

# LBX Weekly Update #12: Twelve Weeks Later, We're Reducing Coverage



MARKET COMMENTARY

JUNE 8, 2020

## We Are Cutting Back On Weekly Updates Because Our Centers Are Beginning To Return To Normal June Collection Metrics Introduced Below; April Receipts Are Now Above 76%

Dear Investor,

This week, we will provide collections updates for April, May and June. Please note, however, that we will be cutting back on the frequency of these updates – our centers have stabilized to a point where we believe weekly reports are no longer required. While COVID-19 certainly is not over, most of our retailers have reopened and business is beginning to return to normal.

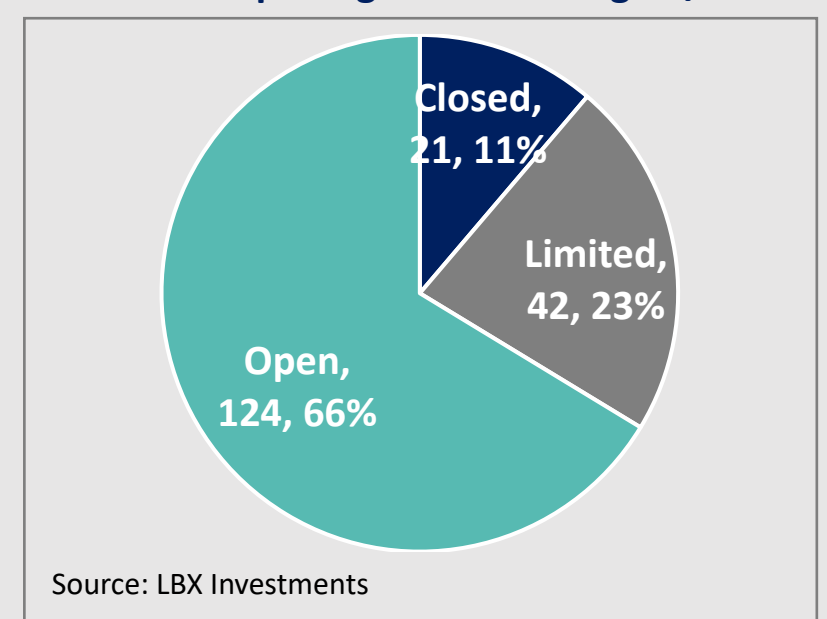
For investors seeking granular deal-level statistics, we will be posting collections data about individual assets to our investor portal on an ongoing basis. Additionally, any delayed 1Q20 Investor Reporting Packages will be released this week with detailed supplemental information about April and May performance .

Please see below for this week's update:

### Collections Update

- **Rent Collection: April Rises To 76.2%, May to 63.0%, and June Stands at 42.8%**
  - April: 76.2% (+3.2% Week-Over-Week)
  - May: 63.0% (+2.8% Week-Over-Week)
  - June: 42.8% (Through June 8th)

Store Opening Status Through 6/8\*



Through today, we have received \$712,878 of \$1,664,685 in June billings (42.8%). This is slightly (~5%) behind last month's pace, primarily because JCPenney and Academy had paid by this point last month, **but collections are actually improving**, as several tenants have begun to catch up on delinquent balances (these pay off prior month balances before they are applied to June billings). For May, we have collected \$1,053,137 of \$1,670,960 in billings (63.0%). Per above, several companies paid their delinquent April balances last week and April is up to \$1,260,823 of \$1,654,734 (76.2%). We are currently carrying a \$1,963,541 shortfall tied to COVID-19, with \$393,911 in April delinquencies, \$617,824 in May delinquencies, and \$951,807 in June delinquencies.

### June Collections Through June 8<sup>th</sup>, With April And May Shortfalls – LBX Portfolio

|                   | Base Rent            | CAM                | Insurance         | Sales Tax         | Property Tax       | Utility, Water & Other Reimb | Total                | %     |
|-------------------|----------------------|--------------------|-------------------|-------------------|--------------------|------------------------------|----------------------|-------|
| Billed            | \$1,365,010          | \$134,857          | \$17,143          | \$9,932           | \$138,760          | (\$1,016)                    | \$1,664,685          |       |
| Received          | \$609,910            | \$42,270           | \$5,975           | \$3,341           | \$52,368           | (\$987)                      | \$712,878            | 42.8% |
| <b>Shortfall</b>  | <b>(\$755,100)</b>   | <b>(\$92,587)</b>  | <b>(\$11,167)</b> | <b>(\$6,590)</b>  | <b>(\$86,391)</b>  | <b>\$28</b>                  | <b>(\$951,807)</b>   |       |
| Prev Short        | (\$764,263)          | (\$84,728)         | (\$16,059)        | (\$4,803)         | (\$120,902)        | (\$20,980)                   | (\$1,011,735)        |       |
| <b>Total Due*</b> | <b>(\$1,519,362)</b> | <b>(\$177,314)</b> | <b>(\$27,226)</b> | <b>(\$11,393)</b> | <b>(\$207,294)</b> | <b>(\$20,952)</b>            | <b>(\$1,963,541)</b> |       |

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

\* Note: Of the 42 tenants operating on "Limited" hours, most are primarily serving food (24) or taking one-on-one appointments (14). Closed tenants are a mix of fitness chains, salons and dine-in restaurants (the uses which have been hit hardest by the pandemic), as well as a handful of national retailers such as Bed Bath & Beyond. There are some one-offs included here, as well, such as rent-paying tenants under construction and a couple bankrupt tenants.

### Investor Contacts

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### Key Portfolio Themes

- Distributions Are Likely To Resume At Some Of Our Centers Before Year-End**

If current trends hold, investors in Colony, Oakbrook, and Fultondale should expect to see distributions resume before year-end. Colony and Oakbrook have seen very strong collections throughout the pandemic and Fultondale's cash flow continues to improve and has a very strong cash position. Alafaya may also begin distributions in short order although that could be delayed slightly as the leasing momentum remains substantial, requiring us to manage cash flow with the costs of tenant improvements. Terraces may also begin distributions shortly now that the center is reopened and the primarily service-oriented tenancy is back in business and paying rent. Other centers – for reasons including mortgage forbearance (North Rivers, Harbison) and leasing volatility (Oakwood) are more likely to restart distributions in 2021. Regardless, we are in a strong cash position across our portfolio.

- Tenant Demand Exists At Properties In Good Markets With Strong Demographics and High Visibility**

Despite COVID-19, some retailers are continuing to expand. We are in various stages of leasing discussions (from LOI through advanced lease negotiations) with several, including a fitness chain, a national grocer, several restaurants, leading discount chains, and multiple government tenants. As a general rule, retailers like to follow strong demographics because population and income growth provide a steady, regularly improving flow of shoppers. Even in a downturn, centers like the ones that we own, which sit at high-quality locations in thriving retail nodes with high traffic counts, are more likely to attract demand than centers with weaker positioning in markets with slower growth.

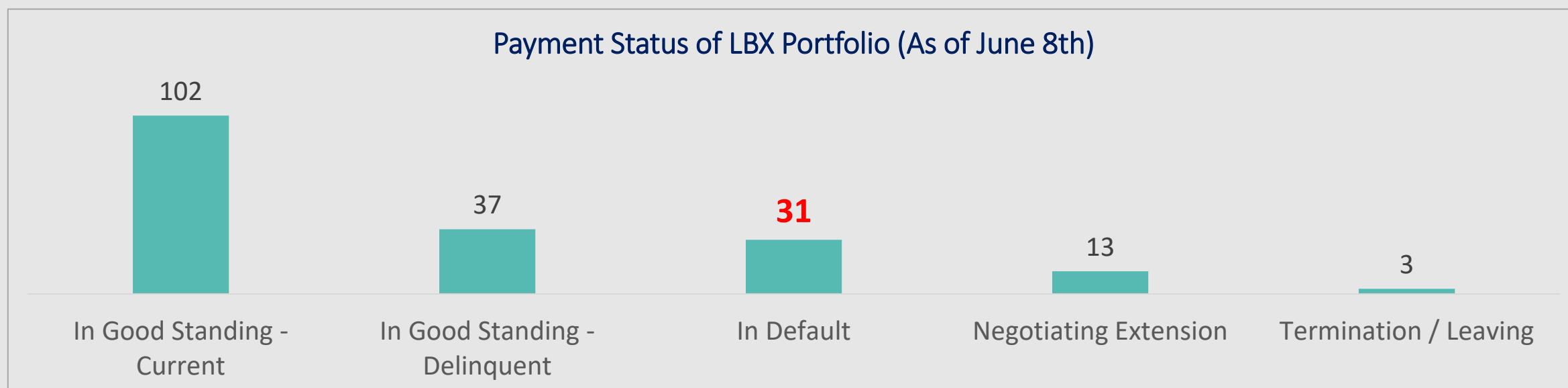
- Our Tenant Roster Has Held Up**

When the pandemic began, we were concerned we might lose several retailers. Thus far, however, damage has been relatively limited. We have seen three bankruptcies – JCPenney (Fultondale), Logan's Roadhouse (Fultondale), and Gordman's (Oakwood) – but only Gordman's looks likely to shut down their store.

- We Have Much Better Clarity On Delinquencies Today Than We Did In May**

We have gradually been reducing outstanding balances and have narrowed our "problem" tenants to a list of 31. Most of the tenants in default are in "soft default" and have 30 days from the time of receiving their notice to cure. Most are now either beginning to chip away at their balance or attempting to negotiate a resolution. We are continuing to aggressively stay in front of all delinquent tenants.

Payment Status of LBX Portfolio (As of June 8th)



|                                                                                                                                                                     |                                                                                                                                                                                                                              |                                                                                                                                                                          |                                                                                                                                                                                                                                                  |                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| 102 (54.8%) of our tenants are currently in good standing and current on their rent. We expect these tenants to continue paying on a normal schedule going forward. | 37 tenants (19.9%) are in good standing but delinquent on their rent (most, if not all of these, will pay imminently)<br><br>We have seven deferral agreements executed with these tenants and another 27 out for signature. | 31 (16.7%) of our tenants are in default. There is uncertainty around timing of receiving the \$233,622 due from this group but we expect to receive 100% of this total. | We are negotiating lease extensions with 13 tenants (7.0%). Some of these tenants may owe rent, which we may abate in exchange for additional term and rent. We only negotiate leases when we believe we can create additional value at a center | This group of three tenants includes Gordman's at Oakwood. We do not anticipate recovering money due from this group. |
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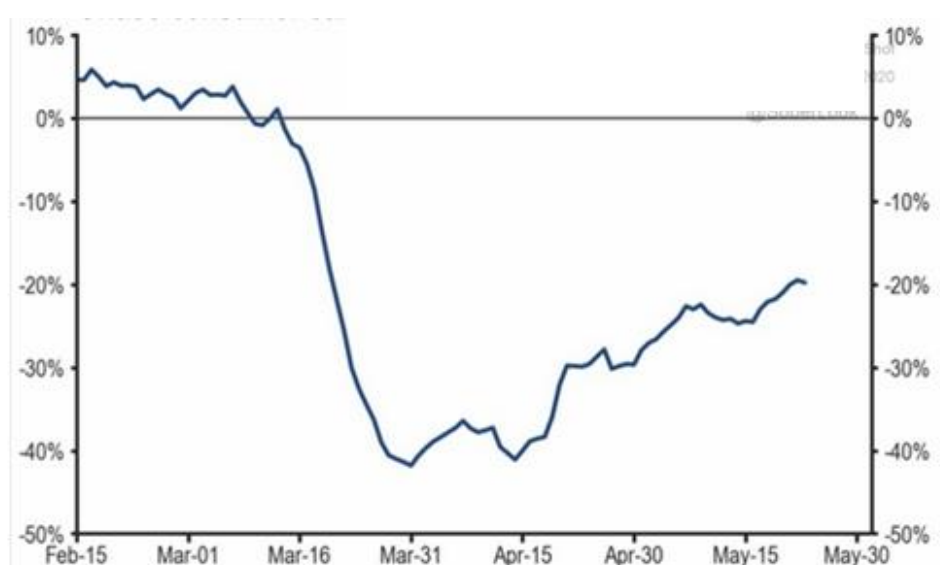
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### What's Next?

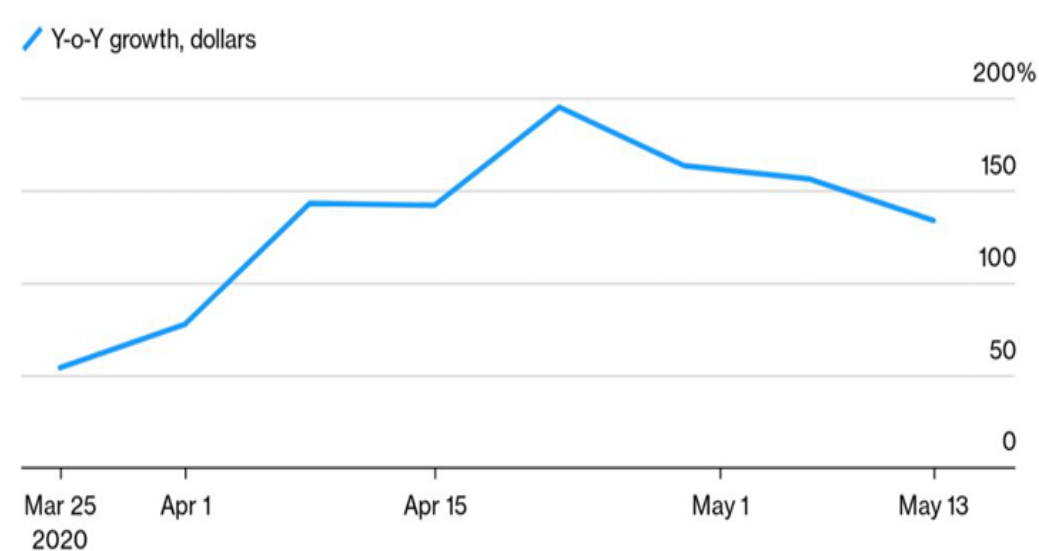
- **Industry Data Points Will Be Critical To Helping Investors Understand How Retail Is Recovering**

For our next quarterly research piece (scheduled for early July), we'll be providing industry data points to help investors better understand where retail is and is not recovering. Internally, we have been discussing the charts below (many sourced from [Medalist Capital](#)) over the past week:

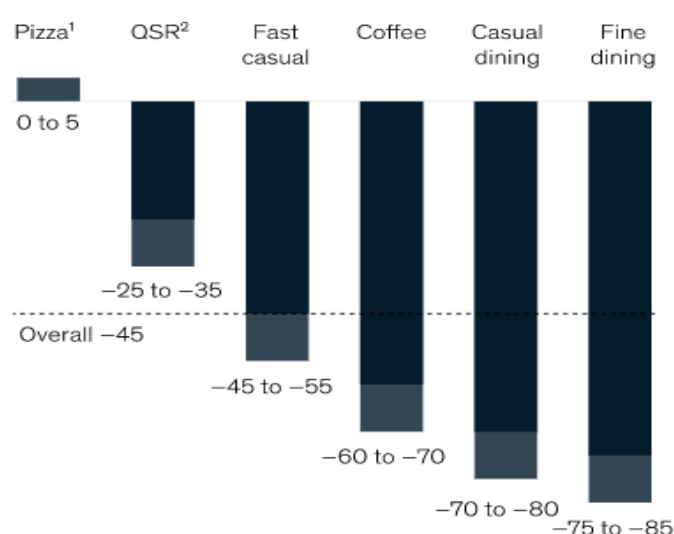
**(1) Chase Consumer Card Spending Tracker**



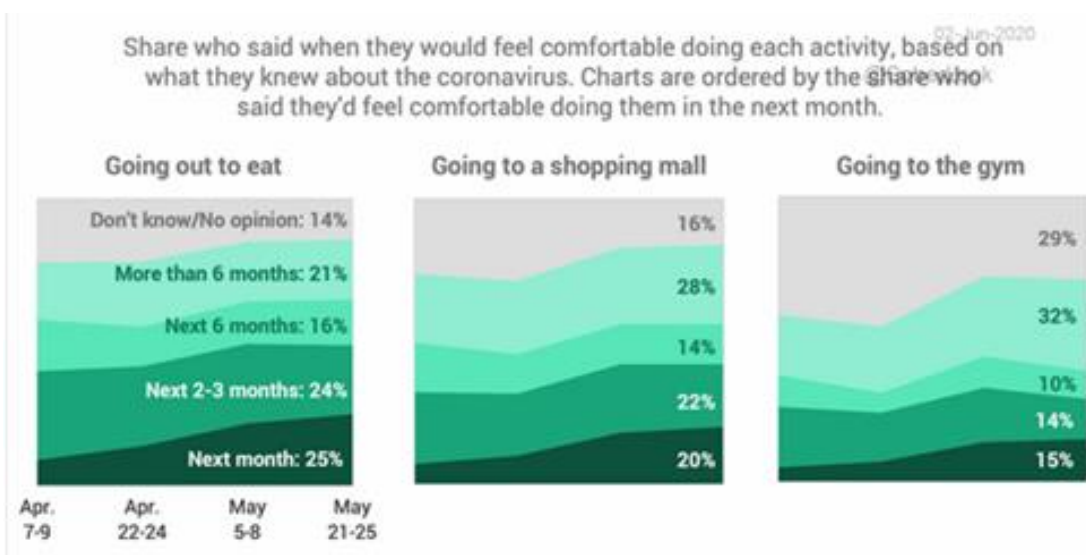
**(2) Online Grocery Sales Have Slowed Recently**



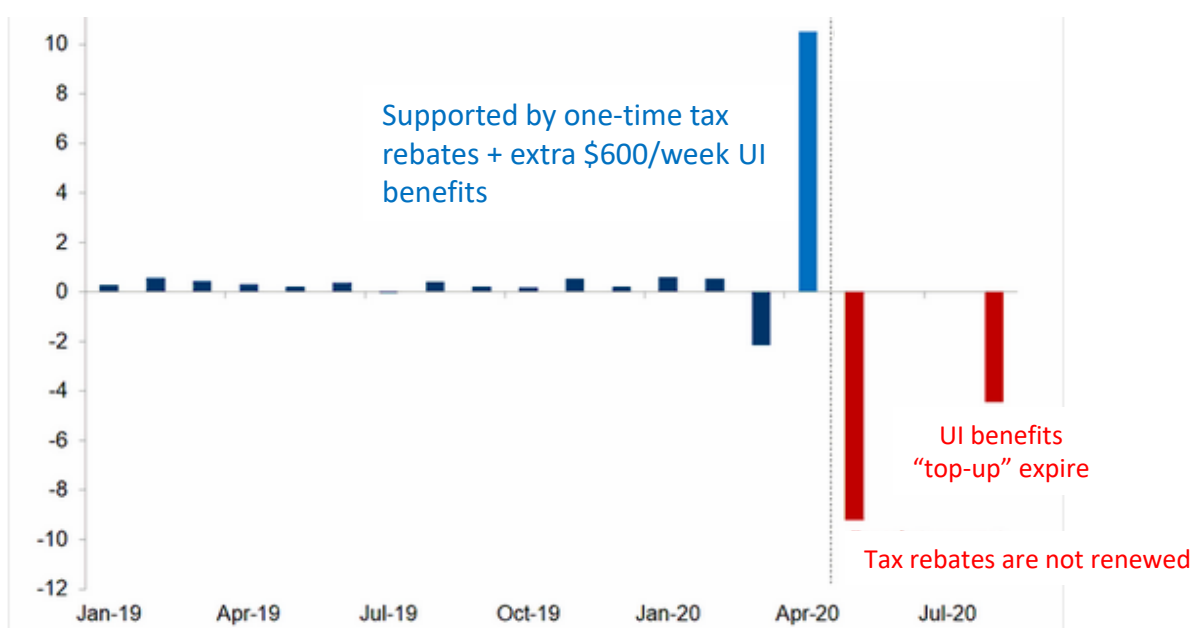
**(3) US Sales By Restaurant Type During COVID-19 Crisis (% Chg YoY)**



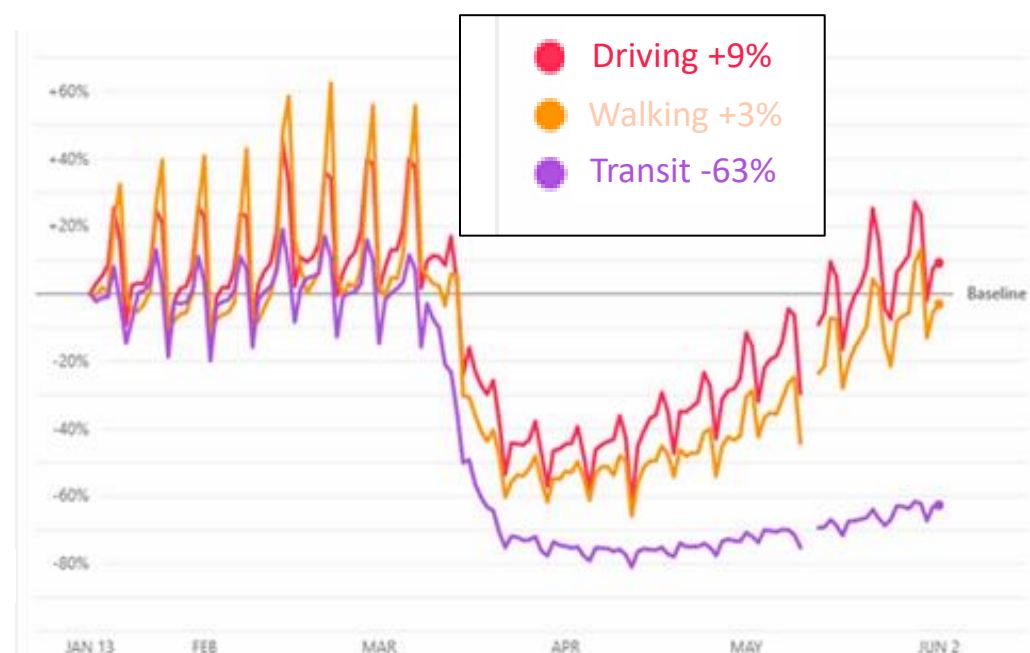
**(4) When Will Consumers Return To Retail?**



**(5) Monthly Change In Personal Income**



**(6) Mobility Trends: Change In U.S. Routing Requests Since 1/13**



Sources: (1) Walker Layne @ Medalist Capital cited JP Morgan; [Read full article](#); (2) Bloomberg cited Earnest Research; (3) McKinsey; (4) Morning Consult; (5) Layne @ Medalist cited [@GregDaco](#) at the Daily Shot; (6) Medalist cited [Apple Maps](#)

Thank you for reading over the past 12 weeks. Please contact us with any questions.

Sincerely,  
Rob Levy, Phil Block and Heath Binder