



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

December 21, 2020

Dear Shareholders:

We are pleased to enclose your 2020 second-half dividend check of \$30 per share. Together with the \$20 per share dividend paid in April 2020, the total 2020 dividend of \$50 equals the 2019 dividend of \$50 per share. Given the challenges associated with the pandemic, we are particularly pleased that we were able to retain the same level of dividend as last year. Please note that with the buyback of MNP common stock from some of the shareholders, the 2020 shareholder payout equals \$60 per share.

In November 2020, we provided a summary of activities among select MNP assets as well as the rent collection rates across the portfolio. For your convenience, a copy of the November 25, 2020 letter is attached herewith.

Please hold Thursday, May 27, 2021 for our Annual General Meeting, which will be held virtually. 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 early next year in conjunction with the annual meeting.

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

We wish you a healthy and joyous holiday season and a prosperous New Year.

Sincerely,

Merchants' National Properties, Inc.

James Better
Chairman

Craig M. Deitelzweig
President and CEO



November 25, 2020

To our Shareholders:

I hope everyone continues to be well and healthy.

I am writing this letter as we approach the Thanksgiving holiday, and I am reminded, especially during these challenging times, that I am very grateful to our tenants, partners and our shareholders for their continued support and their faith in the Marx team. We are all working diligently and are more devoted than ever to thinking and acting creatively to foster a better tenant experience across our properties. We believe that by providing a hands-on management approach and by creating a special and unique tenant experience we are well positioned to take advantage of the many market opportunities that will arise in the coming months.

Crain's New York Business recently selected Marx as one of the Best Places to Work in New York, and I am not surprised by this honor as we have an extraordinarily dedicated, hard-working and resilient team. Our success is a direct result of this incredible team – another reason to be grateful this holiday season.

Rent Collections

Our team has continued to perform admirably in improving our rent collection rates. For example, as you might recall, our rent collections at Cross County Center were only 54% in April and 48% in May, but since August we have routinely collected 90-93% of rent billed. Moreover, most of the tenants which failed to pay rent during the height of the pandemic have now entered into rental deferment agreements and/or rental abatement agreements with us and we have recently begun receiving deferred rent from certain tenants and tenants continue to pay their rent from past months. 10 Grand Central continues to achieve rental collections of approximately 96%. For the entire portfolio, we have been collecting approximately 91-92% of rent billed. Office rent collections have been hovering at around 98% and retail rent collections have been consistently around 88%. We remain concerned, however, that tenants will suffer if there is another partial or full lockdown and that our rent collections could be adversely impacted. Nonetheless, we will continue to have frequent contact with our tenants and work to achieve above market rental collection rates.

Please see the below Contractual Rent Collection Rates (please note that I have updated prior months' rent collections to reflect updated collection numbers):

	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>
Entire Portfolio	76%	74%	81%	91%	92%	92%	92%
Cross County Center	63%	61%	69%	89%	90%	93%	93%
10 Grand Central (All)	98%	96%	95%	97%	96%	96%	96%
545 Madison (Office Only)	100%	100%	100%	100%	100%	100%	100%
545 Madison (All)	89%	86%	85%	93%	93%	93%	93%
181 st Street	0%	100%	100%	100%	100%	100%	100%

We are encouraged by the increase and stabilization as reflected in the above collection rates. We are in constant contact with our tenants and we generally are being flexible with their needs during these unusual times as well as continuing to focus on health and wellness throughout our portfolio. As of today, there are three vaccines and two treatments that are expected to be rolled out over the next several months. We are hopeful and optimistic that by the end of Q2 2021 that the virus will be contained, life will become a lot more normal and our properties will benefit from the pent-up demand.

Property Updates

Cross County Center

Cross County Center continues to be the dominant retail destination in lower Westchester County. Marx took over leasing and management at the Center in January and it has been a very busy leasing year, despite the pandemic.

We are very excited to announce that we recently signed a 40-year lease with Target for over 130,000 sf. This lease was the largest retail lease signed in New York since the start of the pandemic. Target is one of the nation's most successful retailers and will occupy the entire first and second floors and a portion of the third floor of the former Sears building. This tenant will draw new customers to the Center, adding to the Center's continuously improving vibrancy. We also are pleased to report that we received planning board approval from the City of Yonkers on November 18, 2020 and construction is already underway to deliver the space to Target in 2021 for an anticipated mid-2022 opening. This approval process is well ahead of schedule and removes a Target lease contingency. I would like to thank the Marx team for spearheading this effort so effectively. Not surprisingly, the signed lease with Target has inspired additional interest in the property from a terrific roster of restaurants, a food hall and other high-profile retailers who have all recently toured and expressed strong interest in the Center.

Given its open-air nature, its location and its steadily improving tenant mix, Cross County is well positioned to take advantage of the market opportunities that will arise as tenants increasingly step up to better performing centers. For example, we are negotiating a large lease with a college to take approximately 40,000 sf of the third-floor space of the former Sears Building. H&M signed a 10-year renewal to occupy 28,000 square feet. H&M has been part of Cross County Center since 2009 and they have selected the Center as their second location for a revamped, cutting-edge SOHO-style concept. The retailer plans to invest \$5 million in the location. The first store to embrace the new concept is in Manhattan. Express, another retailer with a long, successful history at Cross County, renewed for another 7 years and will also implement a renovation in 2021. We also have extended several leases with tenants such as Chipotle, Due to national challenges from COVID, NY & Company and Forever 21 closed in Q3 of 2020. However, we are negotiating a lease with Forever 21 for a one year term with a Landlord right to terminate. We are negotiating proposals with two tenants for the entire New York & Co. space. In addition, Call it Spring and Justice filed bankruptcy and are projected to close in December 2020 and we are already negotiating term sheets with dynamic retailers for both of these spaces.

As an outdoor center we have an advantage over our competitors and are using a comprehensive advertising and public relations campaign to showcase the outdoor setting and all of the health and wellness protocols we are implementing to keep shoppers, employees and the community safe. Currently, all retailers are open at 50% capacity and restaurants are open with 50% indoor dining capacity. Retailers

such as Gap, American Eagle Outfitters, Pandora, Victoria's Secret and Zara usually have lines of shoppers waiting to come in and have reported sales increases over 2019. Please visit our website at www.crosscountycenter.com

10 Grand Central

Leasing tour activity from prospective tenants has continued to improve and we now are approaching pre-pandemic tour levels. Our leasing brokers have collected data which shows that 10 Grand Central is receiving four times the amount of online interest by brokers than other Grand Central District buildings they track. We have several proposals out, but deals are taking much longer to reach execution. The rental rates for these proposals are similar to our rates pre-pandemic, although we are providing slightly more free rent. We have several tenants with lease expirations in 2020 and 2021, and we expect, given the highly differentiated product that 10 Grand Central offers, that lease signings will increase once the pandemic abates. Current physical occupancy by tenants at the building is in the mid-20's, which, sadly, is higher than many of our peer buildings.

To help accelerate interest in the property, we have prepared virtual tours and videos which have been well received. We have enhanced our health and wellness features to make sure that our tenants and prospective tenants feel safe and comfortable at work. Two floors of our Penthouse Collection are under construction and are expected to be completed next month. We have a tenant very interested in one of these floors. Our elevator cabs will all be renovated by the end of the year in a manner consistent with the quality of the rest of the building. Elevator modernizations will commence in the new year as will Local Law 11 work to the façade of the building.

We are seeing increased interest from financial firms who want to office near Grand Central as many of their employees have moved to Westchester and Connecticut during the pandemic. We also are seeing demand from downtown tenants who desire another office location in midtown. We believe the building with its hospitality features, amenities and outdoor space is well suited to meet the needs of tenants once they return to the office and consider their office space needs. We are fortunate that we repositioned the building to a Class-A and differentiated product, as commodity and Class-B and Class-C buildings are expected to perform poorly with lower rent collections and very limited interest for new leases in this new environment. Please visit our website at www.10grandcentral.com.

545 Madison Avenue

The renovation work of the lobby and our pre-built suite on the third floor of the building is underway and expected to be completed by April 2021 and January 2021, respectively. We also plan on starting construction of the 14th floor pre-built early next year. The exciting renovations are being well received and we are negotiating proposals or working on test-fits on almost all of the available space. We expect additional interest in the property once the construction work is complete. Please visit our website at www.545madisonnyc.com.

The Herald at 1307 New York

Construction is underway on our recent acquisition, The Herald. The building, with its rich history and incredibly high ceiling heights is very unique for DC. We are creating a distinctive design that shares a hospitality aesthetic with its sister properties 10 Grand Central and 545 Madison, which is a product offering that does not yet exist in DC. We are very pleased with the strong level of interest from

perspective tenants, and we have proposals out with six tenants who are among the most sought-after tenants in DC. We are providing test-fits for some of these tenants and although we do not yet know if they will result in signed leases, we are excited about the types of tenants we are attracting to tour the building as well as the excitement from the brokerage community about the unique hospitality-infused product. Please visit our website at www.theheralddc.com. Separately, we have a signed term sheet with a large institutional group to partner with us on The Herald and we have been working on the partnership documents.

Opportunities

We continue to maintain a healthy balance of cash and securities on hand, and we are exploring buying opportunities in this market environment. We are optimistic that we will find discounted properties in the months ahead that could benefit from our value-add approach. Several potential institutional partners are seeking to partner with us on various opportunities and we are currently looking at a few properties with these groups.

We wish you a safe and joyous holiday season.

Sincerely,



Craig M. Deitelzweig
President and CEO