

CORPORATE PARTICIPANTS

Jim Taylor, Chief Executive Officer

Brian Finnegan, President, Chief Operating Officer

Steven Gallagher, Chief Financial Officer and Treasurer

Mark Horgan, Executive Vice President and Chief Investment Officer

Stacy Slater, Senior Vice President, Investor Relations and Capital Markets

PRESENTATION

Stacy Slater

Thank you Operator. And thank you all for joining Brixmor's second quarter conference call. With me on the call today are Jim Taylor, Chief Executive Officer; Brian Finnegan, President and Chief Operating Officer; and Steve Gallagher, Executive Vice President and Chief Financial 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.

Jim Taylor

Thanks Stacy and good morning everyone. Before speaking to our results and continued execution, I'd like to begin by congratulating Brian, Steven, Kevin, and Helene on their well-deserved promotions. Simply put, well done. As a Company, our foundational cultural tenet is that great real estate matters, but great people matter even more. At Brixmor, we are blessed with the best team in the industry, a team that continues to deliver outperformance quarter-in and quarter-out as we execute our balanced value-added plan.

Speaking of records, we achieved record occupancy and record new and renewal spreads in the quarter, once again highlighting the flywheel effect of our portfolio transformation and our ability to capitalize on the embedded mark-to-market opportunity. In fact, we averaged rents of \$23.82 a foot versus our average in place of \$17.26. Importantly, we also commenced an additional \$17 million of ABR in the quarter, ahead of expectations, while our signed but not commenced ABR replenished to \$65 million, again providing excellent visibility on continued top line growth as those leases commence paying rent over the next several quarters.

Overall, that top line revenue growth drove most of our same store performance of 5.5% in the quarter, as growth in operating margins, driven largely by increased occupancy and penetration of fixed CAM, delivered the balance of that growth. That same store growth in turn drove bottom line FFO growth of nearly 6% in the quarter when you exclude the prior year gain on debt extinguishment. Even with expectations of higher levels of bad debt and lower prior year recoveries, as Steve will detail further in a moment, this outperformance led us to raise our FFO guidance to a range of \$2.11 to \$2.14, an increase of \$0.03 at the midpoint.

On the reinvestment front, we continue to make excellent progress, delivering \$37 million at an incremental return of 9%, putting us on track to deliver over \$200 million for the full year. We also commenced \$100 million of pre-leased reinvestment projects, including a second phase of Pointe Orlando and an exciting restaurant outparcel district called Block 59 in Naperville that Brian will discuss further. These and other projects underway provide us with excellent visibility that we will continue to deliver \$150 million to \$200 million per our plan in '25 and '26 and beyond.

On the capital recycling front, we closed during the quarter on a \$17 million acquisition in Long Island that is immediately adjacent to one of our existing centers, and just barely a month into ownership, we have identified several grocers to backfill an empty box at highly accretive rents. With these and other grocery opportunities that Brian will highlight in a moment, we continue to organically grow our overall grocery-anchored percentage to over 80% of ABR, importantly, in a manner that unlocks huge value through yields and compression in cap rate. Following quarter end, we also closed on the acquisition of The Fresh Market Shoppes in Hilton Head, a value-added acquisition that builds on our critical mass in the fast growing coastal Carolinas market. Further, our forward acquisition pipeline continues to build to over \$200 million, with opportunities in our core markets to further cluster and leverage our best-in-class platform.

Finally, I'm pleased to report that we continued to demonstrate the strength of our balance sheet and the impact of our balanced strategy as we brought debt to EBITDA down to 5.6x and have over \$1.7 billion of liquidity to fund our business for the next several years. In sum, our balanced value-added business plan not only continues to deliver on all fronts, but also positions us importantly for continued outperformance.

Brian Finnegan

Thanks Jim and good morning everyone. I'm pleased to report another quarter of outstanding operating results delivered by the Brixmor team as demand to be in our centers from a wide range of high-quality operators shows no signs of slowing down. The well-capitalized tenants we are attracting and the rents we are achieving demonstrate not only the continued transformation of our portfolio, but the unmatched strength of the Brixmor platform. Our leasing activity during the quarter allowed us to achieve records once again in overall, anchor, and small shop occupancy, with small shops growing sequentially for the 14th consecutive quarter to 90.8%. Record occupancy levels are also enabling our team to push rental rates higher in both new and renewal leases, which was also evident in our results as we achieved record renewal growth of 19% across 195 renewal leases executed in the quarter, to pair with the over 50% growth in our comparable new leases which Jim highlighted.

As encouraging as these results are, what's even more encouraging are the tenants we deliver them with. Tenants like Ulta, HomeGoods, Rally House, Skechers, and Boot Barn, along with the Company's first new lease with Wayfair in Greensboro, North Carolina, yet another online retailer that is recognizing the importance of having a physical store footprint. We also continued to grow our grocery-anchored percentage during the quarter, adding another Sprouts Farmers Market to proactively backfill a Conn's location in Knoxville, Tennessee at close to triple the in-place rent. Demonstrating once



again the opportunity that we have in our below market leases and the speed at which our team can capitalize on them. The Conn's boxes are among the few that are expected to come back to us at a time when box vacancy is at historic lows for the portfolio, and our team is well on the way to backfilling these spaces in markets like Raleigh and Houston with better tenants at higher rents.

Briefly on reinvestments, to expand on what Jim highlighted, we are very excited to bring on \$100 million of accretive, pre-leased, transformative redevelopment projects during the quarter led by the second phase at Pointe Orlando and Block 59 in suburban Chicago. Phase 2 of Pointe Orlando is coming online at the perfect time as we prepare to open Live! at the Pointe in partnership with The Cordish Companies later this fall, and Block 59 includes a great mix of well-capitalized restaurant tenants, complementing the grocery anchor component of the shopping center in one of the most desirable suburbs in the Chicago market.

Looking forward, we remain encouraged by the depth of retailer demand and the forward and legal pipeline which continues to grow despite the records we continue to set in occupancy. Our team continues to be laser focused on quickly converting this demand into open, rent paying tenants which, as Steve will highlight further, gives us great visibility on future growth.

Before handing the call over to Steve, I would like to congratulate him, Helene, and Kevin on their well-deserved promotions and thank Jim and the Board for the opportunity to serve as President, as well as the broader Brixmor team for their continued support. There has never been a better time to be at Brixmor, and I'm grateful to work with the best team in the business.

Steve Gallagher

Thanks Brian. I'm pleased to report another very strong quarter and improved forward outlook, reflecting the strength of our business plan execution and the compelling growth opportunity within the Brixmor portfolio. Nareit FFO was \$0.54 per share in the second quarter, driven by same property NOI growth of 5.5%. Base rent growth contributed 380 basis points to same property NOI growth this quarter, reflecting continued strong leasing spreads, growth in billed occupancy, and improved retention rates. In addition, net expense reimbursements contributed 140 basis points driven by the growth in billed occupancy and a decrease in real estate tax expense primarily due to reduced bills in our Chicago market. Revenues deemed uncollectible contributed 20 basis points to same property NOI growth due to higher collection rates and lower tenant disruption.

We are very pleased with the continued execution by the entire Brixmor team as we ended the quarter with a 400 basis point spread between leased and billed occupancy, and our signed but not commenced pool totaled \$65 million, which includes \$55 million of net new rent. The size of the pool decreased only \$3 million despite commencing approximately \$17 million of annualized base rent in the quarter. We expect the vast majority of ABR in the signed but not commenced pool to commence over the next 18 months.

From a balance sheet perspective, we repaid \$300 million of our 3.65% bonds that matured in June 2024 with the proceeds from our January bond offering. At June 30, we had total liquidity of \$1.7 billion and our debt to EBITDA, on a current quarter annualized basis, was 5.6x, leaving us well positioned to execute on our business plan and with the flexibility to opportunistically access the capital markets.

In terms of our forward outlook, given the continued strength in the portfolio, we have increased our same property NOI growth to a range of 4.25% to 5.00%, comprised of a 425 to 475 basis point contribution from base rent as commencements from the signed but not commenced pool accelerates base rent growth in the second half of the year. Additionally, the improvements to the credit quality of our tenants and strong payment trends continue to drive outperformance in revenues deemed uncollectible. We now expect revenues deemed uncollectible to end the year at 50 to 75 basis points of total revenues versus the prior range of 75 to 110 basis points. In conjunction with the increase in our same property NOI expectation, we have raised our guidance for 2024 Nareit FFO to a range of \$2.11 to \$2.14 per share.

I would like to thank Jim and the Board for the CFO opportunity, as well as the larger Brixmor team who supported me along the way.

QUESTION AND ANSWER

Todd Thomas – KeyBanc

Congrats to everyone on their promotions. First question, I just wanted to ask about acquisitions. I'm wondering if there's any change in view around acquisitions and the Company's position toward capital recycling and / or capital raising at all here as we move forward, just either given some of the changes in the C-suite and / or given the improvement in the Company's cost of capital more recently?

Jim Taylor

I think the big change has been, honestly, the opportunities that we're seeing. So we're always going to be opportunistic and direct our activity to those that we think can create huge value for the Company, and we're pleased with what we're seeing out there in the transaction market, particularly in our core markets where we successfully clustered investments. For example, we mentioned the acquisition of the Fresh Market in Hilton Head, which further grows our presence in that coastal Carolina market. So we're pleased with the opportunities that we're seeing and our ability to execute on them.

Todd Thomas - KeyBanc

Do you anticipate being a net acquirer in the second half of the year, and can you talk about sort of the going-in yields that you're seeing for acquisitions that you're underwriting today?

Mark Horgan

Yeah, as Jim mentioned, we're always going to be opportunistic with respect to acquisitions, and we're certainly seeing a much more active market over the last few months. Frankly, what's most interesting about the transactions market today is that sellers really appear to be more interested in kind of quiet, direct conversations with folks like Brixmor that aren't relying upon external or joint venture capital or, frankly, even the debt market to source deals or finance deals. So this ramped activity that you're seeing with the couple of acquisitions we've made this year really are leading to a more active pipeline on the acquisition side, so we do expect to be a bit more acquisitive here in the second half, but as Jim's mentioned over the years, we will always be balanced and disciplined with respect to our capital allocation on acquisitions.

With respect to yields, year-to-date the yield where we've bought is in the high 6%, and as we look at our forward opportunities from a going-in

perspective, they are in the same yield, so that high 6% cap rate range. But also, when you think about our capital recycling, what's important to realize is we are a hold IRR type investor, so when we look at assets we've sold, we're seeing a pretty big spread between those IRRs of what we're selling and the IRRs for the assets that we're acquiring.

Todd Thomas - KeyBanc

In terms of the net recoveries related to the lower property taxes in the quarter that you mentioned, how much of that was sort of one-time in nature versus what might be more recurring as we think about lower property taxes potentially going forward?

Steve Gallagher

I think when you think about the total impact of the quarter, we've got \$1.0 million of it related to sort of the way Chicago bills in arrears related to 2023. So that's sort of the non-recurring aspect. But about \$0.5 million will recur in the year and then recur going forward, and I think the important thing to remember with that is ultimately it's lowering our occupancy cost to our tenants and will allow us to push rent on those renewals in the future.

Todd Thomas - KeyBanc

That's helpful. \$0.5 million in the year or \$0.5 million in the quarter? So \$2 million on an annualized basis?

Steve Gallagher

It'll be \$0.5 million in the year.

Jim Taylor

Todd, the only other thing I would highlight there is we're benefiting also from higher recovery rates as our billed occupancy moves up. So while we did benefit in the quarter from the favorable tax assessments, you should expect us as we continue to drive billed occupancy to recover more and generate better margins.

Dori Kristen – Wells Fargo

Good morning and again congrats on the promotions. Can you give us a sense of any incremental G&A that may come along with those?

Jim Taylor

On balance, we don't expect incremental G&A as we look for other efficiencies.

Dori Kristen – Wells Fargo

On Conn's and Big Lots, what kind of retailers have shown interests in those spaces and where may rent spreads pencil out, and just anything irregular to note about potential TI or timing to backfill?

Brian Finnegan

Just as it relates to Conn's first, it's a pretty low exposure for us, about 30 basis points. As I talked about, these boxes may come back to us in the tightest supply environment that we've seen, and the types of tenants that we're backfilling them with are the types of tenants that continue to expand in the open air space, like those in the value apparel segment and in the specialty grocery segment, like the first Conn's that we proactively took back, where we were able to put Sprout's in and triple the rent. As it relates to the Big Lots rents in particular, those rents are just below \$8 a foot. We've been signing anchor leases around \$16 a foot over the past year, and you can expect a similar level of upside, maybe not double, but particularly we've got a significant amount as it relates to those Big Lots spaces. We feel very encouraged as, again, we're not getting a lot of box spaces back, and it's the tightest box supply environment that we've seen in terms of our ability to quickly address them to the extent we get a few boxes back this year.

Craig Mailman - Citi

Good morning and congrats again everyone on the promotions. Jim, just want to go back to the end of Todd's questioning on NOI margins there. I know you guys ticked up to about 76%, but you guys are getting every quarter it seems like another record on leased occupancy for anchors and small shop. Just as the portfolio continues to grow, you guys pushed through some fixed CAM, you get some better outcomes on tax appeals, where do you think NOI margins should shake out for your portfolio over the next year or two as the SNO pipeline commences? What's a good normalized level to think about?

James Taylor

Rather than giving you specific guidance on a margin, I think we've got a few hundred basis points of room, and I think you're going to see us continue to realize that, as you point out, as our billed occupancy grows, because there is a 400 basis point difference between leased and billed. As that occupancy delivers, obviously, we're going to be recovering a higher and higher percentage, which as you also mention is augmented by the increased penetration of fixed CAM that we have in the portfolio. So I do expect to see continued growth in margin. I think we have more than a few hundred basis points of room. I'd rather not give you specific numbers for guidance.

Brian Finnegan

I would just add, our team's been very intentional in terms of improving CAM clauses in our leases, eliminating CAM caps, eliminating carve-outs. You mentioned fixed CAM, we've been very intentional with that as well. Where we've been deploying that across the portfolio, we have a good understanding of where the expense trajectory is at those properties. We've been growing that at 4% across both small shop and anchor. So in addition to everything we're doing on the base rent front, our team's been very intentional in terms of improving those CAM clauses, which is really helping with margins as well.

Mark Horgan

The last thing I would add is as we look at acquisitions as whole, when we think about acquisitions, we do buy from a lot of folks who are not large institutional owners like we are, and they don't have the ability to hit some of those margin topics that Brian's hitting on. So we think that's also a piece of the growth in deals that we buy on the acquisition side.

Craig Mailman - Citi

That's helpful. Then maybe sticking on the acquisition side, it sounds like more of the kind of pipeline you guys have gotten recently is off-market or softly marketed deals. Am I reading into that correctly, and you guys are less of the buyer for the fully marketed deals, and that's where you're going to get kind of the better opportunities to not compete with maybe some of the high net worth guys, or other people who are just all cash buyers and have been paying bigger prices more recently?

James Taylor

We continue to see a mix of deals, marketed and off-market. I think Mark's point, though, is that we are a preferred buyer in this capital markets environment, given our liquidity, given our presence in the markets that we're focused on, and that gives us an advantaged position. We're also pleased by the growth in the overall pipeline of opportunities that we're seeing that meet our return hurdles.

Greg McGinniss – Scotia

Leasing obviously remains quite healthy, but there are certain tenant categories facing some pressure, like home goods and pet and office supply. Are you still renewing tenants in that category, or how are you handling those expirations when they come up?

Brian Finnegan

We look at these on an individual basis. For instance, our office supply exposure overall has dropped considerably. There still are office supply locations that are doing very well that are four-wall EBITDA positive in our portfolio, so some of those do renew. But you think about some of the Staples locations in particular that we've taken back proactively and backfilled with the likes of Ross and grocers and other folks that we've been doing a lot of business with, so it's really going to be center specific. We've got a number of our pet store locations that continue to do very well, and I think in this environment, we're going to continue to be opportunistic where we see weaker tenants, really in any category, to be able to upgrade those spaces at higher rents. Then particularly on the anchor side, where we do have a lot of demand, we also have a very low rent basis in terms of what's expiring over the next few years. We've got rents on those spaces expiring at close to \$9, and we're signing them at \$16, so it really depends on the situation. But where we do see weaker tenants in any category, we're going to use the opportunity to upgrade.

Greg McGinniss – Scotia

For specific boxes, how do you go about evaluating their productivity? Do you get sales information from them or Placer data? How are you going about deciding if they're a higher risk location or not, that you might need to be backfilling or proactively filling?

Brian Finnegan

We get both. We get sales for the majority of the portfolio, and we do get traffic for all our tenants. That's certainly helped us be a lot smarter. The other thing is we've got great relationships across our platform, particularly on the national account side, where even where we don't get reported sales, we'll often get a number of those volumes in the conversations with our tenants, and that's because of the trust our team's built. We do utilize the tools that you're talking about, whether that's Placer, or whether that's other tools related to traffic. But we also get sales from the bulk of our tenants. We're also adding sales reporting when we have renewals coming up in leases where we're not getting that today, and then again the relationships that we have with these retailers really shows the trust, where we're able to get some of those sales volumes as well.

Jim Taylor

We're in a great supply / demand environment that allows us to drive the optimal outcome for space as it comes due, and you see it in the spreads. You see it in the renewal spreads, as well as the new leasing spreads, so we're not only taking this opportunity to upgrade the portfolio and continue to upgrade tenant quality, we're also using it to drive true organic growth and it's in the numbers.

Greg McGinniss – Scotia

How many of the stores, or what percentage of the big box stores are you getting individual store sales on?

Brian Finnegan

We get sales from about 70% of the portfolio today. We get it for almost all of our grocers, and that's 70% across all size ranges, so I don't have the particular anchor number today, but again, that percentage of tenants that are reporting sales has improved as we've been able to add sales reporting as renewals come up, so we've been very intentional about that and I expect that to continue to grow.

Jim Taylor

As Brian alluded to, our national accounts team is held accountable to understand productivity where sales reporting isn't required. So when you supplement that with the Placer AI data in terms of traffic, which is a great proxy for sales productivity, you have a pretty good view which not only helps you understand the health of the underlying tenant, but also how you best drive the economics upon renewal.

Alexander Goldfarb – Piper Sandler

Good morning and mazal tov on the promotions all around. Just two questions, or one question and one follow-up. Going back to the tenants, clearly McDonald's out with their news on consumer pushback, that's been a common theme especially in the food area. Just an update on what you're seeing across your retail portfolio. Are retailers really talking and concerned about changes in consumer shopping and purchase patterns, or is this just people reallocating a little bit within each of the different categories and overall it's really not affecting the business in any way that affects their leasing.

Jim Taylor

The leasing decision is a long-term decision and not certainly driven by quarterly performance as the retailers are looking at their pipelines out into 2025, 2026 and beyond, and they're committed to the stores. As we look at our real-time traffic data, we're actually very pleased with how traffic at our centers and our major tenants within those centers continues to improve as we execute our strategy. In terms if we hearing it from tenants, really quite to the contrary. The tenants still are in a posture where they're trying to get their store opening plans filled and they're being very aggressive to do that.

Alexander Goldfarb – Piper Sandler

Looking at your leasing, the signed but not yet commenced, the wider gap is with the small shops, the under 10,000 square feet, and presumably that's the more lucrative economics for you guys. Can you just give how we should think about the impact to earnings from a 100 basis point increase in occupancy from small shops versus 100 basis points increase in over 10,000 square feet? Just trying to get a sense of the impact to FFO because I'd have to believe that it's much more advantageous, the boost from the smaller shops than the bigger shop as your occupancy increases.

Steve Gallagher

I don't know that I can quantify the exact impact, but I think your general thesis is correct. Those smaller shop tenants are going to pay a higher rent and have a higher contribution to recoveries than you would on the anchor side.

Jim Taylor

That follows through when you look at the average rents we're achieving, both on the anchors and the small shop. Your point is correct that there is a greater multiplier that's part of that \$65 million of signed but not commenced rents.

Caitlin Burrows – Goldman Sachs

Maybe just another pick-up on the impact of occupancy improvements. You had a good pick-up in billed occupancy in the quarter and talked about how the SNO pipeline is still quite large. So what's your near to medium term expectation for billed occupancy? Can this pace of openings and rent commencements continue or maybe even accelerate from what we saw in the quarter?

Brian Finnegan

You normally would expect billed occupancy to continue to trend higher in the back half of the year, as we have the bulk of those openings happening in the late third, fourth quarter, particularly with anchors. Now, depending on if we get a few store closures back, you may see a dip in that, but that would be the normal course billed occupancy trajectory as we head into the end of the year. And again, we just talked about the spread between leased and billed, particularly on the small shops, which start to have a number of those shops coming online at year end, and even the balance as we get into next year. And the pipeline continues to be very strong. We're very encouraged just with the depth of demand and the size of the in-legal pipeline, despite the fact that we're raising occupancy to these levels. But overall, the trajectory, you should expect to see that to rise as we go through the balance of the year.

Caitlin Burrows – Goldman Sachs

Just another one on pricing. Your new lease spreads have been very strong for a very long time, and this quarter was a record level. The renewal pricing is also really strong. On the options side, is there anything you can do to limit the drag from the impact of options, and is that anything you can do near term or is it more related to leases you sign today and the eventual options they may or may not have in the future?

Jim Taylor

Since we began, our focus has been on giving fewer options, and we've been very successful, Brian and team, as we've been executing the plan to do that. So not only not giving options, but giving fewer options in situations where they're otherwise required, and that's really how you impact that. It's something that occurs over time as you execute fewer and fewer options across the portfolio.

Brian Finnegan

I would just add, too, that we're making incremental progress, even when we have to give an option. In this environment where maybe those option increases in the past with anchor tenants were 10% and our team is pushing them to 12.5% or 15%. To Jim's point, maybe you're eliminating the number of anchor options from say four to two. The other thing that we've done is we've introduced a fair market value concept, that was pretty much a California phenomenon, into other parts of the country where we've had to give those, primarily with national tenants. We're giving almost no options with local tenants, and to Jim's point, it's something our team is very focused on. If you were to sit in committee on a Friday and hear our Head of Leasing, David Gerstenhaber, he's asking that question as deals come into committee -- do you have to give that option? Can you reduce those options? So it's something we're going to continue to remain focused on, but something we've been doing for a while.

Juan Sanabria – BMO

Just a question with regards to the same store NOI guidance. Obviously there's a slowdown implied in the second half. Can you just give us some color or details around what's driving the slower assumed second half and what are the key variables within the guidance range?

Steve Gallagher

I think the first thing you've got to think about when you think about same property NOI is just the growth in base rent, right, because ultimately the growth in same property NOI is going to be largely dependent on that growth, and for the first half of the year, it was 380 basis point contribution to same property NOI. You'll see implied in our base rent guidance of 425 to 475 basis point contribution, you really see that starting to ramp up, sort of what Brian was talking about within the signed but not commenced pool.

Obviously, in the first half of the year, bad debt as a percentage of total revenues was 20 basis points. We talked on the last quarter call that that did benefit from just the timing of real estate tax collections, and we expect that to be a headwind for the back half of the year as we get back to what we're expecting to be a total run rate of 50 to 75 basis points. So I think that deceleration in the bad debt is offsetting a lot of the acceleration that you're seeing in the base rent line.

Juan Sanabria – BMO

Then just on the acquisitions pipeline, I think you mentioned \$200 million in the prepared comments. Just curious on the types of assets, are they larger assets or smaller, more traditional neighborhood grocery-anchored centers? Just curious on where you're seeing the opportunity set with regards to what's in the pipeline today.

Mark Horgan

Yeah, that pipeline is larger. The assets are larger than what we'd bought in the first half of the year, in part because what we bought first half of the year were smaller. So it's really assets that look a lot like the meat of our portfolio, and importantly, they're assets where we see the ability to drive strong growth. They sit within our footprint and we have been targeting a bunch of those for acquisition for quite some time, so we're excited about the opportunity we're seeing in the existing pipeline and, frankly, beyond the existing pipeline, we continue to try to dig out deals across the country.

Juan Sanabria – BMO

Maybe just one more, if I could be a little greedy here. You talked about foot traffic being solid and having an increased amount of data points on retailer sales, but given the comments that Alex made about the more cautious comments by both luxury and low-end retailers, are you seeing any slowdown in retail sales from your retailer base across the portfolio?

Jim Taylor

We're not.

Floris van Dijkum – Compass Point

Good morning guys, and congrats on the new titles. Following up on that acquisition pipeline, maybe if you can talk a little bit about what you're seeing in terms of pricing, and maybe to switch the question a little bit more, are you targeting value-add acquisitions or is it mostly complementary or infill acquisitions, just like what you've done in Hilton Head, next to existing centers?

Jim Taylor

I'll let Mark handle the broader pipeline, but we really are looking at core-plus, value-added type opportunities, where we can bring our better platform to bear to drive better outcomes in rent and NOI growth, additional asset densification, etc. You're not seeing us playing on the core side, but the encouraging thing is we're finding really attractive opportunities within our core markets to further cluster infill type investments, where we understand where the market rents are, we understand what the tenant demand is to be in that particular center, and we believe we can generate above-average growth.

Mark Horgan

Yeah, I think it's well said, Jim, and when we look at acquisitions, we're also thinking about those dispositions. I think it's important, and I said it earlier, when we're selling assets, we're selling assets where we can really maximize value and maximize that IRR going forward. And when we're looking at that pipeline, we're just seeing much better IRRs buying versus what we're selling, which we hope will contribute to the long-term growth here.

Floris van Dijkum – Compass Point

Great, and presumably the acquisitions and dispositions, are they going to be similar type cap rates?

Mark Horgan

Yes, it's interesting. When we look at what we've done year-to-date, as we talked about last quarter, our blended cap rate for what we sold year-to-date is into the 4%. We're buying today into the high 6%. I think that will even out over time.

Floris van Dijkum – Compass Point

I noticed, obviously, great new leasing spreads, but you're spending a lot of money to achieve some of those spreads. I think I calculate \$205 a square foot in lease costs this past quarter. I suspect it has to do with some of the Conn's boxes or some of the other boxes that you're transitioning to Sprouts or other grocers. But if you could talk a little bit about how long will those elevated leasing costs persist in your view, or do you think that that's going to slow down at some point and halve or go even lower?

Brian Finnegan

I'm not tying to the \$205 a foot, but I would just point to the fact that net effective rents were a record for the portfolio this quarter. We show you the net effective rents so you can ultimately see the impact of costs there. They're coming off a record from last year. What you're seeing in terms of the leasing CapEx, it was somewhat elevated last year versus historicals, and it will remain at that level this year in terms of the TI. That's just because of the fact that

our team has leased so much of the space that we took back last year and leased it very quickly. I'd say on average, the box backfills that we've done, we've talked about in the past that we average around \$50 a foot for the Bed Bath spaces and that's consistent with what you're seeing. Where we are spending a bit more, like the Sprouts example that you gave, we're getting it back in rent, certainly.

I'd say just for CapEx overall, though, we have been very prudent in terms of where we've been spending. You see our maintenance CapEx now, it was down last year versus 2022. It's trending down again and will be down by year end, really reflective of the changes that we've made and the improvements that we've made across the portfolio and that leveling off. Our reinvestment spend, we've talked about that being \$150 million to \$200 million a year. We're going to be at the high end of that range this year as we bring on some of these really strong projects, like those that Jim and I both highlighted. But to your point, as occupancy increases and there continues to be demand, our team's leveraging that demand to have tenants take more existing conditions. Tenants are getting much more flexible in terms of the age of the roof, the age of the HVAC, so you'd expect that to moderate. But I think on the whole, while you're seeing some of the leasing costs somewhat elevated, it's just because our team has addressed so much of that space so quickly.

Haendel St. Juste – Mizuho

I wanted to go back to Big Lots for a moment. You have more exposure there than Conn's, I think it's 27 boxes, 70 basis points of ABR. I'm curious what you've heard on how many of those stores they might be looking to close in your portfolio, and we're hearing that they may be looking at subleasing some of their own space directly to third parties. So I'm curious if you're seeing any of that and if you expect that to perhaps limit your opportunity to get back some of those boxes and benefit from the releasing yourself. Thanks.

Brian Finnegan

Just as it relates to Big Lots, we've reduced our exposure again by 30% since prior to the pandemic. We've signed leases with the likes of Aldi, Sprouts, and Ross on recently recaptured Big Lots spaces. We did have four stores that were on the initial closure list. Two of those are already leased. One with a great fitness use and one with a great off-price operator. We don't have any additional color in terms of the number of stores that we will get back or the timing as it relates to anything announcing additional store closures. What I could say, though, is we have Big Lots boxes in markets like Philadelphia and Dallas, and we'd be taking some of this space back in the tightest box supply environment that we've ever seen. We feel really good about the demand we're seeing for that space. We were very opportunistic early in the Bed Bath discussions too about taking space back proactively, and we'll look at that as well because we want to ensure that we control our own destiny, but we'll be prudent with those decisions as we assess them center by center.

Haendel St. Juste – Mizuho

Are you hearing anything on the re-leasing of the boxes themselves to third parties?

Brian Finnegan

Look, they probably see the same value that we do. We showed up at the auction for Bed Bath and we were able to get control of one of our boxes that we've already leased in New England. So we'll assess that as they come along. I would say, look, our team has already been very proactive. Again, there were four stores on a closure list that just came out. Two of them are already leased. So we've been getting ahead of a number of these names, particularly when we hear of potential store closures or potential weakness, and feel really confident in our ability to capitalize on them. And we'll be opportunistic as it relates to proactively recapturing that space.

Haendel St. Juste – Mizuho

Then just to follow up, you mentioned Bed Bath. The new anchor lease spreads were very high in the quarter. I'm curious if any of that included the Bed Bath backfills and remind us again of the timing of the cash flow impact that you expect from Bed Bath?

Brian Finnegan

Well, just starting on the cash flow, that's already started to come online. We do expect the bulk of that to come online next year. We're effectively finished with those boxes. Interestingly, it didn't really include the Bed Baths because we had already leased all those boxes in the quarters prior to this. And I think what this shows you is the low rent basis that we have and the opportunity that we have across the portfolio, not just with one tenant or one part of the country, it was fairly broad-based, where we saw that this quarter. But ultimately, we're thrilled with how quickly our team is really addressing any space that we've been getting back in this environment and expect us to continue to do that.

Andrew Reale – Bank of America

West Center is about 99% leased. What's the lease rate at Fresh Market Shoppes and can you just talk more about the opportunity set at the two assets, if there are any larger expirations in the near-term, and what mark to market opportunities look like?

Mark Horgan

So at West Center, if you look at that on a site plan, it's really an adjacency to the center we own behind it called Three Villages, and that's really unlocking the opportunity to figure out what the overall plan is for Three Villages when you include that outparcel. So that vacant box mentioned is the one at Three Villages behind West Center, which is early, but really exciting steps here in the first couple months of ownership. With respect to Hilton Head, it's 100% occupied, and what we see there is an asset that's been under-managed and under-rented, and we're very excited about the opportunity to drive low risk, but high growth there.

Andrew Reale – Bank of America

You also spoke to adding a few more repositioning and redevelopment projects to the pipeline this quarter. Just curious if it's becoming any easier to find these types of opportunities? Any color on your opportunity set to retouch assets and how that's trending would be helpful.

Jim Taylor

It's really the advantage our platform brings. As a team, we look at acquisition opportunities and we really are viewing them through the lens of a value-added investor where we have the opportunity to raise rents, but also reposition, densify, and add necessary uses to the acquisition. The nice part about our strategy is that we've successfully harvested a significant amount of opportunity in our existing portfolio. Importantly a significant amount of opportunity remains, several hundred million that we expect to execute over the next couple of years. Then we continually add to that as we've demonstrated in South Florida, as I think we'll demonstrate in some of these more recent acquisitions, the opportunity to add value through incremental reinvestment.

Samir Khanal – Evercore ISI

You talked about the Conn's boxes, the Big Lots boxes. Just as we think about the setup into next year, what does that tenant exposure, sort of that watch list look like for the next six to 12 months?

Brian Finnegan

I'd just start by saying that the credit base of this portfolio is as strong as it's ever been. We put in a rigorous underwriting process coming out of the pandemic with our financial asset management team and that has really paid off, and you can see it paying off in record low move-outs for the portfolio, you can see it paying off in terms of the renewal growth that we've been able to drive, because we've got better tenants in there that are driving more traffic. Again, as it relates to those two specific situations, we have a very low exposure with Conn's at 30 basis points. We've already leased one of the boxes. The other boxes are in places like Raleigh, Houston, and Atlanta, which are great markets. Ultimately as it relates to Big Lots, we have consistently been lowering our exposure there and backfilling them with better tenants at higher rents, so I think it's encouraging that we've already got leases on some of the stores that they've announced. As we think about it ultimately into next year, we are looking to see how we can use this as an opportunity to continue to position ourselves to upgrade these spaces.

Samir Khanal – Evercore ISI

Jim, just shifting over to you, you clearly have occupancy that continues to go up. Spreads are strong. It looks like acquisitions may even be picking up here, at least as we saw in the quarter. What's the biggest risk to the portfolio or the sector at this time, you think?

Jim Taylor

I think we're really well positioned even for a slowdown, given where our rent basis is, and it's a point I've made many times that in a strong environment, such as the one that we're in, we're positioned to outperform largely because of that rent basis. Should you see a slowdown in retailer demand, which we're not seeing any signs of, again retailers are doing business out to 2025 and 2026, but were we to, we think we're particularly well positioned given the transformation of the portfolio, given our rent basis, and given our overall execution. So I don't see any major risks as we look out ahead, beyond general economic trends and cycles. But even given that, I believe we're really well positioned.

I'm also very proud of how we've handled our balance sheet, how we continue to drive improvements in overall debt to EBITDA, how we continue to capitalize in this environment on demand for our fixed income paper to continue to term out our balance sheet and put us in a position where we have \$1.7 billion of liquidity and no need for external capital to fund our business plan for the next several years. When you think about, again, rent basis, conservative capital structure, upside, the reposition of the portfolio, I think it's an all-weather plan. I think it's one that positions us particularly well, whatever the economic climate is.

Linda Tsai - Jefferies

With the closures ticking a touch higher in the second half reverting you to the historical bad debt run rate, from where you sit today, could bad debt range 75 to 110 basis points for 2025?

Jim Taylor

I think, one, it certainly could. I think what we've been pleased by is the overall improvement in credit quality within the portfolio and how that's coming through in terms of the bad debt performance. We do expect a greater amount of revenues deemed uncollectible in the second half of the year, as Steve alluded to, and I don't want to give guidance yet on 2025, but I would frame it against the overall improvement in the portfolio.

Linda Tsai - Jefferies

Then would you expect, just given the strength in your overall portfolio, what's kind of the longer-term same store run rate in your portfolio over the next few years?

Jim Taylor

I think we're well positioned to achieve that same store growth in the 4%+ range over the next several years.

Michael Mueller - JPM

We know the redevelopment pipeline is sizeable, but are you evaluating any new ground-up development opportunities as well?

Jim Taylor

We've been approached by developers. We've been approached by certain tenants regarding ground-up development opportunities, and to date, they haven't penciled. You've got a higher risk, lower return, and it just doesn't compare favorably to the opportunities we have to reinvest in our existing assets. I do think it's going to take a while to see new ground-up development of any meaningful amount, not only because of the higher risks and lower returns, but also because it's just a difficult environment in which to finance that type of activity. So we've seen some, but I don't expect a material increase in the next couple of years.

Ki Bin Kim – Truist

Just a couple of follow-ups. You added a couple of new projects to your redevelopment pipeline. Can you just remind us how you define the yields, the 9% yields that you're getting, and if that includes landlord work? Second, if you look at the trend on rents and construction costs, does the next batch of potential redevelopment projects, is that yield potential, has that increased over the past year or is it relatively stable?

Jim Taylor

Yes, that return is the incremental rent over the total project level cost. As we look out in the pipeline, because of the strong demand environment we're seeing, we're actually seeing positive upward pressure in some of those returns as you saw in terms of the overall portfolio of reinvestment growing from an average of 8% to 9%, so we're encouraged by what we're seeing looking forward.

Omotayo Okusany – Deutsche Bank

Let me add my congratulations to the whole team. A quick question on Kroger / Albertsons and the latest developments with the court case getting accelerated to September. Just curious what you guys are hearing, whether it kind of changed how you guys are thinking about your exposure to those two grocers.

Brian Finnegan

We don't have much more to report outside of what's been in the news. We were encouraged by the fact that none of our stores were on the initial divestiture list. We feel good about our fleets in really either scenario. We've got great stores that have been reinvested in for both Kroger and Albertsons. The markets where we do have some overlap are in a very tight supply environment, some of the tightest supply that we have in markets like Dallas and southern California and Denver. So we have said and continue to believe that a merger would be good for both companies and have been watching this very closely, but feel really good about our fleet. These stores produce higher sales volumes than the over \$700 a foot that we're getting from grocers across the portfolio. And we're really encouraged by the fact that they have been invested in here over the last few years.

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