



MERCHANTS' NATIONAL PROPERTIES, INC.
10 Grand Central, 155 East 44th Street, New York, NY 10017

December 21, 2021

Dear Shareholders:

We are pleased to enclose your 2021 second-half dividend check of \$45 per share. Together with the \$20 per share dividend paid in April 2021, the total 2021 dividend is \$65 per share (as compared to \$50 per share in 2020). Given the challenges associated with the pandemic, we are particularly pleased that we were able to increase the 2021 dividend by 30% over the prior year.

Please hold Thursday, June 9, 2022, for our Annual General Meeting, which we expect to be held virtually again this year. Additional information about the details of the meeting will be provided closer to the meeting date. As is our custom, a complete property specific report will be provided next year in conjunction with the annual meeting.

Property Updates

Cross County Center, Yonkers, NY – Cross County Center, owned by Dollar Land Associates LLC, continues to be the dominant retail destination in lower Westchester County.

Target, one of the nation's most successful retailers signed a lease in 2020 to occupy the full first and second floors and a portion of the third floor of the former Sears building. Construction is nearing completion to deliver the space to Target in January 2022. The anticipated opening is late 2022/early 2023. In order to maximize the connection from Target to the other retailers at the Center (and ensure seamless cross-shopping), we will be redesigning the promenade from the Center to Target, for which plans are underway.

Westchester Community College signed a lease in November 2021 to occupy 40,000 sf of the third floor of the Target building, quadrupling its space at the Center. The leasing team is actively pursuing restaurant, entertainment and medical uses to occupy the remaining square footage on the third and fourth floors of the building.

We have executed almost 150,000 sf of leases this year at Cross County Center. In particular, we have been entertaining food offerings at the Center. Five Guys recently signed a 10-year lease to occupy the former Things Remembered space and is currently under construction with an anticipated opening date of Q1 2022. Cookies N Cream, which is currently located in the Village of Bronxville, will open in the former Jamba Juice kiosk in December 2021, following its signing of a 10-year lease in September. Adidas, Chase, Wells Fargo, Spencer's, Portabella and American Eagle Outfitters all recently renewed their leases. Footlocker is in negotiations to expand into the former NY&CO space, and we have leases out for an additional 45,000 sf.

Other recent leasing activity includes the completion of multi-million-dollar renovations at both H&M and Express. Retailers including Gap, AX Armani Exchange, Victoria's Secret and Zara are also undergoing extensive renovations of their locations, with expected completion dates between Q4 of 2021 and Q1 of 2022.

This holiday season is off to a great start at Cross County Center, with a successful Black Friday week. Retailers reported the following: Macy's is a top performer in the region and beat 2019 numbers by approx. 5%. Bath & Body Works was +42% to 2020 and traffic was +62% compared to 2020. Aerie was +36% to 2019 and AEO was +30% to 2020. Hollister was +11% to 2020, +8% to 2019 and ranked in the top 10 out of 24 stores in District, including NYC stores. Victoria's Secret was +15% to 2020 and ranked #1 in District and #32 in entire company.

The annual pop-up ice skating rink is open and we've hosted nearly 350 skaters to date. A new 40-foot-tall Christmas tree, with a walk-thru feature, as well as new igloos and greenhouses for winter outdoor seating are making the promenades come to life and extend the stay of our shoppers and guests. Physical improvements at the Center this year include new sidewalks, landscaping and enhanced seating areas.

As in the past, the Dollar Land Board of Managers continues to explore further development growth opportunities at the Center, including residential and mixed-use elements.

Please visit our website at www.crosscountycenter.com to learn more about the property.

10 Grand Central, 155 East 44th Street, New York, NY – Leasing activity has returned to pre-pandemic levels and our agents have informed us that 10 Grand Central is the most active assignment in their entire portfolio of over 20 buildings. We now have 8 proposals and three leases out for various spaces throughout the building.

We recently recaptured the former co-working spaces on the 5th and 6th floors of the building, totaling 42,000 sf, which had an average rent of \$35 psf. We expect to achieve rental rates approximately \$30 higher than the prior rent for these two floors. We have interest from a group for one of these spaces.

Our retail tenants are now performing well after a difficult year during the pandemic, with sales at slightly less than 2020 pre-pandemic projections. We are close to finalizing a lease for our one remaining space to a popular fast casual group, which will be an amenity to the building. One retailer is performing so well that they are looking at expansion options with us.

With respect to capital improvements, we are finalizing our Local Law 11 work and elevator modernization work, which will be complete by year-end.

Please visit our website at www.10grandcentral.com to learn more about the building.

545 Madison Avenue, New York, NY – The renovation work of the lobby and pre-building of the 3rd floor is complete and well received in the marketplace. In 2021, we leased the small ground floor retail to Maman restaurant and the 3rd and the 10th floors to two different private equity groups. Plans and permitting for the pre-buildout of the 14th floor is complete with the construction work scheduled for substantial completion by February 2022. We are negotiating a lease for this space with a private equity firm at a strong rent. The 8th floor amenity space and pre-built are scheduled to commence in July 2022. All the construction costs have been funded from the after-tax proceeds received from the sale of the Southgate Shopping Center in Orlando as well as the property's current cashflow.

Please visit our website at www.545madisonnyc.com to learn more about the building.

The Herald – 1307 New York Avenue NW, Washington, DC – In March of 2020, we closed on the purchase of this 106,700 sf office building. This building is a unique property with average ceiling heights of over 13' and a rich history as the former home of the Washington Herald Examiner and the office of Jacqueline Bouvier Kennedy. In February 2021, we closed on a partnership with Invesco to make an investment in The Herald, whereby Invesco acquired a 70% ownership interest in the building. In addition to de-risking the acquisition, this partnership is a very important step for our Merchants II vehicle.

This past summer, we completed the renovation of the building's lobby, exterior improvements, elevator modernizations and bathrooms. The renovated building is respectful of its past heritage featuring a hospitality-infused club floor with a lounge, a café, an oversized boardroom and a fitness center. Tenant demand for this type of differentiated product has been very good and we have signed four leases totaling 22,000 sf to a government affairs group, an economic think tank, a foundation and a communications group. Leasing activity and proposals have been very strong at the property and continue to outperform our underwriting.

Please visit our website at www.theheralddc.com to learn more about the building.

Peachtree Street and International Blvd., Atlanta, GA – The lobby renovation and elevator work is complete. The sushi restaurant operator, who signed a lease for 2,230 sf of lobby space opened for business earlier this year and has been successful from the day it opened. In terms of leasing, we have a 10-year lease out to a media company to lease both of the vacant upper floors measuring 20,431 sf at a starting psf rent in the high \$20s. Our plan is to fund all the leasing costs and improvements to the property, tentatively estimated at \$2.5M, with conventional financing. To date, we have been funding the capital needs from the property's cash flow. This property is a strong candidate for long-term hold due to its development potential with unused FAR exceeding 400,000 sf.

On the acquisition/disposition front:

- **South Beach, Miami, FL** – This past August we closed on the sale of the Yard House restaurant building in South Beach for \$15.35M. We have identified and signed the Purchase & Sale Agreement for the replacement property located at 2121 Wisconsin Avenue, in Washington, DC and expect to close on the purchase of this property by early February 2022. This property's largest tenant is a television studio with the country's largest independent television station owner, which has a long-term lease in place through 2039. The property is in a Georgetown sub-market and offers 13' ceiling height and 30' column spans which are very desirable in today's market.
- **Arlington Plaza Mall, Arlington, TX** – Midwood Development, which manages this property, signed a contract for the sale of this property for \$6.975M on November 15, 2021. Barring any unforeseen event, the sale of this property is expected to close in February 2022. The Marx Group of owners, including MNP, has a 50% interest in this property.

Additional information on various MNP owned assets is available on our websites www.marxrealty.com or www.merchantsnationalproperties.com. We encourage you to periodically visit these websites to get up-to-date information on various properties.

Wishing you a safe and happy holiday season!

Sincerely,

Merchants' National Properties, Inc.

James Better
Chairman



Craig M. Deitelzweig
President and CEO