BRIXMOR®

450 Lexington Avenue ¦ New York, NY 10017 ¦ 800.468.7526

1Q 2018 EARNINGS CALL - FINAL TRANSCRIPT **MAY 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 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

Thanks Stacy, and good morning everyone. I'd like to begin my comments by expressing my deep gratitude to the entire Brixmor team for delivering yet another outstanding quarter in the execution of our balanced, self-funded business plan. Our team's performance demonstrates how we are capitalizing on this environment to drive sustainable growth in cash flow and unlock the value embedded in what we own and control.

Let's look at the facts. We once again delivered a sector-leading volume of 2 million square feet of new and renewal leases at cash spreads of 16.7%, which included over 1 million square feet of new leases at average cash spreads of 36.7%! Importantly, that cash growth was not purchased with capex, as both TIs and average term held steady. We also set new records in terms of small shop with rents of $23.56 and in anchor square footage with 715,000 square feet of anchor leases executed in the quarter. A few of you also noticed that we grew our average in-place rent to $13.61, also a record for the Company.

Importantly, we are setting up our future growth. Over the trailing 12 months, we've generated over $43 million of new ABR, or 4.6% of total ABR, of which $37 million is signed but not yet commenced. These signed leases drive our confidence in our forward growth outlook. In fact, 35% of those rents don't commence until 2019, and they further demonstrate our strong execution on space recaptured for redevelopment or from tenant bankruptcies. On both fronts, we are not only unlocking significant value, we are setting up our centers for longer-term growth. In fact, we continue to realize significant gains in small shop occupancy for centers where a redevelopment or an anchor repositioning has been completed. Looking forward, we expect to regain control of the 11 Toys"R"Us boxes this quarter and have been actively generating leases and LOIs so that we can outperform the backfill of these spaces as we did with Sports Authority last year. As I have mentioned many times before, we believe that you measure the quality of a real estate investment based on your ability to drive growth, without having to rely on ABR inflation or cap rate compression. In that regard, we stand apart.

We also continue to bring great new uses to the portfolio such as Hopdoddy's Burger Bar, CoreLife, Maya Cinemas and Prince Valley Market, among many others, while we continue to drive better intrinsic lease terms and capture market leading share with the strongest retailers in the industry today. Additionally, our forward leasing pipeline remains very robust, with over 480 leases comprising 2.7 million square feet and over $46 million of ABR. As we look out over the next four years with 4.7 million square feet of anchor leases expiring without options at average rents of $8.51, which compares to the average achieved rents over the last 12 months of ~$12.00 a foot, we get even more excited about our long-term plan to drive sustainable growth.

Our strong leasing continued to drive accretive redevelopment and reinvestment as we added nine new projects, bringing our active pipeline to $288 million at a 9% incremental return. We also delivered eight projects with a total investment of $32 million at a 10% return. For the quarter, book another $19 million of value creation as we continue to accelerate the pace of reinvestment and closed in on our annual spend and deliver goal of $200 million.

We also continued to demonstrate attractive pricing and liquidity for assets not core to our long-term strategy, closing on $138 million of dispositions year-to-date at an average cap rate of 7.7% in markets such as Dubuque, Iowa; Fairview Heights, Illinois and Hermitage, Tennessee. We have another $240 million under contract as of this call at even more attractive cap rates, putting us on pace to greatly exceed last year's volume in a market where we continue to see private capital being raised to acquire assets such as ours. We feel very good about our ability to hit our recycling goals this year.

We recycled those sale proceeds into reducing leverage and share repurchases. At quarter-end, we have only $135 million of maturities remaining this year and nothing drawn on our $1.3 billion credit facility. We also repurchased 1.9 million shares of common stock during the quarter at a price of $15.47, which was below the VWAP for the open trading window. In so doing, we recaptured nearly $20 million of NAV discount, while also reducing leverage. Expect us to continue to capitalize on current low share prices as we recycle capital.

As Angela will address in more detail, we also reaffirmed our current year FFO and same store guidance. Our current quarter results track with our plan that we detailed at our Investor Day in December and we remain confident in achieving our 2019 outlook, which underscores the ongoing execution of our plan. I'm extraordinarily proud of the results that this team continues to deliver as we capitalize on the opportunities embedded in what we own and control, and we remain very disciplined with the capital that we've been entrusted with. In short, we are delivering value now across all facets of our plan.

Angela Aman

Thanks Jim, and good morning. FFO was $0.51 per share in the first quarter based on same property NOI growth of 70 basis points. Base rent growth contributed 130 basis points to same property NOI growth during the quarter and was negatively impacted by approximately 100 basis points of drag associated with 2017 bankruptcy activity and recent proactive terminations. The strong base rent growth in the first quarter, despite the outsized impact of bankruptcy and proactive termination activity, highlights the realization of the sector-leading leasing productivity accomplished over the last 12 months. Base rent growth was further offset by a fully anticipated 60 basis point detraction from provision for doubtful accounts, which we discussed with you last quarter, primarily driven by a difficult year-over-year comparison due to successful recoveries of previously reserved or written-off amounts in the prior period. The provision recognized in the current quarter was approximately 75 basis points of total revenues, which was in line with both our expectations and longer-term historical levels.

We have affirmed our 2018 FFO and same property NOI growth guidance. As previously communicated, this guidance assumes an acceleration in same property NOI growth in the second half of the year. On last quarter's earnings call, I highlighted for you $10 million of expected anchor rent commencements during 2018 weighted to the second half of the year. These anchor openings are not only indicative of our progress over the last year in addressing bankruptcy impacted space, but also the continued progress we are making on our value enhancing reinvestment pipeline.

Specifically as it relates to our in process redevelopment pipeline, we expect growth to meaningfully accelerate within this pool of assets as we progress through the year, driven by both the completion and stabilization of projects such as Sagamore Park Center, Ventura Downs, Gateway Plaza and the first phase of Maple Village, but also by significant anchor rent commencements at projects not fully stabilizing until 2019, including The Village at Mira Mesa, where we'll be opening Sprouts in just a few weeks and BevMo! later this summer. In addition, the year-over-year drag associated with assets that are currently being prepared for future redevelopment will peak in the second quarter before moderating in the second half of the year. While this is an important consideration as it relates to the trajectory of growth in 2018, it is important to not lose sight of the fact that we will continue to carry excess vacancy at these centers throughout the year as we finalize our plans and begin to execute on the next wave of redevelopment activity, setting the stage for growth in 2019 and beyond.

I would also note that the drag associated with the majority of the 2017 bankruptcies in our portfolio, including hhGregg, Gordmans and Ultra Foods, will also moderate in the second half of the year. As a result, even though the impact from Toys"R"Us is not expected to be fully realized until the third quarter, we do expect an overall moderation in the drag associated with bankruptcy activity in the second half of 2018. At the end of the fourth quarter, we had 12 Toys"R"Us leases in the portfolio. Since then, Galleria Commons was sold in January and the lease at Arborland Center was acquired by Brixmor in April. As a result, today we have 10 remaining leases that are still working their way through the bankruptcy process, but we do not have perfect clarity on the eventual outcome or timing for these locations. We have assumed in our guidance that rent ceases at all remaining location towards the end of the second quarter.

As we execute on all facets of our business plan, strengthening overall flexibility of our balance sheet remains a key priority. We sit today with significant liquidity, including our undrawn $1.25 billion revolving credit facility, and we are generating approximately $100 million of cash flow after dividends, which we are accretively deploying into redevelopment. As a result, only a small amount of proceeds from dispositions will be required to sustain the value enhancing pipeline even at our run rate level of $200 million of annual spend. Accordingly, the majority of disposition proceeds will be used to reduce leverage and repurchase stock. With only $135 million of remaining maturities in 2018, it's worth noting that our 2019 maturities are comprised of term loan debt, which can be repaid at any time without penalty, allowing us significant flexibility to continue to deleverage as we execute on asset sales.

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

QUESTION AND ANSWER

Samir Khanal – Evercore ISI

We've seen a fair amount of closures over the last few months. You've got Toys"R"Us, and there are more categories that the folks are increasingly becoming more concerned about. How does that factor in into your view of growth picking up in 2019, as you laid out at Investor Day, of getting back to that 3% to 4% growth same-store NOI?

James Taylor

We remain very confident in it. You have to look at the composition of our tenancy and the types of categories that are generally at risk right now, which we've been actively managing over the last couple of years to reduce our exposure to. Without naming specific tenants, if you just look at our top 20 tenants, you can see some movement in there that reflects a real focus on managing that risk, so as we look out over the coming year, and also factor in the tremendous amount of leasing that we're doing so that when we do get that space back, we are able to get it at a better rent from the new tenant, we are unlocking value. As I mentioned in my remarks, when you look at what that gap is between billed and leased today, at its widest of about 230 basis points, that represents about $37 million of signed rent that's not yet commenced, about 35% of which isn't commencing until 2019.

So I'm really proud of how the team has been proactively managing our at-risk tenancy, which I think is very moderate relative to others in the industry, and being proactive about re-leasing that space and re-leasing it to better tenants, which gives us the benefit of that follow-on small shop leasing. When you replace a less relevant concept with a more relevant line as we're doing, you really increase momentum in that small shop side as well.

Samir Khanal – Evercore ISI

My second question is on the $240 million that's sort of in the pipeline that's under contract. How does pricing compare to that versus what you sold in the first quarter in light of where interest rates have gone?

James Taylor

It's actually better in terms of cap rates. It's driven by the mix of what is in the pipeline. We feel very good about the visibility that we're getting on liquidity, particularly for the assets that aren't core to our strategy. Consider some of the markets that we're exiting as I highlighted in my remarks. We're pleased that we're finding good liquidity for those assets, and right now we're recycling that back into reducing leverage and buying shares. At some point in the future, you might see us recycling into acquisitions, but right now the value in our shares is just too compelling.

Craig Schmidt – BAML

I wanted to focus on Southeastern Grocers. I'm showing 14 leases in your top tenant report, and I'm obviously not worried so much about the ABR there as I am that they may be anchoring the centers. What is your backup plan for Southeastern Grocers, and can you replace these tenants with anybody other than another grocer?

Brian Finnegan

As you mentioned, in terms of Southeastern, it is a pre-packaged bankruptcy that we expect to be approved here in May, so limited exposure to us this year. We had two locations that are within the guidance range that we're expecting to get back, and from a credit perspective, as we mentioned on the last call, we have guarantees, and so we feel pretty comfortable about that.

In terms of the backfill opportunities, these are some great locations that other traditional grocers and other uses have been trying to look at for some time, and there is upside in the rents. They are established infill locations, so we feel pretty good about the marketability of those if we were to get them back. There are grocer opportunities, there are home opportunities, opportunities from value, basically the categories that we've been seeing expanding and thriving in the space. So overall we feel pretty good about the opportunity there.

Craig Schmidt – BAML

Would the expansion be like a Sprouts or do you mean like a Publix or somebody?

Brian Finnegan

Both, I would say. We have seen both specialty operators, and it's an interesting point on Publix. It's one of the things that we've been pleased with. Some traditional grocers that have used the disruption in this environment to gain additional share in markets, operators like Giant and Publix, who are finding infill locations and we're in discussions with. It's one of the things that we've been pleasantly pleased with here to start the year.

Christy McElroy – Citi

Your shop occupancy rate is down about 40 basis points year-over-year. Can you remind us the main drivers for that? Many of your peers have continued to grow shop occupancy despite the tougher environment. Around that 84% level, do you still perceive sort of that lease-up of shop space as a runway for growth going forward?

James Taylor

Let me answer the first part of that. We do see it as a significant growth opportunity, and when you look at what we've moved into redevelopment and repositioning, the small shop occupancy for that pool is about 400 to 500 basis points lower than overall, so just what we have in the pool is dragging us meaningfully on the overall average.

Brian Finnegan

We also had a 40 basis point drag from Payless and Rue, but I think the main point that Jim is making is what we look at as a tremendous growth opportunity here, to that 500 basis points below the rest of portfolio average and 90 basis point drag, and as we bring more of these projects online, we expect to see similar growth as we have been. In the last 36 months, we've driven small shop occupancy by close to 600 basis points in the centers that we redevelop, so we do still see that as tremendous growth potential for us.

Christy McElroy – Citi

Following up on that redevelopment theme, Angela, you made some comments in your remarks about redevelopment impact as you head into the second half. It sounded like you'll have deliveries, but those will still be offset by taking some space offline, so it sounded like we shouldn't see much of a difference in same store NOI growth with and without redevelopment as we move into the second half. It also sounds like you're reaffirming the 3% to 4% range in 2019. How much should we expect redevelopment to impact that number?

Angela Aman

In terms of the expectations as we move through the year, the piece I did call out was that drag from future redevelopment, which is going to be at its widest point in the second quarter of this year before moderating in the second half of the year. You will start seeing those deliveries of stabilizations and completions I mentioned in my prepared remarks over the course of 2018, but most significantly in the second half of the year, both from projects that you can see on that page in the Supplemental that are actually completing and stabilizing this year, but also from anchor rent commencements at some of those projects that aren't stabilized until 2019 where you'll see significant growth from those assets as well. In terms of redevelopment on 2019, we had quantified at Investor Day that we thought the impact would be 50 to 100 basis points of ABR growth in 2019. I think we're still very comfortable with that level.

Alexander Goldfarb – Sandler O'Neill

Two questions. First, Angela, can you comment on the stock buyback activity? It sounds like, from Jim's comments on mix, the cap rates are going to ebb and flow a little bit, but let's just call it the 7.5% that you're selling at. It's a lot of income to give up. You guys have debt of $135 million that you want to pay down, and you've got redevelopments that you need to fund. Can you talk a little bit more about your thoughts on stock buyback and whether the $30 million or so that you did in this quarter is really the limit that you guys can do based on debt repayment, leverage and redevelopment funding?

Angela Aman

Like we talked about at Investor Day, I think it's a great question. We tried to emphasize, both at Investor Day and in my remarks today, that there is really a very small amount of redevelopment that needs to be funded outside of free cash flow, so while a portion of disposition proceeds will go to the redevelopment pipeline, it's really pretty small. That means that for most of the proceeds from dispositions this point going forward will be split between deleveraging and stock buyback. I think the execution both in the fourth quarter as well as the first quarter of this year demonstrates our commitment to executing on the buyback in a methodical and programmatic way based on the level of disposition proceeds at any given point in time.

Alexander Goldfarb – Sandler O'Neill

There's a lot of pressure in the market and a lot of hopes that you guys really follow through on a back half acceleration into 2019. A lot of companies talk about back half recovery. That's been a staple of REIT land for a long time. As you guys went through the budgeting, were there any elements, from when you did your Investor Day through now, where there were parts that maybe fell out of bit, but were replaced by other things that allow you to be confident in maintaining this accelerating outlook? Or has everything pretty much stayed true in your underwriting and in your planning of the portfolio that really there has been no deviation?

James Taylor

It's been remarkably consistent. I'd say things have always moved budget-to-budget and forecast-to-forecast, so timing of some of the bankruptcy moves a little bit. On the other side of that, we've been more productive from a leasing perspective and more successful in compressing the time between signing of lease and rent commencement, so on balance, particularly given the visibility that I mentioned on the leasing and the rents that are yet to commence, we're feeling even more confident in that ramp.

Todd Thomas – KeyBanc

Regarding some of the new leasing activity and the backfills that you're pursuing, just wondering if you could talk a little bit about the competitive landscape for the space and maybe provide some color around the competition; whether it's multiple options that you're looking at for these spaces, or would you say that it's a little bit more surgical in nature as you approach these backfills and anchor repositionings?

James Taylor

We're very intentional as it relates to the types of uses that we're putting in our centers, for the last part of the question. We really do ask ourselves what's needed in that particular submarket, and we're using data to a level that we've never done before to look at sales that are leaving that particular trade area to look at, in more precise terms, how the centers are actually trading, not simply using rings. We're looking at cell phone data on and off the properties to properly draw where that asset trades, and then as we think about uses, we're being much more intentional about marketing to the use that we think is going to be most relevant and going to drive the highest sales.

Remember, from a competitive standpoint, that for all of us on the public side our competition is not each other, but rather a lot of private owners. I think probably 12% to 15% of the open air centers that are of institutional quality are owned by the REITs, so it's still a pretty disaggregated universe, and in this environment, the scale and the trust and relationships that we've built with these leading, thriving retailers is incredibly important. It's something that we're also measuring. I alluded to it in my remarks that we are building market share. I think we have leading market share with a lot of the tenants who are thriving today, and we have the trust with them that we will execute. As many of these tenants are looking at going into different types of formats, downsizing and looking increasingly at relocating, we are a net beneficiary of that, so we're being much more intentional about the uses, much more targeted in terms of how we're marketing the space that we have vacant. Plus, as I alluded to earlier, those uses that we are less confident in going forward with, we are reducing our exposure to them and then leveraging that local market knowledge that we have with the great National Accounts coverage that we have to make sure that we're outperforming as we compete in each of these local markets.

Todd Thomas – KeyBanc

Two quick questions for Angela. The 60 basis point detraction from same store NOI in the quarter, the provision for doubtful accounts was in line with expectations. How does that drag compare to the full year guidance, and how should we think about that trending throughout the balance of the year? And then also just wondering if you could comment on the impairment that was taken in the quarter? What that was for and do you expect to recognize additional impairments in the quarters ahead?

Angela Aman

In terms of the 60 basis points from bad debt, if you remember at Investor Day, when we quantified the components of our same property NOI growth guidance, we did expect a 50 basis point drag for the full year. I would note that the first quarter comparison from Q1 2017 was probably the most difficult across the whole year, so I think it's right in line with the guidance we had given back in December. In terms of the impairment, we did recognize $15.9 million of impairment during the quarter. We also recognized $11.5 million of book gains. The impairments were for the most part based on transactions that were completed during this quarter or transactions we expect to complete over the next quarter or two.

Jeremy Metz – BMO

I just wanted to go back to Toys"R"Us here. You talked about the uncertainty here in terms of the timing of the process, but also that you've now assumed all rent ceases in 3Q18. This was above your initial expectations when you laid out your same store guidance at the start of the year, which at that time assumes you get one back and lower rents on another six? I'm wondering if you'll be removing any of these stores from same store as you kick off larger repositionings, or should we be thinking about the low end of the same-store NOI range, or is it really just as better than expected lease commencements relative to your initial expectations that's leaving you confident in the range today?

Angela Aman

I would say you're right on Toys"R"Us, last quarter we did communicate that we expected one rejection and then rent relief at six other locations. We did expect that rent release and that rejection to happen much earlier in the year towards the beginning of the first quarter. Obviously now you know we are anticipating in guidance that we will get all locations back, but that's not going to happen until much later in the year, so the net impact on 2018 was actually pretty similar relative to our original expectations.

Jeremy Metz – BMO

So none of these will be removed for a larger repositioning?

Angela Aman

On that point, the only thing I would say is remember that our full same property NOI guidance includes all redevelopment, so nothing comes out of the pool or impacts the guidance we give since that is given on an including redevelopment basis.

James Taylor

So the drag would be in there.

Jeremy Metz – BMO

Sticking with some of the leasing commentary, Brian, I'm wondering if you can give us some color on your conversations with the pet supply stores. It feels like there is mounting pressure there, particularly on the brick and mortar stores, so just wondering if they're coming to you looking for any rent relief or trying to get out of any leases early, or any color you can provide us would be great?

Brian Finnegan

Our major pet store operators continue to be good partners, PetSmart and Petco. We haven't had those type of discussions. I would say overall we haven't done a tremendous amount of new pet leases. We've done more of the smaller operators throughout the portfolio, so from an expansion standpoint, we haven't seen a tremendous amount of new activity in our portfolio from them.

Greg McGinniss – UBS

Another question regarding the Toys"R"Us leases. What do you see as the potential economic benefit from re-leasing those boxes? I know traditionally they'd pay pretty low rent. Do you envision they mostly need to be cut up, or is there still demand from the box guys in the market?

Brian Finnegan

We're looking at it a number of different ways. In terms of the upside, we feel pretty good about the fact we've got rents at $9.50 a foot, and as we're looking at the upside in the LOIs and leases that we're negotiating so far, we're expecting that to be in the 20% to 30% range as we're looking at it. Those rents will be higher if we cut those boxes up. The categories that we're looking at to backfill those spaces are a broad mix. We've got traditional fitness operators like 24 Hour and LA Fitness. We've got smaller operators like ULTA and Total Wine, who we've really been increasing our share with across the board and home, and then in addition to that, the value operators that continue to expand, so we feel pretty good about the demand and the activity that we've had on the boxes so far.

Greg McGinniss – UBS

Then shifting to dispositions, how's the plan to exit or densify in single asset markets progressing? Does this plan remain the focus for current asset dispositions or does asset type, such as lower power center exposure, matter more right now?

James Taylor

It's really a focus on markets and hold IRRs. Every capital allocation decision that we make is viewed through the lens of if it will help us grow or not, and then, as it relates to market strategy, if that is a long term hold market for us. In particular, if you look at the dispositions that we've been completing, we've been very methodically getting out of these single asset markets, and I'm very pleased with the progress that we made this past quarter getting out of several more, and that we found liquidity in those markets. On the other side of your question, at least right now, while it's a long-term priority for us to reinvest in markets that we'd like to cluster and densify in, our stock is too much of a compelling value to justify acquisitions, so expect this to be much more disciplined in terms of the other side of our capital recycling as we focus on our redevelopment, reducing leverage and opportunistically buying back our stock every quarter.

Ki Bin Kim – SunTrust

Going back to the pet questions, if I look at the ABR per square foot, it's certainly higher than the Toys"R"Us spaces at $15 to $16 a square foot. I'm sure you've already done some contingency planning. How does the backlog of demand for those types of spaces look like today, and would you be able to kind of hold rent flat overall?

Brian Finnegan

To the earlier question, there has not been a comment to us about rent relief or anything along those lines. I would say that the demand for that 22,000 to 25,000 square foot box remains very high, and in the locations where we're getting those spaces back across the board, we're finding good demand from retailers that have large openings planned and are thriving in this environment. So, as we look out, we're in constant conversations with all of our national tenants in terms of what our exposure looks like on those stores. So we feel pretty good about where we sit with them today.

Ki Bin Kim – SunTrust

This is just a broader question, and I know it's probably hard to get this data, but do you have a sense of how well your retailers are doing in your centers across the portfolio in terms of sales volume and operating margins over time?

James Taylor

Actually, we are very focused on it, and we talk a lot about the grocer segment where we have much broader reporting, and our grocers' sales performance remains very good, and importantly, remains very good relative to chain average. We also hold our National Accounts team responsible for tracking sales productivity of those tenants who are not required to report under leases, so those represent estimates which we back-check every time there is an event on the lease that allows us to determine where those sales are. There as well we're seeing good performance generally across the board and really very reasonable occupancy costs. Where we have those situations in the portfolio with higher than what we believe to be healthy occupancy costs, that's what prioritizes our re-leasing decisions and marketing decisions going forward, so we're really looking out not just at the next 12 months, 24 months, we're looking 36 months out and beyond to make sure that we're staying ahead of it and also capitalizing in an environment where we're finding that the retailers are planning further and further out. I've said this on prior calls but you'll note that retailers are planning store openings today for 2020 and even in 2021, so by being proactive about tracking our best estimate of the occupancy costs and getting ahead of that, we can capitalize on it.

I would tell you that across the board, and some of you've done some research on it, look at our tenancy. They're doing pretty well. They're generally showing good same store sales growth and the locations in our portfolio are healthy and doing well, and obviously we're in constant communication with these tenants to determine where we have any locations at risk, and we're doing everything we can to get ahead of it. So, net-net, we're in this interesting environment where we're seeing great net demand for our space, yet I think there is a backdrop of fear and concern about what the next shoe to drop is going to be. Quarter-after-quarter, we keep demonstrating it and we're demonstrating it in our pipeline, and we're going to continue to demonstrate that we're able to take this environment of disruption, given the low rent basis in our assets, and actually make money and put in uses that are better than what preceded them. It's an interesting time, because I think, at least within this Company and platform, there's a lot of excitement about how we're creating and unlocking value that actually capitalizes on some of this disruption that's occurring.

Vin Chao – Deutsche Bank

A quick question on the private market side. It seems that a number of your peers have indicated that conditions have improved a little bit, liquidity has improved a little bit as is new capital formation. Just curious if that's consistent with what you're seeing in the private markets? And then in terms of the disposition plans, trying to get down to 400 assets over time, that's about 80 away from where you are today. I know you don't give guidance on that particular number, but do you think looking at 30 a year is a reasonable way to think about that plan?

James Taylor

It's not unreasonable. I think we're going to take advantage of the open market windows of liquidity, and you know, as we talked about it at Investor Day, asset sales are always going to be a part of our continuing plan because you know the decision to hold an asset is an investment decision, and we really do focus very much on that hold IRR. As we alluded to at the Investor Day, we do expect to be larger on the disposition front this year than we do on an ongoing basis to capitalize on the liquidity that we see there. Mark, I'll let you talk a little bit about the private market.

Mark Horgan

I would concur that we continue to see capital formation for open-air retail centers, and I think it's really driven by a lot of the commentary Brian is giving you from the tenancy base. A lot of the private equity types see what Brian is talking about, demand for space, demand for opening at our centers, and when you combine that with a wide open financing environment, they're coming into the space and putting capital to work today.

Vin Chao – Deutsche Bank

You're pretty clear that dispositions will largely be used to fund either deleveraging efforts or share repurchases, and the commentary has been very positive on the demand side. I think some of the concern out there is that there's still an elevated level of store closures in the market overall, and we're sitting here in one of the longest recoveries in history, and so there is concern that the next recession is not too far away. As you think about a dollar deployed towards deleveraging versus share repurchases, how do you weigh the two?

James Taylor

As we've talked about for a while, we have a portfolio that is well below the market from an EBITDA perspective, and we're generating significant cash flow to fund most of the reinvestment activity that we're doing in the portfolio. From that standpoint, I think we sit pretty well. Our dividend is very well covered, and we continue to be in a position to unlock some of that growth, and as we think about the net disposition proceeds beyond that, we do think about deleveraging first. We're conservative by background. If you look at the stuff that we've done with the balance sheet since joining, we've raised nearly $5 billion of capital to term out our debt to almost 100% fixed at this point. Angela alluded to the fact that we have some flexibility to pay down future maturities in an efficient basis, so we are constantly managing towards the strongest and most flexible balance sheet that we can have, so deleveraging is an important part.

Beyond that, and if you look at what we did this quarter, I think it sends a pretty clear signal. We delevered, but we also bought some stock back. When you think about the opportunities embedded in this portfolio and the quality of visibility on growing cash flows, which as a real estate investor is what you look to, our stock is incredibly cheap right now. The ability for us to systematically not try to time the market, but as we recycle this capital and we evaluate what to do with the remaining capital that we have, we think the share buyback is a very prudent use with where we're trading on an implied cap rate basis, where we're trading on a multiple basis, and importantly, where we're trading relative to our visibility on future growth.

Haendel St. Juste – Mizuho

A question on grocers, certainly an important element in your portfolio. What's your willingness to help them get to the right format? They're not going away. It seems like many will be looking to revise their format of their stores going forward, which requires capital from them, from you, and probably the right thing to do to lock that grocer in for a long time and not risk losing it to a neighboring center with free space. Is that something where we'll see increased redev spend going forward, and are these economic deals or should we think of them more as loss leader anchor type of deals?

Brian Finnegan

Putting our grocers in the best position they can be in our centers has been, and will continue to be, part of our redevelopment pipeline, whether you look at the Kroger expansions that we've done over the years, the location with Publix in Sarasota, where we're tearing that down and building a new prototype, and we've got a tremendous pipeline with them. Then you look at the specialty operators that are coming into the market. I don't think it's really any different than what it's been in the past in that we're constantly in conversations with our grocers trying to put them in the best position to succeed, and then helping them with the initiatives that they're doing to drive traffic to their stores, like Kroger with ClickList, like other operators that are trying to see how they can integrate the technology portion to continue to engage with their customer further. If anything, it's going to continue to be part of our plan and we feel really good about the fact that we have the dialog that we do with these operators.

James Taylor

I would just also note that we're seeing grocers increasingly investing in their existing stores, which oftentimes will be in conjunction with the investments that we're making in the broader shopping center, to leverage off the improvement that they expect through that capital. But Brian is spot on. The relationship with these grocers and making sure that we are a great partner and aligned with them driving sales growth is important.

Angela Aman

Where we have done most of that activity has been highlighted for you, I think, in our redevelopment pipeline and we've been driving really accretive returns on that capital spend.

Haendel St. Juste – Mizuho

On the transaction side, going back to your response to an earlier question, I'm curious what's driving the better pricing you are alluding to for the $240 million under contract. You sold six centers in the first quarter, five were grocer-anchored. So are there no power centers in the new mix? Are there better markets? Are you just seeing better demand or any portfolio buyers amongst that? Just curious as to what's driving that expectation of better pricing.

James Taylor

It's really the specific assets themselves, and it's interesting when you look at the mix of what happened in the first quarter. Really, half of them were more boxy, traditional power centers with the grocery component, and then half of them were the more traditional 120,000, 130,000 square foot grocery-anchored centers, and we still do see much more demand for the traditional grocery-anchored asset. With that said, across the board, with assets that we are choosing to sell, we're seeing a competitive bidding field and we're able to move pricing from early first round indications to where we're ultimately closing. And our success rate in terms of what we're closing based on what we're marketing remains strong.

While we talk a lot about cap rates, what we're really most focused on is that hold IRR. So we're not overly focused on trying to achieve a particular cap rate. What we're most focused on is where is that NOI going and what kind of capital will it take us to keep that NOI in place or grow it. And we're being conservative importantly in terms of what we think the reversionary cap rate would be as we assess that hold IRR, because, as with interest rates, cap rates we always make each investment decision assuming that they will be less attractive than where they are today. So, growth matters. And the centers that we're selling not only are non-core in terms of markets, et cetera, but we see limited accretive growth opportunities.

Haendel St. Juste – Mizuho

Are you seeing any portfolio buyers emerging for the grocery-anchored? And then, are there still financing challenges on the power center side?

Mark Horgan

To the first point on portfolios, I think what we're seeing is smaller portfolio buyers emerge that can get to attractive pricing. It's been our strategy to maximize pricing in assets that we're selling, so we continue to really be transacting on a one-off basis, but we are starting to see more interest on the portfolio side of things. With respect to the financing environment, it continues to be wide open. We're seeing very attractive financing quotes, for what we're selling both in the CMBS market and the bank market.

Haendel St. Juste – Mizuho

That's been the grocer side there, right? I mean, the power centers...?

Mark Horgan

No, we're certainly seeing good demand and pricing for power centers. The real key on the power center side is, where are the rents? In our portfolio, we think rents are well below market, meaning our power centers are where you have well below market rents. You get good pricing and you get a very good financing indication. Where they're not, that's really where I think you're seeing some of the stress you might be referencing.

James Taylor

And to that point, vintage really matters there. Assets that were developed in kind of that mid-2000's era tend to have higher in-place rents. Our average asset age is about 32 years, so by definition, our rents are generally low and below where we think market is.

Karin Ford – MUFG

Given the increasing capital formation for shopping centers and a rise in small portfolio buyers, do you think there could be an emerging privatization bid out there for a shopping center REIT, given the current NAV discounts?

James Taylor

I think so. I don't see it yet, but capital always finds a level. And when you look at the risk-adjusted returns that are available in this space, they're pretty compelling, particularly relative to other types of real estate today. And I think, as Mark alluded to earlier, the net demand that we're seeing from retailers who are figuring out how to thrive in this post-Amazon environment is strong, and they're leveraging their physical locations, they're investing in their stores, they're refining their prototypes, and remaining relevant and increasingly moving towards the open-air format. A lot of the innovation that we're seeing is towards the open-air format, so the private capital is beginning to see that, but I don't see it yet in terms of really large portfolios, but capital finds a level. At some point it will happen.

Karin Ford – MUFG

My second question is just going back to the Toys"R"Us boxes. I know it's still early in that process, but could you give us a rough idea of what you think the downtime will be for those boxes?

Brian Finnegan

We expect it to be, in terms of rent paying, in line with where we were with Sports Authority, with 12 to 18 months in terms of rent commencement. To Angela's point, we're expecting to get those back in the middle of the year and we expect those rents to come online in later 2019 and early 2020.

James Taylor

As I alluded to in my remarks, we're working deals on all of those bases now to put us in the position to outperform how we backfill, and you can expect us to, as we've done before, give you sort of that ongoing progress as we backfill that space.

Karin Ford – MUFG

Do you have any letters of intent on any of those boxes yet?

Brian Finnegan

We do on several of the boxes. I'd say close to half of them right now, we have leases or LOIs in place.

Vince Tibone – Green Street

Can you provide some additional color on the high 7% disposition cap rate? The disclosure in the Supplemental appears to imply the cap rate in the high 9s. Can you help bridge that gap in terms of whether you are quoting a buyer's cap rate, a trailing cap rate, and just helping us getting better understanding of that metric?

James Taylor

What we're quoting is the market cap rate, what is the underwritten in-place rents, and it's what the brokers would quote in the marketplace in terms of how those assets would sell. I would also point out to you that these assets in particular were lower margin assets, given the markets that they were located in, so you've got to factor that into trying to back into the cap rate just off of the ABR. The other element is, we did have in one of them a Toys"R"Us box that was obviously coming out and not part of the underwritten NOI on the asset. So really when you think about those three things, it helps you understand where the cap rate was relative to the ABR calculation that you've done, because we look at and the market looks at that underwritten NOI. There are some quarters when we have deals signed that we didn't get rent for in the preceding quarter, so it can kind of go both ways, but that's effectively how we do it, and I think that's the industry standard.

Vince Tibone – Green Street

Could you provide the cap rate on a trailing 12-month basis? I'm just trying to get to the right forward pro forma NOI.

James Taylor

I think for this quarter it would be higher. I don't have the actual number of basis points. It wouldn't be up at the levels you're calculating, but it would be higher on a trailing basis for this quarter.

Vince Tibone – Green Street

It seems like Publix has been an active buyer of shopping centers so far this year, and it is one of the few active portfolio buyers. Would you consider deviating from selling in single market assets and take an opportunity to sell some of your higher quality centers to a motivated buyer?

James Taylor

We have sold a few assets to Publix, and in some cases, they are the right buyer for the asset. Again, the portfolio bid hasn't emerged yet as strong as what we're finding for the individual asset bids. Mark, I don't know if you want to comment further.

Mark Horgan

We have transacted with Publix there. They are a great transaction partner. To the extent that they're the best buyer for assets, we would certainly continue to transact with them, but again, as we've said, we haven't seen the capital formation to really push down into that high quality, extra high quality asset to get a portfolio bid done.

Floris van Dijkum – Boenning & Scattergood

As you're selling down the portfolio, how many single asset markets do you plan to exit this year? And maybe touch upon any impact on G&A and sort of efficiencies, as you alluded that some of this property sold had lower margins than your overall portfolio.

James Taylor

When you go back to what we've done over the last 18 months or so, I think we've exited 15-plus single asset markets, and what's interesting is, it's less about the G&A savings, in my opinion, and more about what's happening with the ABR at the asset. When you only own one asset in the market, you are not going to be as good at driving that ABR growth as you are when you own two or three or four.

As we look at our G&A spend, you'll note that our G&A is trending down. Part of that is legal expenses, but other part of it is we are very focused on making sure that we're efficient with our spend and that we're investing in areas that create value, such as redevelopment and transactions, in that we're becoming more efficient in areas that don't generate as much value. The long-term floor is I do think that being in fewer markets will help with the G&A, but what we've done today hasn't really resulted in G&A savings.

Floris van Dijkum – Boenning & Scattergood

In terms of what you have in your pipeline under contract, how many more single asset markets? Is that half of the properties?

James Taylor

I think that we'll get out of another 15 to 20 over the next 12 to 18 months.

Wes Golladay – RBC Capital Markets

Are you noticing more of a willingness by a retailer to relocate to another center? And if so, what is the big driver of it? Is it the quality of the center? Is it the rent level? Is the retailer looking for a new prototype? And then, as a follow-up, are the private landlords able to keep up with the more capital intensive environment?

Brian Finnegan

I think retailers are focused on getting their best footprints in the markets in which they operate, and a lot of the reasons you mentioned are the reasons that they are looking for additional sites, whether it's prototype, putting new capital into stores. I think we are a big beneficiary of that, and we've seen that in our production here over the last 12 to 18 months. I think it's, in fact, due to the platform that we have. Our teams are local in the markets and are experts in those markets. They have an understanding of trends and when things will potentially become available. For instance, if one box leaves, that triggers for another opportunity for us, and then our National Accounts team is in front of all of our major tenants and looking, to Jim's point earlier, three years out at what the opportunities could be, whether it's smaller stores, larger locations.

The other thing that I'd point out is we've been a big beneficiary of the downsizing from tenants like Burlington. If you look at our redevelopment at Marlton Crossing outside of Philadelphia, we were able to bring a Sprouts Farmers Market into that and almost pick up the rent by 60% on what Burlington was paying, get them rightsized, and bring in a new anchor, so we've been pretty pleased with the progress and have been using tenant's willingness to relocate really to drive our performance.

James Taylor

As Brain alluded to, I think it's a tremendous competitive advantage in this environment and you're seeing us capitalize on it.

Michael Mueller - JPMorgan

Angela, for maintenance capex, it picked up in 2017 relative to 2016 and 2015 by a decent amount. I was wondering, when you look forward, does it feel like 2017 is a little bit more of a better run rate or was it a little bit more of an anomaly?

Angela Aman

We had about $40 million of maintenance capex spend in 2017, and that's probably a good run rate going forward.

Michael Mueller - JPMorgan

Given all the dispositions that have been going on and what's planned for the balance of the year, as you look at the FAS 141 burn off out 2019, do you have any color on what that adjustment could be at this point?

Angela Aman

I don't, right now, have any comments to make. It's going to depend a lot on the pool of assets that might get sold or that we might transact on. It's also going to depend a lot on changes with respect to the retail environment, as well as situations like Toys"R"Us, so you might see an acceleration of some of that FAS income that would have been further out into the current period. There are lot of moving pieces. We gave our best assumption for this year at Investor Day, which was a $0.04 drag relative to 2017 for non-cash income, so both straight line and FAS 141, and while it's something we're watching, I don't have any better guidance on that at this point.

Linda Tsai – Barclays

Have you rank-ordered the location quality of the Toys"R"Us boxes you could be getting back and the potential rent upside associated with each one? How evenly distributed is the rent upside across the boxes, or is it sort of bifurcated? Brian, I think you said 20% to 30%?

Brian Finnegan

I did. I think it's bifurcated pretty much evenly across the portfolio. We're fortunate in the fact that we did not have many stores that were the combo stores that were done in the mid-2010s, we only had one. The majority of our locations are older vintage, to Jim's point earlier, and that's what makes us feel good about the opportunity to drive the upside in these boxes when we're sitting here at $9.50 a foot getting them back.

James Taylor

And that's part of what's driven our activity level with LOIs and leases on half.

# #