

LBX Weekly Update #10: Insights Into Rent Collections Activity And Deferrals



MARKET COMMENTARY

MAY 26, 2020

Portfolio Collections Numbers Continue To Slowly Improve But Tenant Negotiations Take Time We Expect To Recoup ~95% Of Rents That Have Been Delayed Or Deferred Due To COVID-19

Dear Investor,

We hope this message finds everyone healthy and safe after the holiday weekend. This week, we will provide a collections update and update investors on our progress with rent collections and deferrals across the portfolio. Please see below:

Collections Update

- **Rent Collection: April Now Above 72%, May Stands At 57.9%**

Through today, we have received \$967,164 of \$1,671,374 in May billings (57.9% of total) and \$1,201,971 of \$1,654,734 in April billings (72.6% of total). We are carrying a \$1,156,974 shortfall tied to COVID-19, with \$452,764 in April delinquencies and \$704,210 in May delinquencies.

May Collections Through May 26th, With April Shortfall – LBX Portfolio

	Base Rent	CAM	Insurance	Sales Tax	Property Tax	Utility, Water & Other Reimb	Total	%
Billed	\$1,356,789	\$132,354	\$17,993	\$9,412	\$140,628	\$14,199	\$1,671,374	
Received	\$805,086	\$72,262	\$9,444	\$6,822	\$69,430	\$4,120	\$967,164	57.9%
Shortfall	(\$551,703)	(\$60,092)	(\$8,549)	(\$2,589)	(\$71,198)	(\$10,078)	(\$704,210)	
Prev Short	(\$328,293)	(\$42,763)	(\$7,393)	(\$2,213)	(\$61,090)	(\$11,011)	(\$452,764)	
Total Due*	(\$879,996)	(\$102,855)	(\$15,943)	(\$4,803)	(\$132,288)	(\$21,090)	(\$1,156,974)	

Source: LBX Investments. * Shortfall since April 1 and does not reflect pre-COVID 19 balances.

The focus of today's Weekly will be on rent deferrals and the extent to which we believe we can collect on delinquencies. If you would like an update on collections performance for specific investment(s), please email heath@lbxinvestments.com.

Rent Deferral And Shortfalls Update

- **We're In the Heart of Many Rent Deferral Negotiations**

Through today, 94 of 188 tenants (50.0%) have not requested any relief, for either April or May rent, and 14 more (7.4%) have reversed their initial relief request and have already paid, or are expected to pay current. Most of these 108 tenants are current with their rent or, per recent conversations, are set to pay off their delinquent balances imminently. This leaves us with 80 tenants (42.6% of total) which comprise 90.7% of our \$1,156,974 revenue shortfall since April 1. Many, though not all, of these tenants have requested some form of rent relief.

42.6% Of Our Tenants Comprise More Than 90% Of Our Shortfall Since April 1

Relief Status	Count	Total Billed	Total Received	% Collections	Shortfall	% of Shortfall
Doesn't Need Relief	108 (57.4%)	\$1,773,297	\$1,666,065	94.0%	\$107,232	9.3%
Seeking Relief or Unable To Pay	80 (42.6%)	\$1,552,812	\$503,070	32.4%	\$1,049,741	90.7%
Totals	188	\$3,326,109	\$2,169,135	65.2%	\$1,156,974	100.0%

Source: LBX Investments

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In pre-COVID-19 times, rents would typically be paid on or around the first of the month. Today, particularly for tenants seeking relief, collections are more drawn out. Discussions with tenants requesting relief are sometimes stretching for weeks or months before resolution for many reasons:

- Negotiations Are Individual And Customized:** There is no one-size-fits-all approach to rent relief negotiations. Each negotiation is individual and customized, and therefore takes time to materialize.
- Tenants Must Prove Hardship:** In an effort to cut down on tenants asking for relief when they do not need it, we have requested that tenants provide us with detailed financial information to support their request (e.g., monthly sales numbers, income statements, balance sheet). We have also asked them for support that they are actively seeking government assistance, if available.
- In Some Cases, Relief Requests Lead To Lease Negotiations:** In some cases, in exchange for rent relief, we are attempting to add extra term to leases. This can add long-term stability and value to our centers, but generally reduces the likelihood of collecting on shortfalls because we effectively trade rent abatements today for more money (higher rental rates and longer lease terms) in the future.
- We Have Had To Play Hardball With Some National Retailers:** Many national retailers have postured aggressively, stating they do not intend to pay any rent or reimbursements for several months, or for an undefined period. Some have attempted to remain silent about payment. In these cases, we have been forced to adopt an aggressive stance towards these tenants by placing them in default. This generally brings them to the negotiating table but buys them valuable time.
- Mom-And-Pop Retailers Often Move Slowly:** Some mom-and-pop retailers have been slow to sign their amendments. For many of them, we have been following up several times and gently pushing them to either return documents or bring their balances current before being forced to adopt more punitive measures.

We Are Likely To Recover Most Of What We've Missed Since April 1

Category	Count	Total (Last Two Months)		Collections			Shortfalls By Category	
		Billed	Received	April	May	2-Month Total	Total	% of Total
No Additional Negotiation Required								
CAM Payer / Other	3	\$16,540	\$15,880	100.0%	92.0%	96.0%	\$660	0.1%
No Relief Request	91	\$1,603,988	\$1,527,350	96.9%	93.5%	95.2%	\$76,638	6.6%
Rescinded / Backed Off Relief Request	14	\$152,768	\$122,835	95.1%	65.8%	80.4%	\$29,934	2.6%
Deferral - Agreed/In Progress	23	\$505,719	\$233,188	71.0%	21.3%	46.1%	\$272,531	23.6%
Subtotals	131	\$2,279,016	\$1,899,253	85.7%	71.3%	83.3%	\$379,763	32.8%
Negotiations Ongoing								
LBX Taking Aggressive Stance	28	\$588,838	\$145,220	30.1%	19.3%	24.7%	\$443,619	38.3%
Extended or Attempting to Extend	17	\$250,198	\$101,134	57.6%	23.3%	40.4%	\$149,065	12.9%
Subtotals	45	\$839,037	\$246,353	37.3%	19.0%	29.4%	\$592,683	51.2%
Higher Collection Risk	12	\$208,056	\$23,529	8.6%	14.0%	11.3%	\$184,528	15.9%
Total Tenants	188	\$3,326,109	\$2,106,710	70.4%	56.4%	63.3%	\$1,156,974	100.0%

Source: LBX Investments

The chart above breaks our tenant roster into different categories in order to show where we are currently short. As of today, the “No Negotiations Required” category accounts for \$379,763 (32.8%) of our current \$1,156,974 shortfall. Most of this money will eventually be collected and this group includes retailers like Ross and ~25 different smaller retailers with whom we are actively finalizing deferral agreements.

In some cases, tenants have forced us to adopt an aggressive stance, or we are attempting to extend their leases. This group accounts for \$592,683 (51.2%) of our shortfall. Where we have taken aggressive stances, tenants (predominantly national retailers) are all legally bound to pay their rent so long as they remain going concerns. We continue pushing to strike deferral agreements with them and most of them have reopened at our centers. In the 17 situations where we are pursuing lease extensions with tenants, we may abate some of the money they owe for additional lease term. This group accounts for \$149,065 of our total shortfall but we believe we can create value above this through extensions with higher lease rates. We only pursue lease extensions when we believe it will benefit a center over the longer term.

Finally, \$184,528 (15.3%) of the shortfall comes from tenants who have encountered some sort of financial difficulty that has rendered them unable and/or unlikely to fulfill their rent obligations. **This accounts for just 5.5% of our total billings since the pandemic began, and highlights the resiliency of our portfolio.** Most of these tenants are in default, were struggling prior to the onset of the pandemic, and we are generally looking to remove and replace them as quickly as possible.

Coming Up

Next week, we will provide portfolio updates and discuss our progress with mortgage forbearance.