

3Q 2018 EARNINGS CALL - FINAL TRANSCRIPT**OCTOBER 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 third 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 thank you all for joining our third quarter call. I'm very pleased to report that our team is well ahead of the 2018 plan to Deliver Value Now that we outlined at our Investor Day last December. We've not only accelerated the delivery of that value through capital recycling, leasing, reinvestment and balance sheet management, we've also substantially increased the intrinsic value of what we own. Said another way, our progress continues to reduce the appropriate cap rate for Brixmor, while it also sets us up for consistent sustainable growth in 2019 and beyond. Allow me to explain.

Let's start with our investment team, where we've closed on \$780 million of dispositions year-to-date, well beyond our original goal. With that progress, we now expect to close nearly \$1 billion of dispositions this year at a weighted average cap rate just below 8%. This is an outstanding achievement in several respects. First, we realized these cap rates for assets that have averaged in the bottom quartile of what we own as it relates to 3-mile and 5-mile population density, average household incomes, and most importantly, anchor productivity. Through systematically pruning the bottom of our portfolio and exiting 39 non-core markets, we have significantly improved both the growth prospects and cap rate of our remaining portfolio. Second, we transacted on an asset-by-asset basis, which we believe drove pricing 5% to 10% higher than what would have been achieved in larger portfolio trades. That effort, which has involved over 50 discrete transactions, captured an additional \$50 million to \$75 million of value over what might have resulted in portfolio trades, and even more significantly, the nearly \$1 billion we expect to close has raised liquidity at NAV, or equity valuations at least 40% higher than our average stock price over the past year. This accelerated disposition activity has enabled us to shift to a more balanced capital recycling stance for 2019 and beyond. I'm encouraged by our identified opportunities to cluster further in those retail nodes where we have a dominant presence. Of course, we will also have the ability to acquire more shares under our repurchase program, should that prove more advantageous.

Speaking of capital allocation, during the quarter we repaid over \$500 million of secured debt, greatly enhancing our flexibility to accelerate our reinvestment program. Our overall debt plus preferred to EBITDA now stands at 6.5x, which is lower than where half of our shopping center peers stood at the end of the second quarter, and, importantly, we expect to end this year with no debt maturing until 2021 and more than adequate capital flexibility to fund several years of our value-added plan.

On the reinvestment front, we delivered eight projects this quarter for a total investment of \$54 million at an incremental return of 9%. These projects delivered included the opening of the Shops at Riverhead, one of our first HomeSense locations, and Hunter's Creek in Orlando, where we opened a new Lucky's Market, transforming a tired, underinvested-in center into the center of its community with a best-in-class specialty grocer. Allow me to pause on just this quarter's reinvestment progress. Not only did we generate \$5 million of incremental income with the delivery of these projects, we've created over \$25 million of incremental value before considering any compression in cap rates on the balance of the in-place NOI that naturally occurs when you improve the center. In the case of Hunter's Creek, we believe our investment drove over 200 basis points of overall cap rate compression. I believe that our opportunity to leverage that kind of value impact of reinvestment truly stands apart within the shopping center sector given our older, well-located portfolio.

This quarter, we added nine additional projects to our active pipeline comprising \$55 million of investment at an incremental return of 10%,

bringing our total pipeline underway to over \$340 million. These new projects impact centers with over \$100 million of in-place NOI, so we have tremendous embedded upside from cap rate compression on the centers impacted that goes far beyond our incremental investment. The projects underway now include our redevelopment of the Village at Newtown, which some of you saw in a recent property tour, where we are adding great tenants like Harvest, Steakbar by Shula's and Turning Point to a center anchored by a very strong regional grocer doing sales of over \$900 a foot.

From a timing perspective, we've accelerated past our original reinvestment goal set forth at Investor Day, as we now expect to deliver over \$220 million of accretive reinvestment through the end of next year. What I think is important to note here is that we are creating tremendous value now in our core business of retail, while mitigating leasing and duration risks that occur with ground-up projects or the development of other asset classes. Again, we get additional benefit from the balance of the centers impacted, which, including our shadow pipeline, will be in excess of 35% of our portfolio, as they benefit from small shop increases and cap rate compression. Simply put, we're improving the quality of what we own and making money doing so, with very modest risk.

Speaking of value creation, let's look at leasing, where we signed a sector leading 2.2 million square feet of new and renewal leases at cash-on-cash spreads of 13.4%, which included spreads of 39.7% for new deals. For the first nine months of 2018, we've signed a record 68 new anchor deals. This leasing continues to drive our value-added reinvestments, and as we deliver these new anchor tenants, we are seeing the follow-on growth in our small shop leased occupancy, which grew 110 basis points year-over-year to 85.5%, a record for this Company since its IPO in 2013. Please note that our leasing has also driven an overall growth in portfolio average ABR of 8% in the last two years as we re-leased space to better tenants at better rents.

Speaking of anchors, subsequent to quarter end, on October 14, Sears Holdings filed for Chapter 11 bankruptcy protection. As you will recall, we have been working diligently since joining Brixmor to reduce our Sears exposure by over half through both dispositions and proactively recapturing and re-leasing these spaces. This team has significant experience in remerchandising and redeveloping former Sears/ Kmart boxes, and since IPO has completed or is finishing over \$100 million of such projects at incremental returns above 9%. Where we haven't seen opportunities for value creation, we've already sold, positioning us to drive very attractive returns on the balance. We've also worked with Sears/Kmart on shortening terms and eliminating options on several of our remaining locations, so we can control our fate. With the filing, we now expect to recapture nine of our 11 remaining locations. We have leases or active LOIs for each of these nine locations, which are some of the very best of our former Sears/Kmart boxes, including Miami Gardens, Naples, Metro Philly and Cincinnati. Our weighted average in-place rent is \$5.11 for these boxes, and we expect to achieve new rents that are multiples of that for the backfill tenants. As we've said many times before, rent basis truly matters in whether you can make money through disruption. While the timing of the Sears/Kmart filing came a few quarters earlier than we had anticipated, the preemptive hard work of our team has put us in a position to capitalize quickly on this opportunity to meaningfully upgrade our centers. I look forward to reporting to you on the remainder of the Kmart repositionings over the coming quarters.

Looking forward, our leasing pipeline continues to be very robust with over 450 deals representing over \$51 million of ABR. Deals executed to-date now represent over \$44 million of ABR signed but not yet commenced. These executed deals are what drive the 2019 same store growth expectations that we set forth at our Investor Day. While the earlier-than-anticipated timing of the Sears filing, as well as the projected timing of rent commencements, will likely drive us closer to 3% than 4%, I couldn't be more pleased with how these executed deals provide for visible, robust growth through this disruption.

When I joined Brixmor a little over two years ago, I introduced myself to the team by sharing a list of my core beliefs, cultural tenets, if you will, that have guided me throughout my career. The first and primary tenet is that great real estate matters, but great people matter even more. Over the last two years, a unique opportunity to create value at Brixmor has allowed us to assemble one of the best teams in the open-air business, and this third quarter of 2018 is the quarter where, across all facets of our business, the quality of this team has clearly emerged with record-setting leasing, accelerating reinvestment, exceptional capital recycling, and prudent balance sheet management. Across the board, what we've achieved not only sets us up for sustainable growth in 2019 and beyond, but each element of our execution has increased the intrinsic value of the well-located assets we own, moving us towards our vision of being The Center of the Communities We Serve. Angela?

Angela Aman

Thanks, Jim, and good morning. FFO was \$0.42 per share in the third quarter and included a \$0.07 loss on debt extinguishment as we repaid over \$500 million of longer-dated, high-cost secured debt, significantly increasing our unencumbered asset base and enhancing our financial and operational flexibility as we continue to execute on the business plan laid out at our Investor Day last December.

Same property NOI growth during the third quarter was 1.2%, driven by a 270 basis point contribution from base rent, which represents a significant acceleration from the 150 basis point contribution in the first half of 2018, despite a year-over-year decline in billed occupancy. At Investor Day, we underscored our expectation that redevelopment would become a positive contributor to same property growth beginning in the second half of this year, and the acceleration we saw in top-line performance during the third quarter speaks to that underlying trend. Provision for doubtful accounts and net recoveries were both headwinds to same property NOI growth in the third quarter, consistent with the expectation communicated on last quarter's call. Provision for doubtful accounts was impacted by unusually low debt expense in the prior period and unfavorable bankruptcy reserves in the current period, while net recoveries were impacted primarily by favorable real estate tax refund activity in the prior period. On a year-to-date basis, same property NOI growth is 1.3%, just above the midpoint of our full-year

guidance range of 1% to 1.5%, and we have affirmed this range, despite the impact of the Sears/Kmart and Mattress Firm bankruptcies that were announced in October and could have as much as a 40 basis point impact on annualized base rent in the fourth quarter.

As Jim highlighted in his remarks, we have proactively addressed our Sears/Kmart exposure over the last two years, successfully repositioning or disposing of 11 of the 22 locations that were in the portfolio when we joined. At the time of the bankruptcy filing, we had 11 locations remaining, representing approximately 60 basis points of annualized base rents. We have already taken back six locations of the 11 locations, representing 80 basis points of GLA and expect that we will take back another three, representing 40 basis points of GLA by the end of January. As a result, we currently expect Sears/Kmart to detract approximately 40 basis points of same property base rent growth, or 50 basis points of same property NOI growth, during 2019. In addition, we also expect a detraction of up to 20 basis points of base rent growth, or 30 basis points of NOI growth, related to Mattress Firm, which includes our current expectations for both lease rejections and selective short-term rent concessions. While it is expected that Mattress Firm will pay rejection damages potentially totaling one year of rent, these amounts, if received, would most likely be treated as lease termination income and excluded from same property NOI.

As Jim indicated earlier, despite these significant headwinds from unusually late in the year bankruptcy activity, we remain confident in our ability to achieve 3% same property NOI growth in 2019. While this year's Kmart bankruptcy filing will certainly result in more downtime in 2019 than we had originally anticipated, our forward planning and execution has put us in a position to minimize the potential impact from these closures with rent commencing on backfill tenants expected to begin as early as the fourth quarter of 2019. In fact, Greenville Commons, the first of these 11 locations to be successfully addressed, was added to the active anchor repositioning pipeline this quarter, as leases have already been executed with Marshalls, Five Below, and Hobby Lobby. This further demonstrates the effective and efficient manner with which our leasing teams have approached bankruptcy impacted space over the last two years, consistently setting the pace for the industry as it relates to bringing rent back online following retailer disruption, as many of you have noted.

We have tightened our 2018 FFO guidance range to reflect our elevated disposition expectations, and we have further adjusted guidance to reflect the \$0.07 loss on debt extinguishment recognized during the third quarter. Please note that the revised guidance does not assume additional loss on debt extinguishment in the fourth quarter, although, as Jim mentioned earlier, we are currently evaluating the repayment of additional secured debt before year-end.

Last night we also announced a 1.8% per share dividend increase, demonstrating both our commitment to providing growing income to shareholders and our commitment to prudently funding our growing value accretive reinvestment pipeline. As a result of share repurchase activity in 2018, we expect that total gross distributions in 2019 will be flat to slightly down, despite an attractive per share increase to investors, and we will continue to demonstrate one of the lowest FFO payout ratios in the open-air sector.

The rate of change at Brixmor since May of 2016 has been extraordinary. We have sold over 15% of the portfolio we inherited and we have, or will soon have, value accretive reinvestment activities underway at 35% of the remaining portfolio. These value accretive investments are not only enhancing the Company's short-term and long-term growth rates, but they are fundamentally improving the underlying quality and residual value of the Company's unlevered cash flow stream. At the same time, we have also substantially improved the Company's balance sheet by significantly extending duration, expanding our unencumbered asset base and lowering leverage, which currently sits at 6.5x, all while maintaining over \$1 billion of available liquidity. As a result, we are well positioned to capitalize on this current period of disruption as we execute on our balanced and self-funded business plan to continue to create meaningful value for shareholders.

With that, I will turn the call over to the operator for Q&A.

QUESTION AND ANSWER

Todd Thomas - KeyBanc

In terms of the disposition activity and the much higher pace than expected in 2018, can you provide some guideposts around what you might be thinking for 2019 and some additional insights around your comments that 2019 would be relatively more balanced from an investment standpoint?

James Taylor

As Angela alluded to, we've now sold over 15% of the portfolio, which has enabled us to get after some of the non-core markets and some of the more troubled assets that didn't fit with our strategy going forward. Because we were able to exceed significantly the expected volume for 2018, it sets us up in 2019 for a much lower level of overall transaction activity, and to be much more balanced. By that, I mean we're reinvesting what we're selling either in additional acquisitions or, as I alluded to, share repurchases. We continue to find great redevelopment opportunities at high single digit and low double digit incremental returns, which not only creates incremental value, but also significantly improves the intrinsic value of the centers that are impacted. It's particularly exciting this quarter to see that all coming together, whether it's in the volume of leasing that we've done or the amount of redevelopment that we're delivering now. We're not asking you to wait. In fact, if you look at the total volume that we expect to deliver over the next five quarters of \$220 million, it's roughly two-thirds of what we have underway, and every quarter you'll see more projects moved from the shadow pipeline into the active pipeline.

It's a great position to be in, and to have that be self-funded and to take this disruption that's occurring, whether it's Kmart or Mattress Firm or others (and we do expect others to similarly struggle over the coming year or so), it puts us in a great position to make our assets better.

Long-winded answer, I apologize, but I want you to understand how we think about the capital allocation and the significant amount of work that Mark and team have done this year in over 50 separate deals. A lot of hard work, well ahead of where we expected to be, and valuations are much better.

Todd Thomas - KeyBanc

Can you sort of size up what the Sears/Kmart opportunity looks like? You mentioned that for the nine that you're going to recapture, the in-place rents are \$5 or so. Can you talk about that potential mark-to-market, how much capital investment it might require to re-tenant those spaces and what you're seeing there?

James Taylor

It sets up additional accretive reinvestment. If you remember, several quarters ago, I'd said that of the 21 or 22 locations that we had, there were some where we didn't see an opportunity to make money, and as I alluded to in our remarks, we've already sold these boxes. What remains are some of the very best locations that we have; Miami Gardens, Naples, Cincinnati, et cetera, and we're excited about the plans to backfill those. We've got active leases or LOIs on all nine and I'll let Brian provide some more color.

Brian Finnegan

What we've done today has really set us up for an opportunity. In terms of what we have on these boxes, we've got 85% of the GLA for our remaining boxes either leased, at lease or LOI. That's to grocers, value apparel retailers and best-in-class fitness operators, some of the retailers that have been thriving in this space and still have large open-to-buys. As Jim mentioned in his remarks, our team has gotten very good at demising these boxes and being able to deliver them quickly and execute on these plans.

From a cap-ex perspective, we've been delivering a lot of these boxes over the last few years in terms of these redemises, so we don't expect a material uptick in TIs. We expect the TI piece of this to be in the \$30 per square foot range. Obviously, there's some landlord work associated with that in terms of demising the boxes, but in terms of our ability to create value, when you look at where these remaining boxes are – Metro Philadelphia, Miami, Cincinnati, Central Jersey – and the demand that we have already, we feel as though we're in a pretty good position. The last thing I'd say is, of the six boxes that we're getting back, we expected to get all of them back within the next 12 months, so all that this does is really accelerate our plans.

Katy McConnell – Citi

Heading into 2019, Sears aside, can you talk about how you are feeling about the level of tenant fallout risk, given other box tenants out there that either have potential for bankruptcy or where the businesses are continuing to suffer or they may be overstored?

James Taylor

As we look forward into 2019, we expect that activity to revert to more normal levels. I think what we've seen prior to this year is that bankruptcy activity this year has been remarkably low, but that doesn't mean that we're not going to continue, as part of this business, to see that type of disruption. As we look into 2019, we do so with an expectation that there will be additional disruption beyond just Sears and Mattress Firm, but again, it's really an opportunity for us to get our centers better. You take these tenants who are not doing well where we have good low in-place rents and put in better tenants. It's something unique as an opportunity for us as a company, because as we put the capital into these older centers, we're transforming them, and we're creating value even in the stores that we're not touching, which is a great opportunity for us to move to that vision of being the Center of the Communities We Serve.

So when you are talking about a tenant who's not doing growth and sales, not really driving traffic to the center, you've got to ask yourself; if you really want that in your center. If you expect that tenant to fail, what's then your plan to replace it with a use that's more relevant and more vibrant? As I've been saying for the last couple of years, and as we've been demonstrating every quarter in terms of the volume of leasing that we're doing, there's no shortage of tenant demand for our centers. We demonstrate that every quarter with leasing volumes that stand at the top of our peer group, so we welcome the additional disruption, and we think given all of the leasing that we've done, we're set up to outperform through that disruption and also make what we own better.

Derek Johnston – Deutsche Bank

It looks like you have about \$40 million of ABR that's signed but not yet commenced. Over what period should we expect to see this come online, and when I look in terms of the small shop component of that, is the majority coming in centers that are being redeveloped or was it just underutilized or vacant space in existing centers?

Angela Aman

About \$30 million of the \$44 million should be online by June 30 of next year, with the remainder coming in the second half of 2019. Across the board, it's a mix between normal course leasing activity and redevelopment activity. As the amount we have invested in the value-enhancing redevelopment pipeline continues to grow, we would expect that number on a forward-looking basis to continue to increase based on a higher contribution going forward from redevelopment.

James Taylor

When you dig into what we have in our reinvestment pipeline, the small shop occupancy there intentionally lags our portfolio average, because as we deliver that new anchor, we're holding some of that space back to lease off of the strength of the new anchor, and once that new anchor is put in, we're seeing increases in those centers of 700 basis points to 900 basis points of small shop occupancy. Not only occupancy, but better, higher quality tenants as we transform those centers, and that's beginning to be seen in that small shop lease performance that you are seeing, which is up 110 basis points year-over-year. We'll face a little bit of a headwind next quarter as we get some of those Mattress Firm boxes back, but I can guarantee you, we will backfill them very quickly.

Derek Johnston – Deutsche Bank

Any notable trends now that more grocers are expanding delivery in curbside pickup options, given that you have a lot of heavily grocery anchored centers? Can you comment on traction you might be seeing with omnichannel efforts with any of your retailers?

James Taylor

We've been partnering with Kroger and Publix and many of our other large grocery tenants as they roll out plans to better serve the customer through multiple channels, which includes curbside pickup, with very little investment on our part in terms of restriping, re-signing the parking lot, providing additional lighting or investing capital alongside them in their stores for additional rent. There are many ways that we're capitalizing on this, but importantly, these great, well-run grocers are finding ways to continue to evolve and adapt, including better use of technology, which is something that I think you'll see more of over the coming couple of years. Not only will customers be able to pick up and order online, but apps and other things will allow the experience in the store to be much more efficient. The physical store is an incredible competitive advantage in this low margin business, and I think the well-run grocers are figuring out how to capitalize on some of these changes to better serve their customer.

Brian Finnegan

I would just add, close to half our Kroger stores now have ClickList, and it's creating additional trips for us. As Jim mentioned, it's another way to connect with the consumer and it takes very little investment, so we have been working with all of our major grocers in these initiatives that they have.

Karin Ford - MUFG

Jim, you said in your opening remarks that dispositions this year are going to be \$1 billion at an 8% cap rate. That 8% number seemed a little higher than what we had talked about on previous calls. I just wanted to get your thoughts on whether cap rates has moved? Was it just a different mix that you sold, and why that number is a little higher?

James Taylor

We're still a little under 8%, but as we move into the balance of the pipeline this year, we're selling some of the tougher assets. It's really a mix issue. We've been pleased that cap rates have held in pretty well, and a lot of it has been driven by the availability of debt financing where we've seen spreads compress. With that, it was really part of what informed our decision to accelerate what we were going to get done this year. We saw liquidity there, and we saw a strong financing market. If there was one thing I worried about going into 2018, it was whether that liquidity would be there, but in addition to good and attractive debt financing, we're seeing a lot of capital being raised for investments in these community anchored centers. We haven't seen a diminution in cap rates. For us, as we've moved into the balance of our execution this year, it's really been more mix.

Karin Ford - MUFG

For the next step of the debt pay down plan, you mentioned you might repay some more secured debt here before the end of the year. Can you talk about what rate the next tranche is at, and would you also plan to continue to pay down the term loan side alongside it like you did this quarter?

Angela Aman

We do lay out, tranche-by-tranche, what the debt looks like in the Supplemental, and you'll see that all of the remaining secured debt is at a rate at or just a little bit above 6% in terms of the stated interest rate. The GAAP interest rate, I would note, is a little bit below that, probably 5.75% or so, but it's pretty consistent across tranches. The extent of how much of the secured debt we end up paying off in the fourth quarter will depend a lot on the disposition magnitude, as well as the timing of disposition activity in the fourth quarter, which is why we haven't embedded that necessarily into the guidance range, but we are certainly continuing to evaluate it. On the term loan, I would expect at this point that the term loan likely gets refinanced in the term loan market.

Wes Golladay – RBC Capital Markets

Going back to dispositions, you mentioned selling some of the tougher assets towards the end of the year. How many non-core assets, as a

percentage of NOI, remain in the portfolio?

James Taylor

It's pretty low. I can't give you an exact percentage, but we got rid of a lot of the ones where we saw limited growth prospects for or that were too far in terms of our other assets, or, frankly, as we looked at anchor productivity, it was productivity that we thought signaled flat-to-declining ABRs. We still and always will have assets over the coming years that we look at that hold IRR and say, that's below our cost of capital, and we'll have the flexibility on a more balanced basis given all the work that we've done this year to sell those assets at the right point in time.

There are some assets that we'll continue to lease and then sell. We're seeing good leasing momentum, and I think it's an important thing to note that when you see the improvement in our statistics as it relates to occupancy, et cetera, that's not being driven by our disposition activity. In fact, what we've disposed of is slightly more occupied year-to-date, and that's quite intentional, because we are in an environment where you're not getting value for vacant space, so as stewards of our investors' capital, we're very focused on that. As a percentage of our overall NOI, it's pretty modest now, having sold about 15% of the portfolio.

Wes Golladay – RBC Capital Markets

Looking at the Sears bankruptcy, I know that a lot of landlords have prepared for it, but how has the mindset of the retailers changed? Is this something they've been waiting for? Do you get the sense they may accelerate their store opening plans?

James Taylor

I don't think it necessarily changes from a retailer mindset. The retailers that are thriving in this market, and we continue to do a lot of business with, whether those are specialty grocers, operators like Marshalls and Ross who we signed leases with this quarter or the three Five Below leases that we did this quarter, those retailers continue to have strong open-to-buys, and if anything, the fact that landlords like us have been able to execute on demising these boxes, working with specific prototypes, working with frontage, and all the things it takes to demise the box off for three retailers, and have been doing it consistently and delivering to these retailers over the past few years, that gives us a leg up in terms of our ability to retrofit them, to bring them back online with better operators. I don't necessarily think it changes their plans from an opening perspective, but they now see in terms of their ability to execute and operate out of the spaces. I think it's additional opportunity there.

Jeff Donnelly – Wells Fargo

Based on Angela's comments, it sounds like the bankruptcies you guys discussed are taking about 80 basis points off your 2019 NOI growth potential and pushing you towards the lower end of that 3% to 4% NOI growth plan. Do you believe NOI for next year could ultimately come in at something in the mid-to-high 2% range, or are you still confident that you're within that original range?

As a follow-up, all else equal, do you think the re-leasing of the anchor spots in 2019, combined with the redevelopments seeds you've been planting, position the company for NOI growth in 2020 that could theoretically top the 3% to 4% range you're anticipating because of the easy comp you're going to have in 2019?

James Taylor

I do think it positions us more robust growth in 2020, and as is it relates to the range, we were conservative as we were setting up 2019. That 80 basis points of impact really does move us to the low end of the range, but we still feel confident that we'll achieve that based, in part, on all of the signed but not yet commenced leases that we have. What will be a critical factor next year to that point is the timing of rent commencements, so every day that we beat the timing of rent commencements next year is worth about \$180,000. It gives you a sense of how much is coming onboard, as well as, to the latter part of your question, how it sets us up for 2020. I'm very grateful that we're seeing good small shop follow-on growth where we're impacting these anchors, and that continues with much better tenants, better credit, better rent, local anchors, things that really drive traffic to the center and make it more relevant to the community it serves. Long-winded answer, I apologize, but we still feel confident in the low end of the range, and we believe that it sets us up for better growth in 2020.

Jeff Donnelly – Wells Fargo

There are certainly a lot of dynamics out there that are pushing construction costs, both labor and the materials themselves, but rent growth, when we think about asking rents and markets I think the view is that the asking rent growth has been a little more tepid in the last 12 to 24 months. Do you feel like that's setting you up to rethink or change the scope of some of the bigger redevelopment projects you guys have been contemplating, like Mall at 163rd or some of these other projects that are hanging out there, just because they won't pencil quite the same as you might have hoped?

James Taylor

Our assets in particular have huge embedded upside opportunity in rents, almost regardless of what happens to the ABR trends in a particular market, including North Dade and Miami, including Western Hills outside of Cincinnati. It gives us a real opportunity, because basis matters

to outperform as we put capital to work. Construction costs have had an impact, but that impact has typically been less than 75 basis points on what the expected returns for the projects are, so maybe instead of doing a 10.5%, we're doing 9.75%-type return, and we've been seeing some of that, but again, it's really the rent that's driving the equation.

The other interesting thing is that in a lot of our markets, we did not see the rental rate inflation that you saw in some of the top-five markets. That rental rate inflation significantly outpaced underlying tenant productivity, which is putting a lot of pressure around folks who have invested recently at high ABRs in those markets. We're in those markets too. We have one of the largest portfolios in the Northeast, and we have one of the largest portfolios in California, but we have low rents, and those low rents give us a lot of flexibility here to create value incrementally. I think the other point that I hope I'm getting across is that when you replace an old Kmart with a Sprouts and Marshalls or a TJX, you're improving the cap rate not just on the box, but you're improving the cap rate on the total center.

What's exciting about this period of time for us is that even with rising construction cost, in fact to even in some markets negative ABR, we can create value, and I see that opportunity ahead. It's in our shadow pipeline. We talk about our shadow pipeline, but the one thing you have to know is that we're working really hard on getting those leases signed, getting the construction cost out so that we can move that project into active, and we're out-achieving our goals in terms of that rate. I like how we're positioned on a relative basis, and part of it starts with where we started and that fundamental truth that rent basis matters in this business if you're going to make money.

Haendel St. Juste – Mizuho

How are you thinking about the portfolio's long-term prospects going forward from a same-store NOI and earnings growth basis? After selling close to a \$1 billion of assets since your Investor Day last December, and I understand that 2019 is a bit of a transition year on an earnings basis given the volume of disposition this year and redevelopment still ramping, and that the same store pool still has puts and takes, what do you think the portfolio can generate on a same store NOI and FFO growth basis on a more steady-state basis once all the noise settles down?

James Taylor

I think we're right in line with what we laid out at the Investor Day, and as we go into next year, the ability to deliver that 3% same-store growth is really being driven by all the things that we've been doing, whether it's portfolio recycling, putting our capital into work and the reinvestment pipeline, but also all the balance sheet work we've done which gives us additional flexibility going forward to self-fund that reinvestment and take that 3% to 4% unlevered growth, on a run rate basis, and deliver FFO growth of 5% or better. What's been great about this quarter is if you dig into any element of what we've laid out, you can see how they're all pointing us forward towards achieving that goal and in some instances, bettering that goal. We didn't expect Sears/Kmart to happen when it did, but we certainly expected it to happen, and we expect other disruption to occur, but we are really in a good position given our low rent basis and track record with these key tenants to outperform as we go forward.

The other thing that's interesting is that we all tend to focus on the shopping center REIT sector and what one REIT is doing versus the other REIT. One of the things you have to appreciate is that we actually don't really compete with each other on the ground much. We own probably 10% to 12% of the open-air shopping centers, and through this period of disruption, the fact that we have a national platform, the fact that we have proven relationships with these tenants, the fact that we can deliver boxes on time and to prototype and the budget really matters as these retailers continue to evaluate new store opening plans. Platforms such as ours, such as the team that has come together here positions us to outperform within the industry as it relates to a business that is going through a lot of disruption.

Haendel St. Juste – Mizuho

A follow-up on capital allocation. It looks like you haven't been active for a couple quarters on the stock buyback front. Where does that stand today with you having for buybacks and debt and raising the dividend?

James Taylor

We bought back about \$50 million this quarter and program to-date is about \$90 million of total repurchases, leaving us a little over \$300 million to repurchase under the program. With levels today, it looks a lot more attractive than it did last quarter in the \$17 range, and so we certainly will look to that. The ability to earn that type of equity yield on buying back our stock is quite attractive to us, and we've built the flexibility to do that, while also bringing down our debt to EBITDA and pre-funding that redevelopment pipeline.

Scott Frost – State Street

Where do you expect your revolver balances to be at year-end, just for modeling purposes?

Angela Aman

That will depend, in part, on disposition proceeds and the amount of secured debt we end up paying down. We have consistently managed with very little drawn on the revolver, so I would certainly expect that it's in line with where it was at the end of the third quarter, just over \$100 million or below that level at year-end.

Scott Frost – State Street

You said you are going to re-fi the term loan in the term loan market. I calculate that at about \$350 million or so remaining based on your previous comments. Is that right? And is there a reason why to not come to debt capital markets and issue senior unsecured?

Angela Aman

Yes, you're right. There's \$350 million left on the term loan. I would say, as it relates to the term loan market relative to the unsecured bond market, that for us, it's really not an either/or decision. We're likely to be active in both markets over the next 6 to 12 months.

Scott Frost – State Street

We should expect to see some senior unsecured issuance in debt capital markets in 2019? Could you give us a range?

James Taylor

What's important is that we will approach the market when it appears conducive for us to do so, but we don't have to. As we manage our capital going forward, that's really the most important guiding principle, that we never put ourselves in the position to have to issue at a particular point in time. With that said, I would expect us to issue at an index-eligible range at some point in 2019.

Linda Tsai - Barclays

Over the last two quarters, there's been a 300 basis point spread between leased and billed. For 2019, will the spread increase because of the Sears and Mattress Firm closures? If not, and it narrows, how much of the gains can offset dilution from dispositions and refinancing costs from an FFO perspective?

Brian Finnegan

Just from a leased versus billed standpoint, what it indicates is that we have gotten a lot of space back, but we also have been able to lease it up very quickly. Typically, at this time of year that does tighten a bit. With getting the boxes back here in October from Kmart, it will be a little bit wider, and expect that to be wider at the beginning of next year. Typically, that tends to tighten in the third and fourth quarter.

James Taylor

One point to highlight, just from a big picture standpoint, we have about \$44 million of rent signed but not commenced. About \$30 million of that will commence by the end of the second quarter next year. That will be reducing that spread. Hopefully Brian and team continue to be the most productive team in the business. We're leasing additional space which takes that leased occupancy higher. We certainly expect that to happen. As you mentioned, the take that is whatever billed vacancy we get back as a result of Sears Kmart, is pretty meaningful on an occupancy standpoint.

Angela Aman

Right, a 120 basis points by the end of the first quarter, and as I think about trajectory as it relates to same property NOI, and obviously the associated FFO impact in 2019, you should expect to see that back-end weighted again, based on the timing of Sears Kmart and Mattress Firm. Situations such as these were certainly embedded in that 3% to 4% range we communicated at Investor Day last year. The timing with which those are happening during the year has a more significant impact on 2019 than we might have originally expected. You should expect to see it back-end weighted, but again, we feel confident in that 3% range for next year.

Linda Tsai – Barclays

Brian, you made some comments earlier about how the team's gotten good at demising the boxes and delivering them sooner. Can you talk a bit more about what's driving that process?

Brian Finnegan

It goes back to our experience, and really highlighting what Jim mentioned, we have a national platform, and we've been able to deliver to prototype. As our team on the operations side has been developing relationships with the retailers' operations team, we've gotten very good at delivering flexible formats; understanding that they can live within a certain type of frontage, working with loading docks. Sometimes on a box like this, you have one loading dock and you got to split those up for a few different tenants. As we've done a number of these over the years, like Ann Arbor Michigan where we put two TJX concepts in with Sierra Trading Post and HomeGoods and added an Ulta, we've been able to work with those retailers to deliver the prototype while working in an irregular box. We think that experience, going forward, will allow us to deliver and to bring these boxes online a lot faster

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