

**4Q 2023 EARNINGS CALL - FINAL TRANSCRIPT****FEBRUARY 2024****CORPORATE PARTICIPANTS***James Taylor, Chief Executive Officer and President**Mark Horgan, Executive Vice President and Chief Investment Officer**Brian Finnegan, Senior Executive Vice President and Chief Operating Officer**Stacy Slater, Senior Vice President, Investor Relations and Capital Markets**Steven Gallagher, Senior Vice President, Chief Accounting Officer, and Interim Chief Financial Officer and Treasurer***PRESENTATION****Stacy Slater**

Thank you Operator and thank you all for joining Brixmor's fourth quarter conference call. With me on the call today are Jim Taylor, Chief Executive Officer; Brian Finnegan, Senior Executive Vice President and Chief Operating Officer; and Steve Gallagher, Senior Vice President, Chief Accounting Officer and Interim Chief Financial Officer and Treasurer. 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. We are very pleased to report yet another strong quarter and year, reflecting not only the strength of our value-added execution, but the depth of tenant demand to be in our transformed portfolio. That transformation is evident in every observable stat, from our record occupancy to record rate to sector-leading new and renewal spreads to outperformance in growth.

- During the quarter, as Brian will discuss, we signed 800,000 feet of new leases at an average cash spread of 37%, bringing our total new ABR signed for the year to a record \$65 million. We also achieved record retention of 86% and renewal spreads of 13.3% for the year, once again demonstrating the market opportunity within our portfolio.
- Our current signed but not commenced pool of leases represents another \$64 million of ABR, another record, that will commence over the next several quarters, as Steve will detail in a moment.
- For the year, we drove same store NOI growth of 4%, despite headwinds from Bed Bath, Tuesday Morning and others of 120 basis points. FFO per share increased from \$1.95 to \$2.04, or 4.1% when excluding the gain on debt extinguishment.
- With our all-weather strategy for growth, we once again demonstrated an ability to deliver consistent growth in an always dynamic retail industry. We have proven, given our attractive rent basis, that tenant disruption is an opportunity to create value.

Speaking of value creation, during the year, we stabilized \$157 million of reinvestment projects at an average incremental return of 9%. Our pipeline now stands at \$429 million at an average incremental return also of 9%, importantly, in projects that are pre-leased and nearly half of which we expect to deliver this year. That's the power of our value-added program. It's lower risk, shorter duration, and attractive incremental returns. We've now impacted 40% of the portfolio, also creating tremendous value, not only upon delivery, but follow-on value down the road as we benefit from higher rates in occupancy and also highly accretive future phases. I'm pleased to report, thanks to Bill Brown and the California team's effort, we moved the Davis Collection in Northern California into the active pipeline in the fourth quarter. Located literally on the front step of one of the nation's fastest-growing universities with 41,000 students, we will completely transform this Trader Joe's anchored center with the addition of Nordstrom Rack, PetSmart, ULTA, Urban Plates, The Melt, Mendocino Farms, and more to serve this vibrant collegiate community.

We continue to be opportunistic, but disciplined from a capital recycling perspective, harvesting \$190 million in proceeds through the sale of lower growth assets. This activity provides us ample dry powder in 2024 to deploy capital into external growth opportunities that fit with our value-add strategy. We also maintained a strong, flexible balance sheet in 2023, ending the year with our debt to EBITDA at 6x and over \$1.2 billion of undrawn capacity. We also received an upgrade to BBB from S&P, reflecting the transformation of our portfolio and improvements made to our balance sheet.

Before turning the call over, I wanted to provide an update on our CFO search process. We are well underway and narrowing down our list of candidates and are pleased with both the quality and the interest to join our team. We expect to announce our decision by the end of March or early April. 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 Jim highlighted in his remarks, our team ended 2023 with another outstanding quarter on the leasing front, as demand for space to be in our centers remains incredibly robust. The work our team has done in transforming our portfolio is enabling us to capitalize on that demand, leading to record occupancy, rate and retention, while upgrading the underlying merchandising mix and credit profile of our tenancy. This quarter, we executed on 357 new and renewal leases totaling 1.7 million square feet at a combined blended cash spread of 19.6%, as our team continues to capture the upside embedded in our below market leases. Included within this activity were new leases with core open-air retailers such as

Ross Dress for Less, Sierra Trading Post, Planet Fitness, and Five Below, in addition to first to portfolio leases with Connors Steak & Seafood, Honeygrow, Tatte Bakery, and a new 60,000 square foot Tony's Fresh Market location in suburban Chicago.

This activity led to record occupancy of 94.7%, a record 80 basis point sequential gain and a 90 basis point year-over-year gain despite a drag of 120 basis points from space we recaptured during the year due to tenant disruption. The strength of the Brixmor portfolio and the broader leasing environment is not only evident in the speed in which our team is addressing this space, but the rents we have been able to achieve. Bankruptcy is proving to be an opportunity across our portfolio as our team delivered rent growth of 60% on the recaptured space we executed leases on in 2023. And while we don't expect the bulk of this income to come online until late 2024 or later, we are encouraged by the quality of the retailers we have been able to quickly remerchandise these spaces with. In addition, even with the record overall and small shop occupancy results during the year, we still have more room to run, with a strong pipeline of reinvestment projects projected to open over the next several quarters, including a new Whole Foods opening in suburban Philadelphia, a new Sprouts Farmers Market outside of Los Angeles, and a new Trader Joe's in the New York metro area. These projects are just a small sample of the dramatic reinvestment upgrades our team is making across the Brixmor portfolio.

As we look forward this year, we remain encouraged by the overall strength of the retail environment and the demand from great operators to be in our centers. We're grateful for the efforts of the entire Brixmor team to position our portfolio to take advantage of this environment and to continue to find the opportunity in disruption to make our centers the centers of the communities we serve. With that, I'll hand the call over to Steve for a more detailed review of our financial results.

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## **Steven Gallagher**

Thanks Brian. I'm pleased to report on a strong 2023, as we continue to deliver on our value-added business plan and set the stage for long-term growth. Nareit FFO was \$0.51 per share in the fourth quarter, driven by same property NOI growth of 3.1%. Base rent growth contributed 280 basis points of same property NOI growth this quarter, overcoming a topline revenue drag of approximately 150 basis points related to recent bankruptcies. For the year, same property NOI growth was 4.0%, which resulted in Nareit FFO per share of \$2.04, which represented a 4.1% increase from the prior year when adjusting for the gain on debt extinguishment.

And as Brian highlighted, our operational metrics continue to reflect robust, broad based leasing demand, as well as the momentum generated by our successful portfolio transformation initiatives. The spread between leased and billed occupancy ended the period at 410 basis points and the signed but not yet commenced pool totaled \$64 million, which includes \$56 million of net new rent. The size of the pool is up approximately \$9 million since last year end, despite commencing approximately \$58 million of annualized base rent this year. In addition, the blended annualized rent per square foot on the signed but not yet commenced pool is currently \$21.16, approximately 25% above our portfolio average. We expect approximately \$44 million, or 68% of ABR in the signed but not commenced pool, to commence ratably in 2024.

These tailwinds set us up for healthy growth in 2024. We have introduced guidance for same property NOI growth of 2.5% to 3.5% comprised of a 350 basis point to 400 basis point contribution from base rent. Our same property NOI range reflects capacity to absorb tenant disruption and includes approximately 100 basis points of drag at the midpoint related to potential 2024 national tenant disruption. As mentioned on our third quarter call, we expect revenues deemed uncollectible to return to our historical run rate of 75 basis points to 110 basis points of total revenues as we move beyond the benefits of prior period collections. As Brian highlighted, our ability to accretively recapture spaces coupled with our significant signed but not commenced pool sets up the portfolio to deliver strong rent growth in 2024 and beyond.

We have also introduced guidance for 2024 Nareit FFO at a range of \$2.06 per share to \$2.10 per share. Our FFO guidance reflects the strong same property NOI growth from the portfolio despite an interest expense headwind of \$0.03 due to higher interest rates on the bonds we issued in January and the replacement swaps for the \$300 million term loan. We expect the proceeds from our \$400 million 5.50% bonds will repay \$300 million of our 3.65% bonds when they mature in June. In the interim, we are holding excess cash in stable, high-yielding accounts. As of December 31, we had total liquidity of \$1.2 billion and debt to EBITDA of 6x, which leaves us well positioned to execute on our business plan.

## **QUESTION AND ANSWER**

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### **Juan Sanabria – BMO**

I was just hoping you could talk a little bit about the bad debt assumptions in the forecast and any timing around Big Lots, one of your tenants who I know is a bit smaller but in the news. Just curious if there's anything you could share with regards to timing and specific bankruptcies and how that may evolve throughout the year and how we should think about that.

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### **James Taylor**

As Steve talked about in his remarks, we really think about that tenant credit exposure in two places as we've consistently done. One is at the top line, which at the midpoint of the range, we've assumed about 100 basis points of potential tenant disruption. Then the second is in our allowance for doubtful accounts where we assume 75 to 110 basis points of potential credit loss.

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### **Brian Finnegan**

As it relates to just tenant disruption as a whole, we continue to monitor our watchlist. I think our team has demonstrated the ability to quickly capitalize on any tenant disruption. And as Steve and Jim touched on, we feel as though we've accounted for a range of outcomes in our forecast this year from tenant disruption. We don't typically like to get into tenant names. I would say Big Lots has been a good partner. I will comment on the rents though. The rents on those spaces are less than \$8.00. We've been signing anchors at a record last year of over \$15. We're opening a Sprouts location in a former Big Lots outside of Los Angeles. We leased a Big Lots space in the fourth quarter in Naples at close to double the rent. So we feel as though we're well positioned for some tenant disruption this year, which is in our forecast, and well positioned to backfill it accretively at much higher rents.

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**Juan Sanabria – BMO**

On occupancy, how should we think about that over the course of the year? Is there an assumed decline for seasonality in the first quarter? Not sure if you can provide kind of a year-end range of occupancy?

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**Brian Finnegan**

You're correct in that typically you see a dip both in billed and leased occupancy due to seasonal move-outs, even though normal course move-outs remained at historic lows, off historic lows in 2021 and 2022. When we do have those move-outs, they typically happen at the beginning of the year and then starts to ramp up in terms of billed occupancy at year-end. We expect it should have a typical trajectory this year. You may see some fluctuations with that due to tenant disruption as we saw last year as well. But the interesting thing, if you look at last year, despite the drag that we took from bankruptcy, we were able to grow billed occupancy year-over-year. So normal course trajectory, you're spot on. You'll see a small dip at the beginning of the year and that growing towards year-end.

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**Todd Thomas – KeyBanc**

Following up a little bit there on Big Lots perhaps. Brian, are there any lease expirations during the year in that portfolio? And if so, any expected changes to that exposure just in your property level budgeting throughout the course of the year?

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**Brian Finnegan**

I did mention the one location that we proactively took back. It was an expiration coming up in January. I think we have one or two more in the first quarter. If you look at overall that Big Lots exposure, it's down 20% from where we were pre-pandemic. And again, those rents are below \$8.00. We feel really good about our ability to backfill that space accretively should we get a handful of boxes back. But we only had a handful of normal course expirations, which have already happened in the first quarter.

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**Todd Thomas – KeyBanc**

How would you compare and contrast the rents relative to Bed Bath? You mentioned the rents were, I think, meaningfully lower than the Bed Bath rents, but the average box size is larger. Can you just help us understand the rents maybe relative to Bed Bath & Beyond and implications for leasing that space to the extent you do recapture some of it?

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**Brian Finnegan**

I just talked about the overall box supply environment. I mean, we're at the lowest box vacancy that we've ever had in the portfolio. I think a data point, again, for the supply dynamic is how aggressive retailers were in bidding on that Bed Bath & Beyond space last year. As you look at our Big Lots portfolio, in addition to the spaces I mentioned in Naples and Los Angeles, we've got boxes in Dallas, in the Philadelphia area as well. So I'd say, generally, we feel pretty good about the real estate, feel pretty good about the overall demand from box tenants in our core retailers that have been looking to expand, whether that's in the off-price category, whether that's in specialty grocery, home. So the depth of demand from a box standpoint remains very strong. And again, we feel pretty good about the upside in those spaces.

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**Todd Thomas – KeyBanc**

And just a clarification around the reserve itself, is there any portion of the credit reserve that amounts to known events today, whether lease rejections or otherwise, or should we think about that reserve as a cushion against anything that may happen just going forward in the remaining ten months of the year?

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**Steven Gallagher**

The 100 basis points I referenced is really thinking about 2024 disruption. Any disruption associated with prior bankruptcies is already sort of reflected in the results.

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**Todd Thomas – KeyBanc**

So is it just a cushion against anything unknown at this time going forward?

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**Steven Gallagher**

Correct.

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**Alexander Goldfarb – Piper Sandler**

Jim or Brian, can you just talk about what you've been able to do since you guys have leasing leverage? Basically, there's a view that there's a lot of great stuff going on in retail, but it's not really showing up in the bottom line. But when we look at your leasing, you're pulling back on renewals, you're pulling back on use restrictions, co-tenancy. So, some of those things won't be realized until the end of leases, but some are immediate where you can effect change today. Can you just talk, Brian, about some of the NOI that you've been able to add last year, this year, because you've been able to gain more leverage with the tenants in terms of what they used to command in lease leverage versus you guys versus now you're able to pull those terms back? Just want to be able to quantify it in actual NOI benefit to Brixmor.

## Brian Finnegan

I think I'd start with where Jim did in his opening remarks, so you can see it in every observable metric in terms of our rent growth, our retention. And then in terms of the intrinsic lease terms that you're mentioning, we have been able to push rent bumps higher. We're getting to 3%, close to 4% in some parts of the country, with small shop tenants. Across the board, we're over 2% and have growth rates in the portfolio of low-to-mid 1s. So we're improving there. You look at our margins, you're seeing an immediate impact there as our team has been able to lift CAM caps to be able to get paid for the investments that we're making across the portfolio. And then the other big thing that our team is laser focused on is flexibility. You look at the redevelopments that we've been able to bring forward, many of those consents we freed up during the pandemic, but we're also freeing up in renewal discussions today. If you look at the great work our team has done in the outparcel segment, right, we've been freeing up a lot more outparcels across the portfolio as well. So you're seeing this come through in the reinvestment pipeline. You're seeing it come through in our operating results, but you're also seeing it come through in those intrinsic lease terms, which we're making a ton of improvement on.

## Samir Khanal – Evercore

What are you seeing in terms of acquisition opportunities? You were net sellers last year. How should we think about sort of that strategy in 2024?

## James Taylor

As always, we remain very disciplined. We capitalized on liquidity that we found for smaller assets during the past year, raising about \$190 million of proceeds at a pretty attractive valuation, which also puts us in a position to be more acquisitive as we look at the months and quarters ahead. But again, expect us to be disciplined.

## Mark Horgan

As we look at that transactions market for 2024, the first thing I'd say is that we continue to have very compelling opportunities to allocate capital at very high incremental yields into our existing assets. But as Jim mentioned, we do expect to be a net acquirer of assets as we try to use that liquidity that we raised over the last year or so. And we're definitely starting to see a building pipeline in markets or even putting capital to work in like Texas and Florida and other parts in the Southeast. And I do think, as we've seen the market move here, we'll be rewarded with our discipline by finding assets that are at slightly higher going in yields than we would have seen, say, a year ago. The other thing I'd say, as you think about our disposition program, we're always very opportunistic when we look to sell assets. For example, in January, we just closed an asset in Detroit at a mid 6% cap, and we continue to mine adjacent land like we did back in 2022 in College Park for a very favorable zoning to achieve a very low cost of capital to drive the business forward. In fact, we are working on a large parcel currently in Southern California for that exact strategy.

## Greg McGinniss – Scotia

Congrats on the new highs in shop occupancy. Just curious where you're expecting to continue pushing those as leasing has remained strong, you continue to get new records on occupancy each quarter, but obviously as you fill up space, there's less space to fill. So, how should we think about where that number could go? And how does that balance against the kind of 100 basis points of topline that you're talking about this year in terms of that risk?

## James Taylor

One of the things that we've really enjoyed as a result of our value-added plan is the continued improvement in our small shop tenancy from a credit perspective, traffic and overall vibrancy. And as we think about how these assets move, as we reinvest in them, we get substantial follow-on benefit in terms of both occupancy and rate in the small shop. So we've talked about it for some time and have anticipated another couple of hundred basis points of run in terms of where small shop occupancy can go.

## Greg McGinniss – Scotia

We've heard about some of the backfills for the larger tenants that might be filling Bed Bath. But could you talk about some of the smaller in-line tenants or tenant categories where you've been having success?

## Brian Finnegan

It's a great question and it really speaks to what Jim highlighted in terms of the credit quality of our small shop tenants. So it's great QSR operators, whether those are national public companies or multi-unit franchisees, it's tenants in the wellness category, whether that's boutique fitness or medtail, which we're doing a lot of business with. And it's really cool new concepts that we've been able to take from different parts of the country. You look at a Dave's Hot Chicken that started off at a truck in Los Angeles. It's now expanding nationwide. Torchy's Tacos out of Austin, Texas. So we're bringing a lot of cool concepts into the portfolio. Tatte Bakery that we added this quarter is another one. I think it really speaks to just the asset class and how great restaurant tenants and great operators are looking at open-air retail. And we signed a lease with The Capital Grille that will open later this year in a former Pier One space at one of our redevelopments. The depth of that small shop tenancy continues to be very strong. The credit quality continues to be incredibly strong. And they're driving a ton of traffic to our centers. So we remain really pleased with what we're seeing.

## Greg McGinniss – Scotia

Are you possibly able to quantify the credit quality upgrade versus 2019, 2018, some timeframe?

## Brian Finnegan

I'd say local tenancy represents about 18% of our portfolio today. That's down from where we were pre-pandemic. I can get the exact number, but it's

going to be down from where we were. I would just say broadly, and we talked about it on prior calls, we instituted some things coming out of the pandemic in terms of our credit underwriting of our business, our leasing team partnering with our financial asset management group, really getting an understanding of small shop tenant business plans, really getting an understanding of the capital that we're putting to work. And then the competition for space has really allowed us to be selective with the best operators to come in. So in terms of the overall local tenancy, as I mentioned, it's in the high-teens. But we continue to see that improve, and we see it improve in terms of what's coming in the leasing committee every week.

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**James Taylor**

We also see it in terms of collections and overall performance. And as Brian alluded to, we've really raised the bar across the portfolio in terms of credit underwriting and security and so forth. So we're really encouraged by how this portfolio is positioned to weather any type of economic cycle.

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**Craig Mailman - Citi**

Just want to go back to the acquisition topic here and get a sense of kind of what the spread differential on acquisitions cap rates or yields versus where you guys are redeveloping and how you think about the appropriate spread on sort of risk-adjusted basis and maybe mix in some acquisitions here versus the redevelopment program.

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**James Taylor**

I think, as you're alluding to, what acquisitions that we're focused on provide as good current income, but also importantly, good growth and ROIs. We think about ways to reinvest, reposition and densify those assets. So we're more of a value-add type investor. So, as we think about acquisition opportunities, they've got to underwrite those higher hurdle rates driven really by the growth in ROI that we see from below-market rents, pad sites, redevelopment, etcetera. And that's how we think about it. Obviously, the best marginal use of our capital is in the reinvestment pipeline where we're getting very attractive incremental returns. And we think about our capital in that order, you know, first to the reinvestment and redevelopment, then to external growth.

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**Craig Mailman - Citi**

I appreciate the fact that you guys just gave 2024 guidance, so I get that with this question. But a lot of the commentary this quarter on the strips has been looking to 2025, given some of the drag from Bed Bath and some other tenant issues that happened in 2023 that create some downside. I guess, as you guys kind of look at the timely commencement of the SNC pipeline, maybe the burn-off of some drag related to backfilling some of those tenancies, what could be sort of the pickup in 2025 relative to 2024 from just that, the commencement of things that are already kind of done and known relative to some of the headwind burning off on timing?

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**Brian Finnegan**

I think, without giving 2025 guidance because we just gave 2024, I think as you look at what we talked about in terms of the Bed Bath space coming online late 2024 into 2025, as we continue just to capitalize on the demand environment, we think about New York ICSC, we were talking to tenants about store opening plans for 2025. If you think about national tenant plans today, they're mostly baked for 2024. So it's really accelerating what we're doing across the portfolio from an execution standpoint, getting those tenants open, and quickly addressing the space that we took back last year and may potentially take that this year.

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**Jeff Spector – Bank of America**

Just to put the 100 bps topline impact into context, how does that compare to 2023 actuals and how does that compare to what you would normally put into guidance at the onset of each year?

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**James Taylor**

You know, it's interesting, because if you think about the timing of Bed Bath and others, we had much higher visibility on that last year and we had a similar amount of cushion, if you will, in the topline assumption going into that year. As we look at 2024, we believe we're adequately provisioned to handle a wide variety of outcomes and continue to deliver what we think is pretty compelling, growth, 2.5% to 3.5%. So, that kind of gives you a little bit of perspective and puts us in a position, I think, to continue to outperform.

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**Jeff Spector – Bank of America**

On the 60% of ABR from SNO to commence ratably in 2024, can you talk a little bit more about the store opening process today? Are you still seeing delays? Are there ways to improve that process, like you meeting with any new vendors or anything to help with the store opening process?

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**Brian Finnegan**

It's a great question. I think one of the things that's come out from a best practice standpoint the last few years, and we've talked about it, is tenant's flexibility in utilizing existing conditions. Whether there were supply chain delays a few years ago, tenants really had to hit that store opening pipeline. So, whether that was keeping the bathrooms in place, not making dramatic changes to the facade, utilizing existing HVAC, and we've seen that. And in terms of what we've been doing, our operating teams have been partnering with their counterparts, with national retailers, seeing how we can get ahead of plans, moving forward quickly after tenants approve things in their committee, and then ultimately, seeing how they can utilize existing conditions. And you could definitely see that, Jeff, in the deals that were purchased at the auctions last year, how quickly those stores opened. So, as we're in discussions with tenants where we really have a great understanding of our existing conditions, we can talk to them about that. We can negotiate that upfront and get ahead of those. So that's really helping to accelerate time frames across the portfolio and then from a lease negotiation

standpoint as well, we've got conforming leases with all of these tenants. Our legal team does a great job in terms of establishing relationships on the legal side with their partners at retailers, and we call it owning the relationship. Our national account team isn't just connecting with their business partner. We're connecting on the legal side. We're connecting on the operating side. We're connecting on the management side from a go-forward perspective as well. So all these things are really paying off. And also the environment, too, in terms of tenants wanting to get stores open quickly, allowing them to take more of those existing conditions. So it's really all those things combined.

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## **Dori Kesten – Wells Fargo**

I know you mentioned a March April timeframe for the CFO announcement. But specifically what's needed in a CFO in 2024 Brixmor versus the 2016 Brixmor?

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## **James Taylor**

We need somebody who's a good strategic partner, somebody who has some experience across the capital markets and potentially in the seat. We also need somebody who's a good cultural fit. And as I mentioned in my opening remarks, we're very encouraged by both the breadth and depth of demand and interest we've had in the role. And I think we're going to have a great candidate.

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## **Dori Kesten – Wells Fargo**

Your retention rate, it was around 86%, I think up slightly from last year. Will you expect this to continue to move up over time? And what would you view as a normalized level of retention for your portfolio over the medium-term?

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## **Brian Finnegan**

We were encouraged by the retention rate trends last year and we continue to be. That hit a record for us, as Jim mentioned. You would expect that to continue to trend higher. With the improvements that we've made across the portfolio, with the anchors that we've brought in, tenants want to stay, great tenants want to stay, and they're staying at higher rents. It's not going to prevent us, though, from being opportunistic to take space back. If we see the ability to upgrade our portfolio and we want to take space back from tenants, we're not just doing it from an occupancy perspective, but I think you can expect those trends to go higher. You may see some fluctuation in a given quarter, but everything we've done around the portfolio as well as what you're seeing in the macro environment would lead us to expect those trends to continue to grow.

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## **Floris van Dijkum – Compass Point**

The size of your SNO pipeline, it's one of the highest in the space. It's impressive. The critique we sometimes hear is that your SNO pipeline is always large. And is there leaking that happens when you fill stuff up. Maybe if you can touch a little bit upon the outlook for that pipeline and can it continue in this scale going forward?

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## **James Taylor**

I think the important thing to think about is where that billed occupancy is going, which it's also moving up. So we're maintaining that great spread between billed and leased through the great marginal activity that we're leasing. The strength of that pipeline demonstrates itself in terms of how we drive the outperformance in growth, how we deliver more revenue per quarter successively. It really gives pretty darn good visibility on how we're going to grow, not only through '24, but '25 and beyond.

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## **Brian Finnegan**

I would just add, we're now three consecutive years of normal course move-outs being at historic lows. Our team addressed the 2023 bankruptcies very quickly with better tenants, higher rents, compelling accretive returns. So we're making those upgrades for the spaces that we do get back in. And I think as Jim highlighted, we're growing billed occupancy despite taking some of that space back. So we're actually pretty pleased with how that pipeline continues to grow. It's a good look-through in terms of the overall leasing environment. It's a good look-through in terms of our team's ability to capitalize on it.

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## **Floris van Dijkum – Compass Point**

In terms of ABR Jim, when you started at Brixmor, what was your average ABR? What has been the growth in that ABR since your tenure because part of that is I think is oftentimes viewed as a reflection of portfolio quality. What's the spread been relative to your peers when you started in terms of ABR? Where do you see that heading over the next couple of years?

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## **James Taylor**

I really appreciate the question. So when we started, it was in the \$12 range, and today it's approaching \$17. But if you look also at the marginal rate at which we're signing, it's in the low-20s. So we're really marching very steadily to a pretty compelling average ABR. That speaks to not only the quality of the centers, but also the demand of tenants to be in our centers. So, thank you for highlighting that. It's a trend and a track record that we're very proud of.

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## **Haendel St. Juste – Mizuho**

First question on redevelopments, just to go back to your pipeline here. You're up to about \$430 million, which I think is up about 30% from this time last year. So my question is, how large would you like to grow that to and what's the limiting factor near-term? Is it the funding? Is it perhaps lower yields or potentially the returns not meeting your expectations? And then what proportion of that pipeline over time would you like to have in form of

mixed use, densification versus traditional repositioning?

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**James Taylor**

We're going to remain disciplined, as we always have, on retail projects that really benefit from a really nice velocity where you're not committing any significant capital until you've got your leases signed and in place. In terms of pace and velocity, we're going to continue to be between that \$150 million to \$200 million of annual spend and delivery, albeit this year, we do expect to deliver closer to \$200 million. What that pipeline shows you, Haendel, is visibility on a couple of years of forward growth. I think we're at a good level. I think it's balanced in terms of outparcels, redevelopments, anchor repositionings. Again, we're really benefited by the velocity with which that income delivers.

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**Haendel St. Juste – Mizuho**

Can you talk a bit more about the 100 basis points of tenant disruptions embedded in your topline? And put that maybe into context versus more normal years where you have more non-renewals and churn, maybe comparing that to 2023 actuals and what you would actually do in a more normal year.

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**Steven Gallagher**

When you think about outside of the bankruptcy period, right, we normally are building our budget from ground up, starting at individual tenants and have very specific assumptions as to who we expect to renew and ultimately move out. Over the last couple of years, with some of the bankruptcy activity, we have embedded an expectation within that line. I think when you look at the 100 basis points this year as compared to what we would have seen through last year, I think it would have been a little bit higher in 2023, and we'll ultimately see how it plays out in 2024.

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**Anthony Powell - Barclays**

Just a question on renewal lease spreads. You guys are at record occupancy both on the anchor and shop, so things are going well in the industry. At what point do you think you'll have more pricing power to drive those renewal lease spreads from the 13% range to something higher kind of given what we're seeing across the industry?

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**Brian Finnegan**

We're proud of what the team has been able to do. As you mentioned, we were over 13% last year. That's now eight consecutive quarters of renewal growth over 10%. As we continue to make improvements across the portfolio, as the environment continues to be strong, we expect to be able to drive renewals higher. But as I mentioned earlier on the call, it's not just that initial renewal growth that we're getting. We're also renegotiating CAM clauses, we're getting annual growth in those renewals, we're getting flexibility in those renewals as well. So I think as you look on the whole, we continue to make improvements. But if you look at where we've been, we've continued to drive those renewal rates higher. You may see some fluctuations in a given quarter, but long term, we're pretty encouraged by what we're seeing overall just in the rent growth space, but particularly on renewals.

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**Anthony Powell - Barclays**

One more maybe on anchor contractual rent bumps. In another call, I think one of the other companies said that they're still trying to make progress there and getting more anchors agree to those bumps. Where are you kind of in that process?

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**Brian Finnegan**

It's incremental progress, right. Maybe you're not getting the 3% annual increases on average, although we're getting it with some national tenants that we may not have gotten with before. But tenants were used to that 10% initial increase. Maybe you're pushing that to 12.5%, maybe you're pushing that to 15%. And the competition for space is allowing us to make those improvements outside of the very strong initial rate that we're getting with our anchors. We signed anchor leases a last year at the highest rates that we ever have. That rate continues to trend higher. So we are making marginal improvement and again, I would hint to those kind of non-rent lease terms that we're able to get in our leases with anchor tenants, whether that is freeing up outparcels, whether that is freeing up restrictions to allow more of the fitness users or medical users into the space. So I think we continue to make marginal improvement and the environment is allowing us to do that.

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**Ki Bin Kim – Truist**

When I look at your 2024 lease expirations, the average rent is a little bit lower than other years. Is that just a mix or should we think the lease spreads could be a little bit better in 2024 than the normal?

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**Brian Finnegan**

It's somewhat of a mix issue. But if you look out the next few years, we have leases expiring, particularly for anchors, in the high-single digits around \$8.00 to \$9.00. We've been signing those deals at \$15.00 a square foot. So that gives us really good visibility in terms of our ability to continue to drive rate.

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**Ki Bin Kim – Truist**

And not to beat a dead horse here, but going back to the credit loss reserves of 100 basis points. I think, in general, people just want to understand if some of these more high-profile at-risk tenants like a Big Lots or JOANN's, if they end up going bankrupt, if there is further downside to FFO, I think that's ultimately what we're trying to gauge. If you could provide any commentary on that.

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**James Taylor**

As I mentioned before, just as we've always done, we believe we're adequately provisioned for a wide variety of outcomes. As Steve talked about, we do a space-by-space buildup and make certain assumptions as to non-renewal and move outs, et cetera. Then on top of that, we look across the portfolio and the industry to assess tenant risk and make educated decisions about where to set those reserve levels. Again, all with the point of view that what we're delivering is still incredibly strong with that top line provision.

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**Michael Mueller - JPM**

Looks like you had about little over \$160 million in leasing CapEx and maintenance CapEx in 2022 and 2023. Just curious where you see that trending in 2024 and 2025 given the SNO pipeline?

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**Brian Finnegan**

I'd say in CapEx overall, we've talked about that we expected maintenance CapEx to trend down over time. You started to see that last year, and we expect to continue to see that as the improvements in our portfolio are continuing to pay off. As Jim mentioned, we do expect about \$150 million to \$200 million a year in consistent reinvestment CapEx. And then from a leasing CapEx perspective, just expect us to be a similar level as we were a year ago. But our team is being incredibly disciplined. We're using the competition for space to, as I mentioned, get tenants to take on more existing conditions to keep those scope levels down. But I would expect that to trend at a similar level with the maintenance CapEx number ultimately trending down.

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**Linda Tsai - Jefferies**

I realized there is retailer demand for open-air across the board. But could you just talk about for individual spaces, like what sizes you're seeing the greatest demand for?

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**Brian Finnegan**

We had talked about box sizes earlier in the call, Linda, and we have our lowest box availability that we ever have had. So I think in that kind of mid-20s box size range, whether those are tenants in the value apparel, specialty, grocery, home, wellness segments, we're definitely seeing strong demand there. You look in that 10,000 square foot kind of that junior anchor range and whether that's the Five Belows of the world, the footwear tenants, the Sephoras, ULTA, in that size range, there's a lot of demand there as well. And then the third one I'd point to is in the outparcel space. We have a tremendous amount of competition for available outparcels from just really, really strong tenants, whether it's the Cava's of the world, the Chipotle's that are expanding, bank branches like Chase, which is still looking at new opportunities in existing and new markets. So I think that there's a wide range of spaces. I gave a few there. But those are the three, I'd say, where we're seeing the most demand.

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**Linda Tsai - Jefferies**

My second question is just on the transaction market. You mentioned the mid-6% cap rate for the recent transaction. How do cap rates vary across the format for the assets you would be considering to buy?

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**Mark Horgan**

What I think the most important part about that cap rate question is really size. So, as you go down in size, cap rates are tighter. If you look at that \$15 million, \$20 million, \$30 million range, you're certainly seeing tighter cap rates. For open air retail, as you expand out to that \$50 million to \$100 million and higher, that's where we're seeing higher cap rates that could be more opportunistic for us.

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**Omotayo Okusanya – Deutsche Bank**

In regards to dispositions, could you talk a little bit about some of your lower growth assets and kind of what you're targeting? Could you also provide any commentary around particular markets you're trying to get out, whether in one or two places where you may not have scale, if that makes sense to just kind of exit the market?

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**James Taylor**

Our strategy has been pretty consistent. And it's one of clustering as we exit some of those single asset markets. Where we fix the asset and have an opportunity to harvest real value, that's where you see us exiting. And we'll always be balanced, evaluating that hold IRR against our cost of capital and looking for opportunities to monetize assets opportunistically. With that said, we're going to be balanced, and we're always going to look to what we can do on the other side.