

1Q 2023 EARNINGS CALL - FINAL TRANSCRIPT**MAY 2023****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 Relations**Brian Finnegan, EVP, Chief Revenue Officer***PRESENTATION****Stacy Slater**

Thank you Operator. And thank you all for joining Brixmor's first quarter conference call. With me on the call today are Jim Taylor, Chief Executive Officer and President, Angela Aman, Executive Vice President and Chief Financial Officer, and Brian Finnegan, Executive Vice President and Chief Revenue Officer. Mark Horgan, Executive Vice President and Chief Investment Officer, will also 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. Our results this quarter underscore the proven tenant demand for our well-located centers and, most importantly, the outstanding execution of the Brixmor team is not only delivering growing value for our stakeholders, but positioning this platform for continued outperformance. Highlights for the quarter include:

- Our growth in overall occupancy to 94.0%, a record for the Company and an occupancy level that not only grew on a year-over-year basis, but also sequentially during what is typically a seasonally low quarter,
- Our continued momentum in small shop occupancy as well, which grew to 89.3%, another all-time record for the Company,
- Our new and renewal leasing spreads of 43% and 14%, respectively,
- Our average rate on new and renewal leases of over \$22 per square foot, which grew our average in place rent to \$16.46, showing we have room to run, while remaining disciplined with capital to drive that growth,
- Our growth in expense recoveries, even while delivering a higher operational standard of excellence to our tenants,
- Our delivery of another \$14 million of reinvestment during the quarter at an incremental return of 10%, bringing our total deliveries since we began to \$885 million at an incremental 11%, and
- Our successful harvesting of \$125 million of lower growth, non-core assets at a blended cap rate well inside our implied cap rate.

Bottom line, we are proud of how our durable, value-added business plan continues to deliver, with same store NOI and FFO growth during the quarter of 4.9% and 3.5%, respectively; results that I believe will compare favorably within the sector, as we all face declining prior period rent collections, tenant disruption and higher interest rates. Importantly, Brixmor is proving real time the quality of our portfolio as well as the cumulative momentum of our value-added execution.

In just a few minutes, Brian will provide some additional color on our robust leasing activity, our progress on recaptured space, and the continued strong demand from growing tenants. And then Angela will provide additional color on our operating results, our strong and liquid balance sheet, as well as our improved outlook and guidance for the balance of this year.

I'd like to focus on the unparalleled visibility our execution provides on forward growth, particularly in an environment of increased disruption that we have been preparing for the last several quarters. That visibility begins with the \$60 million of ABR that we've commenced over the past year, but which we will get the full benefit of in the coming twelve months. Second, we have our signed but not commenced lease pipeline, which has \$56 million of ABR that will commence, as Angela will detail in a minute, over the next several quarters. Third, we have nearly \$38 million of leases in our forward new leasing pipeline, and, finally, we have an even larger amount of ABR under LOI. This cumulative activity will propel growth that we believe will be at the top of the sector for the next several quarters even through much more significant levels of disruption. And, please remember, the spreads we continue to achieve underscore the competitive advantage of our attractive rent basis, allowing us to unlock value as we execute our plan.

Importantly, this leasing momentum is also driving our value accretive reinvestment pipeline, which currently stands at \$360 million at an incremental return of 9% and a gross return several hundred basis points higher. Not only are we creating huge value even in a higher interest rate environment, we enjoy the flywheel effect of follow on small shop leasing, growing rate and lower applied cap rates at the centers impacted.

Lastly, we have the free cash flow to fund our reinvestment pipeline on a deleveraging basis for the next several years without having to access the capital markets. Simply put, we benefit from an all-weather strategy of delivering growth. We also enjoy a strong balance sheet, with Debt to EBITDA of 6.1x, a very well ladder debt maturity schedule, and over \$1.2 billion of capacity. Looking forward, I believe this strong balance sheet position may unlock some interesting acquisition opportunities as private, asset level borrowers face refinance and capital requirements in an environment of constrained liquidity. But, importantly as always, expect us to remain disciplined as our self-funded, internal growth strategy already provides us with visibility in achieving top of the sector growth.

With that, I will now turn the call over to Brian for a more detailed look at our leasing activity and outlook?

Brian Finnegan

Thanks Jim and good morning, everyone. We drove yet another quarter of outstanding leasing productivity as our team continues to capitalize on robust retailer demand and a supply constrained environment, attracting great tenants to our portfolio at much higher rents. The demand for space is coming from a broad range of tenants that are focused on expanding and investing in their physical store footprints, including leading operators in the off-price, health and wellness, specialty grocery, restaurant, and service categories.

The transformation of this portfolio is also putting us in a great position to continue to capture an outsized share of retailer demand going forward. This was evident during the quarter, as our team added new leases with best-in-class retailers such as Target, PetSmart, HomeSense, Five Below, Barnes and Noble, Planet Fitness, Chipotle, First Watch, and Bath & Body Works. We have also leveraged this demand to proactively recapture at-risk tenant space and quickly advance new leases with tenants that will improve the overall appeal of these centers. This is clear on our progress out of the gate with Bed Bath. At year end, we had 19 Bed Bath locations, representing 60 basis points of ABR. As of today, we have control of ten of these locations, and have already leased two to great tenants, Sprouts Farmers Market and HomeGoods. Our team is well underway in leasing the remaining space with leases and LOIs out to multiple retailers, primarily single tenant backfills, in the off-price, home, health and wellness categories, at rents that are in line with the overall 35 - 40% growth in new leases that we have been achieving the last several quarters.

What is particularly encouraging and important to note is the speed in which we have executed leases on recaptured space, with deals being completed in under 90 days. This really demonstrates the strength of these locations and how quickly tenants want to open in our centers. As we look forward in the year, we continue to be encouraged by the depth of tenant demand, putting us in a great position to not only navigate the disruption, but to continue to attract great tenants to our centers at among the highest rents we've ever had. With that, I'll hand it to Angela for a more detailed review of our financial results.

Angela Aman

Thanks Brian and good morning. I'm pleased to report on a very strong start to 2023 that positions us well to respond to rising levels of tenant disruption and macroeconomic volatility. NAREIT FFO was \$0.50 per diluted share in the first quarter, driven by same property NOI growth of 4.9%. Base rent growth contributed 500 basis points to same property NOI growth this quarter, reflecting the continued successful transformation of our portfolio and the strength of the current leasing environment, which have resulted in significant occupancy growth at rent per square foot levels well above our portfolio average. In addition, net expense reimbursements and percentage rents contributed 120 basis points and 20 basis points, respectively. As anticipated, revenues deemed uncollectible detracted 150 basis points from same property NOI growth, primarily due to the ongoing moderation of out of period collections of previously reserved amounts.

As Jim highlighted earlier, we achieved record total leased occupancy during the first quarter of 94.0%, driven by a 20 basis points sequential increase in the anchor leased rate to 96.1% and a 10 basis points sequential increase in the small shop leased rate to a record 89.3%. Our continued leasing momentum resulted in a spread between leased and billed occupancy of 400 basis points at the end of the quarter, up 40 basis points since year end. In addition, our 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 \$56 million of annualized base rent, of which, we expect \$36 million, or approximately 65%, to rent commence during the remainder of 2023. As Jim and Brian have both highlighted, we fully expect that recent retailer bankruptcy announcements will result in occupancy pressure as we move through this year. That said, the significant and near-term weighted nature of our signed but not yet commenced pool will help to minimize the impact of retailer disruption on our operational and financial metrics, while also allowing us to accelerate our efforts to harvest the below market rent basis inherent in many of these spaces and set the stage for future growth.

From a balance sheet perspective, we ended the quarter with Debt / EBITDA of 6.1x, a fully unencumbered balance sheet, 99% fixed rate debt, and total liquidity of \$1.4 billion. Subsequent to quarter end, we utilized \$200 million of our liquidity, in the form of our delayed draw term loan, to tender for \$200 million of our 2024 unsecured bonds, extending the maturity through 2027 at swapped, fixed-rate pricing well inside of where we could issue new unsecured bonds today. As a result, we now have only \$300 million of remaining debt maturities through year-end 2024.

In terms of our forward outlook, we have narrowed our 2023 guidance for same property NOI growth to a range of 2.0 to 3.5%, reflecting improved expectations for base rent and net expense reimbursements at the lower end of the range. Our assumptions for revenues deemed uncollectible remain consistent with our previous guidance of 75 – 110 basis points of total revenues for the full year. Please note that out of period collections in the second quarter of 2022 were materially higher than in any other quarter during the year, creating a challenging comparison for the second quarter of 2023. In addition, the midpoint of our same property guidance range continues to reflect approximately 150 basis points of year-over-year impact related to recently announced or anticipated bankruptcy activity, which is reflected in our expectations for base rent and net expense reimbursements. Approximately half of the 150 basis point impact is related to store closures or lease rejections that have occurred to date, while the remainder is related to potential additional disruption from tenants currently in bankruptcy and from future bankruptcy filings that may occur during 2023.

We have also raised our guidance for 2023 NAREIT FFO to a range of \$1.97 to \$2.04 per diluted share. In addition to our revised expectations for same property NOI growth, our revised FFO guidance also incorporates the recent \$200 million tender, which will result in the recognition of a \$4.3 million gain on debt extinguishment in the second quarter. And with that, I will turn the call over to the operator for Q&A.

QUESTION AND ANSWER

Jeff Spector - BofA

Congratulations on the quarter. My first question is on acquisitions. We recently saw you, and I know we talked a little bit about acquisitions during our meeting. But given you commented on potentially taking advantage of opportunities in the future, I guess, where is the market today? Do we have any more clarity on pricing?

James Taylor

I think the market is still in transition, so we really haven't seen enough deal flow to establish where pricing has moved. But there's clearly been upward pressure because of where interest rates have moved. Mark, I don't know if you have any additional color?

Mark Horgan

Well, it's clear that there's good demand for assets. Pricing moved out probably 100 basis points, at least from the end of 2021. So, from a forward perspective, we think we'll start to see assets that make more sense from a risk reward perspective later this year. Sellers really are starting to understand where the market is and where the asset spread is narrowing. Although the market does remain pretty slow at this point, but we're cautiously optimistic that we'll start to see better opportunities here as the year progresses.

James Taylor

And, Jeff, we can be patient, right? And so, we are looking at a lot of opportunities, but we'll wait for when we feel it's opportunistic.

Jeff Spector - BofA

And is there something in particular that you would focus on, whether it's one type of open-air center versus another or a region?

James Taylor

It would be consistent with what we've already done to drive value. So we'd be looking for centers in and around the markets that we currently serve today, so we can continue our clustering strategy. And importantly, we're looking at centers that have some value-add component to it, whether it's through reinvestment and redevelopment, additional density, mark-to-market in the rents. We expect to see some interesting opportunities going forward, of course, because of the tenant disruption that we're seeing, as well as, as I mentioned in my prepared remarks, tightening lender requirements as it relates to refinancing. So, you know, we haven't fully seen that work through yet. So when it does, I think we'll be ready. But it will be consistent from an overall strategy standpoint with what you've seen us execute in the past.

Todd Thomas - KeyBanc

Angela, you mentioned that there might be some occupancy pressure in the near term as a result of some of the Bed Bath space that you anticipate recapturing. I guess two questions. One, you have a lot of positive momentum in place. Do you expect occupancy to decrease in the near term or perhaps just not increase further as you recapture some of that space? And then second question, maybe for Brian, do you anticipate that the recapturing of space from Bed Bath, not just in Brixmor's portfolio, but maybe across open-air altogether, do you expect that space to be a potential risk that could throw certain markets perhaps out of equilibrium a little bit, to some extent?

Angela Aman

I'll take the occupancy question first, Todd. You're right to point out that we have a lot of momentum going into this year. We talked about how significant the near-term weighted nature is of the signed but not commenced pool. And there is just under 2 million square feet of that 3 million square feet expected to rent commence over the course of this year, which is very significant, several 100 basis points, from an occupancy perspective. We continue to see outside of bankruptcy situations very high retention rates across the portfolio. So while there will be some move outs, we continue to operate in an environment where those move outs are pretty muted, again, outside of the bankruptcy situation.

Based on the tenants who have filed to date and our expectations around the liquidation of some of those platforms, we believe we could still post a pretty healthy occupancy increase over the course of this year or through year-end. I think the question is really going to be whether or not there are additional filings over the course of this year, and we feel very comfortable that we've adequately accounted for any additional disruption within our same property NOI guidance range. But the timing of that activity and the ultimate impact in terms of restructuring versus liquidations will make an impact on occupancy. We still feel very confident we'll be in a position or certainly hopefully will be in a position to continue to move occupancy higher given that signed but not commenced tailwind.

Brian Finnegan

On the overall supply dynamic, just remember that these boxes are coming online in a market that has been incredibly supply restricted the last few years. We're coming off two years of record low move outs. All of the names that have filed have been on folk's radar for a long time. Our team has been

proactively marketing these spaces. I think the other thing you're seeing broadly in the market is retailers bidding on this space. Five Below took out 30 Tuesday Morning spaces. And as we look at the demand that we're seeing for the Bed Bath boxes with the LOIs and leases we're negotiating in addition to the ones we were already signed, we don't think this materially alters the supply dynamic really at all. You have great operators that are expanding in the specialty grocery, off-price, health and wellness segments that just are really looking for a lot of good boxes, good boxes that we have in the portfolio. So overall, we feel pretty comfortable with where the supply dynamic is despite the space coming back online.

Todd Thomas - KeyBanc

And then just last question on the space that you're getting back, it sounds like you're expecting a good portion of that to be single tenant backfills. What's the downtime that you're anticipating before you would have rent commence in those spaces?

Brian Finnegan

All but one of the spaces we're negotiating on right now are single tenant backfills. So we're confident we can start to see the space come online in 2024. It's potentially the earlier part of the year, but we're in negotiations right now and feel really comfortable with that pace in 2024 overall.

Haendel St. Juste – Mizuho

Curious what's driving the expense recovery here. You're at 89% in first quarter. I think historically, you've been more mid-80s, and is this a level you expect to sustain? Is this a new a new norm, perhaps?

Angela Aman

The recovery ratio in the first quarter does look high at 89.6%. That has to do with a couple of things, but significantly with the mix of expenses we experienced in the first quarter just being a little bit more highly recoverable. We do think for the full year that that line item, net expense reimbursements, are going to be a positive contributor to same property NOI growth somewhere in the 50 to 75 basis point range. But that recovery ratio is going to moderate as we move through the year, and you just sort of get a different mix of expenses as we move through the year. But the positive improvement or positive contribution to NOI over the course of the full year is really being driven by efficiency and spending certainly, but also most significantly by that significant increase in weighted average billed occupancy.

Haendel St. Juste – Mizuho

And one more just on the signed not occupied sitting here at 400 basis points. Clearly, it's good for visibility, but it's a bit higher than I think a lot of us were expecting, especially as physical occupancy is higher here. So I guess I'm curious, is there anything that you're seeing with the timelines regarding rent coming online that could be impacting that? And should we expect that remains similarly high over the next couple of quarters? And what does that suggest for occupancy, perhaps over the 12 to 18 months?

Angela Aman

The pipeline is not growing because of delays in getting rent commenced. We commenced more rent during the first quarter than we had originally expected. The pipeline continues to grow just because of good momentum on leasing productivity and the fact that we are just continuing to lease up some of that vacant space and benefit from some of the tailwinds of the reinvestment activity over the last few years. That's also why you've seen the small shop component of the signed but not commenced pool continue to grow as well. So, no issues in getting rent commenced. Things continue to happen in line with our expectations, or a little bit earlier, but no delays to note.

Craig Mailman - Citi

Maybe just to circle back on bad debt. I know you guys didn't adjust it here, but I'm just kind of curious on whether conversations have increased with any tenants outside the non-bankruptcies that would make you feel like there could be more distress coming as the year progresses. And two, just given the cadence of seasonality here from an impact to earnings, does it feel like even though you have the same level of bad debt, maybe the FFO impact in 2023 could still be a little bit less if it's more back end weighted at this point?

Angela Aman

I'd say a couple of things. We're not, at this point, seeing any issues in any significant way as it relates to rent collections from cash basis tenants or additional disputes or anything that would move our guidance for bad debt higher. We did come in a little bit lower than that in the first quarter. Some of that was expected just based on things we knew about going into the first quarter, which is part of why we maintained the guidance for the full year. But, I think also, just given the macroeconomic volatility, I think you heard Jim, Brian and I all alluded to, it felt prudent at this point in the year to keep the range where we had it and wait to see how things play out, as we move through the middle of the year here. In terms of the impact from FFO guidance, I would just remind you that the bad debt guidance we gave is 75 to 110 basis points of total revenues. So that translates into a specific dollar amount. It's give or take \$8 million to \$12 million of bad debt expense over the course of the year. So even if that ends up being more back end or second half weighted, it would have the same impact on FFO.

Craig Mailman - Citi

It sounds like leasing is going well with the forward pipeline under LOI. Have you guys seen any change in cadence post SVB and what's gone on since March in terms of demand, gestation periods, anything on that front?

James Taylor

Quite to the contrary. Demand continues to remain strong. And I think what's interesting to note is that you have retailers who have given more cautious outlooks for 2023 and beyond given concerns about the consumer., but nonetheless, remain very committed to their forward store opening pipelines. Why, because that's a profitable channel for them. And they also believe they've got some significant whitespace. So that supply demand dynamic that Brian referenced is really playing into our favor. And if anything, we're seeing an acceleration of timeframes from LOI to lease, reflecting the shared interest for both the retailer and us to get those stores open. And Brian and team, I think have done a really good job of stepping up and meeting that demand. And you're seeing it. We had the question before about our signed but not commenced. The growth in that 400 basis points is absolutely an outcome of that leasing momentum, particularly when you consider the rent that we delivered during the quarter. So we feel good. Obviously, we're very focused on continuing to harvest demand in this environment and remain very optimistic about what we see in the general industry over the next several quarters.

Greg McGinniss - Scotia

I know you talked about target leverage of around 6.0x in the past, but how are you thinking about that target today given the leverage improvement versus last quarter and the signed but not commenced tailwind that you're going to experience? And if you plan on sticking around 6.0x, should we expect to see a greater push on acquisitions or with the development pipeline?

Angela Aman

I would say our target has been 6.0x really since we joined the platform, really informed by the below-market basis of the portfolio and the fact that, over time, as we harvest that basis, you're going to continue to see leverage drift a little bit lower than that. That 6.0x today on a look-through basis is actually inside of 6.0x. What you're seeing today and us moving down to 6.1x does reflect, in part, our continued ability to harvest some of that below-market rent basis. So we are sort of achieving those levels. I think you've heard from Jim and Mark at this point that in terms of the acquisition outlook, we're watching the market closely and are hopeful that we'll see some opportunities in the second half of the year. But the market is pretty quiet at this point. But I think as you've seen us, including in the first quarter, continue to raise some liquidity through well-priced dispositions, we're creating a little dry powder that we can use, to the extent those opportunities materialize.

Greg McGinniss - Scotia

And then I guess thinking about the portfolio recycling and transaction environment, like you just mentioned, the acquisition market is a little quiet today for what you would actually want to acquire, at least the prices that you want to acquire at. But should we still expect to see this kind of normal course portfolio recycling on the disposition side, even without acquisitions tagged for reinvestment? And then what level, I guess, are you comfortable with for those dispositions?

James Taylor

Well as you know, we historically don't provide guidance levels in terms of transactional activity. But we're always going to remain disciplined to harvest those assets where we believe we've maximized value. We look at that hold IRR. You'll notice not only did we achieve some compelling cap rates in terms of the dispositions that we made, but we sold assets that were more highly occupied than we had backfilled and leased and didn't see future growth opportunities. So, I think any responsible plan will always have some ongoing pruning of the portfolio. Reluctant to provide any guidance as to specific transaction levels. I know that may be frustrating for your models, but appreciate that we're always going to be disciplined and we're encouraged that Mark and team have been able to find liquidity for some of these smaller assets that are truly non-core.

Juan Sanabria - BMO

The question or the answer to Todd Thomas's question on sequential occupancy improvements for the balance of the year. Was your answer with regards to billed occupancy or the leased rate?

Angela Aman

Billed occupancy.

Juan Sanabria - BMO

Just curious what the traffic data from the underlying consumer is telling you? Understanding that the retailers themselves still seem very enthusiastic about leasing high quality spaces, but just curious if you're seeing any change in consumer behavior across regions or affluence levels, anything you could point to where you yourself are maybe seeing some signs of change in behavior?

James Taylor

We haven't seen it yet. We're always looking. We're encouraged that the traffic levels on a year-over-year basis remain positive. And to your question about geography, it's been pretty consistent throughout the country in terms of what those traffic levels have been. So we're encouraged by that. And, I think the retailers themselves, as I mentioned earlier, importantly, are looking through kind of some expectations of customer slowdown and weakness, but nonetheless remain very focused on their new store pipelines, which I think is an encouraging sign, both of what that future demand is going to be, but also the fact that these retailers are focused on a store model. It's a profitable channel. And they see whitespace in terms of where they want to open new stores. I'm really proud of how we as a team are capturing a disproportionate share of that demand when you look at sort of what our indexing is relative to overall new store openings. We way out index what our position would otherwise suggest. So those are very good tailwinds. Traffic levels remain up year-over-year, which we're encouraged by and we have not seen any meaningful change.

Juan Sanabria - BMO

There seems to be a greater emphasis on the pad size for drive-thrus. I'm assuming that requires more square footage to effectuate for new drive-thru buildouts. Does that maybe limit the amount of pad developments you could do on a go-forward redevelopment pipeline or not necessarily? Just trying to think through what that latest trend means.

James Taylor

We have great momentum there, in part because of where we began. We saw tremendous opportunity across this portfolio, which we believe still exists to increase density at our properties. Many of our properties are overparked and have areas where we can add pads. And if you look at every quarter at our pad activity, you can see we continue to deliver and bring on new activity.

Brian Finnegan

And if you think about what municipalities are doing, right, they're lowering parking requirements. If you look at tenant's receptivity in terms of having these type of uses and pads and not as concerned with visibility as they were in the past, one of the things to think about it, as you take back at-risk tenant space, you're also freeing up a lot of restrictions on that space. So as Jim highlighted, we've been very focused on driving our outparcel pipeline, intensifying our sites. You look at Chipotle, which entered our top 40 this quarter, we've got a great pipeline with them, the likes of Shake Shack and Chick-fil-A, Starbucks. Our team has done a fantastic job. Our redevelopment, our operating teams, along with national accounts that are driving that outparcel program in terms of moving these projects forward. It's a big focus of ours. And from a demand standpoint, we're probably seeing the most competition for space within that outparcel size range. So really all those factors are leading us to have just a really strong program that we see going out for several years.

James Taylor

And one pleasant surprise of the program has been that we're actually generating demand on the balance of the centers. So as we bring in a Starbucks or Chipotle or Chick-fil-A, one of those high traffic uses, we see a positive impact on the small shop leasing throughout the center. So it's been a very virtuous cycle for us.

Connor Mitchell – Piper Sandler

Following up on the bank upheaval mentioned earlier, I was just wondering, maybe ask a little differently, if it's caused any credit availability issues with any of your smaller tenants, meaning are any of the small shop tenants seeing their banks pull back at all?

Brian Finnegan

We haven't. In fact, our small shop tenancy remains as strong as it's ever been. And we've talked about on prior calls the work that our leasing teams have done with Angela's team in terms of our credit underwriting, and what you're really seeing is the strength of franchise operators. You look at a Jersey Mike's franchisee or somebody like that. They're typically multi-unit operators, and the credit profile of that tenant has actually gotten a lot stronger. So, I'd say overall we haven't seen any impact. But I would just say broadly that our small shop tenant base is a lot stronger, and the small shops that we're attracting because all the work that we've done across the portfolio are a lot stronger as well.

Connor Mitchell – Piper Sandler

And then discussing the demand and supply dynamics, given the declining availability of the anchor spaces, are you seeing any larger format tenants launch more concepts that fit into small shops?

Brian Finnegan

I mean you saw IKEA just make an announcement where they're coming to the US, they're looking at 5,000 to 10,000 square foot spaces as kind of these mini showrooms with five year deals. We're certainly seeing an operator like DICK'S who's talked about their House of Sport, their 110,000 square foot concept, that's done much smaller locations with Golf Galaxy. Macy's has really been focused on their Market by Macy's and their Backstage concept. So what's been particularly encouraging about the depth of the demand is just how many tenants are there to expand and just how flexible tenants have

gotten with their format. You're seeing tenants in that 10,000 square foot range like Ulta test out some smaller units as well. And so, as we think about just our availability in total, it just gives us a much deeper pool in terms of tenants to be able to market to.

James Taylor

And you're also seeing tenants willing to go smaller than prototype, which creates additional flexibility in that demand.

Caitlin Burrows – Goldman Sachs

Maybe following up on the earlier questions regarding dispositions in the quarter. Could you just comment on how deep those buyer pools were and what types of buyers were active?

Mark Horgan

So for the dispositions in the quarter, as we mentioned, we're pretty pleased with where we traded those assets well inside of where we trade on an implied basis. We clearly benefited from strong demand for grocery anchored assets across all regions in the US currently. We saw demand from private fund investors, and we particularly saw some strong demand from 1031 buyers, who in a slower market really needed to reach for pricing in certain assets. We took advantage of pricing for that market where we could.

Caitlin Burrows – Goldman Sachs

And then on the leasing spread side, I know renewals is one that isn't often as high as on the new leasing side, but leasing spreads for renewals jumped in the quarter, the corresponding renewal TI did too somewhat. So, I was just wondering was that driven by a specific deal and what are you hearing from tenants with respect to wanting to stay in their space? Angela, I think you did mention that retention is so high.

Brian Finnegan

I appreciate you highlighting it. We've seen continued progress in renewal spreads over the past few years. We were at over 11% through 2022. We now got to 13.7%. That's our highest in 7.5 years. And it really speaks to all the things we've been talking about today, what we've been doing in the portfolio, the fact that we've got better tenants that are driving more traffic, more tenants want to stay. And if you look at our retention rate, which you pointed out at 84.1% that's up 270 basis points from where it was at a year ago. So, we put better tenants in, we've got a much stronger overall tenant base. And based off of what we're seeing in the overall demand environment, our teams utilizing that to really drive rate both with new leases and renewals. So, it's something that we continue to be encouraged by and something that we expect to continue to be able to make progress on.

Floris van Dijkum – Compass Point

If I look at your portfolio, you're continuing to click along here on capital recycling. It's very low risk. Maybe if you could talk about, I know you guys have in the past, have said all the assets that you've redeveloped, you've boosted your small shop occupancy. And I can't remember what it is, but couple of hundred basis points, presumably Angela will probably give me the exact number. If I think about one of the big upside potentials here is, even though your small shop is at record levels of 89%, it still would appear to have some more upside relative to what some of your peers have. And again, if you reinvest in your portfolio, that should have more room to go and small shop rents are double your anchor rents. And so significant potential upside here. Can you guys share what the small shop occupancy on the assets that you redeveloped is? You spent \$885 million on your portfolio. What is the occupancy level in those assets that you've touched, the small shop occupancy compared to the rest of the portfolio?

James Taylor

It's a couple of hundred basis points higher than the average. And importantly, we continue to see improvement that we expect to be able to achieve on those reinvestment projects, occupancies at or above where the peers are overall from a portfolio standpoint. But you make another very important point Floris, which is given where the rate is, there's much more leverage to every 10 basis points of improvement in occupancy in those small shop tenants. So, it is part of the follow-on flywheel effect. We improve the anchor and then we drive not only occupancy, but also rate improvement in the follow-on small shop leasing. And you're seeing it in our numbers, you're seeing in that leased occupancy in particular, and you're seeing it also in the rates that we're achieving, which quarter end and quarter out, we continue to set new records. So that's the plan, the follow-on impact of the plan.

And from a capital recycling standpoint, where we don't see much more room to run in terms of rate and occupancy, that will typically be an asset that we consider for harvesting when prudent. I'm really glad you highlighted it because I think it's something that's not fully appreciated, that not only are we driving great ROI on that \$885 million that we put to work, but there's very substantial and clear follow-on benefit both in terms of occupancy and rate in the small shops.

The other thing that Brian alluded to that we're also driving is additional density at the properties as we bring in pad sites, etcetera, which sometimes are our highest return opportunities. So, it's all part of the overall strategy of driving consistent outperformance and growth. And importantly, it's all within what we own and control today. When we look past the \$360 million or so that we have underway, we believe we have another billion of opportunity behind that. And when you look at the proportion of the portfolio that we've actually completed reinvestments on, a little over a third, we have more room to run there too. It's exciting to see it now finally coming through and no longer have to talk about it, but actually point it out in the execution. And it's also exciting to see kind of the cumulative impact working its way through.

Floris van Dijkum – Compass Point

You have signed but not open \$56 million of ABR. Angela, maybe if you can remind people if there's a follow-on impact as well, which is the recoveries. I know that you touched upon the fact that your 89.6% recovery was abnormally high. But should we expect your recovery ratio to stabilize at higher levels than where they've been because of the increased occupancy and obviously part of that is through that signed not opened pipeline?

Angela Aman

As you continue to increase billed occupancy, you will continue to see a meaningful increase in the recovery ratio and the contribution from net expense reimbursements over time. If you look at that signed but not commenced pool, as you said, \$56 million represents the annualized base rent from those leases. It's just under 3 million square feet of GLA. And if you kind of conservatively assume recoveries on that space of something like \$4 a foot, call it \$11.5 to \$12.0 million of additional upside.

Ki Bin Kim - Truist

It's interesting that your top ten MSAs have 93% leased occupancy. It's actually lower than your smaller markets where they have 96% leased rate. And I realized within the top ten, you have some markets like Chicago, Dallas, or Miami that are dragging on the average. But I was just kind of curious on your high-level thoughts. Are these couple of markets catalysts in the future or are they more reflective of the challenges that reflect the market or the assets? And I do see that some of these are in your redevelopment pipeline, but just trying to get an overall sense of what happens to some of these markets over time.

James Taylor

It's much less about a particular market and much more driven by opportunities that we have for future redevelopment. And that includes markets like North Dade, includes markets like Chicago where we have lower occupancy assets around which we are leasing and building plans for reinvestment, and you'll see us continue to announce in the coming quarters as we hit our minimum leasing thresholds. So really, a lot of that vacancy, if you will, is part of the fuel of our future pipeline.

There's another interesting point about it and what you said, and that is that we have non top 100 MSAs that are some of the best growers and some of the best assets in the industry. I think sometimes those MSA statistics can hide, if you will, some real upside opportunity and assets like in Ann Arbor, Michigan, or other areas where we see that supply / demand imbalance particularly attenuated, and we also see a lot of tenants who believe those markets represent white space for them. So, it's really much more driven by a few assets in each of those markets with lower occupancy.

Ki Bin Kim - Truist

And I was curious about your proactive leasing for troubled retailers, maybe before they're even bankrupt. So, for example, if a retailer like Joann, if they have a limited lifetime, how quickly do you try to release some of those assets or get some interest from tenants before a bankruptcy is actually announced?

Brian Finnegan

Our team is laser focused on really everybody on the watchlist and I think it's demonstrated in the results this quarter. Having the leases already signed on the spaces we proactively took back from Bed Bath. We signed a lease in under 60 days on our one Party City rejection, an asset that we bought in suburban Chicago, with Five Below. You've seen some of the demand that we're seeing with Tuesday Morning out of the gate with tenants that are willing to proactively negotiate LOIs and leases to get control of some of the space. So, our team has done a fantastic job and they're laser focused. We're not waiting for the actual rejection notice to come through or for the bankruptcy announcement. We understand what the interest is. We understand what the rents are that we can achieve, and we're executing on them as quickly as we can. It's really a credit to how the team has approached these and expect us to continue to do that moving forward.

Tayo Okusanya – Credit Suisse

I know you guys usually give us a recap in terms of ICSC, but going into it in three weeks, just kind of wondering what you're seeing, what you're hearing from your clients? Whether anything feels different heading into ICSC this year versus last year? Whether it's still a lot of people kind of talking about open to buys, people more concerned about the outlook for the consumer? Just kind of trying to get a sense of going into it what you guys are seeing and the implications for your business?

Brian Finnegan

We're very excited. Attendance is up at ICSC. Our teams have full calendars as we look three weeks out from the show. Full calendars with tenants that are looking to open stores that are trying to get those last few stores in for 2023 and really looking out to set their 2024 and pipelines beyond, with many of the tenants that I mentioned today. Retailers are bringing more of their teams out, which is a sign to us that they're continuing to look for space. And for us, this really sets up the year. It's a great conference and our team does a fantastic job of being proactive in terms of lining up meetings and the meetings that we have are with tenants that want to grow. So we're very excited about it.

James Taylor

A point Brian made that I'll just highlight is attendance is expected to be up pretty meaningfully year-over-year. We'll know the final numbers, but ICSC is already ahead of pace.

Anthony Powell - Barclays

Percentage rents were a bit higher than we were modeling in the quarter. What's the outlook for that line item throughout the year?

Angela Aman

There are timing issues with percentage rents just in terms of when we get sales reports from different tenants and when that income is recognized. We do expect it to be a slight positive contributor for the full year, but not overly material. That was baked into our guidance for same property NOI in the net expense reimbursements and other bucket we gave last quarter, which was 0 to 50 basis points, that number is now more like 25 to 50 basis points.

Anthony Powell - Barclays

With the strong lease spreads, are you also seeing higher rent bumps on an annual basis in your new lease that you're signing?

Brian Finnegan

100% of our deals had rent growth this quarter and our average annual rent bumps are exceeding where they were a year ago. It's something that our team is laser focused on, not just the initial rate, which we've been signing rents at the highest levels that we ever have. This quarter, we signed small shops at literally the highest rate that we ever have in the portfolio, but we are focused on growing rents over the initial term and our team has done a great job of continuing to make progress there.

Michael Mueller - JPMorgan

I think you described the first quarter dispositions as being low growth. And I was curious, was that a little bit more about the specific assets or the market attributes? And then just as a quick follow up, were the buyers of those assets cash buyers or levered buyers or just any color on the buyer pool.

James Taylor

I'll let Mark comment on the buyer pool, but my comment around lower growth really reflects the leasing that we had done to backfill space and really more asset-by-asset assessment as to what we saw the ability to grow that asset going forward. So, less about a market call, much more about the asset in particular.

Mark Horgan

From a leverage perspective, we dealt with buyers who were all cash buyers in the quarter. We dealt with some buyers who were using lower leverage bank financing and we did have one buyer earlier in the quarter use CMBS. I think overall when you look at leverage for open air retail, you continue to see demand from lenders given the overall attractiveness of the asset base, that you have assets that are well below replacement cost that generate strong cash flows and potential for growth. So, you continue to see relatively strong demand to finance open air retail today.

Paulina Rojas Schmidt – Green Street

I'm curious how would you characterize the presence of private equity owned retailers in your industry today and if you fear this niche could represent a surge of unusual risk given the combo of them usually leaning on leverage and in the current environment where rents have increased so much and so quickly?

Angela Aman.

I think you're right to raise that as one particular pocket of risk we're certainly keeping our eyes on. It's not just private equity backed companies, but it's really about the leverage profile there and whether or not debt has been fixed and companies have some room to sort of withstand some of the headwinds right now. We look at all of those factors. But really, at all times, throughout the course of the cycle, we are always keeping an eye on those platforms that are PE backed and high leveraged.

Linda Tsai - Jefferies

Can you remind us the impact of out of period collections that will impact the comparability of 2Q 2023?

Angela Aman

The amount of out of period collections recognized in the second quarter of last year was about \$10.5 million. That was easily \$2.5 million to \$3 million higher than any other quarter during the course of last year, so it's a pretty material impact.

Linda Tsai - Jefferies

In terms of the 75 to 110 basis points of bad debt, how much was realized in 1Q?

Angela Aman

The level of revenues deemed uncollectible as a percentage of total revenues in Q1 was about 30 basis points in the same property pool, a little bit below that full year range but, again, we've held the full year 75 to a 110 basis point guidance consistent with our original guidance.

Samir Khanal - Evercore ISI

We talked about Bed Bath, the rent growth you can achieve, the 30% to 35%. I think that's what you said. Maybe talk about the other side of the equation. Like what's the cost factor to achieve this rent, the capex involvement? I know you said some of these boxes could be taken as is, but in the event that some of were split, maybe talk about the net effective rent growth. So maybe a bit of color on that.

James Taylor

But when you take a step back, the fact that most of the activity that we're seeing is in single tenant backfills certainly reduces that. And some of it is as is. So really all you're paying is a brokerage commission to get that tenant in. So it depends also on the use. If you're bringing in a specialty grocer, sure, you're going to spend more money. But importantly, on the other side of that, you're going to generate a much larger return. And so, we fully expect to continue to generate positive momentum in that net effective rent as we recapture the space and capitalize on the spreads that we have. But it's not just one or the other. And by that, I mean, we look at the alternatives of backfilling with the single tenant versus backfilling with multiple tenants and we move towards that scenario where we believe we're making a better ROI decision.

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