

LBX Weekly Update #8: May Collections Update With A Renewed Focus On NNN Recovery



MARKET COMMENTARY

MAY 11, 2020

May Collections Going Better Than Anticipated Though Still Expected To Fall Short Of April Focus Increasing On Late/Non-Payers To Contribute Their Share Of Reimbursable Expenses

Dear Investor,

We hope this message finds everyone healthy and safe. This week, we are providing a collections update for May, comparing portfolio performance month-over-month, and discussing the significance of triple net reimbursements, (“NNNs”) the reimbursable expenses (e.g., real estate taxes, insurance, common area maintenance) we bill to tenants each month. Please see below:

Collections Update

- May collections are better than expected, though still lagging April

Through May 11th, we have received \$827,874 of \$1,680,860 (49.3%) in May billings. This number will continue to rise slowly but, as anticipated, is lagging April’s performance by 11.7% on an apples-to-apples comparison. One month ago today, we had collected 61.0% of April billings (and through today, April collections stand at 68.9% across the portfolio). This was anticipated because many of our center’s stores remained open through the third or fourth weeks of March, so paying April was less of an economic burden. But many tenants have remained closed for the past several weeks, so May’s payments are much more difficult.

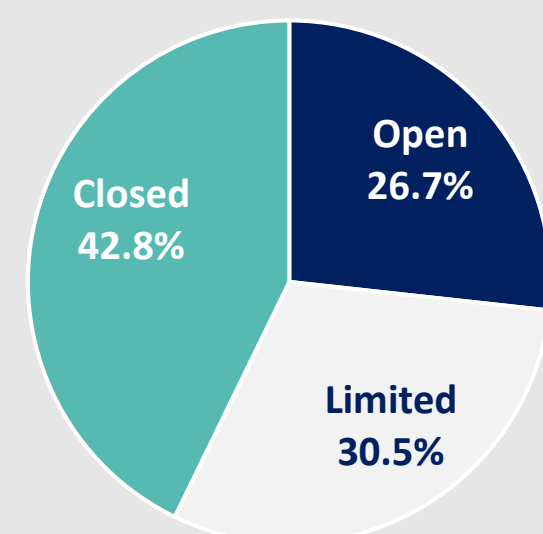
LBX Rent Collection Activity, Month-Over-Month

Property	One Month Ago April (Through 4/11)			April Collections (Through 5/11)			May Collections (Through 5/11)		
	Billed	Received	% of Total	Billed	Received	% of Total	Billed	Received	% of Total
Alafaya	\$187,021	\$130,267	69.7%	\$187,021	\$144,158	77.1%	\$180,891	\$126,083	69.7%
Harbison	\$253,794	\$139,561	55.0%	\$253,794	\$145,175	57.2%	\$253,794	\$134,557	53.0%
Terraces	\$119,069	\$41,937	35.2%	\$119,069	\$56,145	47.2%	\$124,226	\$37,961	30.6%
Colony	\$185,788	\$144,433	77.7%	\$185,788	\$148,099	79.7%	\$186,010	\$131,791	70.9%
Oakwood	\$241,143	\$163,288	67.7%	\$241,143	\$192,455	79.8%	\$242,819	\$92,571	38.1%
Fultondale	\$265,289	\$113,564	42.8%	\$265,289	\$143,958	54.3%	\$265,289	\$80,920	30.5%
Oakbrook	\$184,716	\$157,141	85.1%	\$184,716	\$164,525	89.1%	\$184,716	\$159,068	86.1%
North Rivers	\$195,929	\$96,730	49.4%	\$195,929	\$123,711	63.1%	\$203,087	\$52,207	25.7%
Chapel Hill	\$38,056	\$32,207	80.9%	\$38,056	\$32,523	85.5%	\$40,028	\$12,716	31.8%
LBX Portfolio	\$1,670,803	\$1,019,127	61.0%	\$1,670,803	\$1,150,749	68.9%	\$1,680,860	\$827,874	49.3%

Source: LBX Investments

Despite a challenging operating environment, we continue to actively track down as many April and May rent payments as possible. 42.8% of the retailers in our portfolio remain closed and 30.5% are operating on limited hours, making collections for those tenants more challenging. As the chart on the next page demonstrates, the majority of rent payers in our portfolio are open and operating (albeit, many under limited hours or other restrictions) whereas the majority of delinquent retailers are not. When a store is closed, collecting rent becomes a significantly more difficult and time-consuming endeavor. Negotiations become protracted and in some cases, retailers simply are not returning phone calls.

LBX Portfolio Store Opening Status (As of 5/11)



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Some additional interesting takeaways from the chart below:

- 21.1% of our May rent collections come from tenants who remain closed, down from 33.2% one month ago (not shown).
- 13.0% of rents not yet paid are from tenants who are open and fully operational. Almost two thirds of this balance (63.9%) comes from national tenants such as The Tile Shop (only paid NNNs), 2nd & Charles (only paying a small percentage of their NNNs, Overstock (caught up for April but delinquent for May and attempting to short pay rents and NNNs, Lowe's Foods (short paying NNNs due to a billing miscommunication, and Books-A-Million (only paid a small percentage of their NNNs).
- 25.6% of rents not yet paid are from tenants who are open but operating on a limited basis.

Whereas we are willing to work with tenants that have been forced to close their doors, we are pushing back especially hard against tenants that are open and operating, even on a limited basis, yet refusing to pay rent or NNNs.

Who's Open, Who's Paying, And Who's Not?

Property	----- Store Opening Status -----				----- Who's Been Paying May -----				----- Who's Not Been Paying May -----			
	Open	Limited	Closed	Total	Open	Limited	Closed	Total	Open	Limited	Closed	Total
Alafaya	6	3	7	16	\$90,566	\$7,389	\$28,128	\$126,083	\$4,152	\$8,500	\$42,156	\$54,808
Harbison	6	8	6	20	\$102,137	\$22,036	\$10,384	\$134,557	\$42,761	\$24,435	\$52,041	\$119,237
Terraces	2	7	12	21	\$3,402	\$12,361	\$22,198	\$37,961	\$0	\$30,835	\$55,429	\$86,264
Colony	12	2	5	19	\$126,373	\$0	\$5,418	\$131,791	\$16,969	\$8,199	\$29,050	\$54,218
Oakwood	5	13	17	35	\$38,503	\$43,987	\$10,081	\$92,571	\$8,265	\$49,535	\$92,449	\$150,248
Fultondale	4	7	18	29	\$16,317	\$18,162	\$46,441	\$80,920	\$5,620	\$36,505	\$142,244	\$184,370
Oakbrook	6	5	7	18	\$103,634	\$9,771	\$45,663	\$159,068	\$10,463	\$7,105	\$8,081	\$25,648
North Rivers	6	8	5	19	\$32,843	\$14,979	\$4,386	\$52,207	\$18,338	\$39,432	\$93,110	\$150,880
Chapel Hill	3	4	3	10	\$4,349	\$6,592	\$1,775	\$12,716	\$3,968	\$14,049	\$9,295	\$27,312
Portfolio	50	57	80	187	\$518,123	\$135,277	\$174,474	\$827,874	\$110,536	\$218,596	\$523,855	\$852,986
Percentages	26.7%	30.5%	42.8%		62.6%	16.3%	21.1%		13.0%	25.6%	61.4%	

Source: LBX Investments

- We are currently projecting 54.3% for May collections, but that is not including significant outstanding NNNs

Over the past several weeks we have discussed rent collection, mortgage forbearance and rent deferral activity with investors. We have not highlighted NNNs, however: these are the reimbursable expenses that we bill to tenants each month in addition to base rent. For context, Common Area Maintenance ("CAM"), Insurance, Taxes, and other reimbursables account for 19.4% of May's billings.

We are open to tenants, on a case-by-case basis, deferring their base rent and we continue to negotiate those agreements with many of them. While these negotiations continue to progress, albeit slowly, we are pushing all tenants to pay NNNs. Our view is that even though many tenants are closed due to governmental restrictions, they should still help bear the burden of ensuring the center remains current in its taxes, insurance payments and support the center through maintenance and other programs (e.g, landscaping, parking lots, lighting, utilities, etc.). Through Monday, there are \$102,746 in NNNs tied to delinquent accounts for May, including \$14,868 from two Bed Bath & Beyond locations and \$5,968 from 2nd and Charles/Books-A-Million. That equates to roughly 6.1% of total billings. If we can get a meaningful percentage of larger tenants like these to pay their fair share of expenses it would significantly improve our collections.

The Significance of NNNs, Explained

Category	May Billing	% of Total	19.4% of Total
Base Rent	\$1,355,065	80.6%	
CAM	\$132,011	7.9%	
Insurance	\$18,585	1.1%	
Sales Tax	\$9,412	0.6%	
Property Tax	\$151,590	9.0%	
Utility Reimb	\$250	0.0%	
Water Reimb	\$12,008	0.7%	
Other	\$1,941	0.1%	
Total	\$1,680,860	100.0%	

Coming Up

In next week's update we will provide additional detail about May rent collections. In the meantime, please feel free to contact us directly with any questions.

Sincerely,
Rob Levy, Phil Block and Heath Binder