



December 16, 2019

Dear Shareholders:

We are pleased to enclose your 2019 second-half dividend check of \$30 per share. Together with the \$20 per share dividend paid in April 2019, this year's dividend totals \$50 per share compared to the \$47.50 per share dividend paid in 2018.

While a complete property specific report will be provided early next year in conjunction with the annual meeting, we have provided below a brief summary of significant activities in select MNP assets.

Property Update:

Cross County Shopping Center, Yonkers, NY – (MNP – 37.62% Interest) - Cross County Shopping Center, owned by Dollar Land Associates LLC, continues to be the dominant retail destination in lower Westchester County.

In 2019 new leases were executed with Invicta Watches, Mito Asian Fusion restaurant, Carvel and Safe Talk. The Invicta Watch Company will open in 963 sq. ft. adjacent to Macy's this winter. Invicta watches are Swiss made and are among the most popular timepieces in the world. Mito Asian Fusion provides Asian fusion and Japanese fare. With their original location in Forest Hills, Queens, the Cross County location will be its second restaurant to open in a 5,000 sq. ft. space located near Old Navy. Carvel Ice Cream is an American ice cream franchise, which will open in a 375 sq. ft. space, near Old Navy in the former Red Mango kiosk. Carvel has deep roots in Westchester and Yonkers in particular.

Bath & Body Works, owned by L Brands renewed its lease and recently completed a full remodel of their existing store and added the White Barn Candle concept to the location. Negotiations to expand Westchester Community College to double its current space are advancing. The expansion of the college would result in relocating the current management office and the right-sizing of the NY&Company space. We are also negotiating the future renewal and the expansion of H&M.

In August, Sears closed at the shopping center and the leasing and development teams are planning for future potential retail, medical office, restaurant and mixed uses for the location. Strong large retailers have expressed interest in the space and a nearby medical group has made site visits.

Cross County Shopping Center's comparable sales are currently down a modest 0.10% and total sales are up 1.23%, compared to 2018 at \$828 per square foot ("psf"). Several retailers (who may not be in the comparable category contributing to the psf amount) stand out as key performers within their companies, such as Zara, R12 sales of \$22M (#1 mall store), Pandora (ranked a top 15 store in company),

Ulta Beauty (ranked #2 behind NYC flagship) and Multiplex Cinemas, where sales are up 41% YTD, following their recent renovation.

Macy's continues to perform well following a multi-million dollar renovation completed earlier in 2019. They continue to introduce new brand concepts such as STORY and are enhancing customer experiences by adding a self-checkout station on the first floor and touchscreen ordering stations in perfume.

The holiday season officially kicked off at Cross County Shopping Center on November 9th, with the opening of Santa Photos and our 2nd Annual Pop-up Ice Skating Rink. Our annual Tree Lighting Celebration was held on November 23rd and saw record attendance with thousands of guests. Early indications are that Thanksgiving and Black Friday sales were slightly up compared to 2018, however, Sunday was down due to an all-day rain/snow event.

Marx Realty will take over the management and leasing of the property commencing on January 1, 2020 and in turn we intend to further grow the revenue possibilities and enhance tenant experience at the property.

As in the past, the Dollar Land Board of Managers continues to explore further development growth opportunities at the Center.

10 Grand Central, 155 East 44th Street, New York, NY - (MNP – 35.71% Interest) – With the completion of the lobby renovation and the 7th floor amenity space, the building has attracted robust interest in leasing. As a result, the building is now 92% leased with additional deals in the works for all of the remaining vacancy (other than the under-construction Penthouse Collection). Rental rates at the property are among the highest in the Grand Central market with rental rates about \$15-\$20 SF above our post-construction underwriting.

Plans are underway to renovate the top four floors (32-35) and convert the unused mechanical floor (36) in to a five story Penthouse Collection. The Penthouse Collection has already attracted strong interest from the brokerage community as well as very noteworthy potential tenants. The formal marketing campaign will officially commence in mid-December.

In August 2019, we successfully placed a \$110M 10-year 3.99% interest only first mortgage on the property. A part of the proceeds was used to pay off the then existing \$72M BOA mortgage and another \$6.8M friendly loan. Because of the big spread in the interest rate on the new mortgage versus the old loans, the annual interest expense has remained static at around \$4.5M, while giving us an extra cushion for leasing up the vacancies and finalizing all the improvements to the building. Please visit our website at www.10grandcentral.com to learn more about the building.

430 Park Avenue, New York, NY – (MNP – 8.22% Interest) - With three new leases including the one for 49,000sf with WeWork, the building is now 99% leased. The WeWork space is being built out and the rent commences in December 2019.

181st Street, New York, NY – (MNP – 100% Interest) - After the Youngworld/America's Kids lease was terminated in October 2018, a new 10-year lease was signed with Footlocker to take over the entire building. Footlocker gut renovated the entire building and opened its first NYC based Community Power Store at this location in August 2019.

On the development front:

- **1-11 Bromfield Street and 349-365 Washington Street, Boston, MA** – (MNP – 25% Interest)
- This four-building assemblage, acquired over a 20-year period for an aggregate purchase price of \$25M, is a 24,000sf lot, which can be developed as-of-right for commercial use with an F.A.R. of 10, 240,000sf. Our partner, Midwood, which runs the point position on this project, is currently in the planning stages with the City of Boston and anticipates developing an 11-story, 237,000sf mixed-use development comprised of 52,000sf of retail space and 185,000sf of office space. The development plan is still being formulated and is subject to change. In the meantime, Midwood is in the process of re-financing the existing \$15M first mortgage on the assemblage for a two-year period.
- **Southgate Shopping Center, Orlando, FL** – (MNP – 23.33% Interest) - With dd's (Ross Stores) store for 20,000sf open for business and the renovation of the 75,000sf building #1 completed, we started marketing the property for sale. At present, we have signed a Purchase & Sale Agreement for the sale of this property at \$8.75M with a closing anticipated in late December 2019. Southgate Shopping Center is owned by Joseph E Marx Co., Inc.
- **Peachtree Street and International Blvd., Atlanta, GA** – (MNP – 26.8% Interest) - The renovation of the lobby, the delivery of the retail sushi bar space in the lobby, the white boxing of third floor and demo of the 2nd floor and the elevator work in this three-story building is now completed. The retail sushi bar tenant is currently building out its space post-delivery. One of the two upper floors has been white-boxed for showing to potential tenants. The building has attracted a lot of interest and media coverage. We are negotiating terms with a NY based tech company for one floor of the building, we intend to sign up a tenant for one or both of the upper floors before approaching the ownership for their approval to place a mortgage on the property to fund the projected leasing and building improvement costs.
- **Westerly Parkway Shopping Center, State College, PA** – After selecting a joint venture partner and negotiating the business terms for the development of a mixed-use project, we are now working with our tax consultants on the form of a joint venture agreement. The mixed-use project will include an approximately 76,000sf ground-level retail and 165,000sf of second and third-floor residential units with amenities to attract the student community. While MNP is not a direct investor in State College, as its Managing Agent Marx Realty receives fees from this property and will receive development fees for the mixed-use redevelopment.

On the acquisition/disposition front:

- **545 Madison Avenue, New York, NY** – (MNP – 23.33% Interest) - In mid-October 2019, when the ground lessee defaulted under the lease for non-payment of rent, Joseph E Marx Co., Inc. took back possession of this 140,000sf building and Marx Realty is now managing the property in-house with assistance from Avison & Young, the previous managing agent on the building through the end of the year. It is our plan to actively market the vacancies and build pre-built spaces to help achieve higher rents for the property. Besides leasing up

the vacancies, it is our plan to renovate the lobby and potentially add amenity space, to increase rental rates and leasing velocity along the lines of what we have achieved at 10 Grand Central. 545 Madison Avenue is owned by Joseph E Marx Co., Inc.

- **99 Greenwich Avenue, Greenwich, CT** – (MNP – 16.9% Interest) -The closing of the sale of this property, occupied by CVS, was completed in July 2019 with a plan to reinvest the approximately \$9M under a 1031-Exchange. While we have until January 2020 to close on the purchase of the replacement property, we believe we will not be able to purchase any of the three properties we had identified for the exchange. Should we not be able to close on the purchase of the replacement property by the January deadline, we will distribute the proceeds to the ownership soon thereafter. For income tax purposes, the gain on the sale will be reported on the partners' 2020 K-1s.

MNP Stock buyback – During 2019, MNP purchased 868 shares of its common stock from various shareholders at an average price of \$1,626/share price.

Additional information on the aforementioned and other MNP owned and/or Marx Realty managed assets is available on our website www.marxrealty.com. We encourage you to periodically visit the website to get up-to-date information on various properties. Recent news articles featuring Marx Realty in Q4, in publications such as the Commercial Observer, Crain's NY, and The Wall Street Journal, can be found on the Press Section of our website.

Subsequent to the Annual General Meeting of the MNP shareholders held on May 30, 2019, the MNP Board of Directors elected Messrs. James Better as the Chairman, Craig Deitelzweig as the President and CEO, Jagdish K. Shah as the Treasurer and Amy Jedlicka as the Secretary of the Company.

Wishing you a successful and prosperous 2020.

Sincerely,

Merchants' National Properties, Inc.



James Better, Chairman



Craig Deitelzweig, President and CEO