets. Mark we haven't really seen it on the grocery and...

Mark Horgan

Not at all on the grocery side of things. I would say in the power centers, I think the widening could be some justification on where power centers should trade, we're a little bit aggressive is my opinion of that. People are trying and their cap rates were just not achievable. I think now they're kind of back to where they really have been in the last couple of years.

Michael Mueller – JPMorgan

When you talk about the $150 to 200 million spend is that for the stuff that you are categorizing as redevelopments now? So for looking at the total spend, it would be that plus anchor repositioning plus outparcel or does that $150 to 200 kind of run rate capture everything?

James Taylor

It is for the incremental redevelopment activity largely that we expect to ramp up to, yes.

Michael Mueller – JPMorgan

So, if we're thinking about the whole picture, where are the other pieces of it? Like what's the normalized anchor repositioning that we would add to that $150 to 200 or the outparcels?

James Taylor

It's going to vary by bucket. So if you just say in total, what do you expect to ramp up to spend, I would expect us to ramp up to about $250 to 300 million of annual spend. Again, which is about 2.5% of our total enterprise value, and we are not going to get there in one or two quarters. It's going to take us three or four quarters at least to ramp up, but I think we've got a lot of visibility getting there.

Michael Mueller – JPMorgan

So you think by 2018, you could be at that level?

James Taylor

Yes.

Floris van Dijkum – Boenning

Do you see any headwinds for your business in terms of leasing spreads? And if not now, what would cause you to be concerned?

James Taylor

I think that like with every business, its supply and demand, right? So, I think to the extent that you start seeing a significant amount of the box space or the office boxes coming back all at once or that you see lower tier malls beginning to develop box space within the mall framework that will be competition and that will cap where rents can go. And in some instances, may bring rents down in a particular market. I think that's something we all face. And I think those conditions are true no matter what market you're in. I do think where we sit though, generally speaking, with assets that have been undermanaged, underinvested in over time that on a relative basis, I sort of like where we are coming into the fight if you will. I would much rather come into a fight for a tenant coming off an $8 rent than a $22 rent. And in many instances, we are in the very same markets competing for these tenants with other landlords. And I would also say that while I am concerned about the competition coming from malls, this is pretty expensive proposition to reconfigure a mall to add this kind of space. So, that gives me a little bit of comfort in terms of where we are coming into that battle, as well. But make no mistake, there will likely be more supply and we are doing all that we can do to make sure we are well positioned to outperform as some of that supply comes.

Floris van Dijkum – Boenning

Any update on the Macy's box, speaking of malls, at Roosevelt? And any redevelopment of that?

James Taylor

I can't comment on it other than to say that we think that's a fabulous asset and are glad we have long-term plans there.

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