BRIXMOR®

450 Lexington Avenue ¦ New York, NY 10017 ¦ 800.468.7526

4Q 2017 EARNINGS CALL - FINAL TRANSCRIPT **FEBRUARY 2018**

CORPORATE PARTICIPANTS

James Taylor, Chief Executive Officer and President

Angela Aman, EVP, Chief Financial Officer

Brian Finnegan, EVP, Leasing

Mark Horgan, EVP, Chief Investment Officer

Stacy Slater, SVP, Investor Relations

PRESENTATION

Stacy Slater

Thank you, operator and thank you all for joining Brixmor's fourth quarter conference call. With me on the call today are Jim Taylor, Chief Executive Officer and President and Angela Aman, Executive Vice President and Chief Financial, as well as Mark Horgan, Executive Vice President and Chief Investment Officer and Brian Finnegan, Executive Vice President, Leasing, who will be available for Q&A.

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

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

James Taylor

Thank you Stacy. Good morning everyone, and thank you for joining our call. I'm extraordinarily pleased to report another great quarter and first full year for this team, with full year same-store growth of 2.6% and FFO per share of $2.09, which includes $0.02 of non-recurring items. Following my remarks, Angela will provide a deep dive into these results, as well as our financial outlook. However, against the current backdrop of market volatility, I'd like to drill down into how we have and how we will continue to deliver on our balanced and durable plan to drive growth.

Let's start with leasing, where our sector-leading production continued to accelerate into year-end. For the quarter, we executed 2.3 million square feet of new and renewal deals, a cash spreads of 16.0%, which was our most productive quarter in the past two years. We also achieved new lease spreads of over 42% and importantly, those spreads were not bought, as TIs declined and lease terms held firm. When you look at our productivity over the trailing four quarters, we've created over $42 million of new rent, or 4.5% of our total ABR. Our average ABR for new and renewal deals was $15.11 this quarter, which continues to demonstrate our below market in-place rents, and we set a new record with 28 new anchor leases this quarter, driving $7.2 million of new ABR and also set a record in terms of small shop ABR at over $22 per square foot. Our intrinsic lease terms improved with only 46% of our leases containing options and a weighted average embedded rent growth of over 2.1%, versus the portfolio average closer to 1%. And looking forward, importantly, our leasing pipeline remains robust with over 400 leases comprising 2.3 million square feet and $41 million of ABR. Allow me to pause for a moment on that productivity. Simply put, our proven ability to sign better tenants at better rents and better intrinsic terms not only stands apart within the open-air sector, it underscores how this platform continues to grow in this environment. We believe strongly that you measure the quality of a real estate investment based on your ability to drive growth, and that all begins with getting better tenants at better rents.

What is it about this environment that allows us to drive this outperformance? I believe that there are three primary factors. First, retailers that are growing store counts are increasingly focused on open-air centers, like ours, located near where their customers work and live. Our National Accounts team, which covers over 200 national and regional retailers, estimates net new openings over the coming year of over 13,000 stores, and we're having tremendous success growing our market share with these tenants as they expand. For example, we've captured 12% of the new store openings for Kirkland's, 13% for Burlington, 10% for Panera, 8% for Ross, 7% for LA Fitness and 6% for T.J. Maxx. We've also executed our first ever deals with Sprouts, where we are now at three deals, Lucky's Market, HomeSense, Dave & Buster's, BevMo!, Total Wine, Shake Shack, Yard House and many, many more.

The second main driver of our outperformance is that while these tenants are looking to grow store counts, they are more focused than ever on occupancy cost and four-wall profitability. Our proven locations and low average in-place rents allow us to effectively compete for the very best tenants while still driving growth. As I've said on many prior calls, a high in-place ABR can be a tremendous liability in this environment.

Finally, these growing retailers are planning new stores further and further out, and therefore demand greater certainty of execution, which means delivering both the prototype spec and, critically, to the proposed timing of opening. We enjoy an outstanding track record and trust with these retailers, a track record against which many smaller landlords have difficulty competing. That trust is not only evident in our outstanding market share growth, and it's also evident in our position as the largest landlord to some of the very best retailers in the industry.

Overall, for the quarter, we signed 35 new restaurant leases, 11 new fitness deals, nine home deals, three off-price apparel, and three specialty grocers. Some key specific wins this quarter included the new smaller format Burlington at Arapahoe Crossings in Denver, which replaced a bankrupt Gordmans; the LA Fitness at Crossroads in Houston that replaced the former Sears box; and an Aldi at Ellisville in St. Louis that backfilled our last Sports Authority box. Each of these new tenants were substantial upgrades that should drive strong follow-on leasing in small shops at the impacted center. Again, visibility on growth.

Speaking of bankruptcies, which we estimate will drag us this year by over 70 basis points on the NOI line, we continue to have strong results backfilling recaptured space with rent spreads approaching 30%. I also note that Sears has now dropped out of our top 20 tenants, as we've reduced our locations from 21 at the beginning of the year to as of today 13, and our total ABR from Sears and Kmart is now below 60 basis points.

Our strong leasing productivity of this recaptured space, recaptured both proactively and through bankruptcy, continues to drive the second element of our business plan, accretive property level reinvestment. During the quarter, we added 15 projects to our in process pipeline, which now totals $295 million at an average incremental yield of 9%. Importantly, we also delivered $62 million of projects from that pipeline during the quarter at an 11% incremental return, ahead of schedule and under budget, creating over $40 million of incremental value without adjusting cap rate. I'm very proud of how the team is Delivering Value Now. We expect further growth in these assets that have been repositioned as we capitalize on the small shop lease-up not included in our original returns. Our shadow pipeline highlighted in the supplement also continues to grow as we make steady progress towards our target of $150 million to $200 million of annual spend in delivery, which we expect to reach at the end of this year. As we discussed at our Investor Day, each of these new projects, such as Beneva Village in Sarasota, Braes Heights in Houston or Mamaroneck Center in Westchester, moves us towards our purpose of being the center of the communities we serve.

The third element of our plan, operations, closely aligns with leasing and reinvestment in driving the Company forward. The implementation of property standards and scorecards has substantially increased the appearance of our centers and, as we highlighted at Investor Day, built significant goodwill with our tenants, and our new tenant coordination function has paid dividends in terms of reducing average downtime between lease and occupancy an average of over 15 days. Finally, we've had great success rolling out LED lighting programs at our assets, with over $6 million invested this year at returns on cost in the low teens. I'm very pleased with the return-driven tenant-centric execution of our operations team, and look forward to continued growth in this area.

The fourth element of our plan, capital recycling, is driven by three key tenets: the first is that prudent harvesting is key to delivering sustainable growth; the second is that clustering investments in vibrant retail nodes drives long-term ABR outperformance; and the third is that volatility in the public markets can support programmatic recapture of NAV discounts on a leverage-neutral basis. With respect to the first tenet, we continue to find strong liquidity for assets that don't fit with our long-term plan, disposing of 15 assets in the quarter for proceeds of $106 million, which included three dark or soon to be dark Kmart boxes. Our average cap rate for in-place income at the operating centers was 7.8%. Please note that these assets were in the bottom of the bottom quartile of our portfolio in terms of growth, demography and importantly ROI potential. We exited single asset markets like Glasgow, Kentucky; Tuscaloosa, Alabama; Shelby, Michigan; Austin, Minnesota; and Newport News, Virginia. Our current disposition pipeline remains strong and on track.

As discussed at our Investor Day, we also completed the acquisition of three grocery anchored centers in San Clemente, California; Venice, Florida; and Upland, California, building our critical mass in those attractive submarkets with assets with below-market rents and, importantly, strong growth potential. Also coincident with our Investor Day, we launched a $400 million share repurchase program. Because of the limited market window in December, we only completed $6 million of repurchases, but at current valuations and our successful harvest of NAV through asset sales, expect us to significantly ramp that activity in coming quarters.

The fifth and final element of our balanced business plan focuses on ensuring that we have a strong, flexible balance sheet with ample liquidity and flexibility. Because our business plan is self-funded through internally generated cash flows and opportunistic asset sales, our focus from a balance sheet perspective is on continuing to extend our weighted average debt tenor and opportunistically accessing the unsecured markets as we also drive EBITDA growth. We continue to reduce the weighted average cost of leverage and have maximum flexibility to drive value at the asset level. We have reduced debt to EBITDA to 6.8x, have a weighted average debt tenure of over five years and have nothing drawn on our $1.2 billion revolving credit facility. That is a startling transformation from where this team started, and I expect our balance sheet to continue to strengthen as we execute our long term plan.

In sum, as our results underscore, we are Delivering Now on each facet of our plan, capitalizing on the current disruption in this environment to drive our Company towards our purpose of being the centers of the communities we serve and delivering sustainable growth and cash flow per share. Angela, who will provide more detail on our historical results, will also provide some context in our forward outlook for this year and next on how our plan is delivering.

Angela Aman

Thanks, and good morning. I'd like to provide a deeper dive into the strong fourth quarter and 2017 performance that Jim highlighted in his remarks before touching on our affirmed outlook for 2018. FFO was $0.52 per share in the fourth quarter or $2.09 per share for the full year. Excluding non-cash GAAP rental adjustments and lease termination fees, FFO per share growth was 3% during 2017, reflecting strong same-property NOI growth offset by net disposition activity.

Same property NOI growth was 3.6% for the quarter or 2.6% for the full year, which was slightly above the midpoint of our original guidance range, despite additional drag in 2017 from retailer bankruptcies and the expansion of our redevelopment program. In the fourth quarter of 2017, our top-line reaccelerated as anticipated, but we also experienced meaningful contributions from bad debt and net recoveries in addition to smaller contributions from ancillary and other income and percentage rents as the enhancements we have made to our platform over the last two years continue to drive tangible results across all line items.

We have affirmed the 2018 same property NOI and FFO guidance we provided at our Investor Day in December. During the first half of 2018, occupancy, and as a result base rent and net recoveries, will be impacted by a number of proactive terminations or downsizes, which occurred as expected at year end 2017 and throughout the first quarter of 2018, including Sears/Kmart terminations at Northgate Shopping Center in Deland, Florida and Cudahy Plaza in Los Angeles, an Office Depot downsize at Hunter's Creek Plaza in Orlando and the dark anchor termination at Ventura Downs in Kissimmee, Florida. All of these centers are now active anchor repositioning or redevelopment projects, as leases have already been executed with vibrant new uses, including specialty grocery and fitness. We have strong visibility on rent commencements across our value enhancing reinvestment pipeline with approximately $10 million of annualized base rent from executed anchor leases at these projects coming online in 2018 weighted to the second half of the year. As a result, our same property NOI growth in the first half of the year is expected to be below our full-year guidance range of 1% to 1.5% with reacceleration in the back half of the year.

As discussed at Investor Day, our guidance incorporates our assumptions for bankruptcy activity, which is expected to detract approximately 50 basis points of base rent or 70 basis points of NOI during 2018. As it relates specifically to the impact of Toys "R" Us, we had 12 locations at December 31, with one location disposed of subsequent to quarter end. Our 11 remaining locations have an in-place rent per square foot of only $9.40 which we believe is well below market. We expect, based on the current status of negotiations, to experience approximately $2.5 million of NOI detraction in 2018 as a result of rent adjustments at six locations and a lease rejection at Arborland Center in Ann Arbor, Michigan, which we acquired in early 2017. In each of the six locations with rent adjustments, we've also shortened the remaining lease term and removed future options, preserving near-term cash flow while also ensuring that we will control the space over the next one to two years. In the case of Arborland, I would note that the embedded upside we saw in the Toys "R" Us space was a key component of the long-term growth opportunity we saw in the acquisition, and the rejection of this lease accelerates our ability to drive meaningful value creation at this asset.

As Jim highlighted, the strength of the balance sheet remains a key priority for us, and we are entering 2018 with substantial liquidity and financial flexibility. Our $1.25 billion revolving credit facility is undrawn and we have only $185 million of debt maturities over the next 12 months. We will continue to utilize our significant free cash flow and proceeds from disposition activity to further solidify the balance sheet and fund value-accretive reinvestment projects across the portfolio, repurchase our stock and selectively pursue strategic acquisition opportunities.

And with that, I'll turn the call over to the operator for Q&A.

QUESTION AND ANSWER

Jeff Donnelly – Wells Fargo

Jim, just a question on capital allocation. You laid out at your Analyst Day the argument for monetizing non-core assets to fund redevelopment, an issue that I think you said that should concentrate your portfolio, accelerate growth and reduce risk. The shares are down 20% since then and trade I think north of a 9% cap rate. How do you feel about temporarily at least shelving incremental expenditures on redevelopment in favor of more aggressively repurchasing shares at these levels?

James Taylor

You're right, it's a much more opportunistic level for us to repurchase, and we never lose sight that our fundamental product at the end of the day is growing cash flows per share, so with the redevelopment pipeline that tends to be a bit longer lead time, and we're still earning very attractive incremental returns that also drive future growth of those assets. And you see it in the projects that we delivered. For example, we delivered $60 million in this quarter at 11% creating we think over $40 million of value. But you also see it in a tremendous leasing productivity that's setting up those redevelopments going forward.

It's difficult to turn the acquisition spigot on and off at a moment's notice based on where the share price is. With that said, certainly where the share price is today is opportunistic and we announced the share repurchase plan at levels much higher than where we are today and expect to see a shift of our emphasis toward share repurchases on a relative basis as we think about redevelopment, as we think about acquisition. We think one of the best acquisitions today is our stock, and so, do expect us to ramp it. We're not going to be market timers, and by that, I mean that while certainly the levels indicate a clear buy from our perspective, we're going to be prudent and responsible in terms of how we fund it, sort of like a reverse ATM, if you will.

Jeff Donnelly – Wells Fargo

And just one follow-up, just a more general comment. The valuations we see in the stock market are implying open-air centers in all their forms are having sort of a B-mall moment, if you will. There are questions of sustainability of income and maybe asset values. Can you talk about where in the property markets you're seeing resilience in rents and pricing and maybe contrast that with the types of assets or markets where you feel there is reason to be concerned? I think people are trying to figure out where assets are placed on that spectrum and get comfort.

James Taylor

As Mark highlighted, and I'll get him to comment in a minute, we continue to see great liquidity at strong valuations for assets that we do not want to hold, and I really want to make that point very clearly that we're achieving these cap rates on assets that are in markets that are secondary, in many cases tertiary, that aren't consistent with our long-term plan. And I think our execution, both what we did in the quarter and what we've done year to date, really underscores that. We're not talking about this hypothetically, we're talking about what we're actually closing in the market on an arm's length basis.

As we alluded to at the Investor Day, we have seen weakness from an asset pricing standpoint for larger assets. In fact, the transaction volumes for assets above $50 million, as we highlighted at the Investor Day, continue to decline somewhat, but for smaller assets such as the ones that we're selling, which typically are $10 million, $15 million to $20 million, and importantly are also more grocery, community anchored type centers with a mix of box and small shop, we're seeing great demand.

Mark Horgan

Over the last couple of months we've closed on the sale of about 20 assets, so we're continuing to see a very active and liquid market for our assets. I think as you know, I spent a fair amount of time in my previous role in the B-mall end, and that's really different, and this level of liquidity is quite different than what you saw happening over at B-mall end. Jim highlighted that a lot of what we're seeing in the market is that small deal size really matters. When you have smaller deals, we see larger bid lists because of the smaller equity checks. We continue to see a vibrant debt market, and frankly, when you see these smaller deals, they're just easier to underwrite, so these bid lists are just frankly larger than you see for really those much larger deals that are out there today, where I think you have seen some cap rate movement due to liquidity.

One other thing that's really interesting about the market currently is when I look back to the meetings I had back at the New York ICSC, the vast majority of the meetings were with new capital seeking to buy retail assets with a focus on smaller and stable power centers, given the apparent spread between grocery anchored and power center cap rates. So we're really seeing some capital formation in the open-air retail space, which again I think is really different than what we saw in the B-mall space over the last couple of years. One of the reasons I think you're seeing capital formation in the power center space and in open-air retails is because, particular for power centers, it looks like cap rates have stabilized in the 7% to 8% range or lower, depending on quality, so it looks like buyers are not as concerned today about cap rate movement. From our perspective, what we're seeing this translate into is larger bid lists for power centers. For example, we sold a power center outside of Detroit on Hall Road. We had over 10 credible offers and we had multiple bidders pushing price there.

As Jim mentioned, this portfolio is primarily grocery-anchored, and on that side of the equation, we continue to see strong demand across markets. It's really clear when you own a strong grocer in both large and small markets, you can get great pricing for those assets, and that's not really just a few coastal markets. It's really across markets when you own that strong grocery that you can get pricing that gets down into the 5%s like we achieved in this past quarter.

Ki Bin Kim – SunTrust

So the 7.8% cap rate on asset sales. Was that on a stabilized basis, or just in place? Because I noticed a lot of them were not full occupancy.

James Taylor

No, it was on in place, but excluded from that were the dark and soon-to-be-dark Kmart boxes which obviously would have skewed it.

Ki Bin Kim – SunTrust

I know it's only been two months since you guys provided 2018 guidance, but any incremental thoughts on how things are shaping up, and maybe you could put that into context, for the at-risk retailers like Ascena, Toys "R" Us and Mattress Firm in your portfolio? And maybe tying that into that 50 basis points rent track you expect from BKs, because Toys "R" Us itself is 50 basis points, you could just wrap it all around for us?

James Taylor

Remember, that 50 basis points is timing adjusted for the full year, and what we're seeing today is in line with what we expected in terms of retailer weakness and bankruptcies. There have been absolutely no surprises, and, importantly, the spaces that we're addressing here, we believe, are all substantially below market. Our average in-place rent, as Angela highlighted for our Toys boxes, is in the low $9 range, which gives us a lot of optionality in terms of what we do with that space when we get it back. And more generally, we're seeing retailers very focused on occupancy costs, which again gives us a competitive advantage as we compete to backfill some of that space.

Angela Aman

I would echo everything that Jim said. I think things are evolving and continue to evolve, generally in line with the expectations we laid out in December. I don't think anything to-date has surprised us, so obviously we continue to actively monitor the environment. I would note on Toys, it's not quite 50 basis points. It's really for the same-store pool. The impact there is going to be just a little bit over to 20 basis points on the bottom-line in terms of NOI. The number I quoted in my prepared remarks was NOI and included Arborland, which won't be part of the same-store pool going forward, so the impact is a little bit smaller than the number you referenced.

James Taylor

And I'd say just in terms of tone, we saw a lot of great momentum going into the end of the year, and frankly that's continuing as we operate this year. So we're cautiously optimistic in terms of where we end up for the year and believe that we've given guidance appropriately reflecting the current environment.

Ki Bin Kim – SunTrust

So for retailers that haven't announced closures in your portfolio precisely, like Ascena or Mattress Firm, how do those retailers figure into your guidance? Do you just conservatively reserve for it? And is that part of that 50 basis points for that year?

James Taylor

Absolutely. While we take a look at the composite of the portfolio and our watch list in particular, and stress test what we think different outcomes might be for the year, and that's reflected in our guidance. And as it relates to Ascena, you mentioned, we have a great relationship with them, and that's really important because it gives you visibility in terms of what that retailer's likely plans are for a particular location and allows us to get ahead of it where it's likely to come back and then backfill it, which is what we're doing and what we're outperforming in. I think Brian and team have done a great job of, as demonstrated in our productivity, utilizing this environment where you're getting space back to not only capture better rent with better tenants, but in the process of doing that, we're improving the centers in which those tenants operate. So you're seeing this environment be one in which we're taking our assets and upgrading them whether it's through a simple anchor repositioning or a redevelopment or just a simple lease.

Brian Finnegan

I would just add, particularly on the Mattress Firm space, these are some of the most high profile locations that we have in the portfolio, endcaps and outparcels, so the demand for those locations if, and when, we do get them back at expiration has actually been pretty strong.

Christy McElroy – Citi

Just sort of following along on the tenant theme, but more specifically just following the four Kmart stores that closed in Q4, I know you've had multiple ongoing discussions with Sears about recapturing boxes over time. Can you just address your remaining exposure there and provide an update on how you're thinking about the risks and the opportunities with regard to that retailer sort of continued gradual wind down?

Brian Finnegan

I think it's a great opportunity for us to point out what we've done with Sears to-date. I mean, as Jim mentioned in his opening remarks, since IPO, we've taken our locations from 29 to 13. They've gone from number 7 in our tenant list number 23. We've reduced our ABR exposure by $6.3 million. And more importantly, the projects that we've done with Sears to-date have generated an incremental $8 million in ABR. So, I think the team's done a great job, and Sears has been a tremendous partner of ours. So, as we look out to our remaining exposure, we're in discussions with them on a number of locations. We are looking out at what our redevelopment pipeline looks like from a timing and execution standpoint, and we feel really good about the demand for those boxes as well as our ability to execute on them. So overall, they continue to be a good partner and we continue to be in discussions with them going forward.

James Taylor

And that's tremendous progress by this team, particularly over the last 12 months. And if you look also, as we did this quarter, on three boxes that we didn't have much of an opportunity to get great incremental returns, we'll sell them, but I think we have great opportunity mostly in the balance that we retain.

Christy McElroy – Citi

And then just following up on Jeff's question on transactions. Just to get a sense for the more immediate pipeline, can you tell us what might be under contract today for further dispositions and acquisitions, and also, did you say what the average cap rate was on the dispositions that you've completed year-to-date?

James Taylor

No, we haven't given that yet, but it's in line with what we saw at the end of last year, and we're only giving guidance on transactions that we've actually closed, which year-to-date are about $85 million.

Christy McElroy – Citi

So no sense for what might be under contract today?

James Taylor

Well, I'd tell you that the pipeline remains strong, and we're seeing a lot of additional assets for sale as we talked about at the Investor Day, and I believe we're executing very well towards our plan.

Samir Khanal – Evercore ISI

Angela, looking at expenses, they were flat in the quarter but recoveries were up about 200 basis points. Can you provide some color around that?

Angela Aman

We, during the quarter, did benefit from some real estate tax refunds and appeal wins that definitely benefited the quarter from a recovery ratio perspective.

Samir Khanal – Evercore ISI

Is that kind of complete or should we expect any more of that true-up to happen further along in the quarters here?

Angela Aman

We always aggressively appeal on the real estate tax side and try to make sure we're managing that expense effectively. I think as we move forward into next year, while we're certainly hopeful that we'd have some upside from additional refunds or appeal wins, that's certainly not something that's fully embedded in guidance. So we'll recognize those as they're achieved over the course of the next year.

Samir Khanal – Evercore ISI

The second question for me is, I know there was that $28 million of insurance settlement it seemed. Now I'm just trying to understand, should we anticipate any further expenses? Trying to figure out at this point whether to put any further liabilities in our NAV, in regards to that.

James Taylor

No, I don't think at this point, there is any need to accrue additional liabilities based on what we see in that particular case and settlement.

Todd Thomas – KeyBanc

Question maybe for Mark – just in the context of the demand for assets that you discussed in the buyer pool, what's the latest read on CMBS financing and the availability of capital for the buyers that you're working with? Are there any changes at all to lending spreads or LTVs at all and lender underwritings at all?

Mark Horgan

Well, certainly we're focused on interest rate movement, but as we've looked at pricing assets and bidding we haven't seen folks either re-trade us on debt availability or debt pricing, so that's a good sign, and we continue to see robust demand outside of CMBS from local banks and other bank relationships. We have closed with CMBS recently, so we continue to see bidders using that product to finance our assets, but haven't seen any dramatic change yet in the market for debt.

Todd Thomas – KeyBanc

And then just moving over to the leasing a little bit, I think last quarter you touched on delays that you were seeing in some rent commencements. Can you just provide an update there and maybe, Angela, I'm just curious if you can quantify how much annualized rent commenced in the fourth quarter and how much of that rent was actually recognized in the quarter that hit the P&L?

James Taylor

Let me address the first part of that point. I think what we were talking about with rent commencements is that tenants are signing deals further and further out, so that downtime cost between the signed lease and the ultimate tenant paying rent is growing. But importantly, we're getting those deals signed and it gives us a lot of forward visibility, as Angela alluded to, in terms of what's happening later this year and what's happening in 2019. Angela referred to the $10 million of ramp that we see associated just with leases signed related to the redevelopment, so, from that standpoint, it's giving us better visibility further out as retailers, as I alluded to in my remarks, are planning stores further and further out, and I think that gives us an interesting basis from which to compete.

In terms of what the ramp was in the fourth quarter, we can get back to you after the call to get more specific on that, but again, these aren't delays in rent commencement associated with execution or tenants pushing dates out. This is really more about tenants planning further and further out their new store openings.

Craig Schmidt – Bank of America Merrill Lynch

I was wondering if you had a sense of a target for the small shop leasing by the year-end 2018?

James Taylor

We haven't given any guidance on occupancy targets, but we are seeing good positive momentum there, and importantly, we're seeing great momentum in the anchor reposition and redevelopment projects that we deliver, in line with what we've shown historically in our materials, increases that are several hundred basis points within a couple of years of delivery. So, I do expect that metric to continue to improve this year and importantly improve in the right way. And by that, I mean not simply leasing space to drive occupancy, but leasing to better tenants that we think will drive better sales productivity at the centers and make those centers better, make them the center of the community they serve. That's really our focus. So, while we're not giving specific small shop guidance on the year, we do expect that to continue to ramp, if you will, as we're delivering these repos and redevelopments.

Craig Schmidt – Bank of America Merrill Lynch

And then, it looks like the renewals in the space under 10,000 square feet have been running around 11%. Can you maintain that in 2018?

Brian Finnegan

Absolutely, we feel like we're in a good position, particularly to Jim's point, as we bring in more quality operators. Jim went through the names of the tenants that we're adding to the portfolio. We feel like we're in a good position to recognize that value and drive rents further.

Mike Mueller – JPMorgan

I apologize if I missed this, but Angela, the term loan that's coming due in July, I think, it's over $200 million. Can you talk about the plan to refinance that or what's going on there?

Angela Aman

There's about $185 million remaining. We do have a little bit of amortization scheduled over the course of the year on other secured debt that's maturing further out, so about $200 million of total debt maturities, $185 million on the term loan. I would say it's going to be a combination of probably some debt paydown from asset sales, as well as we're obviously watching the capital markets, and if there's an opportunistic window to execute, we would certainly do that. But I'd also remind you that we're completely undrawn on our revolving credit facility which is $1.25 billion, so we certainly have multiple ways to address that term loan maturity when it comes due later this year.

Brian Hawthorne – RBC Capital Markets

With regards to the bad debt, can you talk about how the tenant categories that have been reserved for have performed relative to expectations?

Angela Aman

Yeah, I think from a bad debt perspective, our run rate during the course of 2017 has been lower than what it's been on a historical basis. If you look at total bad debt as a percentage of total revenues, we've ran about 40 basis points during 2017 versus a longer-term historical run rate including 2016 that was between 75 basis points and call it 100 basis points. The lower number this year really reflects the recoveries we've had and that I've talked about on previous calls over the course of the year as they relate to amounts that had been previously reserved for are written off. So, as we've monitored the retailer environment and the health of tenants specifically within our portfolio and the aging of receivables as we've reserved for amounts, we've aggressively pursued collections and have had wins on that front over the course of the year.

We did say, and I think it's important to note, at the Investor Day that we do expect a reversion to sort of the historical level as we move into

2018. So, we don't expect that 40 basis points to be the number you should expect from a bad debt perspective going forward, but that 2018 should look more like 2016 or 2015 debt in terms of the overall level and call it 75 basis points to 100 basis points, which wouldn't necessarily denote any deterioration in the environment. I think it's important to remember, but really would just reflect fewer sort of one-time recoveries of specific items that had been reserved for in the past.

Brian Hawthorne – RBC Capital Markets

So then, within that, any certain tenants or categories you've seen kind of outperform or perform better than expectations?

Angela Aman

I don't know that there are any themes to draw from a tenant category perspective. Our process is specific identification really looking at every receivable balance for every specific retailer across the portfolio, and so, certainly, while we've had some wins relative to previously reserved amount, I don't think there are many conclusions to draw from a category perspective.

Vince Tibone – Green Street Advisors

Can you give a little bit more color on the Toys "R" Us lease modifications you mentioned for the stores that we're not closing? Any more color there would be appreciated.

Brian Finnegan

Sure. As Angela mentioned in her remarks, we did provide some short-term rent relief on a number of locations basically to get control of these assets. As a trade for that, we're able to reduce the term, remove any options, any co-tenancies, so that, to Angela's point earlier, we can maintain cash flow while we market these spaces, and the demand so far has been tremendous. Jim mentioned the upside that we have. Those deals are roughly at $9.50. We're signing anchor leases at close to $13 a foot and we're very excited, particularly, about the Arborland opportunity that we saw when we purchased the asset. So, we made these deals to make sure that we could get control of these boxes and that we can execute on them in quick order, and so that's really the plan going forward on those while keeping cash flow in place.

Vince Tibone – Green Street Advisors

Were there any modifications on the boxes, the Toys "R" Us boxes that are going to stay in the portfolio, they have accepted those leases or, are there any modifications to those leases or just the ones that are going to be re-tenanted in the near-term?

Brian Finnegan

I think, if we really just looked at the entire portfolio, our goal was to, to Jim's point, maintain cash flow and get control of as many of these boxes as we could in the short-term while we were able to market these spaces and put leases in place. So, it wasn't as much of a pick and choose, as much as it was to make sure we control as much of this as we can.

Vince Tibone – Green Street Advisors

Have you noticed any changes in tenant behavior or appetite for space post the passage of the tax bill? Any direct impact there are you seeing on 2018?

James Taylor

Not yet. We were at the ICR Conference last month, and it was striking to me the difference in tone in retailers that we also saw at New York ICSC in December, just in terms of leaning now into new store openings, recognizing what their competitive presence is like today in more of an integrated environment and being willing to commit to the longer-term growth. And I think a lot of that was really more driven by an appreciation for how to compete in this environment versus the tax changes.

I do think that we heard several retailers talk about the tax benefits as an opportunity to put additional capital into their stores, which certainly is a net benefit to us as they expect to get increased sales, but we did not see a lot of people saying that they were going to change their store opening plans based on the tax law changes. It was really more investing in their stores, investing in their human capital, and we're really finding a way to compete in this environment, which, 12 months ago, there was maybe a bit more concern than what we're seeing today.

Jeremy Metz – BMO Capital Markets

Going back to the watch list, I was wondering if you can give us an update on Southeastern Grocers, I know it's not a huge piece of the portfolio, but wondering just what kind of proactive discussions you're maybe having with them, given some of the issues they seem to be going through in a larger business review that one of your peers highlighted that they seem to be doing right now.

James Taylor

We have had active discussions with them, and we are in a pretty good position relative to the productivity of our locations and where we have a few locations that aren't as productive. We also have guaranties that we think will survive, which gives us time to look at those weaker locations and assess what we want to do long-term with them. So, not really a big issue for us, but certainly one that we've been all over in terms of ongoing dialogue with them and making sure that we understand what their forward plans are with respect to those locations. I can't really comment location-by-location, but I'll tell you that I feel like we're in pretty good shape.

Jeremy Metz – BMO Capital Markets

Okay. So, none of that is necessarily in your 2018 outlook for some of the closings or spaces you expected to get back, is that fair?

James Taylor

That's fair. I mean, we do have room in our guidance for some unexpected, but again, I think, what's happening with Southeastern Grocers, at least where we see it today, is fully encompassed in our guidance.

Jeremy Metz – BMO Capital Markets

And then, in terms of the anchor spaces rolling here in the next year or two, how many of those are naked leases at this point, with no remaining options? And then, more broadly, you mentioned doing some shorter term deals with Toys "R" Us. Just absent those, are you seeing any increase in tenants looking for shorter renewals on the larger box size?

James Taylor

We've held firm on our weighted average tenure. I mean, just look at our leasing results. You see that we kept our weighted average tenure at 9.2 years. So, we drove that rollover growth, which on new leases was 42%, and was a pretty balanced mix of both anchors and small shop that we did that on, and we've held firm both on capital and lease terms.

You can look at our lease expiration schedule within the supplement that shows you by year what deals we have expiring with and without options. What I would just emphasize to you, as we've talked about before, is we're trying to get after a lot more than what naturally expires, so the opportunity to capture those Toys "R" Us boxes we see as a real positive; the shorter lease terms and get after the value inherent with them. As we've referred to Ann Arbor, we're beyond thrilled particularly because of where that box sits in the center and how it opens up a lot more redevelopment than we included in our original underwriting. So, you should expect us to continue to get after leases ahead of term proactively so that we can continue upgrading the portfolio, upgrading the tenancy and driving a good solid cash flow growth.

Greg McGinniss – UBS Securities

Regarding the new lease spreads, it sounds like they're primarily driven by replacing bankrupt tenants with, I believe you said, 70% spreads. So, should we expect to come down from the 30% level in 2017 if bankruptcies slow?

Brian Finnegan

The team has done a great job again of recognizing the value in this portfolio, and if you look over the years, we've been pretty consistent in terms of spreads in the mid-30% range for new leases. So, as we look forward, we feel very confident of our ability to bring the leases to market. Now, obviously, the pool changes on a quarter-by-quarter basis, but long-term, we're very happy with kind of where our opportunity is and the quality of tenants and our ability to drive rents with those deals, so feel pretty good about it going forward.

James Taylor

Yeah, and importantly, as we think about tenants, I just really want to underscore this point that was in my remarks: we really are looking to make sure that in backfilling the space, we're not simply backfilling the space and making that spread. We'll take less spread if it's a tenant that we think will drive the long-term growth and relevance of the overall center, and it's feeding our repo pipeline, it's feeding our redevelopment pipeline, and in a self-funded way, and this is really important.

With our free cash flows, we're able to put our capital back to work in our portfolio at these very attractive incremental returns. So, that sort of underscores why in this environment we have a unique ability to grow. We're not sitting on inflated ABR that is not replaceable today, but we instead have the chance to not just capitalize on the mark-to-market on a static basis, but to do it in a way that drives long-term growth at the underlying center as well.

Greg McGinniss – UBS Securities

And so, putting that capital to work, clearly there's a strong focus on the proactive redevelopment in growing that pipeline to the $400 million level, but I'm curious about reactive redevelopment and the necessary funding there, how that fits into the plans with the Toys "R" Us and the Sears closures especially with the bankruptcy risk there. Is there a built-in expectation on these troubled anchors entering the pipeline or would you shelve other potential plans to work with those vacancies?

James Taylor

We want to make great returns on the capital we're putting to work, and I think as we've demonstrated with two or three of the Kmart boxes, where we didn't see an opportunity to drive great incremental returns, we sold it. Why? Our hold IRR was below our cost of capital. So, how we get the space back is less important than what it is we're doing with the space and how we're making those incremental investment decisions to drive long-term value. And, as I was just alluding to with Jeremy, the increased pace of this space recapture is coming right into our sweet spot, if you will, in terms of how we're going to drive long-term growth. I don't see it ramping up our overall expected level of redevelopment activity, which by the end of the year, I think, we're going to be at $150 million to $200 million of annual spend in delivery, but it certainly does provide more coal for the furnace on a longer-term basis that I'm excited about us getting after.

Daniel Santos – Sandler O'Neill

The first one is just if you guys could talk about general morale. Despite the positive results you guys have been posting, the stock is down over 40% over the last 52 weeks. How would you say the overall morale of the team is, and how are you keeping the team motivated despite the fact that the market doesn't seem to be giving you guys much credit?

James Taylor

Well, I keep telling the team that morale will improve, or beatings will continue. No, the truth is that we're executing on the plan and the team is seeing the results of that in terms of the improvements we're driving at the centers and what we're delivering in terms of value, and I think if anything, the team believes the shares are incredibly cheap. And we get awarded shares on an annual basis, we're buyers, so in that instance, we look at it from a long term standpoint and say, "This is a pretty darn good value." So, the morale has been remarkably strong. It is something that in all seriousness and kidding aside you do worry about in a Company, but what I've seen is that our ability to continue to attract new talent remains unparalleled. So, I feel like we're in a good spot right now.

Daniel Santos – Sandler O'Neill

And then just one quick follow-up on stock buybacks. How much of the gains from asset sales can you shelter via your common dividend to deploy for stock buybacks?

Angela Aman

In terms of the gain, over the last year or so, we've been paying out effectively before tax gains or losses on asset sales; basically the statutory minimum. This year we did have a small return of capital component as part of the dividend because we ended up in a net loss position just based on the pool of transactions that closed during 2017.

Going forward, there probably will be a small amount of gains that could be absorbed within the current dividend amount, But remember, as you look across the portfolio, certainly as we execute, we're going to have some losses, we're going to have some gains. We may be able to 1031 some of the gains and look to manage the overall tax profile that way, but we are paying out pretty close to the statutory minimum before gains or losses.

James Taylor

The gains issue for us, given the timing of our IPO in 2013, is simply less acute, and if you look at the gains and losses on a book basis that we've recognized as we've gone through this program, you can see that they've been slightly in balance, which is not far off from where you see the tax basis of these assets. So, we'll continue to obviously monitor that closely, but we have more flexibility than do others given the basis from a tax perspective in our assets.

Karin Ford – MUFG Securities

Just going back to your capital allocation priorities, you said you're putting more emphasis on the buybacks, but with the decline in stock price, are acquisitions still in the plan at all this year? And you've given us kind of a wide range of disposition volumes to think about. Are you increasing the volumes you're teeing up for sale given the move in the stock?

James Taylor

We're on track with what we originally planned from a volume standpoint, and you're right, it's really difficult in this environment to make sense of an acquisition, given where our stock is priced, so our bias is going to be towards reinvesting in our stock. That doesn't mean that we won't make any acquisitions during the year. We may have some 1031 needs or there may be smaller strategic acquisitions that we make such as the adjacent center at San Clemente, where the hold IRR is pretty darn attractive on a standalone basis, and it makes sense. But our clear priority, as we think about use of proceeds, is obviously liquidity, balance sheet. But, as we think about acquisitions versus our stock, it's pretty hard to make sense of an acquisition today. We've always been disciplined about acquisitions, however, and I just really want to emphasize that point. We looked at over 300 acquisition opportunities last year and closed on very few, so we're very focused on making sure we're making that capital allocation decision appropriately and with our stock where it is, in some instances, it makes our capital allocation decision that much easier.

Karin Ford – MUFG Securities

My second question: I know it's only been two months since the Investor Day, but have the retailer trends or the leasing activity in the last few months had any impact on the 3% to 4% same store NOI growth estimate you put out for 2019?

James Taylor

No, no. I mean, as I alluded to, going into the year and then through today, we're seeing great momentum and good success with leasing and all elements of our plan.

Haendel St. Juste – Mizuho Securities

You guys outlined the disposition cap rates for what you sold year-to-date in Q4. I was curious if you could share what the cap rates were for the acquisitions in 4Q, the stabilized cap rates and IRR expectations, and maybe the occupancy if you have it as well?

James Taylor

Well, the IRR expectations were in the high-8% range on those assets. I think, the average going-in yield was around a 6%, and if you remember, as we highlighted at the Investor Day, these are assets that are next to some of our existing assets. And so, what we don't include in our underwriting, for what we've actually experienced in acquisitions like San Clemente and Ann Arbor, is outperformance relative to what we've originally underwrite, and so, for example, in the instance of San Clemente, or excuse me, Escondido, California, we're seeing rents that are 10% to 15% better than what we underwrote, similarly we're outperforming in Ann Arbor.

Based on the early reads that we're seeing from these three assets, just deals that we've had in leasing committee in the last couple of weeks, we're seeing rents better than what we've underwritten, so we're pleased with how those assets are performing relative to what we underwrote, but also appreciate that we made the decision around the acquisition of those assets several months ago. As we think about sort of the incremental capital allocation decisions today, we're in a different spot in terms of where our stock is trading.

Haendel St. Juste – Mizuho Securities

And then some color, if you would. Maintenance capex during 4Q jumped up a bit. I'm curious if that's tied to the pickup in asset sales for fourth quarter. How should we think about that line item for 2018 and maybe beyond as you step up some sales here?

Angela Aman

It wasn't really related to disposition activity. It did, you're right, accelerate in the fourth quarter, but we ended the year exactly where I think we've guided in the past, which is right around $40 million, and I think that's effectively the level you should expect in 2018 and going forward.

James Taylor

A lot of those projects got done and completed and were accrued for in the fourth quarter.

Linda Tsai – Barclays

When you look at your increased pace of dispositions since May 2016, in three or four years do you expect the overall size of your portfolio to change or will the composition just be different?

James Taylor

We did talk about this at the Investor Day, and I refer you back to those slides, as we highlighted, but we do expect the portfolio to be more in line with about a 400 assets probably similar ABR and NOI, because I think what you'll see us continue to do, as we've already done, is sell some of these smaller assets, particularly assets in markets that we don't have growth plans on, and recycle that capital over time either into our shares or into larger assets as we've demonstrated. So, I think, from a size perspective, that's kind of what you can expect to see in three to four years.

But one other point I want to make is that we're not getting to a particular point, and I don't think this is fully appreciated. We see balanced capital recycling as part of any good long-term capital allocation plan. The decision to hold an asset is an investment decision. Part of the strength of this Company is that it's a very granular portfolio, so we can be much more objective as to that hold and sell decision with respect to individual assets, because we're not trying to move big supertankers in and out of the harbor. And that flexibility, I think, is part of the strength of the Company in terms of achieving our long-term goal, which is outperformance in cash flow per share.

So, that's kind of how we think about it. I'm really pleased with the progress that we've made in the last 12 months, executing at the cap rates that we've executed at and the markets that we've exited, and we've done it one at a time. Trust me, it's hard execution, but we believe that in doing so, we're capturing another 10% to 20% of value versus trying to do it on a portfolio basis.

Linda Tsai – Barclays

And then, for the retailers coming from malls seeking space at your centers, what are the average occupancy cost ratios they're paying at the mall and how much lower is it by being in your centers? Has the delta changed at all over the past couple of years given the changes we've seen across the industry?

James Taylor

The occupancy cost within an open-air center is typically $5 to $6 a foot. When you're in a mall it can be in the $20s, just depending on the mall. So, our occupancy costs are a quarter to a third of what you would pay in a mall, and that's basically held pretty true.

Karin Ford – MUFG Securities

First on the disclosure side, the last page of the supplement usually provides some additional guidance items. I didn't see it this quarter. Are you going to be providing that going forward?

Angela Aman

We did move the guidance components that we disclose to page 3 of the Supplemental with the Results Overview, so FFO and same property NOI. We did move the signed but not commenced analysis that had been on that Guidance page as well to the Net Effective Rent page, but the components of guidance that we provided at Investor Day, namely FFO and same property, are what we expect to provide on a go-forward basis.

Karin Ford – MUFG Securities

And, sorry if I missed this. Did you mention what caused the $13 million impairment in the quarter?

Angela Aman

If you look at just the pool of dispositions that closed during the quarter, primarily there was nothing. There were no big outliers in that number. I would also note though that against that backdrop of $12.7 million in impairment, we did recognize during the quarter $13.9 million of gains moving the other direction. To Jim's earlier point about portfolio, from a book basis, was all mark-to-market at the same point in time, and you're likely to see some impairments and some small gains. Just both sides of the equation as we move forward.

# # #