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# Kimco Realty Corp. (KIM)

Q3 2024 Earnings Call

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Hello and welcome to the Kimco Realty Third Quarter 2024 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] As a reminder, this conference is being recorded.

I would now like to hand the call over to David Bujnicki, Senior Vice President of Investor Relations & Strategy. Please go ahead.

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### David F. Bujnicki

*Senior Vice President-Investor Relations & Strategy, Kimco Realty Corp.*

Good morning and thank you for joining Kimco's quarterly earnings call. The Kimco management team participating on the call today include Conor Flynn, Kimco's CEO; Ross Cooper, President and Chief Investment Officer; Glenn Cohen, our CFO; Dave Jamieson, Kimco's Chief Operating Officer, as well as other members of our executive team that are also available to answer questions during the call.

As a reminder, statements made during the course of this call may be deemed forward-looking, and it is important to note that the company's actual results could differ materially from those projected in such forward-looking statements due to a variety of risks, uncertainties and other factors. Please refer to the company's SEC filings that address such factors.

During this presentation, management may make reference to certain non-GAAP financial measures that we believe help investors better understand Kimco's operating results. Reconciliations of these non-GAAP financial measures can be found in our quarterly supplemental financial information on the Kimco Investor Relations website.

Also, in the event our call to incur technical difficulties, we'll try to resolve as quickly as possible. And if the need arises, we'll post additional information to our IR website.

With that, I'll turn the call over to Conor.

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### Conor C. Flynn

*Chief Executive Officer & Director, Kimco Realty Corp.*

Good morning and thanks for joining us today. I will begin with an update on the great progress we have made in 2024 and provide an update on our RPT integration which has gone extremely well, then I'll highlight the favorable supply and demand dynamics for our sector and our company, and conclude with brief insights on some key leasing metrics. Ross will follow with an update on the transaction market and our exciting new acquisition. And Glenn will close with our financial metrics and the full year guidance range we again have raised. We believe it is important to call out some of the great progress we made on building on past year's success, both with enhanced internal growth, as well as being a net acquirer for the year, which will benefit external growth.

We're also proud to highlight another accomplishment this quarter, achieving our goal of securing 12,000 multi-family unit entitlements a year ahead of schedule. These entitlements, valued at an estimated \$175 million to \$325 million, offer us significant flexibility. Whether we choose to self-develop, contribute to a joint venture, ground lease or even sell them outright, these entitlements enhance our long-term growth potential.

Turning to our RPT acquisition. I want to thank our integration and operating teams for their extraordinary efforts. We continued to exceed expectations with respect to the pace of integration and performance of this portfolio, and are ahead on both operational synergies and NOI projections for the year. And we continue to close the gap on the spread between RPT's small shop occupancy and Kimco's occupancy. Specifically, RPT occupancy increased 40 basis points quarter-over-quarter, driven by a 50-basis-point increase in small shop occupancy and a 30-basis-point increase in anchor occupancy.

Another key attribute providing us with additional confidence in our portfolio platform is the current supply and demand dynamic for high-quality retail, which continues to favor Kimco. According to several large national brokers, vacancy levels and new shopping center construction remains at historic lows, leaving prospective tenants limited options in obtaining space for high-quality locations, particularly in the most sought-after markets.

To underscore this limited availability, retailers are proactively reaffirming or assigning leases during the bankruptcy process to secure prime locations. In 2024, 50 out of our 56 leases with tenants who declared and emerged from bankruptcy were either assumed or acquired by creditworthy tenants. Even more encouraging for our portfolio is that leasing demand continues to be broad-based and diverse. Off-price, grocery, beauty, health and wellness, fitness, medical, and services all continue to compete for space in our centers. All of this affords our team the ability to push economics, enhance our merchandising mix, and further increase the value of our best-in-class portfolio.

Turning to our leasing metrics. We are proud to report that our team achieved another milestone this quarter, with occupancy up 20 basis points sequentially and 90 basis points year-over-year to 96.4%, matching our all-time high achieved in the fourth quarter of 2019. Anchor occupancy was up 10 basis points to 98.2%, which was 100 basis points higher year-over-year. Small shop occupancy was up 10 basis points to 91.8%, which is also a record high and up 70 basis points year-over-year.

New lease volume totaled 119 deals totaling 543,000 square feet for the third quarter. The rent spread for new leases was an impressive 41.9% and our 12th consecutive quarter of double-digit rent spreads. Positive drivers include a new Target lease in Fort Lauderdale, Florida; a new Lidl grocery conversion in Staten Island, New York; as well as a new Tesla dealership in Miami, Florida.

Renewals and options volume was 332 deals totaling 1.9 million square feet for the quarter. The renewals and options spread was 6.8%, with renewals increasing by 6.9% and options growing at 6.6%. Combined, third quarter 2024 lease volume was 451 deals totaling 2.4 million square feet with a combined spread of 12.3%.

We also added four grocery anchors to the portfolio this quarter, improving our percentage of annual base rent from grocery-anchored assets to 84%. These results continue to distinguish our solid and unique operating platform, supported by a highly engaged and aligned team, which we believe provides meaningful relative differentiation.

In closing, we are encouraged by the momentum that our team and platform have built and are excited about where we go from here. And while we have built a business designed to withstand any economic cycle, we look to benefit from the continued strength of the employment market, healthy consumer spending, and the dampening of inflation.

We have been executing on our strategic goals to improve organic growth and add accretive external growth when the stars align. We remain disciplined on capital allocation and balance sheet management, giving us the

ability to weather any storm and pounce when the opportunity presents itself. I want to thank our dedicated colleagues for continuing to raise the bar at Kimco.

Ross?

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## Ross Cooper

*President & Chief Investment Officer, Kimco Realty Corp.*

Good morning, everyone. I hope you have a safe and happy Halloween today. I'm excited to discuss Kimco's recent investment strategy and expectations as we close out the year and look ahead to 2025.

In the third quarter, we made a modest level of new investments as we shifted our acquisitions focus back towards owned assets, moving away from the highly selective structured investments approach we took in the first half of the year. With today's more favorable cost of capital, we are pivoting back to evaluating owned acquisition opportunities, including larger format properties. As we assess a number of opportunities, we will remain very disciplined in our external capital allocation.

With respect to our newest acquisition, Waterford Lakes Town Center in Orlando captures the essence of why we are excited about these types of large format opportunities. In terms of the benefits, there is less competition for higher price point assets, leading to advantageous pricing and better going in yields. Additionally, our platform strength includes the skillful management of Kimco's existing collection of lifestyle assets, which features its own dedicated operations team, which is well-equipped to drive growth at these differentiated dynamic properties.

Waterford stands out as a market-dominant asset with multiple retailers boasting some of the highest traffic counts and sales performance in their respective chains in both Florida and nationwide. The open-air grocery format has a highly complementary tenant mix of discount and full line soft goods, entertainment, dining, health and wellness, and fitness options that perfectly cater to the local demographic.

Waterford's value proposition extends beyond the low 7% going in cap rate we underwrote. The property built in 1999 has significant near-, medium- and long-term upside. With several junior anchor leases expiring with no further options after 25 years, we have substantial mark-to-market opportunities over the next five years. Our ability to continually upgrade the caliber of tenants and market rents commensurate with current sales performance supports a robust growth trajectory and compound annual growth rate we rarely see. Needless to say, we couldn't be more enthusiastic to add this to our portfolio and expect it to be a major contributor for our company for many years to come.

As we shift our focus to 2025, the other initiative that's beginning to take shape relates to our Structured Investment Program. Since inception in 2020, we have touted the program as an opportunity to get our foot-in-the-door on high-quality real estate at attractive returns while having a right of first offer or refusal, providing the potential to ultimately own the asset. We are now seeing this opportunity materialize as we conduct due diligence on a few existing investments with the potential to convert from mezzanine financing to outright ownership. While still early in the process, this could solidify our view of these structure opportunities as a future long-term pipeline to ownership.

Turning to the transaction market, with continued retail optimism and capital expressing a strong desire to own and invest in open air retail, we have seen an uptick in higher-quality product hitting the market. We believe the bid-ask spread will continue to narrow into 2025 with transaction volumes increasing to levels we haven't seen in the past couple of years. We look forward to finishing the year strong and getting 2025 off to a running start.

And with that, I'm now happy to pass it off to Glenn to provide the financials and updated outlook.

## Glenn Gary Cohen

*Chief Financial Officer & Executive Vice President, Kimco Realty Corp.*

Thanks, Ross, and good morning. Our strong third quarter results continue to demonstrate the strength of our operating platform and our high-quality, open-air, grocery-anchored investment portfolio. Highlights for the quarter include all-time high leased occupancy, impressive positive leasing spreads, and solid same-site NOI growth. In addition, our significant liquidity capacity and well-positioned leverage metrics provide us optionality on growth opportunities.

Now, for some details on the third quarter results. FFO was \$287.4 million or \$0.43 per diluted share, representing per share growth of 7.5% compared to last year's third quarter. For some further color, we generated \$394.1 million of total pro-rata NOI in the third quarter, an increase of \$51.3 million or 15% over the same period in the prior year. This growth was driven by \$39 million from the RPT acquisition and \$12 million from the balance of the operating portfolio, primarily driven by higher minimum rents, fueled by quicker rent commencements. The NOI growth was offset by greater pro-rata interest expense of \$16.3 million due to higher debt levels that I'll touch on momentarily.

Turning to same-site NOI. We generated positive 3.3% growth for the third quarter. The primary driver continues to be higher minimum rents contributing 3.9%, driven by contractual rent increases and faster rent commencements from the signed not open pipeline, which compressed 10 basis points from last quarter. Also, overall recoveries impacted same-site NOI growth by 50 basis points, mostly attributable to seasonal spending. In addition, our overall NOI continues to benefit from lower credit loss. For the third quarter and the first nine months, our credit loss was 45 basis points and 73 basis points, respectively, which is comfortably at the lower end of our assumption.

I want to take a moment to provide some additional detail on our signed but not opened pipeline. At the end of September, the signed not open pipeline represented 310 basis points of occupancy related to 399 leases totaling \$61.2 million of annual base rent, including \$5.1 million from the recently acquired RPT portfolio. New leases totaling \$13.6 million were added to the SNO pipeline, offset by \$15.9 million of ABR that commenced during the third quarter. Of the \$61.2 million of the SNO pipeline, approximately 90% is expected to commence by the end of 2025 and generate about \$40 million during 2025, providing us healthy momentum as we look ahead.

Turning to the balance sheet. We ended the third quarter 2024 with consolidated net debt to EBITDA of 5.3 times. On a look-through basis, including pro-rata JV debt and perpetual preferred stock outstanding, net debt to EBITDA was 5.6 times, the best level since we began reporting this metric in 2009.

During the third quarter 2024, we increased our term loan from \$200 million to \$550 million, adding five additional lenders to the facility. The blended all-in rate for this facility is 4.61%, with a final maturity in 2029. Separately, we issued a new long tenure unsecured bond, which matures in 2035 at a coupon of 4.85%. The proceeds from this issuance are currently invested in short-term interest-bearing instruments, pending the February 1, 2025 maturity of our 3.3% \$500 million bond.

Also, during the third quarter, we received an A- unsecured debt rating from Fitch with a stable outlook; and S&P raised us to a positive outlook from stable, achieving another of our 2025 goals. The A- rating is very impactful as it has lowered the cost on the \$860 million of term loans outstanding, as well as on our \$2 billion revolver, which currently has zero drawn on it. These cost improvements are in addition to the reduction received from achieving

our Scope 1 and Scope 2 greenhouse gas emission reduction targets associated with our \$2 billion revolver and \$310 million of term loans.

Now, for an update on our outlook. Based on the strength of our year-to-date results and expectations for the fourth quarter, we are again raising our FFO per diluted share range to \$1.64 to \$1.65 from the previous range of \$1.60 to \$1.62. Our increased FFO per share outlook range incorporates the following updates to our full year assumptions.

Same-site NOI growth of 3.25%-plus from the previous range of 2.75% to 3.25%, and is inclusive of the RPT assets. Interest income is expected to be between \$20 million and \$22 million. And as previously announced, we increased our investment guidance to a range of \$565 million to \$625 million, which includes the fourth quarter acquisition of Waterford Lakes for \$322 million. We also lowered our disposition outlook by \$50 million to \$250 million to \$300 million.

Looking ahead, we plan to provide our 2025 outlook when we report our fourth quarter results, but wanted to call out the following. We do not expect to realize the same level of interest income in 2025 as we plan to maintain approximately \$100 million in cash on a go-forward basis. As I previously mentioned, we will use our existing cash on hand to pay off the 3.3% \$500 million bond due on February 1, 2025.

And with that, I want to thank all of our associates whose unwavering commitment drove these outstanding results and positions us well to continue our growth path. We are now ready to take your questions.

## QUESTION AND ANSWER SECTION

**Operator:** We will now begin the question-and-answer session. [Operator Instructions] We ask that you please limit yourself to one question. If you have further questions, you may re-enter the question queue. At this time, we will pause momentarily to assemble the roster. And our first question comes from Alexander Goldfarb of Piper Sandler. Please go ahead.

**Alexander Goldfarb**

*Analyst, Piper Sandler & Co.*

Q

Hey, guys, good morning. Good morning out there. Conor, you mentioned the outperformance of RPT, and I have to believe it's probably similar for Weingarten. As you guys sit here today and think about those two transactions, is there a way to quantify how much both transactions exceeded your original underwriting? I mean, whether it's basis points or in actual dollars or FFO or some metric, just so we have a sense of the magnitude of how those portfolios performed versus your original underwriting.

**Conor C. Flynn**

*Chief Executive Officer & Director, Kimco Realty Corp.*

A

Thanks, Alex. Yeah. Obviously, we're enthused by the results. RPT has been ahead of expectations. I think when you look at our underwriting for large transactions like that, you can see from, really the implementation and the execution, that both on the synergy side, we've been able to outperform our underwriting, as well as the NOI assumptions. I think, for this quarter, actually RPT same-site NOI was 10.3%, which is a very strong number. Again, a lot of it is driven by the belief that it's not about getting big to be bigger. It's really about what enhances the growth profile of the organization.

And if you look at when we did Weingarten and when we executed RPT, I think both transactions really helped improve the growth profile of Kimco, and that's what's shining through I think today. And we're really enthused about, going forward, integrating every asset into our platform. Because, again, I think that's where the Kimco platform really shines, is where we can get into the asset, use our platform, use our team, and really continue to unlock a lot of value for our shareholders.

**Operator:** The next question comes from Michael Goldsmith of UBS. Please go ahead.

**Michael Goldsmith**

*Analyst, UBS Securities LLC*

Q

Good morning. Thanks a lot for taking my question. Sticking with the RPT theme here. It seems like a big step forward in the RPT small shop leasing. So, can you talk a little bit about what you're seeing with that portfolio? Do you still see that large opportunity to close the gap? How your relationships and scale are helping here? And does that really set up 2025 to be a year where you truly kind of compress that gap to the core Kimco portfolio? Thanks.

**David Jamieson**

*Chief Operating Officer & Executive Vice President, Kimco Realty Corp.*

A

Yeah, another great question. Appreciate you asking it. To all the above, yes. I mean, we definitely see the opportunity to continue the momentum that we're starting to gain now that we have three quarters behind us and absorbing RPT. The operating team is firing on all cylinders. The core portfolio that we retained with RPT after we disposed of a handful of sites, it's extremely strong, not only in the Sun Belt markets in Florida, obviously, but the Midwest portfolio is doing exceedingly well.

The demand drivers are real. We talked about it a lot. It's real for our portfolio, the Kimco core, as well as RPT. The lack of supply, the enhanced just sort of operating team that we're really focused on driving the small shop initiative is having an impact and we are starting to see that flow through the numbers. The big contributor, too, is obviously getting the rent flowing.

We significantly compressed one of the largest SNO pipelines very quickly upon the close of that transaction through the first part of the year, and I think that's a contributor to some of the outperformance on the same-site side in Q3 and will continue along that way. We also acquired with the transaction some excellent personnel, excellent team members, and they're doing an incredible job, now nine months into the organization. So, we couldn't be more thrilled by the activity.

**Operator:** The next question comes from Juan Sanabria of BMO Capital Markets. Please go ahead.

**Juan C. Sanabria**

*Analyst, BMO Capital Markets Corp.*

Q

Hi. Good morning. Just hoping you could talk a little bit more about the structured investments opportunity about the rights – that you have there, and I guess how big the quantum of opportunities for traditional fee simple acquisitions could be on a net go-forward basis.

**Ross Cooper**

*President & Chief Investment Officer, Kimco Realty Corp.*

A



Sure. Happy to. So, as you know, we're really enthusiastic about this program for a variety of reasons. One – first and foremost, the real estate itself are assets that we're very comfortable with that, again, we'd be happy to own if the opportunity presented itself. But if it doesn't, we get very attractive returns in the interim at a very comfortable basis. So, every deal, every partner has a little bit of a different life cycle, a little bit of a different strategy. But what we are starting to see on a few of these deals that we've been in for a couple of years, two, three, four years, is that they are starting to get towards the end of that life cycle. So, having that right of first offer, that right of first refusal is presenting itself as an opportunity.

There is one particular asset right now that we're working very closely with our partner on a potential acquisition of the fee. So, that might be something that we'll be able to see materialize in the beginning parts of 2025. But we have about \$470 million outstanding in that program right now, which is spread between a couple of dozen assets. So, it really has the ability to be a big pipeline if that does materialize. But we're starting to see the first couple come to fruition, so we're excited about that.

**Operator:** The next question comes from Dori Kesten of Wells Fargo. Please go ahead.

**Dori Kesten**

*Analyst, Wells Fargo Securities LLC*

Q

Thanks. Good morning. As you've continued to add the projects now entitled, how are you thinking about the timing to activate these over the next few years or, as you said, before JV ever sold? I guess, are you able to provide some guardrails around just total costs and potential timing?

**David Jamieson**

*Chief Operating Officer & Executive Vice President, Kimco Realty Corp.*

A

Yeah. I mean, we're going to preserve the discipline that we've always had with all these opportunities. And so, now that we have 10,000 – 12,000 units in total, which is an extraordinary effort over the last eight to nine years, starting from zero, we'll now continue our process in terms of looking at activations. Obviously, we have Suburban Square under construction right now in our preferred structure, which yields attractive returns for us, enables us to activate that project with a very sound partner. We have a handful of opportunities that we're closely monitoring and looking at, market fundamentals, as costs start to come down and rebalance. Could be potential opportunities in 2025, but we want to preserve and maintain this strict discipline so it's always accretive to the organization. But between that, potential ground leases which we've already done before, maybe the potential monetization of some of the entitlements of third-party developers, those are all real options on the table that we're considering.

**Glenn Gary Cohen**

*Chief Financial Officer & Executive Vice President, Kimco Realty Corp.*

A

Yeah, I would just add, just so you have some frame of reference. Today, we have 3,500 units that are actually operational in the form of some that have been ground leased where the parties built them and operating on our land, and the projects that we have both at The Milton and The Witmer, and we have a project currently at Coulter that's in the process of being built. So, we've activated them, one, two projects a year. So, been very disciplined about how we put them out.

**Operator:** Next question comes from Jeff Spector of Bank of America. Please go ahead.

**Jeffrey Spector**

*Analyst, BofA Securities, Inc.*

Q

Great. Good morning and congratulations on the quarter. I wanted to focus on your comments around lifestyle centers and the importance they're having across different markets. In terms of acquisition opportunities, are you focused on select markets in demographics or would dominance in a market fit the criteria for Kimco? Thank you.

### Ross Cooper

*President & Chief Investment Officer, Kimco Realty Corp.*

A

Yeah, it's a great question. I think one of the benefits of Kimco and one of our differentiators is our diversification. And you think about geographic diversification and the importance of that, as well as diversification of formats, and we're able to create value with our platform in all formats, in all geographies.

So, some of it definitely has to do with driven by opportunity and where we see deals in certain markets that we like. But it also very much has to do with the team and the performance with the leasing team, the operations team, the management. When you put it all together, we've seen great opportunity to create value on these assets, which is, again, when you think about the competition for this, it is very much limited compared to the neighborhood grocery-anchored shopping center, where there's a significant amount of capital that's chasing those deals.

So, for right where we stand today and where we sit, we think that the larger format, higher price point assets is where we can differentiate our team and our capital. But again, there's a variety of opportunities in various formats that we've been able to take advantage of over various parts of the cycle.

**Operator:** The next question comes from Samir Khanal of Evercore ISI. Please go ahead.

### Samir Khanal

*Analyst, Evercore ISI*

Q

Hey, good morning, everyone. I guess, Conor, with the focus being on 2025 now, just maybe walk us through kind of the building blocks for growth. I know you talked about the upside to occupancy in the shop side. But then, help us think through, I mean, this year you're generating pretty solid growth here at 3.25%. So, are we setting up for another year of sort of plus 3% or is this even a further acceleration in next year? Help us think through growth for next year? Thanks.

### Conor C. Flynn

*Chief Executive Officer & Director, Kimco Realty Corp.*

A

Yeah, we're not going to be giving guidance for next year on this call. But we are going through the budgeting process now. We are looking to see how we enhance the growth going forward. Clearly, this has been a good year operationally for Kimco. If you look at the bankruptcy season, as I mentioned earlier in my remarks, it's been pretty muted. And those that have gone through the bankruptcy process, those leases have become assets and been acquired by other retailers that are credit tenants.

So, I think a lot of it has to do with, obviously, there's a massive election coming up. The consumer continues to be resilient. The retailers continue to want to expand in shopping centers of high-quality with really strong operators. And we continue to see the outreach pouring in for spaces that we have available. So, the backdrop is one where we continue to see supply being muted going forward and the demand being diverse. And so, as we continue to hopefully enhance the growth profile, we'll be looking at ways to compress the signed but not open pipeline, enhance the same-site NOI growth for the organization, and continue to push FFO growth.

So, we've got the ingredients, we've got the portfolio, we've got the team. And now, again, we're looking at how do we incrementally improve the growth profile. And some of the differentiators that Kimco that others don't, we talked a little bit about the 12,000 entitled apartment units. We may look to monetize some of those and recycle those accretively into operating shopping centers. We also may look to recycle some flatter, high-quality assets where we can recycle into, again, a higher-growth shopping center. So, those are the types of opportunities we look at and [ph] try and see (00:39:58) that there's going to be significant opportunity in 2025 to continue to enhance the growth profile.

**Operator:** The next question comes from Floris van Dijkum of Compass Point. Please go ahead.

**Floris van Dijkum**

*Analyst, Compass Point Research & Trading LLC*

Q

Hey, guys. Morning. So, Conor, following up on what you were just talking about, monetizing some assets. I mean, you have – obviously, you've got a lot of potential things you could monetize, including your apartments, entitlements, your ground rent. Do you see, as you look at opportunities to deploy that capital into higher-growth assets, are they going to be smaller transactions in your view or do you see bigger opportunities out there as well where you might do a larger transaction as you – particularly, as you try to match fund some of these things as well?

**Conor C. Flynn**

*Chief Executive Officer & Director, Kimco Realty Corp.*

A

Yeah. I think it's a good question, Floris. I think with the way we look at maximizing price and maximizing value, we seem to be achieving that in the one-off basis. So, on a one-by-one deal, whether it's through – each of those are unique circumstances, whether it's an entitled piece of property that's ready to be built and monetizing that to selling it to a developer or it's a long-term ground lease with a credit tenant that, again, might suit a [ph] 1031 (00:41:26) buyer or a triple net type of investor. So, each of those are unique. The ingredients are unique on each parcel. So, we've been combing through that, looking to see, obviously, what's the best results we can and then match funding that into a higher-growth shopping center. And we're excited about the raw ingredients we have to work with.

**Ross Cooper**

*President & Chief Investment Officer, Kimco Realty Corp.*

A

Yeah. I would just add, I think that we're really excited to be at a point in the evolution of the company in our asset recycling where long gone are the days where the higher cap rate, dilutive asset sales were leading the charge. Now, it's really focused on accretive asset recycling. So, looking at these opportunities that we mentioned with the ground leases or monetizing some of our entitlements is a really strong way for us to accretively redeploy that capital versus years past, which wasn't quite the case.

**Operator:** The next question comes from Craig Mailman of Citi. Please go ahead.

**Craig Mailman**

*Analyst, Citigroup Global Markets, Inc.*

Q

Hey. Good morning. Just kind of curious if your internal views of inflation have changed at all, particularly some of the different policies from different administrations, and how that could potentially be impacting how you guys view kind of the price – appropriate pricing for the real estate going forward. If, for instance, inflation stayed a little

bit higher than it has? It seems to have been a tailwind the last couple of years here for everyone's ability to push rents.

**Conor C. Flynn**

*Chief Executive Officer & Director, Kimco Realty Corp.*

A

Yeah, inflation is still very much a focus. I mean, if you look at sort of the policies of both candidates, I think there's probably, inflation issues on both sides. So, I think when we look at our assets and the growth profile and making sure that we continue to outpace inflation, I think that's critical for us. Clearly, inflation for retailers that own a lot of inventory is actually a good thing. It's one of those situations where the consumer continues to gravitate towards the shopping center. The employment market is still very strong. Our traffic is up 2% year-over-year. I think when you look at the forward projections of inflation, it seems to be that the Fed is confident in their positioning there, bringing it back down to their targeted levels. But again, it's something we're going to have to watch closely.

**Operator:** The next question comes from Haendel St. Juste of Mizuho. Please go ahead.

**Ravi Vaidya**

*Analyst, Mizuho Securities USA LLC*

Q

Hi. Good morning. This is Ravi Vaidya on the line for Haendel. Wanted to ask you about transactions here. Can you discuss the competitive dynamics in the acquisition market? You raised the acquisition guidance, but you also raised the cap rate by 50, 60 bps. Are there smaller buyers at these check sizes? And what specifically is driving the upward cap rate projection?

**Ross Cooper**

*President & Chief Investment Officer, Kimco Realty Corp.*

A

So, the cap rates are reflective of the transactions that we've completed this year. So, it's been a mix of our structured program which are higher octane, higher yielding investments, and then, of course, layering in Waterford in the [ph] low-7s (00:44:31). So, when you get that blend, that's where we settled in terms of the cap rate range.

There's a lot of competition out there for transactions. There's no doubt about that. We've talked about the retail and the capital curiosity from large institutions and investors that maybe have been on the sidelines for the last several years as it relates to retail that are now jumping back in. So, we're seeing a lot of competition, particularly for the neighborhood grocery-anchored shopping centers. And frankly, it's all across the country.

A few recent examples of some transactions that just occurred. There is a grocery-anchored shopping center in Las Vegas that just traded in the mid-5s. We were looking at a deal in suburban Detroit in Michigan that was just recently awarded at a [ph] sub-6% (00:45:16) cap, which is a very aggressive price for that part of the country that we haven't seen in quite a while. So, it's very clear to us that cap rates are going to continue to be very stable, if not continue to compress. Some of that is clearly going to be dependent upon where the rate environment goes.

We've continued to see the volatility. In fact, since the rate cuts, which I think the market really anticipated was going to lead to lower interest rates, we've actually seen the longer end of the curve expand 50 to 60 basis points, depending on the day. So, as long-term investors, we're focused on what is the long-term growth trajectory of those assets, as opposed to just the going in cap rate, but that's very much a consideration, and we'll just continue to pick our spots and be disciplined.

**Operator:** The next question comes from Greg McGinniss of Scotiabank. Please go ahead.

**Greg McGinniss**

*Analyst, Scotiabank*

Q

Hey, good morning. Ross, just want to touch on transaction volume again. I mean, you mentioned that we could see greater investment volumes than we've seen recent years. I mean, what's driving sellers to the market? I know you mentioned that there's a lot of competition for deals. But curious what's driving sellers to be selling right now and does this remain the case despite recently rising interest rates? And finally, if you could just touch on cap rates and how they may have moved since you guys initially agreed to the Waterford transaction a few months ago? Thanks.

**Ross Cooper**

*President & Chief Investment Officer, Kimco Realty Corp.*

A

Sure. Yeah. I mean, I think every seller, every selling entity has their own rationale for why they might look to move an asset. I think, in this environment, as we've talked about, there's a lot of capital and a lot of demand. So, depending on what the profile of the seller is, if there's liquidity needs or any sort of redemptions, if it's part of some fund, the most liquid assets today at the pricing that most likely is closest to where their basis is tends to be in open-air grocery-anchored shopping centers, as opposed to some other asset classes. So, we've seen investors or institutions take advantage of that, and we've been the beneficiary of that in some cases, in particular in Waterford.

You asked about the pricing on Waterford. And as I mentioned, every deal has its own sort of life cycle. This was one that we've been working on since the first quarter of this year and didn't close on it until the fourth quarter of the year. I mean, there's a variety of reasons for that. One, in particular, being the CMBS loan that we assumed, which, when you look at the rate there at 4.86%, the next five years happens to be right on top of the bond that we issued. Somewhat of a coincidence, but that had to do with the timing.

So, again, we look at these things as long-term holds. So, the fluctuations in the market and the pricing environment over the course of that six- or eight-month period, it's really something that, over the six- or eight-month period, it's something that we – sorry, I lost my... [indiscernible] (00:48:13)

So, anyway, yeah, so for that particular asset, I would tell you that, today, the pricing would be a little bit different from where we were at the beginning of the year. But again, as a long-term owner-investor, it's not something we look at at a point in time. We're just really excited about that asset at that pricing for decades to come within the portfolio.

**Operator:** The next question comes from Caitlin Burrows of Goldman Sachs. Please go ahead.

**Caitlin Burrows**

*Analyst, Goldman Sachs & Co. LLC*

Q

Hi. Good morning. I was wondering if you could talk a little bit more about the leasing environment. I feel like it doesn't come up as much because it seems to be a given that it's strong these days. But how would you characterize new leasing interest and tenant demand versus the recent past, and how do you expect that to translate to cash spreads and lease bumps, maybe tenant turnover or whatever else it might be relevant to? Thanks.

**David Jamieson**

*Chief Operating Officer & Executive Vice President, Kimco Realty Corp.*

A

Yeah. Thanks for asking. You're right, I feel like it's an afterthought at times. But obviously, starting with the supply/demand, I say it all the time, new supply, high demand is sort of the driver to, I think, the success of the leasing environment. When you look at the go-forward, when I look at our 2025 rollover schedule on the anchor side, we have over 70% of our first half rollover schedule in 2025 either resolved during the process of getting resolved with the lease or renewal, and that's well ahead of plan to where we were last year.

So, when I look at comparative statistics to historic trend rates, where we are today, we're ahead of plan in that regard. And then, on the overall rollover schedule for 2025, we're just slightly ahead of plan to as where we were at this time last year.

In terms of the [ph] use (00:49:56) categories, obviously, you have off prices as your leader for us this year on the anchor side. Groceries were number two at almost 20% of our deal flow for the anchors on the new deals. So, it's just a demonstration that that product category continues to excel and they're really looking for market share growth opportunities and also expansion into new markets as they build out their distribution facilities.

I think when you listen to some of the retailer commentary as well, you're hearing some of these comments come out that, they're trying to hit their store count and they're still struggling to hit their store count at times, creating new opportunities for us to step in and help facilitate that engagement. So, we're working very, very closely with our retail partners to achieve that opportunity.

And so, we're also now looking at 2026 and 2027 and our rollover schedule and how does that match up well with their intentions and their growth strategies so we can get well ahead of plan here. As that ties to, obviously, rent growth, it's – as you can see through our spreads, we continue to excel and exceed prior quarter spreads on the new deals side. Our renewals side this quarter, the vast majority, over 90%, were on the small shop side, closer to market. But we'll continue to have that opportunity to push those spreads as well. So, net-net, the environment still remains strong. We always look for cracks in the system but, currently, we don't see anything that's material.

And lease costs, as you know, we've continued to hold steady. Again, a good majority of the deals this quarter were on the small shop side that drive lower cost.

.....  
**Operator:** The next question comes from Linda Tsai of Jefferies. Please go ahead.

**Linda Tsai**

*Analyst, Jefferies LLC*

Q

Yes, hi. A question for Ross. Regarding the mezzanine investments, \$470 million spread across a couple dozen assets, you've highlighted a few times they're long-term holds. Can you give us a flavor of what those properties look like, where they're located, and how they fit in from a quality and location perspective?

**Ross Cooper**

*President & Chief Investment Officer, Kimco Realty Corp.*

A

Sure. Absolutely. When you think about the composition of this Structured Program, it really does mirror, I would say, the composition of our greater owned portfolio. It's geographically diverse. We have some neighborhood grocery-anchored shopping centers, as well as some larger lifestyle assets. So, it does reflect what we're very comfortable owning and operating in the event that we were able to get our hands on them. So, it's consistent and I think that there's probably going to be some opportunity within each and every format.

**Operator:** The next question comes from Wes Golladay of Baird. Please go ahead.

**Wes Golladay**

*Analyst, Robert W. Baird & Co., Inc.*

Q

Hey, good morning, everyone. Will you have a residential opportunity at the Orlando asset? And then, can you quantify or maybe give us a view into 2025 as far as how many big chunky assets may be in the pipeline?

**David Jamieson**

*Chief Operating Officer & Executive Vice President, Kimco Realty Corp.*

A

Yeah. On the residential side for Waterford, I mean, it's something that we – our team – our development team will be jumping all over day one. Obviously, for us, right now, we didn't underwrite any opportunities as it relates to that. Our focus is really enhancing the quality of the retail that's at the center and continuing to see that near-term upside. So, that will be our priority one. But, as always, we do with all acquisitions, as we look deeply about the other opportunities that we can unlock and mine for over the long term. [indiscernible] (00:53:38)

**Ross Cooper**

*President & Chief Investment Officer, Kimco Realty Corp.*

A

Yeah, I think with all of these larger assets, when you look at a larger land mass, it creates additional opportunity. We take a conservative approach in terms of our initial underwriting and we don't anticipate or include any future growth opportunity for densification. But what we have come to see is that those opportunities do exist and it's upside on top of what we have underwritten, not too dissimilar from the Stonebridge asset that we acquired last year that has multi-family opportunity in the future as well.

**Conor C. Flynn**

*Chief Executive Officer & Director, Kimco Realty Corp.*

A

And then, on the second part question about potential larger assets to be acquired in the future, again, those are lumpy. Typically, we look at everything that's in the market. And Ross has mentioned previously that we're really looking at some of the structured investments as potential fee investments now, as an another opportunity going forward for us next year.

**Operator:** The next question comes from Aulina Rojas (sic) [Paulina Rojas] (00:54:37) of Green Street. Please go ahead.

**Paulina Alejandra Rojas Schmidt**

*Analyst, Green Street Advisors LLC*

Q

Good morning. Kimco's NOI growth CAGR over long periods, I'm looking at 10 years and 5 years, has been 2% to 2.5%. And – but recently, we have seen a remarkable shift to the positive in fundamentals, retailer demand stronger than in prior years. So, how sticky do you think these strong fundamentals will be and how likely do you see materially beating this 2% to 2.5% historical CAGR NOI – same property NOI CAGR over, let's say, the next five years?

**Conor C. Flynn**

*Chief Executive Officer & Director, Kimco Realty Corp.*

A

Yeah, it's a really good point. And I think, it's really sort of the very early innings of this type of retail revival that we're experiencing right now. And a lot of that outsized growth that we're experiencing today is driven by the lack of new supply over the last 13 years and then rebound in demand. And so, when you look at where the percentage of CapEx is on an NOI basis today and then you look at it next year, you're going to start to see that inflection point.

If the momentum continues, where we don't have a lot of turnover, we don't have a lot of bankruptcies and retention rates remain high, where you start to have a much stronger growth rate because there's a lack of turnover in the space, there's lack of CapEx needed to build out space, and you start to see the renewals taking up the lion's share of the deal volume, which has no tenant improvement allowance or landlord work. So, that's really sort of the start of what I would anticipate to continue.

As we continue to monitor the vibrancy of retail, there's really just a diverse set of demand drivers we're experiencing today. And again, we don't see the supply side changing any time soon just because of the return on cost that you need. There's still a long way off in terms of making those development deals pencil. So, that's what we continue to watch as we go into next year. And if that pace continues, you'll hopefully see an improved growth rate going forward that's exciting to Kimco.

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**Operator:** The next question comes from Mike Mueller of JPMorgan. Please go ahead.

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**Michael W. Mueller**

*Analyst, JPMorgan Securities LLC*

Q

Yeah, hi. Was the decision to lower disposition guidance just timing or is it a view that you just need – you just want to sell fewer assets today?

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**Ross Cooper**

*President & Chief Investment Officer, Kimco Realty Corp.*

A

Yeah. It's a combination of a few different factors. We're in close conversation with all of our joint venture partners. Some have different viewpoints and, I think, old strategies. We have a few assets, particularly on the West Coast, that have currently been in the market with one of our joint venture partners, sort of leading that charge. And so, there is a little bit of uncertainty earlier in the year as to how much of that might actually transact. We have a lot more clarity and transparency in that now, which enabled us to lower the guidance. And I think, also, just a combination of the performance in the portfolio, in particular, some of the RPT assets that significantly outperformed initial expectations created a desire to take a pause and hold those assets longer term. So, a combination of those two factors gave us a lot of confidence to hold the portfolio longer.

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**Operator:** The next question comes from Ronald Kamdem of Morgan Stanley. Please go ahead.

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**Ronald Kamdem**

*Analyst, Morgan Stanley & Co. LLC*

Q

Hey, just going back to the same-store question, just asking it a different way. When we're looking at sort of the 3.25% for the year, as you sort of flip the calendar, you talked about occupancy and potential to gain more, sort of good releasing spreads. Is that really the only thing we should be focusing on for next year to maybe slow things down or are there any other considerations we should think about?



**Glenn Gary Cohen**

*Chief Financial Officer & Executive Vice President, Kimco Realty Corp.*

A

It's a good question. Look, the same-site has been strong as we all talked about. There's a lot of good things that are happening. And just – and, for us, in terms of rent commencements have been quicker. The pipeline, as we talked about, is pretty strong. So, that SNO pipeline that we think 90% of the SNO pipeline will commence during 2025, that's going to be a real driver. We have very much focused on credit loss. You see credit loss has come down. Historically, though, credit loss has been in that 75 to 100 basis point range with the very low end of that range today, and we'll continue to monitor it. But based on where things are today, I think that's probably the right starting point for us.

**Operator:** The next question is a follow up from Alexander Goldfarb of Piper Sandler. Please go ahead.

**Alexander Goldfarb**

*Analyst, Piper Sandler & Co.*

Q

Hi, thanks. Glenn, hey, just a question on maturities in 2025. You obviously pre-funded part of the maturities, but I think there's another bond, \$250 million, from Weingarten that has, I think, it's a sub 2% coupon because of the GAAP mark-to-market. Can you just talk about that bond and what your thoughts are?

**Glenn Gary Cohen**

*Chief Financial Officer & Executive Vice President, Kimco Realty Corp.*

A

Sure, Alex. So, we have \$290 million of remaining maturities to address in 2025. \$240 million is a 3.85% Weingarten bond that, to Alex's point, has an effective interest rate of 1.48%. And then, there are three mortgages that will be paying off in March that have a coupon of 3.5%. Again, we'll look for the right opportunity to probably go back to the bond market or we'll see where other things are. But we're in really good shape.

We have full availability on our revolver today. So, there's \$2 billion available there. We have lots of different options about how to approach and address the maturities. And as you've always seen, we try to stay ahead of them and having a very, very well staggered maturity profile has served us really, really well, especially as you go through inflationary times like we've seen.

**Operator:** This concludes our question-and-answer session. I'd like to turn the call back over to David Bujnicki for any closing remarks.

**David F. Bujnicki**

*Senior Vice President-Investor Relations & Strategy, Kimco Realty Corp.*

Just like to thank everybody that participated on today's call. We look forward to getting together and seeing a few of you at the upcoming Nareit Conference in November. As Ross mentioned, just anybody who's going out and celebrating Halloween, have a happy and safe day today. Thanks so much.

**Operator:** The conference has now concluded. Thank you for attending today's presentation, and you may now disconnect.

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