

3Q 2022 EARNINGS CALL - FINAL TRANSCRIPT**NOVEMBER 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 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, 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

Thanks Stacy and good morning everyone. I'm really pleased to report another quarter of phenomenal execution by our Brixmor team that highlights the accelerating and transformative impacts of our disciplined value-add strategy. Those impacts are reflected in every metric, many of which are post IPO records for the Company. And, importantly, that execution provides exceptional visibility on forward growth through 2023 and beyond, even in a more disruptive economic environment. Allow me to dig into our results and highlight how our all-weather plan positions Brixmor for continued outperformance.

During the quarter, we signed 1.7 million feet of new and renewal leases at a record rent of \$19.26 a foot and a blended cash spread of 14.2%, which included 660,000 square feet of new leases at a record rent of \$21.20 and a comparable cash spread of 32%. And, as reflected in our strong net effective rents, we achieved those records while remaining disciplined with capital. This record setting performance underscores the transformative impacts of our value-add plan and the related tenant demand to be in our well-located, highly-trafficked centers. I'm also pleased by the breadth of that demand, as we continued to drive strong market share of store openings for our core tenants in categories like grocery, fast casual, wellness, and value apparel. And we've also recently brought exciting new concepts to the portfolio that will drive additional traffic such as Yardbird, Best Buy's outdoor furniture concept, or Bark Social, or the Live by Cordish venue.

Our leasing activity drove overall leased occupancy to a Company record of 93.3%, a year-over-year increase of 180 basis points. And importantly, we commenced another \$14 million of new ABR during the quarter, driving our billed occupancy to 89.6%. Importantly, we also set another record in small shop occupancy, which rose to 88.8% on new rents achieved of \$24.78 a foot. More than any other milestone achieved, this growth in occupancy and rate for our small shops truly underscores the transformative, follow-on benefits of our reinvestment strategy. We also drove our average in-place ABR to over \$16 a foot, another record for the Company, but which still has plenty of room to run as demonstrated by the nearly \$20 a foot achieved on all new leases over the trailing 12 months. As we've said many times, our attractive rent basis provides the opportunity to outperform through disruptive environments such as we experienced in 2020, as well as strong supply / demand environments such as we're experiencing today.

Our execution delivered topline same-store growth of 4.8% and NOI growth of 3.6%, which is particularly impressive when you consider the drag of 250 basis points from revenues deemed uncollectible due primarily to declining prior period rent collections as we worked down our remaining receivables. Year-to-date, as we've driven occupancy and improved recovery rates, we've grown bottom line FFO by 6.5% on a comparable basis.

Looking ahead, we have \$53 million of signed but not commenced rent, which will commence over the next several quarters, as well as \$40 million of annual base rent in our forward new leasing pipeline. Even with the naturally declining rate of prior period collections as those receivables are paid in full and the increased possibility of disruption as economic concerns loom, we still expect continued outperformance in our revenue and NOI growth in 2023 and beyond. This level of visible forward growth truly underscores the all-weather nature of our plan.

Given our increased cash flow and confidence in continued growth, we are pleased to announce a dividend increase of 8.3% which will keep us still at one of the lowest payout ratios in the sector as we utilize free cash flow to self-fund our value-add plan without reliance on the volatile capital markets.

Speaking of that plan, our reinvestment pipeline continued to deliver despite ongoing supply chain issues as we partnered with tenants to get stores open on time. We stabilized \$46 million in projects during the quarter at an incremental yield of 8%, bringing our year-to-date deliveries to \$113 million at a 10% yield, creating significant value even in a higher cap rate environment. Since we began this program, we've completed over \$800 million of reinvestments at an incremental return of 11% and importantly, we have another \$400 million leased and underway, providing us significant future value creation. Please do check out our At the Center video series on our website that truly highlights the transformative impacts and accretive returns of our program.

From an investment standpoint, we continued our pause on acquisitions, keeping our powder dry, as we believe there will be compelling opportunities

in the coming quarters as private, less well-capitalized landlords struggle with upcoming debt maturities and cash flow constraints. With that said, even in this more challenging capital markets environment, we've continued to find some liquidity to sell smaller non-core assets at opportunistic values, with over \$110 million in sales transactions completed during and subsequent to the end of the quarter. And importantly, as Angela will discuss further, we have \$1.3 billion of liquidity and no debt maturing until 2024, allowing us to be opportunistic from an external growth perspective.

Angela Aman

Thanks Jim and good morning. I'm pleased to report on another strong quarter of execution by the Brixmor team that highlighted both the value creation potential of our portfolio and the ability of our platform to harvest embedded upside. NAREIT FFO was \$0.49 per share in the third quarter, driven by same property NOI growth of 3.6%. Base rent growth continues to accelerate, contributing 480 basis points to same property NOI growth this quarter. Excluding the impact of lease modifications and rent abatements in the prior period, base rent growth contributed 440 basis points, representing a 70 basis point acceleration from last quarter, reflecting continued growth in billed occupancy and significant releasing spreads over the last year. Ancillary and other income and percentage rents contributed 80 basis points on a combined basis, while net expense reimbursements contributed 50 basis points. Revenues deemed uncollectible detracted 250 basis points from same property NOI growth primarily due to the fully expected moderation of out-of-period collections of previously reserved amounts. Year-to-date, we have recognized approximately \$21 million, or \$0.07 per share, of out-of-period collections related to prior years, and our current expectation is that such amounts will be minimal in 2023. As a result, we do expect revenues deemed uncollectible to be a headwind to both same property NOI and FFO growth next year, as the total level of revenues deemed uncollectible reverts to historical levels.

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 occupancy was up 60 basis points sequentially, while leased occupancy was up 80 basis points sequentially. The anchor leased rate now stands at 95.4%, up 60 basis points sequentially, while the small shop leased rate stands at 88.8%, up 110 basis points sequentially, reflecting another new portfolio record for this metric.

The spread between leased and billed occupancy grew to 370 basis points this quarter and the total signed but not yet commenced pool, which includes an additional 50 basis points of GLA related to space that will soon be vacated by existing tenants, totaled \$53 million. While the size of the pool is in line with last quarter, there's been significant continued velocity within the pool, as we commenced leases representing over \$14 million in annualized base rent this quarter, while adding \$14 million of newly executed leases to the population. As we've highlighted in the past, one of the strongest indicators of forward growth is a persistently widespread between leased and billed occupancy, while both billed and leased occupancy are increasing. In addition, the blended annualized base rent per square foot on the signed but not yet commenced pool remains well above \$19, approximately 20% above our portfolio average, reflecting the broad-based impact of our granular reinvestment initiatives.

From a balance sheet perspective, as of September 30, we had \$1.3 billion of available liquidity, only 4% floating rate debt, and no debt maturities until mid-2024. As a reminder, with the execution of our amended credit facility in April, we obtained a \$200 million delayed draw term loan that we expect to utilize before April 2023 to continue to extend the duration of the balance sheet. While our existing \$300 million term loan has been swapped through July 2024, the delayed draw term loan has not yet been swapped. As noted in last night's release, we have also renewed both our \$400 million share repurchase program and our \$400 million at-the-market equity offering program, which were set to expire in January, proactively extending our ability to capitalize on a wide range of capital markets conditions.

As Jim highlighted, we are pleased to also announce an 8% increase in our quarterly dividend last night to \$0.26 per share, or \$1.04 on an annualized basis. This dividend increase reflects the strong growth in taxable income experienced over the last year, while also allowing the Company to retain as much free cash flow as possible to continue the execution of the value-enhancing reinvestment program. The revised dividend level represents a payout ratio of just over 50% of our third quarter FFO and a dividend yield of 4.8% on last night's closing stock price.

As it relates to guidance, we have maintained our previous guidance range for same property NOI growth at 5.5% to 6% and we have revised our FFO guidance to a range of a \$1.94 per share to a \$1.97 per share.

QUESTION AND ANSWER

Craig Schmidt – BofA

I'm wondering, will there be any pullback on the redevelopment investment given the potential for a recession in 2023?

James Taylor

What we're finding is continued demand, as well as highly accretive returns. So even in an environment of increasing costs, we're offsetting that very effectively with the rent that we're able to achieve. As we've talked a lot about a lot, our business plan is built for an environment of higher rates, less liquidity, because it's self-funded and because, importantly, the absolute returns that we're achieving are quite compelling. And we also, as you're seeing in all of our metrics, Craig, we're driving some real important follow-on benefit, not measured in initial returns, in terms of follow-on occupancy and rate in our small shops. So, we like how our plan is positioned. We like that it allowed us to outperform during the disruption of COVID, where over that two and a half year period, we grew our NOI, I think, at the top of the peer group. But also, in a strong environment, such as the one we're in today. We're really seeing more tenant demand than we've seen in quite some time. But then importantly, to what's implicit, in your question,

should we see a reversion to more normalized levels of tenant failure, et cetera we believe this reinvestment plan is the way to really position us to outperform in that environment as well.

Craig Schmidt – BofA

And then just what are the positives and negatives of having local tenants at 21% of your ABR?

James Taylor

It's important to have the center be relevant to the community it serves. And one of the things that really struck us through the pandemic was the strength of that tenancy. We did have some failures. And interestingly, even with the small and local tenants, we saw demand to backfill those tenants with better, more well-capitalized operators. And so, it's a balance. Obviously, out of the small shop tenancy, whether it's local, regional, or national, we're able to drive higher absolute rents. We're typically able to drive higher embedded growth as well as absolute growth in that portion of our tenancy. But we like, importantly, how it's positioned today. We think we've got a very good balance of national, regional, and local tenants that provide great visibility on and stability from a cash flow perspective.

Todd Thomas – KeyBanc

Following up on the local tenants and that exposure in the portfolio, I'm wondering if you're seeing any change in the health or ability of your local small shop tenants to pay rent today? Any increase in rent relief requests or otherwise at all?

James Taylor

Quite the contrary. We're seeing very good strength out of our entire tenant base and particularly in the small shops. It's reflected, Todd, in the rents and occupancy levels we're achieving, which we're really proud of. And frankly, as we've executed this plan, and upgraded the quality of tenancy, which we think is implicit in our results, but something that's worthy of being highlighted, our collections levels continue to be very strong and, importantly, also our traffic levels continue to be very strong to our centers. So, we like how we're positioned.

Angela Aman

I would just add as it relates to revenues deemed uncollectible, there's some disclosure in the supp that gives you a good sense for what we're reserving as it relates to collection shortfalls for current period revenue, and that's been stable over the last few quarters at around 135 basis points to 140 basis points. So certainly, with some of the macro headlines lately, we have not seen any deterioration in credit quality. And the other thing I would emphasize is, as both Jim and I sort of talked about in our remarks, out-of-period collections of previously reserved amounts have continued to be pretty significant. We are continuing to collect amounts from 2020 and 2021 and even earlier in 2022. Despite the fact that there were some delays in payment with those tenants, the fact that many of those tenants are fully paying off amounts that were underpaid during the pandemic is a really good sign of how they've come through the last few years and how they're positioned going into a more disruptive economic environment.

James Taylor

And I put our collections experience at the top of the group. When you look at what we've been able to drive in terms of collections and in the enforcement of our leases, I think we've done a really good job there.

Todd Thomas – KeyBanc

I wanted to ask about your comments in the prepared remarks around the embedded growth from leasing and the signed not occupied pipeline. Notwithstanding some of the noise from out-of-period collections that you mentioned, Angela, are you expecting to see minimum rent growth continue to improve into the fourth quarter from the 4.4% in the third quarter? And can you provide some additional context around what you're anticipating for minimum rent growth heading into 2023?

James Taylor

I appreciate the question and the focus on this point because it is important. So, without giving specific guidance, what I will tell you is that we do expect continued strength in topline growth. And it's being driven by that visibility on the signed but not occupied pipeline, as well as the forward pipeline. So, if you think about it over a long period of time, we feel good that rent growth is going to trend towards the upper end of the range.

Angela Aman

I would say on a year-to-date basis, our contribution from base rent growth, sort of stripping out the lease modification and abatement number, year-to-date, is that 430 basis points. The guidance we've given earlier in the year, we said that for the full year we'd be somewhere between 400 basis points and 500 basis points. So certainly, I do think you could see some acceleration in Q4 to get us to the midpoint of that range. And as Jim said, we're very pleased with the signed but not commenced pipeline in the way that that continues to deliver, and the leasing pipeline Jim mentioned in his remarks behind that.

Haendel St. Juste – Mizuho

Given the recent transaction activity, I was hoping you could provide some perspective on cap rates, especially curious on where cap rates on grocer versus non-grocer assets are today and how they've moved over the last quarter? And could you provide, or can you give the cap rates for the \$81 million you sold here in the fourth quarter?

James Taylor

We are seeing, Haendel, and I think it's true across the universe, a real slowdown in overall transaction activity. So, data points are less instructive. I think, in an environment of transition like this, everybody can point to a tight cap rate or a lighter cap rate. With that said, I think it's clear that there is upward pressure on cap rates even for the most core grocery-anchored shopping centers due to where the 10 year has gone and where the cost of finance has gone. I don't believe that, by the way, that movement is anywhere near as wide as the movement in asset classes that are trading closer to that risk-free rate. If you look at the cap rates that we achieved on what we've sold through the quarter and subsequent to the quarter, they're very attractive and in part it's a testament to Mark and team finding liquidity from both smaller private buyers, 1031 buyers et cetera, as well as buyers looking at alternative uses for the properties such as what we capitalized on in College Park, Maryland.

Mark Horgan

I would comment then, when you look at the market over the past few months, it's really been driven by a pretty wide bid-ask spread between owners and sellers. So, there's clearly demand for the asset class and people looking to buy. I think you're seeing some owners say they're going to wait and see what happens in the rate environment. And that's really what's driving, I think, some of the slowness in the market today.

Haendel St. Juste – Mizuho

Would you be willing to provide a cap rate on the \$81 million in the fourth quarter so far?

Angela Aman

When I look at the pool of assets we sold subsequent to quarter-end, there were, I believe, five shopping centers in that pool, one of which was sold for an alternative use at a very low cap rate. So, the cap rate blend on the \$81 million subsequent to quarter-end is going to be below where you've seen us transact historically. But we prefer to wait and give cap rates on the full quarter once we give Q4 results.

Haendel St. Juste – Mizuho

Fair enough. And Angela, maybe one for you. Looks like the SNO spread widened 20 bps from last quarter, but the embedded rent declined by about \$1 million. So, I guess, first off, I'm curious why the ABR within the SNO pipeline is decreasing a bit here, while the spread is expanding. Is that a mix issue? And then second, as you now said, at historically high occupancies, is this SNO spread as good as you think it's going to get?

Angela Aman

There's a bit of a nuance between the spread between leased and billed occupancy and what we report in the signed but not commences pool. That's footnoted in the supplemental under that signed but not commenced table. And the delta really relates to leases that have been signed and have not yet commenced on space that's currently in billed occupancy from the prior tenant, right, so, backfills of existing tenants. Last quarter, the total signed but not commenced pool represented 420 basis points and included 70 basis points of space related to tenants that were currently in billed occupancy, getting you down to that 350 basis point spread between leased and billed occupancy. Today, we're still at 420 basis points in the signed but not commenced pool. But only 50 basis points of that is related to tenants that are currently in occupancy. So more of the signed but not commenced pool, even though the total number did not change, more of that pool today is incremental than it was a quarter ago.

Haendel St. Juste – Mizuho

Got it. I just wanted to follow up on just the SNO pipeline. Are you seeing any logjams forming or still expect to get the doors open next year and that SNO rent commenced on time?

Brian Finnegan

Our team's done a great job of minimizing that. We've certainly had some delays across the portfolio. But I think as Jim talked about in his opening remarks and as we've talked about on prior calls, our operating teams are working very closely with retailers. We found that our retail partners are being incredibly flexible in this environment, keeping existing HVAC units or keeping the bathrooms in the locations where they're at, because they're incentivized to get these stores open. And we've had some great successes year-to-date, and I think what we've been able to do has really positioned us going forward to negotiate those scopes upfront. So, some of the best practices we're learning, we'll even take advantage of in a more normalized environment. So, I think the team's done a great job.

James Taylor

I would agree and I would say what we're actually commencing in the quarter is exceeding our expectations. So, we talked about the \$14 million of rent that commenced this quarter and the teams just doing a phenomenal job of getting the tenants open and in occupancy. And as you can imagine, we're absolutely aligned with the tenants in that regard. So as Brian highlighted, we and the tenants are working together to get those stores open as quickly as possible.

Greg McGinniss – Scotiabank

Just thinking about occupancy, curious what you see is a reasonably achievable full occupancy, I'm doing air quotes for those not in the room with me, for the portfolio as it stands today. You've spoken about the 150 basis points of occupancy locked up in the active redevelopment pipeline. I'm curious how much more benefit is embedded in the future pipeline? And really kind of what do you see as the low-hanging fruit left to fill in the near-term?

James Taylor

Loved the question and appreciate the air quotes. As we think about the plan, what we're excited about is that we continue to increase not only occupancy, but potential occupancy for the portfolio. And so that's why you're seeing us set records today, but we still believe we have room to run. We believe we have room to run both in overall occupancy of a couple hundred basis points, but we also see it, importantly, in the high rates in the small shop component of our portfolio as well. So, this strategy has had the follow-on benefit of increasing the potential occupancy of this portfolio. And that's something that's important to understand, so that I fully see this portfolio hitting a stabilized occupancy above what it's ever achieved in the past. But another important thing to consider about this strategy, it's not simply about getting to full occupancy. It's about maximizing the ROI on the assets that we have, recycling capital effectively, improving rate, driving NOI high growth, and doing so in a value-added and disciplined manner. It's a very granular strategy. But all you need to do is look at the metrics and results to see the success of it over time. So, even in a more full occupancy environment this is a platform that will continue to create value as we recycle through opportunities that exists throughout the portfolio to create value.

Greg McGinniss – Scotiabank

Then just kind of just digging back on that. Do you have any thoughts on the future redevelopment pipeline and what might be contributed from that in terms of occupancy?

James Taylor

I can't give you specific occupancy guidance on the future redevelopment pipeline. But when you look at it, we have another \$400 million underway, substantially leased. That's going to be a 9% to 10% incremental return. And then, we have close to \$1 billion of opportunity beyond that that we've identified in the properties that we'll get to as leases mature and give us the opportunity to recapture space and drive the potential of those assets. We've got several years of visibility of value-added activity, even in an environment today, where it's a self-funded and internal growth driven plan. I'm really pleased with what we've done with acquisitions that have been value-added. Obviously, we're in an environment today where I think it makes sense to pause, but we'll find in the future our openings to continue to grow in that regard as well. But what I like about how we're positioned is we don't need that. We've got several years of runway of growth and opportunity that's embedded in the assets that we own and control.

Greg McGinniss – Scotiabank

And Angela, if I can just follow-up with how are you accounting for rent from Regal at this point?

Angela Aman

Yes. It's fair to say that all of our entertainment tenants or our movie theater tenants have been on cash basis through the pandemic. We had three Regal locations at the time of filing. One was rejected. We have two still in place. So, we are recognizing revenue from all of our movie theater tenants as cash is received.

Juan Sanabria – BMO

Just hoping to go back to Craig's question on the redevelopment and maybe a comment you made about the rents you're getting there. Do you expect that the yields you're targeting on those will increase as rents move higher or that the spread would maybe compress a little bit, although still be positive, and definitely better than traditional ground-up developments, just given a higher cost of capital in today's environment with particularly higher interest rates?

James Taylor

Yes, what we've seen, and also on the cost side of the equation, is we're seeing it come through in terms of the cost to redevelop these centers. But fortunately, we've been able to offset that with the rents that we're realizing on the reinvestment projects driven by the tenant demand. So, again, we have pretty good visibility on continuing to be able to drive 9%, 10%, 11% incremental returns. Of course, the gross returns are much higher. And what we like about that is, even in an environment of rising cap rates and rising interest rates, which we've always underwritten, we're still creating significant value, maybe not as much incremental value as when interest rates were in the low-single digits, but we're still clearing it by a healthy margin. And importantly, we're setting these assets up for continued growth as the balance of the assets benefit from the investments we're making.

Angela Aman

I would also just add to that that the risk associated with the type of redevelopment work we're doing continues to be very low. This is very much, as Jim said earlier, a tenant-driven exercise, where we're really not beginning projects, we have no capital at risk, until we have substantially all of the leases signed, all of the revenue kind of contractually obligated. So, when you think about that complexion from a risk standpoint against the returns we're achieving and where cap rates are today or where they might go, I think that activity continues to be very attractive on a risk-adjusted basis.

Juan Sanabria – BMO

Makes a ton of sense. And then just as a follow-up on foot traffic, have you seen any bifurcation in foot traffic to your centers if you cut your portfolio into quartiles or what have you on different demographics or affluence levels, if you've seen any lower foot traffic for some of your less-affluent neighborhoods or anything to point out?

Brian Finnegan

It's actually been fairly broad-based across the portfolio, whether it's by region, whether it's by demographic. We've been really encouraged by what we've seen in terms of consistent traffic growth both over last year and pre-pandemic. We've obviously had some assets where we might have had a dark anchor and now that anchor is open, where we're seeing growth. But also interestingly, we've seen it from both our grocery-anchored and non-grocery anchored portfolio, which really makes us really encouraged about what we're seeing in terms of the overall demand in traffic in the centers.

Floris Van Dijkum – Compass Point

I'm intrigued by this the signed not opened pipeline. As you know, Jim, not all spaces created equal and the upside potential here in your small shop is actually more valuable than the anchor space. Could you quantify for us what 1% increase in small shop percent means in terms of ABR?

James Taylor

Let us get back to you on that in terms of a specific quantum. You're hitting on a very important point, which is the rents in the small shops are higher. And we're driving benefit from that reinvestment both in terms of occupancy in the small shop and rate. And to that end, our in-process reinvestment pipeline is actually a drag on our occupancy, right? So, we have real follow-on benefit for the assets that we're impacting. And we're seeing in those assets growth in the small shop occupancy of several hundred basis points, not to mention rate. But to something implicit in the start of your question, we're creating huge value in the boxes, too. That's a lot of rent. And it's big spreads. You're talking about spreads, Floris, of 30%, 40%. So, I'm excited about that, too. And when you look at the yields that we're driving just on the absolute capital invested in repositioning anchors or repositioning portions of shopping centers, that's pretty compelling. And the small shop is a great follow on to the extent it's not included in what we originally touch.

Angela Aman

Floris, we do give some good disclosure, I think, in the portfolio overview page in the supp, about the different components of the GLA in the portfolio and the rent on each of those buckets. But as your point sort of underscores, while small shop is a smaller portion of the portfolio, our small shop space only represents about 31% of our total GLA across the portfolio. Occupancy gain in that smaller portion of the portfolio certainly has a disproportionate impact given that the rents in small shop even in place today, are \$25 versus \$16 for the portfolio overall. So, 100 basis point occupancy gain in that 31% of the portfolio translates into something more like a 50 basis point or 60 basis point improvement in our current ABR per foot. So higher than the 30 basis points you would expect based on the composition of the portfolio.

Samir Khanal – ISI

I guess just a little bit more on the prior period rent collection at this time. I know that bucket was about \$40 million, I think, in the last quarter. Didn't really change this quarter. I guess, just trying to understand better, I guess, the collectability of that amount over the next few quarters and maybe provide some color on how many of those tenants are still active in your portfolio, just trying to figure out what sort of upside you can see in your numbers coming from that in the coming quarters?

Angela Aman

I'd say a couple of things. I kind of break it down this way. I would say about a third of the \$38 million that we report that has been accrued for throughout the pandemic period, but uncollected and reserved for, has theoretically the potential to be positive to the income statement if collected. If you break that down into thirds, basically, I would say a third of that \$38 million, I would put a 0% probability on collecting. Those are amounts that we've gone through the process. We've determined they're highly likely of being uncollected, we've written them off from a balance sheet perspective. Another third of that relates to tenants that have vacated the portfolio. So, we continue to actively pursue all amounts outstanding. We're continuing to work with some of those prior tenants to get those amounts collected. But clearly the probability on that bucket is lower than on the one-third of the \$38 million that relates to tenants that are still active in the portfolio. So, in terms of probability weighting, again, a third relating to active tenants, higher probability, a third relating to tenants that have moved out, but we're still pursuing, and then a third I would put effectively a 0% probability on.

I would also say, just in terms of the granularity of that pool today, it is very small balances, spread out across many, many tenants across the portfolio. We no longer have some of the big chunky national collections that we're still pursuing. Most of those have been fully resolved to the Company's benefit, to the Company's favor. So, it is much more difficult to predict the timing of when those amounts come in. And I would say not only might we see some in 2022, maybe some in 2023. As I said in my remarks, we expect it to be pretty minimal. But those amounts will even stretch out past 2023. It's just it's becoming much more difficult to have good visibility on the timing of those collections, given the granularity.

James Taylor

When you think about the total rent during the pandemic period and the collection percentages that this Company has achieved, it's pretty impressive. And I think it stacks up against anybody. And I think that goes to the quality of our centers, the quality of our leases, and frankly, the focus of the team and making sure that we drive the collection of those prior period amounts. But it is something, as Angela laid out very well, of declining benefit as we look forward. So, I'm real pleased with the cash flow that we've been able to capture. And frankly, as Angela alluded to earlier, the strength of the tenancy and being able to pay some of those prior period amounts, some of those deferrals et cetera. But we're finally moving to the other side of that. And I think we fully expect, as Angela said in her remarks, the benefit of that prior period collections to moderate significantly in the coming years.

Samir Khanal – ISI

Got it. And thanks for that color, Jim. I guess just switching over to maybe the watch list for next year, right. Clearly, the pipeline is strong here from a leasing perspective. You talked about the SNO pipeline. I guess help us understand what the level of fall-out you could see. Whether it's boxes or shop, there's clearly been some noise in the news about some sort of retailers. But I'm just trying to frame out sort of the puts and takes for next year as we think about growth right in 2023, which is sort of the main focus for everybody in light of a pending slowdown. Thanks so much.

James Taylor

Yes. I appreciate the question. And we really tried to lay it out in our prepared remarks, as we look at returning to a more normalized level of tenant disruption, as we look at the coming quarters. The tenants that we have on watch list wouldn't surprise anybody and we're watching them closely. And where we have any opportunities to recapture space, we're doing it and reducing our exposure to those tenants, as you would expect us to. I think an important thing to consider is, if we do see a more normalization of tenant disruption, which we fully expect and incorporate into our outlook, who's well-positioned to perform? And this is where rent basis matters, right? So, when you look at the in-place rents that we have, and you look at where we've been signing new rents, we have a lot of room to run. And you look at the discipline on capital. We're not buying these rents. So again, the all-weather nature of this plan and how it positions us to grow in a high demand environment, such as the one we're in, but also one that's choppy. And I think it's logical to assume and I think it's a good exercise for you to go through as we have an understanding of the puts and takes as we look into 2023 and beyond. And we're just really pleased with how we're positioned to grow and the cumulative impact of this reinvestment plan, we think will continue to shine.

Alex Goldfarb – Piper Sandler

Hey good morning down there. Angela maybe just continuing on Samir's line of questioning, not asking for specific 2023 guidance, but you guys have discussed the 250 basis point headwind from back rents that were paid this year. There's also, it sounds like Jim's comments, going to a normalized tenant credit loss. I don't know if that's maybe in a 50 basis point to 100 basis point range. And then I think you guys are pretty good on the balance sheet, so not really too worried on floating rate exposure. But can you go through some of the things that absolutely and maybe in dollar amounts that we should be thinking about as we're updating our models and thinking about 2023?

Angela Aman

Yes. I mean, I just go back to my prepared remarks, Alex, and the few things we mentioned which for the most part I think you just articulated. The first thing I really think about as it relates to 2023 is the out-of-period collections. As I mentioned, it's about \$21 million of out-of-period collections we've seen year-to-date in 2022 that will absolutely act as a headwind to growth next year. And so, that's something to be mindful. I also said in my remarks, and you heard Jim reiterate it as well that we expect bad debt in total to look like historical levels. And our historical run rate average has been somewhere between 75 basis points and 100 basis points of deduct based on total revenue, 75 basis points to 100 basis points of total revenues in any year for bad debt expense. We're coming off of a two-year period really where revenues deemed uncollectible has been positive to the income statement. That's obviously in the absence of prior-period collections, not something anybody should be expecting to continue going forward. The balance sheet, as you mentioned, is in very good shape today. We don't have any debt maturities at this point until June of 2024. But I also mentioned in my prepared remarks, we have a \$200 million delayed draw term loan that we may utilize to continue to extend duration across the balance sheet. And so, those are some of the things to think about.

I think regardless of what the full picture looks like when we give complete guidance in the fourth quarter, I would just really emphasize, as we talked about earlier, how strong the fundamental growth of the portfolio continues to be. As we're talking this year, the same property guidance implies kind of 450 basis point contribution from base rent at the midpoint of the range, that's relative to the last high watermark for the portfolio of 260 basis points. So, the growth we're seeing in the current environment based on the strength of leasing demand and based on the minimal amount of fallout we have had this year, certainly can support, as we look into 2023, a more normalized level of tenant disruption activity, while still putting up as Jim underscored in his prior comments very strong topline growth.

Alex Goldfarb – Piper Sandler

So just Angela, just to be clear then, the only real two things that we should be considering in our model is the \$23 million of catch-up rents that you got this year from COVID back pay, and then two, the normalized 75 bps to 100 bps bad credit right? Those are the only two big ones right?

Angela Aman

Yes, that's all we've highlighted at this time, Alex.

Alex Goldfarb – Piper Sandler

We hear a lot from you and peers about retailers reengaging their store fleets after a decade of e-comm only focus, and whether it's last mile or just realizing that they need to focus more on capitalizing on the resurgence of people shopping in shopping centers after the relocations during COVID. Can you just give us some tangible evidence or examples of where you've seen retailers shift dollars from e-comm to stores so that we have this conceptually, but it'd be great to hear some actual real anecdotes that are material, not just sort of one-offs.

Brian Finnegan

It's a great question. I think first you'd start with Target, who has said they're distributing 95% of their orders are coming from their stores. And they said on multiple calls that the store is the center of what they do. Looking and taking a portion of those stores for last mile fulfillment, you saw Walmart do the same thing at the start of the pandemic, and now that's flowing down into some smaller retailers like junior boxes, where you see, in Ulta, for instance, is taking a portion of their store to allow for it. We've talked about on prior calls too just the vast amount of retailers that are now doing curbside pickup. Prior to the pandemic, we had mostly large format retailers and grocers. Now it's a wider range where they're interacting with the customer both in the store, taking the most expensive part of the delivery out of it by having curbside pickup. So, where we've really seen it, though, is in I think some of those small shop and junior anchor retailers like in Ulta, who's utilizing their space and their sales floor area, a portion of it, for last mile. And I think it just points to the flexibility of the format, right, and in terms of seeing traffic, it's being driven to the stores, as well as retailers continuing to be flexible. But I think for us it's just really encouraging that we're seeing that investment in the stores.

Craig Mailman – Citi

Just wanted to follow up on the SNO pipeline and the progression. Angela, I know it's up in 2023, I think about \$14 million sequentially. But just from a timing perspective, can you just give a little bit of a sense of when that commences or like a time weighted ABR for the year, just some type of incremental color on how we should be kind of flowing that through the model?

Angela Aman

As I look at the 2023 commencement, so it's \$32 million in total in 2023. At this point, it is pretty first-half weighted, as you would expect it to be. As we continue to find leases in the fourth quarter and early in 2023, you'll continue to see that second half number be added to. But of the existing \$32 million in that pipeline, it's pretty weighted to the first half of the year, about \$20 million to \$25 million in the first half.

Craig Mailman – Citi

If we think about it again, I know you guys aren't giving 2023 guidance, but you talked about kind of the minimum rent growth for this year, in that I think 4% to 5% range. If you were able to maintain that level for next year, how much of that would be in the bag, given what you guys have kind of only in the signed not occupied bucket?

Angela Aman

I think it's a bit of a tough question to answer. I think we get really good visibility on the signed but not commenced pool. Where we end up in total is going to depend on things like tenant disruption, move-out activity, all the other things. So, I think at this point, it's a little bit of a hard question to answer. But I would just reiterate that I think the total size of the signed but not commenced pool, the weighted as we described in 2023, the timing in 2023 is as high as it's been in any year certainly. And I think that bodes really well for growth overall.

James Taylor

And it gives us a good bit of confidence. As we look into next year, we're not counting on significant speculative activity, but we've done most of the business already, which is always a good position to be in. And we're liking how we're seeing tenant demand and momentum continue to build in our forward pipeline. So yes, we feel pretty good about how we're positioned.

Craig Mailman – Citi

That's helpful. And then just kind of one curiosity, I guess we talked earlier in the call about kind of 21% from the local tenants. But how much of that bucket is like single kind of unit operators versus local guys who may have kind of multiple units and a little bit more of a revenue base to lean on in case where the economy does weaken. Just trying to get a sense of the real credit profile of that local, because local kind of means a lot of different things to a lot of different people.

Brian Finnegan

It's a bit of a mix. And I would point to some things we talked about on prior calls in terms of our underwriting standards because coming out of the pandemic, our leasing teams partnered with Angela's group in finance to really tighten that up. And what we've continued to see is strong multi-unit operators, and then also operators that are taking advantage of an environment where there were some built-out restaurant vacancies or there were some kind of move-in-ready spaces. So, our credit profile is much better today, I'd say both from a local and a national perspective. But we're really excited about the depth and quality of local tenants that we have. And as Jim kind of alluded to earlier in the call, those act as mini anchors to our centers. They're unique businesses that really help cultivate a merchandising mix that we really like and help us help make those centers the center of the communities they serve. I'd say, overall, our local tenant base is much stronger. It has to do a lot with the work that our teams, both on the leasing and finance side have done going to underwrite those deals.

Ki Bin Kim – Truist

So, Jim, I think a lot of us on this call are trying to balance the good results that might be a little bit backwards looking versus some of the macro concerns and it does feel like after a couple more bad data points how does demand shift? That's quite a big question. So, when you look at the collective basket of conversations you're having for future leasing demand, how resilient do you think that those conversations are if kind of the macro data points start to go south a little bit further?

James Taylor

It's proven to be incredibly resilient. And one of the interesting things, Ki Bin, as you well know, is we're working with tenants on store openings now that stretch into 2024 and beyond. So, the tenants are planning pretty far forward, understanding as everybody does that we may see some disruption in the coming year. I think one of the fundamental things that's important to appreciate is that these stores are very profitable for the tenants, and they're a key part of their plans to serve the customer, and that's only proven to be more true. It's against Ki Bin, I think, versus other environments, a supply-demand backdrop that's incredibly supportive for landlords. There's virtually no new supply. So, as we have calls with national, regional, and local tenants alike in meetings, we remain very encouraged by the breadth of that demand, as I talked about, and the depth of it and the position that it puts us in as a landlord to continue to drive rate. So, while certainly our results to date are a factor of what we've done, I think what's also important to appreciate is how what we've done sets us up to be pretty confident in terms of where we're going to be over the next several quarters, even with the moderation in tenant demand. I don't see it. We haven't seen it yet, but we've always prepared ourselves for an all-weather environment. It's part of our exacting standards on capital allocation. It's part of the follow-on benefits that we've been willing to harvest and discipline around capital recycling. So, I like how we're positioned. I like how we're positioned to perform, particularly on a relative basis, again, given our rent. So, the strength of the tenant demand remains really robust. The supply demand picture really favors our asset class. Our traffic levels continue to remain strong and elevated, and we in particular are benefiting from a value-added reinvestment program that's transforming the portfolio.

Ki Bin Kim – Truist

What are you expecting from the Kroger-Albertsons merger and any type of store closures within their portfolio that we should expect?

Brian Finnegan

Look, this is going to be a long process. I think the companies have given themselves throughout 2024. There's a big regulatory process that they have to go through. I would just say that we feel really strong about both our Kroger and Albertsons fleets. We've got great partnerships with both of those retailers, great well-performing locations throughout the Southeast, places like Texas, Southern California, Denver. We have a very strong Kroger portfolio in the Midwest. And some of you on the call have mentioned, we have one of the lowest overlaps in the sector of these two companies. So, it's something that we are closely watching, and we'll continue to monitor, but really early innings for that. And no matter the outcome, we feel really good about our fleets.

James Taylor

And that's driven by the productivity of these stores. So not only do we have low overlap, our store sales numbers are very strong.

Ki Bin Kim – Truist

And what does that low overlap mean?

James Taylor

What you look at is the number of stores that you have competing with each other within a five-mile radius, as stores that may be impacted by the combination, either in terms of required divestitures or potential store closures as the two chains consider what they want to do from a strategy perspective. There's a long regulatory road ahead. And as Brian said, this will take time to play out. But we like how we're positioned both on an absolute basis, given the productivity of the stores, as well as the relative basis, given the limited degree of overlap our portfolio has.

Michael Mueller – JPMorgan

I was wondering, can you walk through how you think about, I guess, the balance sheet leverage and funding redevelopments next year in a scenario where the disposition market still may be sketchy, and you don't like your stock price.

Angela Aman

I would say based on the significant amount of free cash flow we generate, we can continue to fund 100% of our redevelopment activity on a leverage-reducing basis. We use that free cash flow and a little bit of incremental leverage, debt to EBITDA comes down as we execute on that program given that it's substantially funded with free cash flow. So, we're really not, as Jim sort of mentioned earlier, we're not beholden to the disposition market or the public equity market in terms of continuing to fund the portfolio transformation efforts and generate those very attractive 9% to 11% incremental returns.

Paulina Rojas – Green Street

I'm trying to have a sense of the economics behind getting your boxes back in the current environment, and I can see in your disclosure that during the last twelve months, the ABR from new anchor leases being around \$15 per square foot. How much lower is that number after Capex on a net effective basis? I know you have some disclosure.

James Taylor

It depends on the plan to backfill. So, if it's a consistent use, your capital per foot over a 10-year basis can be a couple bucks a foot. If it's a situation where you're coming back, and you're dividing the box for two junior-anchored tenants, your rent spreads can be much more significant and cover the capital that would be required. And that's, Paulina, really the basis and the important part of this question is because it does take capital to bring

in a new tenant, and we show you what those net effective rents are. It does take capital to divide a box, what is your going-in rents? And so, when you're coming off of rent that's \$8, \$9, \$10 and you're dealing with a new rent that's \$16 or higher, you have the ability, on a net effective basis, to be positive, not to mention the ROI. It depends on the box itself. What we do in addition to disclosing our net effective rents, is we show you what the returns are across our reinvestment activity. And then, every quarter, we show you what we delivered, and that's really, I think, the litmus test for us in terms of whether or not we're creating value and the repurposing of the box.

Paulina Rojas – Green Street

How much would you say the Capex is in a worst-case scenario where you need to bring in another use and maybe split the box in two today?

James Taylor

Again, it depends. You could spend \$40 a foot, you could spend \$70 a foot, \$80 a foot, even more, depending on what you're doing with the box. If you're coming back with a similar use, you can be below that. If you're dividing the box up, say you're taking a large box, and you're making it small shop, you could be at the upper end of that range. And again, the decision as to what to do with that box is going to be driven by what we believe is right for the center, but also what we think is going to maximize ROI. And that comes through in those reinvestment yields that we show you.

Paulina Rojas – Green Street

I know you have no expirations in the near-term, but can you talk about how restrictive or expensive you perceive bank and CMBS financing for the shopping center as of today?

James Taylor

It's interesting. I think what's happening in the capital markets is clearly we're going through a reset. And I don't think levels have found normalcy yet, not only with respect to the base rate, but also importantly with respect to spreads. And the other thing that you have going on, Paulina, right now is constrained liquidity. So, you have many lenders who have pulled back in terms of providing debt capital, or where they do, it's pretty high cost debt capital. That will work itself through. But even in that environment, I do think you have private landlords that have upcoming debt maturities, who've been reliant perhaps on low interest rates to recapitalize, refinance and take equity out of assets. That's going to present some interesting opportunities as those maturities come due in a higher interest rate environment. And that's where we think our advantages as a national platform with access to understanding tenant demand, the ability to redevelop and reposition boxes, and importantly, the track record to do so, and also the liquidity to capitalize on it. So, we're excited about the potential for that opportunity coming out of this disruption. We're not pounding the table and saying, it absolutely will happen. But it feels to me like we're setting up for a very attractive cyclical redeployment period.

Tayo Okusanya – Credit Suisse

I know earlier on you emphasized you don't need acquisitions to still put up a very strong earnings outlook. But I am curious what kind of signals you are looking for before you feel more confident about the transactions market? Is it more just cap rates backing up 150 basis points, 200 basis points? Is it more of you guys feeling you have a better sense of your cost of capital? Just kind of curious what would make you kind of get back on that horse?

James Taylor

I think it's a little bit of both those things. One, you want to see where cost of capital is settling out, but also perhaps even more important than cap rate or equally important to cap rate is that you're finding opportunities to truly grow ROI and achieve very attractive unlevered returns, even in an environment such as the one we're in. So, I think, it will become clear as the market evolves. I just think we're in a transition period, right now, and the wise thing to do is to be patient, because I think opportunities are going to move our way from a return perspective.

Tayo Okusanya – Credit Suisse

And then just kind of what you're seeing in regards to a lot of the shopping center names, you're trading at big discounts to NAV. Just curious what your thoughts are in regards to another round of consolidation in the industry, as we saw a few years ago with some of the merger-of-equals that happened back then?

James Taylor

It's certainly something that happens in cycles. And we could see platforms combining in part because there's certainly benefits to having scale, such as we have, in dealing with tenants. So, I think you could see some additional consolidation, particularly amongst some of the smaller platforms that don't have the scale or efficiency or liquidity. But we'll see. I think it's something that's often predicted. And it doesn't occur quite as often as it's predicted.

Anthony Powell – Barclays

I have a similar question. Can you comment on the renewed and slightly expanded share repurchase authorization and how that could rank in your priorities the next several quarters?

James Taylor

We're always trying to make the best and most appropriate capital allocation decisions. And so, as Angela highlighted in her remarks, the shelf really gives us a battery pack for our tools as we move forward. Not a statement that we're going to use it or not use it, but we always want to have those

tools available to us, as with every other tool necessary that we think can drive our growth as an enterprise. But, again, I think what's important here to appreciate is what Angela highlighted before, which is we have a self-funded plan, generated and driven by opportunities embedded in the assets that we own, that we believe is going to deliver growth towards the top of the peer group. We like that. We like that it's not dependent upon where the capital markets might be at a particular point in time or the availability of attractively-priced acquisitions or attractively-priced dispositions. It's a plan that we think is all-weather. And again, it's driven by opportunities that we control and funded by free cash flow, as Angela highlighted, on a deleveraging basis. So, we like that. But I think as we've demonstrated over the last six-plus years that we've been part of this team, we will be opportunistic with capital and step into those situations that we think really enhance long-term shareholder value.

Anthony Powell – Barclays

Maybe one more like how are labor staffing levels at your centers to the best of your knowledge? Are most of the stores fully staffed or appropriately staffed, and how has that trended across the year? And do you think maybe a looser labor market the next few quarters should help store openings accelerate?

Brian Finnegan

We've seen that improve a bit. I think it's something that the entire market was grappling with here over the past few quarters. But I think we've seen that stabilize a bit. Retailers are very excited about the store openings this year, in our discussions with our retail partners incredibly focused on getting those stores in and open ahead of holidays, and even working outside what typically would be blackout windows, pushing those out. There were periods where they didn't want to get very close to Thanksgiving. But they're really focused on getting those stores open and having those stores fully staffed. So, we've seen that certainly improving, I think, a good signal of that from our retail partners is that focus on getting a lot of those stores opened this year.

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