

RATING ACTION COMMENTARY

Fitch Assigns Kimco Realty Corporation 'A-' Rating; Outlook Stable

Mon 09 Sep, 2024 - 7:41 AM ET

Fitch Ratings - Chicago - 09 Sep 2024: Fitch Ratings has assigned Long-Term Issuer Default Ratings (IDR) of 'A-' to Kimco Realty Corporation (Kimco) and its subsidiary, Kimco Realty OP, LLC (KROP), as well as a senior unsecured rating of 'A-' to the debt issued by KROP. Fitch has also assigned a 'BBB' rating to the preferred stock issued by Kimco. The Rating Outlook is Stable.

Kimco's rating reflects the long-term stewardship of its highly capable management teams and board oversight, allowing it to flourish across many commercial real estate cycles. The shopping center REIT maintains a portfolio that is well-diversified by geography, tenant and assets, ensuring steady performance throughout. Capital expenditure outside of routine maintenance and operations is focused on less risky redevelopment and repositioning of owned assets, which are typically in sought-after locations and therefore quickly leased, if not pre-leased.

Kimco routinely accesses all forms of capital, both debt and equity, from public and private sources. Its solid credit metrics are only occasionally weakened by prudent acquisition activity and are quickly brought in line.

KEY RATING DRIVERS

Stable and Experienced Management: Kimco's executive suite has an average tenure of nearly two decades, which far surpasses many of its peers. Board members have an average tenure of over 15 years and include a co-founder (1958), who is

the former CEO and current executive chairman. Kimco was instrumental launching the modern REIT era with its successful IPO in 1991.

Geographic Portfolio Diversification: Fitch assumes same store net operating income (SSNOI), excluding redevelopment, will grow in the high-2% to mid-3% range annually through the forecast period, with limited occupancy volatility. This reflects overall solid performance of the core portfolio. The scale and diversification of Kimco's portfolio provide for generally durable cash flow from operations.

Kimco's portfolio is well diversified, with some concentration in northeast U.S. As of 1Q24, the company's top-seven markets represented about 52% of annualized base rent (ABR). The New York metro area is the company's largest market, at 10.3% of ABR. Approximately 24% of ABR comes from the New York-Washington, D.C., corridor, where Fitch projects SSNOI growth of 2.8% for FY24, increasing to the mid-3% range through the forecast period. Fitch projects development spend at a conservative \$95 million for FY24, increasing to \$150 million annually thereafter.

Strong and Diverse Tenant Base: Kimco has a well-diversified tenant roster of national, regional and local retailers. The company's 10 largest tenants represented 17.8% of total annual base rent as of 1Q24. Top tenants include TJX Companies (3.8% of ABR), The Home Depot, Inc. (1.8%) and Ross Stores (1.8%). All three have exhibited strong performance and have strong credit profiles with less exposure to the intrusion of e-commerce than other retailers.

Limited Development Exposure: Kimco had about \$160 million in active development and redevelopment projects in the pipeline as of March 31, 2024, which we expect to be completed and stabilized through 2026. The company expects to invest \$100 million-\$150 million in development and redevelopment projects during 2024, funded via dispositions and cash flow from operations. Kimco has adopted a lower risk strategy by focusing on redevelopment and repositioning rather than ground-up development. Fitch views this as prudent, given the minimal supply of new retail centers over the past decade.

Strong Capital Access: Kimco's capital access is a key factor supporting the rating. The frequency and size of the company's issuances provide a liquid trading market for its bonds. Kimco issued a 6.4% \$500 million 11-year bond in October 2023, a 4.6% \$650 million 11-year unsecured bond in August 2022 and a 3.2% \$600 million 10-year unsecured bond in February

2022. This demonstrates its established market position, with pricing consistent with or stronger than more highly rated retail REIT peers.

Kimco has a weighted-average unsecured bond maturity of 8.9 years, with limited near-term maturities. There are no remaining maturities due in 2024 and \$740 million will come due in 2025.

Stable Leverage: Fitch expects net debt to EBITDA to remain in the mid-5x leverage range. Kimco's capital structure benefits from bond maturities spread across multiple years, coupled with strong access to capital. During 2023, the company received a \$194.1 million special dividend payment on its shares of its strategically held Albertson's common stock. In February 2024, Kimco sold its remaining 14.2 million shares held, generating net proceeds of \$299.1 million. These transactions represent additional substantial sources of capital.

Preferred Stock Notching: The two-notch differential between Kimco's IDR and its preferred stock rating is consistent with Fitch's criteria for corporate entities with an IDR of 'A-'. Based on Fitch's Corporate Hybrids Treatment and Notching Criteria, these preferred securities are deeply subordinated and have loss absorption elements that would likely result in poor recoveries in the event of a corporate default.

DERIVATION SUMMARY

Kimco's management team and record, spanning over six decades and multiple commercial real estate cycles, are unmatched among Fitch-rated shopping center peers. Kimco's credit metrics and internal growth have performed solidly in line with its investment-grade shopping center peers. The company's large and geographically diversified portfolio in desirable markets, combined with its superior capital access, is indicative of the higher end of the ratings category.

Fitch expects leverage to be maintained in the mid-5x range, lower than that of peers, Brixmor Property Group, Inc. (BBB/Stable) and Retail Opportunity Investments Corp. (BBB/Stable), though above Kite Realty Group Trust (BBB/Positive), which is a less diversified REIT. Using an 8% through-the-cycle cap rate on unencumbered net operating income, Kimco's unencumbered assets covered net unsecured debt (UA/UD) by 2.1x, which is more indicative of the 'BBB' category. Fitch anticipates that UA/UD should improve as redevelopments are stabilized through the forecast period.

KEY ASSUMPTIONS

-- Development spend projected at a conservative \$95 million for FY24, increasing to \$150 million annually thereafter.

-- Acquisitions of \$200 million in FY24 and \$300 million each year thereafter.

-- Dispositions/contributions of \$400 million in FY24 and \$200 million per year over the forecast period.

-- Bond issuances over the forecast period:

----FY24: \$625 million

----FY25: \$950 million

----FY26: \$1,000 million

----FY27: \$400 million

-- Secured mortgage maturities are negligible through the forecast period at \$140 million in total, and are assumed to be financed through additional debt assumptions in the model.

RATING SENSITIVITIES

Factors That Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

-- Fitch's expectation of REIT leverage (net debt to recurring operating EBITDA) sustaining below 4.5x.

-- Fitch's expectation of REIT fixed-charge coverage (recurring operating EBITDA adjusted for straight line rents and maintenance capex relative to interest and preferred dividends) sustaining above 4.0x.

Factors That Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

-- Fitch's expectation of REIT leverage sustaining above 5.5x.

-- Fitch's expectation of REIT fixed-charge coverage sustaining below 3.0x.

-- Sustained deterioration in operating fundamentals, with SSNOI growth sustaining below expectations and/or failure to successfully incorporate and realize new acquisition synergies.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Non-Financial Corporate issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

ISSUER PROFILE

Kimco, a REIT that is part of the S&P 500, operates grocery-anchored shopping centers and mixed-use properties primarily in first-ring suburbs of major U.S. metros and expanding Sun Belt cities. With a focus on essential services, the company has a portfolio of 569 properties totaling 101 million square feet.

Date of Relevant Committee

30 August 2024

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

[Click here](#) to access Fitch's latest quarterly Global Corporates Macro and Sector Forecasts data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores

RATING ACTIONS

ENTITY / DEBT ⇅	RATING ⇅			PRIOR ⇅	
Kimco Realty Corporation	LT IDR	A-	Rating Outlook Stable	New Rating	
preferred	LT	BBB		New Rating	
Kimco Realty OP, LLC	LT IDR	A-	Rating Outlook Stable	New Rating	WD
senior unsecured	LT	A-		New Rating	

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Corporate Rating Criteria \(pub. 03 Nov 2023\) \(including rating assumption sensitivity\)](#)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub. 21 Jun 2024\)](#)

[Corporate Recovery Ratings and Instrument Ratings Criteria \(pub. 02 Aug 2024\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.1.0 ([1](#))

ADDITIONAL DISCLOSURES

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Kimco Realty Corporation

EU Endorsed, UK Endorsed

Kimco Realty OP, LLC

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