BRIXMOR PROPERTY GROUP INVESTOR DAY 2017 - FINAL TRANSCRIPT **DECEMBER 2017**

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PRESENTATION

James Taylor

Welcome everybody. Can you hear me okay? Wow, this is great. I can't tell you how much we, as a Company, appreciate everybody coming today for our first Investor Day. I'm going to go through the agenda just briefly in a minute, but I hope what you come away with today is really a better view of three things; three things that you've heard me talk about, but hopefully today that we can really bring a little bit more life to, given the time that you're spending with us.

The first is the breadth of opportunity that exists in what we own and control. It really overwhelmed me when I came into the Company, when I saw this portfolio of older, well-located assets, the degree to which we could really create a tremendous amount of value making these assets better. Everything from how we are operating the assets to improving the tenancy to redeveloping some of those assets.

Secondly, what I hope you take away is that it's not just that that potential exists, which it does, and is far greater than we get credit for. It's the fact that we are actually executing and delivering on that potential today, and we'll talk a little bit about through guidance, through each of the sections how you can actually see that value being delivered now. I'm very proud of this team, which brings me to the last part.

Believe it or not, you're not going to hear a lot from me today, and that's very intentional. The reason you're not going to hear a lot from me today is because I want to give you an opportunity to see the quality of this team that we have assembled working on your behalf. I really couldn't be prouder.

Let's turn to the agenda real quick. I'll just go through what to expect for the day and then we'll get started. We're going to have Brian Finnegan, our Head of Leasing, talk about the overall leasing environment. We're very excited to have three key tenants here with us today from Sprouts, Target and ULTA. These are tenants who are thriving, who understand how to be competitive and how to serve the customer in this environment, so I'm looking forward to hearing from them and also to giving you an opportunity to ask them questions.

We'll take a break, then we're going to go into the redevelopment activity with our new Head of Redevelopment and each of the Regional Presidents, talking about the opportunities that are both delivering now as well as what's in that shadow pipeline that you hear me speak of.

We'll talk about how we're operating our assets better, fundamental blocking and tackling and how that's helping us deliver better margins and better performance.

You'll also hear how we're capital recycling and how we're being good stewards of your capital. I think any great company understands that the decision to hold an asset is an investment decision, and so what does that mean for us, and how are we executing upon the plan of capital recycling, and what are the things that we're seeing in the market today?

Then, finally, we're going to tie it all together for you. We've issued guidance for the next year. We've also issued NOI guidance, importantly not just for 2018 but also for 2019, and part of the reason we're able to do that is the visibility that we have on all the things that we're executing upon when they're delivering. The leases that we're signing today are actually delivering in 2019, as are many of our redevelopments, so we'll give you a very granular sense of how that value is being delivered. As you can see, we'll open it up for questions throughout the day, and I'm excited to make sure we're answering those. Again, thank you for coming, I really appreciate everybody being here. And let's get started.

INTRODUCTION VIDEO

Click here to watch the BRX Investor Day Introduction Video.

LEASING ENVIRONMENT

Brian Finnegan

Wow, what an awesome video. As someone who has been at this Company for a long time, I'm very fortunate to be part of the transformation that's happening, both at our assets but more importantly within the Company, and really appreciate the opportunity to speak to all of you today about how our leasing team is delivering value now and setting ourselves up for continued future growth. I'm going to touch on the retail environment, how the disruption that we're seeing with store closures this year has led to an incredible opportunity in front of us. We'll touch on our team and how our team is uniquely positioned to take advantage of that opportunity, and then we're going to go through each facet of our revenue generation business, how we're broadening our market share, improving our lease terms and driving value, both today and going forward in the future. Finally, we're going to hit on how we're utilizing data differently, as Jim touched on in the video, to drive more competition for space and increase demand to be at our centers.

First, in terms of the environment, the disruption that we've seen recently is not dissimilar from what we've seen in other cycles in the past, in that retailers that did not evolve were destined to falter. There's a consistent theme among many of the retailers that you saw significant store closures or bankruptcies with this year: they were slow to innovate and they didn't invest in their stores. And that's why many of the store closures and bankruptcies were not surprises. But there's tremendous opportunity embedded in those store closures, particularly for us, both from the upside that we have in getting those spaces back, as well as the demand that's out there from thriving retailers across the open-air space. It doesn't often get reported but there were 13,000 store openings this year from just national retailers, not including the local retailers that Jim touched on in the video and we'll spend a little bit of time on today. Those are retailers in the value, specialty grocery, fitness, entertainment, restaurant and home categories.

We're lucky enough to hear from three of our most important retail partners today in Target, Sprouts Farmers Market and ULTA Beauty. They're investing in their stores and they're broadening their reach and going into new markets, and what we're seeing is the opportunity to put these better tenants in, and it's really driving our redevelopment pipeline and improving out centers.

As I mentioned, the team is uniquely positioned with our platform to take advantage of this opportunity. First, it starts with our local owners. As Jim mentioned, we empower our local owners to be experts in their markets because we feel the best decisions are made at the local real estate level. Our team is expected to be in front of both local and national retailers that are expanding in their markets, and they're supported by a best-in-class national account platform that has access to key decision-makers at top retailers across the country. We're on the front end of new formats, new markets that tenants are entering into and we can make decisions quickly and move forward with leases faster because of the work that team has done. Then, our marketing support continues to get better. The team is doing things differently with research every day and finding new ways that we can use data to help our retail customers' needs and talk to them about the projects that we're working on.

A little bit more about the team. We have both an established group that's been with this portfolio for a long time through many different cycles, as well as new talent that's come onboard and recognized the opportunity to be a part of this. That established team has been with this portfolio for over 20 years, and it's really amazing to me to see what the investment and what the transformation that's going on in the Company has done to that group and energized them in terms of the opportunities that we have going forward. It's really exciting with the talent that we've been able to bring onboard, some of the best in the industry, at all levels of our leasing team. And in terms of our marketing group, we try to understand well what retailers are looking for and we're better at it today because we have someone who used to work for them. David Spawn, who you'll meet later, runs our Research Group and has done a very good job of getting ahead of what retailers are looking for in this environment.

We're not just leasing space, which we're doing a lot of, but we're also broadening our mix. We challenge our teams week in and week out to bring new tenants to the portfolio, and the results have been strong. Over the last year, we've added 50 new national tenants to this portfolio. In the specialty grocery sector, those are our first leases with Sprouts Farmers Market and Lucky's Market. Our regional and outparcel teams have done a tremendous job broadening our reach with restaurants: our first deals with MOD Pizza, Shake Shack and Yard House. And recognizing that people are doing a lot more at our centers than just shopping and eating, we've significantly expanded our fitness and entertainment coverage. Our first deal with Dave & Buster's will open early next year in Memphis in an old Sports Authority box. We opened our first Main Event at Pointe Orlando earlier this year, and we're supplementing our traditional fitness operators with very strong boutique fitness players like Orangetheory and Burn Boot Camp that are driving a tremendous amount of traffic to our centers. Some other interesting names that we've added are Lowe's Orchard Supply concept; we're doing one of the initial rollouts of TJX's Homesense locations in a center that we own out on Long Island; and last week we opened our first Total Wine in Pleasanton, California.

As I mentioned, deal count is not what we're measuring ourselves on when it comes to how are we doing in terms of increasing and improving our tenant mix. We're also looking at gaining share and what we like to call "institutionalizing the relationship." How strong is that relationship in every aspect of that business? From CEO to operations, you're going to hear Haig talk about it today, building trust with our retail partners

on the other side, to legal and how we're able to facilitate form leases a lot faster. We score our team on how well they are ingrained in that relationship. We're also measuring share. Everyone on our National Accounts team doesn't just have a deal count for their tenants, but also how many of the deals we are capturing in their overall expansion. This is just a small subset here. I mentioned Sprouts; like I said, we had zero stores a year ago, we now have three. Another program that we're really focused on, particularly heading into next year, is off-mall expansion. You notice Kay Jewelers on this screen. We've done a great job in relocating those stores off-mall to their pad prototype, and it's something that we're scoring our team on. Retailers like Gap are really focused on their off-mall program as well.

As we've been broadening our tenant reach we've also been driving tremendous value in our centers. We've signed over 100 anchor leases in the past year at rents over 40% above our in-place rents today. Those deals are feeding a redevelopment pipeline that Bill and the regional owners are going to talk about later, with most of those commencements starting in the back half of 2018 and early 2019. And we have significant runway here for future growth, with 4 million square feet of anchor leases expiring in the next three years that we control with no options at rents 60% below where we're signing those leases today.

As we've improved our outreach in terms of the tenants that we're doing business with, our tenant mix has changed. We already have a very diverse tenant mix. Our top ten, on average, represents about 1.5% of our ABR. But as we've been adding more thriving retailers, we've also been reducing our exposure to concepts and categories that are closing stores. Since IPO, we've reduced our exposure to Sears by 50%, and we've reduced our office supply exposure by close to 30%. But more importantly, we are driving value out of those spaces as well, with 25 anchor repositioning or redevelopment projects in those spaces at incremental returns in the low double digits, and we're very confident in our ability to continue to drive value out of these spaces going forward.

A big part of our redevelopment pipeline is not just getting the anchor straight but also what it does to our small shops. Our redevelopment pipeline is fueling our small shop growth. We see up to an 800bps pickup in small shop occupancy when we either reposition or redevelop a shopping center. If you think about that future pipeline that we have on our Supplemental, our small shop occupancy there is in the high 70% range, so as we bring more projects online, we'll continue to see that number grow. And we're doing it not just with national brand small shops, but as Jim pointed out in the video, local anchors, which I'll hit on in a bit.

These are a couple examples. The first one in Riverside, California. This is a dark grocer box that before the traditional grocer closed, hadn't spent money in that store in probably a decade. We put in Barons, a specialty operator out of San Diego. They've done a tremendous job in that location. Small shop occupancy picked up close to 2,000bps. This is another center that we own in Cincinnati. This was a dark furniture store that we were able to bring Fresh Thyme into the asset. We were able to drive small shop occupancy here, again, close to 2,000bps. But more importantly, if you look at the rents on this, we took rents from $17 to over $20 PSF, and we see opportunities like this across the portfolio.

We're doing it with a mix of both local and national small shop retailers. We call them local anchors, because they are. I think everybody in the room can relate to a unique local business or a local restaurant that they go to for a certain reason. There's either the customer service or something specific on the menu, and we challenge our team week in and week out to come out with interesting local concepts that will be a complementary mix in our shopping centers. About 50% of our small shop leases are with local tenants, like the Wayne's Smoke Shack that Jim pointed out in the video, or the Carnival Restaurant, who anchors our center in Long Island at East Setauket. David is going to speak today about our redevelopment in Newtown, outside of Philadelphia, where we brought Nina's Waffles, a really cool local operator from Princeton, into that project to take the old Toll House building. They're the lifeblood of our business and it's something we're extremely focused on in terms of continuing to bring in good local operators to our centers.

Speaking of restaurants, our Outparcel team has done a tremendous job in broadening our restaurant mix across the portfolio. It's one of the things that when Jim came in last year, we looked at the opportunities that we had in outparcels and decided to structure a team around that to accelerate that as fast as we could going forward. I'm really pleased with the job that Tonya Creekmore and group have done out of the gate. In just about a years' time, we have 16 leases executed at rents 60% ahead of our small shop ABR, with another 70 leases or LOIs in the pipeline at rents at close to $40 PSF. And recognizing that these deals take some time; there are often approvals that are associated with them. We've built a structure around that group within the Redevelopment team to accelerate that as fast as possible because right now, we see those commencements coming on again in late 2018 and early 2019.

The other thing we've made some great improvements on is our Specialty Leasing group. The name here is really key because when we met with the Ancillary Income team a year ago, that's what they were; they were ancillary to our business in terms of the way their work was being prioritized in terms of the receptiveness that our teams in the field had to the new ideas that they were generating. They were doing a pretty good job. They were growing the business by close to $1 million a year, but just with some changes to the group and some support they've been able to double that growth in just one years' time. What's more exciting is the type of uses that we're bringing into that Specialty Leasing platform. We have our first solar initiative that's starting up in Southern California, pop-up shops for internet concepts that we're finding around the country, and we're also doing a lot with food trucks. We have at our Pointe Orlando center, in an area where we're holding back space for redevelopment, a food truck food court, if you will. It's called PointeEats, and it's been a tremendous draw down there and really connected with that community.

Those are the aspects of each of our revenue generation businesses. I thought I'd spend a few minutes going through just how we're using data differently. The bottom line is we need to get smarter. Retailers are more focused than ever today on finding not just the right real

estate, but a place they're going to succeed and thrive. As I've mentioned, we've had some additional research resources that we've put in place to really up our game in this department. The first way is using data defined trade areas, cell phone data. You can do a lot with a smartphone these days. One of the things that we do, with the service we use, is we're able to track where that phone rests at night and then when it's at our shopping center. The frequency of trips is measured over a year and you can see the darker, and thicker lines show where the center is pulling from. This is a center that many of you joined us on a tour in Dallas last month at NAREIT, where we were able to show that there are two trade areas pulling from the south and when we looked at this, there was a huge fitness and entertainment void. Well, within the next two quarters we'll be announcing a $35 million redevelopment at this asset with fitness and a movie theater teeing that off. It's a tremendous job by the team in utilizing that. The next is unmet demand. We're typically looking at what sales are leaving a trade area for a specific category. This is a center that we own in Clearwater, Florida where we were able to show a specialty grocer the grocery sales that were leaving that trade area. We're engaged with them now and we're expecting to announce a location in an old hhgregg box here, shortly. We also look at where there's increased spending in a specific category. This a center that we own in Westchester County, and one that David is going to be touching on with Bill later today. We were able to convince a specialty grocer from Long Island to come to the center to take an old A&P box to kick off a redevelopment there in a market where there's a lot of grocery today, but with the demand and grocery spending about 30% above the US average here, we're able to show them that their customers are going to be there, and it's really kicking off that project.

Finally, this is pretty interesting, I'm really proud of it because David on our team developed this with a vendor. We were trying to show how our centers were improving and how our markets were improving outside of just your typical demographic research. We call this a Rejuvenation Index. What it does is it takes four key categories: income, home values, education and household population and creates an index and maps how they're doing versus the MSA. You can see the dark green areas are areas that are really improving. This is a center that we own, another center in Dallas that if you went there today, while the market around it is somewhat improving, you would not notice this at our asset and we're able to make merchandising decisions here because of it. We had a Save-A-Lot go out and we had some discount operators that wanted to be here. We were able to put the brakes on that, and now we're working with some much better tenants to improve this center. This is new, this is within the last four to six weeks for us, and I think we'll find other interesting ways to continue to use this going forward. Those are just some of the ways we're using data. We're improving in all lines of our business, broadening our tenant base and driving a tremendous amount of value. This is the way we incorporate a lot of this into some of our marketing packages to continue to create that.

These are the results and they speak for themselves. Unmatched in the open air sector, close to 5 million square feet of new leases in the last 18 months, over $60 million in incremental ABR created at rents far in excess of our in place rents today. We're making our centers much more relevant to the communities they serve with much better tenants at higher rents, and I'm really proud of the job the team is doing and I'm proud to be a part of it. With that, I will turn it over for any questions that anyone in the crowd has.

QUESTION & ANSWER

Question

Just hitting on the Rejuvenation Index that you mentioned, I have two questions. Do you have a score for how you look on an aggregate basis across your portfolio, or on average you're just X% better than the market? The follow up is how does that shape your allocation in your disposition of assets or assets you choose to put money into?

Brian Finnegan

We have not done this across every single asset yet, and I don't know that every single asset would show the same way. We're using it for specific redevelopments, but it definitely goes into our capital allocation decisions, both from an investment standpoint as well as in the long term discussion of whether we're going to hold or sell an asset. That would definitely be part of the discussions in our NOI plans that we do on each of these centers.

Question

You mentioned the 13,000 new store openings. Can you separate that between box and shop space? Then, can you also reconcile that in the context of a lot of what we're hearing is delays in lease signings, delays in commencement of leases on the box side. Can you reconcile that with the new store opening demand that you're seeing?

Brian Finnegan

I think it's mixed, probably. If you looked at it by count, I would say it's 60/40 shops to boxes. Then in terms of the delays in commencements across the board, each center is specific, each location is specific. Sometimes as you get into a lot of these more complicated redevelopments and repositionings, your chopping up a box, there are approvals that are necessary. We have seen a bit of a longer lead time as it comes to municipalities in terms of approvals.

One of the things that Haig is going to touch on later today is how we've used our Tenant Coordination group and upped our game in that regard to try to fast track a lot of these commencements as best we can.

Question

Have the capex numbers that you put into the TIs remained steady over time? Does that include the landlord work that's associated with breaking up a box?

Brian Finnegan

It does in that we break out our net affective rents in our Supplemental. You can see our landlord work there and it would be included in those numbers.

Question

On the data stuff you're doing, are you finding that competitors are poaching your tenants the same way? I assume you're not alone in using data analytics and trying to do things, so is there a heightened level of poaching going on within the industry given everyone is using the same level of data?

Brian Finnegan

I think it's a great question, and it really goes to the strength of the National Accounts team that I was speaking to. Our team has an idea on how the store is performing in every one of their locations with us and they can get a sense of, on that three and five-year trajectory, where we're at risk. We're often in discussions with retailers that we want to keep in our centers well ahead of their expiration. So, I don't find that it's as much the data, it's getting ahead of those discussions, because certainly retailers are looking out 2020, 2021, in some circumstances, for new sites. We're doing the same thing in a market. Particularly for the redevelopments that have some longer lead up time, we're talking to retailers whose leases expire in 2020 or 2021 today.

Question

The video mentioned 250 outparcel opportunities. How quickly does that come on, and what is the cost and rent potential for those opportunities?

Brian Finnegan

We think long-term that that potential is roughly $5 million in ABR, and there's obviously timing in terms of we're prioritizing which locations we can look at some of the low-hanging fruit, and which ones will take some more time and may be part of a more complicated redevelopment project. Those returns are in the low double digits overall. The costs depend on whether or not we decide to move forward with a ground lease or do a multi-tenant outparcel building, and we're looking at what's the better return in each of those circumstances.

James Taylor

I just want to give some additional clarification there. The actual income from the addition of the 250 outparcels is far greater than the $5 million. What Brian is referring to is what we actually have in the pipeline today. When we came into the Company, one of the found opportunities was all of the frontage with these centers that we weren't capitalizing on. What Brian talked about, and this is an important point, in terms of the National Accounts team coverage and connection with tenants is incredibly important because, just because you have the area on your site to develop, that doesn't mean that you can. You have to work through consents and other rights that existing tenants have in the center. As we think about the pace on which that over 250 opportunities is coming, it's coming now. It's going to be accelerating through 2018 and well beyond 2020.

Question

Tenant bankruptcies probably will be down next year, but what is your expectation for overall store closings? You talked about the 13,000 stores opening this year, but as you look at the offset, is your broad expectation that store closures are down, and if so, how meaningfully do you expect that to be down?

Brian Finnegan

We're expecting them to be down from where they were this year. Just to your point, the level of bankruptcies and the more recent bankruptcies have been more Chapter 11 versus 7, so next year we are expecting store closures. We still have categories and tenants that we're looking at and making sure that we're getting ahead of, but compared to this year we think it will be down a bit.

Question

Going back to the video, you guys had pointed out that you were buying centers adjacent to yours. How much tighter on the cap rate do you think you guys can bid because you'll make it up on synergies versus just what the competitive market is?

Brian Finnegan

I can speak to the leasing side of that. I'll let my partner Mark Horgan spend some time from a cap rate perspective. He's going to touch on that in his presentation later today. I would say it gives us tremendous—leverage is a word, but really access to what's going on in that market. We see the examples that we showed in Felicita and what we have now in San Clemente. We're already seeing LOIs come in on that San Clemente project. We just closed on it a couple of weeks ago well in excess of where in place rents are. That's because we've had a list of tenants that wanted to get into Ocean View Plaza for years that we're going to now be able to reposition and upgrade the tenant mix there. We definitely see a big increase in small shop occupancy when we're able to own two centers across the street or adjacent.

Question

Can Mark just give the cap rate and how much you guys can bid more and still make it up?

Mark Horgan

Well, with San Clemente in particular, that was a deal that was off-market, so it wasn't really a cap rate question that we overpaid or underpaid relative to the market. It was one we spent a year getting our hands around and convincing the local owner to sell to us. So, we certainly look at cap rates when we allocate capital, but was really focused on that long-term unlevered IRR we thought we could generate with that asset.

Question

Earlier in the slides, I think you showed 600bps to 800bps of upside to small shop occupancy. Is that a near-term measurement, or has that been over some longer period of time? I'm just curious because some of the examples you cited were before the reboot of new management and I'm just curious if it sort of reflects the more recent 12 to 18 months experience, just giving us a little bit more of a feel for that?

Brian Finnegan

I'd say it's a little bit of both, but I would also say that we're seeing greater expansion since we've been investing more in our properties. If you look at our top five centers with the most amount of small shop vacancy, four of the five are in our shadow pipeline for redevelopment, both in major and minor projects. We are certainly seeing that where we've made investments in addition to redevelopments and repositionings, we're seeing small shop occupancy pick up. I do think when you put a better anchor in, it's going to drive more sales, more traffic and you're certainly going to see an uplift. But we've definitely seen that accelerate here in the past year.

Question

You showed a slide where you are punching above your weight and gaining share of new store expansions. What type of lease terms do you get on a new store expansion? Are you still able to get a good escalator on those deals, options? Are you still able to drive value in those leases, or do you have to get the concessions to get a new store deal?

Brian Finnegan

It's a great question and something that I'm really proud of what the team has been able to do. Jim showed some stats on the video. Our average in-place rent bumps over the course of the term are 2.1%. They were 1.7% in 2015. Our leases with options in 2015 were close to 70%. They're at 40% YTD and 95% of our deals have some type of growth over the course of the term, and that's been improving dramatically as well. I think the team has done a great job of continuing to push those terms, and when we're in a better position with a better anchor and a center that's been reinvested in, we're able to continue to drive that more fully.

Question

How to you view the typical oversaturation of certain categories? For example, the home categories have gotten more popular, and at Maple Village there's a Kirkland's and a HomeGoods and Stein Mart has some crossover with that.

Brian Finnegan

Yes. I think the home category has got a lot of expansion. If you would talk to TJX, I know that's why they're investing in HomeSense as a new concept because they can see the demand in home. People have invested more in their homes, I think home prices continue to go up, so we don't see that really slowing down. We don't see a major saturation there. I think people are still going out and shopping for those type of home accessories in stores.

Question

You've obviously been in the business a long time, how do you feel about the range of new tenants, new concepts that are coming here? Are we meeting the millennials with these new concepts and are you seeing more or are you seeing just a similar amount?

Brian Finnegan

It's interesting. It depends on the category. For instance, we're seeing a lot in the restaurant space. There's a five-unit Indian restaurant operator, Honest, that we just brought into committee last week that's opening locations in North Jersey as well as North Carolina and expanding out through the U.S. So, what we're seeing is a lot of concepts that may be starting in one part of the country, have a few stores that are getting capital and going elsewhere. We're seeing a lot in the boutique fitness segment from well-capitalized operators.

I'm really proud of the job the team has done in terms of adding new tenants to the portfolio because there is sometimes a prevailing theme out there that there's somewhat a lack of new tenants, but to add 50 new tenants, national tenants, to our portfolio in just over the last year, I think it's pretty impressive. And a lot of strong anchors. There's a lot more business to be done, not just with those new tenants but again going into other markets. If you think of Sprouts expanding elsewhere on the East Coast. Ross Stores doesn't have any stores in the Northeast right now, and some of these other retailers continuing to gain share in their existing markets. We feel the demand. We're confident the demand is going to be pretty strong for some time.

Question

Specialty revenue, relatively small today as a total contributor, but you've had good growth there. Could you break it down to the big drivers? And I see the list of solar. How real is that? Obviously, I know some real estate projects now have solar panels across the top of the roofs. Is that a potential big driver of revenue or do you see that as a smaller piece today?

Brian Finnegan

It's a very real driver of revenue. We're just starting to scratch the surface. We'll have two of our first solar deals come online at the end of this year and we've lined up most of our opportunities in California to come online in the next two years. That's a huge revenue generator. We've also put teams in the field to push our pop-up store initiative. Whether they're internet concepts or testing out pop-up locations that might become longer-term stores, we're doing a lot of that as well. I think the solar initiative, we have other states lined up to follow California. That could be pretty impactful for us.

RETAILER ROUNDTABLE

Brian Finnegan

Thank you very much. I am very pleased to be joining my partner, Michael Moss, who runs our National Accounts group, to lead a panel coming up with some of our most important retail partners across the country: Laurie Mahowald from Target; Ted Frumkin, Chief Development Officer from Sprouts; and David Krueger, the Head of Real Estate at ULTA Beauty.

With that, I'll welcome them up. Thank you.

Michael Moss

Good morning everyone, and thank you for joining us today. I'm responsible for driving our National Accounts program here at Brixmor. Each of the three individuals on the stage with us today are very successful in building durable businesses, and for the next 45 minutes or so we will explore how these retailers continue to evolve to serve their customers through multiple touchpoints, both in-store and through technology, and we will also examine the important role landlords play in advancing their real estate strategies.

With that, I'm extremely excited to announce our panel members. To my immediate left is Laurie Mahowald, VP of Real Estate at Target. Next to Laurie is Ted Frumkin, Chief Development Officer at Sprouts, and as Brian indicated next to Ted is David Krueger, SVP Growth and Development at ULTA. Thanks to everyone for joining us today. We know you didn't have to do this and we really appreciate it.

Starting with you, Laurie, the divergence between successful and unsuccessful retailers in recent years seems to be the divergence between those who focus on their customer to innovate versus those who don't. My first question is two-fold. How do you understand your customer, and what has been the most significant change to your store prototypes and operating model over the last couple of years? Two, what further innovation can we expect in your four walls moving forward?

Laurie Mahowald – Target

We are investing $7 billion to up our game with our guests in all areas of our business. From a prototype standpoint, a few things – remodeling our existing fleet. We have 1,800 stores. We're going to remodel 1,000 stores by 2020. We did 100 stores this year, and we're doing 300 next year. You can see some of the interior shots in the pictures. If they time it right, I'll point them out in terms of how we're upping the presentation but also the functionality of the store. We're seeing 2% to 4% comp sales in stores that are remodeled, and we're at the beginning of that and we're excited about what's to come.

For a prototype for new store growth, we are moving away from the 125,000 square foot box and really focusing on smaller format stores. Of our 32 stores that opened last year, 28 were small formats. The smallest we have is 12,000 square feet in Berkeley, and we have just under 50,000 square feet at Herald Square down the street and in a Tribeca store and in a lot of dense urban markets across the US. I would say,

fundamentally, we are shifting our investment and what we're doing to meet our guests' needs.

In terms of inside the box, there's the traditional innovations. We have 12 owned brands being launched, eight of them launched this year and that's the differentiator, that you can only buy these goods at Target: Goodfellow for men, Project 62 Home and A New Day for women. These have been really successful for us. I think, one of the key indicators, Cat & Jack is a kid's brand and within a year, it's a $2 billion brand for us and that's something you can only buy at Target.

Inside the four walls, for us it's really about meshing our digital strategy with our physical space. You'll see how we use our boxes is different. Years ago, if you had a Target.com order, it would be fulfilled by six fulfillment centers across the United States. Now, we have 1,800 stores, 85% of our guests are within 10 miles of our store, so we have 1,400 stores we actually can ship orders from our store to the guests. When the guest orders something online, we can determine the most efficient way to get that product to them, either by our distribution center or by our stores, and it's completely seamless to our guests and it dramatically increases efficiency for us in the time it takes to get products to our guests.

One other thing and then I'll move on to my peers. I'm just so excited to talk about us. If you're shopping at Target and you want to buy a sweater, or a book, or even a TV and it's not there, we're enabling our team members with a handheld device where you can actually order that product, the guest can pay for it and they can either ship it to their house or pick it up in the store, so we don't lose that sale and we don't disappoint our guests.

Ted Frumkin – Sprouts

Just to ground everyone where Sprouts is, so I joined the company in 2015. In the last five years, we've gone from 147 stores to 285 stores and we've penetrated into the east.

I think what we're most excited about from a prototype standpoint is that we've made a lot of enhancements to our Market Corner Deli, which is the prepared food items in our store, because we're getting high demand from the shoppers seeking fresh and convenient food on the go. Over the past couple of years, if you've been in Sprouts stores, we've added salad bars, freshly squeezed juice, olive bars, fresh sushi and soup bars. In these stores, we've also expanded the selection of the fresh, prepared foods in the full-service deli case, and in addition to that grab- -and-go. And what's happened is that's changed the way the customer shops the stores now. We're seeing more customers at noon and five, which is exciting for us because it's driving traffic into the store, which is why last quarter we were able to report comp store sales of 4.6%, which is the strongest since 2016, and we believe that a lot of that is driven by these deli enhancements that we've used. So, we believe that we have the right mix moving forward.

Other than that, the stores are 30,000 square feet. We don't really have any different prototype other than that because we believe that the 30,000 square foot prototype is the ideal shopping experience for the customer. It allows us to get one on one with the customers as they come in the stores. The natural and organic segment, a lot of people have many questions about the products that we sell, so if we can have that one on one connection with our customers, we believe that's the way to go.

Michael Moss

Now, David, your growth has been phenomenal, growing to 1,100 stores today with space to get up to 1,700. Talk a little bit about your full line 10,000 square foot stores versus your 5,000, to 6,000, 7,000 square foot stores.

David Krueger – ULTA

We're very focused on our 10,000 square foot prototype. That's really our go-forward. We did test a few smaller format stores and although those were successful in hindsight, we really concluded that we didn't provide the full all-things-beauty-all-in-one-place experience that our prototypical store provides. Our stores have over 500 brands, 20,000 SKUs, full services salon, skin, hair, makeup, brows in every store, and it's really all about experiential retailing.

We keep raising our game. We're adding a lot of new brands, a lot of newness, and a lot of new products into our stores. This past year, for example, we installed over 700 branded boutiques within our stores, Clinique, Lancôme, Benefit, and halfway through the year we started to add MAC, which was a big move for us at ULTA. Adding those boutiques and adding many other smaller brands throughout the store provides newness, something new for our guests to discover and explore and test and really helps to drive traffic to our stores.

The social media side of our business is pretty innovative. Our loyalty program, which I know we'll talk about a little bit later, is a big part of what we do. Somewhat similar to what Laurie mentioned, we just kicked off Store to Door where we can provide something to our guests that may not be in inventory right now but ship that to her. We have a lot of touchpoints that we continue to raise to improve our shopping experience.

Michael Moss

Let's talk more specifically about real estate decisions in today's dynamic retail landscape. As you evaluate sites in the market, how important is your relationship with your landlord and the landlord's ability to perform for you?

Laurie Mahowald

Well, it's very important, two-fold. One is we talked about being proactive and understanding when maybe distressed retailers are going away. We're having conversations with landlords two to three years out, so we're planning our new store growth with them and it's a win-win for the retailer and the landlord. Then, we're embarking on new mixed-use development. Where Target might be a small subset of the development, it's really important that that landlord can build all those housing units and get things open on time because we like to open three days a year, so it's critical that they can do that. On the back end, when you have an existing asset, we're spending a lot of money to make our stores relevant for our guests. We expect our developers to do that in kind so the whole center is what the guest needs.

Ted Frumkin

It's really important that we have a relationship with our landlords, for a lot of different reasons. A lot of people talk about it on the front end, and I think you mentioned the conforming leases which makes our job a lot easier as far as getting stores open faster. But it's really on the back end as well because in most cases, we're in either a 10- or a 15-year relationship on the primary term and we need to be able to call our landlords if we have issues during the course of the lease.

I think the challenge for retailers like the three of us up here is that we need space. And as Sprouts enters new markets– we've announced that we're coming into the mid-Atlantic, with Philadelphia as one of the first stores that we're doing and we're opening a store with Brixmor in Marlton, New Jersey – and part of that market is having the ability to call somebody like Brian or Mike and say, "Look, we're going to enter the Philadelphia market, can we get together and look at your portfolio and determine where your portfolio fits our growth strategy around where we custom spot our customer base?" So, it's critical that we have those abilities to pick up the phone and do that to move forward at the pace that we're trying to move forward at.

David Krueger

Yes, I go with all of that. For us at ULTA Beauty, we're sustaining a 100-store a year growth program that we see a lot of runway with, and so landlord relationships are really critical to help us plan and execute that type of program. This past quarter, for example, we had 48 store openings, and while that activity is going on, and that's significant for us, we're also building our pipeline for 2018 to 2019, and having a landlord that we know we can depend on and will follow through with their commitments on delivery dates and co-tenancy and the quality is really important to our execution.

Ted Frumkin

I think what you'd hear from all three of us is my year right now I'm working on is 2019; 2018 is done. For Dave and Laurie and I, we're pretty much done. We're focused on 2019 and 2020 growth now, so being able to be in front of it is critical.

Michael Moss

Now, you get asked this question all the time: malls, lifestyles, strip centers, preferences – what's taboo? What's not? Laurie, I'll throw it to you first, in terms of answering that question.

Laurie Mahowald

Well, we're always looking for the best real estate. The majority of our existing new stores happen to be in the open-air centers and strip centers, but we will go into a mall if it's a great mall. We just opened up an anchor position in Ala Moana in Honolulu. We opened up, we took over a Sports Authority box at Stonestown in San Francisco. Those are great pieces of real estate and no matter if they redevelop the mall or not, we want to be there long-term. So, we're open to the best real estate where it will be found.

Ted Frumkin

I think, from our standpoint, you look at the markets that we go into. So California and Colorado, people would consider those lifestyle markets where people eat healthier naturally. We do well in those markets as well, but at the same time we deliver strong sales growth in more traditional markets, like in the state of Oklahoma, where residents are not necessarily as familiar with natural foods. So, it's important that the locations that we have are convenient to them and allows them to shop the store in the normal way.

We've looked at all kinds of different centers. We're mostly at the traditional open-air shopping centers. We get a lot of calls from malls. It so far has not really worked for us from a convenience standpoint, so we've not done any deals in enclosed malls, because the key is having approachable convenient stores, generally. People shopping for groceries don't want to fight the traffic during the holiday seasons in a mall environment, so if we're not out on the front end or on a pad out in front of a mall, it's probably not something we're going to look at. We'll look at lifestyle centers, look at open-air centers, but it's all about convenience to the customer, to be able to get in and out of our stores quickly and easily.

David Krueger

At ULTA Beauty, we're about 90% off-mall, so we really focus on the convenience aspect of our real estate. We are doing some mall redevelopments. Some of those big boxes are being repurposed, and when we've done those they've primarily been exterior facing. We like the branding of our storefront. We like the convenience and accessibility that provides as a mall gets repurposed. But most importantly, we're trying to understand what's best for our guests. What's the best way to service that trade area, that part of the market, and we're open to different types of real estate to provide that.

Michael Moss

Let's revisit the omnichannel discussion. I know we touched on it a little bit, but it's a key factor in your decision-making for things like in-store pick up and fulfillment. Laurie, I know you've tested curbside pickup in about 50 of your locations. How is that going?

Laurie Mahowald

Yes, so in October we rolled out curbside pickup in 50 locations in Minneapolis, which is our home turf. So far it's early, but the reception is really going well, so when people order something online they can either pick deliver to home, curbside pickup, or pickup in store. So in the simplicity, we just have a sign up in parking stalls, we haven't modified our box to do that, and the team members are bringing it out.

As we perfect this, we will modify the front end of our store to allocate more space for our team members to make it easier, but it's early so I think it's too early to tell but it's just another feature we want to offer our guests. I think, what's more prevalent for us is order online pickup in store. We have that functionality at all of our locations. We can have 95% of the orders ready within an hour and when people come to the store, we're finding that about one-third of them are buying more when they're at the stores. So, it's driving traffic to our stores, to our centers and it's providing that convenience play for someone who just doesn't want to walk through a store. It's been really a great asset for us.

Michael Moss

Now, Ted, can you discuss how Sprouts performed on your holiday orders online and in-store pick up this past holiday season?

Ted Frumkin

The thing I can say a little bit about omnichannel for us is it's early. We offer home delivery right now through the partnership with Amazon Prime now in eight metro areas. We're going to continue to explore that space to give the customers that option to shop online for fresh, natural organic products. But we, for years, have been doing online advanced ordering for the holidays, and so over Thanksgiving we offered advanced ordering for fresh, never-frozen, organic natural turkeys and fully prepared holiday meals and catering trays at the Market Corner Deli portion of the store and then online at Sprouts.com, so you could go online and order it.

We're going to continue that all the way through the holiday season. What we're seeing is that more shoppers are turning to the internet to reserve those holiday meals and centerpiece meats, which gives us a better opportunity to connect directly with the guests with fresh items from the Market Corner Deli. So this Thanksgiving we surpassed the online orders for holiday catering trays, fully prepared meals by 15% year-over-year, which is a good year for us. Additionally, the online orders for the fresh turkeys increased by 59% year-over-year. So, it was a very successful holiday season and we expect it to continue through the holiday season now.

Michael Moss

David, you've been a leader in omnichannel for quite some time, and I think we're blown away constantly by your online shopper. When you drive that online shopper into your store, their ticket is 3x more than just the individuals who shop your bricks-and-mortar stores. What do you think drives that conversion?

David Krueger

It's not quite 3x, but we're getting real close to that range. It's a big area of focus for us. I'll start with our eCommerce business. So far, this year, it's been growing at a 60% to 70% rate year-over-year, just eCommerce. Converting those customers to both retail bricks-and-mortar and eCommerce sales is a big opportunity. We increase from about 7% range to 9% of our loyalty members are omni-shoppers now. They do spend almost 3x as much as non-omni shoppers, so you can imagine the leverage that that creates.

What helps convert them? I think, it goes back to our loyalty program. That really ties it all together. It's the way that we speak to her, it's the way that she's connected with our business. We have over 26 million members in our loyalty program. That represents 90% of the sales at ULTA Beauty. So, integrating online sales with bricks-and-mortar sales is a key area of focus. We also know that as we open 100 stores a year, that helps contribute to accelerating online sales at the same time. The final thing I wanted to make clear is that we really have studied this closely and it's incremental sales. One is not taking from the other, it's really complementary in lifting both in-store and online.

Michael Moss

That's important to know. We've all seen our retail partners change the way they think about co-tenancy and what were commonly thought of as prohibited uses in our centers: restaurants, gyms, theaters, were once uses you really didn't like to see in centers. But that has changed significantly, specifically over the last two to three years. Laurie, can you explain what the change in the mindset is at Target?

Laurie Mahowald

We want to be part of a vibrant, active center with strong co-tenancy. Back in the day, we always thought we wanted to be 100% retail as much as possible. That has completely changed. We understand the consumer wants different entertainment, different uses to drive them to that center, so we're much more open. If it doesn't impact our parking and visibility and access, we're much more accommodating for fitness use, restaurants and movie theaters because we do think it drives traffic and it's a value to the center and to Target.

Ted Frumkin

It's interesting, in some previous lives that I led as a retailer, we wanted to stay away from all of that. We didn't like any of it. But now it's interesting working at Sprouts, what we see is that restaurants are actually a benefit to us in the centers and like Laurie said, it's all about parking and convenience. One of the things we do see a lot of, if you want to call it cross-shopping from a standpoint, is fitness centers. If you're leading a healthier lifestyle and you're shopping at Sprouts for healthier products, the fact that you might be at the gym that morning and you can share those trips, it's good for us. The key is making sure that the parking is not overlapping. The parking lots shouldn't overlap because our average customer is spending maybe 30 minutes in the store, so you don't want somebody that's doing an hour and a half workout taking up a parking space that maybe your customer needs. But we're much more open to it. And I agree with Laurie that it's all about vibrant centers that drive traffic for different times of day and night, just to continue to generate traffic through the center. And obviously we're more of a daily needs type of retailer, but we still need those weekend trips and evening trips, etc. So we see it. And luckily for me, and my two co-panelists, we're in a lot of centers together and it's a really good mix to be together in those centers.

David Krueger

Same type of thoughts, really. It has truly evolved. I think it's really understanding how today's consumer shops and lives their life, what their traffic pattern is from where they live and work and love to shop. I would say for us, also, now that we're over 1,000 stores and we've seen a really big lift in our brand awareness and the strength of our loyalty program has allowed us to create more of our own traffic and be a bit more of a destination store than we were in the past. Co-tenancy is always important. There are different ways that we can provide a viable store location as this environment changes, but I think that we're also becoming a little bit more of a destination of our own.

Michael Moss

The last question for all three of you. In the fewest words possible, why will bricks-and-mortar continue to be a driving force of your businesses moving forward?

Laurie Mahowald

The last mile is the battleground for retail, so more than a few words. If you leverage your physical assets, you have a strategic advantage.

Ted Frumkin

I wrote down three words that came to mind when you asked that question to get ready: trust, freshness, and engagement. Because if you think about the grocery business, it's all about touch, see, smell. When they're thinking about the food they're buying for their family, they want to see it, touch it, so you can utilize all of your senses when you're in our store. And if you saw the pictures, and one will probably come up, if you look at the center of the store where all of the produce is it creates a very beautiful environment to shop in, the smells and the tastes, the feel in there.

The bottom line is we believe it's the experience that's the difference. We try to be fun. We're focused on good food and good people, and we find that when you're in our stores that engagement experience is what makes them want to come back again and again, so it's critical to have that touch and feel. So, bricks-and-mortar, in my opinion, is going nowhere other than there's going to be a lot more of it, especially if we continue at the growth rate we're at.

David Krueger

Two words: human interaction. I think in beauty and cosmetics services, it's very important to smell a fragrance, to see a color, to see the texture and to go out and explore and discover those products in our stores is the shopping experience that we're working for.

Michael Moss

We really do appreciate you joining us today. That ends the question and answer here but we're going to go to the audience and see who has questions for our panel members?

QUESTION & ANSWER

Question

This question is for Ted. I'm wondering in the markets where you compete with Whole Foods, how your digital relationship with Amazon will change going forward in those markets? Then, as you think about the competitive environment in grocery today, how is that driving your real estate decisions?

Ted Frumkin

I can't really comment on the Amazon relationship. As far as how it's driving the business, obviously, we believe that the grocery business is, from a retail standpoint, where the growth is going to happen. We feel we can compete in any market. We have a good model to operate from because we're on the health and value side of it, so we're one of the few specialty retailers on the grocery side that's offering both health and value.

What's driving the decision is really we spend a lot of time analyzing customers. I know I've talked about this with Brian and Mike both, is we've looked at the entire United States and determined where the core customers live, and we can spot our core customers down to about a tenth of a mile, and so what we do is we go to markets and we look at them from the standpoint of that propensity to eat healthier and live a healthier lifestyle. The good news is that because of the health and value model that we have, that we believe there's no market in the United States that we ultimately can't penetrate. So we're on a high growth pattern. We try to grow tangentially, so markets next to each other. We obviously look at the competition, but it's not a driving factor in where we go. It's more about where our customer is and how we interact with them with our locations.

Question

Ted, another question for you. As you've expanded now, particularly in California, you had big expansion and you're paying, presumably, higher top of the market rents to get some of this space, does that affect your decision now? Do you have more leverage when you're negotiating rents? Are you no longer willing to pay the rents you paid over the last couple of years as you've already built up some saturation in the market?

Ted Frumkin

My question back is, why would you assume I pay really high rent?

The truth of the matter is that we believe that we're over 100 stores in the state of California right now and we believe there's still a longer runway there for us. It's really not about paying high rents, it's about paying market rents. We do a lot of analysis when we go to a market and if we're talking to Brixmor about locations, we have indications of what people are paying, so it's really not about that. It's about finding the best locations in those markets and paying the appropriate rent for it. It's all about our internal rate of return, and if we can hit those models, then that's the rent we can afford to pay. I don't think we pay inordinately high rents, do we? It is a critical factor, obviously. Occupancy cost is a big factor in the pro forma that we use. California continues to be a good market for us and we're going to continue to expand there.

Question

Are you guys all planning to open stores in 2018 and 2019 on a net basis?

Ted Frumkin

We're going to open 32 stores next year.

David Krueger

100 stores.

Laurie Mahowald

We've committed to 130 total small formats by 2020. We have 50 open, so the balance of that is opening in the next couple of years.

Question

To the extent you can, what are your occupancy costs as a percentage of sales? And is what you're paying at Brixmor roughly in line with what you're paying overall in occupancy costs?

Ted Frumkin

I won't talk about what our actual occupancy costs are, but yes, Brixmor's rents are in line with all the other retail developers that we work with.

David Krueger

I would say the same thing. We just carefully, thoughtfully evaluate our sales projections and what the fair occupancy cost is in relation to our sales, and it's by market by market, center by center evaluation.

Question

Laurie, I had a question for you. You talked a lot about convenience for your shoppers, and you also talked about launching curbside pickup in your home market and obviously having pick up in stores for all of your stores. You also talked about a shift to smaller stores over time. How do you think about what the right rent is for these boxes knowing that you probably have too much space in some of the larger format Target stores or SuperTarget stores in that they're evolving more as distribution centers rather than stores where people may be shopping, especially if only one-third of the customers that are picking up in the store are shopping? How does that rent evolve from what is probably a $5 rent in industrial to something that's much, much higher in a strip center?

Laurie Mahowald

Well, the majority of our large boxes we own, so if we have excess space we can monetize that in different ways, so it's beneficial to us. The smaller stores we're building are the right size, and approximately 2x more profitable and productive than our larger stores, so we don't have excess space in our smaller stores. So, it's kind of a tough question to answer in that way because we own most of our stores.

Question

What are you doing with that excess space in those larger stores that you own?

Laurie Mahowald

Well, we are remodeling them, and if we have any excess space it could be for additional front end space so the team member has a place to store the package that they're going to run out. We're just utilizing it more effectively.

Question

For Dave and Ted: how do you weigh your decisions going into a center where you really become the anchor that's going to help drive additional leasing versus going into a more established center where there's already existing tenants around you that complement what you want in that space?

David Krueger

One of the things that we try to leverage is through our 26 million members in our loyalty program. We have a lot of insight, so we have a good understanding of market share for each trade area. So that's one consideration. It's not an easy answer here. The other is, what is the competing retail in terms of competing shopping centers and malls? And then really understanding the traffic flow, and do we have high confidence that this will be a destination store for more of the anchor, or are we participating in the co-tenancy and the traffic of the entire shopping center? We really do both and it's, perhaps the art and science, if you will, of real estate decisions.

Ted Frumkin

I think what I would say is if we use the Mira Mesa Mall of Brixmor that we did our deal with – that's one where it's an older center that's well-established so we're going into a redevelopment and I think it's a Mervyn's box. We're coming in, like you say, at the back end of that so we're in a well-established center. But the good thing is that's going to finish the revitalization of that center, which is good for us because there's existing traffic and it fits our network.

In a center that's maybe not as well-established, the key to us when we negotiate the deal upfront is knowing who's coming in with us at the same time. It's really hard. Even though we're a daily needs and we can generate our own traffic, it's much better for us if we know that maybe Ross is coming in, or ULTA is coming there as well, or PetSmart, or whoever at the same time that we're going to open.

The key in that negotiation is going to be around how we sync up all the timing across those openings so that the center revitalizes and reopens together as a new center. When we've done that, which we've done several of them, it's hugely successful for us and our co-tenants. We see a lot of cross-traffic. When they open in staggered events, which has happened, things happen, ultimately, you do well when it's all open, it's just that bumpy start. That's the best way to put it.

Question

I believe at the beginning of next year you have to put your lease liabilities on your balance sheet. Has that prompted you to think of pushing for shorter leases?

Ted Frumkin

No, we're not looking at shorter leases. But, yes, it's going to be a lot of accounting work on the back end, for sure. But, no, it's not changing the strategy about our length of term and that's been consistent with most of the major retailers that we work with.

Question

A question for Laurie: Target interacts with its customers in many different channels now. I think the conventional wisdom out there is the traditional bricks-and-mortar sale is the most profitable sale for a retailer and then a lot of the online order and pickup in store may be not profitable or not as profitable? Is Target agnostic as to how it earns its sales? I think that's just been a big debate out there for people as we go through the rent and omnichannel strategy.

Laurie Mahowald

I can't really breakdown the financials behind it other than we're aggressively trying to grow all sales equally and a sale at Target is something that we're trying to achieve no matter what the channel is, because we really want to make sure that that guest is used to shopping at Target. Whether they're in a hurry or they have time, they're thinking of Target and not going somewhere else. I'm not going to really answer the question the way you probably want it to be, but it's kind of where we need to be right now.

Question

I wasn't asking so much about the profitability by channel, but do you think for retailers in general, from your position, do you think the profitability of an omnichannel retailing strategy effectively is going to be lower than bricks-and-mortar?

Laurie Mahowald

There's a lot of cost behind getting that sale, whether it's modernizing your supply chain or doing different strategies to get that sale for all retailers. There's an investment, but it also drives double digit growth through time.

Ted Frumkin

I think if you step back and look at omnichannel, Sprouts or Target or ULTA, the successful retailers going forward will have an omnichannel presence because the customer wants the product where, when and how they want it, period, whatever that means. Bricks-and-mortar, obviously, is a critical part of that, especially in the grocery business.

That being said, to me I felt, and I think I told Brian the day when it happened, when Amazon bought Whole Foods, I thought that was good news because it just means that you can't be solely online, and you can't be solely bricks-and-mortar. From my perspective, from an industry standpoint, long-term it's a good thing. It's just the retailers, like with Amazon Prime, you have to learn and do it. It's an investment that you make going forward to be a long-term retailer.

Laurie Mahowald

I think what's difficult for us, our physical stores actually allow our digital strategy to happen, so they're so integrated it's kind of hard to peel it out, and that's what a successful retailer needs to do. We need to leverage both together to drive sales no matter how.

Question

Last question is when you guys look in your own respective industries and you think about your competition, who loses in that situation? Maybe not by name, but is it having the right product? Is it technology? Is it scale? When you guys look at the ingredients to have a successful omnichannel platform, what's the ingredient that you think makes the difference?

Laurie Mahowald

Keeping it positive, I think the winners are the people that have the cash to invest and have all of these things come together. I think if you don't have the cash and you're not thinking about reinvesting, we'll see how long that works.

Question

I was curious how you think about the potential shadow supply that might be in the market from troubled retailers, how that factors into your near and long-term store opening plans?

Laurie Mahowald

It can be great because there's a ton of opportunity for us to grow and secure spaces that we've never been able to do before. It's a key to our growth strategy.

Ted Frumkin

Yes, I think the three of us watch all the time what's happening in the industry. When we see filings, obviously we want to know. We're going to look at their portfolio. If we perceive in our job as real estate professionals that somebody might be in trouble, we're probably going to do the analysis upfront about where those locations are and how do they fit in our growth strategy so that we can react quickly when the time comes.

David Krueger

It certainly presents opportunities. There are numerous key trade areas where we don't have a store presence and we're monitoring and waiting for something to occur that would create an opportunity.

Question

Laurie, you mentioned you're looking for landlords to invest alongside your investments in the store. I'm just curious relative to five or ten years ago, are you looking for the landlords to do anything differently outside than you were other than just maintaining the property?

Laurie Mahowald

I think it depends on the condition of the asset, how hard we push, saying we're putting millions of dollars into our store. If they're in line with us, it might just be minor upgrades. But we may ask them to do more major things depending on the condition of the center and what we're trying to do.

Ted Frumkin

It really is all about the condition of the center when we enter it. If the center is in good shape and they don't really need to do any kind of facelift—great. If any of the three of us are investing the kind of money we invest to open the store, the expectation is you're going to put some money into the facades and the landscaping and everything else that we look for.

David Krueger

I totally agree. It certainly reflects on our brand as well with your surroundings, so that's an important piece of it.

Question

A question on capex. Presumably, online has gotten a lot of the capex spend corporately over the past decade. As you guys sit now, do you feel that capex is being evenly parsed between the real estate and online and incorporated in the real estate is also having knowledgeable people at the store to sell more product as the customers come in rather than just the cheapest people that you can have there? If you can just comment, obviously, to the best that you're willing to do for your own companies, but how you feel real estate is being treated in totality on a capex versus your online brethren at your respective companies?

Ted Frumkin

That's a hard question to answer since we're all public companies. The best way to say it is at Sprouts anyway the real estate's a very high percentage of our capital spending that we're growing very quickly and the omnichannel piece or the online piece is in the infancy right now. It's being invested in to grow the brand but it hasn't changed. So our capital spending on the real estate side has been consistently going up each year as we continue to increase the number of openings.

Laurie Mahowald

I would say we've been more public about it with our $7 billion investment we announced last March with 1,000 remodels through 2020. We're completely tripling down on our real estate. Part of that $7 billion is also to hire better talent in the stores, more specialty folks in the beauty area and certain areas to provide a better guest experience so it's a big part of our investment. We have a lot going on on the back side with our supply chain and our digital, but there's a lot happening on the physical access.

Ted Frumkin

We've invested a lot in training our team members to be more productive within the store and help the customers in a better way. If you go into Sprouts and you don't know what a starfruit is, they'll cut it open and let you try it. So, it's all about that connection. If you like kale, that's great. We try to do that. So, we're investing across the board to make sure that we're taking care of our customers.

David Krueger

We're definitely investing. I'm pretty certain that real estate is the largest investment, sustaining 100 store a year growth, remodeling a couple hundred stores a year to add the boutiques that I mentioned. We're really investing in our shopping experience and the quality of our countless stores. We think it's a great opportunity, an exciting place for women and men to work both in the services side of our business as well as the retail side.

Question

You touched on this, about adjacent locations and the impact of online. Are you finding that having an online presence has increased the draw that you have for each of those locations or has it actually—seeing the online presence—made you more aware of wanting to penetrate certain markets because you want to increase the proximity to your customers? And, how does that impact your growth plans going forward?

David Krueger

We certainly look at that very carefully. There is a relationship, as we grow and expand, in the trade areas and markets where we see our .com grow even higher. We really see it as incremental sales and complementary and it ties together through this very robust loyalty program that represents over 90% of our sales. So, with the omni experience and online and in store shopping, I think retailers that can make that experience as seamless as possible that it's still Ulta Beauty whether you're online or in store or both, is really what drives its success. I don't see it as a trade-off. We see it as complementary.

Ted Frumkin

It's harder for me to address because we're in the early stages, but what I would tell you is that we deliver personalized content with mobile coupons on Sprouts app on your phone. So, that's how we connect with our customers so they can find mobile coupons on there, they get personalized content from that if they opt in through the mobile app. We have fun things on too, there's like a check out challenge and promo codes that you can get rewards in the store. As far as what it does to the bricks-and-mortar side, I don't see any significant difference. We see that it builds more brand loyalty when you can connect that way with your customer.

Question

Do you find that if you open a second store in a trade area is the profitability of that second store impacted or does it increase the profitability of the first store as you get more penetration in that market? How do you think about that?

David Krueger

For us, we're really trying to optimize our market share, our coverage through a network of stores across the entire market and make it very convenient to shop at Ulta Beauty. And you may transfer some sales between stores when you open a second store, but in the long run it strengthens your brand, the connectivity of the stores that are adjacent, and the online shopping as well. It's building up your brand and convenient access to it.

Ted Frumkin

The more stores you build, the more your brand is aware in that market. It's usually a net positive overall. But, like Dave said, sometimes you'll see some cannibalization, but it's usually insignificant. We're going to measure that obviously when we open those stores, but the key is to build a network of stores to make yourself most convenient to your customer.

Question

How much is data a differentiator among landlords? If it is what's the potential for data sharing between you and the landlord? And, is there anything that you wish Brixmor or others would do on the data side that would help you?

David Krueger

The first part, data's very important. We gain significant insights through our loyalty program both in terms of what we're offering to our guests and how to connect with her and to help guide our growth strategy. And, that really helps us get visibility to the size and the draw of the trade area for a particular site. And, in terms of sharing that with Brixmor—if we're going into an existing shopping center and they have visibility of the draw of that center that would help to validate that it's a good opportunity for us.

VALUE THROUGH REINVESTMENT

Bill Brown

Good morning. I'm Bill Brown, charged with the redevelopment platform at Brixmor. And, I'm pleased to introduce our asset owners—our regional presidents David Vender, Vince Corno, Barry Rodenstein and Matt Berger. I've been extremely fortunate to lead the national redevelopment and development platforms for two of our peer companies. Given our breadth of opportunity, our attractive relative risk and our compelling returns due to older, under-invested assets the Brixmor portfolio truly stands apart. With nearly 84 million square feet and over 100 projects targeted for reinvestment, we will build our pipeline organically through meeting customer demand in emerging, under-served markets. Currently, our active and shadow pipeline total over 60 projects, with a spend of over $1 billion, or $15 million per project. The evolution of retail remains extremely dynamic. Therefore, we must be willing to reinvest in opportunities by meeting market conditions, shifts in demographics and customer demand.

The Brixmor portfolio supports a sustainable pipeline by capitalizing on low ABR, strong locations and flexibility in our tenant leases. As you have heard, our peers have grand plans to reposition their pipeline. However, the Brixmor portfolio is much more granular which allows us to limit our durations, phase our redevelopments and take advantage of our shifting demographics and our project locations. Since 2015, we have built an active pipeline over 14 projects with anticipated spend of nearly $190 million, with stabilized yields of 9% to 11%. The uplift in our small shop leasing will certainly enhance the long-term growth in our assets. To date, we are diligently pursuing an additional 60 opportunities in the portfolio which will require a capital investment of ~$1 billion.

Lastly and most importantly, we've built a best in class regional execution team necessary to support a $400 million revolving pipeline, which is going to be required to meet $150 million to $200 million spend annually to be achieved by the end of fiscal year 2018. The Company's priority is to make our centers relevant in the communities that we serve and to delight its tenants and customers alike. With $190 million active and over $1 billion in our aggregate pipeline, the Brixmor redevelopment team is focused on execution and creating memorable experiences and delivering true shareholder value.

With that, I'd like to turn it over to our regional presidents to talk about their pipeline. First, David Vender is the President of our North. Can you explain how re-merchandising the former A&P stores have affected the future tenancy of our existing centers?

David Vender

I want to discuss three assets that we own that were formally anchored by A&P brand supermarkets. These A&P stores were tired. A&P had underinvested in these stores for years. The bankruptcy of A&P allowed us to secure control and backfill these anchor spaces with relevant retailers who will drive traffic and sales at these assets. In all three of these cases, the termination of the former leases also unlocked opportunity to add new GLA or reconfigure pad sites in the future.

Let's start with Highridge Plaza which is located in Yonkers, Westchester County. Highridge is an 88,000 square foot center anchored by HMart. Half a million people reside within five miles with incomes of over $110,000. 50,000 vehicles per day pass this site. This center was formerly anchored by Pathmark, which was an A&P. Pathmark was paying a single digit rent of $8 and change a foot. We leased the entire box to HMart, a specialty Asian grocer, who gutted the facility investing $5 million to build a beautiful store. They're known for their fresh seafood, meats, and Asian specialties. This lease also unlocked opportunity to further densify the site by eliminating building restrictions that were contained in the old Pathmark lease. HMart will see sales volume that is over double that of the former anchor. Brixmor invested $4.5 million creating $590,000 of annual incremental income on the anchor deal alone. And, since HMart opened, we've also leased four shop spaces and achieved rents of $40 to $50 PSF triple net, replacing former rents that were significantly lower. This was transformative. We bring in a relevant retailer pulling from an expanded trade area and most importantly, we can lease off of an HMart. This was a challenge with Pathmark.

I want to move on to another property in Westchester County, Mamaroneck Center located in Mamaroneck, New York. This is an affluent pocket of suburban New York City with incomes of over $165,000 and 262,000 people residing within the trade area. We're located next to the Metro North train station. It's a 30 minute ride into Grand Central. We're walking distance to downtown Mamaroneck. Here we had an older 25,000 square foot freestanding A&P whose rent was $7.09 a foot. A&P had not invested in this store in years. Phase one was to backfill the former grocery store with relevant, new anchors. First, we relocated CVS from an in-line, downtown location to our site at an achieved rent of $42 triple net PSF. CVS now occupies half the box. We've also recently signed a lease for the balance of the box with North Shore Farms, a specialty grocer with six locations in New York metro. North Shore Farms signed a 20 year lease at $27.50 a foot with embedded rental growth over the lease term. Phase two was the acquisition of an adjacent 10 unit apartment building. By demolishing the apartment building and combining the land area with an underutilized portion of our parking field, we were able to design and fully entitle a 12,000 foot addition to this center. Project costs will be $11 million, generating $1.2 million in recurring annual income.

I want to move down into Philadelphia – Ivyridge Shopping Center, one of two properties we own within the city limits of Philadelphia. This is a great market for us. The center is anchored by a new Target. Michael Moss briefly discussed this asset during the retailer panel. The anchor transaction alone yielded a great return with Brixmor realizing a return of over 25%. But since then, Target has also expanded this center's trade area and the addition of Target has helped us to drive shop rents, overall occupancy and renewal growth at the asset. We've done three new shop leases at an average rent of $50 PSF triple net, one in-line renewal since Target opened at a 50% increase versus prior

rent, and we'll benefit from an expiree schedule with below market rents that will give us years of continued NOI growth here.

Bill Brown

Those are terrific results, Dave. Can you highlight a project currently in your pipeline?

David Vender

Let's go to Village at Newtown. Located in Newtown, Bucks County, Pennsylvania, this is a 177,000 square foot center which is 30 miles north of Downtown Philadelphia. It's a quick shot into Manhattan, one hour by train to Penn Station. Newtown serves as a suburb to Philly, central New Jersey and New York City. There's tremendous untapped spending power in this market. Household incomes are approximately $150,000 with just under 100,000 people residing in the trade area. Our property is walking distance to Newtown's charming downtown. And, this market was clearly underserved by retail as dollars continue to leave the trade area while shoppers drive to Princeton, King of Prussia, and elsewhere to find better shopping options.

Phase one, we replaced a dated Genuardi's Safeway grocery store with McCaffreys. McCaffreys is the best family owned grocery chain in the region. They have six locations. They're known for their bakery, prepared foods, produce, meats, and deli. The grocer is performing extremely well with sales of over $800 per foot, and their offerings clearly answer the needs of this community.

Now, phase two. We're underway with an exciting $34 million redevelopment with a projected return of 9% to 11%. We've obtained over 20 zoning variances to add 60,000 square feet of new high rent GLA. We're now completing fresh, new modern facades on all the existing structures and we will introduce traffic-calming measures with improved pedestrian access. Plans also include the addition of public spaces such as an amphitheater, fire pit, and unique green spaces. These improvements will encourage browsing and longer visits to the asset.

We're adding a collection of great restaurants with outdoor dining. We're attracting strong interest with signed leases and LOIs from many strong nationals and regionals such as Ulta, Free People, Flower Child, Starbucks, Nothing Bundt Cakes, Harvest Restaurant, Anthony's Coal Fired Pizza, Athleta, Francesca's, Cameo Water Wear, and more. This is really an exciting redevelopment. We're going to create an environment to invite the customer coming from an expanded trade area to visit frequently as they shop, dine, browse, and extend their stay at the property. This project is now taking shape with deep leasing interest generating top of market rents from retailers and restaurants that will be really impactful here.

Bill Brown

Turning to the Midwest, Vince, can you highlight a few projects that you are currently delivering value on?

Vince Corno

I'm really excited about a number of the opportunities that we have in the Midwest. A sampling of our projects that are under construction and where we're actually adding value now include Market Center in Elkhart, Indiana. Here, we have a market dominant 250,000 square foot center. It's in the northwest part of the state, south of South Bend. It's anchored by a Sam's Club and the Walmart Supercenter that you see on the slide here. We successfully worked with Walmart to upgrade their store to a new supercenter immediately behind their existing store. As part of this, we got their approval to construct four outparcel buildings comprising over 30,000 square feet in a very deep and underutilized parking lot. The first 10,000 square foot multi-use tenant building is under construction. Another 2,000 square feet free standing national jewelry store is soon to follow. This was an opportunity to add leasable area amounting to what is equivalent to a junior anchor box and in an empty parking lot that rents in the $20s to $30s and it yielded a high single digit return on a $5 million investment. It's a great example, also, of working with national retailers to enhance our centers and to arrive at a win-win.

Second up is Commons of Chicago Ridge. This is in Chicago, Illinois. It's a 325,000 square foot market dominant center located in a gentrifying, densely populated urban section of southwest Cook County. Here we have Home Depot and Marshalls as anchors. It's among our top assets in Chicagoland from a NOI perspective. Here we're under construction with a Ross. We're retrofitting a former Office Depot building and upgrading facades to enhance the curb appeal of the asset. We're more than doubling the former Office Depot's mid-single digit rents. Adding Ross boosts interest from other best in class national retailers with whom we are working to upgrade the merchandising of the entire center, and we're also seeing relocation interest coming from national tenants at Chicago Ridge Mall which is right next door, owned by Starwood. This here is a great example of the block and tackle value that we add every day.

Third, Maple Village, Ann Arbor, Michigan. Jim touched on this in his video. We're very proud of this. This is a very proud accomplishment for Brixmor. Here we have a 287,000 square foot market dominant center located on the west side of Ann Arbor, home of the University of Michigan, and over 80,000 students and three higher education institutions in the community. We have redeveloped an expiring 100,000 square foot Kmart and backfilled it with a new HomeGoods. Michigan's first Sierra Trading Post and Stein Mart. The rents for the redeveloped Kmart increased from mid-single digits to rents in the $20s. This momentum generated interest from other great retailers like Five Below and Kirkland's, both of which are also open to in-line space in the shopping center. In 2018 we're proud to be adding an LA Fitness that will even further bolster our already impressive line-up of best in class retailers. The Plum Market was also featured in the video. I need to call that out. They're an outstanding grocer. If you happen to be in Ann Arbor, I'd encourage you to go see them. It's owned by a local Ann Arbor family. They're doing over $700 PSF. We have one of their early stores. I'd put Plum's level, in terms of the quality of the operation, on par

with Wegmans. This store's a great example of how we're fulfilling our mission to be relevant to the communities we serve. All said, we have extraordinary momentum at Maple Village. Not only there, but all across the Midwest.

Bill Brown

How about a project you might be excited to share in your future pipeline?

Vince Corno

This one's a bit of a hybrid. Let's fly to the Hoosier state and our market down at Speedway Super Center located on the west side of the Indy Metro area where 2 million people live in the MSA. We have a great location on Crawfordsville Road just off of I-465 which is Indy's loop or beltway in the heart of the Crawfordsville Retail corridor. Crawfordsville Road is the gateway corridor to the renowned Indianapolis Motor Speedway, shown here, which draws millions of annual visitors and is 1.5 miles east of us.

In this particular trade area, the center itself serves a gentrifying and densely populated sub-market of some 100,000 people. We have a super-regional location directly off the freeway and the location is in a grossly underserved market. The potential for this asset is obviously bolstered by the tourism draw of the racetrack. Here, we see an opportunity to leverage proven retail performance. We already have an extremely successful Kroger store anchoring this center generating over 26,000 visits per week. In addition, the retail community has historically been focused on opportunities outside the 465 loop, more conventional suburban opportunities. So as a result, this part of the market has been underserved from a national retail perspective. There's also a tremendous lack of sit-down restaurants. With some $26 million in restaurant sales leaking from this market, it's obvious that a lot of folks that are going to the racetrack are going to want to eat afterward or before and it's a real missed opportunity. And also, the whole corridor has been generally ignored from an investment standpoint, so retail in general along this retail corridor is generally dilapidated.

Here we're working extensively with the town of Speedway, Indiana which is aggressively pursuing redevelopment opportunities in the community. Speedway's redevelopment commission is spearheading a public investment of over $500 million in community amenities and infrastructure, including a new gateway right off of I-465 that welcomes visitors and literally leads to our front doorstep. The redevelopment commission is actually a tenant of ours in the center to kind of emphasize the importance of that relationship. So, from the redevelopment perspective our center's nearly 600,000 square feet is shown here sitting on approximately 13 acres of prime real estate. Interestingly, we have a half mile frontage along Crawfordsville Road which is extraordinary. We have great accessibility with two signals and five access points into the shopping center. In addition to the successful Kroger, we've got Kohl's, TJ Maxx, Bath and Body, and Petco. As you can see, the center is configured as two separate centers and they have historically traded as two separate centers. What was interesting is we got a lot of significant interest from national retailers and restaurants to come into the center and drove the first phase of a multi-phase redevelopment that is presently underway. We've already started work on demolishing 48,000 square feet of outdated small shop space and building in its place a 70,000 square foot building consisting of a new Burlington, Ross and Five Below. We're very excited about it. In this particular instance we're converting low single digit rents and in large part vacant space into rents in the mid-teens. We're also converting a long standing vacant bank building to a concept called Books and Brews. It's a local combination of bookstore, believe it or not, and a microbrewery. It has a very big local audience in Indianapolis and they tailor their restaurants to the local community. Here they'll do a race theme, obviously, and we're very proud of that and its relevance to the community.

So in summary, on the redevelopment itself we have costs of about $13 million with an expected NOI yield of approximately 9%. These are the first steps of a strategy to invest upwards of $20 million toward the goal of doubling the NOI for this center. We expect that first phase that I just described to be a catalyst for future exciting phases including the entertainment district that you see here depicted. It's a real opportunity to reconfigure an existing hodgepodge of ill-thought out outparcels and create an integrated entertainment district featuring a collection of restaurants and entertainment venues, and it takes advantage of our unique position to tap into the districts tourism and restaurant demand.

There's also an opportunity to work with our important retail partner, Kohl's. They're in a 90,000 square foot building. They would like to downsize. It's oversized by their current standards. We're in discussions with them to relinquish a portion of that space to make room for another national junior box to come into the shopping center. So on balance, the entertainment district here, we're really excited about it. It maximizes the extensive frontage and visibility of the property. It creates a sense of place and integrates the divided nature of the center. It allows our retail partners to maximize brand image and success and it also is a clear illustration of our mission to make our centers relevant to the communities we serve

Bill Brown

Thanks so much, Vince. Barry, going to the South. Can you talk about a few projects where you're delivering value now through our redevelopment?

Barry Rodenstein

The first property I'd like to talk about is Bay Pointe Plaza in Tampa/St. Petersburg. It's our most recent redevelopment with Publix. They opened about a year ago. It's a 95,000 square foot shopping center with Publix in about 40,000 square feet of shop space. Publix was a 30 year old store—good performer, but undersized. And, the center definitely looked very dated. What we did was we tore down the existing

Publix, rebuilt them in 54,000 square feet, renovated the façade—new signage, new landscaping, new parking lots—and the results there were we spent $8 million at an incremental return of 10%. We also drove shop occupancy from 78% to 96% and shop rents increased by 27%. That's a very typical Publix deal.

So, what's the opportunity now with Publix? We've done nine Publix redevelopments in the last 14 years. We have 38 Publix in our portfolio. Right now we're working on four Publix redevelopments, which is about twice what we've historically had. So, Publix is ramping up getting to their new store prototypes where they have strong stores. Even if we do one Publix a year, that would represent 20% to 25% of the South region's redevelopment pipeline. It's an evergreen relationship with Publix. They trust us. They know that we can get the deals done. And, they're very simple deals, low risk, and very predictable results.

Moving onto Miami Gardens. It's a 250,000 square foot center in North Miami. It's a very densely populated area. We have a dark Kmart there and this is really a Kmart redevelopment. We have a Ross store and we had a Winn-Dixie. The first part of the redevelopment is that we replaced the Winn-Dixie with a Fresco y Más. And, it's a Hispanic grocery concept, and, really was embraced by the community there. Sales were up 65%. They went from $20 million to over $32 million in the first year. Jim talks about a lot about us being relevant to the community. Winn-Dixie was just a grocery store. Fresco y Más is their grocery store. Moving onto the second phase of the redevelopment. We needed to figure out what to do with our dark Kmart. We went through a lot of different ideas on it, but ultimately we decided to demolish the Kmart, build a 35,000 square foot LA Fitness and a national apparel retailer will take the other 25,000 square feet. The Kmart was over 100,000 square feet so the additional square footage, 40,000 square feet, we're building seven outparcels.

This sits at a main intersection of Red Road and 183rd, both with over 50,000 cars per day on each road. So, very heavy traffic, densely populated area. Those seven outparcels—there's a lot of unmet demand in the market for fast, casual, and other retail uses. We've been able to push the rents into the mid $50s. That's 7x what Kmart is paying currently in the underlying rent. Tremendous opportunity there. We'll put $28 million to work at a 9% return. We've got several other Kmarts within the south region. Our average rents are less than $5 a foot. So, we don't control them all at this point, but we're actively working on redevelopment plans for all of those.

Moving to the third site, the Commons at Wolf creek. This is a 660,000 square foot center anchored by a Super Target, Home Depot, TJ Maxx and a number of other national junior anchors. It's in an affluent suburb of Memphis. We got back the Sports Authority here through bankruptcy and we're figuring out a number of different possibilities with what to do with it. We landed on signing a lease with Dave & Busters and Sketchers. Dave & Busters took 43,000 square feet. Sketchers took 9,000 square feet. The financial results were really pretty amazing. Sports Authority paid us $9.55 a foot. We signed leases at an average of $23.50 a foot. So, you're talking about a 240% increase in rent and just on that one building alone, a $5 million increase in value. And, it shows where we have good centers we still have under-market rents and that creates opportunities for us.

Bill Brown

It's a great example of incremental phased returns on a project, Wolfcreek. Can you highlight a project in your current upcoming pipeline?

Barry Rodenstein

Let's go to The Mall at 163rd Street. This is an irreplaceable site in North Miami, very densely populated. The whole site is 53.5 acres including Walmart, Home Depot, and the 330,000 square foot enclosed mall, and one of our biggest redevelopment opportunities in the Company. Understanding the demographics—there are over 200,000 people within three miles and you can count on one hand that type of density anywhere in the US. The whole trade area from our Uber research actually goes beyond three miles because of certain unmet needs to the south and west, bringing the total trade area to 260,000 people. And equally dense is the daytime population at 260,000.

Unmet needs that our research shows is grocery, entertainment, restaurants, fitness, and apparel. So, those are categories that we're targeting as we redevelop this. If you look at the plans, you can see on the right is the existing enclosed mall. The property was first developed in 1956 and was really the epicenter for retail in North Miami. Over time it was converted into an enclosed mall and actually the enclosed mall over the years has done okay and even now there's a Marshalls and a Ross store in here that do very well. But, it's clearly the wrong product type to serve the value oriented customers and retailers that should service this market.

So, if you look to the left you can see the concept plan is that we're going to take off the front of the mall and open it up to 163rd Street which is where the traffic and visibility is and it'll improve access to parking as well. Now, we have a plan to go out into the marketplace. We were kind of stuck trying to figure out how to lease the mall and that really wasn't the right approach. We're also adding four outparcels on 163rd Street which will generate extremely high rents. So, the net estimated investment on this is $60 million and an incremental NOI of 9%. We feel that we can create a place where this becomes a preeminent location within the North Miami market.

Bill Brown

Thanks, Barry. I appreciate that. Matt, heading out West, can you highlight a few opportunities where we've gone above just a simple anchor reposition?

Matthew Berger

We'll talk about a couple assets here where we went outside the box. We had some ability to get back and get control of a few boxes, but we went beyond that instead of just a simple anchor repositioning and took it one step further.

So, we'll start with the first asset—first two actually are in Northern California. Starting with Rose Pavilion in Pleasanton. Pleasanton is about 20 miles east of Downtown San Francisco. It's home to some of Silicon Valley's most successful companies. This project started a few years ago. We took CVS out of a box that they owned and did a ground lease with them in another portion of the center at about a 36% incremental return. We were then able to acquire the box from CVS and we backfilled that box with Total Wine & More, who just recently opened. Important to note, CVS was doing about $3 million in sales out of this box. Total Wine is projecting $25 million in sales, so 8x the volume. As a result of this, in addition to just backfilling the box with Total Wine, we decided to re-skin and redevelop the entire property. This has allowed us to attract tenants like Trader Joe's who was across the street. They've relocated to Rose Pavilion. Opened a few months ago. They've already seen a 50% increase in sales since they've opened. We're now doing shop leases in the $50 range which is 40% to 50% over prior rents. We've created a center that is just dominant in the marketplace. If you look at what we have, we've got two grocery stores in this shopping center now. Total collection will probably be about $2,000 a square foot in sales, if not more. Total Wine at $900 PSF in sales. CVS in the ground lease whose sales have doubled and the daily trips to this shopping center are just off the charts. So, we've really created a center that's really relevant to the community and really drawing a lot of tenants.

Moving north to Gateway Plaza in Vallejo. Vallejo is also just outside San Francisco, just the other direction. It's about 30 minutes north of downtown. We had another opportunity here to acquire a CVS box. This one was a little different than Pleasanton. In this instance CVS actually owned a piece of the parking lot as well, they didn't own just their box, which really created some opportunity for us. We took that box and demised that box and put tenants like Ulta and DSW into that box. Right now we project, and these tenants just opened again about a month or two ago—we're projecting about 3x the sales volume, again, out of this box. But, what was great here is now having control of what was previously an underutilized portion of the parking field, we were able to sign a lease with Panera Bread. Panera's planning on opening in 2018—a 42,000 square foot restaurant that they're projecting already to do 20% to 25% above their national average, which is just phenomenal. These are three uses that just really weren't represented in the Vallejo marketplace at all. And, Vallejo is a great bedroom community for San Francisco. There's a ferry right from Downtown Vallejo that takes you to Downtown San Francisco. So, we've got three uses here that really are now capturing that customer base. And, it's also opened up other opportunities for us. We've got a list of tenants here that want to be in this shopping center. Dick's wants to be here. Old Navy wants to be here. LA Fitness wants to be here. Bringing this merchandise in has also enabled us—as Brian alluded to, we did a lease with MOD Pizza. This was our first MOD Pizza in the Brixmor portfolio, who came specifically as a results of these tenants that we put into the shopping center.

The third example we will go to our Preston Ridge property in Frisco, Texas. A lot of you saw this property ahead of NAREIT on the tour that we had. We had an opportunity here with a Gatti's Pizza Box where we could have just simply said "let's backfill the box," but we actually went above and beyond the box. And, we took that box and an underutilized parking area and drive aisle, and we backfilled the box with Saks Off Fifth, J Crew Mercantile, and Nordstrom Rack. We've created an area of the shopping center now, right in the middle of our property, where we're going to generate $60 million in sales just out of this portion of the shopping center alone. Created by far the most dominant and most relevant shopping center in all of Frisco, which has actually enabled us to free up opportunities with additional leasing. We've already seen $500,000 in additional income from shop renewals, new tenants coming into the shops, and we've also got some other opportunities now, because of this merchandising mix. There's a hard corner of the shopping center where we can recapture some old, dated restaurant concepts and really reinvigorate that property. So, collectively with these three properties, back to Rose Pavilion, that was a $13 million investment at a 10% incremental return. Gateway Plaza was a $9 million investment at a 9% incremental return and Preston Ridge was a $16 million investment at a 10% incremental. And again, all of those returns are not counting the additional add on leasing that we've been able to generate as a result of what we've done.

Bill Brown

Terrific results. What would be on your future pipeline that you'd like to highlight to us?

Matthew Berger

Let's go to Davis, California. We have a great property in Davis. And, for those of you who don't know Davis, it is approximately 80 miles east of San Francisco, 20 miles west of Sacramento. We have a property that sits directly across the street from the University of California at Davis, as you can see on this map. As you're standing in our parking lot, you're looking at the dorms for UC Davis.

UC Davis currently has a student enrollment of approximately 36,000. That enrollment, however, is expected to grow to 40,000 by the year 2020. UC Davis is the only school in the UC system that actually has land to grow and the UC Board of Regents is really pushing that growth. The school comprises approximately 40% to 50% of the population of Davis and we've got a real captive audience there being located directly across the street from that campus. We have 10.5 acres of property that you can see on the site plan on the right. That's our current configuration. Despite the fact that we have a Trader Joe's on the hard corner and a Forever 21, which is the only department store in the city of Davis, we've got a shopping center that really has some functional challenges. We've got an old, outdated, seldom used, antiquated interior mall portion. We have two areas of second story office space that are difficult to get to, just really not a great layout the way it is

today. So, what we've done is we've created a site plan on the left that really completely eliminates that functional obsolescence and connects all that much better with the campus across the street. So, we've added approximately 65,000 square feet of retail and what this does is the rents we're getting today, if we are able to lease some of that interior mall portion, are rents in the $20 range. Some of the rents on the outside portion of the shopping center were as high as $50 today. The 65,000 square feet of GLA gets rid of all that obsolete space. We can take our rents to the mid to high $40s and even the high $60s in some instances.

We're connected to the campus with bike paths and walking paths. Importantly, we're the only shopping center in Davis that you can walk, bike, drive, and most importantly park in close proximity to the campus. But what we've done for our due diligence for the redevelopment is we've gone one step further, and if you look at this slide and the next slide, we're actually looking at adding a component of student housing here. We've developed a plan to add 410 beds of student housing. The city of Davis has a real need for student housing right now. The vacancy rate for student housing is in the single digits, and to explain that a little bit, it's not single digits in the terms of percentage vacant units, it's actually single digit vacant units, the actual number of units. So, if you add that in conjunction with the fact that you've got a campus adding thousands of students, they only guarantee housing for freshmen – there's nowhere for these kids to live as they start going through their college career. So, we add 410 beds of student housing, it makes our retail all that much more demanding, helps us drive retail rents, and obviously the student housing becomes a no-brainer to lease.

Bill Brown

Thanks so much. Obviously our pipeline is very robust and we look forward to the growth over the near-term. With that, we'll open it up to any questions from the audience.

QUESTION & ANSWER

Question

In terms of the redevelopments, can you speak a little bit to how much includes residential and to that last point, Matt, are you looking to do the student housing things yourself or are you looking to bring in joint venture partners?

Bill Brown

We're currently looking at about 10 multifamily opportunities within our portfolio. As far as the structure goes at this point, we haven't really decided whether we're going to invest or sell the entitlements or whether we'll venture those entitlements. The student housing, we actually have a half a dozen centers—I think it's five or six centers—that are directly adjacent to campuses. So, of the multifamily that we're investigating part of that may be having a student housing component to it.

Question

Just a question for Barry on The Mall at 163rd Street. It's a pretty complex site because the entire property is burred up and there's a whole underground area. Did you guys think about incorporating that or did you want to kind of keep it simple and just…

Barry Rodenstein

We're focused on retail. There may be an opportunity as we go through it to densify it and do some alternative uses. But as you said, right now it's a four story building including the basement and when we did our returns we weren't even including what we could do in the basement in those returns. But, still a little bit of a work in progress.

Bill Brown

However, given the underneath basement part we can create a four sided environment without having that disruption of service because you can bring it in from underneath, and so we're still looking at whether it's program space or service space or even parking which at the front of this site is still relatively under-parked. So, we're still evaluating how to use the existing basement areas.

Question

Just in terms of opportunity, you identified over 100 projects, about a quarter of your pro forma targeted portfolio of about 375 to 400 centers. Going into that pipeline, how much of that 100 centers is asset value? So, you'll look at The Mall at 163rd Street obviously is one of your bigger NOI, bigger valued assets. So, of the 100 assets, how much is it of your total enterprise value? Number one.

And, number two, how much of the portfolio has been redeveloped outside of those 100 centers so that once you've completed this $1 billion of spend in terms of where the portfolio is. I think back over 10 years ago, New Plan was always focused on redevelopment. It was the one thing that the Company was really focused on because they couldn't really go out and acquire with their cost of capital. It was reinvesting in their assets and maybe a 10, 15 year old redevelopment doesn't sit well today. It has to be redeveloped a second time. But, where do we stand overall?

Bill Brown

I've been sitting in this chair a little less than five months. I've been to 125 centers, 2,000 miles in cars, 16 states, and we've looked at a lot of different opportunities. Of that 100, I would guess that the makeup of it is probably 40% majors and 60% reposition of existing assets. The pipeline will grow based upon the demand. We're really working hard with our National Accounts and our Leasing teams to make sure that we're meeting the demands of the community. From an enterprise value, we don't really have that breakdown at this point and we'll get with Stacy and she can let those numbers out.

Question

Are you spending money at your bigger oriented centers or just at your sort of average?

Barry Rodenstein

I'd say it's all over the map because Publix redevelopment might be $10 million, then Miami Gardens was $28 million, and The Mall at 163rd Street is potentially $60 million. So, I think it really, really depends on the type of center.

Bill Brown

And, the Company priority—be relevant in the communities we serve. So, we're really looking at it on a case by case basis and what would best serve the community and the customers that are currently within it. 200,000 within three miles – we're going to go figure out the right execution for the community at The Mall at 163rd Street. So, it's a case by case basis.

Question

Matt, you talked about at Rose Pavilion the CVS you took out. Put Total Wine in. You said the CVS was doing $3 million and you took it out and put it on an outparcel and now it's doing $6 million. Can you describe kind of what happened? Is it ingress access or…

Matthew Berger

It's doing between $5 million and $6 million now. It's really prototype. It boils down to current prototype. The old model for drugstores, pharmacies was a 20,000 to 30,000 square foot box in line next to the grocer oftentimes. Today, they're doing 12,000 to 14,000 square feet depending on the operator on a pad with a drive thru. So, it was really just getting them to their prototype and positioning them. They took over what was a former TGI Friday's restaurant on the signalized corner of the shopping center with their prototype store and a drive thru location. It was really nothing more than that.

Question

How would you describe the overall demand from drugstore type tenants like CVS or Walgreens? And the second question is, what about banks? We all know that the need to go to an actual bank has diminished, so what's happening on that front?

Matthew Berger

So, I can only speak to my world in the West. These guys might be able to answer the question differently. We're still seeing the pharmacies being active and trying to position themselves when they have those older locations if they don't have the drive thru, if they don't have the pad. That hasn't really changed. So, we are still seeing them pursue those opportunities. I haven't seen banks being as active in the West recently. But, it's starting to pick up a little bit more, interestingly enough. We're starting to see them look at in-line spaces. They've been looking at a few of our Payless locations, as an example. But, that footprint varies between 2,000 and 4,000 square feet depending on the location. But, we are starting to see that activity pick up over the last six months. I don't know if you guys are seeing the same.

David Vender

I can speak to the banks, as you mentioned the Payless. In New Jersey we're underway now with entitling a new Chase Bank that will replace a former Payless at a 5x multiple what Payless was paying us on the pad. So, I am seeing some the banks in the North region. Look, the drugstore wars aren't where they were ten years ago where they were all chasing the corners across from each other, but we're still seeing some interest from the drugstores as well.

Barry Rodenstein

I used to run the North. Now, I run the South. Over the last five years, if we've seen two bank branches close that would be a lot. So, I think the customer wants it. They may be doing a lot of internet banking, but the banks don't seem to be saying we don't need these anymore, similar to most other retail concepts that you saw today.

SUSTAINABLE PERFORMANCE

Haig Buchakjian

I'm very happy to have this opportunity to speak to you a little bit about how we're differentiating our operations at both the property and portfolio level. As you heard in the video, we're 18 months into this transformation and the way that we operate our centers, provide service to our customers, and interface with our communities is a key aspect of that transformation. Our centers are at the heart of the communities they serve and we have a responsibility to respect those communities by providing an appealing place that's conducive to successful retailing. The way we're doing that is by striking a balance between providing personalized level of service at the properties while also employing the best practices across our whole portfolio. Many of the things I'll talk about here aren't necessarily unique within our industry. The difference for Brixmor is the impact that we're having.

We have a tremendous amount of opportunity within what we already own and control to capture more and more value through these fundamentals: tenant relationships, being local, elevating the standards by which we operate the properties. We're having a big impact already. We've just gotten started at this, but our centers are looking and feeling better. We're being a socially responsible landlord. We're improving our impact on the environment and we're doing it in ways that are also resulting in a lot of value through accelerated rents, reduction in expenses, improving our tenant retention, and of course generating some revenue.

Respecting the community for us begins with our tenants. We've established a very robust tenant onboarding process. It begins before the lease is executed and continues through design, permitting, construction, and until opening. And, as you can see we're already having a pretty significant positive impact on getting our tenants to open earlier than anticipated. But, we're going a lot further than that. We're also establishing ways in which our tenants can communicate with us and that we're able to listen to our tenants. It's important that we're listening to our tenants and learning how we can improve and do better. And so, we've established a tenant satisfaction survey. We're going to go live with a tenant portal next year. And really, the crux of all this is that we're building trust with our tenants and leading to the kinds of repeat business that heard Michael and Brian speak about today.

We're getting more local. It's commonplace in our industry for companies like ours to outsource the upkeep and management of their centers. We realize that in order to provide the kind of experience that our customers and the communities deserve, the sorts of things you're hearing about today, we need to be in control. We've gotten rid of our third party managers and we've taken direct control of our vendors and contractors. But importantly, what we've done is by eliminating those third party managers we've recaptured the average 20% we were paying in margin and markup and fees to those third party managers and redeployed that in the form of elevated service levels across our portfolio. Our shopping centers are looking and feeling better and we're becoming more relevant and more centered in the communities. In addition, I'll also add that we've discovered that there's opportunities in certain key markets to be even more local. So, we're actually placing facilities managers at a number of our key locations, and what's interesting is the way we're doing it. We've partnered with the Bob Woodruff Foundation to find veterans in the local communities to actually fill these positions at the centers. It's a really exciting opportunity for us to make these particular assets even better while also connecting directly with the communities that we're in and providing career opportunities to service members.

So, getting more local. What does it mean? It means we're able to really find those ways to become more relevant. We're able to connect with the identity of the neighborhoods and the retailers that are servicing those neighborhoods. Quick example: we worked with a local community organization at one of our centers outside of Atlanta, painted these murals on the walls of the shopping center as a backdrop to a multicultural festival that's taking place in that community on a regular basis now. And by doing that, this is an example of really truly connecting with that community. We're now really truly relevant here and what it's doing is it's resulting in the kinds of repeat traffic and longer dwell times at these centers that ultimately results in increases in tenant sales, helps us improve our tenant retention, and supports the kind of rent growth that you heard Brian speak about.

One thing I'll mention here as well is our response in the aftermath of the hurricanes. What I would say here is that we were very prepared. We had our contractors and vendors in place. We had supplies laid up. We were able to turn around and get our shopping centers up and running very quickly in the aftermath of these storms. But importantly, because of our platform and because of the way that we are local in these communities, we were physically there. We had boots on the ground. We had people in the tenant spaces helping these tenants make repairs and get open very quickly. And in addition, there's a lot of generous people in this organization, people who wanted to help but couldn't be there because they're not physically located in these areas, but they wanted to help and so there was a lot of generosity in the form of donations. And, because of our connection to these communities and our presence in these communities we were able to find ways to really deploy those donations in the best possible way. Examples: providing cribs to people living in shelters, or cartons of school supplies to kids who couldn't make it to their classrooms, and of course meals – 200,000 plus meals delivered to families in both Florida and Texas so far. So again, relevance to community.

And then finally, I'll just talk a little bit about what we're doing across our portfolio. So, we're focusing in these three buckets. We're reducing energy and expense through things like our award winning LED lighting upgrade program which is on average reducing our energy consumption by 50% where we're deploying these installations and we're doing it at a 13% return on the capital we're investing. We're installing smart irrigation systems, which are reducing our water consumption. We're also buying power in deregulated markets significantly reducing our expenses there.

Deferred maintenance liability—I think it's understood that this is a portfolio that's been under-tended to. We're getting after that very aggressively with the new roof management program and a new parking lot management program. Just our roof management program alone – this year the capital we're deploying there is going to reduce our ongoing operating maintenance expense across the portfolio by $750,000 next year.

And then finally, we're generating revenue. You heard Brian speak about the solar program. We have the two projects in California which we're completing. We have ten more in development. We're about to sign up a project in Connecticut. We're being very opportunistic across our portfolio. Just this first round of projects is going to generate over $500,000 in new annual revenue and we're going to continue to grow that program. The program now is set to generate 10.5 megawatts of power. That's equivalent to 2,500 homes in a year. Of course, we're proliferating the use of renewable energy in our communities. We're also providing electrical vehicle charging stations where it makes sense to do so, which is a revenue generating amenity at the centers.

And then finally, we're going to continue to be transparent about all of our environmental, social, and governance activity. We filed our first Global Real Estate Sustainability Benchmark survey this year earning a Green Star designation, which we're very proud of, and we're going to continue to do that going forward. So, as I said at the outset we're just getting started. We have a long way to go, but a lot of opportunity in our portfolio. We're making our centers better, we're connecting and being more relevant to our communities and we're creating best in class customer service to our tenants. And, we're doing it in ways that are creating more and more value. Thank you. I'll be available later for questions.

CAPITAL RECYCLING

Mark Horgan

Hello, everybody. I'm Mark Horgan. I'm the Chief Investment Officer here at Brixmor. I think I've got the best job because I get to work with all those great professionals you just saw up on stage and with my partner coming next to run the Capital Recycling program here at Brixmor.

We've talked a lot today about the opportunity we have with respect to leasing and redeveloping the portfolio. Another interesting opportunity in this portfolio is really Capital Recycling. So, if you look at the historical roll up of this Company, there really wasn't a cohesive real estate strategy overlaid on the Company to allow you to drive outperformance within your portfolio. So, that's a significant opportunity we have here in part because we have a very granular asset base. We have 500 assets. Our largest asset is less than 2% of our ABR and why that's important is because that means we don't have to reinvest on a defensive nature in any of our assets. Nothing we own represents Brixmor as a whole, so we can be unemotional and economic in our investment decisions.

The other reason why it's important is because smaller assets over time show more liquidity and they're showing more liquidity in today's environment. The other real opportunity with respect to the portfolio is that we're not just investing in markets that are hypercompetitive, those top 5 or 10 MSAs. We can find great ROI opportunities across our portfolio. So, when we think about capital here we try to be very disciplined with respect to our capital allocation. We're unlevered IRR focused. We're not financial engineers and we're not trying to create portfolio metrics. We're really focused on growing our return on invested capital so finding those growth opportunities in the portfolio and exiting out of the lower growth opportunities that might sit here today.

The other thing that I hope you saw from everyone up on stage is that when we make an investment decision—both buying an asset, holding an asset, selling an asset, or reinvesting in an asset—we're doing it on a very informed basis. We have great local knowledge from the Regional Presidents and their teams. We've got Michael Moss' National Accounts program and we've got all this great data that you saw Brian uses for his team. So, we use all that knowledge to be a very informed investor when we make our decisions.

The other thing you're going to see from Capital Recycling is that when Jim, Angela, and I got here we took some time, we got our hands around the portfolio, and now we're going faster. Since we've started, we've sold 21 assets. Currently, we have about 15 assets under contract and in various stages of diligence. Gross proceeds are about $180 million. I don't expect them all to close. I don't expect them all to close in the fourth quarter, but we've been going faster on our sales efforts. We have bought five assets since we started so we've been a net seller of assets here at Brixmor and we expect to be a net seller of assets into 2018. However, when you think about our Capital Recycling program over the long haul you should expect us to be more balanced when we're match funding acquisitions and dispositions.

What I wanted to do here was just show you a bit about how we think about underwriting here at Brixmor. Jim mentioned a phrase used a lot, holding an asset means buying an asset. What that really entails is that we take a very granular underwriting approach to our assets. We're always trying to figure out where ROI is coming and growing and where ROI will not be growing going forward. So, we take a very disciplined asset by asset approach on an unlevered basis. That's our financial piece. The other piece of our underwriting is the human capital. We call it the Human IRR. We want to maximize our Human IRR so we want to make sure the projects that we own and operate, that we reinvest in create significantly more value than the human capital that we to put into it, and that lays a bit into our market strategy. We know that we're a better landlord, a more powerful landlord and we perform better in markets where we're a larger landlord, so we can cluster our investments to take advantage of our leasing knowledge and our efficiencies and operations. We do have single market assets here at Brixmor and over time we've seen them underperform the assets where we're more clustered. In part that's because of the human

side. It's harder to get to those assets. They're harder to manage for us. So over time we will opportunistically exit those markets if we can't gain scale in them.

What I thought I would do is give everyone just a quick example of what we've been doing on Capital Recycling. If you look on the left side of the slide we had an asset in Baltimore, Maryland. It's a Walmart Supercenter. This was a great looking asset, very fancy, high sales. However, it had 17 years of flat ABR so we really couldn't drive ROI on this investment so we exited that asset early this year. We sold it for a sub-six cap. The hold IRR there was a mid-five and we're reinvesting in things like the San Clemente center Jim had up in his video next to Ocean View Plaza. We're getting, we believe, north of an 8% IRR in Southern California which we think is really strong. The reason we can do that is because it was an asset that was undermanaged adjacent to one of our centers. It was owned by a local family who really wasn't a retail owner. We closed, actually, last Friday. There's a month to month tenant there that's kind of on the street that's paying low $20s and we're getting $50 next door, and Matt and team already have multiple LOIs to mark that rent to market above $50.

The question I get, and I think we all get about the market, is what's going on in the market, talk to me about liquidity. So, what I wanted to do was show folks some data about the retail asset sales market and tell you what we're seeing and how we think our Capital Recycling strategy fits well into the market today. What we have on the page here is some data that shows you retail asset sales volume and if you look at this historically, about half the market are assets that are priced above $25 million. So that's less deals, big deal size and about half the market volume is deals priced under $25 million. And, where you're seeing a bunch of illiquidity currently in the market is those over $25 million deals. I don't want you to think that that's where liquidity dries up, it's just the 50/50 split in the data. So, that's down in TTM about 25% from a volume basis. And, in my previous role at Eastdil, I spent a lot of time in that market and it's dominated by the large pension funds, sovereign wealth, some of the Canadians, some of the REITs, and so you haven't seen those folks allocate capital, but on a smaller deal size front you have a much wider variety of investors who seek to own and operate these assets. And so, if you look at the volume year over year you're down about 5%. We're seeing liquidity in the smaller deal size market and that's the market we've been transacting with. When you look at this portfolio, it reminded me of a conversation that we had with Vince when we were trying to convince him to join the portfolio. He called the Brixmor portfolio a bunch of speedboats and that there were a lot of them and that ultimately they could move quickly away from the turbulent water unlike the big battle ships, the malls and lifestyle centers, which were complicated, very tough to build. Once you get going, they're kind of going in a direction and so we think the market continues to like these speedboats because we continue to see good demand for the assets.

We've been focused on selling into this one-off market because we think it maximizes value for shareholders. Year to date we've sold 16 assets. We've had 15 unique buyers. We've had more than 80 bids in total. We've been transacting with both public and private REITs, private and regional capital, high net worth investors, and we've also seen some of the big institutional advisors dip their toes back into the space because they've seen outperformance with grocery-anchored centers. And, we're seeing this real time because, as I said, we have another 15 assets under contract currently.

The other big question we get is are secondary markets blowing out from a pricing perspective? I can tell you what we've been doing since we've started. We've sold about $400 million worth of assets. The average cap rate's just north of 7% and the demos that Jim mentioned in his video have been well below our portfolio average and the ABR's been well below our portfolio average. This is markets like Fitchburg, Wisconsin; Geneseo, New York; Killingly, Connecticut; Macon, Georgia; and Eustis, Florida. So, we continue to see strong pricing demand for assets across many markets.

As we talk about the liquidity we've been generating, we've been paying down debt, we've been reinvesting in our portfolio, and we've also been acquiring some assets. When we look to acquire assets and we seek to exit those low growth assets in single markets and put them back into markets we know well, we seek to cluster our investments to take advantage of this information that we know about the markets. We understand where tenants need to be and want to be. We seek to take advantage of that information we have. We're trying to build critical mass and drive the efficiencies across the portfolio, but importantly we're not just investing in these markets because it's in the market. We're very focused on driving ROI. That's how we're going to generate continued growth and cash flow over time. When we look at acquisitions we're going to remain very selective. Since we've started my poor team has looked at over 500 opportunities—single assets, portfolios, and others—and we've actually purchased five full assets plus an outparcel since we've started. In fact, we actually purchased three assets here in the fourth quarter using 1031 proceeds from tax gains that we generated earlier this year.

The one you're seeing up on the screen is Venice Village Shoppes in Venice, Florida. This is South Sarasota County. This is a strong Publix anchored center perfectly positioned into Barry's, we call it, "scrape and rebuild the Publix's," where you can mark Publix to market quite soon into a low risk redevelopment opportunity. We also bought the asset in San Clemente that Jim had in his video. We also purchased a center in Southern California, in Upland, California, a Sprouts anchored center, and we had Ted earlier. We think very highly of Sprouts. We have two of their leases with them ongoing. We think they drive a lot of traffic in that center in Southern California and it fits very well with Matt's portfolio and it also has large redevelopment opportunities through outparcel development and vacant end caps that we acquired.

So, before we end here I wanted to talk a little bit about Arborland Center. It's a case study on how we think about acquisitions. So, when Jim, Angela, and I toured the portfolio we were very excited when we got to Ann Arbor. It's one of the most dynamic markets in the Midwest, extremely supply constrained and we were redeveloping Maple Village, so we saw a lot of tenant demand, including fitness and entertainment and furnishings for this market. So, Maple Village sat on the western part of the market. This is really the gateway to the eastern side of Ann Arbor. It's a large site on a very underserved, but dynamic retail corridor. When we toured the market it was really clear that this would be a

great fit for our portfolio. It was held by a pension fund that was really sucking cash flow out of it, they hadn't really been creative about what to do about the site so we knew over the long-term we could drive ROI at this asset. And so, when we think about acquisitions we're not just responding to broker packages. We're trying to be very intentional about what assets would fit into this portfolio so my team and I were developing target asset lists in conjunction with the Regional Owners here to understand which assets fit well with our portfolio so we can take advantage of that information. The advantage we really have as being a local owner, and we think Ann Arbor is a great example of it.

So, when we continue to think about Capital Recycling, it's going to be an ongoing piece of our Company strategy forever ultimately because we believe when you work on Capital Recycling, you own a real estate portfolio, you really don't want to fall in love with your assets. You want to fall in love with the returns you can generate from the assets. So, when we maximize value and we see there's no longer ROI opportunities we will recycle out of those assets over time. When you look at what we've done since we've started, we've been a net seller of assets and we, as I mentioned, will continue to be a net seller of assets going on into 2018. However, over time we expect to be more balanced for really match funding acquisitions and dispositions to the tune of $400 million to $600 million on an annual run rate.

So, this is the portfolio today. What this map is it's a heat map of ABR, so you can see where we're concentrated. We have about 500 shopping centers, we have 84 million square feet, 38 states, 165 MSAs. And, since we've got here we've been simplifying the portfolio and trying to reinvest into the markets we know well. We have another eight assets actually under contract that will be called single market assets. We continue to find good liquidity, but over time we're going to take this portfolio and try to simplify it. We think we end up closer to 400 assets.

However, we intend to be a large open air landlord, one of the largest open air landlords in the country. It'll just be a more concentrated portfolio, so markets where we can take advantage of the great team we have on the ground. We're thinking it's somewhere around 100 MSAs, but we're concentrated in markets that we know well, like the New York Metro area, Southern California, the Bay Area, Dallas, Houston, Denver, Atlanta, Coastal Florida, the Research Triangle, obviously Philadelphia. So, the markets where we can know and take advantage of all that great team we have on the ground, we're going to try to do that going forward. I look forward to questions and I'm going to hand it over to Angela.

THE PATH AHEAD

Angela Aman

Good morning, everybody. I want to thank you all for joining us today. We really appreciate you taking the time to be here and hear more about the Brixmor story. I'm going to summarize the business plan as you've heard it laid out over the course of this morning and really try to provide some additional clarity on how the execution of that business plan will impact financial performance over the coming years.

The business plan as we have laid it out for you is pretty straightforward. It's comprised of core growth, value accretive redevelopment activity, and prudent capital recycling. In terms of core growth our objective is to generate sustainable core growth of 2.5% on an annual basis with core growth primarily comprised of contractual rent bumps and a realization of the significant embedded mark-to-market opportunity across the portfolio. You heard Brian talk at length today about all of the platform enhancements that have been made here at Brixmor over the last 18 months and all the new initiatives that have been rolled out over that timeframe to put us in a position to do just that, to not only achieve 2.5% core growth, but to do so in a recurring and sustainable way going forward. Those initiatives include working to achieve higher contractual rent bumps in all of our new leasing activity, working to ensure that we're getting contractual rent growth in a higher proportion of the new leases we're signing, limiting the use of options in new leases which will allow to harvest or recognize the mart-to-market that we're creating from this point going forward in a more timely way. Leveraging all of the significant anchor repositioning work that's already been done over the portfolio over the last several years to drive not only small shop occupancy, but also small shop rental rates. Specialty leasing, really focusing on that as a stand-alone business, and making sure we're devoting the resources to that to maximize the potential value from that revenue stream as well, and using data as we talked about at length in new and more sophisticated ways in order to generate incremental tenant demand for our centers.

In addition, you heard Haig talk about everything we're doing from an operational and property management standpoint to improve the look and feel of our centers and to do things from a more financially motivated perspective of just minimizing the downtown between leases, making sure that we're getting tenants open and rent paying as quickly as possible which has very near-term impacts as well. But, there's a big focus, and I think you heard it throughout the team today, of improving the look and feel of our centers and making sure that our centers are as relevant as possible to the communities they serve. I think that's a phrase you have heard repeated over and over today and a key mission statement in helping us achieve that core growth of 2.5%.

In terms of value accretive redevelopment activity, our objective there is to put $150 million to $200 million of capital to work on an annual basis at expected incremental NOI yields of 9% to 11%. The legacy of capital investment across this portfolio has created what we believe is an industry leading capital investment opportunity. That's only enhanced by the current period of retailer disruption which is allowing us to get access to spaces more quickly than we might have otherwise and is helping us ramp the redevelopment pipeline relative to what's in place today – the in process pipeline today, about 14 projects, about $188 million of potential capital spend over time. The future redevelopment pipeline which we've been disclosing to you publically in the Supplemental financial packages for several quarters now is over 50 projects with over $1 billion of potential capital spend over time. And most importantly, that list is by no means exhaustive. So, as we

continue to execute and move projects from the future redevelopment pipeline into the in process development pipeline you should absolutely expect to see us continue to backfill additional projects that have been identified by our team internally into the future redevelopment pipeline as well.

Importantly, the execution on the value accretive redevelopment pipeline is also one of the things that's going to help drive core growth over time as well. Brian talked about it in his slides, but when we put capital to work in assets, we know that we see a 600 to 800bps improvement in small shop occupancy and significant improvements in small shop rate on the back of that investment. That increase in occupancy and the increase in rental rate on small shop spaces is in general not included in the 9% to 11% incremental returns we're quoting you. Those are gains that happen after the stabilization of redevelopment and as a results are additive to the returns, not a component of the returns we quote. That will also be a key driver of core growth going forward.

In terms of capital recycling our goal is to be a good steward of capital and that means always harvesting capital investments we have today where we've maximized value and redeploying those proceeds into other opportunities where we believe we can achieve returns in excess of our weighted average cost of capital. It also means being very responsive to the environment and you've seen us do that over the course of this year as we've really ramped disposition activity, moderated acquisition activity, continued to solidify the balance sheet, and accelerated the redevelopment pipeline, all in response to all of the queues we're seeing in the transaction and leasing environment today.

You also may have noticed that this morning we announced a $400 million stock repurchase authorization which we intend to use as another capital allocation tool which will allow us to continue to take advantage of all the strength Mark just talked about in the disposition environment for the types of assets that we're selling, while also allowing us to take advantage of what we view as a disconnect today between what we're seeing in the private market and the public market, but all while continuing to invest in the balance sheet and grow the redevelopment pipeline, and fund a small amount of the redevelopment pipeline that isn't already funded with free cash flow.

So, what does all this mean in terms of 2018? In 2018 we expect to generate same property base rent growth of just under 3% at the midpoint of the range before taking into account the impact of bankruptcy activity and activity related to the ramp of the future redevelopment pipeline. That 2.9% reflects all of the platform enhancements we've been talking about today that have already resulted in sector leading leasing productivity over the last four to six quarters. In addition, it actually reflects the successful execution of the in process redevelopment pipeline as well, and I'll talk about that in a little more granularity in the next couple slides. But you're already seeing the benefits of incremental ABR from the in process redevelopment projects' impact to total same property NOI during 2018. And, I think it's also worth noting that we're still able to generate that 2.9% same property base rent growth, even in an environment where we're continuing to reduce our exposure to watch list tenants which was another key initiative that Brian talked about. That's been a priority of ours really since we joined and we expect to make some significant headway on that during 2018 which will not only improve our long-term growth profile, but importantly also the quality of the cash flow stream going forward.

There really are two main drags or detractors from that strong same property base rent growth during 2018. The first is bankruptcy activity. We expect the impact of the 2017 bankruptcies as well as assumptions we've made with respect to additional tenant distress or bankruptcy activity in 2018 to detract approximately 50bps from same property base rent growth. And then secondly, as we ramp the in process redevelopment pipeline from $188 million today to $400 million by the end of 2018 we will be taking additional space offline and carrying some additional vacancy throughout the portfolio in order to facilitate that redevelopment. Bill continues to assure Jim and me that we can't redevelop occupied space, so it's going to require some investment this year in order to really build up that future growth trajectory and pipeline. We're very pleased that even while making a 40bps investment this year in the future growth profile of the Company that we're able to generate total same property base rent growth this year of 2% and put ourselves in a position to generate total same property base rent growth in 2019 of over 3% at the midpoint of the range.

This slide, I think it's Slide 81, really frames up our expectations for total same property base rent growth from 2017 through 2019 while also providing a summary of the impact of redevelopment activity in each of those years. As you can see and as we've talked about, throughout the course of 2017 redevelopment, which here is comprised of both the in process pipeline today as well as the future redevelopment pipeline, and represented by the orange bars on this page, is a detractor from growth during 2017. In the last earnings conference call I talked about a 40bps detraction from same property NOI growth. It's presented here as same property base rent growth. It's about a 30bps detractor during the year. That said, as we move into 2018 and begin to see real contribution from the in process redevelopment pipeline we do expect the total impact of redevelopment in 2018 to be approximately neutral with an inflection point in the middle of the year. So, while redevelopment will continue to be a drag during the first half of 2018 we do expect it to be additive to growth in the back half of 2018 and really set us up for a strong contribution from redevelopment of 50bps to 100bps when we move into 2019.

I think it's worth stepping back from this for just a moment to think about that trajectory and the timeframe we're presenting here relative to where the Company was from a redevelopment standpoint when we joined in May 2016. At that point in time, the Company had one redevelopment project. It was a $7 million redevelopment project and really no future pipeline to speak of whatsoever. So, the fact that we've been able to really create what is going to be a significant and recurring driver of the business going forward and have that contribute to growth as early as the second half of 2018 is pretty remarkable given that we're effectively starting from scratch and have been able to create something that will be a driver of growth going forward in about two years.

To provide a little more clarity on what gives us confidence in that acceleration and redevelopment contribution we showed on the last page, it really comes down the in process redevelopment pipeline. As you can see here, $188 million in the in process pipeline at incremental NOI yields of 9% or gross NOI yields of over 15%. We expect this pipeline to deliver an incremental $16 million of ABR between now and stabilization. And as you can see, only $1 million of that materialized or impacted the financials during 2017, but we fully expect $5 million to materialize or be delivered in 2018 and another $6 million to be delivered in 2019.

That growth really represents leases that are already executed in the redevelopment pipeline and have rent commencement dates starting in the second half of 2018 and early 2019 and gives us a high degree of confidence in this acceleration. In addition, it's worth noting that as we continue to talk about growing the in process redevelopment pipeline from $188 million to $400 million by the end of next year, the next several quarters of projects that will be moved from the future pipeline into the in process pipeline are going to probably start contributing to growth by the middle of 2019. And, that again just speaks to the granularity of the redevelopment opportunity here at Brixmor and the short relative timeframes that our projects tend to have in order to reach completion or stabilization. So, even projects that we're starting over the next couple of quarters will be in a position to deliver growth as early as 2019.

In terms of total same property NOI growth guidance, we've shown 2017, 2018, and 2019 here as well. 2017 is provided just as a benchmark. There's no change to our expectations for 2017 relative to what was provided on the last guidance call. 2018 base rent, as I mentioned, our expectation is 2% at the midpoint of the range which does incorporate our assumptions for bankruptcy activity as well as the ramp in the redevelopment pipeline. Base rent expectations, 2% the midpoint range of 1.75% to 2.25%. Provision for doubtful accounts is expected to be a detractor from growth during 2018. As you can see, it was actually a contributor to growth in 2017. That primarily had to do with significant recoveries of previously reserved or written off amounts that we experienced during 2017, so really successful collections activity. And, while we're certainly hopeful that similar activity will occur during 2018 it's not embedded to guidance. The first reason for the detraction is just that it's a difficult year over year comparison. The second is that, just like in base rent where we embedded some expectations for additional retailer distress or disruption, we also embedded that into the provision for doubtful accounts or bad debt guidance as well. And then lastly, given the ramp in the redevelopment pipeline and the additional vacancy that we'll be carrying associated with those projects, we do expect approximately a 25bps detraction related to net recoveries resulting in total same property NOI growth guidance of 1% to 1.5%.

In terms of 2019, as I mentioned, our expectation is a little over 3% for same property base rent guidance at the midpoint, 3.25% to be exact, so a range of 2.75% to 3.75% and then we do expect a slight positive contribution from net recoveries in 2019 resulting in total same property NOI guidance of 3% to 4%.

In terms of funds from operations, our expectation for 2017 FFO is $2.05 to $2.09 per share – no update from what we provided on the third quarter call. We do expect that non-cash GAAP rental adjustments, so straight line rental income and FAS 141 income, will continue to act as a significant detraction from growth in 2018. That's a continued theme and something you've seen, certainly from Brixmor, in previous years given the significant FAS 141 balances that were created around the time of the IPO. So, we expect that to detract about $0.04 and then the impact of 2017 capital recycling that's already been completed to date and other items will offset the same property NOI growth we expect to achieve during the year resulting in total 2018 NAREIT FFO before perspective capital recycling of $1.99 to $2.06 per share. As we continue to capital recycle and we use those proceeds for either stock repurchases, additional acquisitions, funding redevelopment, or solidifying the balance sheet—really all of those things—we expect that prospective capital recycling will act as an additional $0.02 to $0.04 drag next year for total NAREIT FFO guidance of $1.95 to $2.04 per share.

And then just to take a minute on the balance sheet, it's really been a key priority of ours since the time we joined. We've worked very hard to improve both leverage as well as sort of the more holistic measures of the balance sheet. So, significant progress in our weighted average maturity. And, we've really addressed what had been significant outsized maturities between May of 2016 and the end of 2018. As we stand today we have about $210 million worth of maturities over the next 12 months with a largely undrawn revolver and are certainly well positioned with ample financial strength and capacity. As we execute on the business plan as we've laid it out today, we fully expect that we'll achieve our net debt to cash adjusted EBITDA target of 6x by the end of 2019.

So, those are my comments. I'm going to ask all of the presenters that presented today to join me on stage and we'll take some of your questions.

QUESTION & ANSWER

James Taylor

This is it for the end of the day. I hope you found it productive. I thought it would be helpful to have the whole team come up here at the end and answer any questions. I'm sure there are a bunch out there.

Question

Two quick questions. Were term fees at all included and is that a drag or a positive? And then, were there any benefits from share buybacks in the 2018 guidance?

Angela Aman

Yes. I would say that the top end of the range does include something for lease term fees, but probably less than we've already recognized to date during 2017 which is about $0.02 per a share. The low end really doesn't incorporate lease term fees. And then, yes, I would say the prospective capital recycling activity, that $0.02 to $0.04 impact, next year incorporates not only a range of potential outcomes in terms of the volume of transactions, but also a range of potential uses of those proceeds as well which would include potentially stock buybacks.

Question

In terms of putting some parameters around that $0.02 to $0.04, as we think about the $400 million to $600 million of potential dispositions and assuming that the bulk of free cash flow is going to fund the redevelopment pipeline, how should we think about that $0.02 to $0.04 in terms of the allocation to debt pay-downs versus share buybacks versus acquisitions? And what is that dependent on?

James Taylor

From a priority standpoint, it's first the balance sheet and liquidity. It always has been. But as we look at what was happening in the transaction environment and we continue to see great pricing and liquidity for assets that aren't core to our long-term strategy, and on the other side we're seeing acquisitions being priced pretty tough in terms of meeting our return thresholds. We see the share repurchase as an additional tool. So, taking care of the balance sheet and liquidity first and making sure that any share repurchases that we do are funded with that net liquidity on a leverage neutral or better than leverage neutral basis. And, we put in place a $400 million program, but what I want to be really clear about are two things. One, we're not doing this as a signal. Cynically, I think some companies put these out and then they don't execute anything under it. I think we're going to be best in class in terms of allocating proceeds appropriately on a consistent basis.

Think about it as a reverse ATM. If you were sitting in the investment committee room with us and you were in a period of time where you had net dispositions, were continuing to be on a great glide path as it relates to debt to EBITDA, our key metric from a balance sheet perspective, and were trying to remain disciplined beyond 1031 needs and acquisitions. The share repurchase plan is a really compelling tool and we'll remain very disciplined about it. And, our goal with respect to that program will be to be consistent and in the periods of time that we are utilizing it—just like on an ATM, you want to beat the VWAP up one way. Well, on this we'd like to beat it to the downside.

Question

Tying into the redevelopment pipeline, is there any redevelopment capital that's expected to be spent on the assets that are targeted for disposition?

James Taylor

Not anything significant. There are a couple of assets that we have where we're doing some anchor repositionings to harvest the value that we think is there and then sell. Certainly, we did it, for example, in Perry, Georgia. We did an anchor deal there and re-struck another lease before selling it. It's part of our stewardship. Where there's an opportunity for us to really create a lot of value before selling it, we will do it. If we can get paid for it, we'll sell it beforehand like we got paid for it in Macon. But, most of the capital that we're allocating towards redevelopment are towards those assets that are core to us and kind of in our core markets.

Question

The V recovery in 2019. How much of that recovery is already locked in—the leases are locked, people are signed—versus how much is prospective, because you spoke about that improving in the back half of next year, not waiting until 2019. I just want to get a sense of what the base it, what's locked in, and then how much of that is speculative.

James Taylor

Without getting into specific percentages and terms, we're very confident in that 2019 number, and the reason we're confident is that much of that leasing is already signed. And for example, if we were to continue on the same type of leasing productivity that we see in our pipeline and we've seen the last couple of quarters, we might possibly do better than that on a top line basis. But, you heard the retailers here talk about it – what's kind of interesting about the environment we're in and part of what's driving that ramp if you will is that retailers today are actually working on store openings for 2019 and 2020. So, we're signing leases that are triggering our redevelopment, but aren't commencing until 2019 and 2020 which gives us a remarkable degree of forward visibility in terms of what's already baked and signed. It also, I think, reduces the risk of some of our redevelopment decisions.

This is ICSC week here in New York and one of the interesting things about this week is we're finding this is actually a more productive week

from a leasing standpoint, just given the timing of the year. And I can guarantee you that the hundreds of meetings that we have over the next couple of days with tenants are going to be setting up deals, not in 2018 but in 2019, 2020 and beyond.

Question

As you think about that recovery, are you also thinking about being a net seller into 2019 so good growth will get off set by dispositions?

James Taylor

We'll see. You know what we expect in 2018 is to be a net seller. It will be market dependent. Certainly our long-term view is that every great company, every great steward of capital should always be thinking about that investment decision on hold. As Mark outlined in his presentation, we expect on a recurring basis to be capital recycling about $400 million to $600 million a year and we expect that to be balanced. So when you think about the forward earnings drag of that it's greatly ameliorated by getting those proceeds back to work and something cash flowing right away.

The biggest surprise for me this year has been that I expected us to be a bit more balanced on the acquisition side. Certainly what we saw on our pipeline at the beginning of the year gave me some comfort that we would be more balanced from an acquisition disposition standpoint. I think today, just like we have been this year, in 2018 we're likely to be much more of a net seller and that's reflected in our guidance.

Question

If you're selling $400 million to $600 million next year for the prospective capital recycling in that range of scenarios is one of them where you would use all the $400 million of share repurchase next year?

James Taylor

No. You know, balance sheet liquidity first. I can't say that enough. I don't want to try to create shadow or illusive value and weaken the balance sheet. One of the great things about this business plan is the durability of it. We're able to fund much of our growth internally. And, I certainly don't want to put ourselves in a position where we're having to rely on external capital to do that. So, balance sheet first and I know that that's the right long-term decision, albeit, it is an investment right because it's a little bit political.

Question

Regarding the proactive determinations, just curious what kind of occupancy impact you expect to see on a small shop and an anchor basis, and how much you expect to spend to get those tenants out?

James Taylor

When you look at the average small shop occupancy within our redevelopment pipeline and including the shadow pipeline that small shop occupancy is in the high 70%s. I don't know if you guys picked up on that. And, when we laid out for you what happens when we do an anchor reposition or redevelopment we show within two to three years to give some timing to that that we see a pickup on average of 800 basis points. Brian highlighted a couple where we saw a pickup of 2,000 basis points in that occupancy. But, more than the occupancy it's a better tenant and you're getting better rents. And the reason I get fired up about that is it's not just about the occupancy it's about what are you doing to make the asset relevant to the community and set yourself up for better long-term growth, not simply trying to fill space. So, I'm excited about what that embedded opportunity is. In terms of what happens with our occupancy numbers in the current year, we do expect occupancy to come down a bit in 2019. Why? Because as Angela said, you can't redevelop occupied space. You can't. So, you've got to take that space on and hold it.

I hope this came through today as you heard the retailers. What's exciting for us is how we're growing our relationships with some of the better retailers that are setting up those redevelopments. So, I'm happy for us to sit on that vacancy which is a necessary investment to get from $200 million underway to $400 million. And, for us to be in a position where we're spending $150 million to $200 million annually, which is what our goal is, our in process pipeline has got to be about $400 million to $450 million.

Question

A quick question on where we are going in terms of the slide of 370 to 400 assets. When do you get there because I assume with $400 million to $600 million of targeted asset sales, call it, 25 to 30 assets you would have to sell a lot more assets in terms of reinvesting. So I don't know if you're just going bigger, right. So the average size is going it looks like 170,000 square feet to 200,000 square feet. So I just don't know if this is a ten year timeline? A five year timeline?

James Taylor

No. This is within five years. And, to your point, we are investing in bigger centers. Or, in some instances we're buying adjacencies and making the existing centers bigger. So we fully expect our average center size to grow from about 160,000 square feet to 170,000 square feet today closer to 200,000 square feet. And we expect the ownership of what we own to be a lot more clustered. Now to get there the asset sales side is kind of the easy side, right. It is because you control the opportunities. As long as there are buyers there that's a good situation to have.

In terms of what we're doing on the acquisition side, what we're really focused on, and this is different than the way the Company was before, is we're identifying all those assets that we want to own, just like we identified Arborland, because we're not sure when and if it might trade but similar to what we did at Federal we have got a pipeline of intended acquisitions and we're working those hard. I'm not saying that we're going to get them all off market or anything else like that, but it's important to be very intentional about where we're going to put that capital recycling moneys to work. And, by and large, where we see great opportunities within our markets those centers tend to be larger. You know, it's hard to do a lot with 100,000 square foot center.

Question

So this 100 to 125 reduction, how many assets are being liquidated out of the portfolio versus how many are you anticipating buying?

James Taylor

Well on a net basis we're going to be selling a little over 100. And, when you look at the square footage though the square footage is staying about the same, a slight reduction in our current footprint of 80 million square feet.

Question

In terms of the dilution for this year, if you just take the midpoint, the $0.03, assuming there's probably a midyear convention on the asset sales, it's about $9 million of FFO reduction from the 2018 recycling plan or $18 million annualized, assuming you've modeled this in midyear. Taking your $400 million or $500 million of dispositions it's like a negative reinvestment spread of call it 400bps to 450bps.

James Taylor

It is as long as what we're doing is continuing to deleverage, certainly.

Question

The share count is the same as it is today so it doesn't appear to be share repurchases in. But is that what you've effectively baked in? 450bps of dilution on that capital just so we understand how to get to that $0.02 to $0.04?

Angela Aman

Yes. I think the other thing to note is that Mark's $400 million to $600 million number in his slides was sort of his long-term run rate in terms of being balanced from a capital recycling prospective. As I said to Christy, that range, the $0.02 to $0.04, incorporates a larger range of potential capital recycling activity. And we did embed in there we didn't sort of change the share count but we did assume that stock repurchases could be a component of how we utilized those proceeds and reflected that in the $0.02 to $0.04 range as well. There's a range of potential total capital recycling activity and then a range of how we redeploy those proceeds. And at the low end of the range it's clearly more leverage reduction, and at the higher end of the range it would be more acquisitions or stock repurchase activity.

Question

How much bleed is there into 2019? So if it's $0.02 to $0.04 for 2018 I'm assuming it's…

James Taylor

We're not giving 2019 guidance now. But certainly we expect it to ameliorate into 2019 and put ourselves in a position where that drag reduces. We haven't assumed all mid-year convention. We actually do expect a lot of that activity be more front-end weighted. Then from a growth perspective, really we're looking at 2018 as our year of investment. This is the year where we're really trying to set up what we're doing on the redevelopment. We're doubling the pipeline. We're going to be net sellers. We'll ameliorate some of the dilutive impact of course through share repurchases, but first it'll be deleveraging which is 400bps to 500bps dilutive. We'll have a better sense as we get into 2018 as to what the transactional market might look like in 2019 in terms of are we ginning up that shadow pipeline of acquisitions and be able to give guidance in 2018 – here's what we expect the contribution or dilution from that capital recycling activity into 2019.

I was wrong at the beginning of 2017 in terms of what we would be able to acquire. But I do think from a long-term standpoint, we don't really have any falling knives in this portfolio. These assets were undermanaged. So throw me in clover if I've got to own it a couple of years. We're not sellers at any price. But right now it makes sense from a capital allocation standpoint to go ahead and reduce the markets. It allows us to get more efficient from a G&A perspective. We are investing in talent. So I'm offsetting some of those G&A savings with investing in some great talent. We highlighted earlier the Leasing Marketing group. Having actually somebody who actually worked in a retailer in terms of site selecting and understands our sales models really gives us a much more informed perspective as we approach the market. So reducing the number of markets allows us to reduce some of those overhead costs and allows us to redeploy capital into other parts of the business which is part of the overall investment of this year 2018.

Question

I had a question on the FFO guidance. You spoke a lot about the increase in rents and NOI and yet the incremental non-cash GAAP rental adjustment counteract the growth from the additional NOI at a same store basis. One, what is that? And, will that continue to progress over the years offsetting the NOI growth you can have in the centers?

James Taylor

It's focused on the growth of our true FFO per share which is after this GAAP adjustment. I wish I could fully explain to you why GAAP requires you to mark some of these things to market. We have a disproportionate GAAP adjustment relative to the size of our Company because we just went public about five years ago. So there's GAAP noise in our numbers which we expect to ameliorate over time as that FAS 141 balance, in particular, reduces. Our goal is cash flow per share and you think about the cash flow generation of the Company just take the GAAP noise, I know it's an FFO, but FFO less GAAP adjustments and look at what happens to that year-over-year.

Angela Aman

If I could just expand on that for one minute. The $0.04 this year is a disproportionate impact and then normally it would decrease by about $0.01 to $0.02 a share. This year during 2017 we actually increased. We had provided at the beginning of this year non-cash GAAP rental adjustment guidance, and over the course of this year, in part because of retailer distress and retailers leaving the portfolio, we had to accelerate some of that income into 2017 and as a result we increased our guidance on that line item by about $0.02 as we moved through the year. So you've got difficult year-over-year comparison because of that. You booked $0.02 of income that would have shown up in 2018 or beyond in 2017 and then the normal $0.02 decline on a year-over-year basis.

James Taylor

It informs no business decisions, and it's not a driver in terms of are we hitting our goal. It's noise in the FFO definition. And one thing I would say to you is I'm proud of our transparency as a Company. Read our Supplement. We're one of the few companies that actually gives you net effective rollover. We're actually one of the few that actually sticks to a GAAP FFO number and then we show you from there what's embedded in it so we're not coming up with like this sometimes recurring core plus this FFO number. No. We're showing you our FFO number and then we're showing you what the GAAP adjustment is. The importance of that is there's not any judgment, it is what it is.

Question

You say the FASB adjustments don't make your business decisions. What does make your business decision, presumably it's your value and how you create value and how you measure value and your NAV, right?

James Taylor

Right. Cash flow per share growth drives NAV. Part of what got me really excited about the opportunity coming into this Company was the embedded ROI opportunities within what we own and control. When you think about it as a real estate investor, that's the stuff you want to buy. You want to buy the assets that have rents that are under market. You want to buy the assets that allow you to put capital to work accretively.

As I said in the video, when we think about the quality of investment opportunity we think about the quality of our ability to drive ROI. I love that our ABR is low in this environment, particularly as you hear retailers more and more focused on occupancy costs. They said it. There's no surprise there. What we are focused all of us on from a Company standpoint is does the decision help us drive growth in our underlying cash flow? Does it help us drive ROI? And that's how we measure what we're doing. It's part of why we're making the investment in 2018.

Question

In terms of your buyback, you said balance sheet first clearly. That's going to be most important. You have a long-term target of debt to EBITDA of 6x. Where will you start to buy back shares? At what point will you feel comfortable to start to buy back? Because clearly as you sort of alluded to although you haven't been specific but you're trading at a big discount to NAV, so why not take advantage of that?

James Taylor

Balance sheet first. Let me say it again balance sheet first. What I mean by that is we're not going to wait until the natural acceleration of our EBITDA and the continued deleveraging of our balance sheet is at 6x. We're going to make sure each incremental decision that we're continuing to accelerate that. We'll have left over proceeds that we can opportunistically deploy into repurchasing our shares rather than putting those capital proceeds to work and assets today that we find are overpriced.

Question

I'm not sure this was the focus today and how much you think about it, but Brixmor compared to its peers, the occupancy rates are below peers. So whether small tenants or larger tenants, there is a disparity between your leased portfolio, which is actually earning right now. Could you just talk about your objectives relatively to peers or the market or just how you look at performance in terms of occupancy?

James Taylor

When you look at the underlying drivers of that occupancy disconnect, the first is the centers have been undermanaged and under invested in over a period of time. You heard today from Haig how we are making the appearance of our centers look better and we're improving those operating standards across the portfolio, causing an uptick in small shop occupancy. You also see that we still operate assets in a far too dispersed manner. We have now a little over 85 or so single asset markets. In a single asset market you are going to underperform because at the end of the day it's an intensely local business. As we exit those single asset markets you'll see some occupancy uplift.

Then the biggest part and the biggest upside is when you look at that pipeline of reinvestment projects we have, our small shop occupancy there is in the high 70% range. So as we reposition the anchor system in those assets we have got a bunch of follow-on growth that's not included in our incremental returns and we're very excited about getting there. To the last part of your question about where does this take us form an occupancy standpoint, we believe this portfolio is capable of supporting small shop occupancy closer to 90% and overall occupancy much more aligned with where our peers are.

The important thing, though, is how we're getting there. I want to make sure that we get there in a prudent way that's driving the maximum return on investment. What actually, ironically, drove a lot of decisions before in this Company was occupancy. It was sort of occupancy first, ironically enough. And so the real decisions that were made throughout this Company that I get most frustrated about were when, just get the box filled, put somebody in the box without really thinking about, well wait a minute, if we're marketing a space and we're just giving them our latitudes and longitudes, is that the approach we want to take? No. We want to be a lot more sophisticated about it, and you saw that in Brian's materials in terms of leasing brochures that target particular tenants. We're getting better at the use of data. And the importance of that we're winning business it's not expected.

Question

The question really is it's not at 2019 it's beyond 2019. Is that where you're talking about? What timeframe are we talking?

James Taylor

I think it's a four to five year plan to get there. You know, honestly if I've delivered unlevered growth at our targets over that time period and our occupancy is still a little lower, I'll feel better then it it's right at target. For all of what we're just talking about.

Question

Angela, on your Slide 79, what's the difference between the $150 million to $200 million of I think it's value accretive redevelopment, and then if you go down under capital recycling the other redevelopment that you list there?

Angela Aman

So, it's $150 million of value accretive redevelopment versus?

Question

Yes, versus the redevelopment you list under capital recycling. Is that a separate bucket?

Angela Aman

Oh, no. We're just saying that we'll use the proceeds from capital recycling in part to fund that redevelopment activity. There's only a very small part of the annual spend on redevelopment activity that won't already be funded with free cash flow, so a very small component of the proceeds from capital recycling will go to fund redevelopment, but it would be a small part of the $150 million to $200 million.

Question

There's no mention of the dividend in the presentation, but as you work through this redevelopment and year of investment in 2018, and also shrinking the portfolio does the dividend stay flat or even shrink overtime?

James Taylor

Our dividend payout today is still around 52% of FFO so we believe we have got the ability to provide some consistent growth in the dividend as we make the investment over this time period. The other thing that's a driver for the dividend of course is the underlying taxable income which we expect to see some growth in next year.

Question

The V recovery which was mentioned for 2019, the wrinkle might be doubtful accounts or unforeseen bankruptcies and/or today we heard from several tenants that are doing well and expanding. But there are certain tenants like Bed, Bath & Beyond or perhaps Ascena that may be shrinking store count. Is that something that you think could derail your growth recovery in 2019?

James Taylor

No, it's not. Here's why we don't see it. We do expect bankruptcy activity to continue. We just expect it to continue on a pretty consistent pace as we move forward. Brian talked a little bit about what our expectations are for 2018. We do expect to see more activity. It's likely going to be more weighted towards Chapter 11s, which take longer to work their way through.

But at the same time you didn't really see it but in that 2.9% growth that we're generating we're proactively taking back watchlist tenant space. 30+bps of drag in that 2.9% growth relates to proactive recapture of our watchlist tenants because we're very focused on making sure we're reducing our exposure to some of those concepts that unlike the ones that you saw here today, we don't believe are viable.

Question

What's the difference between the $400 million in process pipeline expected by end of 2018 versus the $150 million to $200 million annual value accretive redevelopment?

James Taylor

You can't spend $150 million to $200 million a year and not have a pipeline active of $400 million to $450 million. You heard a lot today about our $188 million to $190 million underway. Well, that spend occurs over a couple of years. So to get to a place where you can spend and deliver $150 million to $250 million a year of investment, you've got to have a pipeline underway of $400 million to $450 million. It's part of where I think we, as a Company, are already standing apart from many of our peers. A lot of people talk about the redevelopment pipeline but, again, hold us accountable and watch how we're moving projects from the shadow to active and our active pipeline is leased, right. That's now at $188 million from basically zero when we started to now we're going to take that $188 million and grow it to $400 million to $450 million. What we we're trying to do in the section with Bill and team was give you sense of some of the projects and where they are in terms of their fruition.

Question

How do you use your overall capacity to rebuild financially and operationally to fill anchor box vacancy? Will that then slow down what you're doing on the retail side of things?

James Taylor

The question is how do you view your ability to get to your run rate of $150 million to $200 million being impacted by an increase in box vacancy due to bankruptcies or other retailer disruption? It's a good question and it goes a little bit to the demand side to it. What we're finding today is that we have more net demand as we recapture these boxes to backfill and do so accretively but we also have a secret weapon. We got low rent.

So when we're in Mobile, Alabama, which probably won't be a long-term hold market, there are a couple where we're redeveloping repositioning. That low rent basis that we have, a lot of that is to backfill the Belk's box and do so profitably in a market where generally speaking landlords are trading tenants. There's not a lot of net incremental tenant demand to be in that market. So as we continue through this disruption we have an advantage. We have older well located centers with low in place rent. So as these tenants are looking to open up boxes, I think we're pretty well positioned. Brian also highlighted the delta between what we have expiring over the next four years from an anchor standpoint and where we're signing rents today, and you see that spread is well north of 40% so it opens up continued opportunity for us to drive the growth and the redevelopment pipeline.

Question

Jim, if we think about the long-term goal of getting to 275 to 400 assets in total, if the market is there, from a sales perspective, could we see you pull some of those future sales forward and actually sell $800 million to $1 billion this year if the market is supportive of that, or will it really come down to tax considerations, redeployment opportunities. How should we think about that?

James Taylor

As Angela alluded to, our activity levels in 2018 actually have a wider band than $400 million to $600 million assumed. The $400 million to $600 million is what we expect our long-term rate. I'm not going to give you transactional guidance in 2018 beyond what I think the impacts of the capital recycling could be which reflects a number of assumptions. Not just the gross number of asset sales, but what are you doing with those proceeds. And the reason for that just quite simply is it's an arbitrary target to set when the market may allow you to sell more, and I want to have the flexibility to do that. So our range contemplates a higher level of asset dispositions on one end, assuming that the market's there for us, but again I'm okay holding these assets. I'm not a forced seller. To be a prudent steward of capital I need to keep that flexibility.

Question

Your redevelopment plan is a longer-term and your leverage targets are ultimately very reliant upon the disposition markets remaining open and attractive for you guys, but they have been showing decelerating volumes the last few years. What thought that you give to maybe ripping off the Band-Aid maybe a little more severely this year and being a much larger net seller? I know the $400 million to $600 million is a long-term goal. I mean did you give consideration as you thought about your 2018 guidance to even having sort of a sharper dip?

James Taylor

One of the things that we have set out to do is build up the business plans for this Company asset by asset. We have developed NOI plans by asset, and those NOI plans then inform what assets we are prioritizing in terms of asset sales. But again because of the nature of the portfolio and how it was managed historically I think we have no burden by holding some of these assets longer than a year two years or something like that. I'm referring specifically to some of the single asset markets which, long-term, we're not going to be owners of. But as we've thought about guidance into 2018 we do think we're going to be a net seller and we do think we have the flexibility within this range to sell well more than $400 million to $600 million of assets. Again, no guarantees though.

Question

What's the assumption you're making around the term loan maturities in 2018 and 2019? Is it $800 million coming due? Is it relatively cheap debt? I'm just curious how you're thinking about that also as you look to delever as you move through the year.

Angela Aman

If you look at that page, the impact of 2017 Capital Recycling already executed to date and Other would include our assumptions around interest expense more broadly. Certainly within that range if you remember, I think it's a $0.03 range in that line item, we have the flexibility to get back into the unsecured debt market at some point in order to address not just the 2018 maturities but certainly start making progress on 2019 as well. The other important thing though is that given the unsecured term loan maturities are flexible from a prepayment standpoint again we have a lot of flexibility as we continue to accelerate dispositions to start just prepaying those off more quickly and a more timely way.

Question

You gave us a nice roadmap on the incremental NOI you're expecting from redevelopment. I assume you're also expecting some cap rate compression there. Do you have a sense for how much NAV creation you have in the portfolio plans today?

James Taylor

It's pretty significant. There's an element to your question that I wanted to hit head on. We don't measure in our returns any cap rate compression. We expect it, but just like we don't underwrite follow-on small shop leasing, we really try to make the capital that's being deployed stand on its own. So we're not fooling ourselves saying, oh well, we're going to take the cap rate from here to here. When we do the underwriting and we look at the IRR, we assume expansion in our reversion cap rate. It's just part of the discipline to avoid making unwise capital decisions.

When you think about the opportunity within this Company, I'll turn it back as a question to you. If we're in a business that generally grows to 2.0% to 2.5% and we have the ability for several years to put capital to work in very granular, low risk, preleased assets, and add another 150bps of growth which we're demonstrating we're doing now. And it's not a V as what was characterized. If you go into your quarters and look at 2018 we're getting it in the back half of 2018 which shows that that income is coming in now. So you tell me as a buyer of an asset, what does that 50% to 60% premium to the underlying growth rate mean?

Question

Jim, I wanted to ask you about issuing equity, and given where the stock price is, and given your long-term plan, at least the next four to five years, do you have any current plan to be issuing equity, particularly if the stock is where it is today? And, the second part of the question is what didn't we cover in terms of your strategic thinking about this Company and what it's likely to look like in four to five years?

James Taylor

To take the latter part of the question, I think we have covered most of it because our plan is ultimately pretty simple. Around that point, you heard us talk about additional uses that might work at some of our redevelopments. We're actually taking the approach today that that's great and exciting, but we have got a lot of opportunity within retail. So, for example, in our Market Plaza asset down in Dallas that many of you saw in your tour, there is huge demand to have multifamily there. I don't think we're going to own it. We're going to sell the entitlements, but that doesn't mean that down the road in our portfolio that we won't have opportunities to maybe produce some growth and income through that. But today we're not doing it.

The answer to the first part of the question is no. We have no plans to issue equity for many reasons, but I think great business plans don't have to rely on external funding to drive their growth. Our ability to take the cash flow that we're generating and redeploy it at these high single-digit and double-digit returns is pretty exciting and compelling for me and I think it should be for investors. Personally, I'm a buyer. We're putting the Company in a position where it can buy assuming the balance sheet is taking care of and I expect us to be very consistent with that and not be in a position to issue equity.

Question

Being a grocer anchored landlord has long been a hallmark of the Brixmor story. You have three quarters of your centers anchored by grocers, 18% of ABR. I'm curious where that evolves to in the next few years as you add more different types of retail, add some multifamily. And then, what type of timeframe? So, curious how it evolves when we get there.

James Taylor

I think that you'll see us continue to be three quarters or maybe even a little bit more grocer anchored. But you know I used grocer-anchored in that context to include smaller format grocers. But really our mission as a Company is to make sure that our center is a center of the community, that it's relevant to the community, that we're being smarter about the types of uses that are needed at that center. That we're not engaging in some theoretical exercise about we're going to be approximately 80% grocer, because that's not how you ultimately drive growth and returns at the asset level. There are many assets that we have that are some of our finest assets that don't have a grocer in it and that's okay because there's enough grocery already around it. So I want to make sure that we have deemphasized that because I think it's really much more about having community centers that really meet and serve the needs of the community.

Interestingly though when you look at a lot of our redevelopments of late, they're being driven by demand from tenants like specialty grocers. I think you could see us maybe to trend up a little bit, but it's not with sort of a portfolio allocation mindset that we're going to be 78% grocer in three years or whatever it might be.

CONCLUSION

James Taylor

Listen, really, as a team we are so grateful for you spending your morning with us. I hope you feel like you've come away learning more about the opportunity that's embedded, how we're executing on it and hopefully a lot more about our great team. So thank you.

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DISCLAIMER

FORWARD-LOOKING STATEMENTS

This document and the accompanying presentation contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements include, but are not limited to, statements related to the Company's expectations regarding the performance of its business, its financial results, its liquidity and capital resources and other non-historical statements. You can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "seeks," "approximately," "projects," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties, including those described under the section entitled "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, as such factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC's website at www.sec.gov. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this document and the accompanying presentation and in the Company's filings with the SEC. The Company undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

NON-GAAP MEASURES

This document and the accompanying presentation include supplemental, non-GAAP performance measures, including same property NOI, NAREIT FFO and cash adjusted EBITDA. Refer to our most recent Supplemental Disclosure filed with the SEC on Form 8-K for detailed definitions of our supplemental, non-GAAP performance measures. Our non-GAAP performance measures have limitations as they do not include all items of income and expense that affect operations, and accordingly, should always be considered as supplemental financial results to those presented in accordance with GAAP. Non-GAAP performance measures should not be considered as alternatives to, or more meaningful than, net income (presented in accordance with GAAP) or other GAAP financial measures as indicators of financial performance and are not alternatives to, or more meaningful than, cash flow from operating activities (presented in accordance with GAAP) as a measure of liquidity. Computation of non-GAAP performance measures may differ in certain respects from the methodology utilized by other REITs and, therefore, may not be comparable to similarly titled measures presented by such other REITs. Investors are cautioned that items excluded from non-GAAP performance measures are relevant to understanding and addressing financial performance.

REDEVELOPMENT

Future Redevelopments

The Company has identified certain potential future reinvestment opportunities. Many of these opportunities are, or will soon be, in preliminary planning phases, and as such, may not ultimately become active reinvestments. Proceeding with these reinvestments could be subject to factors outside of the Company's control which could delay, suspend or defer the expected opportunity or timing of execution. While the Company expects that these projects are likely to become active in the near-term, it should be noted that this list will fluctuate as projects become active, suspended or otherwise rescheduled. For more information, please refer to the "Risk Factors" section of the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

In Process Redevelopments

In process projects are actively underway and reflect projects in which leases have been executed with tenant(s) as part of the redevelopment project. There is no guarantee that the Company will complete any or all of these projects, or that the net estimated costs or expected NOI yields will be the amounts shown or that stabilization will occur as anticipated. The net estimated costs, expected NOI yields and anticipated stabilization dates are management's best estimates based on current information and may change over time. For more information, please refer to the "Risk Factors" section of the Company's Annual Report on Form 10-K for the year ended December 31, 2016.