THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

RPT - RPT Realty at Citi Global Property CEO Conference

EVENT DATE/TIME: MARCH 06, 2019 / 3:10PM GMT

CORPORATE PARTICIPANTS

Brian L. Harper *RPT Realty - President, CEO & Trustee*

Michael P. Fitzmaurice *RPT Realty - Executive VP & CFO*

CONFERENCE CALL PARTICIPANTS

Christine Mary McElroy Tulloch *Citigroup Inc, Research Division - Director*

PRESENTATION

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

Great. Well, welcome everyone to the Wednesday, 10:10 a.m. session at Citi's 2019 Global Property CEO Conference. I am Christy McElroy with Citi Research. We're pleased to have with us Brian Harper, CEO of RPT Realty.

This session is for investing clients only. If media or other individuals are on the line, please disconnect now. Disclosures are available up here and on the webcast on the Disclosures tab. For those in the room or the webcast, you can sign on to liveqa.com and enter code citi2019 to submit any questions if you do not want to raise your hand.

Brian, I'm going to turn it over to you to introduce your company and your team and provide the audience 3 reasons why investors should buy your stock today, and then I'll kick off the Q&A.

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

Thanks, so much Christy. And on stage with me to my right is Mike Fitzmaurice, our CFO; to my left is Vin Chao. You might have recognized his name and face from Deutsche Bank. He's Head of IR and VP of Finance. So it's a pleasure being here, incredible conference, my first time and everything with excellence. So thank you for everything you've done.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

Great. Thank you for being here.

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

I came to the company with 2 goals: really, one, improve sustainable growth; two, reduce volatility of cash flows. What did we do? We did a lot in 8 months. I joined in June 15, Mike joined June 18. First task at hand was assembling a brand-new management team. The C suite was not there when I started and was given carte blanche to really build to bring -- really build a new team, and that we did. Number two was come up with a disposition strategy. I had a garden leaf, and what do people do on their garden leaves? I went and saw assets and strip centers across the country, but I saw 98% of my assets before I started. Why? We wanted to get our disposition strategy done and get back to earnings growth in 2020. As in any company and studying this company for many years and knowing that the portfolio is very good, there were obviously some assets that we wanted to dispose. Three, put in place an operational governance policy. I grew up in the operational field from leasing and development and later acquisitions and putting in place the governance to drive small shop occupancy and then drive redevelopments. Why buy? We are a unicorn, I believe. Very rarely do you see a family-run company transition into institutional ownership. It was under-managed, and the results, which I'll get into later, will be -- have already been set. Number two, we are a highly accomplished leadership team from best-in-class other platforms. And number three, we have the right portfolio, the right balance sheet and meaningful size. And I say size, where we are 50 assets. I personally know every square inch of these assets. And we could move the needle very quickly.

QUESTIONS AND ANSWERS

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

Great. Well, I'll kick it take off with the first question we're asking in all of the sessions, which is what is the biggest potential disruption to your business? And what are you doing to take advantage of it or mitigate the risk of it?

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

I think, Christy, that is something where -- there's obviously an evolution of retail going on right now. The stronger are getting stronger, and the weaker are getting weaker. And we are a proactive company. So we are looking out at leases 3 years, even 4 years in some cases, and being ahead of some of these weaker tenants. And the stronger, we're doing a lot of deals with. I have a lot of relationships with retailers across the country. The goal in the next few months, we've probably already seen 50 retailers. We'll see another 50, with my Head of Leasing whom I brought on from the Head of Leasing of Acadia. And number two, we're replacing these tenants that are lower-productivity tenants, which is giving us just a great opportunity to drive sales but also drive rent spreads. And a case in point, we just did a Pier 1, who's not along for the ride, in my opinion. We've had 9 at the height. We're down to 2 left. We just replaced Pier 1, which is 10,000-square foot box next to a -- it was 2 doors down and Shops at Lane in Columbus, Ohio. This space was 10,000 square feet. They're paying roughly $16 a square foot, if memory serves me right. And we divided the space into 3 spaces and brought in Athleta, brought in Cycle Bar and brought in another tenant. What does this do? It obviously provided a rent spread increase of 50% and greater, diversified our cash flows and provided a tenant that -- new tenants that were going to do $500 to $700 a square foot instead of $100 a square foot. So we've really identified 20 boxes across the organization, where these are 10,000 square foot and above. We only have one box that's 25,000 square foot above that's still left. But important on that is it's 75% vacant today. So this is a very minimal disruption, and we see double-digit yields producing in 2019 and 2020, just like the Pier 1 story.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

So you talked a little bit about -- in your opening remarks about your decision -- what drove your decision to join RPT Realty. Maybe you can talk a little bit about with the new team onboard, what is your sort of longer-term strategic plan for the company. How do you see the company evolving over the next 5 years?

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

Yes. I mean, we really laid the foundation in 2018. And I'm proud of these 2 guys next to me, and I'm proud of the team, both in Michigan and New York and in the field, and really bringing in Tim Collier from Acadia, from Jonathan Krausche from running the East on Westfield to Tim and Mike, and having existing talent with Mike McBride, Head of Asset Management, who has legacy experience, just a tremendous talent, to Cathy Clark, who is executing on our disposition strategy at an amazing clip, to Chris Bartholomew, who's doing a tremendous job on the FP&A. So really putting that in place for -- as long-term, sustainable, blue-chip company. We are not here to be a 1% to 2% company. We need to put these processes in place to be a 2% to 3% sustainable, year in, year out, company. We are not a dilution now story -- we are a dilution-now story of getting rightsized and getting the dispositions done. We will be a company that, I think, others will look to an outsized results. And I think, we have some creative ways of looking at real estate, just from backgrounds of different expertise from myself and others in the operational field of really looking at real estate for true real estate. And a couple of examples of that is Lincoln Park in Chicago, we have Webster Place, we're existing. This is 50-yard line space in Lincoln Park in Chicago. Tremendous density, tremendous income. And on the real estate -- on the piece of real estate, there's a Barnes & Noble doing very well, but they expire in 2019 with no options. On the real estate is a Regal theater doing a $1 million of screen, one of their top in the city. So we're really reallocating the Barnes & Noble space and potentially adding a grocer or other uses. But what we're doing is also creating a residential pad. And we'll go out with an RFP for a ground lease on that, and there is tremendous interest, just on the street in Deerfield Beach. When I saw this real estate, I saw 27 acres, 2 miles from the beach, east of I-95, where residential cap rates were trading in the 4 caps. But on this real estate was Bealls doing $50 a square foot and Winn-Dixie. To me, I saw opportunity, while others, maybe, just could fill that box with Ross. So

I think, not everything, we have tremendous centers, where it's just going to be retail, but we see redevelopment opportunities and working on redevelopments that are hitting '21 and have a deep pipeline behind that.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

And you talked about some of the changes that you've made in addition to you guys at the -- in the management team, bringing someone over from Acadia, bringing someone over Westfield. Can you talk about sort of the -- was there a cultural change that you needed to make? And then you also have -- when you joined, you opened the New York City office, and you obviously have the bulk of your people in Michigan. How is that working? Is there any -- how are you thinking about morale and making sure that you're keeping morale high if you're working out of the New York City office?

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

Yes. That's a very good question. Culture to me is everything. It's the foundation that every success is built. I mean if you look at Fortune 50, Fortune 100 companies, it's safe to say that none of the thriving companies don't have a phenomenal culture. How do we build the culture? We build -- we bring in like-minded people. That's why this is a unique opportunity for me to really reset everything and bring in like-minded people. What's like-minded mean? Think corporate, be good corporate citizens. ESG is going to be a big part of our future, period. Charitable perspective, I'm very involved with Autism Speaks on the national board. I'm not necessarily pushing Autism Speaks, but I'm pushing people to get involved with charities of theirs, and we're getting involved with charities of our organization. Culture is everything. We have fun. We work hard, but we're smiling. The Michigan, New York office, is working. We have a phenomenal team in Michigan. With that said, I did do a $2 million RIF in July. What is left is what is staying and what we're comfortable as leaders of that office. We have a collaboration that is working efficiently. We have set up processes that were not in place. What kind of processes that were not in place? Let me give you a couple of examples. Executive lease committee, every Monday at 9:00 a.m. I'm personally on the phone or on video calls with the offices and with leasing people in the field since it's a local business reviewing every new deal and every renewal. We are doing legal tracking calls every Friday at 2:00. This might seem easy, it wasn't being done. This is pushing leases that maybe were 200 days to execute to down to 42 days to execute. Why? To get tenants open and get rent in line faster. And then portfolio review calls, we're going space by space, listening to the property managers and giving them power to communicate. We are a flat organization, right? We are a flat organization. I think, before it was -- I'll just tell one story. There was an executive suite, an executive wing in Michigan. And the first day there -- second day there, I told my HR -- Head of HR, I would like to go to Home Depot and buy an axe. And she's like, why? Is this the double secret door that you had to get into the executive room. I said because we're all one. And I said there's no more doors. And she said you don't own the building, but we'll get the door down. So we got the door down and things like that, where I think it comes back to just flat and being a servanthood leadership group, where nothing is beneath us. I will get on a plane and go to a 1,200-square foot tenant if need be to pick up a lease or negotiate a lease. We are all one. And I think that has greatly inspired the previous team, and the new team knew what they were getting into when they were signing up. So it's been a very, very -- it's been a transition, I should say. But we are in a tremendous spot. And I've had many people that were there 15, 20 years said, the culture's never been better.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

You talked about ESG. What about board changes? So what's happened to so far? What program do you have in place for further board rotation?

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

So that's a big part of -- too of the comfort of joining, and there is -- there was a board refreshment. Our average tenure, I believe, was 27 years or so. I would say it's going to be down into the single digits. We added Rick Federico, who, if there was a Mount Rushmore for hospitality business, he would be a face on it. He was the CEO of PF Chang's after store number 2, and took them public and is on -- the Chairman of the Board of True Food's and is on the board of Domino's Pizza and really was on the board when Domino's went to the tech side of the business. So tremendous human being, tremendous leader. We added Andrea Weiss, who, if there was Mount Rushmore for retail, she would be on it. She was very high up in the Limited brands, I think -- I believe number 2 to Les Wexner during the go-go years and is adding so much to the board of not only e-commerce and bricks-and-mortar but has a passion for ESG and passion for culture and a passion for leadership, as does Rick.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

We did have a question on Veracast here. Can you talk about the sustainability of the dividend?

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

Yes. So the dividend is something that we looked at. We went through a 3-year plan. And obviously, I have the visibility 3 years from now. The board has a visibility 3 years from now. We have -- we are very comfortable on the seats we are at. And I should say, our budgets are very, very surgical, where every inch is looked at. And some tenants are -- most trouble tenants are not even renewed. So our basis point -- or basis points for bad debt is good, but we have enough reserve past that of just not renewing. So all that said, I think, goes in where we talked about the small shop vacancy. We're 83% occupied of small shop before we started, roughly. It's 85% now, with 80% -- close to 88% -- or 89% -- close to 89% of small shop leased. We're seeing results. We're seeing 20 boxes that have double-digit yields that will hit '19 and '20. And then we're seeing a development pipeline that's low risk, but that's going to come in at '21. With -- what am I saying is this was a "one size not fits all" portfolio, where if you look at from an academic level of the dividend and where the payout ratio is, you'd say, oh, potentially cut it. This was an anomaly 2 years, and so we've made the decision not to keep it as it is.

Michael P. Fitzmaurice - *RPT Realty - Executive VP & CFO*

Yes. And a couple things I would there, Christy, is the small shop lease-up today, we're 85% in occupancy. We want to get to 91%, 92%. So that's $5 million to $6 million of AVR, and it's going to come online over the next couple of years. And then we're also doing some re-tenanting efforts with these 20 boxes that Brian touched on earlier, where we're going to achieve double-digit yields on that as well, so a lot of growth in front of us plus the redevelopment pipeline. And then from a liquidity perspective, today, we ended the year about -- with $40 million cash and full use on our line of $350 million. And then we're closing on our asset this week with another $60 million in proceeds. You add the $40 million and the $60 million up, you're at a $100 million of cash plus full use in the line. So almost about $0.5 billion of liquidity, really to fund these initiatives, to kind of grow back into that AFO payout ratio being in 2021, so pretty comfortable today.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

And can you talk about -- so your -- you've been heavy in terms of dispositions. It seems like you've been completing faster than you expected. How does the portfolio look today? You talked about your 50 assets versus when you first started. What's sort of the composition? And then related to that, how do you -- how important do you think it is for investors to sort of identify you with some of your larger trophy assets?

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

Yes. I think it's -- I mean, we're in a lot stronger position. And to give you context of the dispositions briefly, 6 dispositions sold. They were 120 basis point drag, 120 basis points on same-store NOI. Where was a lot of that coming from? We had a mall in the -- in Jackson, Michigan, doing roughly $200 a square foot, with 300,000 square feet of vacancy in the market. Safe to say, that IRR wasn't pretty. It was like a negative 11%. We had a property in Madison, 80% leased. And all of our assets -- we're an IRR-driven company. Our average IRR on the dispositions was at 3.5%. So I'm looking at that and I say, this was an accretive exercise from -- based on where we're trading. Going forward, we're 70% grocery, and we're seeing -- I mean, since we've been here, we're close to 200 basis points of small shop increase. It's a lot. And I personally think of grocery, power center, all that, it's like we believe in great real estate where we can get great CAGRs every year, period. And when there's not -- when where there's a broad brush, yes, we prefer grocery, particularly, Trader Joe's, particularly, Whole Foods, particularly, maybe an Aldi in some different areas of the markets where it's not a household income. We see a lot of opportunity, and there is a flight to a lot of these open-air centers from tenants like Athleta, from tenants like Restoration, from tenants like -- all these tenants we've been meeting with, Sephora. So there is some -- actually, some tailwind into that world. Where we want to get the portfolio is roughly 50% small shop. We're about 42% now. Why do we want to get to 50%? To get better recoveries. And you have much more demand with the spaces from 1,000 to 5,000 or 1,000 to 7,000, than you do from 25% to 50%. We are seeing a lot of demand from those users. And it's all about what we -- I say to the leasing team all the time, creating tension in the market. If you have a lululemon -- I love lululemon, 2,500 square feet. But if they're the only person that's wanting the space, they have a little leverage. lululemon needs to know that you have Fidelity behind them. And they -- Fidelity has SoulCycle behind them. And SoulCycle behinds whatever. I mean, it's almost like we put it out for an RFP in many ways. So I really see this as the future of -- I'm happy with the assets that are left. We have a lot -- we have 19%, yes, in Oakland County in Michigan. But it's 11th wealthiest county in the U.S. It is 98% leased. It's, in the depths of the recession, is 94%, thriving brochure volumes. You have top-performing Nordstrom Racks. Could I see dispositions in that market that will match-fund in the future to get 19%? Sure, that's a good capital allocation and good diversification. Do we have a lot of great real estate down in Southeast Florida that's not getting the Street's, maybe, attention yet? Absolutely. And that's where we're going after this stuff.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

So in getting to that ultimate mix that you want to be, I mean, what does that mean for sort of annual churn within your portfolio? And do you think that investors are still concerned about some dilution?

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

No. I mean, I would tell them that there should be no concern on dilution and disposition. I mean, again, like where I flagged on Oakland County is -- I just think it's good business. If you have 19% in takeout -- Oakland County is a beautiful county, no knock on that, and I love the real estate. It's just high exposure there. So if I could trade a 6-cap asset for a 6-cap asset, making this up in Nashville, where we have a very good center and get more scale in Nashville, absolutely. So it will be match-funded in the future, where there's strong buyer appetite out there for that.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

Mike, just as I think about sort of same-store NOI guidance, and I think you were at 2.9% in 2018, and then the midpoint is 2.5% in 2019. How much of that 2.5% is driven by sort of the occupancy upside that you talked about in terms of -- it sounds like you've got a fairly wide lease to come in spread and sort of narrowing of that spread in addition to additional occupancy upside. So what are the buckets of it, the drivers?

Michael P. Fitzmaurice - *RPT Realty - Executive VP & CFO*

Yes. So we're 2% to 3% for 2019. That excludes redevelopments, just to be clear. We're excluding 2 properties, Webster Place, that Brian touched on, and also Rivertowne. We're proactively deleasing those assets, so I do chose to take them out of the same-store pool. But 96% of our assets are in that same-property definition. So very, very pure number. At the midpoint, the 2.5%, that's all top line growth. That's all driven by minimum rent. The majority is occupancy but also supported with contractual rent increases and re-leasing spreads. Where we sit with the 2%, 3%, really, really confident within that range for a couple different reasons. I mentioned on our fourth quarter call that 75% of our new and renewal leasing activity plan for 2019 is done. It's already baked. It's already signed. We also -- as Brian alluded to earlier, we took a very surgical approach with our next 3 years of budgeting. But for '19, for example, for like the senior brands and the, call it, Claire's and GNC, some of the struggling tenants, we assume they're not going to renew. So on top of that, we have a 60 basis point reserve for bad debt and sort of catch all for all the other unanticipated tenant bankruptcies. So that equates about $900,000. So very, very comfortable where we sit right now within the range of 2% or 3%.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

So you think that 60 basis points, that's for unknown, right? Unknown for.

Michael P. Fitzmaurice - *RPT Realty - Executive VP & CFO*

That's for unknown, correct.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

So you feel very comfortable with that at this point given what's happened early this year.

Michael P. Fitzmaurice - *RPT Realty - Executive VP & CFO*

Absolutely.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

Okay. And just for me, given all the re-tenanting, given the lease-up that you're doing, how are you thinking about that from a CapEx perspective, leasing CapEx?

Michael P. Fitzmaurice - *RPT Realty - Executive VP & CFO*

Yes, sure. Good question. So in 2019, we are going to have an outsized leasing CapEx year. We're going to spend about $48 million to $50 million on leasing CapEx, really, to support the growth initiatives that Brian touched on earlier with small shop lease-up and also these re-tenanting efforts. So just for the small shop lease-up re-tenanting efforts, of that $48 million to $50 million, $25 million to $35 million will be dedicated to that. And then in 2020, you'll see that begin to moderate. And in 2021, when we have the portfolio stabilized at mid-90s in terms of occupancy, the re-tenanting efforts done, you should see a normal course run rate for the portfolio of between $15 million and $20 million.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

Any questions from the -- oh, go ahead then.

Unidentified Analyst

Brian, you mentioned Webster Place and resi. And so I guess, I'd be curious whether you view the 50 assets you have -- are there a lot of other opportunities for densification or mixed use? Or is that a little bit more opportunistic, given the location of Webster Place?

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

It's several. I mean, we've mentioned one in Rivertowne, which is in Deerfield Beach here where we're about to start an entitlement process. There's one in Jacksonville. We move quite a few, another one in Delray. And we're mining the portfolio. Edina, Minneapolis, right off of France Road, one of the best super ZIPs in the Midwest. So we're having a lot of inbound calls, I should say, from residential -- beating residential REITs and operators throughout the country. And I got a lot even before I even joined the company after my announcement went out. So we see that as an opportunity of we're not going to do the residential, we're going to have that optionality of owning the ground lease and maybe use that as a monetization in the future years, either to -- that's something we like to do, sell it back into that partnership or accretively match-fund that into something else.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

As you think about funding some of that spend on a longer-term basis, I think, you talked a little bit about you decided to maintain the dividend, but presumably, you expect free cash flow to start to grow going forward. How do you think about funding that pipeline? And when do you expect free cash flow to grow to a level where you can be self-funding?

Michael P. Fitzmaurice - *RPT Realty - Executive VP & CFO*

Yes, sure. I think in 2021 is when we'll begin to start retaining cash once we get the portfolio stabilized. And again, I always remind folks that we -- after this week, we'll have about $100 million still in cash, and so liquidity will be very, very high to fund the next couple of years. And then once we get to '21, anywhere between $10 million and $15 million of free cash flow and then the additional amount would likely be funded by debt at that point, assuming the cost of capital is not there to issue equity. But our aspirational goal, right now, we have pretty good visibility in this is beginning in late in '20 and '21, we'll spend about $30 million to $40 million on redevelopment.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

And I think, you're just under 6.5x leveraged today. Where do you see the leverage trajectory over time? Do you want to get that down?

Michael P. Fitzmaurice - *RPT Realty - Executive VP & CFO*

We like to anchor it down near 6. It'll be a process to get there, given the outsized leasing CapEx spend over the next couple of years. But in '21, you should see us approaching that number.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

And is that through EBITDA growth? Or is that just debt paydown? Can you do any debt...

Michael P. Fitzmaurice - *RPT Realty - Executive VP & CFO*

It'll be through EBITDA growth.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

It will be EBITDA growth.

Michael P. Fitzmaurice - *RPT Realty - Executive VP & CFO*

Yes.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

Any questions? Maybe I can get your thoughts -- you touched about being 70% grocery, just your current thoughts on the grocery business, the changes that are occurring, how you are thinking about that exposure in your portfolio?

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

Yes, we're spending a lot of time in the grocery business. I was just in Austin with Whole Foods a couple of weeks ago, and their business is good. They were happy. I think Amazon did some pilots in some stores that necessarily didn't work out, and they're letting the Whole Foods prior team kind of run their course and do what they did with an excellent job. Obviously, Trader Joe's is a winner. Publix and Kroger are, depending on the geography, are great operators as well. I look at the Amazon move as great for bricks-and-mortar. And I used this example yesterday where they could have leased 100,000 square feet of industrial if they didn't think people needed bricks-and-mortar and could have had that produce from an industrial warehouse and had their drones drop it off at people's houses. It's another player in the field. What's it going to look like? I don't know. I mean, look at the Amazon bookstore. Is it nice? Yes. Did it disrupt Barnes & Noble? Not really. Online disrupted Barnes & Noble. So I look at this as another signal of a very, very good retailer of Amazon that they are betting on bricks-and-mortar.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

And you talked a little bit about some of the changes that you made to G&A last year. What was sort of the -- I think, you said $2 million?

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

Yes, roughly. Yes.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

What do you see kind of going forward, are there more changes or the G&A trajectory going to be...

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

No, we're really on a -- our G&A right now, and Mike can touch upon it, is really at a good run rate for the next several years. And you can't -- we can't get smaller on that perspective. And we're not going to get larger. We're rightsized. We can absorb more right now, too. So we're appropriately sized for...

Michael P. Fitzmaurice - *RPT Realty - Executive VP & CFO*

Yes. I think the changes -- we're done with the changes. We're done with the staffing changes. We've retooled the leasing team and retooled the redevelopment team, really the growth engines of the company. We guided to approximately $24 million or $25 million in 2019. That is the full number, and that's a good run rate for the company.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

And then just in terms of some of the box exposure that you have, and you touched on this a little bit in terms of the buffer, but just as you think longer term about those at-risk categories between Bed Bath and you talked about Pier 1, but the office, and the books and pets, what do you see is the risk from, not necessarily bankruptcy but just nonrenewals? And how much visibility do you have into that? I think, at this point, you probably know what's happening in your portfolio for 2019, but how much of visibility do you have into 2020, 2021 into that -- into those nonrenewals? And what's sort of the risk that's inherent in your rent roll?

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

We have a lot. And this goes back to...

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

A lot of visibility.

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

The visibility of...

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

Not a lot of risk.

Michael P. Fitzmaurice - *RPT Realty - Executive VP & CFO*

Yes.

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

But the retail relationships, too. And this all goes back to being proactive, not reactive, and sitting down with these retailers and looking at, I mean, heck, 5 years from now even. What are your plans for the store? Many might not know 5 years, they certainly know where that store fits within a 2-year or 3-year program. So if a PetSmart or a Petco wasn't renewing, we have a 2-year jump on that. But in many of those cases, we're looking to replace them anyway without options.

Michael P. Fitzmaurice - *RPT Realty - Executive VP & CFO*

So -- and then just to kind of give you an idea of how we, order of philosophy, is about -- around budgeting and forecasting. We have a rolling 3-year forecast. So every quarter, I look at not only our current year for current guidance but also the subsequent 2 years. So right now, it's '20 and '21. On a weekly basis, I know exactly where spreads are coming in for the end of the quarter, where occupancy is coming in, where small shops coming in. So very, very good visibility. But it goes back to the size of the company. We're 50 assets. We should know every square inch of this portfolio and really instilling that behavior into the company. And then when we get bigger, that behavior will still be there. So it's really, really good practice, a good institutional practice.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

What percentage of those tenants are reporting up sales that you can kind of track that performance in so that you know ahead of time, okay, this tenant is not performing up to their average for their portfolio, and they could be at risk?

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

So that's one of the operational things that we put in place, and it wasn't a lot prior, now it's in a lot of leases. And what we have done, put in place, where we have asset managers that are in the field, and they are talking with the district managers in some cases and the managers on a weekly basis and rolling that up to a spreadsheet that I review mostly on the weekends to see how tenant sales are tracking. So we're getting live info in a dashboard-type scenario where I think that's another interesting and an important factor with all this, where there was tenant -- one tenant that didn't want -- that said, they weren't renewing. Manager talked to that manager. They knew they were doing a $2 million new floor. And we called their bluff, and obviously, they renewed at a -- their option rent. So that's the beauty of being the size of this company. And that's the beauty of having visibility on square inches and having people in the field that are living with the real estate.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

Great. Well, we only have 1 minute left. So I'll do the rapid-fire questions. Will the U.S. strip center sector have a more or fewer companies, public companies, a year from now?

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

I would bet fewer.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

What will same-store NOI growth be for the strip center sector overall in 2020?

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

2020, 2% to 3%.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

So 2.5% at the midpoint for aggregation purposes?

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

Yes.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

What will the 10-year treasury yield be 1 year from today? Today, it's 2.75%.

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

3%.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

And in what year will the U.S. enter a recession?

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

Depends on Twitter, what's it saying now. Now I think it obviously depends on D.C. and geopolitical. Obviously, there's some good engines going on in America, maybe there's a mild one in '21.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

2021?

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

Yes.

Christine Mary McElroy Tulloch - *Citigroup Inc, Research Division - Director*

Okay. Great. Thank you, guys. Appreciate it.

Brian L. Harper - *RPT Realty - President, CEO & Trustee*

Thank you.
