

LBX Weekly Update #9: Who's Paying (Hint: Essentials), Who's Not, And Who's Open?



MARKET COMMENTARY

MAY 18, 2020

May Collections: Essential Retailers Continuing To Pay The Rent While Big Box Non-Essentials Lag Stores Are Rapidly Reopening Across Our Portfolio, Auguring Well For Delinquency Collections

Dear Investor,

We hope this message finds everyone healthy and safe. This week, many of our retailers are beginning to reopen as Southeastern states relax their COVID-19 restrictions. We will take a look at who is open, operating and paying rent at our centers, and compare May and April collections activity. Please see below:

Collections Update

- Rent Collection: Essential Retailers Continue To Drive Collections**

Through Monday, May 18th, we have received \$929,600 of \$1,669,123 in May billings (55.7% of total) and \$1,157,108 of \$1,659,066 in April billings (69.7% of total). We are carrying a \$1,263,917 shortfall, with \$524,394 in April delinquencies and \$739,523 in May delinquencies.

May Collections Through May 18th, With April Shortfall – LBX Portfolio

	Base Rent	CAM	Insurance	Sales Tax	Property Tax	Utility, Water & Other Reimb	Total	%
Billed	\$1,355,065	\$132,011	\$17,973	\$9,412	\$140,465	\$14,199	\$1,669,123	
Received	\$774,244	\$68,208	\$9,071	\$6,822	\$67,149	\$4,105	\$929,600	55.7%
Shortfall	(\$580,821)	(\$63,802)	(\$8,901)	(\$2,589)	(\$73,316)	(\$10,093)	(\$739,523)	
Prev Short	(\$375,326)	(\$47,526)	(\$8,578)	(\$2,395)	(\$75,249)	(\$11,268)	(\$524,394)	
Total Due*	(\$956,147)	(\$111,329)	(\$17,480)	(\$4,984)	(\$148,564)	(\$21,362)	(\$1,263,917)	

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

Properties anchored by essential retailers (e.g., supermarkets, dollar stores and government tenants) continue to sharply outperform centers anchored by non-essential retailers. In our portfolio, essential retailer collections are down 7.6% from April to May; this compares favorably to non-essential retailers (down 18.8%), restaurants (down 16.1%), and mom-and-pops (excluding restaurants) (down 16.1%). While this comparison is not apples-to-apples (we have had ~20 more days to collect for April), essential tenants have, thus far, been less likely to aggressively contest their rent payments and push for deferrals. They have also heavily contributed to our collections:

- Eight of our essential retailers – supermarket chains (Publix, Food Lion, and Lowes Foods), call centers (Sitel), two dollar stores, Total Wines, and Academy Sports – have accounted for 34.5% of our May collections thus far, up from 29.0% in April.
- Non-essential discounters and department stores, meanwhile, have seen the sharpest decline. Last month we collected more than \$160,000 from retailers like Ross and Bed Bath & Beyond. In May, we have collected less than \$55,000 (and note that JCPenney, despite declaring bankruptcy last week, has remained current with rent payments). While we are negotiating deferral agreements with Ross and Bed Bath and expect to be fully repaid over time, this cohort has been a drag on collections.

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See the chart below for a comparison of April and May rent collections across the portfolio, segmented by essential, non-essential and restaurant tenants:

Essential Retailers Continue To Outperform Non-Essential Retailers

Retailer Profiles			--- May (Through May 18th) ---			---- April (Through May 18th) ----			---- Monthly Change ----	
Tenant Categories	Count	Selected Tenant(s)	Billed	Collected	%	Billed	Collected	%	\$	(%)
Regional and National Tenants										
Classified as "Essential"										
Supermarket	3	Publix, Food Lion, Lowe's	\$137,541	\$135,841	98.8%	\$137,541	\$135,841	98.8%	\$0	0.0%
Sporting Goods	3	Academy, Hibbett (2)	\$73,324	\$58,490	79.8%	\$73,324	\$73,173	99.8%	(\$14,683)	-20.0%
Non-Retail Use	1	Sitel	\$63,322	\$63,322	100.0%	\$63,322	\$63,322	100.0%	\$0	0.0%
Financial	12	Amscot, H&R Block	\$58,803	\$46,177	78.5%	\$65,207	\$63,332	97.1%	(\$17,156)	-18.6%
Liquor/Alcohol	1	Total Wines	\$37,837	\$37,837	100.0%	\$37,837	\$37,837	100.0%	\$0	0.0%
Dollar Store	2	Dollar Tree (2)	\$25,906	\$24,979	96.4%	\$25,906	\$24,979	96.4%	\$0	0.0%
Medical	5	Pearle Vision, Urgent Team	\$25,664	\$22,747	88.6%	\$25,664	\$25,664	100.0%	(\$2,917)	-11.4%
Pets	1	PetSmart	\$24,767	\$17,183	69.4%	\$24,767	\$24,767	100.0%	(\$7,584)	-30.6%
Business Services	1	OfficeDepot	\$22,228	\$19,290	86.8%	\$22,228	\$19,295	86.8%	(\$5)	0.0%
Government	2	USPS	\$12,649	\$10,400	82.2%	\$12,649	\$12,649	100.0%	(\$2,249)	-17.8%
Electronics	3	Verizon	\$13,996	\$12,050	86.1%	\$13,996	\$12,050	86.1%	\$0	0.0%
Health	3	GNC	\$9,035	\$0	0.0%	\$9,035	\$0	0.0%	\$0	0.0%
Subtotals	37		\$505,072	\$448,315	88.8%	\$511,477	\$492,909	96.4%	(\$44,593)	-7.6%
Classified as "Non-Essential"										
Discounter	7	Ross, Five Below	\$160,914	\$21,545	13.4%	\$160,914	\$111,262	69.1%	(\$89,717)	-55.8%
Department Store	3	JCPenney, Bed, Bath & Beyond	\$97,039	\$33,853	34.9%	\$97,039	\$49,321	50.8%	(\$15,468)	-15.9%
Fitness	4	YouFit, Planet Fitness	\$85,857	\$2,684	3.1%	\$85,857	\$0	0.0%	\$2,684	3.1%
Books/Entertainment	3	Books-A-Million, 2nd & Charles	\$42,452	\$1,990	4.7%	\$35,293	\$3,962	11.2%	(\$1,972)	-6.5%
Beauty Supply & Service	7	Sally Beauty, Great Clips	\$26,292	\$12,651	48.1%	\$26,292	\$12,956	49.3%	(\$305)	-1.2%
Apparel	3	Clothes Mentor, Maurice's	\$25,142	\$5,954	23.7%	\$25,142	\$5,387	21.4%	\$567	2.3%
Furniture	2	RoomsToGo	\$60,169	\$60,169	100.0%	\$60,169	\$60,169	100.0%	\$0	0.0%
Specialty	6	David's Bridal, Kay Jewelers	\$59,332	\$11,287	19.0%	\$59,332	\$11,287	19.0%	\$0	0.0%
Shoes	2	Foot Action, Shoe Show	\$28,423	\$0	0.0%	\$28,423	\$8,212	28.9%	(\$8,212)	-28.9%
Home	1	Tile Shop	\$25,162	\$6,390	25.4%	\$25,162	\$6,390	25.4%	\$0	0.0%
Employment	1	Randstad	\$3,435	\$3,435	100.0%	\$3,435	\$3,435	100.0%	\$0	0.0%
Subtotals	39		\$614,216	\$159,958	26.0%	\$607,057	\$272,380	44.9%	(\$112,423)	-18.8%
Restaurants										
National Chains	12	Five Guys, Logan's	\$55,030	\$31,099	56.5%	\$59,552	\$42,321	71.1%	(\$11,222)	-14.6%
Local Chains	25	Mom-and-Pops	\$161,132	\$50,285	31.2%	\$153,497	\$69,678	45.4%	(\$19,393)	-14.2%
Subtotals	37		\$216,162	\$81,384	37.6%	\$213,049	\$111,999	52.6%	(\$30,615)	-14.9%
Local Tenants (Ex-Restaurants)										
Local Retailers	69	Various Categories	\$312,436	\$222,729	71.3%	\$306,246	\$267,582	87.4%	(\$44,854)	-16.1%
Subtotals	69		\$312,436	\$222,729	71.3%	\$306,246	\$267,582	87.4%	(\$44,854)	-16.1%
Other										
ATMs, CAM Only	69	Various Categories	\$21,237	\$17,214	70.9%	\$21,237	\$12,237	57.6%	\$4,977	13.3%
Subtotals	69		\$21,237	\$17,214	70.9%	\$21,237	\$12,237	57.6%	\$4,977	13.3%
Total LBX Portfolio	182		\$1,669,123	\$929,600	55.7%	\$1,659,066	\$1,157,108	69.7%	(\$227,508)	-14.1%

Source: LBX Investments

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Store Opening Update

- **Retailers Are Reopening; We're Cautiously Optimistic**

While caseloads are still rising in the South, most of our markets were slower to adopt stay-at-home measures. We were initially concerned this could elongate store closures, but many Southeastern states have been quicker to permit retailers to reopen. While tenant sales may be weakened in the short term, we believe retailers who are open and operating may be less likely to push for rent deferrals. One month ago, 51.8% of our tenants were closed. Today, only 31.9% are closed. 68.1% are now open or operating on limited hours.

What A Difference A Month Makes: Retailer Operating Status By Center, April 18th vs. May 18th

Property	One Month Ago (April 18 th)			Through May 18 th			Monthly Change		
	Closed	Limited	Open	Closed	Limited	Open	Closed	Limited	Open
Alafaya	7	3	6	4	5	7	(3)	2	1
Harbison	12	5	3	6	5	9	(6)	0	6
Colony	10	0	9	1	4	14	(9)	4	5
Oakwood	18	15	3	17	14	5	(1)	(1)	2
Terraces	12	7	2	9	7	5	(3)	0	3
North Rivers	6	8	5	5	8	6	(1)	0	1
Oakbrook	7	5	6	6	5	7	(1)	0	1
Fultondale	18	12	3	11	9	13	(7)	(3)	10
Chapel Hill	9	0	0	2	5	2	(7)	5	2
LBX Portfolio	99	55	37	61	62	68	(38)	7	31
	51.8%	28.8%	19.4%	31.9%	32.5%	35.6%			

Source: LBX Investments

Coming Up

Next week, we will provide updates on collections activity, mortgage forbearance, and rent deferrals.

Sincerely,
Rob Levy, Phil Block and Heath Binder