

2Q 2022 EARNINGS CALL - FINAL TRANSCRIPT**AUGUST 2022****CORPORATE PARTICIPANTS***James Taylor, Chief Executive Officer and President**Mark Horgan, EVP, Chief Investment Officer**Angela Aman, EVP, Chief Financial Officer**Stacy Slater, SVP, Investor Relation**Brian Finnegan, EVP, Chief Revenue Officer***PRESENTATION****Stacy Slater**

Thank you Operator. And thank you all for joining Brixmor's second 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, Chief Revenue Officer, who will be available for Q&A.

Before we begin, let me remind everyone that some of our comments today may contain forward-looking statements that are based on certain assumptions and are subject to inherent risks and uncertainties, as described in our SEC filings, and actual future results may differ materially. We assume no obligation to update any forward-looking statements. Also, we will refer today to certain non-GAAP financial measures. Further information regarding our use of these measures and reconciliations of these measures to our GAAP results are available in the earnings release and supplemental disclosure on the investor relations portion of our website. Given the number of participants on the call, we kindly ask that you limit your questions to one or two per person. If you have additional questions regarding the quarter, please re-queue. At this time, it's my pleasure to introduce Jim Taylor.

James Taylor

Thank you Stacy and thanks to each of you for joining our second quarter call. Our results this quarter once again underscore the transformative and accelerating impact of our value-added plan, as well as the outstanding execution of the Brixmor team. Our progress is evident in nearly every observable metric, including our robust leasing volumes and spreads. Under Brian and the leasing team's leadership, we executed nearly 2 million feet of new and renewal leases at a cash rent of \$18.79 and a blended spread of 14.6%, including 870,000 square feet of new leases at a comparable spread of 34.3%. We continue to attract the very best retailers to our centers at growing rents, which Brian will provide some commentary on in our Q&A session. It's also evident in our continued growth in ABR. Our activity this quarter drove another post-IPO record for our overall average in-place ABR, which increased to \$15.90 a foot. Importantly, we remain disciplined with capital as we achieved an average net effective rent of \$16.91 a foot on our new leases. Our progress is evident in our sequential and year-over-year growth in both billed and leased occupancy. We set yet another record for small shop occupancy for the portfolio of 87.7%, and overall occupancy grew to 92.5%, just 30 basis points shy of our all-time record. There's a lot more room for us to run there as we deliver our value-added pipeline, which currently drags our overall occupancy by 150 basis points. Importantly, it's also evident in our strong same store NOI growth and bottom line FFO growth. While we continue to realize the benefit of strong prior-period collections, it's important to note that most of our growth was driven by our top line revenue growth of 4.3%, which reflects the accelerating momentum of our value-added plan.

Now, those are indeed fantastic results, as is our increase to guidance for the balance of the year that Angela will cover in a minute, but what about 2023 and beyond? As we look forward and consider the natural moderation of prior-period collections, as well as the potential for economic disruption, we remain very pleased and confident in our strong visibility of continued growth as reflected in our \$53.8 million of ABR in leases signed but not commenced that will commence through 2024; our forward new lease legal pipeline of \$50 million of additional leases under negotiation; our real-time volume of new deals coming into our leasing committee for commencement in 2023 and beyond; our current and ongoing discussions with tenants to accommodate their store plans in our centers as retailers try to grow their most profitable channel; and it's reflected in the continued real-time growth in our traffic to our centers versus 2019, which has averaged in the mid to high single digits, relative growth that I believe leads the sector, but importantly, reflects the strength of our centers.

In addition to these visible growth drivers, we continue to deliver tremendous value through the ongoing execution and delivery of our reinvestment pipeline, as evidenced by another \$39 million of reinvestment delivered during the quarter at an incremental return of 11%, parenthetically, our gross returns are much higher, and we're pleased that we have another \$400 million of reinvestment underway at an incremental 9% return. Phenomenal execution by Bill, Haig, and the redevelopment and construction teams, who continue to deliver these projects on budget, even with supply chain disruption. As highlighted in the past, these investments generate follow-on value beyond their ROI through increased occupancy and market rates at the centers impacted. In fact, for our stabilized redevelopments, small shop occupancy has increased over 600 basis points versus one year before project start, and the in-place market rate increased over 20%. Our value-add strategy, which demonstrated its resilience and outperformance through the pandemic, positions us very well to outperform not only in stronger market environments, but weaker ones as well.

From an external growth standpoint, we continued to source centers where we can drive strong returns through leveraging our value-add platform. Those opportunities include Lake Pointe Village, a Whole Foods anchored asset in Houston, which, with our Braes Heights center represents the number one and two volume Whole Foods stores in the entire Houston MSA. Importantly, Lake Pointe Village also presents highly visible growth opportunities through the lease-up of small shop vacancy, which the leasing team is already driving, as well as the addition of highly accretive outparcels. Great job by Mark and team. In the coming months, given the volatile capital markets, we expect to be a net seller, as we've found strong demand for our smaller non-core assets. We also plan to keep our acquisition powder dry should the volatile capital market conditions lead to even more opportunistic pricing of assets that fit our value-add strategy.

In that regard, I'm pleased that we have over \$1.2 billion of liquidity, including a \$200 million undrawn term loan, and we have no maturities until 2024. Great job by Angela and team managing our balance sheet.

As I said at the outset, I'm grateful for how this Brixmor team continues to execute and deliver upon our purpose of creating and owning centers that truly are the center of the communities we serve. And, as we detail in our recently published Corporate Responsibility report, we are executing our plan in a manner that is environmentally sustainable and socially responsible.

Angela Aman

Thanks Jim and good morning. I'm pleased to report on another strong quarter of performance, as the transformative nature of our value-add strategy continues to result in record operational results across our portfolio. NAREIT FFO was \$0.49 per share in the second quarter, driven by same property NOI growth of 6.7%. Base rent growth contributed 430 basis points to same property NOI growth this quarter. Excluding the impact of lease modifications and rent abatements, base rent growth contributed 370 basis points, representing a 90 basis point acceleration from last quarter, reflecting continued growth in billed occupancy and releasing spreads over the last year. Revenues deemed uncollectible contributed 150 basis points and ancillary and other revenues and percentage rents contributed 120 basis points on a combined basis. Importantly, the positive contribution from revenues deemed uncollectible this quarter was due entirely to improvements in current period collections from cash basis tenants, as collections of previously reserved amounts totaled \$10.3 million, down slightly from the \$10.6 million collected in the prior period. Net expense reimbursements detracted 30 basis points from same property NOI growth in Q2 due to the quarterly volatility of operating expenses experienced in 2021. We continue to expect that full year operating expense growth will be approximately 3% and that net expense reimbursement will be a positive contributor to growth for the full year due to prudent expense management and occupancy gains across the portfolio.

Our operational metrics continue to reflect the strength of the current leasing environment, despite macro headwinds, and the continuing successful transformation of our portfolio. Billed and leased occupancy were both up 40 basis points this quarter. The anchor leased rate now stands at 94.8%, up 40 basis points sequentially. As Jim highlighted, the small shop leased rate now stands at 87.7%, up 70 basis points sequentially, reflecting a new portfolio record. The spread between leased and billed occupancy remains 350 basis points and the total signed but not commenced pool, which includes an additional 70 basis points of GLA related to space that will soon be vacated by existing tenants, increased by \$2 million this quarter to \$54 million at a blended rate of \$19.20 per square foot, more than 20% above our portfolio average ABR per square foot. I'd like to underscore that the total size of the signed but not commenced pool and the blended rate on the pool both grew this quarter, despite leases representing more than \$15 million of annualized base rent commencing during the period, reflecting exceptionally strong leasing activity. We expect that over 50% of the current signed but not commenced pool, or \$27 million, will commence throughout the balance of this year, with another \$26 million slated for 2023 and beyond, establishing a strong foundation for growth in the coming years.

As discussed with you last quarter, we amended our unsecured credit facilities in April, improving pricing, adding a sustainability-linked feature, and extending the maturities of our revolver and \$300 million term loan. In addition, our amended term loan has \$200 million of additional capacity, which may be utilized by the Company at any point through April 2023. As of June 30, we have over \$1.2 billion of available liquidity and no debt maturities until mid-2024, providing valuable financial flexibility.

Turning to guidance, we have increased our 2022 same property NOI growth expectations from 3% - 4.5% to 5.5% - 6% as a result of the significant out-of-period collections of previously reserved amounts recognized again in the second quarter and an improvement in our outlook for revenues deemed uncollectible, ancillary and other revenues, and percentage rents. Consistent with our prior methodology, the bottom end of our same property NOI growth guidance range does not assume any additional collections of previously reserved amounts. NAREIT FFO guidance has also been revised to a range of \$1.93 to \$1.97 per share from the previous range of \$1.88 to \$1.95 per share.

QUESTION AND ANSWER

Craig Schmidt – BofA

It's clear that the leasing year-to-date continues to really drive the company. I'm just wondering, are you still seeing leasing appetite in the third quarter unchanged despite the inflationary pressure?

James Taylor

We are. As I mentioned in my remarks, we're very encouraged by what we're seeing, not only under negotiation, but also what we're seeing in our weekly leasing committees.

Brian Finnegan

Yes, and coming out of ICSC, we were very encouraged by the conversations that we've had since then. And you can really see it. Jim mentioned that forward legal pipeline. Despite all that we signed during the quarter, that's up 17% from where we were a year ago, and traffic continues to exceed pre-pandemic levels at our centers. We're really seeing our core retailers, those in the value apparel, mass merchants, specialty grocery, QSR restaurant space, more mall-native tenants, that we continue to do a lot with. You saw it again during the quarter with Bath & Body Works and Claire's and Rally House. So the depth of demand has been pretty strong, and we continue to be encouraged by it for retailers that, again as Jim mentioned,

are looking to open stores in both '23 and '24.

Craig Schmidt – BofA

Is there anything you can say regarding the appetite for the small shops, the mom-and-pops, the locals, as opposed to the nationals?

Brian Finnegan

We continue to be encouraged by that as well. I think the pandemic created an opportunity for really strong local tenants, particularly in that restaurant space. We've seen over the course of the past 18 months, good quality operators, multi-unit operators, that are coming in and taking second-generation restaurant space. The team has really capitalized on the investments that we've made in our centers, the better anchors that are driving more traffic, that are helping attract those. So local tenants are still roughly about 17% of our ABR, but what I would tell you is the strength of those local operators, we're really encouraged by. The team has done a really nice job in their particular markets, driving strong local tenants to our centers.

James Taylor

Another trend that we talked a lot about during the pandemic, and which has continued, is we are seeing a lot of small shop demand from national and regional players as well. So it's been an interesting evolution in the composition of our small shop tenancies.

Alexander Goldfarb – Piper Sandler

A question about the shopper. It seems that when I've asked this question of peers, everyone seems to be stating that basically all shoppers, not just the core diehard shopper that drives retailer sales, but all the shoppers, are pretty much hanging in there and engaged. Last night on Simon's call, David spoke about sort of the value shopper being pinched in some of their categories, but overall the consumer being strong. How would you characterize your shopper base, and what are the tenants saying? Is it strong across everywhere? Are you seeing any cracks? Just curious, a little bit more perspective.

James Taylor

Well, you have seen really strong traffic levels, which have continued and which we find to be very encouraging. At the same time, our tenants are reporting strong sales across the board. In fact, you noticed that we picked up some percentage rent in the prior quarter, reflecting the strength of traffic and the sales volumes that our tenants have been achieving, including tenants in the value segment. So if you take a step back and you think about our centers more generally -- grocery-anchored, necessity-based, value apparel -- those categories have all remained pretty strong. Certainly, you've seen within the earnings reports of some of the tenants, some shifting in consumer habits and what consumers are spending money on, but what I'm most encouraged by, Alex, is the continued real-time demand of tenants to open up new stores. So they understand very well where the consumer is and are investing more in their most profitable channel, which is the store. So as you think about our traffic levels, as you think about the tenant demand, as you think about the forward leasing pipeline, and you think about the consumer hanging in there, we feel pretty good.

Juan Sanabria – BMO

Just hoping you could tease out a little bit about your comments on maybe being a net seller for the back half of the year, and anything around that, and where asset values are for the stuff you're looking to sell.

James Taylor

We've always been hesitant to provide specific levels of guidance because we do want to continue to be opportunistic, much as we're being right now as we find good demand for some of the smaller non-core assets. We're really not seeing a lot of very compelling product in this period of capital markets' volatility that would interest us from an investment perspective. That could certainly change. We're certainly on the front of our foot watching to see how the market responds in our core markets, but we do expect, given what we have in the near-term pipeline, to be net sellers over the coming months and continue to have, importantly, the acquisition dry powder to pivot should great opportunities present themselves.

Juan Sanabria – BMO

Any color on how you've seen cap rates change as a result of uncertainty in the economy and some volatility on the rate side?

Mark Horgan

So what's been surprising is we've seen a continued relatively strong market for grocery-anchored assets that have growth and value creation potential, certainly like the assets we've recently purchased. I think when you look at assets that are more commodity-based, that really don't have growth, those cap rates likely drift up a bit, certainly nowhere in lockstep with the rise in the risk free rate. I do think it's important to look at what cap rates have done over time in the open-air sector. They've actually proven to be pretty sticky. So I do think that relative stickiness in cap rates for open air retail, and frankly the proven performance that we're seeing through some challenging times over the last few years, will continue to attract capital to the sector and keep values somewhat sticky.

Todd Thomas – KeyBanc

There's been a little bit of volatility in your current same store NOI growth results, just given the out-of-period collections. Jim, you commented that you're excited about the future, 2023 and beyond. Base rent growth is expected to pick up a bit from the 4.3% year-to-date, based on your revised

guidance, so call it ending the year in the mid to high 4% range. Is that a realistic growth rate to anticipate moving forward into '23, sort of an appropriate level of minimum rent growth upon exiting '22 and looking ahead?

James Taylor

Well, without giving guidance, we expect the rent growth to continue to be strong and continue to reflect that accelerating momentum as we continue to deliver our value-added reinvestments. What gives us confidence in that forward look, remember that prior period collections are definitely going to moderate, right, as you look forward to kind of the base period and you look past the noise of the prior-period collections, the engine is firing on all cylinders. What we're particularly encouraged about is again not only the signed but not commenced pipeline, but the forward legal leasing pipeline and the conversations that we're seeing that allow us to capitalize and continue to capitalize on our attractive rent basis to drive more accretive reinvestment projects and more fundamental growth in ROI. So we like the trajectory. We like how the business plan is delivering. Honestly, I think it gives us a little bit of a differentiation versus a business plan that's just modeled on a steady state of replacing tenants and backfilling when you've got rents that may be at or above market. That's the nice thing about our plan is that it allows us to look several quarters forward, and again, we're doing business today for '23 and '24.

Angela Aman

I'd just make one comment on the out-of-period collections. It is certainly, as Jim said, a headwind as we head into next year from an optical growth perspective. We recognized a little over \$10 million this quarter, about \$10 million last quarter as well. While that is a finite pool, and as Jim said, those are naturally going to moderate as we move forward, and we have addressed at this point a lot of the most likely to collect amounts, there should still be some as we move forward. But if you think about the collections just year-to-date, I think it says something really positive about the strength of the underlying tenancy. Over 80% of what we collected in the second quarter was related to tenants who are still active in the portfolio today, and the fact that they are coming current on some of those legacy amounts from the pandemic, I think says something really positive about how they've recovered and how their businesses are positioned right now.

Todd Thomas – KeyBanc

I think you commented on net recoveries in the back half of the year, but looking forward, would you expect net recoveries to become sort of a greater contribution to same store NOI growth, just given the increase in occupancy rates? Or is there likely to be some continued volatility impacting margins?

Angela Aman

Yes. There's certainly volatility this year, to your point, related to the timing of expenses in 2021 and the fact that they were much more back-end loaded, particularly in Q4. So while we do expect net recoveries to be a positive contribution for the full year, which does reflect the growth we're seeing in billed occupancy this year, it is negative at this point in the year, and that will revert as expenses kind of normalize or as you get into some easier comps in Q3 and Q4. As you look forward to next year, certainly I think we can continue that momentum based on both prudent expense management and continued growth in billed occupancy. We've done a great job at continuing to navigate the inflationary environment and aren't seeing a tremendous amount of pressure on margins related to that.

Craig Mailman – Citi

Just wanted to follow up on the \$50 million pipeline of leases under negotiation. Could you just give us a sense of how much of that is renewal versus new, and what that could mean for kind of small shop occupancy if the majority of that actually signs?

Brian Finnegan

That's new. That's the new lease pipeline that we have, and we're very, like we've said, encouraged by it, particularly because of how much GLA that we've signed year-to-date. So what it means for small shop occupancy. As Jim mentioned, we see continued runway for growth. We've got about a 150 basis point drag in both overall and small shop occupancy from that redevelopment pipeline. As the teams continue to deliver that, as we continue to bring anchors in that are driving a lot of traffic to our centers, we expect that to continue to grow. We've been very encouraged by the growth to date and we still see a lot of runway going forward.

Craig Mailman – Citi

So maybe another way to ask it then, I guess, is how much of that is kind of same store space versus maybe in terms of the value add?

Brian Finnegan

I think it's broad across the portfolio. I would say from the most part, we definitely see an impact when we do a reinvestment, but I would say broadly for the portfolio, our centers look a lot better today. The operating teams have done a fantastic job managing them, so we're seeing gains really across the portfolio. Then in particular, when we do make a reinvestment, we're seeing significant small shop occupancy gains of about 600 basis points. So I'd say that legal pipeline is fairly broad-based, but we're encouraged by the gains that we're seeing across the board.

Angela Aman

I would just point out, obviously all of our reinvestment projects remain in the same property pool, so the same property pool represents I think over 90% of the total portfolio.

Craig Mailman – Citi

You kind of broke down the commencements of the \$54 million between '22 and '23. If we think about it from I guess a FFO impact perspective, should we think about like kind of 50% of that \$27 million hitting in the back half of the year, and then 50% to 75% of that \$26 million hitting in '22 plus the other half of the time-weighted '22 commencements?

Angela Aman

I can give a little more color there. We do in the Supplemental provide a breakdown between '23 and then '24 and beyond. So as we talked about on the call, \$27 million in 2022, a little bit Q4 weighted but not substantially so. As you get into 2023, it's about \$19 million of the remainder, and then 2024 and beyond it's about \$8 million of what's left. So that's kind of how it breaks down.

Ki Bin Kim – Truist

So just want to go back to the \$50 million of ABR that are in negotiations, so not signed but not open, but under negotiation. Obviously, there are leases that are going into that bucket and some leases that are being converted to signed. That number is the same as last quarter, \$50 million, but like I just said, it's obviously dynamic. Can you just talk a little bit more about that math and the real-time demand you're seeing?

Brian Finnegan

It's about the same number, but consider we signed 900,000 square feet of leases during the quarter, so we've added more to that pipeline.

In terms of the real-time demand, as I mentioned, we were very encouraged by the conversations at ICSC, which were on the heels of retail earnings reports. We continued to have great discussions with portfolio reviews following up, and what we're hearing from our core tenants and from new tenants to the portfolio is still a desire to expand their open-air footprint. They're looking to fill their slots for 2023 and 2024. They're making long-term decisions because they see, as Jim mentioned, that this is the most profitable way to deliver goods to the consumer, and they're looking to expand their touch point with the consumer. As you look at what we've done at our centers, the centers look a lot better. Our traffic drivers continue to keep traffic up at our centers versus pre-pandemic levels. We've been really encouraged by the demand, and particularly the demand that we've been seeing over the last six to eight weeks.

James Taylor

I appreciate the question Ki Bin, because as Brian highlights, we're constantly backfilling that pipeline. We continue to see activity not only with what we're in negotiations on, but in the very front end. As we're signing LOIs or we're talking to tenants about their needs, those activities remain very robust, which I think reflects the quality of our centers. It also reflects the general environment where you're not seeing a lot of new supply. We're seeing, in a lot of circumstances, multiple tenants competing for the same space, which is a great way to drive better terms, better growth, and better outcomes.

Ki Bin Kim – Truist

I had a kind of specific accounting question. I'm looking at Page 30 in your leasing metrics. You guys cite about \$1.77 of tenant specific landlord work in 2Q. I was just curious if that's a fully loaded number, meaning if you do work on like HVAC or roofing, that where the useful life extends beyond the tenant lease term, is that Capex included in that \$1.77 or excluded?

Brian Finnegan

Those are the tenant-specific costs for work related to the space that we're doing generally when we have kind of larger TAs for tenants. So it would have some of that TI work that's included in that, that's typically performed by the landlord.

Angela Aman

Yes. The typical base building work is usually excluded from those numbers. You'll see that show up in maintenance Capex.

Greg McGinniss – Scotiabank

I just want to go back to your comment on the transaction market in terms of not seeing compelling product during this period of market volatility. Does that mean there's no product available to buy or sellers are just not adjusting cap rates despite increases in borrowing costs, so just a wider bid-ask spread issue?

Mark Horgan

So there's a couple of points in there. One, there are certainly less assets on the market today, particularly on the grocer anchor side. So the ones that are coming to market, as we mentioned, the pricing has been pretty sticky, stickier than we would have expected. So, I think there's just less assets on the market from that perspective. From a bid-ask perspective, I do think we're going to see that wider bid-ask on larger deals, as Jim mentioned in his remarks. Smaller deals have a much wider buyer pool. They've got a lot of financing options, so that market is somewhat liquid like the larger assets. We see less of those trading today. So I do think there's probably a wider bid-ask spread there. That certainly could be some of the opportunity that Jim mentioned as we look at the rest of the year going into next year. That's how I would categorize the market today.

Greg McGinniss – Scotiabank

On the 150 basis point occupancy drag that you've cited from the redevelopment pipeline, does that mean that assets are currently repositioning and the space just can't be filled because there's work being done? Or is that occupancy that you expect to gain after new anchors open?

James Taylor

No, it's not occupancy. It's vacancy in those assets undergoing reinvestment, which we do expect to fill as we deliver those reinvestments. So it's the impact of assets under reinvestment from an occupancy standpoint to the pool overall.

Greg McGinniss – Scotiabank

That's the active development pipeline creating that drag, right? It's not the \$1 billion plus additional investments you're currently making.

James Taylor

Right.

Haendel St. Juste – Mizuho

You guys have done a great job getting to your SNO rents on time, even faster than anticipated. I've been hearing some comments about potential store opening delays given labor shortage and supply chain concerns, so maybe you can discuss how you're able to successfully get to your rent so consistently and ahead of schedule? And are you starting to see any of those delays or have any concerns about the potential delays as we look forward?

James Taylor

It's something that Brian and Haig and our leasing and operations team and our tenant coordinators have been very active in managing, and I think you see our success in terms of our ability to deliver ahead of schedule. To get there, it's really a multipronged approach. You're working with tenants to adjust scopes. You're working with tenants to defer certain items. You're getting the tenants to accept existing conditions because the tenant wants to get open too. At the same time, you're going ahead and getting permits early in the process. You're doing a lot of other things to try to manage that as best you can because it is against the backdrop, Haendel, of supply chain disruption, permitting delays that occur, particularly during the pandemic as some permitting offices were shut down. I just think the team has done a really good job of proactively managing that and delivering better than expected. So hats off to Brian and the leasing team for having the trust with the tenants to work with them and negotiate scope. In fact, we've had, with many of our major tenants, offsite meetings to talk about how do we hit schedules and to partner with tenants in that. And of course, Haig and the operations team are doing a phenomenal job.

Haendel St. Juste – Mizuho

On the balance sheet. Yes, I understand that you have great liquidity, no near-term maturities until '24, but your debt EBITDA is in the mid-6s, and I imagine that will somewhat limit your ability to be opportunistic. You talked about being a net seller in the back half of the year. So I guess I'm curious, is this a level you're overall comfortable with, especially as we enter a slow economic period here? Maybe you could talk a little bit more about your balance sheet philosophy today, as well as your target leverage and timeline getting there?

Angela Aman

We're very pleased with where we stand overall today. We spent a lot of time on this call talking about how powerful that signed but not commenced pipeline is. As we deliver that space, you're naturally going to see EBITDA growth, and you're naturally going to see the debt to EBITDA number work its way down. We generate great free cash flow. We're using free cash flow to fund the vast majority of the redevelopment effort, which continues to create that EBITDA growth going forward. So I do think you'll naturally trend down into the low 6x range, probably as we get into next year, but it will be pretty organic in nature.

Haendel St. Juste – Mizuho

Low six is where you are comfortable being overall in that type of environment we're looking at?

Angela Aman

Yes. We really are, and it's informed by the fact that the portfolio continues to have a very significant mark-to-market opportunity. So I think it's what the right debt to EBITDA number is should always be informed by what the basis of the portfolio is.

James Taylor

And where EBITDA is going.

Angela Aman

Where EBITDA is going. If we thought that the portfolio were above market, we would have a different leverage target. If we thought it were at market, we may even have a different leverage target, but with a continued substantial mark-to-market in the portfolio that we're demonstrating quarter after quarter in the executed spreads, we believe you're going to continue to see that EBITDA growth and naturally see the debt to EBITDA number trend lower over time. So 6x does feel right in this environment, absolutely.

Anthony Powell – Barclays

It's a question on revenues deemed uncollectible. You mentioned that we expect to see prior collections moderate, but you're also seeing stronger current year collection. So as you look at that line item going forward into 2023, can we expect that line item to be either flat or positive in 2023 as you continue to collect prior period earnings and as your collections get better?

Angela Aman

Yes. It's a very difficult question to answer because of that prior period collection piece. We've been very pleasantly surprised by our ability to continue to collect some of those legacy amounts, but as you step back and think about it, most of what we're talking about relates to 2020 revenue. We're now two years sort of into trying to collect some of those amounts. What's left to collect is heavily weighted to some of those categories that were more significantly impacted during the pandemic, like restaurants, fitness, entertainment. So while I think the team has done a phenomenal job of continuing to realize collections on those amounts, we should naturally all expect that's going to trend down and eventually really dissipate. We give disclosure on this in the Supplemental. It's about \$39 million remaining of revenue throughout the entire pandemic period that has been accrued for but uncollected and reserved for. So that's really the number that in total would have the ability to be positive to the P&L, positive to revenues deemed uncollectible over time. Only about \$18 million of that relates to tenants that are still in occupancy in the portfolio, that are still active tenants with us. That's our highest likelihood of collection, as I mentioned earlier. Over 80% of what we collected in the current quarter was related to active tenants, and those are great trends and say something really, I think, fantastic about the wherewithal of those tenants at this point in time, but the granularity of that pool has continued to increase. We did have one larger settlement in the current quarter. Looking forward, the average balance we're trying to collect from individual tenants is in the \$20,000 to \$30,000 range, so it makes it very difficult to predict the total amount that might come in or the timing of that.

Putting all of that aside, I would say as we look at the watchlist in general just continue to trend down, as we look to 2023, we're certainly mindful of the overall current environment, but we do continue to see improvements in the collections rate from cash basis tenants as move forward. So at this point, I would expect, putting aside the impact of prior period collections, that we look at reserve numbers for next year that probably are more in line with our long-term historical levels of basis points. Again, that's with a big caveat on not really being able to predict what those out-of-period amounts might be.

Anthony Powell – Barclays

One more on Lake Pointe and Sugar Land. You talked about the underwriting there, the cap rate going in. Is that a full redevelopment or more just a leasing-up opportunity there?

James Taylor

It's really both. So we have vacancy in the small shops, which we've already begun backfilling above what we have underwritten, as well as some additional pad sites and density that we believe we can add to that highly trafficked asset.

Mark Horgan

We're really excited about that opportunity. We really bought that asset at a low point in the asset's occupancy history. So the asset is currently 87% occupied, 82% occupied in a small shop, both of which are well below our portfolio average. We really do see near-term growth in that asset. From a cap rate perspective, it was just below a five cap, and we do have, as we said, leases that we already had in hand that would drive it well above that here in the near-term.

Floris Van Dijkum – Compass

If you could remind us again where your peak occupancy was in your portfolio, knowing that's probably maybe not a relevant statistic as you've put significant money into your properties. Where do you think that can go? Also maybe can you talk about what that does to your NOI margins. I noticed that you've got still a pretty healthy pipeline of signed not open, presumably as your margins improve as well. Where do you think your NOI margins can go to once you get your portfolio even further occupied?

James Taylor

As we've talked about, and Brian highlighted as well, we've got about 150 basis points of drag in our reinvestment pipeline, which we think will outperform the portfolio as we deliver. So if you think about it, we sit at 92.5% today. Our previous all-time high was 92.8%. We believe as we continue to execute that we'll continue to go above that. That will be accretive to our margins as well. I'm not going to give you an exact basis point, but obviously, as we continue to drive to build occupancy, that continues to accrete to our NOI margin.

Floris Van Dijkum – Compass

I'm curious with all of the cell phone data, you guys have really had information on traffic levels. What does a typical redevelopment do to traffic levels in your view? And I noticed, I saw online your Mamaroneck Center, which I haven't been to in a couple of years, but it looks a lot nicer now than it did previously. Maybe if you can use that as an anecdote, what has happened to traffic at a center like that, going out post redevelopments?

James Taylor

It's quite significant. It's high double-digit kind of growth rate and what the traffic is, it depends on the nature of the redevelopment and reinvestment certainly. You mentioned the Mamaroneck. The traffic growth there has been exponential because we had a dark A&P box and shop space where we were able to add a bunch of shops, replace a grocer with a great specialty grocer, and drive exponential growth in that. Or to the addition of outparcels, for example in Rockland, where we added a very productive outparcel there. Traffic has increased at the center by 15%, 20%. So it depends on the nature of what we're doing, but we're seeing great growth in traffic. I think when you take a big step back and you look at our relative growth in traffic overall versus '19, you'll see that we stand apart and the strategy is what's driving that differential. It's coming through in our traffic numbers as we replace the tired old, oversized box with the specialty grocer and fitness use or value apparel retailer or we add an outparcel. What's exciting for us is we've now impacted over 130 of our properties. We have another \$400 million of it largely leased and underway, which will continue to accrete to the traffic levels that the asset's impacted, and we have a pipeline behind it. So it's great to see it in those traffic numbers and to see that type of overall growth.

Linda Tsai – Jefferies

Angela, you mentioned earlier success in managing expenses. Can you give us more color on what that entails?

Angela Aman

It's just very proactive efforts across all of our property management teams across all of the regions in terms of really working with vendors, utilizing the benefit of scale we have for certain things, trying to find more efficient ways to operate and more efficient ways to procure certain things. So it's a very broad-based approach. I think the team has done a fantastic job of really looking for every opportunity across all of the expense line items to try to proactively manage inflationary pressures across the portfolio.

Linda Tsai – Jefferies

Then in terms of revenues deemed uncollectible being a headwind to 2023, are there other items we should think about for next year in terms of impacting growth?

Angela Aman

I think Jim framed it up very well in his prepared remarks, which was to say, yes, the prior period collections are without question going to be a headwind as we head into 2023. We know what that headwind looks like on a year-to-date basis to the extent we have additional out-of-period collections in the second half that creates an even larger headwind as we get into 2023. Certainly, the health of the tenancy feels very good today and so we're hopeful that continued improvements in the collections rate from cash basis tenants will help to mitigate some of that, but without question, it's a headwind.

The offset to that, and in a more important significant way the fundamental growth piece, meaning the signed but not commenced pipeline coming online, is really going to be the primary driver of growth as we get into next year, both as we increase occupancy, which we've highlighted has an important impact on overall margins, and recovery rates across the portfolio. We're just really excited about the opportunity to continue to drive that forward.

Paulina Rojas Schmidt – Green Street

You're obviously seeing very strong leasing demand despite having a slowing economy. Where is this retailer behavior in your experience versus what we have seen in other cycles? Is it unique or down the road, we could realize that it was in hindsight in line with the usual lag reaction from retailers to changes in the economic scenario?

James Taylor

Well, I think you have to frame it up in terms of where we've been for the last couple of years. The retailers navigated through a pandemic quite well, and through the process of doing that, really, I think, further solidified their own views as to the importance of the store in serving the customer and the importance of the store from a profitability standpoint. So while you're certainly seeing some headlines around inventories and shifting consumer patterns, traffic is still strong, retailer sales are still up, and you're seeing, I think, what is a very rational forward plan for these retailers who are thinking not just about the next couple of quarters but, from a store perspective, the next couple of years, where they see white space to expand their brand and be profitable. That's why you always hear me say rent basis matters. The retailers aren't going to go into a store that they believe is not going to be profitable to them from a four wall EBITDA perspective. They're better than ever before, Paulina, at estimating what the productivity of a store is going to be, not only within the four walls, but also what they expect that store to drive in additional online revenue. Those models are utilizing all the data and current real-time traffic patterns and understanding of consumer patterns as well. So this continued strength in retailer demand feels very fundamental to us and in support of their long-term profitability.

Paulina Rojas Schmidt – Green Street

So your assets are on average located in areas that serve consumers with a lower household income than your peers. Can you talk about what are, in your mind, the implications of this given the low growth scenario we're in and understanding of course the type of product found in strip centers?

James Taylor

Our centers are in phenomenally strong locations from a national perspective, and I think we're demonstrating that in terms of the fundamental growth that we've been delivering, the relative traffic growth to the centers, and the real-time tenant demand to be in our centers. So we like how this portfolio is positioned. There are some assets that might bear higher demographic profiles, but have rents that are at or above market, and that's not a long-term way in our opinion to drive value or drive ROI. So we like how we're positioned as a portfolio. We like where our rents are. We like that rent basis, particularly in light of where we're signing new rents, and particularly in light of the fundamental tenant demand in real-time traffic patterns. So we think in that way, we're somewhat differentiated in that we haven't chased demography just for the sake of demography. We're looking to invest capital where we see strong tenant demand and where we believe we can drive great performance from an ROI perspective.

Michael Mueller – JPMorgan

I'm curious, how do the return expectations for your new and planned reinvestment projects today compare to projects you started a year or two ago?

James Taylor

They remain really strong. It changes based on mix. Typically, the outparcel projects will be more accretive from a return perspective than a larger scale redevelopment, but we're getting great incremental returns, and importantly, Mike, also great gross returns on the capital that we're putting to work. So today, that pipeline that we have underway is just a little bit under \$398 million at a nine. I like how that's positioned. It's a substantial spread to not only where cap rates are today, but where they might move in the future, and we believe we're creating a tremendous amount of value there.

###