

1Q 2017 EARNINGS CALL - FINAL TRANSCRIPT

MAY 2017

CORPORATE PARTICIPANTS

James Taylor, Chief Executive Officer and President

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Mark Horgan, EVP, Chief Investment Officer

Stacy Slater, SVP, Investor Relations

PRESENTATION

Stacy Slater

Thank you operator and thank you all for joining Brixmor's first 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 Officer, as well as Mark Horgan, Executive Vice President and Chief Investment Officer; and Brian Finnegan, Executive Vice President, Leasing, who will be available for Q&A.

Before we begin, let me remind everyone that some of our comments today may contain forward-looking statements that are based on certain assumptions and are subject to inherent risks and uncertainties as described in our SEC filings and actual future results may differ materially. We assume no obligation to update any forward-looking statements.

Also we will refer today to certain non-GAAP financial measures. Further information regarding our use of these measures and reconciliations of these measures to our GAAP results are available in the earnings release and supplemental disclosure on the Investor Relations portion of our website.

Given the number of participants on the call, we kindly ask that you limit your questions to one or two per person. If you have additional questions regarding the quarter, please re-queue.

At this time, it's my pleasure to introduce Jim Taylor.

James Taylor

Thank you Stacy, and thanks everyone for joining our call. I am very pleased to report that our team continues to execute on all facets of our balanced, self-funded business plan. In fact, we set new records in terms of first quarter volume leased and total ABR, as we also delivered better tenants at better rents and we continue to deliver our value-accretive reinvestments on-time and on-budget!

However, before delving into our actual results and outlook, I wanted to offer some perspective on the retail environment overall. Recently announced bankruptcies coupled with a growing number of store closures have cast a pall over the entire retail landscape. Many fear that what we are observing is a secular change and perhaps for some formats it is. It seems a week doesn't pass without some well-placed media about the take no prisoners approach, including the prisoner named Mr. Profit, of e-tailers impacting the profitability of traditional retailers. Concerns have also focused on the growing shadow supply of boxes and the functional obsolescence of certain retail formats. These are all valid concerns, but no means novel. Creative destruction has and always will be part of the retail landscape.

In fact, the recent bankruptcies and store closures have been a long and painfully slow time coming. Low interest rates and capital availability have kept certain concepts going that long ago had lost their relevance to the consumer. Seeing this coming is why in past quarters I've focused on Brixmor's outperformance and releasing recaptured boxes such as those recaptured from A&P and Sports Authority. We did then, and do now, fully expect that they'll be more space coming back. So it may seem a bit ironic against this backdrop that I'm even more confident about the opportunities for Brixmor than when I joined nearly a year ago. My confidence is not rooted in the simple truism that ABR is an accurate predictor of quality or of future performance. Quite the contrary -- during periods of increased retailer disruption, high rent basis can become a liability, limiting the flexibility of the landlord to respond and still grow cash flows. And if you think demos alone provide safe haven, consider how Manhattan retail landlords are feeling right now.

As someone who is passionate about retail real estate, I firmly believe that we don't need more retail space -- just better product that is more relevant to the local consumer it serves. Delivering that product is our mission. And if you measure the success of a business by ability to grow cash flows while improving its product, I firmly believe that Brixmor is uniquely positioned to outperform in this environment. Simply put, my confidence is based on the opportunities embedded in the real estate we own and control, the strength of our team and our demonstrated track record.

Our growth opportunity begins with rent basis. If your objective is to grow rents, basis matters, as retailers are even more focused on productivity and occupancy cost in the cycle. As I said on past calls, it's not about where ABR is, but where it's going. Our older, well-located centers drive strong tenant sales with average grocer sales ~\$550 a foot and average occupancy costs in the mid-single-digits; in fact our average occupancy cost for our grocers is below 2%. Our rent basis affords us a unique opportunity to capitalize on retailer disruption by profitably replacing less relevant concepts and it allows us to improve our older, well located centers with reinvestment that's not only accretive on an incremental basis, it also enhances the long-term growth prospects through increasing occupancy and rents.

Another key driver of our opportunity is that proximity to the customer has become increasingly important. Customers weighing the value received for money and time spent are placing even greater weight on time. For us, this is a good thing as our centers are located in established retail nodes where the average travel time for a customer is often under five minutes. And our tenants are getting increasingly sophisticated about using data to identify where their customers live and how to locate near them. Tenants like ULTA, Sprouts, Burlington, T.J. Maxx, L.A. Fitness and Trader Joe's have been leaders in this regard and we are making great strides in how we use such data to attract and increase our market share with these and other vibrant tenants. We are not just pursuing what might be expected in terms of uses, we are exploiting market voids and pursuing uses that will be most compelling to growth.

Finally, as we capitalize on this change, flexibility of the underlying real estate increasingly matters, including not only structural flexibility, but also having minimal legal encumbrances and overhead burdens. Our predominantly grocery-anchored open air centers benefit from a good mix of anchors, junior anchors and small shop space. Our centers are larger, which is good for adding additional GLA in outparcels. However, less than 15% of our ABR is from power centers without traditional or specialty grocers -- where tenant encumbrances and no build areas can be restrictive. And across our portfolio of over 500 predominately grocery-anchored centers, we only own three multi-level boxes served by vertical transportation, which can be extremely costly to retrofit to tenant prototype. Thus, our centers provide more flexibility at lower cost than any other retail format to meet the evolving needs of our tenant and still make a profit. That's what has allowed us to identify a pipeline of over \$1 billion in reinvestment opportunity and demonstrate a best-in-class track record of actually delivering better space for new tenants at very attractive returns.

Speaking of tenants, our core tenants are growing sales and net store counts. We are one of the top landlords to some of the strongest retailers in the industry including Kroger, Publix, Ross and T.J. Maxx -- all of whom reported strong sales growth within our centers. The strength of those relationships has put us at the top of the lists for new stores and expansion, as well as new-to-market concepts such as Sierra Trading. And importantly, we're growing our market share with expanding tenants in the categories of: specialty grocery, fitness, value, restaurants, home goods, hardware, health and beauty and entertainment. For example this quarter, we signed over 800,000 square feet of new deals at an average cash-on-cash spread of 37%, which included two specialty grocers, 33 restaurants, nine home goods and three fitness uses. With the growth of these uses, we have proven successful at profitably and proactively reducing our exposure to weaker concepts. For example, just over the last four quarters, we've successfully replaced four Kmart boxes, several office supply stores, four Sports Authorities and more than 60 other anchor boxes representing over 1.7 million feet at spreads over 40%. And importantly, as we look forward, our current pipeline of new and renewal deals is growing. At quarter end, we had 400 leases in the pipeline for over 2 million feet at very healthy spreads. That volume is as high as it's been over the last four years, but at much better rents and with stronger and more relevant tenants. So while we do anticipate some increased near-term volatility as we recapture space from closures and bankruptcies, we are confident in the opportunity that recapture unlocks.

Let's look a bit more closely at our underlying results this quarter. Those results begin with leasing where we executed 1.9 million square feet of new and renewal leases at a cash-on-cash spread of 16.4%. Importantly, we've now addressed through executed leases and LOIs approximately 80% of the recaptured GLA of our 2016 bankruptcies just one quarter into 2017 with average rent spreads well over 50%. That performance of attracting better tenants at better rents is a big driver of the fact that the 2016 bankruptcies only drag our same-store NOI this year by 20 basis points! Now let me pause on that stat for a moment. If you measure the quality of a business as its demonstrated ability to lease and grow rents in a tougher environment, I would submit that Brixmor should be afforded a quality premium! Just an outstanding job by our leasing team led by Brian Finnegan and Mike Moss.

We also continue to improve the look and feel of our centers from an operations perspective, which, along with increased focus and continued deliveries of value accretive investments, drove our small shop occupancy gains of 90 basis points year-over-year, while reducing the seasonal occupancy decline that typically occurs in the first quarter. And the quality and health of our small shop tenants has improved as we continue to see improved collections and minimal delinquencies, despite driving higher embedded rent growth in those leases that we talked about last quarter. I'm really proud of Haig and the operations team and the smart and effective changes they've made at our centers.

In terms of value accretive investments, we delivered another seven projects during the quarter at an average incremental yield of 14%. We also added 10 new projects to our in process pipeline, which grew to \$217 million at a 10% incremental yield, while we also added four additional projects to our shadow pipeline, which now is approaching \$1 billion of accretive reinvestment opportunity. I'm really pleased with our diligent results of moving redevelopment through to delivering returns, just as I am about the breadth of our opportunity to drive attractive ROIs while making our centers better. For example, our new lease with Sprout kicks off the first phase of our redevelopment of Mira Mesa in San Diego and our new lease with LA Fitness kicked off our redevelopment of Ventura Downs in Orlando. I couldn't be more pleased with how we are transforming these centers and I look forward to upcoming property tours to show everyone how effective our team is in executing on our mission. We also added five new anchor repositioning projects which included the retensing of our Kmart box in Elizabethtown, Kentucky with a 91,000 square foot At Home store with only a month of downtime. These anchor repositioning transactions not only generate double-digit unlevered returns, we also see the incremental benefit of big gains in our small shop occupancy. I'm pleased to report that we are well on our way to our goal of delivering over \$200 million of value accretive investments annually. Great job by Mike Wood and the team and again incredible job by leasing to get tenants signed up.

Our capital recycling program also continues to ramp. This quarter we closed on the acquisition of Arborland in Ann Arbor, Michigan, a marquee asset with below market rents that expanded our critical mass in that vibrant university town. We are already hard at work on

capitalizing on the upside at that phenomenal location. We also exited rural single-asset markets in Perry, Georgia; Killingly, Connecticut and Macon, Georgia. We have several more dispositions under contract and teed up for sale and we are finding that our careful approach to marketing the assets is being met with strong investor demand and compelling cap rates. In fact, we achieve disposition cap rates of approximately 7% for the assets closed this quarter. And we expect to see similar results on assets in markets that are not part of our long-term strategy. Mark Horgan and the investments team are doing a phenomenal job here.

Finally, we continue to strengthen our balance sheet, opportunistically raising \$400 million of ten-year unsecured notes at an all-in rate of 3.9%. We reduced our variable rate debt to 9%, extended our weighted average tenure to five years and again put ourselves in a position, where with over \$1 billion of capacity under our facilities, we don't have to access the credit markets until 2019. Great job by Angela, Stacy and team.

I believe it shows that I couldn't be prouder of our team and how they continue to execute on all facets of our plan to drive sustainable growth through leasing, operations, redevelopment, capital recycling and prudent balance sheet management. Recent and anticipated retailer disruption will cause some bumpiness in the near-term certainly. That's why despite outperforming this quarter we've maintained our guidance range of 2% to 3%, which Angela will discuss in more detail in a minute. However, as a company focused on long-term growth we welcome the opportunity to get rid of weaker tenants and believe the age, location, flexibility, and, yes, basis of our centers provide Brixmor a unique ability to adapt and thrive -- to accretively reinvest in our centers and make them even more relevant to the communities they serve.

Before turning the call over to Angela for a more detailed discussion of our results and outlook, I'd like to welcome Vince Corno to the team as president of our Midwest Region. I've known Vince since his days running real estate for Saks. He also ran real estate for Dick's and the May Companies and most recently served as Head of Leasing for DDR. Vince is consummate pro and a great leader. He is well respected in the industry and will provide us great leadership in the Midwest. Outperformance requires great people and I'm tremendously pleased with our ability to continue to attract and retain the very best talent.

Angela Aman

Thanks Jim and good morning. I am pleased to report a strong quarter of financial and operational performance as we continue to execute on our balanced and self-funded business plan. FFO for the fourth quarter was \$0.53 per share, representing growth of 4.4% excluding non-cash GAAP rental income and lease terminations fees. This growth was primarily driven by higher same property NOI and lower interest expense as we've continued to refinance high-cost secured debt in the unsecured market at lower rates.

Same property NOI growth was 3.2% in the first quarter, well above the indication we gave on last quarter's call that this quarter's growth rate would be at or below the low end of our full-year guidance range of 2 to 3%. This outperformance was largely driven by base rent, which contributed 250 basis points to same property growth during the quarter; provision for doubtful accounts, which contributed 80 basis points; and percentage rent, which contributed 40 basis points. The stronger than expected contribution from base rent represented a slight acceleration from last quarter despite a seasonal occupancy decline and is reflective of proactive steps taken by the Company to compress the time between lease signing and rent commencement, as well as delays in the timing of move out activity relative to our original expectations. We continue to see the benefit of organizational changes made over the last 12 months, including enhancements in our leasing, marketing and tenant coordination functions, all of which are yielding economic results even in a challenging retail environment. The contribution from provision for doubtful accounts reflects both successful recoveries of previously reserved or written-off amounts, as well as a smaller impact from bankruptcy activity relative to last year. Overall, across the portfolio, the aging of our receivables continues to improve and the health of our small shop tenancy, in particular, remains strong. The outperformance in percentage rent this quarter is attributable to both the timing of payments received, as well as significant year-over-year increases from a variety of tenants, particularly in the entertainment and restaurant category. Net recoveries detracted 40 basis points during the first quarter, in line with our expectations driven by both the timing of expenses and the seasonal occupancy decline. Operating costs in the same property pool were up year-over-year, which primarily reflects the timing of certain expenditures and quarterly volatility experienced in 2016 as a result of the management transition last year. I would note that our full year expectation for operating cost growth is under 2% as we focus on improving the look and feel of our shopping centers, while remaining disciplined about every dollar of capital spent. The steps taken over the last year, including the rollout of enhanced property standards and the move away from third-party service aggregators, have improved our discussions and negotiations with both existing and prospective tenants and have been achieved through our greater focus on the efficiency, and not just the total amount, of expenditures.

With respect to the balance sheet, during the first quarter, we issued \$400 million of ten-year unsecured debt using the proceeds to repay \$390 million of the \$1 billion Tranche A term loan that matures in July of 2018. This transaction successfully addressed the only outsized maturity in our forward maturity schedule, increasing our weighted-average duration to five years and further positioning us with the flexibility necessary to be entirely opportunistic as it relates to future capital raises. As a reminder, we have just under \$300 million of natural mortgage maturity this year and then an additional \$97 million of secured debt maturing in 2020 at a rate of 6.3% that we expect to prepay without penalty at the end of September. As of quarter end, we had over \$1 billion of availability on our revolving credit facility and as noted in last night's release, we fully anticipate that disposition activity will accelerate in the coming quarters based on both assets under contract today and assets in advanced stages of marketing.

Turning to guidance we affirmed 2017 FFO guidance with a range of \$2.05 to \$2.12 per diluted share, while providing slightly modified expectations for non-cash rental income and interest expense, largely to reflect actual results and transaction activity in the first quarter. Our guidance does not include any expectations of additional one-time items, including non-routine legal expenses, which we will reflect in guidance as they occur.

We have also affirmed our same property NOI growth expectation of 2 to 3%. Our range contemplates a variety of possible outcomes as it relates to both the timing and magnitude of potential store closures from hhgregg, Radio Shack, Gordman's, Payless and Rue 21. That said, stronger than anticipated performance in the first quarter has partially mitigated the impact of recent retailer bankruptcies and store closing announcements and we remain confident in the 2 to 3% expectation established last quarter. As you consider the trajectory of same property NOI growth over the balance of this year, please note the following: We now expect that the contribution from base rent will trough in the third quarter before reaccelerating in the fourth quarter, as we benefit from executed anchor rent commencements related to the releasing of 2016 bankruptcy impacted space and the successful execution of our in process redevelopment projects. While the contribution from base rent is expected to remain strong in the second quarter, there are several other headwinds that will impact Q2 same property NOI performance. First, same property NOI in the second quarter of 2016 benefited from the completion of annual CAM and tax reconciliation, as well as lower operating costs due to the management transition last year, which resulted in a contribution from net recoveries of 80 basis points in the second quarter of 2016. Furthermore, our provision for doubtful accounts was also unusually low in Q2 2016, establishing a challenging comparison as it relates to the second quarter of 2017. As a result, same property growth in the second quarter may be at or below the low end of our full-year range before reaccelerating in the third and fourth quarters.

In conclusion, I would note that as the retail environment in general experiences an elevated rate of change, Brixmor is well positioned to deliver strong performance as a result of:

- The organizational enhancements that we have put in place over the last 12 months, which are already yielding results as demonstrated in our strong first quarter performance.
- The below market rent basis of our assets as a result of long-term under investment in our portfolio of well-located and highly productive centers.
- Our ability and commitment to deploy internally generated capital into redevelopment and repositioning projects generating returns far in excess of our cost of capital.

And with that, I'll turn the call over to the operator for questions.

QUESTION AND ANSWER

Alexander Goldfarb- Sandler O'Neill

If you just step back and look at your results and performance over the past year and then you read the news headlines, there are definitely diametrically opposed events between what you guys and other retail folks are reporting versus the newspapers. In your view, do you see this as the budding storm in a year or two from now? Are we going to see a much bigger wave of retailer distress and, therefore what seems to be that the industry is handling and you guys are handling, is going to open up or from what you're seeing from the tenant discussions there is nothing in there that indicates any future rumblings of something bigger that's about to happen?

James Taylor

Remember that within our segment our core retailers are strong and they're growing sales, so as I look out at the future for Brixmor and the open air format generally, I feel pretty good. I do think that the pace of bankruptcies has picked up and as I mentioned in my remarks, I expect more to come in part because there are a number of concepts that have lost their relevance to the consumer that have been able to continue to survive based on low interest rates and capital availability. We're getting ahead of that.

And for Brixmor, we see that turnover and volatility as an opportunity to drive accelerated leasing and replacement of those tenants. And as it relates to what we're seeing behind some of those weaker concepts, we see continued innovation and growth in all those categories I mentioned -- whether it's grocery, fitness, entertainment, restaurants, value. Importantly, we offer those types of tenants a compelling format in which to do well. So we don't have a lot of full-price fashion, in fact I think full-price fashion probably represents less than 3% of our ABR.

And I think there are other retailers who struggled a bit in this environment to remain competitive by losing sight of what it is their customers really want. I'm a strong believer in the retail business generally, its ability to continue to innovate and adapt and thrive, and I feel real good about what our business plan looks like over the coming years.

Alexander Goldfarb- Sandler O'Neill

Looking at the releasing spreads that you guys have been able to maintain, what's the competitive set like from your competitive landlords? Are you seeing them become more aggressive and therefore you think that maybe these releasing spreads aren't maintainable when other landlords are trying to fill vacancy? Or in your view, are the tenants really sticking to the better centers and therefore even someone with a lower rent is not really having the impact on your ability to push rents and maintain these releasing spreads?

James Taylor

I think it's always been a competitive landscape and it gets down to the actual location in terms of who you're competing with, but when I look at our pipeline, which remains very strong and that's several quarters of transactions with a very healthy spread, and I think importantly about our basis which gives us a great competitive advantage with which to compete in our well located retail nodes. I still feel pretty good about our ability to drive that double-digit roll over growth. And again, it's asset by asset and specific, but generally we feel real good about what we have in the pipeline looking forward and again it's always been competitive. So I don't see that changing.

Ki Bin Kim- SunTrust

If I think about the Brixmor value proposition to investors, part of it was about an under-capitalized portfolio that with TLC can grind out higher leasing stats and NOI. But in today's retail environment, what are you seeing on the edges of your pipeline or how your tenant negotiations are going? Are there any hints of hesitation from tenants that even with capex that maybe going into less demographically attractive locations might be less willing today than they were maybe couple years ago? Are you seeing any hint of that?

James Taylor

I'd first say that our locations are very attractive to the retailers that we are doing business with. I mean we're doing better volumes than any of our peers and we're driving really compelling growth as we negotiate those deals with the tenants. And importantly, if you think about how our business plan has evolved, we are more aggressively capital recycling, so as we're selling out of some of these markets where we see less robust retailer demand and reinvesting in markets that we do see it, that will be a continuous thing that we're always doing and I think any disciplined steward of capital in this segment should be doing.

But what's also different about how we're approaching the business going forward and what I'm really excited about is we're not simply pursuing occupancy, but we're actually making these well located centers better. We are making them more relevant to the consumers they serve. So, if you look at what we did for example with the H-Mart, an old A&P box in Yonkers, New York, we've totally transformed that center and we're not only going to drive great returns on that specific deal, but we have great outparcels and new in line space that we can add there. Or the new urban Target that we added at Ivy Ridge outside of Philadelphia, again transforming that center and getting great incremental returns. Or the reposition of the Winn-Dixie at Miami Gardens with the Fresco y Mas. These types of value accretive transactions that we're doing, our tenants are finding pretty compelling and all you need to do really is just look at the volume and the types of tenants that we're doing deals with and you'll see that we're attracting best-in-class tenants in each of these segments. I am excited about how we're growing, and we're measuring our market share with some of these new and expanding concepts that we think are very relevant.

So I think we're well-positioned to outperform here and I would just suggest to you that our locations are proving themselves based on the leasing activities that we are generating. Don't just listen to me. Look at the arm's length transactions we are executing every quarter to refill the space that we're getting back.

Ki Bin Kim- SunTrust

You mention a couple of things on operating stats or market share or volumes that your tenants are doing. Any of those stats that you can share with us that might provide a better light?

James Taylor

In terms of the tenants that we're doing deals with, we are the largest landlord to T.J. Maxx and Kroger, but we're continuing to grow our share with those concepts. We did our first Sprouts deal this quarter. We're doing more transactions with LA Fitness, ULTA and continuing to grow our exposure with Trader Joe's. Burlington Coat is rapidly growing and anybody who is following what that company is doing is quite impressed in terms of how they really understand the merchandising end of the business and how they're drawing a more and more affluent customer into their stores. I think they're doing a phenomenal job. Specialty fitness concepts like Orange Theory, we signed a deal there. The restaurant front, Chipotle. We're going to be doing some Shake Shack deals going forward. We're getting great penetration into the quick serve concepts where we have a tremendous growth opportunity in part because we have over a couple 100 outparcel opportunities that we've not attacked within this portfolio -- to what we're doing on the entertainment side. My hats off to Brian and Mike in terms of responding to my challenge when I came here that we have to broaden our leasing coverage. Not just to cover the core tenancy that I referred to in Kroger, Publix, T.J. Maxx, Ross etc., but also some of these concepts that are growing. So as I look at our market share, which we measure, Sprouts opens up 25 locations this year- how many did we get? I see us improving measurably in each of those key categories.

Ki Bin Kim- SunTrust

That's what I was referring to more. Maybe like occupancy cost transfer for whichever tenants you're measuring or sales volumes? I was wondering more about those kind of stats, if you had any?

James Taylor

Yes. As I mentioned in my remarks, our tenants are growing sales within the portfolio and when you dive into that the occupancy cost by tenant, which I'm not going to share, we are in very healthy territory. Our average is in the mid-single digits. Importantly for our grocer

tenants, which is the one you really need to look at, our average occupancy cost is around 2%. We have great productivity out of those grocers who continue to see some good sales growth. So again, productive locations, low occupancy cost and low rent basis give us a lot of flexibility to respond and upgrade our tenancy and make our centers better.

Todd Thomas- KeyBanc

On the food and beverage side, either quick service or a full service restaurants, where is that as a category in terms of exposure of GLA or base rent? And then your comments around seeing demand there, where do you think you can take that exposure within the portfolio? And then, is it your sense that these are net new units or are they moving from other centers and consolidating to your portfolio and other well-located centers?

James Taylor

Our overall exposure to restaurants in particular and many of those categories, I would characterize as light-- mid-single digits. I think it needs to be higher. I referred to the fact that when you look at our portfolio, we do have a number of outparcel opportunities that remain to be harvested and we're aggressively getting after that. But importantly, we're also making sure that we're growing our coverage of some of the growing quick-serve concepts. I'll let Brian talk a little more about that.

Brian Finnegan

We talked about before that growing restaurants is important in our portfolio and we did 33 this quarter. We continue to see good franchise concepts entering new markets. We did our first deal with Halal Guys in Southern California, a concept out of New York. As a Philadelphia guy, you know Chickie's & Pete's, a local concept, we put them last quarter at Marlton. We are challenging the team both with local concepts and as well, as Jim mentioned, in terms of the challenge to our team corporately. We are looking at deals with Shake Shack. We are seeing deals bringing Habit from the West Coast to the East Coast. We're working with some larger concepts like Yard House. So we feel like there's a lot of room to run and as we invest more in our centers, we'll have plenty more opportunity for new and exciting restaurant concepts.

Todd Thomas

Have you seen any change in cap rates or buyer expectations around where they would be willing to transact as you bring more assets to the market? And then, just given where your cost of capital is and obviously it's been a volatile market, how does that impact your capital recycling efforts either on dispositions or for new acquisitions given where pricing is in the private market?

Mark Horgan

A couple of questions there, the first one I think was changing cap rates. We really haven't seen changing cap rates across the markets and one thing to think about when we see some of the single asset markets, we don't think we've seen cap rates change in those markets for some time. What we transacted on in the first quarter, we sold three assets as you mentioned in those 7% cap rate range in three single markets, more rural markets. And to give you a sense for demand on those assets, one asset actually preempted above the high end of our pricing expectations. And the second one actually spurred a bit of a mini bidding between local investors, which allowed us to push pricing. So I think if you look at those kind of single market assets, we're going to continue to see that kind of execution given the low equity checks, a very attractive financing environment, and frankly interest to own best-in-class assets, which we own many times in the single asset markets both from local investors and institutions. Broadly, as we've gone through these sales processes, we've seen assets continue to sell at strong pricing in a number of markets including suburban Atlanta, where we saw an asset very close to our other assets settle down in the low fives. We saw a trade in Mobile, Alabama for a power center. We've seen good trades in Southern California, Houston, Philadelphia, Chicago, the mid-Atlantic. So we've seen interesting trades in many, many areas across the country. So we think we'll take advantage of that as we bring more assets to market over time. One area we're seeing some pricing differential generally is for those larger traditional regional power centers, five to 10 years old, but generally have flat NOIs. We do see smaller bid lists for those type of assets, but that's really offset by heavy demand for grocery-anchored assets, assets that have value added opportunities or large rent to market opportunities and I think we're going to continue to see that kind of pricing bifurcation in the market today. And ultimately as we think about our capital recycling, as Jim mentioned in his remarks, it is self-funded. So we're going to be selling assets at what we think will be attractive pricing and finding good reinvestment opportunities either internally in our portfolio or for external acquisitions.

Samir Khanal- Evercore ISI

Just on your guidance, when I look at that 2 to 3% number, I'm just trying to understand how much occupancy loss beyond what we know now is baked into guidance, especially to get you to the low end of the range, the 2%. And Angela you spoke about hhgregg, Payless, Rue 21, I'm just trying to figure out what other occupancy loss could get you sort of towards the low end?

Angela Aman

I would just say that given where we are in the year, we still have maintained a 100 basis point range on same property NOI growth. When you step back and look at it, obviously we have a set of circumstances as we know them today from all the retailers I mentioned, but the range would incorporate both better outcomes in terms of later store closings or fewer store closings, as well as at the lower end, accelerated

store closings or more than is currently anticipated or additional retailer disruption. So we've been able to absorb everything that's happened in 2017 very comfortably within the range, due in part to the outperformance in Q1, but also because our range at the beginning of the year certainly contemplated that we would see an elevated level of retailer disruption. And we're comfortable that based on what we know today from the retailers we mentioned as well as potential additional distress in the market, we should be able to comfortably maintain that range for the full-year.

Katy McConnell- Citi

Can you walk us through your total exposure? The retailers that have announced bankruptcies or large closures so far in 2017, how much of that space do you know of that you expect to get back at this point?

Angela Aman

Yes. Our total exposure from the names I mentioned is about 125 basis points of ABR for the full year. Obviously, the impact to 2017 is much more muted given that most of that space won't come back to us until the late second quarter or early third quarter.

Katy McConnell- Citi

Can you talk about the difference in timing and capital required to retenant a larger Sports Authority type box versus smaller stores like Payless. And maybe you provide some color on the backfill demand you're seeing for each of those formats?

Brian Finnegan

In terms of capital, we haven't seen that measured of a pickup in terms of an anchor perspective and we're really happy with where we ended up on the Sports Authorities, really with the range of uses that we have with home, grocery and entertainment. So we really haven't seen an elevated level of capital there and particularly on the small shops there's typically less capital spent in those spaces as a percentage. And where those locations are in the center and the demand we're seeing for Payless in the 3,000 square foot range as well as for Rue 21 in 5,000 to 10,000 square feet with pet stores, with home accessories, operators like Five Below. We feel the demand is overall pretty good. And I think our team, as Jim has mentioned, has performed very, very well when we're getting spaces back. As Jim mentioned, we've already addressed roughly 80% of the bankruptcies last year. Our Sports Authority rents at close to a 70% spread. And we feel pretty good about the demand that we're seeing in hgregg so far with the categories that Jim mentioned. And also those that we're starting to really have more progress with like entertainment with our first Dave and Buster's that we did at the end of the year. We opened our first Main Event in Orlando. So we feel good about the progress we're making and we'll be back to you soon on how that ends up.

Vincent Chao- Deutsche Bank

Just wanted to go back to the acquisition side of things, you talked about the cap rates on the disposition side. The deal for the Arborland, I mean I think that was a marketed deal, but can you talk about a little bit what you see in that asset? It seems like it's pretty full from an occupancy perspective, so I'm guessing that there's a mark-to-market opportunity, but just if you could talk a little bit about the opportunity there longer term?

James Taylor

What got me excited about this asset, which by the way was one of the early assets on our targeted acquisition list, was we looked at our retail nodes at assets with which we are competing that we thought would be compelling. Arborland was on that list. So we were able to be opportunistic when it came to the market as part of actually a package of five or six centers being marketed by AmCap and their partner, the State of Utah. Ultimately we bid just on Arborland convinced that the portfolio would break up, which in fact it did. And the pricing that we got on Arborland was just under a six cap.

But what we see there is an incredibly well-located piece of real estate with the ability to get after the mark-to-market opportunities throughout the center because we do believe that the rents are well below market and improve the offering that's there for that great location on Washtenaw Avenue. So it is both about mark-to-market opportunities in terms of some of the existing boxes, as well as redevelopment opportunities, particularly if you look at the right side of the center and the left front. So more to come there. Stay tuned and I can tell you we're hard at work there. We're really excited about Mark and team being able to capture that with the focus and intention of having identified that asset as being something that was critical to our presence in Ann Arbor.

Mark Horgan

The only other comments I would add is that that the corner where it is positioned has really shown great improvement the last 10 years and so we're excited by the tenant demand we're seeing at the site today. And frankly the site today is over-parked from a zoning perspective, so we think over time we'll be able to take advantage of that as well.

Vincent Chao

And then maybe going back to the retail side and some of the disruption that we're seeing today, you talked about 125 basis points just from

known bankruptcies that would hit later in the year, but I guess as you think about the additional potential bankruptcies it sounds like you are anticipating some more. Is that also a mixture of bankruptcies and closures? I know you don't give termination guidance or you don't provide that in your guidance, but is it reasonable to think that terminations will be up if stores are closing as opposed to going bankrupt?

James Taylor

As Angela mentioned, that 125 basis points, that's our total exposure to the announced bankruptcies. I wish we could get all that space back, the likelihood is we won't. Some of that will be assumed and some of them will remain open through the 11 reorganization plan, as many of these locations are profitable and they have low occupancy costs. And as we look beyond that, you know I don't want to comment on specific retailers of course, but what we're doing aggressively is when we have a chance to get control of the box for a category or a concept that we don't think is vibrant or compelling to that particular center, we're aggressively retenanting that. If you look at our track record, as I mentioned in our in our prepared remarks, at replacing a lot of the big boxes I would stack it up against anyone.

And as we think about 2017 and 2018 and beyond, we feel very good about the position that we are in to capitalize on this turmoil. So it may cause near-term volatility because it's impossible to predict accurately what will happen through a reorg and how many of the stores will be assumed or not, but we're marketing all that space as if we have full control of it so that when it happens we're in a position to respond quickly. Just look again at what the team did with those 2016 bankruptcies, most of which were controlled in the latter half of 2016. We were able to proactively get after it and retenant more than the rent that was there, 80% of the GLA and bring in much more relevant concepts across a variety of uses. So I fully expect the market going forward to be a bit bumpier in terms of retailers finally giving it up, but again the core of our tenancy remains incredibly strong and we see far more new concepts and many more segments being interested in moving into the open air format. So we like how we're positioned.

Vincent Chao- Deutsche Bank

We all talk about the macro picture in terms of retailers and all these pressures facing them and acceleration of closings. But as you look at the bottom of your portfolio and you look at your watch list today and maybe incorporate some of the debt maturities that they may have coming due, it seems like as we look at Moody's data that that could be on the rise in the next couple years. As you think about that exposure, does 2018 feel like it's going to be better than 2017 or could it be worse?

James Taylor

I expect it's going to be about where we are right now. I mean more elevated than what you saw over the last couple of years, but I think certain concepts are going to adapt and thrive and others aren't. I don't see it materially accelerating into 2018. I think though it's going to be higher than it was really for the five to six years coming out of the recession as you had a number of these concepts just fail to stay relevant to the consumer. What I'm actually excited about then is the innovation that's occurring and the growing demand for a broader array of uses for well-located community and neighborhood centers that are near where the customers live and the relevance of those uses to customers that continue to drive traffic and sales. So we are looking out well beyond this year. We're looking at 2018 and 2019 and making sure that as we run this business as stewards for your capital that we're thinking about it. But I don't see a market uptick in activity, but I don't think we're going to be as quiet as we were for example in 2014 or 2015.

Justin Devery- Bank of America

As you add new anchors to your centers that are hopefully a more compelling draw for the consumer than what was previously there, have you seen a shift to the type of demand from the small shops to more of a quality type retailer than other centers?

James Taylor

It's a great question and thank you. The short answer is yes and you're seeing the improvement already in our small shop tenancy based on the health of those tenants, our collections, the dropping number of past due accounts and importantly when we do put in a new anchor, we see an uptick in occupancy in those centers of 600 to 800 basis points in the small shops. In fact the average occupancy for the centers that we have in our redevelopment pipeline, both active and in shadow, is several hundred basis points below our portfolio average. So we're looking forward to capturing that kind of follow-through benefit that frankly is not factored into our initial returns on the space that we're touching. So I really appreciate the question, because I think it's part of what sets this up for a great long-term growth.

Justin Devery- Bank of America

You mentioned a pickup in dispositions in the coming quarters. I'm just curious, as you look at these centers you're targeting for dispositions, are there any common traits that you see across the centers, whether it be regionally or demographically or the types of tenant mix you have?

James Taylor

Let me start that and I may actually hand it over to Mark. We are focused on making sure that over time we continue to cluster our investments in retail nodes that we think have good overall supply and demand characteristics, as we did in Ann Arbor and as we did in Escondido, California.

And as we look at our assets that we have in single asset markets that represents kind of a hanging decision, right? Either we're going to grow in that market or we should exit because I don't think just having one asset in the market is a good long-term strategy. I'm going to let Mark talk a little bit more about the nature of those assets.

Mark Horgan

Yes, I think what's important to say when you look at some of those single market assets, the number one thing we try to do as is maximize the value. We're not just looking to sell them just to sell them. For example at Perry Marketplace, we have an anchor box where we doubled the rent upon a rollover. We got the grocer to renew and then we thought that was max value, so we sold that and we found a great interest. We also look at future NOI growth. So when we have flat NOIs, we will certainly try to sell flat NOIs when we have the chance. And we also look at assets where we think over time we may not see growth and we will target those for dispositions, but it's not just selling a single market asset because it's a single market asset. It's when we can maximize value for those assets.

Justin Devery- Bank of America

One last follow-up to that. If you have a retailer watch list for future bankruptcies or store closures, does that bump up a center if they have that particular retailer for disposition?

Mark Horgan

It certainly could, but it really depends on where we see the rent mark-to-market on those opportunities. And when we see large rent mark-to-market opportunities, we would rather hold that and generate that rent mark-to-market opportunity than just sell it. If we see a center that has weak demand and we're worried about it then it will certainly come up closer to the top of the disposition list.

Karin Ford- MUFG

Some of your peers have discussed a more radical approach to redevelopment for excess land and infill locations, things like densification, multifamily, can you just give us your thoughts on that?

James Taylor

I think we have a number of locations that may ultimately and profitably support that type of use whether it's the mall in UC Davis, at 163rd in Miami, Mira Mesa in San Diego. In fact, one of the things that excited me most when I came into the Company was I saw a number of assets that might longer term support additional densification and other types of uses. But I think that in the near-term, we have a lot of much lower hanging fruit to capitalize upon. And I want to make sure that we've got a lot of that good investment activity under our belt before we attempt to transfer more of that upside from the assets and locations that we own, but just because you don't hear us talking a lot about it right now, I don't want anybody to conclude that these locations such as Roosevelt in Philadelphia wouldn't support much higher density. I just think we have the time to be patient and we also have a lot in our pipeline that we can execute upon now that is much simpler, shorter duration, higher return and I think much more attractive from an overall risk-adjusted return perspective.

Karin Ford- MUFG

And my last question is on the last quarter's call you said you're very focused on Sears and Kmart boxes that might be for sale, can you just give us an update on your discussion with Sears?

James Taylor

Yes. Thank you for that question as well. Our discussions with Sears continue. They are a great partner. We have nothing concrete to report on this call, but we are very focused on identifying those locations that we might be able to recapture early. I'm real pleased with what we did this quarter. In fact, if you look at the transaction Elizabethtown, Kentucky, the relet of that store to an At Home, which by the way looks phenomenal and it's drawing big crowds, to the sale of Macon, Georgia, where we had another Kmart. So we're steadily working on proactively reducing our exposure and stay tuned on the Kmart discussions. Can't report anything right now, but we're very focused on being able to tap into those under rent boxes.

Linda Tsai- Barclays

Taking a step back given oversupply in the apparel and other commodity products like electronics and office supply, the industry is seeing the closures play out now, but it also seems like Amazon Fresh is getting more aggressive. There's the possibility that grocery chains who aren't adequately investing in their distribution systems could also be vulnerable. Are you seeing anything here in the market that would suggest over time you might dedicate less square footage to grocery stores?

James Taylor

I'm not seeing anything globally like that. I'm seeing many of our stronger grocers respond very well in a low margin environment in a very competitive environment to the competition they face, and in the process they're in fact grabbing market share from some specialty grocers. I think Kroger's Click List initiative, which we're very active in implementing in our portfolio, is a great way that they're valuing the time of

their customer and responding to online competition. In doing it, they're greatly improving the productivity in their stores so we're supportive and are actively partnering with Kroger in that regard. But look, I think it's an industry that has been competitive and always will be competitive. Recall 10, 15 years ago as Supercenters were threatening traditional grocers' space, it eliminated a lot of weaker performing grocers. So as we think about our grocer box inventory and the potential for future grocers, we're always focused on making sure that those grocers are productive, that they're generating sales and importantly that we have reasonable occupancy costs. That really is what goes into our mix rather than a sort of industry call about the state and health of grocers generally, as I think there are great platforms that are going to continue to evolve to meet the needs of their customers and I'm also very excited to see them implementing some of the technological initiatives that make the overall in-store experience a lot more customer friendly. And as I see Amazon investing in some of these concepts, don't forget that great merchants like Kroger and Publix and others are going to be taking notes and figuring out what are the better technologies to implement in their stores to continue to attract and grow market share.

Haendel St. Juste- Mizhup

Looking at page 28 of your Supplemental and comparing new lease net effective rent, clearly there is a slowing trend the last couple of years. I understand that some of that is a function of late cycle, slowing growth. But I'm wondering how much of that might be mix or perhaps in response to increased tenant leverage today, maybe a higher capex or TI packages involved? And then what does this suggest for prospective redev returns or perhaps the targeted returns you seek in your underwriting?

James Taylor

I'm going to let Angela to take that, but there is a bit of noise in this quarter.

Angela Aman

Yes. As you look at the last couple of quarters, I would note that one, the mix between anchor and small shop has definitely changed that number. So last two quarters have been about 50% anchor as opposed to the two quarters before that which were more 30 to 40% percent anchor, and so that's definitely skewed the number down a little bit. I'd also note that the transaction that Jim mentioned a couple of times, the replacement of Kmart with At Home, was at a very significant rent spread of 30 to 40%. That also skewed the number down. So the \$12.07 you see on the net effective rent page would have been over \$12.80 excluding that one transaction.

James Taylor

We did have a fitness deal this quarter, from a capital perspective, that skewed that number up and certainly as you think about fitness uses, they traditionally will require more capital per foot, particularly LA Fitness and getting to their prototype. So we're not seeing a trend in terms of the numbers that we're reporting, but as you can imagine, it's always been competitive. The good news is we are going into some of these discussions with great locations and a rent basis that even if we have to get incremental capital to win a particular deal, we can do it profitably, but we're not seeing material change as Brian alluded to in his comments. The capex per foot numbers are holding pretty steady. And I would say that our net effective rents, which many of our peers don't disclose but what we do, are very compelling on a relative basis.

Haendel St. Juste- Mizuho

Okay. I got a lot out of that, but just to understand clearly, so we should expect that number to continue to moderate perhaps slowly over the next couple quarters, but it's not necessarily indicative of anything too particular in your portfolio and it's not impacting your redev returns and so it's somewhat of mix at this point?

James Taylor

No again, I don't think we expect it to moderate. I think it will change as the mix of tenancy changes as Angela alluded to. So if we're doing more or less anchor spaces that will drive the number up and down. But in terms of what we're teeing up for redevelopment, and you can see we added a bunch of additional projects this quarter, importantly, we're getting the opportunities leased and we're getting them done at great incremental returns. So I'm actually pretty excited about the shadow pipeline and the activity that you're going to hear from us on future calls. So again it's something that I've been saying a lot. Just watch what we're delivering, watch what's moving through our pipeline and watch what we're adding to our shadow pipeline and you can see that that is not moderating. The pace and the attractiveness of those returns is increasing and I think quite compelling.

Haendel St. Juste- Mizuho

You talked about the potential pick up of accelerated dispositions, just curious beyond the desire to acquire and capital to fund redev- how are you thinking about stock buybacks these days now that Blackstone is out of the stock, your stock is well more valued today and your balance sheet metrics are materially improved versus a couple quarters back?

James Taylor

Well, I think you hit on in your last point our first consideration is balance sheet. We want to make sure that anything we're doing is responsible from a capital flexibility standpoint and would be leverage neutral, but yes we have and will continue to consider as an

incremental capital allocation tool, share repurchases, in addition of the capital recycling we've talked about. A lot of that's going to be driven by our continued success at asset sales, as we've alluded to, we expect the ramp in the coming quarters.

Ki Bin Kim- SunTrust

Your straight line rents increased a little bit this quarter. Is there any reason for that and is that the newer run rate going forward?

Angela Aman

This quarter has a lot to do, that number can be a little volatile, with the pool of leases that are starting, commencing straight line versus the pool of leases that are rolling off. I think you should expect to see that number trend back to where it has been over the last three or four quarters, starting next quarter. We did increase full-year expectation for all non-cash rental income by about the amount of the straight line outperformance this quarter.

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