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EDITED TRANSCRIPT

KRG - Q2 2024 Kite Realty Group Trust Earnings Call

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PRESENTATION

Operator

Thank you for standing by. Welcome to Kite Realty Group Trust second quarter 2024 earnings conference call. (Operator Instructions) As a reminder, today's program is being recorded.

And now I'd like to introduce your host for today's program, Brian McCarthy, Senior Vice President, Corporate [Marketing] (corrected by company after the call) and Investor Relations. Please go ahead, sir.

Bryan McCarthy - *Kite Realty Group Trust - Senior Vice President, Corporate Marketing & Communications*

Thank you and good afternoon, everyone. Welcome to Kite Realty Group second quarter earnings call. Some of today's comments contain forward-looking statements that are based on assumptions of future events and are subject to inherent risks and uncertainties.

Actual results may differ materially from these statements. For more information about the factors that can adversely affect the company's results, please see our SEC filings, including our most recent Form 10-K. Today's remarks also include certain non-GAAP financial measures. Please refer to yesterday's earnings press release available on our website.

A reconciliation of these non-GAAP performance measures to our GAAP financial results. On the call with me today from Kite Realty Group, are Chairman and Chief Executive Officer, John Kite; President and Chief Operating Officer, Tom McGowan; Executive Vice President and Chief Financial Officer, Heath Fear; Senior Vice President and Chief Accounting Officer, Dave Buell; and Senior Vice President, Capital Markets and Investor Relations, Tyler Henshaw.

Given the number of participants on the call, we kindly ask that you limit yourself to one question and one follow-up. If you have additional questions, we ask that you please rejoin the queue. I will now turn the call over to John.

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John Kite - *Kite Realty Group Trust - Chairman of the Board, Chief Executive Officer, Member of the Executive Leadership Team*

Thanks, Bryan. KRG delivered another quarter of operational outperformance while achieving the lowest leverage levels in our history. Heath will walk you through the details of our quarterly results and increased 2024 guidance.

I'll focus on our formidable balance sheet and the continued demand for space in our high-quality portfolio. In the second quarter, S&P upgraded KRG's credit rating to BBB marking the third positive revision from the rating agencies in 2024.

While we're pleased with the improvements in our ratings, we are confident that our balance sheet warrants an even higher rating and a more attractive cost of debt. With net debt to EBITDA of 4.8 times, nearly $1.3 billion of available liquidity, and 4.9 times debt service coverage ratio, we have one of the best credit profiles in our sector. Our leverage is currently below our long-term target of low to mid 5 times net debt to EBITDA, which is remarkable considering the current level of our leasing spend.

We are poised for growth with a significant amount of dry powder that will increase as the rent commences on our large signed-not-opened pipeline, and as our elevated leasing spend subsides over the next 18 to 24 months. We've consistently communicated our clear path to outsized AFFO growth and significant free cash flow, and that time is rapidly approaching.

Operationally, our lease rate increased by 80 basis points sequentially, while generating 15.6% comparable blended cash spreads, highlighted by 14.3% non-option renewal spreads. As a reminder, we report non-optional renewal spreads as we believe they are the best barometer for the mark-to-market opportunity in our portfolio.

To put this in context, over the past 2.5 years, the spread on non-option renewals has averaged 12.1% as compared to an average of 2.6% in 2018 and 2019. The stark increase in non-option renewal spreads demonstrates the demand for space and the pricing power in our portfolio.

The sequential increase in our leased rate was primarily driven by eight anchor leases executed in the second quarter at 47% comparable cash spreads and 46% returns on capital. On the small shop side, we continue to successfully drive higher embedded growth for new and non-option renewal leases signed in the first two quarters of 2024.

The average annual growth was 3.4%, and 70% of these leases had fixed rent bumps greater than or equal to 4%. As a reminder, two years ago, only 3% of small-shop leases had fixed rent bumps greater than or equal to 4%.

We remain committed to improving the credit quality, merchandising mix, and our long-term embedded growth profile to generate a more sustainable stream of cash flows to drive outsized long-term returns. Our signed not opened pipeline grew by $3 million this quarter to $35.3 million, driven by $9.7 million of NOI from new leases, offset by $6.7 million of commenced NOI.

This past quarter the spread between leased and occupied grew to 320 basis points, and we expect this spread to remain elevated for the foreseeable future as compared to our historical average of 150 basis points to 200 basis points. As we mentioned on our last call, we expect occupancy to be a significant contributor to NOI growth over the next two years.

On the transactional front, we sold Ashland and Roosevelt in Chicago in the Chicago MSA for approximately $31 million. Consistent with our desire to transact in pods, we are under contract to acquire a grocery-anchored center in the Southeast that is expected to close in the third quarter.

Over the past several months, we've seen a sharp increase in the number of high-quality shopping centers on the market and a corresponding increase in the number of qualified buyers. As the competition for quality assets heats up, we are seeing cap rates compress real time, which further highlights the disconnect between private market pricing and public market valuations - ours in particular.

While the strength of our balance sheet affords a very opportunistic posture, we will remain disciplined with respect to allocating our capital in a way that earns the best risk-adjusted return. Our Board of Trustees has authorized an 8.3% year-over-year increase in our dividend to accommodate our increasing levels of taxable income.

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As occupancy and NOI ramp up over the next few years, we anticipate our dividend to follow suit. For many of our long-term investors. The dividend is a critical aspect of REIT investing, and with the strength of our balance sheet, KRG's dividend is an extremely attractive risk-adjusted yield. KRG has once again produced outstanding results and positioned the balance sheet and the operating platform for consistent outperformance.

Thank you, as always, to our incredible team for their hard work and dedication. I'll now turn the call to Heath, who will walk you through the details of the results and our 2024 guidance.

Heath Fear - *Kite Realty Group Trust - Chief Financial Officer, Executive Vice President*

Thank you, and good afternoon. Before we delve into our quarterly results and updated guidance, let's take a moment to recap the first two chapters of our Four in '24 series, and give you a preview into the final two chapters set in D.C. in Las Vegas.

The initial events were a resounding success with an overwhelmingly positive response. In Naples, Florida, we showcased our top-tier property management team, providing an in-depth look at their structure, hands-on operating philosophy, and the “grind it out” culture responsible for our best-in-class NOI margins and recovery ratios.

We explored the remarkable transformation of the Naples market and toured several smaller, high-quality, grocery-anchored assets that are representative of a large segment of our portfolio. In May, we ventured west to Dallas, touring the newly renovated Shops at Legacy East, Prestonwood Place, and Southlake Town Square.

Southlake is a premier, open-air, mixed-use lifestyle center that generates approximately $30 million in annualized NOI, making a KRG's largest NOI contributor. Our seasoned leasing team use Southlake as an example of our proactive approach to merchandising that has allowed us to attract brands such as Aritzia, Faherty, Nike, Tecovas, Johnnie-O, and Vuori. This September, we're heading northeast for our third chapter featuring our second powerhouse mixed-use project.

One Loudoun and generates approximately $22 million in annualized NOI, making it KRG’s second largest contributor. Our development team is eager to share our vision for a multi-use expansion on a portion of the 40 acres of adjacent land currently zoned for over 1,700 residential units and nearly 2 million square feet of commercial space.

The demand for additional retail, lodging, and residential uses positions One Loudon to rival Southlake as the most dominant asset in the KRG lineup. When assessing the quality of our portfolio, it's important to remember that these two assets are responsible for over 9% of our total NOI, and we expect that number to grow.

Our final chapter will align with the NAREIT conference in Las Vegas. We hope many of you will take the opportunity to experience the vibrancy of Las Vegas beyond the strip. During this session, we will illustrate how the themes from the first three chapters influence our capital allocation decisions and provide a glimpse into our long-term vision for KRG's future. We're thrilled about the upcoming half of Four in '24 and invite you to visit our website for previous presentations and event details.

Turning to our results, for the second quarter of 2024 KRG earned $0.53 of NAREIT FFO per share, which was $0.03 higher than consensus. Same-property NOI grew 1.8%, bolstered by a 210 basis point increase in minimum rent and a 60 basis point increase in net recoveries, offset by 90 basis points of bad debt relative to the comparable period.

Based on the second quarter outperformance and our revised outlook for the balance of the year, we are increasing our 2024 FFO guidance by $0.01 at the midpoint to a range of $2.04 to $2.08. At the midpoint, we assume a full year same-property NOI growth assumption of 2.5% and a full year bad debt assumption of 75 basis points of total revenues.

This represents a 50 basis point improvement in same property NOI growth and a 5 basis point bad debt improvement as compared to previous guidance. The improvement in the full year bad debt component is a function of combining the actual bad debt we experienced year-to-date,

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which was approximately 50 basis points of total revenues with the continuing assumption of 100 basis points of bad debt for the back half of the year.

Based on the comparable periods in 2023 and the activation of our signed-not-opened pipeline, we expect same-property NOI growth to moderate in the third quarter and sharply accelerate into the fourth quarter. Subsequent to quarter end, we paid off our only remaining maturity for 2024.

Looking forward to our 2025 maturities, we are poised to tap the unsecured markets when the time is right. Based on secondary trading, we anticipate significant improvement in our credit spread as compared to the levels we achieved last January.

As mentioned last quarter, we are experiencing a complete overhaul in our cost of debt and resulting weighted cost of capital. Balance sheets are often viewed through a defensive lens. And in that vein, our $1.3 billion of available liquidity can satisfy all of our debt maturities through 2026.

KRG's balance sheet, however, has reached a level where it deserves to be viewed beyond just weathering the storm. Not only do we have tremendous optionality to deploy capital, but we have completely altered the risk-adjusted profile the company. Coupled with the anticipated ramp up in our AFFO, cash flow, and dividends, we believe the current entry point into KRG represents a compelling investment opportunity.

Thank you to the entire KRG team for another spectacular quarter, and we're looking forward to seeing many of you in D.C. in Las Vegas. Thank you for joining the call today.

Operator, this concludes our prepared remarks. Please open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Jeffrey Spector, BofA Securities.

Andrew Reale

Hi, this is Andrew Reale on for Jeffrey. Thanks for taking our question. So just on the balance sheet like you mentioned you received the rating upgrade at S&P, took net leverage down to an all-time low at 4.8 times, sounds like that's below your target.

Can you talk a bit more about if your appetite to lever up to fund growth has changed at all now that your credit profile is a bit stronger. And then I think you priced your 10-year in January at 170 over. Where do you think you could price one today?

John Kite - *Kite Realty Group Trust - Chairman of the Board, Chief Executive Officer, Member of the Executive Leadership Team*

Well, I'll take the first half of your question and Heath get to the second half. But in terms of the strength of the balance sheet and what kind of what opportunities that provides us going forward, and would we be interested in increasing leverage if the right opportunity arose.

I think Heath’s point was that with the balance sheet that we have today that we've worked extremely hard to get to, 4.8 times net debt to EBITDA, and when we look out over our projections over the next three years, our leverage remains at those levels and lower, in terms of just operating the business. So that does in fact, accord us quite a bit of flexibility as we look forward and we do think we will be able to lean into that and find future opportunities. And if we take the leverage to the mid fives or low fives, we're still extremely low levered, and that could generate significant growth in the right kind of interest rate environment.

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So right now, we're not doing that right now, we’re blocking and tackling and spending significant capital on leasing space and generating free cash flow, but certainly down the road with the right opportunity, and again, the right environment, we're definitely poised to take advantage of that. Heath do you want to hit the --

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Heath Fear - *Kite Realty Group Trust - Chief Financial Officer, Executive Vice President*

Yeah, on the spreads it would be be 145 basis points, plus or minus 10 basis points. I think is our current indicative pricing.

Andrew Reale

Okay, thank you. And just to follow up on the Ashland and Roosevelt disposition, just hoping for a little more color on the rationale and maybe the cap rate on the sale?

John Kite - *Kite Realty Group Trust - Chairman of the Board, Chief Executive Officer, Member of the Executive Leadership Team*

Sure. I mean, rationale wise, we viewed the asset as not a core asset for us any longer. It was in the near west side of Chicago and didn't really fit the profile for where we want to be going forward. So it's simply that and the opportunity to find a buyer at an attractive price. And as we said on the call, being able to redeploy the capital, which is our intention into the Southeast into a grocery-anchored center, that made a lot of sense for us.

I can only say on cap rate that we were able to deploy the money in an accretive way. So that's a real goal of ours all the time and as we mentioned in the pre-prepared remarks, bottom line is -- cap rates have definitely moved down rapidly in the last couple of months.

And most of the things that we see transacting are kind of in the mid high fives, low sixes. And so that's why we're doing very little right now other than pairing trades.

Andrew Lang - *Bank of America - Analyst*

Okay, great. Thanks for the time.

John Kite - *Kite Realty Group Trust - Chairman of the Board, Chief Executive Officer, Member of the Executive Leadership Team*

Thanks.

Operator

Todd Thomas, KeyBanc Capital Markets.

Antara Nag-Chaudhuri - *KeyBanc Capital Markets - Analyst*

Hi, this is Antara Nag-Chaudhuri on for Todd Thomas. Just a quick one for me. So with regard to the increase in the same store growth, I know a piece of that is related to lower bad debt but what are the other drivers? Is it better retention, earlier commencements? What led to the 50 basis point upward revision?

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Heath Fear - *Kite Realty Group Trust - Chief Financial Officer, Executive Vice President*

Yeah, it's lower bad debt, higher retention, and the removal of the asset that we held for sale. So those are the three things that contributed to the increase in the same-store print.

Antara Nag-Chaudhuri - *KeyBanc Capital Markets - Analyst*

Okay. And then another one for me. I know that there have been a couple of lists floating around with store closures, and it looks like you had two Stop & Shops on the Ahold closing list. So would you be able to provide an update regarding the status of those two locations and what the potential timeline looks like for those to close or any backfill opportunities that you have?

Thomas McGowan - *Kite Realty Group Trust - President & Chief Operating Officer, Executive Vice President*

Yeah. So from a backfill perspective, there's quite a bit going on right now in terms of interested parties. So it's early to tell exactly where we'll end up, but we do have activity on both locations. So we'll be able to provide further color later.

Antara Nag-Chaudhuri - *KeyBanc Capital Markets - Analyst*

Okay. Thank you.

Operator

RJ Milligan, Raymond James.

RJ Milligan - *Raymond James - Analyst*

Hey, good afternoon, guys. John, I wanted to go back to your comments on the spread between leased and occupied. It went up in the quarter and your comments were that you expect it to remain elevated. I'm just curious shouldn't that start to close or when should we expect that to start to close?

John Kite - *Kite Realty Group Trust - Chairman of the Board, Chief Executive Officer, Member of the Executive Leadership Team*

I mean,when I say remain elevated, RJ, I mean, remain elevated over the next, say, three quarters or so relative to our historical. But it will be declining. So I think it will be coming down and probably gets down in the 250 basis points range by the end of next year, depending on timing of things.

So again, I mean, yes, it will be declining. But we continue to lease new space, it takes time to open, which is why we highlighted the growth and gave you actually what commenced -- what came online and what occupied and what was leased.

So yeah, I do believe it will begin coming down, but it's going to be a bit before it gets down to that kind of historical norm.

RJ Milligan - *Raymond James - Analyst*

And so does that sort of tie to your comments about leasing costs remaining elevated for the next 18 to 24 months, which I think implies potentially spilling into the first half of 2026. And I'm just curious, is that the tail end of the leasing that we're doing today or what's -- why I think previously you said that those leasing costs will remain elevated for '24 and '25 and it seems like it's maybe going into '26. I'm just curious what's driving that?

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John Kite - *Kite Realty Group Trust - Chairman of the Board, Chief Executive Officer, Member of the Executive Leadership Team*

Well, I think some of that's just timing of pushing stuff, quarter by quarter. But yes, it does tie to that. But if you look at where we are right now, I mean, we're still 130 basis points below where we were total leased percentage where we were in the fourth quarter of 2019.

So we grew 80 basis points sequentially, but we still have 130 basis points to go as kind of a quarter-by-quarter thing in terms of timing. But I mean, the positive here is that, as I said, we've been pretty clear about the leasing spend over the next couple of years.

And if you -- honestly, if you look at if you just kind of go from 2023 to where we think we're going to be at the end of 2025, that's $300 million of spend on TI and LC, we spent $100 million probably over that same period in development/redevelopment.

We're going to pay probably close to $700 million in dividends over that period of time. So call it $1 billion between '23 and '25. And our net debt to EBITDA is 4.8 times, and will remain in kind of that low range, five, between high four or low five. So we're generating a large amount of cash. That's what I'm trying to say. And the growth is acquiring itself through each one of those quarters, if that makes sense.

Heath Fear - *Kite Realty Group Trust - Chief Financial Officer, Executive Vice President*

RJ I'll also mention, John said we're 130 basis points back to the sort of the high watermark in 2019. In this leasing environment, we feel very confident that we can push that even higher. So to the extent the leasing spend is elevated beyond that sort of early '26, that just means we're driving that the occupancy higher and higher and higher. So as long as the demand is there, we're feeling very, very good about what's coming down the pipe the next two years.

John Kite - *Kite Realty Group Trust - Chairman of the Board, Chief Executive Officer, Member of the Executive Leadership Team*

The only other little bit to add there. Remember, a lot of this leasing is happening on the anchor front. That's where we had to catch up a lot, RJ. And in general, it just hasn't changed that it takes 18 to 24 months from lease sign to opening. That's just what it takes. So that's also a part of that.

RJ Milligan - *Raymond James - Analyst*

That's helpful. And just one follow up. Heath, maybe you could just give, dig into the guidance for slowing same-store NOI growth in the third quarter and then accelerating in the fourth quarter? Just curious what the components are of that.

Heath Fear - *Kite Realty Group Trust - Chief Financial Officer, Executive Vice President*

Yeah. So in third quarter, first of all, we had a strong comp last year was 4.7% same-store NOI. We still had in the third quarter a month of Bed Bath & Beyond last year as well. And we had a really large prior period collections in the third quarter last year of $1 million.

So that's really why we're sort of moderating into the third quarter and then accelerating into the fourth quarter. Number one, easier comp at 2.8% last year, no Bed Bath & Beyond rent that was in the fourth quarter last year.

And we're turning on the SNO, right? So that's the biggest piece of what's happening in the fourth quarter. And like I said in my comments, you're going to see us sharply accelerate into the fourth quarter and into '25 and '26.

RJ Milligan - *Raymond James - Analyst*

Thanks, guys. That's it for me.

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John Kite - *Kite Realty Group Trust - Chairman of the Board, Chief Executive Officer, Member of the Executive Leadership Team*

Thanks, RJ.

Operator

Craig Mailman, Citi.

Craig Mailman - *Citi - Analyst*

Hey, good afternoon. John, just going back to your comments about cap rates compressing real time, you said mid high, mid to high fives, low sixes. I mean, is it just been a one to one move with the 10-year? Or are you seeing or expecting to see kind of compression above and beyond that given kind of the views on rent growth here or debt spreads like what's your view?

And are there more non-core assets you can sell into this even if it's a bit dilutive in the near term, maybe from an AFFO perspective or CapEx perspective, it's the right thing to do long term for kind of quality accretions.

John Kite - *Kite Realty Group Trust - Chairman of the Board, Chief Executive Officer, Member of the Executive Leadership Team*

Sure. I think on the first part of your question. I mean, clearly, as we sit here today, the 10-year is around four, it wasn't that long ago that it was around five. That's pretty significant compression in terms of medium term to long term yield expectations. So that's a factor, no doubt.

We still have an inverted curve. So that probably slows things down a little bit. My personal belief is that that's not going to be inverted for too much longer. So I think that's definitely a factor. Also stability. There's been a lot more stability in the market. There's a lot -- there's quite a bit of available financing and there's a lot of cash. So a lot of these are cash buyers.

Yeah, so it's a combination of all those things. And then the realization that the product is strong. And when you look at these things, you're looking at them when you're underwriting where you're going to put your capital – you’re underwriting 7 years, 10 years, IRRs and you're looking at growth rates and you're looking at alternative investments, and then also the risk-adjusted nature of that yield and this screens very well. And I think a lot of people have figured that out in the last few months. So that being said, will that -- I think that we think that will continue. And then what was the second part of your question?

Craig Mailman - *Citi - Analyst*

Just are there more noncore assets to sell that could be a little bit FFO dilutive, but long term, the right move from a CapEx perspective or just how do you look at it?

John Kite - *Kite Realty Group Trust - Chairman of the Board, Chief Executive Officer, Member of the Executive Leadership Team*

Sure. I mean, we've always said that our desire on the acquisition/disposition front has been to maintain a pretty balanced approach and try to transact in that what we call these pods, which we've been able to do. So it's been very -- it's kind of been a non-event as it relates to AFFO and FFO, et cetera.

That being said, there's no doubt that there is a much brighter light shining on our space right now. So certainly we are always looking at the quality of the portfolio, the growth profile of the portfolio, and we could easily lean into that a little more. And we're always underwriting each individual deal. So it's absolutely a possibility.

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Craig Mailman - *Citi - Analyst*

Okay. And then just for Heath, as we look out at the SNO pipeline you have kind of the commencements here on page 6, it looks strong, right? Leasing still going well, renewals going well. As we think about potential headwinds in '25 to AFFO growth kind of accelerating here. I know Tom talked a little about the two Stop & Shops, but are there any other watch list tenants or kind of things we should think about that could on the margin, be a bigger headwind than maybe anticipated or is the trajectory still looking like an acceleration year over year?

Heath Fear - *Kite Realty Group Trust - Chief Financial Officer, Executive Vice President*

I think the territory still looks like an acceleration, Craig. I mean, when you look at the watch list and our relative exposure to the tenants on everyone's list. We feel pretty good that whatever is happening next year will likely fit into our general bad debt bucket of, call it 75 basis points to 100 basis points of total revenue.

So we're not looking out to next year thinking there's something that's going to be putting pressure on our AFFO, except for obviously what we discussed, which was the elevated leasing spend. But also important to note, as John said, that despite this elevated spend, we're still kicking off free cash flow this year and next year, and really ramping up in 2026. So at this leverage level and this high leasing spend and we're still deleveraging, it's an amazing sort of flywheel that we have happening here at the company and again, look forward to moving into next year.

John Kite - *Kite Realty Group Trust - Chairman of the Board, Chief Executive Officer, Member of the Executive Leadership Team*

Yeah. I mean the only thing that I would add to that, Craig, is that there's always going to be a particular retailer that's going to have an issue. So that's always -- that's been since the start of a time that's not going to change.

The difference today is that after, post-COVID, the strength of these retailers' balance sheets tremendously changed and the majority of the ones with very weak balance sheets and very weak operating platforms didn't make it through.

So we're -- things got accelerated rapidly. And now we're in a place where, sure, are there a few people struggling? Of course, there are. That being said, the portfolio can withstand it so much better than in the past. I mean, Bed Bath is a prime example.

You just look across the universe and all of the major landlords and how quickly they've leased that space. I mean, Heath said a minute ago that we still had Bed Bath in the portfolio in the third quarter of last year, and we've already leased over two-thirds of them. So it's really strong.

Craig Mailman - *Citi - Analyst*

Great. Thank you.

Operator

[Michael Mueller, JP Morgan] (corrected by company after the call)

Michael Mueller - *JP Morgan - Analyst*

Hey, good afternoon, guys. Given the recent McDonald's earnings release and it looks like there's maybe some potential cracks in the consumer spending. Are you seeing any of that at all flow through to your centers and any retailers on that front maybe a little bit more hesitant to expand today versus the past?

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John Kite - *Kite Realty Group Trust - Chairman of the Board, Chief Executive Officer, Member of the Executive Leadership Team*

No, I mean, at this point, we are not. And as I said a minute ago, the retailers that we deal with they're, particularly the large national retailers, have quite well-financed, strong balance sheets. And obviously there's going to be ebbs and flows in the consumer, but they're looking out over 7 year, 10-year periods when they underwrite our stores, the larger guys.

And as far as the smaller guys, there's so much -- there's such strong demand, we have multiple players for each individual vacancy opportunity we have. So at this point, we don't see that. And in fact, if you look at the composition of our portfolio, the strength of our demographics, the strength and the types of retailers that we have as tenants, they can handle any kind of disruption. And frankly, it might create more opportunities for us.

Michael Mueller - *JP Morgan - Analyst*

Good. Let me just one other question, Bed Bath since you mentioned just now, what's your expectation of when those released boxes will come online and start paying rent?

Heath Fear - *Kite Realty Group Trust - Chief Financial Officer, Executive Vice President*

They're coming on -- some of them are coming on this year. Some of them are coming on into 2025. So again, back half of this year and into '25, the ones that we've signed so far and like John said, we've got all, but I think four of them already addressed. So once those get signed, we'll probably see those come on in late '25 or '26.

Thomas McGowan - *Kite Realty Group Trust - President & Chief Operating Officer, Executive Vice President*

Yeah, we should be able to move through them by the end of this year.

Michael Mueller - *JP Morgan - Analyst*

Got it.

Operator

Dori Kesten, Wells Fargo Securities.

Dori Kesten - *Wells Fargo Securities - Analyst*

Thanks. Good afternoon. We appreciate your disclosure on the small shop rent bumps. I'm showing about 91% of new leases achieving bumps over 3% to date. Is there any consistent theme that you can see about those that aren't surpassing the 3%? Is it like a category of retailer, maybe location within the center?

John Kite - *Kite Realty Group Trust - Chairman of the Board, Chief Executive Officer, Member of the Executive Leadership Team*

No, not really Dori. It's really case by case. And obviously, we're breaking new ground when you get to 4% in terms of what's been able to have been achieved from a sector perspective so it takes time. But when you're getting 70% there, the other 30% we just have to keep pushing.

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And frankly, it also might have something to do with an individual deal or a credit profile or perhaps it's dealing with a large national player like a Starbucks, whoever. So there's individual dynamics on these deals, but I think the point we're trying to make is, and I think people sometimes have forgotten, that it's over 50% of our revenue comes from this small shop area.

And there just is very little space available. So we just keep driving that. And we have a little bit more leverage there, obviously, than we do on the anchor side. So that's the point we're trying to make.

Dori Kesten - *Wells Fargo Securities - Analyst*

Okay. And then not to take excitement away from your D.C. event, but can you provide any general sense of your total investment spend likely at One Loudoun, just expectations around when you might start generating returns from the project?

Heath Fear - *Kite Realty Group Trust - Chief Financial Officer, Executive Vice President*

Dori, I'm going to ask you to attend our event in D.C. and we'll give you some details around the spend there. Listen, we've got an exciting vision, it's we're going to activate a portion of that adjacent land. We will have some range of numbers and some range of returns that we're anticipating on achieving there. But we don't want to front run it right now. So we'll see you and hopefully see you in September.

Thomas McGowan - *Kite Realty Group Trust - President & Chief Operating Officer, Executive Vice President*

Yeah, we'll have plenty to talk about and drawings and perspectives of how this will ultimately play out. So there will be plenty for all of you to take in on the trip.

Dori Kesten - *Wells Fargo Securities - Analyst*

All right. I will see you there. Thanks.

Heath Fear - *Kite Realty Group Trust - Chief Financial Officer, Executive Vice President*

Super. Thanks, Dori.

John Kite - *Kite Realty Group Trust - Chairman of the Board, Chief Executive Officer, Member of the Executive Leadership Team*

Thank you.

Operator

Thank you. This does conclude the question and answer session of today's program. I'd like to hand the program back to John Kite for any further remarks.

John Kite - *Kite Realty Group Trust - Chairman of the Board, Chief Executive Officer, Member of the Executive Leadership Team*

Okay. Well, we appreciate those who dialed in. Thank you and look forward to seeing you soon.

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Operator

Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.

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