BRIXMOR®

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3Q 2017 EARNINGS CALL - FINAL TRANSCRIPT — OCTOBER 2017

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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, Executive Vice President & Chief Financial, 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

Thanks Stacy. Good morning everyone and thank you for joining our third quarter update call. I'm very pleased to report that we continue to make substantial progress on all facets of our plan to unlock long-term value and maximize growth in cash flow per share. That progress, which is reflected in our sector leading leasing productivity, our improved merchandising, our ramping redevelopment activity, our accelerated capital recycling and our strengthening balance sheet have led us to tighten our current year NOI and FFO ranges as we continue to accelerate our investment in growth.

Let's dig into that progress. It begins with leasing, where we executed 2.1 million square feet of new and renewal leases, which is a record for this team, with our new lease rent at $16.89 per square foot, which is also a record, and a new lease cash spread of 21%. When you include options, we executed 3.4 million square feet, and for the trailing 12 months, we created an additional $41 million of incremental ABR, or 4.3% of total ABR. From a timing perspective, those signed leases rent commence throughout 2018 and into early 2019, as they skew towards anchor deals. As we've focused on replacing older anchors with more relevant ones, the cost or investment in rent commencement days has increased.

Importantly, we continue to upgrade merchandising, bringing new-to-portfolio uses such as Shake Shack in Yonkers, MOD Pizza in Vallejo, California, and B.GOOD in Nanuet, New York. These executed deals underscore the desirability of our centers, and the strong performance of our restaurants and outparcel team. We also executed two additional specialty grocers to advance our reinvestment projects in Mamaroneck, New York and Marlton, New Jersey. These deals, plus over 45 more of the 160 new leases signed during the quarter, highlight our previously stated commitment to expanding our tenancy with uses such as restaurants, fitness, home, value and specialty grocery. These uses increase the traffic to our centers and drive follow-through growth in small shop occupancy, while positioning our centers to engage and delight the communities they serve.

It's important to note here that we remain focused on merchandising and getting the right tenants who will drive long-term growth versus simply filling space to chase occupancy. From an occupancy standpoint, the year-over-year sequential decline this quarter was driven primarily by two factors. First, our ramping future redevelopment pipeline drove a year-over-year drag of over 40 basis points. We expect that drag to continue to increase until we get to a stabilized level of spend and delivery in late 2018.

Second, outside of the redevelopment pool, we experienced a 60bps impact from bankruptcies that we highlighted last quarter, primarily Payless and rue21. I'm pleased to report that we continue to make strong progress on leasing recaptured space. In fact, 65% of the 2017 bankruptcy GLA is resolved or under LOI, and for spaces where we've executed a new lease, those rent spreads are north of 35%.However, we don't expect that rent to commence until later in 2018, and as always, the team is laser focused on trying to minimize downtime.

And while not as significant as the ramping redevelopment or recent bankruptcies, interestingly, we also saw a slightly negative impact on occupancy from our capital recycling activity, as we purposely drove occupancy at assets sold to 95% on average to maximize value. From a capital allocation perspective, our prudent stewardship allowed us to harvest an additional $15 million in proceeds from spaces leased in just the last 12 months.

Despite the headlines of woe in the retail space, our forward leasing pipeline has continued to grow, and currently stands at over 500 leases, comprising 3.0 million square feet and nearly $50 million of total ABR. Our outstanding leasing productivity continued to drive growth in our overall ABR per foot, which is up 3% year-over-year to $13.28, also a record for the Company. Now, think about that growth for a minute. It reflects the average in place rent for the entire portfolio, of which we turn about 10% annually. And we're driving that growth intrinsically with the very best tenants in the open-air space.

That same leasing production also continues to unlock significant and accretive reinvestment opportunities. This quarter, we added ten new projects comprising $34 million of investments at an average incremental return of 9%. That growing and active reinvestment pipeline stands apart from a risk perspective, as I've said before, because it's substantially pre-leased. We also added 11 new redevelopment projects to our shadow pipeline based on leasing activity that will soon move to that active pipeline in markets like Cudahy, California; Redford, Michigan; Garden City, New York and Concord, New Hampshire.

Finally, we delivered $6 million of accretive reinvestment this quarter at an average incremental return of 13%. With over $280 million of value accretive projects now underway, and a ramping shadow pipeline that we are actively pre-leasing, we are marching towards our goal of an annual spend of $150 million to $200 million by the end of 2018. I'm very pleased with the leadership efforts here of Bill Brown, who has hit the ground running, and is helping us achieve our goal of being the market leader in not only absolute value created, but also in the execution and velocity of delivery.

Speaking of unlocking value, I'm also happy to report that we harvested another $191 million (or $140 million at our share) in nine asset sales this quarter at an average cap rate of 7%. We continue to demonstrate liquidity for our non-core assets, and to execute on our plan to exit single asset markets, which included four this quarter: three upstate New York markets and Campbellsville, Kentucky. We currently have several additional assets under contract to sell and continue to ramp our dispositions efforts, as I've discussed on prior calls.

Let me pause on this execution here for a moment. We are achieving cap rates on non-core assets that are at least 150 basis points tighter than where we are trading today. And their average demography would put them in a bottom quartile of our portfolio. Truly an outstanding job by Mark and team, but also a testament to the liquidity and valuations that exist, if you're willing to do the hard work of individual asset sales. Our execution demonstrates our careful stewardship of capital, and on the acquisition front, we will remain highly selective; focusing on our existing markets and only those assets with clear upside and hold IRRs that are compelling.

From a balance sheet perspective, we continue to extend our weighted average tenor, which now stands at 5.4 years, and reduce our leverage, including reducing debt by over $100 million this quarter. This is all part of our intentional long-term plan to maximize the strength and flexibility of our balance sheet.

Looking forward, we have reduced the top-end of our FFO per share guidance, which reflects the fact that we'll be a net disposer of assets this year and the increasing drag of our ramping redevelopment.

Before turning the call over to Angela for a more detailed discussion of our results and outlook, allow me to touch briefly on the impact of Hurricanes Harvey and Irma. As you may know, we had well over 150 assets that were in the paths of these two storms. Our teams on the ground, led by Haig, Jason, Matt and Julie, did an outstanding job getting our centers reopened quickly, prepositioning supplies, even helping tenants clean their spaces and hanging sheetrock to get back up and running quickly. Their outstanding efforts mitigated an impact that could have been much, much worse. All of our centers were back up and running with very little downtime. And the NOI impact of damages not covered by insurance is expected to be a little over $600,000, or 10bps, mostly in the fourth quarter.

I'm so proud of how our team responded, many of whom were themselves displaced by the storms. Truly outstanding. I am also proud of the contributions of our broader team, including our Board, has made to help those members of the communities most severely impacted by these storms. Those contributions included: over 250,000 meals donated to the Houston Food Bank; over $20,000 worth of school supplies donated to the districts most impacted in Houston; and over $70,000 in contributions to assist families with children displaced in South Florida. And our efforts continue as we plan to send more employee volunteers to assist with Habitat for Humanity's rebuilding efforts in both South Florida and Houston. Simply put, these efforts are consistent with our core purpose of being centered on the local communities we serve.

In closing, let me say that we're very much looking forward to seeing you at NAREIT in Dallas, and many of you for our property tour there. I'm excited for you to see our real estate firsthand and the breadth of opportunity we have to drive growth. We're also looking forward to seeing many of you at our Investor Day in early December, where you'll have the opportunity to meet our broader team, speak with some of our larger tenants, and also receive guidance for how we expect our performance to deliver over the coming years.

With that, I'll turn it over to Angela.

Angela Aman

Thanks Jim and good morning. I'm pleased to report another strong quarter of financial and operational results that demonstrate both the health of the portfolio and successful execution on our long-term strategy. FFO for the third quarter was $0.52 per share, representing growth of 3% excluding non-cash GAAP rental adjustments and lease termination fees, driven primarily by same property NOI growth and a gain on debt extinguishment related to the early repayment of $98 million of high-cost secured debt. On a year-to-date basis, FFO was $1.58 per share, representing growth of 3.7% excluding non-cash GAAP rental adjustments and lease termination fees.

Same property NOI growth was 1.5% for the period with base rent contributing 130bps. This performance was consistent with the indication we gave on last quarter's call that our 3Q growth rate would likely be at or below the low end of our full year guidance range, due in large part to the impact of bankruptcy activity, which detracted 130 basis points of same property NOI growth during the third quarter. On a year-to-date basis, same property NOI growth was 2%, with base rent contributing 210 basis points. Based on our year-to-date performance and current expectations for the fourth quarter, we've revised same property NOI growth guidance to a range of 2.0 – 2.5% from the previous range of 2.0 – 3.0%. The revision in the range is primarily attributable to additional occupancy drag in the fourth quarter, due in part to the expansion of our forward redevelopment pipeline and other proactive vacancies created in order to facilitate remerchandising across the portfolio, as well as delays in rent commencement dates on certain fully executed leases. In addition, our revised range reflects our current expectations for the financial impact from hurricane activity.

With respect to the balance sheet, as previously announced, during the third quarter, we closed on a $300 million seven-year unsecured term loan and used the proceeds to repay $300 million of 2018 unsecured term loan maturities. In addition, we prepaid $98 million of secured debt at a 6.3% interest rate. From a liquidity standpoint, we have only $210 million of maturities between now and the end of 2018, and $1.25 billion of undrawn capacity under our revolving credit facility. The acceleration of our capital recycling efforts in the third quarter had an impact on our overall leverage level, with net debt/EBITDA now at 6.8x, the Company's lowest level since going public. The additional capacity we are creating on the balance sheet will be an important factor in our ability to drive shareholder value over the next several years.

Last night, we announced that our Board of Directors has approved a 5.8% increase in our quarterly dividend from $0.26 per share to $0.275 per share, representing an annualized dividend yield of approximately 6%. The dividend increase leaves us with an FFO payout ratio in the low-50% range, one of the lowest in our sector, ensuring that we retain ample capital to fund our accretive reinvestment pipeline and continue to strengthen the balance sheet.

With respect to FFO guidance, last night, we revised our range to $2.05 to $2.09 per share from a previous range of $2.05 to $2.12 per share. This change reflects our revised same property NOI growth expectations, as well as a significant volume of disposition activity completed during the third quarter. As discussed on prior calls, non-cash GAAP rental adjustments will continue to moderate over time. While our guidance for total non-cash GAAP rental adjustments in 2017 remains unchanged at a range of $44 – $46 million, we do expect that this line item will be significantly lower next year, and believe that for modeling purposes, the current quarter represents an appropriate run rate for 2018. We will provide more specific guidance on our expectations for 2018 at our Investor Day in early December. And with that, I'll turn the call over to the operator for Q&A.

QUESTION AND ANSWER

Justin Devery – Bank of America Merrill Lynch

Hi, Jim. I just had a quick question here on dispositions. We see that 2017 has been quite a year as you predicted. And I was just curious how we should be thinking about next year and what, if any, dilutive impact that may have on earnings looking forward?

James Taylor

Let me comment more broadly on the overall asset sale market. It remains really compelling, and as I've said before, we'll continue to ramp our disposition efforts to capitalize on that. And while we're not prepared to give guidance for next year, we certainly see that environment, from a capital recycling standpoint, continuing based on what we have in our pipeline and the assets that we have under contract. And again, I really think the important point here is that we're able to harvest value and assets that aren't core to our long-term growth strategy at cap rates that are very compelling, well-inside of where we're trading today. And again, really point to the efforts of Mark and team, and doing this one at a time.

Justin Devery – Bank of America Merrill Lynch

And then on the other side of things, on acquisitions, I noticed there weren't any in 3Q. Is that a sign of something to come and how we're thinking about acquisitions looking forward or what do you need to see to start getting excited about acquisitions again?

James Taylor

Thanks for the question. As I've said before, we're going to be net disposers in this environment. We're going to remain very disciplined in terms of looking only at assets to acquire that are in our existing markets or adjacent to some of our properties, where we see a lot of growth and upside, because we've got a pipeline of reinvestment opportunity that's continuing to grow and is producing high-single-digit, low-double-digit returns, and we're in an environment where we're preleasing, I'll add. So, as we think about our allocation of capital, we think the most prudent thing is to emphasize and grow our investment in that regard versus paying market values for assets where we are trading today.

Christy McElroy- Citi

Just on redevelopment, I guess that the pipeline is ramping and it's causing that greater drag to same store NOI. It sounds like the change is driven by the fact that it's ramping more quickly than you expected three months ago, but then just looking at the value-enhancing CapEx and guidance, that's unchanged. So, maybe you can help reconcile that – is it just greater downtime expected? And sort of what's driving that greater immediacy to ramp the pipeline, put capital to work?

James Taylor

Well, thanks for the question Christy. What's driving the drag is the space that we're taking down, and what's driving it is that we have demand to backfill it. I'm really excited, for example, about the space we've taken back in Marlton, New Jersey to trigger the redevelopment there that with the Sprouts. I mentioned the two specialty grocery deals that we did this quarter. We did another one in Mamaroneck. We've taken back space, for example, at Hunter's Creek down in Florida to launch the redevelopment there with the Lucky's supermarket.

So, across the board, what we're seeing increasingly is an opportunity to replace some of these anchors with more relevant uses to the center and to do that, of course, we have got to get the space back. And what I'm also particularly encouraged by is Bill Brown's leadership on that team. We are really accelerating the rate at which we're moving assets from the shadow pipeline into the active pipeline. And you'll notice this quarter, I think we added 10 or so projects to the shadow pipeline, we've moved more projects into the active, and we're continuing to deliver. And what I really want to hammer home with the folks out there is that the active pipeline that we show has been substantially preleased. And the other element of it is that it doesn't reflect the follow-on benefit that we fully expect as we touch these centers and remerchandise and make them better.

For example at Marlton, New Jersey, when we bring in that Sprouts, we expect a big pop in some of the small shop rents around that, but that's not factored into our returns. But it is very consistent with this long-term plan. And on a relative basis, as we think about where we should deploy the capital that we're generating from these asset sales, redevelopment is compelling, coupled with the fact that we've got the tenant demand to do it. So, to just more specifically answer the question, we're recapturing a lot more space and carrying, if you will, that vacancy associated with the redevelopment.

Christy McElroy- Citi

And it sounds like, at least at the top end of the same store guidance range, there were some impacts from delayed rent commencement dates. What do you think is driving some of those dates to get pushed back and what are some of the bigger issues there?

James Taylor

That's something that we track very closely, which is the cost of rent commencement, which is simply measuring the cost of downtime between a signed lease and when it ultimately begins to paying rent, and that has grown. And I think it's really a factor of the type of tenants that we're doing deals with as we focus on merchandising, bringing in fitness uses and changing the underlying use of that box to make it a specialty grocer or another use different than what it was before. And the other sort of underlying trend you see there is we're doing a larger proportion of anchor deals and we're doing that very intentionally because we want to also get the follow-on impact of better quality and higher rent paying small shop tenants once we recaptured and repositioned the anchor. So, it's really a function of both of those things that's driving that increase in that rent commencement cost.

Ki Bin Kim - SunTrust

Good morning guys. Tied to that previous question, how should we think about the pace of small shop occupancy gains throughout the next year – especially given that you're ramping up your development? When should we expect that follow-on benefit?

James Taylor

I think you should expect to see us make consistent progress on that throughout the next several quarters with the redevelopment projects themselves. That progress is going to be intentionally a bit more back-end weighted. And again, from a small shop perspective, we really are focused on making sure that we're driving the right tenants. And a lot of the activity, for example, that we've been driving has been through our Restaurant and Outparcel team. A lot of those deals themselves have a little bit longer lead time, given the build-outs and other things that we're doing. But I think you should see pretty consistent and steady progress in that metric throughout the next several quarters.

Ki Bin Kim - SunTrust

And one part of development story that's been growing is outparcel development. Can you talk a little more about that and what the total scope looks like over time?

James Taylor

What was really interesting to me when I came into the Company was the sheer scope of outparcels – over 250 to 300 outparcels throughout the portfolio that had never been harvested. And so, we brought on a new team, as I've mentioned in the past, led by Tonya Creekmore to make sure that we're focused on harvesting that opportunity, and we're doing so in a phenomenal way across the portfolio. We have over 40 deals and LOIs, and again, it's with exciting tenants like a Shake Shack or a MOD Pizza or B.GOOD. And we're driving income, value and traffic off of previously underutilized portions of our centers, and tying that into sometimes broader redevelopments. For example, what we've done at Marlton, where we've downsized the Burlington, we're adding the Sprouts and we're putting a Chickie's & Pete's on the outparcel. So, I'm very excited about that opportunity. The returns that we can drive on those outparcel deals are often in the double-digits and they're smaller investments. So, smaller investments and higher returns and, relative to complete overhauls of the entire center, generally shorter duration. So, expect to see us continue to do that, in addition to the anchor repositionings and the broader center redevelopments that we have underway.

Ki Bin Kim - SunTrust

So, you mentioned about 200 or so outparcels, but how is the demand for that type of space?

James Taylor

Well, as I mentioned, we have over 40 LOIs and leases underway now, and that was really from a standing start. Brian?

Brian Finnegan

Yeah. Ki Bin, I'll just add, since the new management team came onboard, we've added 11 projects to the pipeline, and as you mentioned, the returns are very strong at 13%. Also, to ramp this up, because of the tenant demand that we're seeing, we've added some redevelopment resources to accelerate this as best we can. But we do continue to see good demand from QSR restaurants, interesting local restaurant concepts – Jim mentioned the Chickie's & Pete's that we did down in Marlton – as well as a number of other uses that we're seeing from multi-tenant buildings up front, which we're seeing a lot of drive-through opportunities from tenants like Starbucks and Panera. So, as we continue to accelerate those plans, I feel really good about the demand that we have in that space.

James Taylor

Yeah, and it's demand driven. In fact our entire redevelopment pipeline is demand driven. And I think some of the healthy things that we're seeing going on in our pipeline is that we're actually preleasing the projects in our shadow pipeline and not moving it to active until it's substantially done. Frequently, it will be all done; occasionally, we'll leave a couple small shops open as we move the project forward.

Ki Bin Kim - SunTrust

Yeah. I mean, that is an interesting point. I mean, a lot of your stuff is preleased, which is not the case for every REIT. All right. Thank you.

Greg McGinniss – UBS Securities

Looking at the redevelopment and anchor repositioning, yields have come down just a bit, what seems to be the main drivers for the decline, and should we expect further erosion as you move deeper into the pipeline?

James Taylor

No. I think it's just a function of the mix of the projects that we're adding. I think long-term, you can expect us continue to deliver weighted average returns in the 9%, 10% to 11% range. Part of it is just driven by the mix. Some of the larger redevelopments tend to have high-single-digit yields. Some of the outparcel deals can be much, much higher than that, and as can the anchor repositioning deals.

Greg McGinniss – UBS Securities

And you may have commented on this in response to Christy's question, but just to clarify, do those redevelopment yields include the impact from expected occupancy uplift?

James Taylor

No. They don't. Thank you for highlighting that. They don't. So, when we give you a redevelopment return, we're giving you that return on the space that we're addressing. So, we're being conservative. And the point there is that we sometimes will hold small shop occupancy lower in that center – for example at Marlton – so that we can start taking rents, for example, from in the $30 – $40 range to the $50 and higher range, because new small shop tenants see that we got a Sprouts and a great new restaurant outparcel. So we're transforming the overall center. But when we report those returns, we're reporting those returns on the space that we're touching, and that's a really important point. We're not betting on the outcome. The only time we'll have speculative activity in there is if we're addressing another space, but we don't have a tenant for it yet.

Greg McGinniss – UBS Securities

Thanks. And so, is that 600 – 800bps small shop uplift still the case in most recent months?

James Taylor

Yes. That trend has continued. And what we're really trying to do is, in the backdrop of strong tenant demand for our centers, and importantly, reasonable occupancy costs, which really matters in this environment, drive growth and follow through in the balance of the center.

Todd Thomas – KeyBanc

Good morning. Just sticking with the redevelopment, that 40 basis point drag or impact on occupancy that you attributed to holding some space offline, and sort of getting ready for some of that redevelopment. I realize it's somewhat temporary, but any sense how much larger that drag may become over the next year, and when do you anticipate that it might begin to narrow and become a tailwind?

James Taylor

Well, we're going to give really specific guidance on that at our Investor Day. But, as you ramp that level of activity, the drag increases until you get to a stabilized level of spend and deliver, which we expect to happen in the fourth quarter of next year. So we're intentionally investing in that growth, the near-term cost of which is the vacancy drag.

Todd Thomas – KeyBanc

Okay. And then on the dispositions in the quarter, and I guess just thinking about asset sales more broadly, can you characterize the buyer pool for some of these assets? And then what are you seeing in terms of that gap in pricing between single asset execution versus larger transactions or portfolio deals?

Mark Horgan

Sure. A couple of questions there – who we transacted with? This last quarter we had both nationwide focused pension fund advisors, we had local operators, we had a 1031 exchange buyer, local real estate funds and a private REIT. What's interesting about the market today is, when you look at deal size, it really matters from a volume perspective. We see plenty of demand and interest in some of the smaller deal sizes, given the relatively small equity check. And so we continue to see a very active market which allows us to push pricing in some of these markets, including some really secondary markets including assets like Green River, which was in an MSA, which I believe was about the 830th largest MSA, and an asset like Rising Sun, Maryland, which had 6,000 people in 10 miles, we saw great demand in both those assets, because of the deal size and relatively small equity check that the buyer had to use.

With respect to your question on portfolios versus one-off deals, we really just haven't considered portfolios, because people come in saying, "I really need a deal to get one done." We just continue to see great pricing on a one-off basis. We're going to continue to try and pursue those versus a portfolio sale.

James Taylor

And look, as you can imagine, it's harder work. But I think it's the right thing to do. As was our effort with our regional leasing teams to drive some occupancy gains at those assets. In fact, we drove the occupancy up to 95%. And as I mentioned in my prepared remarks, that drove an additional $15 million of value. So we really are focused on making sure we're being good stewards of that capital.

Todd Thomas – KeyBanc

Okay. And then, I know you aren't putting any markers out there around disposition goals, but in terms of continuing with single asset transactions like this – is this about the right pace that maybe we should sort of think about the team being able to execute in any given quarter or during some sort of timeframe like this, or could there be heavier periods of transaction activity?

James Taylor

Well, we haven't given guidance, and the reason that we don't is because we think it's important to always remain very opportunistic in that process. But our pipeline of dispositions continues to grow and we expect to continue to be a net disposer of properties over the next several quarters. Sometimes you'll see a higher level in a quarter, sometimes you'll see a lower level, but we are going to be net sellers. And it's in an environment where we should be. Because we've got that big spread between where we're trading and the pricing that we can realize on those assets.

And frankly, it's also consistent with our long term portfolio allocation goals to get out of these single asset markets and to get out of assets that we think have low hold IRRs, and reallocate that capital into redevelopment and our balance sheet. And from an asset acquisition standpoint, really only those assets that meet our requirements and so, I think what you'll be seeing us doing on that side are probably smaller volumes and deals that we'll be able to demonstrate to you, have the embedded growth and upside that we need to see to make an acquisition.

Jeff Donnelly – Wells Fargo

Good morning guys. Maybe just circling back on the redevelopment question, just to come at it a different way. The revised earning guidance implies, I think, $0.47 to $0.51 in fourth quarter FFO, which is certainly below the $0.52 to $0.53 you guys have been averaging earlier this year. Just given your remarks on the call, Jim, about leasing progress being more back ended next year and that the redevelopment drag could grow through late 2018, should we be presuming that it's fair to say that your Q4 FFO guidance might not be the depths of quarterly earnings as we also think about next year?

James Taylor

Well, we're not giving guidance on next year yet, Jeff. But as you look into the next quarter, we certainly have a few things going on. One of which is the asset dispositions, and obviously the ramping redevelopment.

Angela Aman

Yeah, the other things that would have been in the Q3 number, that wouldn't be embedded in Q4 guidance, would be the lease termination income we had in the third quarter, which is just under a $0.01 a share, and then the gain on debt extinguishment, which was about $0.01 a share as well.

Jeff Donnelly – Wells Fargo

And the second question on just repurchasing shares, I apologize if I missed this in your opening remarks, but how are you weighing repurchases now, given the widening gap between the value of your shares versus the way you're monetizing what you're saying are your lowest tier assets? I guess wouldn't that imply that repurchases might actually surpass the returns on some of the repositionings that you're looking at, but maybe with less earnings disruption?

James Taylor

I think that our product, at the end of the day, is a growing stream of cash flows per share, as I said in the opening of my remark. And therefore, as you think about that as an allocator of capital, certainly share repurchases could be a very effective tool. But first, we need to make sure that we're maintaining a very strong balance sheet, which we continue to be focused on, and that we put ourselves, as we are today, in a position where we do not have to raise a single cent of capital externally to fund what we have underway and what we expect to come. But taking care of that, and making sure first and foremost that we can deliver upon the longer term redevelopment pipeline that we see, that's certainly a compelling tool to consider in the toolbox. We don't have anything announced yet, but stay tuned.

Karin Ford – MUFG

Hi, good morning. Going back to the restaurant topic, there was an article in the Times today that there are too many casual and fast food restaurants out there. It's obviously been pretty important to your remerchandising efforts, are you worried about saturation on that front or is it just a matter of picking the right restaurant?

James Taylor

It really is about picking the right concepts, and I think what the Times article highlighted is a trend that's in fact been going on for several years, which is the traditional casual dining concepts are struggling. But in this era of impatience and instant gratification, the quick-serve concepts are growing, and they're very profitable. But you do have to pick the right concepts. As an overall portfolio, we are still very underrepresented in restaurants which I think can be a very important unsubsidized anchor for that shopping center.

Brian Finnegan

Yeah, the other thing I'd add just in terms of those casual dining operators, those spaces that we are in fact looking at and if we do get back, they're some of the best opportunities that we have in our portfolio to upgrade the merchandising or the restaurant user for that space. So, as Jim said, we feel like we're underrepresented in terms of the restaurant uses, and every quarter, our team keeps coming through with new and exciting concepts, Shake Shack and MOD this quarter, as Jim mentioned. So we feel pretty good about the demand that's out there and the breadth of the restaurant landscape that we continue to get in front of on these opportunities.

James Taylor

Yeah, and I love the question, because it's an important one. We always look at that in balance and with restaurants, in particular, we all know that that's a business that can be more volatile. So, as we think about the capital that we put towards, as we think about the operators, we're doing so being very mindful of the fact that there's a higher failure rate in that asset class, or, excuse me, that tenant class.

Karin Ford – MUFG

Thanks for that, that's helpful. And my second question, could you tell us how much rent commences in the fourth quarter? And can you just walk us through what other components there are that brings the same-store NOI growth up from 1.5% in 3Q up to 3% there at the midpoint of guidance?

Angela Aman

I mean, as you look at sort of our total pool of executed leases that have not yet commenced, I think around 40% of that that starts rent commencing in the fourth quarter. I would say that most of that commences pretty late in the quarter. So, you're going to see the full benefit of that as we move into 2018.

In terms of sort of where we were in Q3 relative to where we expect to be in Q4? I think the biggest range is probably on the top line on ABR, and it's going to have a lot to do with rent commencement dates and other decisions again that we may make with respect to accelerate the redevelopment pipeline, but that should have the biggest impact.

Wes Golladay – RBC

Hey, good morning everyone. Just looking at the redevelopment yield versus where you could buy the stock back at. Would you consider slowing down the pipeline going forward, if you can buy the stock? If the stock stays at these levels, A+ nominal yield, for call it a few quarters, would you consider slowing the pipeline?

James Taylor

It's a really good question. We're running a long-term business here, Wes. And I'd love to think that we could operate like traders, but we really can't. And the redevelopment pipeline has a very intentional and deliberate lead time, where we're lining up tenants and doing that. And so, when we look at that absolute return, it's compelling. And then when we look at the follow-on benefit that we get from the growth in the small shops, et cetera, from the balance of the centers, our returns to the Company are actually even higher than what we're reporting on the incremental yield. Again, we're only reporting our yields related to the space that we're touching. So having said that, as I talked about few questions ago, I think share repurchases are an important capital allocation tool for any company like us that's focused on maximizing growth and cash flow per share. So stay tuned there. But again, you're not going to see us be as nimble as traders on that, but I'm certainly looking at the gap between where we're selling properties today and where we're trading. And we're selling the bottom quartile of our portfolio in terms of demography, markets that we don't have critical mass in and that we don't expect to be in long term and we're going well inside of where our overall portfolio is trading.

I mean, we had a big debate internally about Campbellsville, Kentucky, because – I don't know if you know, but that's actually the seat of Taylor County, but the team didn't think that that was worth it to hold. So, we've got some of these assets that the team is doing a phenomenal job of finding liquidity for, and it's hard work. I'm not going to give specific quarterly guidance on it, but I can tell you we're ramping that. And, as responsible and prudent stewards of capital, balance sheet redevelopments are our highest priorities. But, hey, it's kind of nice to have that tool in the arsenal too, as you think about maximizing growth in cash flow per share.

Wes Golladay – RBC

Okay. And its, I guess safe to assume that the buyback would be leveraged neutral, maybe accretive, if you were to make one?

James Taylor

That would be incredibly safe to assume.

Mike Mueller – JPMorgan

Angela, just little color on your comment about the redevelopment drag and same-store NOI accelerating through 2018. And I know, I'm not asking for 2018 guidance specifically, but I'm just curious in terms of like a magnitude of how much more of a headwind that could have on that 2018 comp? Any initial thoughts on that? Is it just basis points at the margin or could it be a significant headwind?

Angela Aman

Yeah, we're preparing to give full 2018 guidance within the context of the overall business plan at the Investor Day in early December. I would say, as you think about what's played out over the course of 2017, when we gave original guidance in Q4, we had said that we expected the redevelopment drag to be about 10 basis points, whereas today, we see that redevelopment drag on the 2017 results as being about 40 basis points. So, that's grown, but order of magnitude has been about 30 basis points.

I would also echo Jim's earlier comment as well with respect to getting to that run-rate of spend in terms of deliveries and incremental spend on the redevelopment pipeline sort of reaching that stabilization point in late 2018 and seeing sort of the benefit from completed in-process redevelopments really kicking in over the course of 2019. But, I think it's a little too early for us to quantify the impact for just 2018.

Floris van Dijkum – Boenning & Scattergood

To ask a question in a different way: Jim, in terms of your dispositions for the fourth quarter, what do you have on a contract today that you expect will close in the fourth quarter?

James Taylor

We have a little bit over $70 million under contract as we sit today. We've got a lot more in the pipeline behind that, but it's really tough for me to predict from a timing perspective when all of that will close. But it's consistent when you look at what's under contract and in the pipeline with our goal to continue to ramp those efforts and be a net seller.

Floris van Dijkum – Boenning & Scattergood

Great. And then, do you have – or maybe this is more for Angela – a debt amount or a debt/EBITDA target that you're hoping to get to before you start to feel more comfortable about pursuing share buybacks?

Angela Aman

I think we're really pleased with the progress we've made already. I think, at the time we joined, debt/EBITDA was a little over 7x, today we sit at 6.8x. So, we've made some real progress even just over the last few quarters as we've continued to ramp the capital recycling activity, and so we are pleased with the momentum from that standpoint.

As Jim said, we're going to continue to be a net seller, and certainly some amount of those proceeds, no matter what, will continue to go to the balance sheet. You'll continue to see the number naturally work its way down through asset sales, but also importantly, through EBITDA growth. And as we talk about both harvesting the mark-to-market opportunity across the portfolio from just a leasing standpoint, as well as the redevelopment pipeline beginning to contribute as we get into the later part of 2018, I think you're naturally going to see some moderation in that metric as a result of just growth in EBITDA.

James Taylor

And we always think about it from a balanced standpoint. It's not a serial plan, but we're trying to strike the right balance as we move forward and be consistent with what we are committed to, which is to naturally migrate down that debt/EBITDA number into the low 6 range, in a reasonable period of time.

Jeremy Metz – BMO

Just one quick one, if you think about the asset sales, are you looking to balance the asset sales? And really I'm thinking more looking a little further out here beyond just what you have under contract in the fourth quarter. But are you looking to balance asset sales with redeployment opportunities? And therefore, if the sales market softened from here, you maybe wouldn't sell as much, and therefore hold back on some of the development? Or would the allocation between paying down debt and redevelopment just shift further towards redevelopment?

James Taylor

It's a really good question. One of the things that really struck me as I came into the Company was the amount of cash flow that this Company produces. And, in fact, we can fund most of the redevelopment activity that we have underway on a better-than-leverage neutral basis just through that free cash flow. Then, as we add asset dispositions on that, it gives us a chance to fund that growth activity, while also de-levering. And as we look forward and we think about changes in different markets, whether it's the leasing market or the capital recycling market, et cetera, we're always trying to strike the right balance and make the appropriate capital allocation decisions. So as we think about the asset disposition market right now, you know those hold IRRs are pretty compelling to be a seller. And that's really what we're going to evaluate, those incremental capital decisions going forward.

Jeremy Metz – BMO

And the last one for me is just in terms of the buyers that are out there and the transactions you're doing – are the buyers relying and putting on financing requirements in your offers, or no?

Mark Horgan

In general, we haven't transacted with folks who have had financing contingencies in the contracts. But I would say in the last quarter, we closed with a buyer who used CMBS debt, a couple of buyers used bank debt. As we look at transactions that we're actively working on, we're working with folks using bank debt, some folks using insurance money. So we're continuing to see good, well-priced debt financing for buyers. And in part, I do think that's driven by deal size. So, when you look at some of the $20 million, $25 million, $30 million deal sizes that's a small equity check and a small bite-size debt piece for bank to take down. So, we continue to see well priced debt.

James Taylor

And it's not only the size, but it's the nature of the assets themselves. I mean, you're looking at assets with pretty stable cash flows, with reasonable occupancy cost and reasonable rents relative to where market is. As Mark has alluded to, I think, where you're seeing softness in the disposition market is for larger assets, but, importantly, also assets that have in place rents that are well-above market. And that just makes sense. As an investor, public or private, you want to focus your capital towards assets where you see good upside. And so, a lot of the larger asset sales that had struggled have been due to size and frankly the nature of the underlying rent roll.

Vin Chao – Deutsche Bank

Good morning, everyone. Without specifically asking about 2018 guidance, which I know will be provided shortly, can you just remind us in terms of the 2017 same-store NOI guidance, what the expected drag is from bankruptcy/occupancy declines, exclusive of the 40 basis points of redev? What your current average escalators are as well?

Angela Aman

Yeah, within the current 2017 same property range, obviously redev was about a 40 basis-point impact. When you strip out the redev properties, I would say that the bankruptcies by themselves were about another 70 basis points. So between the two, just over 100, 110bps.

Vin Chao – Deutsche Bank

Okay. And then the average escalators today?

Angela Aman

Average escalators across the portfolio are about 100 basis points. It's obviously something we've been very focused on over the course of the last 12 or 18 months, just in terms of making sure we're getting contractual escalations in our new lease activity and continuing to work that number higher.

James Taylor

Yes in fact, Vin, I'm glad you raised this point. I'll let Brian address it more specifically, but we continue to see great momentum in terms of the embedded rent bumps we get in our new signed leases.

Brian Finnegan

Yeah it's something the team has done a very good job of and really speaks to the level of demand in this environment to be in our properties. I mean, 95% our deals had rent bumps over the course of the term that we signed last quarter. That's among the highest that we've ever had since we've been tracking it, and something our team's been so focused on. Because that's growth that you pay for once and you never have to pay for it again. So it continues to be something that we're focused on and we've been able to get it and really improve that number in this environment.

James Taylor

And on a marginal basis, we're seeing that embedded rent growth in the twos. So, we'll continue to accrete the overall portfolio embedded rent growth as we focus on that metric, much as we're accreting the overall in place ABR and we're doing it intrinsically, we're not manufacturing that growth.

Vin Chao – Deutsche Bank

And then just maybe another question on the redevelopment sites since that is ramping up: as we think about the sources of that increased pipeline, is there a way to break down how much of this is coming from you guys proactively finding replacement tenants for near-term expirations and then choosing just not to renew certain tenants or potentially, even buying out certain tenants if the numbers still work or versus stores just simply closing thereby opening up potential replacements to come in?

James Taylor

Look, the bulk of it is proactive, including situations where we see a tenant coming up on term and we intentionally don't renew them, or as you've alluded to, we recapture the space early. And in most instances, we're not having to pay for that. But where we do that, costs, of course, are reflected in our marginal returns. And then, some of these bankruptcies, because of the basis of the box that we're getting back, open up great opportunities to take an old hhgregg and makes it something a lot better. So that's probably the balance of what we're doing from ramping that effort.

Daniel Santos – Sandler O'Neill

I have a one quick one on new lease spreads. It looks like they were pretty healthy this quarter, but still down from the prior quarter. Wondering if there is a good range that we should be looking forward at given the quarterly volatility?

Mark Horgan

Yeah, thank you for asking that. Look, 21% on new leases is a phenomenal number. And as I've said before, don't just focus on the new lease spread, focus on the absolute volume of leasing done and the total new rent created. I think that's important. And as I've also said in the past, it is a volatile quarterly metric, one or two deals can move it one way or the other. When you look back on a trailing 12 month basis, you see that our new lease spreads are in the 30% range which is phenomenal. And as we look into our pipeline going forward, we see phenomenal levels going forward. But you really can't look at one quarter in particular, you need to look at that trailing 12 and also look at what you see several quarters forward which is represented by our pipeline.

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