

3Q 2023 EARNINGS CALL - FINAL TRANSCRIPT**OCTOBER 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 third quarter conference call. With me on the call today are Jim Taylor, Chief Executive Officer; Angela Aman, President and Chief Financial Officer; and Brian Finnegan, Senior Executive Vice President and Chief Operating 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. I'm very pleased to report another quarter of outperformance across every front. It's a quarter that once again demonstrates the cumulative momentum of our transformative, value-added plan; the compelling returns and growth in cash flows that our plan continues to produce; the outsized demand from vibrant retailers to be in our transformed centers; and, most importantly, the strength of our team.

As always, that outperformance begins with leasing where we signed over 780,000 feet of new leases at an average comparable spread of 52.7%, a post IPO record for this Company, and likely once again well, well above the sector. Importantly, as Brian will discuss further, we signed these new leases with tenants like Trader Joe's, Lululemon, ULTA and other leading retailers that demand to be in our well-located portfolio. Recent bankruptcies of weaker retailers have proven to be opportunities for us to bring in better tenants at better rents, as demonstrated by the spreads and rapid progress on leasing recaptured spaces. The strength of proven tenant demand to be in our centers allows us to not only drive better intrinsic lease terms, but also additional flexibility to drive even more value through reinvestment. As we renewed existing tenants and signed up new tenants at higher rates, we drove our average in place ABR to \$16.77 a foot, another record for the Company, but one which leaves us plenty of room to continue to run. As we often say, rent basis matters if you want to drive growth in ROI and create value, particularly in a rising rate environment. Our small shop results this quarter also demonstrate the cumulative impact of our portfolio transformation, as our small shop occupancy grew to a record 89.8%, at an average rent achieved on new and renewal leases of \$29.12. Given the momentum from reinvestments underway, we have great visibility on growing small shop occupancy into the low 90s as we deliver those projects, which will have an outsized impact on our forward growth in cash flow. From an operations standpoint, we commenced another \$13 million of new ABR during the quarter, well ahead of our expectations as Haig and our regional teams work to get rents commenced earlier. We grew our NOI margin to 74.4% and achieved same store NOI growth of 4.8%.

For the year, as Angela will detail in a moment, we now expect to deliver same store growth of 3.5% to 4.0%, despite year-over-year headwinds of declining prior period rent collections. In addition, we've raised our FFO outlook to \$2.03 at the midpoint and have raised our dividend by 4.8%, all while maintaining a conservative payout ratio. Looking forward into 2024 and beyond, we expect continued NOI outperformance, even as we expect tenant disruption to continue at more normalized levels. Our confidence and visibility are driven by our cumulative leasing activity, which drove our signed but not commenced pipeline to a record \$62 million of ABR that will commence over the next several quarters, as well as our robust forward leasing pipeline.

From a reinvestment perspective, Bill and team continued to deliver transformative projects at very attractive returns, even in a higher rate environment. From an external growth perspective, Mark and team have wisely been on hold the past several quarters as cap rates have begun to adjust to reflect the higher rate environment, particularly for larger opportunities. Importantly, we've continued to hold capital recycled from dispositions as we expect opportunities will soon begin to hurdle our higher return expectations as private owners and operators face near-term maturities and other capital events. Of course, given the high level of growth we have embedded in the assets that we own and control today, we can remain patient.

In summary, we are pleased with how our disciplined, value-added execution continues to deliver. We are proud of how our results this quarter once again demonstrate not only our outperformance across every observable metric, but also our fundamental portfolio transformation and we are excited by our unparalleled visibility on growth and outperformance in the future.

Before turning the call over, allow me to congratulate Angela and Brian on their well-deserved promotions, demonstrating the amazing depth of talent Brixmor enjoys, as well as our commitment to growing our talent. With that, I'll turn the call over to Brian for a more detailed discussion of our leasing results.

Brian Finnegan

Thanks Jim and good morning everyone. As our results demonstrate during the quarter, our team continues to capitalize on a favorable retail leasing environment, attracting great tenants to our portfolio while quickly addressing recently recaptured bankrupt tenant space at much higher rents. During the quarter, we executed on 368 new and renewal leases totaling 1.7 million square feet, including our most productive quarterly new leasing output of

the year. The depth of demand was evident in the tenants we added to the portfolio during the quarter, with new leases executed with the likes of Trader Joe's, BJ's Wholesale Club, TJX, Ross Dress for Less, Burlington, Barnes & Noble, Five Below, ULTA, and Lululemon. In addition, our team is adding great restaurant tenants that are focused on growing their suburban footprint, as demonstrated by the first of portfolio leases we added during the quarter with Cava, Torchy's Tacos and Urban Plates. This activity led to a 40 basis point sequential increase in small shop occupancy, our 11th consecutive quarter of sequential small shop occupancy growth, achieving another record of 89.8%, with more room to run as we continue to deliver our accretive reinvestments. And while we did see a drop in overall leased occupancy of 20 basis points to 93.9%, our robust leasing activity during the quarter offset a significant portion of the 70 basis points of occupancy drag we had from the recapture of the remaining Bed Bath, Tuesday Morning, David's Bridal and Christmas Tree Shop locations. Our team is quickly addressing these spaces with better tenants at higher rents as our Company record new lease spreads of 53% included a 76% increase on recaptured 2023 bankrupt tenant space. As Jim highlighted, our results demonstrate that this retailer disruption is creating an excellent opportunity to upgrade our tenancy, capture the embedded upside in the below market rents of these leases, and free up compelling opportunities for additional reinvestment. We expect the bulk of the income from these new tenants to start to come online in late 2024 and be fully realized in 2025.

Looking forward, we remain confident in the underlying fundamentals of our business plan to drive continued growth. Our centers are located where retailers want to be. New supply in our markets remains almost non-existent, and we continue to add great tenants to our forward leasing pipeline as retailers are recognizing the success our team has had in completely transforming this portfolio. With that I'll hand the call over to Angela for a more detailed review of our financial results.

Angela Aman

Thanks Brian and good morning. I'm pleased to report another quarter of strong execution and an improved forward outlook as we leverage our ongoing portfolio transformation to capitalize on the robust retailer demand environment. NAREIT FFO was \$0.50 per diluted share in the third quarter, driven by same property NOI growth of 4.8%. Base rent growth contributed 400 basis points to same property NOI growth this quarter, despite a drag of approximately 120 basis points related to recent tenant bankruptcies. Net expense reimbursements, ancillary and other income, and percentage rents contributed 70 basis points on a combined basis, while revenues deemed uncollectible contributed 10 basis points this quarter, primarily due to two large settlements received during the period totaling approximately \$1.0 million.

As Jim highlighted, our signed but not yet commenced pool now totals 2.8 million square feet at a record \$62 million of annualized base rent. The increase in the size of the pool this quarter was primarily due to exceptionally strong leasing activity, which added approximately \$18 million of new leases to the pool, well outpacing significant rent commencements during the quarter of approximately \$13 million. We now expect another \$13 million of leases to commence in the fourth quarter of this year and \$36 million to commence during 2024, slightly weighted towards the first half of the year.

In terms of our forward outlook, we have increased our 2023 guidance for same property NOI growth to a range of 3.5% to 4.0%, a 75 basis point increase at the midpoint. The improved outlook has been driven by strong rent commencements, minimal additional tenant bankruptcy activity in the third and early fourth quarters, and the significant bad debt settlements that occurred during the period. We now expect revenues deemed uncollectible to represent 40 to 60 basis points of same property total revenues for the full year versus the prior range of 75 to 85 basis points. We have also increased our guidance for 2023 NAREIT FFO to a range of \$2.02 to \$2.04 per diluted share, reflecting the change in same property NOI growth guidance and revised assumptions across a variety of other line items, including non-cash GAAP rental adjustments.

Looking forward, we are encouraged by the magnitude of the signed but not yet commenced pool, which, at \$62 million, is \$9 million or 17% larger than it was at the same time last year. And we expect that \$49 million, or nearly 80% of the total pool, will commence over the next five quarters, providing a very strong foundation for growth. Tenants that filed for bankruptcy in late 2022 and throughout 2023 are expected to detract just over 100 basis points of same property NOI growth this year. Given our progress in releasing recaptured space, as Brian has highlighted, we expect that space impacted by 2023 bankruptcy activity will detract approximately 50 basis points from growth in 2024. We will establish our expectations around anticipated 2024 bankruptcy activity when we provide guidance in February. As noted earlier, our 2023 guidance for revenues deemed uncollectible is now 40 to 60 basis points of total revenues versus our long-term historical run rate of 75 to 110 basis points. As a result, we do anticipate that revenues deemed uncollectible will likely be a negative contributor to growth next year as we continue to return to our historical run rate.

Our fully unencumbered balance sheet remains well positioned to support our balanced business plan, with debt / EBITDA of 6.1x and total liquidity of \$1.3 billion. And we're pleased that our proactive efforts over the last several years to extend the duration of our balance sheet have resulted in a well-laddered debt maturity schedule, with only \$300 million of debt maturing through year-end 2024. In addition, as previously disclosed, \$300 million of interest rate swaps related to a portion of our term loan debt will expire in late July 2024. As always, we'll be opportunistic, but given expectations that higher rates will persist through next year, we do anticipate that these items will have a meaningful impact on 2024 interest expense.

Although the macro environment is likely to remain extremely dynamic, the success of our value-enhancing reinvestment efforts at compelling returns, even in a higher rate environment, our outsized leasing productivity over the last several quarters, and our strong forward leasing pipeline, have put Brixmor in a strong position to navigate the months ahead and we look forward to continuing to share details of our ongoing portfolio transformation with you.

QUESTION AND ANSWER**Dori Kesten – Wells Fargo**

On your new and renewal lease spreads, are there certain markets where you've been surprised to the upside of late? Or would you more broadly say you're benefiting from the general strong leasing environment?

Brian Finnegan

What's been really encouraging for us is this is incredibly broad based, whether that's within anchors, small shops or regions across the country. And we particularly saw that with our bankrupt space during the quarter. We're driving strong renewal growth across the portfolio as well. And as we continue to invest in our centers, retailers are certainly recognizing it. They're recognizing the anchors that we put in which are driving a significant amount of traffic. And the competition for space is really allowing us to drive rate higher. So we've been encouraged that the trend has been fairly broad based.

Dori Kesten – Wells Fargo

What are your expectations for this holiday season and do you think that there could be any sort of shift in the strength of the leasing environment looking into 2024 kind of based on that?

Brian Finnegan

It's a good question. The consumer remains incredibly resilient. I think you've heard Walmart talk about their expectations being strong for holiday. Retail spending was again up year-over-year. So we remain very encouraged. But thinking about retailer store opening plans, I mean, they're planning for 2024 at our ICSC meetings in 2023. We're talking to them about 2025 deals today. So our leasing pipeline is not dependent on how holiday goes. Certainly it's something that retailers are focused on. But as we think about the pipeline, we've been encouraged just broadly and we don't expect a major impact from what we're seeing from a Christmas holiday season.

James Taylor

I would just add that has proven to be very durable demand given that the store is a profitable channel for these retailers and they see wide space for them to continue to grow their footprint. So, we've been very encouraged.

Todd Thomas – KeyBanc

I just wanted to touch on investments. I think last quarter you talked about seeing some investment opportunities beginning to surface, maybe deals that were on the market coming back at more favorable pricing. And since last quarter, the ten year is up quite a bit, so borrowing costs are up. Has there been any further change in sellers' willingness to accept lower prices today? Are there more price adjustments required before we start to see the company begin to get a little bit more opportunistic with regard to investments and are you raising your return hurdles further for new acquisitions?

James Taylor

I mean, clearly, it's a higher cost of capital environment. So we have a higher hurdle as we evaluate external growth opportunities. And look, as I mentioned, what I find particularly compelling about our strategy is that we can drive top of the sector growth without relying on external growth. With that said, I think we're still seeing the market adjust to what's happened with rates. You've seen several deals get pulled as sellers have not been able to achieve expected pricing. And in the background, you have coming debt maturities and capital requirements that we think are going to bring folks to the table. So, we're encouraged by some of what we see from an opportunity perspective, but we're patient.

Todd Thomas – KeyBanc

And you've recycled capital over the years and sort of pruned the portfolio over time. Is there an opportunity at all to maybe accelerate dispositions today if there's sort of an opportunity to take advantage of somewhat favorable pricing on an one-off basis for assets in the market today?

James Taylor

Well, we continue to prune the portfolio as we fix the assets and stabilize them to maximize value. We've sold over \$2.5 billion over the last few years, and we've done it one asset at a time, which is harder to execute, but we think much more value accretive given the pricing and execution you get on single assets and sometimes partial asset transactions versus large portfolios. So, having sold a substantial part of what we consider to be non-core, there's some that remains, but it's relatively modest in the context of our overall portfolio and we'll be opportunistic in harvesting that value as we've maximized it.

Greg McGinniss – Scotia

Could you talk about Bed Bath and anchor leasing in general, whether these are all direct backfills or the types of tenants? How much is left to work through from the bankruptcies or is in progress? And finally, the level of TIs and what that means for net effective rent growth versus the 76% rent spreads mentioned?

Brian Finnegan

We've been encouraged by the demand for really all our bankruptcy spaces, particularly on the Bed Bath. We're down to a handful of boxes remaining. We signed another one yesterday. All but two have been single tenant backfills with operators that are in the specialty grocery, home accessories, and off-price space. We expect that income, as I mentioned, to start to come back online late next year. And from a cost perspective, you're going to see those costs in line with where we've been leasing anchor boxes over the last few quarters. I'd highlight that for our net effective rents, we set another record this quarter at over \$20 a foot. Thinking about anchor leasing in general, there remains a significant amount of competition for box space, considering we took 70 basis points back of bankrupt GLA and only lost 20 basis points in occupancy. We're continuing to see great demand for these boxes and in terms of the rents, we're signing those leases at \$15 a foot. We've got anchor spaces rolling at under \$9 for the next three years. So, we feel really confident in the team's ability to drive rate with better tenants and bring those spaces to market.

Greg McGinniss – Scotia

Could you give us some of the background on your Rite Aid exposure, expected loss so far through bankruptcies, maybe what you anticipate being rejected in the future, and then size of those boxes and types of tenants you're looking to backfill with?

Brian Finnegan

It's another great example of our team really getting ahead of these spaces. We weren't obviously surprised by the announcement. In fact, we took back some Rite Aid spaces recently that we backfilled with ULTA and Trader Joe's. In regards to the bankruptcy announcement, five of our locations were rejected immediately. We have two more that are expected to close. All but one are that in line kind of former Eckerd vintage. So, we've got good rent basis on those. We expect to drive over a 30% mark-to-market upside. We've got four of them already spoken for with operators in the off-price, general merchandise and home accessory spaces. So, we've been pretty pleased with what we've seen thus far. But again, that's another great example of our team getting ahead of these boxes so we can capitalize on them pretty quickly.

Angela Aman

I'd just add in total exposure as of 9/30 was only 20 basis points of GLA and ABR. So overall, this is just a very small exposure for us.

Greg McGinniss – Scotia

What were the commonalities on those Rite Aid boxes that caused those to be in the selected ones to close?

Brian Finnegan

If you look at that business, Greg, it's not exactly real estate dependent. I think they're heavily dependent on how the scripts do in those markets. So I think that's a big consideration as you look at Rite Aid versus some other businesses. Our understanding is they're not going through an auction process like you saw with Bed Bath. They're looking at both a go-forward business, as well as a recapitalization of the existing plan. So as we look at it, we didn't really think anything of it in terms of the shrink of the real estate. In fact, we're happy we got it back because we're already seeing some great demand on those spaces out of the gate.

Jeffrey Spector – BofA

Jim, if you can clarify your comment from the opening remarks on your latest same-store NOI guidance. I think you lifted that to 3.5% to 4.0%. And what did you say about what you could achieve in 2024? And then I guess the second part would be, as we start to focus on 2024, I guess Angela, are there any one-time benefits in 2023 we should be thinking about in our models for 2024 that may not reoccur?

James Taylor

I didn't comment on specific guidance for 2024, but just look at the momentum that we continue to build and deliver. Look at that signed but not commenced pipeline. Look at how much we're commencing a quarter and how much we're signing. We feel very confident in our ability to continue to outperform, given not only that signed but not commenced pipeline, but also what we have in legal and LOI. So that activity continues, and all the while, we're setting records as to spreads, we're setting records as to rate, we're being disciplined with capital. So, we like how the plan sets us up to continue to outperform. And it comes back to Jeff, as you know, rent basis matters if you want to drive good fundamental growth. And as Brian was alluding to, as we've recaptured these bankrupt tenants, it's given us a remarkable ability to bring in a better tenant at a better rent, not only drive growth through that, but drive better follow-on shop leasing. And you can see it in our shop leasing, the occupancy records and the rate records that we're setting. We feel pretty confident in our ability to continue to outperform, but we're not giving guidance yet. I'll let Angela answer the second half.

Angela Aman

I think Jim did a really good job of laying it out and I tried to cover some of this in my prepared remarks. I wouldn't say that there's anything sort of one-time or non-recurring in nature, but the things we really pointed to were, as Jim just highlighted again, the signed but not commenced pool and how significant that is. Obviously, it's a record high for the Company right now, but it's substantially larger than it was at the same time last year and that provides a really good foundation for growth as we get into 2024. The things we did note are that the 2023 bankruptcies obviously have a continued impact in 2024, and I quantified that as about 50 basis points specifically associated with the 2023 bankruptcies. For 2024, we do expect there's going to be some ongoing tenant disruption. And I mentioned that we'll sort of quantify our expectations for 2024 bankruptcy on our February call when we provide full year guidance. The other thing I noted in my remarks is that revenues deemed uncollectible is detracting from growth in 2023, but not to the degree or the magnitude we had originally expected it to. Our guidance for 2023 at this point is 40 basis points to 60 basis points of total revenues, which is well below kind of the historical run rate of 75 basis points to 110 basis points. So, we do think that that will be a negative contributor to growth as we get into 2024, just as we sort of revert to normalized levels. Nothing unusual occurring there, just a reversion to where we've been historically. I think that mostly covers same property.

On the FFO side, we did note a debt maturity next year and also a swap that will be burning off in late July of 2024 that's going to create some additional pressure from an interest expense perspective. And the only other thing I would note that was a little bit more non-recurring or one-time in FFO was just a gain on debt extinguishment this year of right around \$0.005, almost \$0.01 a share. But that really covers it.

Haendel St. Juste - Mizuho

Thanks for all the color on the call. It's been great. I do have a question on the same store growth in the quarter, the 4.8%. I'm curious if there's anything that can help us maybe quantify the impact of potential below market lease adjustments or earnings from terminated Bed Bath leases and were there a few assets that were added to the same store pool in the third quarter?

Angela Aman

We give a reconciliation of the pool in the glossary and there were some of the 2022 acquisitions that came into the quarterly pool, but won't come into the annual pool until 2024. As it relates to below market, I would just highlight that straight line and FAS 141 do not impact the same property growth calculation. So the 4.8% was not impacted at all by the straight line rent reversals in the quarter or any below market sort of acceleration from a FAS perspective. Nothing significant to note on the FAS acceleration side. There are small balances as you move through the year, but actually on a net basis, I think it was pretty minimal during the quarter.

Haendel St. Juste - Mizuho

Do you have the impact of the six assets I think there were added to the third quarter's results? And then maybe from an earnings perspective, was there an impact from the FAS 141?

Angela Aman

It was well less than \$0.005 a share on the FAS acceleration side. So I mean pretty de minimis during the quarter. I don't have the impact of just the acquisitions broken out separately.

James Taylor

Haendel, the addition of the acquisition assets did not materially move our same store. It wasn't big enough.

Michael Mueller - JPMorgan

Looking at the reinvestment pipeline you have, it was strong in place expected yields on that. When you're thinking about the starts that you're kind of looking at kicking off in, say, 2024, how do the yield expectations compare to what we see in the Supplemental for what's in process today?

James Taylor

They continue to remain strong and they're enhanced, frankly, by the growth in rent that we expect as we execute these projects. So, we obviously work really hard to lease and price out and get a project ready to be launched. And in that way, Mike, we greatly mitigate our risk, right? We're not committing substantial capital until we understand what our growth and incremental returns are. So, I like what we're seeing in that forward pipeline. And it's driven by the same factors that you're seeing driving the existing portfolio in terms of growth.

Anthony Powell - Barclays

In terms of the tenant demand, are you seeing any new types of tenants or new categories of tenants increase their activity in the portfolio? Or is it kind of the similar trends of what we've seen in the past few quarters?

Brian Finnegan

It's something that we continue to be encouraged by. I noted in my opening remarks the depth of the new operators that we're seeing in the restaurant space, real quality operators that have been focused on expanding their suburban footprint, operators like Mendocino Farms, Urban Plates, Cava. So we've seen a lot of depth of demand there. The mall side, we continue to see a significant number of tenants looking for off-mall. Sephora is upping their off-mall program. JD Sports, who we signed this quarter in a former Tuesday Morning space. Lululemon is expanding as well. So, we've been pretty encouraged in terms of the new tenant pipeline that we're seeing overall, as well as our core tenants, which continue to add significant store counts like those in the off-price, general merchandise, home accessory sector. So, the demand overall has been fairly broad based, but we've been encouraged by what we're seeing on the new tenant front.

Anthony Powell - Barclays

And maybe on the revenues deemed uncollectible, as you noted, it was lower than expected this year. Why can't it be below that 70 basis points to 100 basis points next year given kind of the strong environment we're seeing?

Angela Aman

We're incredibly encouraged by what we're seeing as it relates to collections across the portfolio. I think we are cognizant as we go into 2024 of a very healthy, as Brian pointed out earlier, very healthy and resilient consumer. But there are lots of pressures in the current environment, including interest expense and capital availability and other things that tell us next year probably looks pretty similar to a normalized run rate and that's probably where we're going to start the year from an expectation perspective.

Juan Sanabria – BMO

Just a question on yields in what you'd be looking to underwrite for stabilized grocery anchored or power centers in light of the increase in capital costs.

James Taylor

It's a great question and I think it's really a two-part question. It's not only the going in yields, but what you see in the growth and upside in those yields. So, thinking about it from an IRR perspective, you really need to see IRRs on an unlevered basis with great visibility on growth, with conservative assumptions as it relates to reversion cap rates and values. You need to see those in the high single, low double digit to clear, we think, where the cost of capital is.

Juan Sanabria – BMO

Where do you think small shop occupancy can gravitate towards in your portfolio? And what's the drag that the redevelopments are having on kind of the latest stat for the third quarter?

James Taylor

The redevelopment has a drag of 10 basis points, 20 basis points overall on the portfolio. We think that as you deliver those reinvestment projects that you will get higher small shop occupancy than where the portfolio averages. So we have a pretty clear view that that small shop occupancy can go well into the low 90s.

Craig Mailman – Citi

To sort of go back to the acquisition commentary, one of your peers has a significant amount of assets under contract. And what they say is at 6.5%. It seems like what's in the market today is kind of sellable. So I'm just kind of curious from your standpoint, what do you think timing is going to be when some of these assets kind of break loose and that pricing starts to adjust to where maybe the public market is pricing market cap rates versus where the private market's kind of stuck out on, maybe some of the better quality deals that can be sold today?

Mark Horgan

Well, I think I'd start with we continue to believe that our patience and discipline here has been the right call, because we're certainly seeing the market adjust almost real time in the last quarter to really react to where the cost of capital is on a debt basis. We have seen over the years that the REITs do lead the private market. We think from a timing perspective that's usually six months. But we've been in a very turbulent capital market environment over the last quarter or so, we saw rates rise 100 basis points and the market still is digesting what that means for pricing and where sellers are setting their expectations. What I would say is you're kind of seeing a bit of a bifurcated market. We've seen some very tight grocery anchored, simple grocery anchored trade in Southeast Texas, California. But what you're clearly seeing is that the market adjusts and the bigger deal market, say, above \$100 million, owners there have been more realistic as to where they would need to price assets to trade. And we think that's probably where the initial opportunities will come from a pricing perspective.

Craig Mailman – Citi

That's helpful. And then just on the leasing front, spreads have been good. Just looking at the capital, you guys have been pretty tight. I'm just kind of curious of the conversations going forward on where the rates are and the cost of tenants to build out new space and buy inventory. Kind of what's the push and pull between you guys funding capital versus them maybe paying for it with higher rents and so spreads look better in the near term? Or is it just net effectives have largely been unchanged and they're just continuing to be strong?

Brian Finnegan

We've always been cognizant of the capital that we're putting into spaces and it's one of the best practices that really came out of the pandemic when we were up against supply chain issues. Our operating team led by Haig has really partnered with tenants' construction teams to really be a lot more efficient in the space. And a lot of these tenants weren't necessarily doing this out of the goodness of their heart, right? They wanted to get stores open. So they figured out how to use the existing bathrooms, they figured out how to use the existing facades. And so, as we've seen more tenants be aggressive, specifically in the Bed Bath & Beyond and Tuesday Morning auctions, they've been able to utilize more existing spaces and be more efficient. So that's helped certainly on the cost side.

And then on the rent side, the competition for space is really driving that rent higher. And we have had instances where we have been impacted by costs in certain circumstances. We've been able to push that back on tenants or ultimately revise some of those scopes. So, it's something that our operating teams have really partnered with our leasing teams to focus on well and be as efficient as we can be. But costs are certainly always a consideration when we're looking at deals.

James Taylor

One of the benefits of a larger platform like ours is that we're doing several deals a year with these tenants. So there is trust in terms of what we're going to deliver, and that goes a long way in the negotiation of how much capital will be required.

Craig Mailman – Citi

Do you anticipate reupping the swap fees or letting them burn off and flow?

Angela Aman

We're evaluating the market opportunistically, continuing to keep an eye on where things are moving. We're obviously in an environment where there's been a fair amount of volatility, so we are hopeful that there will be an opportunistic window where we can execute. But we'll continue to evaluate as we move forward.

Caitlin Burrows – Goldman Sachs

Maybe just on tenant decision timing, we definitely hear in industrial and office that uncertainty is causing companies to slow their decision making. So I was just wondering if you're seeing that at all. Are your tenants taking a little bit longer to decide what they need in the signed deals?

James Taylor

We really haven't seen any deterioration in terms of demand or timing of demand or timing to execute. One of the things to appreciate about this retailer demand is its durability. I think everybody's expecting some type of economic disruption. We've been expecting it for the last couple of years. And yet the retailers continue, as Brian was alluding to, to remain committed to their forward pipeline and they're actually making commitments now out into 2025 and beyond. So, the other thing I would comment on about that demand is that retailers are using data as never before to really assess what the productivity of a new unit will be, what it will cannibalize in terms of other competing stores. So they're making as an informed decision as possible in terms of that decision to open a new store. And they see the whitespace. If anything, as the recent bankruptcies have pointed out, there's not enough supply for them to achieve their new store opening plans, which we're leveraging from a competition standpoint.

Caitlin Burrows – Goldman Sachs

And then maybe just following up on the swap discussion we just had, I know separately you guys have in June a bond maturity. So I'm wondering just how soon you might look to get ahead of that or wait until closer. And do you think it would be of a similar size?

Angela Aman

Like I said, we're evaluating the market both for the swap and for the 2024 bond maturity opportunistically. We'll look to, as we usually do, we're hoping there'll be an opportunistic window for us to execute ahead of that. I would point out, though, given that that maturity is in June of next year, timing here is really important in terms of the impact ultimately on 2024 interest expense as well. So, we'll continue to watch the market, and like I said, hopefully find a good window to execute earlier rather than later. But we'll continue to evaluate.

Alex Goldfarb – Piper Sandler

First, obviously, theft has been a big industry-wide issue. The retailers have all spoken about it. Sort of thinking about the relationship between the landlord and the tenant, are they asking you guys to help them more in trying to address this or apart from obviously parking lot safety, are there other initiatives that you guys are undertaking to help the tenants? Or are the tenants trying to really do this on their own and the tenant-landlord relationship is more about the general asset versus what's going on inside the stores?

James Taylor

That's an important aspect of the landlord-tenant relationship. The tenant needs to know that they have a good counterparty, and the landlord is keeping the center well-lit, secure, and safe for their customers. And that partnership is critical. I think it's a benefit, Alex, of a larger platform such as ours where we have great relationships with the retailers and we can be responsive to what their needs might be. It's a highly recoverable expense. So, it's surprising to some degree that certain landlords, particularly smaller private landlords, may not be as responsive. We see it as an opportunity for competitive differentiation and it is a concern of the tenants. We're fortunate, Alex, in that we don't have a lot of high crime urban locations that are impacting retailers to the degree you've been reading about in the press. But it is important to be in front of it and to be a good partner with the tenant.

Alex Goldfarb – Piper Sandler

A number of years ago, you guys were buying a number of assets in the Carolinas along the coast. That seems to be a little quiet. So I don't know if the strategy didn't pan out maybe the way you thought or it's just given the dearth of transactions, you're still hungry to expand in that area or other similar sort of snowbird type areas. But maybe the transaction market has just been tough so hence, not as much activity. So just looking for an update there.

Mark Horgan

Look, we've been really pleased with how the acquisitions that we've bought have performed. We've outperformed on underwriting, I think, on every deal that we've purchased. So I'd say to answer your question, it's been more of where the transaction market is. We did make a choice a year and a half ago to pause acquisitions because we believe better opportunities will be coming from an IRR and yield perspective and we think that's being proven out well today. So we're going to continue to find deals in the markets that we like as time moves on here, but the market has been slow and no one wants to do deals more than me, Alex. So, we're going to continue to find them as we can.

James Taylor

But those are very attractive markets to us. As Mark alluded to, our acquisitions there have done well. We think we can build upon the critical mass that we have in the coastal Carolinas and throughout Florida and the southeast. And they've been great performers for us. So, we'll continue to mine those markets for opportunity.

Paulina Rojas Schmidt – Green Street

Are you seeing stronger demand for certain store sizes over others? Is there sort of a sweet spot today in the market?

Brian Finnegan

I'd point to a few of them, particularly in the kind of junior anchor space. That kind of 8,000 to 12,000 square foot range, you're seeing a lot of competition from the likes of Five Below and Skechers and Foot Locker and ULTA, pOpshelf, Boot Barn, and other tenants. So, that size range has been extremely competitive, and we saw that competition really play out in our Tuesday Morning spaces. And then I would just say from a category overall would be outparcel space. We continue to have a significant amount of demand from outparcel tenants. You look at Cava entering the fray. It is now competing against Starbucks and Chipotle. Medical uses that are filling out some multi-tenant outparcels. So I think within that space we are seeing a lot of

competition. And the benefits of some of what we're doing in terms of being aggressive on recapturing space earlier, we're freeing up a lot of those opportunities. So we've been encouraged on that front. But if you're calling out two size ranges, those would be the two that I'd highlight.

Angela Aman

Just to amplify what Brian is saying, the demand in that 8,000 to 12,000 square foot range lines up really well with the size of the Rite Aid boxes.

Paulina Rojas Schmidt – Green Street

I think you mentioned minimal bankruptcy in 3Q and early 4Q. Just to make sure nobody's falling off my radar, is there any retailer other than Rite Aid?

Angela Aman

It was really just Rite Aid and the impact from Rite Aid, given that total exposure is only 20 basis points on an annualized basis, it's probably less than 5 basis points of impact to us in 2023.

Haendel St. Juste - Mizuho

Sorry, had some technical difficulties earlier. Not sure if you heard or answered the second part of my question so I'm going to try again. Apologies if this is redundant, but I wanted to know if there were any below market lease adjustments in your earnings or same store NOI from the terminated Bed Bath leases.

Angela Aman

There are no FAS impacts on same store NOI. From a FFO perspective, the impact of bankruptcy really netted to zero and sort of accretion above or below market leases and tenant inducements. So, no impact during the quarter. On a full year basis, we did pick up about \$500,000 related to bankruptcies year-to-date in FAS and tenant inducements, but that's really offset by about \$1 million of net reversals on straight line. So between all of the non-cash items together, you're looking at a negative of about \$500,000 adjustment year-to-date.

Haendel St. Juste - Mizuho

During your commentary earlier, I think you mentioned you expected cash flow from the Bed Bath and other bankruptcy backfill boxes to hit primarily in the back half of next year, early 2025. I guess I'm curious, is that timeline being moved back a little bit and maybe I'm splitting hairs, but I thought you had previously outlined expectation for this to be primarily a second half of next year benefit.

Brian Finnegan

If you think about when retailers generally open their stores, right, they're opening them earlier in the spring or in the fall, particularly for national tenants. So the timeline aligns with where we expected it to be. I mean, we've been signing those leases here consistently over the last few months, and they're really lining up those store openings for late next year, particularly when you're converting a Bed Bath box to, say, a Sprouts grocer. But it aligns with where we have been expecting it to come in. And like we said, we expect them to fully come online in 2025, but those openings to start to commence in the back half of the year.

Linda Tsai – Jefferies

Any general thoughts on how interest costs impact earnings next year?

Angela Aman

I would say a couple of things and just sort of echoing my comments from earlier, we do have the \$300 million bond maturity. That's a June maturity of next year. The rate on that is about 3.65%. And obviously, with the 10-year today right around 5% and then a spread on top of that, you're looking at a rate that probably almost doubles if we were to replace it today. So not only does the ultimate rate we realize on that refinancing matter, but the timing in terms of when we refinance that matters for 2024 interest expense as well. And we're continuing to evaluate the market opportunistically, but don't have any firm view on when that refinancing is likely to happen between now and June.

The other thing I mentioned in my prepared remarks is the expiration of a \$300 million swap. That happens in late July of 2024. That is swapped to 2.59%. And current SOFR is well above that as you would expect. So there's an impact with that too. That's a little bit easier certainly from a timing perspective to understand. But as I mentioned earlier, we'll continue to evaluate the market as it relates to replacing that swap over the course of the next nine months and look to opportunistically lock in a rate when it makes sense to do so.

James Taylor

Linda, we, as always, have tremendous flexibility so that we're not having to go into the market at any particular point in time. It was part of Angela and team's strategy to refinance part of that 2024 maturity last year. So, we've got \$1.3 billion of liquidity under the line of credit. And as Angela mentioned, we'll be opportunistic in terms of picking our window.

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