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REG.OQ - Q3 2024 Regency Centers Corp Earnings Call

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## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

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**Lisa Palmer** *Regency Centers Corp - President, Chief Executive Officer, Director*

**Alan Roth** *Regency Centers Corp - East Region President and Chief Operating Officer*

**Nicholas Wibbenmeyer** *Regency Centers Corp - West Region President and Chief Investment Officer*

**Michael Mas** *Regency Centers Corp - Chief Financial Officer, Executive Vice President*

## CONFERENCE CALL PARTICIPANTS

**Andrew Reale** *BofA Global Research - Analyst*

**Michael Goldsmith** *UBS Equities - Analyst*

**Craig Mailman** *Citi - Analyst*

**Greg McGinniss** *Scotiabank GBM - Analyst*

**Todd Thomas** *KeyBanc Capital Markets - Analyst*

**Juan Sanabria** *BMO Capital Markets - Analyst*

**Dori Kesten** *Wells Fargo Securities, LLC - Analyst*

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**Linda Tsai** *Jefferies - Analyst*

**Mike Mueller** *JPMorgan - Analyst*

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## PRESENTATION

### Operator

Welcome to Regency Centers Corporation third-quarter 2024 earnings call. (Operator Instructions) As a reminder, this conference is being recorded. I would now like to turn the call over to Christy McElroy. Thank you and over to you.

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### Christy McElroy - Regency Centers Corp - Senior Vice President, Capital Markets

Good morning and welcome to Regency Centers' third-quarter 2024 earnings conference call. Joining me today are Lisa Palmer, President and Chief Executive Officer; Mike Mas, Chief Financial Officer; Alan Roth, East Region President and Chief Operating Officer; and Nick Wibbenmeyer, West Region President and Chief Investment Officer.

As a reminder, today's discussion may contain forward-looking statements about the company's views of future business and financial performance, including forward earnings guidance and future market conditions. These are based on management's current beliefs and expectations and are subject to various risks and uncertainties. It's possible that actual results may differ materially from those suggested by these forward-looking statements we may make.

Factors and risks that could cause actual results to differ materially from these statements may be included in our presentation today and are described in more detail in our filings with the SEC, specifically in our most recent Form 10-K and 10-Q filings. In our discussion today, we will also reference certain non-GAAP financial measures. The comparable GAAP financial measures are included in this quarter's earnings materials, which are posted on our Investor Relations website. Please note that we have also posted a presentation on our website with additional information, including disclosures related to forward earnings guidance. Our caution on forward-looking statements also apply to these presentation materials.

Finally, as a reminder, given the number of participants we have on the call today, we kindly and respectfully ask that you limit your questions to one and then rejoin the queue if you have any additional follow-up questions. This will allow everyone who'd like to ask a question an opportunity to do so. Lisa?

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**Lisa Palmer** - *Regency Centers Corp - President, Chief Executive Officer, Director*

Thank you, Christy. Good morning, everyone. We are proud to report another really great quarter of results driven by the hard work of our team and continued robust operating fundamentals, including sustained strength in tenant demand. This is evident in our strong rent growth, our sizable leasing pipeline, our same-property leased occupancy rate, which we've now pushed above 96%, another record high for shop occupancy and accelerating same-property NOI growth. As a result, we're raising current year guidance and now expect same property NOI growth of 3.5% and core operating earnings per share growth of nearly 5%.

We've also continued to be very active on the investment side, especially through our development platform. Nick will go into more detail, but we've had another strong year of development and redevelopment starts and we've already achieved our annual target of \$200 million to \$250 million of project starts for the second consecutive year. This success in sourcing new opportunities is a product of the team's expertise, relationships and the strong tenant demand we are experiencing across our portfolio, and it is supported by our cost of capital and strength of our balance sheet. As our grocery partners and other tenants look to further expand their footprints, high-quality space in top trade areas is hard to come by, creating an opportunity for us to leverage our platform. And as we further grow our ground-up development pipeline, it will increasingly be a significant and unequalled differentiator for Regency across the peer group, amplifying total NOI growth beyond the impacts of our same property portfolio.

In addition to our development pipeline, in 2024, we've deployed nearly \$300 million of capital into accretive transactions, including shopping center acquisitions and the repurchase of our own shares. Overall, we had an exceptional quarter driving both strong organic growth within our current portfolio and creating meaningful value through our investments for the future. Yes, the operating fundamentals are robust in our sector today, but more importantly, our results reflect the talent of our team and quality of our portfolio, positioning Regency can thrive in the current environment as well as through economic cycles. Our assets are intentionally located in strong suburban trade areas benefiting from limited new supply. Our grocery-anchored neighborhood and community centers represent what we believe is the optimal retail format to serve consumers looking for necessity, service, convenience, and value.

And we believe the high quality of our centers with careful attention to merchandising mix, placemaking, and connecting with our communities provides our centers with superior competitive positioning in the marketplace. In summary, I am so grateful for and proud of the efforts of our team in driving our strong performance and delivering exceptional results quarter after quarter. I really look forward to what we can achieve heading into 2025. Alan?

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**Alan Roth** - *Regency Centers Corp - East Region President and Chief Operating Officer*

Thank you, Lisa, and good morning, everyone. We had a tremendous quarter of operating and leasing results evidenced in our strong base rent and same-property NOI growth. This was largely driven by robust leasing activity, accelerated rent commencement timing, higher shop tenant retention, lower credit loss, and favorable impact to expense recoveries due to higher occupancy. With regard to our occupancy, we ended the quarter above 96% leased for the first time since 2018 within our same property portfolio, up another 20 basis points. We achieved yet another new milestone in our shop occupancy rate, ending the quarter at a record high of 93.7%.

Our ability to move the occupancy needle higher is reflective of continued robust demand from both anchor and shop tenants in a wide range of categories, including grocers, restaurants, health and wellness, off-price and personal services. Our same property commenced rate was up 40 basis points this quarter as we saw great progress accelerating rent commencement dates for the signed leases in our SNO pipeline, with earlier move in credit to the hard work and collaboration between the tenant and our local teams. But even as we've gotten many tenants open and rent commencing, we've further replenished our SNO pipeline through our continued leasing success. It remains substantial today at 340 basis points and nearly \$50 million of incremental base rent, representing a significant runway to commence occupancy and a tailwind to NOI growth looking ahead. We achieved strong blended cash rent spreads of more than 9% in the third quarter and GAAP rent spreads exceeding 20%, further demonstrating our ability not only to drive high rent increases when we are marking our leases to market but also to embed meaningful contractual rent steps.

Our retention rate remains above our historical average at over 85% in the quarter, while we also generated above-average renewal rent spreads of 9%. These positive renewal trends are reflective of the quality of our centers and the strong performance that our tenants are experiencing. Due to the great success we've had increasing occupancy, achieving strong rent spreads, embedding annual rent steps and retaining tenants, our same property NOI growth, excluding term fees and COVID period reserve collections, was ahead of our expectations for the quarter at 4.9%, with the majority of that growth coming from base rent contribution of 2.7%. We also had positive contribution from lower bad debt, which is indicative of the strong health and credit position of our tenant base. On the expense side, our team has had success in managing our operating expenses and we've also seen an improvement in our expense recovery rate due primarily to higher shop occupancy and reflective of our ability to maximize the value of our lease contracts.

In closing, I am proud of the great work from our team in delivering exceptional results, and we are energized for the opportunities to further drive NOI growth in 2025. Nick?

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**Nicholas Wibbenmeyer** - Regency Centers Corp - West Region President and Chief Investment Officer

Thank you, Alan. Good morning, everyone. We had another very active quarter of accretive investment activity, further building our value creation pipeline, including the start of two ground-up development projects, great execution on our in-process projects and additional acquisitions of high-quality grocery-anchored shopping centers. Year-to-date, we've started more than \$220 million of new development and redevelopment projects at blended yields exceeding 10%. For the second consecutive year, we anticipate starting more than \$250 million of projects with roughly half of those costs associated with ground up developments in 2024.

In the third quarter alone, we started nine projects totaling over \$100 million, including two new ground-up developments. One of those we discussed on last quarter's call, a 160,000 square foot HEB anchor development in Houston called Jordan Ranch, which will serve as the retail component of a new driving master plan community. The second is an 80,000 square foot Safeway anchored ground-up project in the Bay Area called Oakley Shops that we started in August. This project will serve as the primary retail destination in this attractive suburban trade area.

We also continue to make great progress executing our earning profit pipeline, which now totaled over \$600 million. Leasing activity in both development and the redevelopment projects remains robust, with the projects currently more than 90% on average, with blended returns exceeding 90%. This quarter, we completed the Glenwood Green ground-up development in Old Bridge New Jersey. We've seen strong community reception to this targeted ShopRite-anchored project now over 95% leased with tenants performing extremely well. In fact, we've meaningfully outperformed our underwriting expectations due to the strong leasing demand, enhancing the IRR and resulting in a 50 basis point increase to our estimated stabilized yield.

As Lisa discussed earlier, our ground-up development program is a key differentiator for Regency across the peer group. We fully expect it to be an increasingly additive component to total NOI growth in coming years as we bring many of these projects online. The strong momentum and success of our sector-leading development program continues to be supported by the macro tailwinds within the shopping center industry as well as the hard work of Regency's experienced development team, which I believe to be the best in the business. Our talent and relationships, combined with our flexible balance sheet and free cash flow provide us with an unequalled advantage in the shopping center development business today, particularly with ground-up opportunities. In addition to our \$220 million of project starts and \$200 million of share repurchases this year,

we've also successfully completed the acquisition of more than \$90 million of shopping centers. bringing our year-to-date investment activity to more than \$500 million.

In August, we acquired a neighborhood center in a strong suburban trade area in East Greenwich, Rhode Island, anchored by a market-leading grocery. Subsequent to quarter end, we acquired an HEB-anchored center located in the prime retail node in the Austin suburb of Round Rock. Our team continues to be actively engaged sourcing and underwriting additional deals that fit our investment criteria.

In closing, our entire investment team is engaged and excited about our opportunity set. We look forward to not only seeing the growing benefits of our larger value creation pipeline, but also continued success sourcing new projects and accretive acquisitions. Mike?

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**Michael Mas** - Regency Centers Corp - Chief Financial Officer, Executive Vice President

Thank you, Nick, and good morning, everyone. We reported strong third quarter results, outpacing our expectations primarily driven by fundamental operating performance. Results include NAREIT FFO of \$1.07 per share and core operating earnings of \$1.03 per share for the quarter. Same-property NOI growth was 4.9%, excluding term fees and COVID period reserve collections, with the majority of that growth coming from base rents. As a result of this outperformance and continued higher expectations for the rest of the year, we're raising our current year guidance ranges.

I'll refer you to the detail on slides 5 and 6 in our earnings presentation, while highlighting some key changes. The primary driver to our elevated earnings outlook is an increase in our same-property NOI growth by 100 basis points from the prior midpoint, now to 3.5%, excluding term fees and COVID period reserve collections. We now expect to maintain a higher average commenced occupancy rate this year due to a combination of accelerated rent commencement as we deliver our SNO pipeline and higher shop retention rates, reducing downtime impacts. Credit loss was also coming in lower than we had originally planned given favorable uncollectible lease income rates or lower bad debt and positive bankruptcy outcomes. Notably, we now expect a credit loss range of 50 to 75 basis points this year, down from our previous range of 75 to 100 basis points.

And lastly, following these higher levels of commenced occupancy, same-property NOI is also benefiting from higher net expense recoveries. We increased both our NAREIT FFO and core operating earnings ranges by \$0.05 per share at the midpoint primarily driven by the increase to our same-property NOI growth outlook I just described. The new midpoint of our core operating earnings range represents nearly 5% year-over-year growth.

Looking ahead to next year, while we have not yet provided our full suite of earnings guidance as we will do that in February with our Q4 results, today, we want to provide some initial color to help with future expectations. For 2025, we expect same-property NOI growth to be very similar to our recently increased expectation for this year in the 3.5% area. And for NAREIT FFO, we expect 2025 growth of at least 5%. As for a couple of reminders, in 2025, we will absorb the full year impact from this year's debt refinancing activity, and we also know that this year's merger-related expenses of approximately \$7 million will not repeat.

Moving to our balance sheet. We completed a \$325 million bond issuance in August at a 5.1% coupon which was used to pay down the balance of our line of credit. Following this transaction, we remain within our target leverage range of 5,5 times debt to EBITDA, and we expect to generate free cash flow of more than \$160 million this year, fueling the growth of our development pipeline. We continue to be very proud of our balance sheet and liquidity position, providing Regency with a cost of capital advantage and the ability to create value when accretive opportunities arise.

With that, we look forward to your questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions). Jeffrey Spector, Bank of America.

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**Andrew Reale** - *BofA Global Research - Analyst*

Hi, this is Andrew Reale on for Jeff. Thanks for taking our question. Just on the balance sheet, you received the credit rating upgrade from Moody's this year. no significant refi needs until late 2025. And given you're now at the low end of your target leverage range, just wondering what your appetite is for leveraging up to fund growth? And has the reversal in interest rates changed your financing plans at all?

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**Michael Mas** - *Regency Centers Corp - Chief Financial Officer, Executive Vice President*

I'll take that, Andrew. I appreciate the question. I would characterize our position within our ranges at the midpoint. And I think we're very comfortable kind of floating between that 5 and 5.5 times debt-to-EBITDA range. as we've demonstrated this year, we will lean into balance sheet capacity when we have it and when we see compelling opportunities.

This year, in fact, we did that through the repurchase of our own stock. And I think it's important to remind everyone and consider that as we look at external growth comparisons across the peer group, for us, that was an allocation of our capital on an accretive basis, providing about \$0.01 of earnings accretion this year and another \$0.01 looking out into the future.

To the extent we see compelling opportunities going forward, we'll continue to use our free cash on a leverage -- free cash on our balance sheet capacity. And if we see something that's accretive to our internal rate of growth and consistent with our quality. We might even take that up to the upper end of our range. But we are committed to operating within the 5 to 5.5 times area, and we'll continue to do so going forward.

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**Operator**

Michael Goldsmith, UBS.

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**Michael Goldsmith** - *UBS Equities - Analyst*

Good morning. Thanks for taking my question. You took to same-property NOI growth expectation for '24 to 3.5%. You're pointing to a similar number for 2025, and this represents an acceleration from what you experienced in the first half of this year. So I guess what has changed? Is it the strength of the leasing environment and the market that's kind of like caught up and now you're starting to reap the benefit of that and accelerating the same property NOI? Or are there some other factors that come into play, I guess, trying to understand what has changed that makes you feel more comfortable about this higher level of growth and that it's sustainable?

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**Michael Mas** - *Regency Centers Corp - Chief Financial Officer, Executive Vice President*

I can start. If the team would like and I'll let Alan opine on the changes. But just from a numbers fee perspective, Michael, nothing has really changed from our perspective. We've been pretty loud and confident over the past couple of quarters about our projections for future potential NOI growth and earnings growth following on. We knew coming into the year that we would have a bit of a trough in our average commenced occupancy, but we are also emboldened by the SNO pipeline that the team continued to build and replenish as we commence rent.

One thing that has changed this year and especially in validated through the third quarter, is that we've accelerated rents coming out of that SNO pipeline into productivity that has had a tag-along impact from a recovery percentage and those -- and it's really that timing of that kind of launch of our growth profile that we thought would be -- originally thought would be a fourth quarter event going into '25. We started that process earlier through the third quarter results, really as a testament to the team's hard work as a testament to the continued tailwinds we're seeing in the market.

**Alan Roth** - Regency Centers Corp - East Region President and Chief Operating Officer

Yeah, I'm happy to jump in, Michael. I appreciate the question. As Mike said, we've been at it for a number of quarters now in terms of really focused on the rent commencement date acceleration and creativity is paying off, and there's also great partnerships with our tenants. And we are proactively white boxing spaces where appropriate. We are getting tenants to start plans before leases are signed, in many cases, something that was not a norm many, many months ago, ordering the right equipment in advance and negotiating favorable lease terms.

And interestingly, the permitting and supply chain is really normalizing now, and it's allowing us to be more aggressive on defaults when tenants aren't prosecuting their plans and their permits. And collectively, we're starting to see it really pay off in terms of acceleration of rent commencement days.

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**Lisa Palmer** - Regency Centers Corp - President, Chief Executive Officer, Director

Let's make a trifecta. If you don't mind, Michael, I think we began talking about the growth that we expected and how good we felt about 2025, two quarters ago. And as Alan and Mike both said, we're starting to see the fruits of all the hard work and the quality of our portfolio, and the quality of the team come through a little bit sooner. And the good thing is the 2025 growth is still there. And I know you're really familiar with our business model as most people are on the call.

We really do believe, again, with the quality of our portfolio, the quality of our team and the redevelopment platform that we have will enable us on a stable occupancy basis to deliver same property NOI growth, that's, say, close to 3% on a sustainable steady basis. And while we're increasing occupancy, it's going to be higher. And that's what we're seeing. And the team continues to set the bar higher and higher for what we will achieve. So we feel really good about our results, and I'm really proud of the team.

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**Michael Goldsmith** - UBS Equities - Analyst

Appreciate all the perspective. Good luck with the 4th quarter.

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**Christy McElroy** - Regency Centers Corp - Senior Vice President, Capital Markets

Thanks, Michael.

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**Operator**

Craig Mailman, Citi.

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**Craig Mailman** - Citi - Analyst

Hey, good morning. Maybe on the capital deployment front, you guys are getting the money out there on the redevelopment side, and you put the \$300 million out to acquisitions and share repurchases this year. But as you look at the acquisition market, do you feel like there's an opportunity for transactions one-off to accelerate above that \$90 million as we head into '25. And does it make sense from a funding perspective to kind of take the win on the share repurchase? And is it -- could that be a source of proceeds going forward to kind of reissue now that you're at or above kind of at least RNAV?

**Nicholas Wibbenmeyer** - *Regency Centers Corp - West Region President and Chief Investment Officer*

Craig, this is Nick. Good morning, appreciate the question. I'll take the first part and then have Mike maybe weigh in on the second part. But as you've indicated, we've really been active across all fronts. And so as we've said in the past, we will continue to prioritize our free cash flow and our capacity to our development and redevelopment program.

And as I indicated in our prepared remarks, we have every indication we'll end this year, again, north of \$250 million in that program, similar to last year. And then as Mike alluded to earlier in the call, we have additional capacity to lean into when we find other opportunities that meet our criteria. And so as we look at one-off acquisitions, as we've talked about, if we find things that are consistent with our quality and our growth profile, we do have the capacity to lean in, especially when we identify ones that we can fund accretively. And so you can see throughout the year, we've found those opportunities. And as we continue to identify those layers in '24 or '25, the great news is we do have the ability and capacity to execute on this.

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**Michael Mas** - *Regency Centers Corp - Chief Financial Officer, Executive Vice President*

Hey Craig, let me follow up there. Thank you, Nick. From a capital sourcing perspective, we're going to be disciplined. We're very proud of our capital allocation track record. We have access to many forms of capital. We'll be very cognizant around our understanding of our incremental cost of capital when we deploy it. And we'll use equity when and if that makes sense. But we have the balance sheet capacity. We have access to equity.

Let me also throw in the acquisition we closed just after quarter end was with our partnership with Oregon. That's another new form of capital or a newly expanded form of capital that we have access to with the recent recommitment to that 25-year-old vehicle of another \$150 million of equity from Oregon. So we have multiple sources of capital. We'll use it very -- on a disciplined basis with a mindset of growing earnings per share going forward.

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**Christy McElroy** - *Regency Centers Corp - Senior Vice President, Capital Markets*

Thanks, Craig.

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**Operator**

Greg McGinniss, Scotiabank.

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**Greg McGinniss** - *Scotiabank GBM - Analyst*

Hey, good morning. Mike, it's obviously a fairly substantial same-store NOI increase this late in the year. Would you be able to maybe rank out in terms of contributing to that increase the items listed. So the higher commenced occupancy and associated recoveries, the retention rate or on the bad debt side. And just trying to get an understanding as to which of those factors you think may be kind of long-term contributors in terms of how leasing and business is going or in terms of how you're handling tenants?

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**Michael Mas** - *Regency Centers Corp - Chief Financial Officer, Executive Vice President*

Yeah. Hi Greg, I appreciate it. You got the categories right. So higher retention rates, accelerated commencements out of that F&O pipeline all leading to and translate into higher recoveries. I would say roughly 40% of the increase is from credit loss improvement, and that would be both a combination of ULI of that debt expense, down from our expectations back in August on the margin.



And I'd say they're running -- our run rate year-to-date is 40 basis points. That's -- as we've talked about in the past, that's below our historical averages. Our outcomes of -- on bankruptcies is part of that 40% component. The balance is roughly split evenly between accelerated commencements, higher retention, and higher recoveries as a result. So that's how we compartmentalize the change.

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**Greg McGinniss** - Scotiabank GBM - Analyst

From a news flow perspective, it sounds like we're hearing about more retailers under risk or more store closures and especially more restaurant closures. As we're looking forward into 2025, for now at least, not looking for guidance, but is the expectation for kind of a normalization on the bad debt side? Or is there anything in particular about the portfolio or what you're seeing from the consumer maybe making you a bit more bullish on that front.

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**Michael Mas** - Regency Centers Corp - Chief Financial Officer, Executive Vice President

Yeah. We're going to be short of offering a full suite of guidance at this point in time. But I do think it's fair to indicate that we would plan for a roughly historical average level of bad debt and credit loss next year. So recall that bad debt expense and bankruptcy output, that's basically a 75 to 100 basis point credit loss provision. So I would plan for that level next year.

From a color perspective, Alan, if there's anything you want to share?

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**Alan Roth** - Regency Centers Corp - East Region President and Chief Operating Officer

Yeah. I mean, Greg, I would just say that we're always intensely managing the portfolio. And one comment I made last quarter as I identified some of those bankruptcy filings that you had noted, Conn's, we had zero locations, Eastern Mountain Sports, Rue 21, and Red Lobster, we had one with all three of them. And so was that an anomaly in Q2? I think as you look at the Q3 filings now, a similar thing has happened.

Buca di Beppo has filed, Rowe T. has filed, Big Lots has filed, and we have one location with all three of those as well. And so I think that's just a testament to really the team staying committed to quality merchandising and really our qualification process. And we feel good about the strength of the sales, as Lisa mentioned, the strength of the portfolio and the markets that we're operating in right now, but we're certainly always keeping a lawful eye on it.

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**Christy McElroy** - Regency Centers Corp - Senior Vice President, Capital Markets

And just as a reminder, we are limiting to one question. We have a lot of people in the queue. Thanks, Greg.

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**Greg McGinniss** - Scotiabank GBM - Analyst

Sorry.

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**Operator**

Todd Thomas, KeyBanc Capital Markets.

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**Todd Thomas** - KeyBanc Capital Markets - Analyst

Hi, thanks. Good morning. I just wanted to ask about UBP, and the guidance increase this quarter was mostly attributable to the same-store, and that's where the majority of the discussion has been. But two questions around that. Can you just remind us when that portfolio will enter the

same-store pool? And how we should think about maybe that impacting 2025 growth? And then can you provide an update on sort of the opportunities for upside that you see within that portfolio as it stands today?

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**Michael Mas** - Regency Centers Corp - Chief Financial Officer, Executive Vice President

Yeah. Hi Todd, welcome to the party by the way. I will take the first and I'll let Alan maybe comment on activity within the portfolio. We will officially move those assets into same property effective with Q1 of next year. So we'll come out of the gates next year with UBP assets as part of our same-store portfolio.

My comments around growth next year would include those assets. So 3.5% in the area of -- 3.5% growth next year would include performance from UBP. Honestly, we don't see a material difference between the performance of those assets and Regency's at this point in time. And that was all consistent with the outlook we had going into the merger at the beginning.

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**Alan Roth** - Regency Centers Corp - East Region President and Chief Operating Officer

Hey Todd, this is Alan. I will just say, we are thrilled with the expanded platform, more thrilled with the integration of some really great people. But things are going well. We signed over 200 leases year-to-date in the portfolio, and we've got runway to continue to grow that percent lease. This is the one thing we've been saying since the acquisition is it's really a hyper focus on lease, lease, lease.

From a redevelopment perspective as you asked, we do think there's going to be some opportunity there, but it's in sort of a smaller mindset on the front end, some pad creations in the parking lot, a couple of renovations and mid- to long term, we'll evaluate some bigger redevelopments. But I would use our Danbury Square as a good example. At the time of the merger, it was 50% leased and through a really great leasing by team, we are at 96% now. So that's sort of the mindset within the portfolio, and that's where we're focused.

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**Lisa Palmer** - Regency Centers Corp - President, Chief Executive Officer, Director

And if you are new to the party, it has performed, as Alan said, as we'd expected, it's not slightly above our expectations, it's exactly what we thought. And at the time when we did announce the merger, we did comment that is very consistent with our quality. There weren't a ton of redevelopment opportunities, and it was going to be a leasing exercise that we underwrote and anticipated spending a little bit more capital because of the amount of leasing that we're going to do performing exactly as we expected. And so when we rolled in the same-property percent leased, it's still not as well leased as you call legacy Regency. So we still have some opportunity there. And that is really what you'll see when we're building in the same property.

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**Christy McElroy** - Regency Centers Corp - Senior Vice President, Capital Markets

Thanks, Todd.

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**Operator**

Juan Sanabria, BMO Capital Markets.

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**Juan Sanabria** - BMO Capital Markets - Analyst

Hi, good morning. Just hoping you could talk a bit about '24 performance, obviously been better than you'd expected and your early thoughts on '25. Is the earlier-than-expected rent commencement? Is that pulling forward growth that you otherwise would have thought would have come

next year? And do we think of the 3.5% is kind of the floor on growth next year? I recognize this is a little bit of a sensitive question, just but any color you can give on how we should be thinking about the puts and takes would be helpful. Thank you.

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**Michael Mas** - Regency Centers Corp - Chief Financial Officer, Executive Vice President

Yeah. I appreciate the question, Juan, and you'll appreciate the response. The 3.5% area is what we're indicating for next year. I think that's enough to share at this point in time. Listen, we're still working on the finer edges of our plan for next year, and we'll put out a full suite of guidance next quarter, and we'll give you, as we customarily do a lot of transparency into the support for that.

But no, to your first question, I don't feel like it's pull-forward. I feel like this is a launching point. And we've been talking about this for some time, anticipating the launch point of growth be late '24 and into '25. And I think we've just launched sooner. Importantly, as you think about our SNO pipeline, it was \$50 million last quarter. It's [\$50 million] again this quarter, roughly.

But that doesn't tell the story. We've replenished \$14 million of ABR in that portfolio. So we've delivered \$14 million a little sooner than we anticipated on average, but we filled it right back up. And that's what's kind of raising our eye level or the kind of water level for us in '24 and then compounding that into '25.

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**Christy McElroy** - Regency Centers Corp - Senior Vice President, Capital Markets

Thanks, Juan.

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**Operator**

Dori Kesten, Wells Fargo.

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**Dori Kesten** - Wells Fargo Securities, LLC - Analyst

Thanks, good morning. It looks like some of the legacy Urstadt office building sales were pushed into '25 in your disposition guide. Can you just remind us if there's any other noncore non-long-term assets from Urstadt that remain beyond those?

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**Michael Mas** - Regency Centers Corp - Chief Financial Officer, Executive Vice President

I got -- let me talk about the guidance. And Nick, if you'd like to color it up, please do so. Dori, it was just a bit of a change in, as you mentioned, we had three or four Urstadt kind of -- very small office buildings that we would like to move. They're noncore, nonstrategic assets. I think in total, we're talking \$15 million or so of proceeds.

We've moved that out of this year and more to come on our disposition guidance next year. We are going to withhold that until next quarter. I want to remind you of what we said at the time of the merger. There is nothing disproportionate about the quality of the Urstadt assets as we merge them into Regency, and they won't result in a disproportionate kind of disposition program going forward.

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**Christy McElroy** - Regency Centers Corp - Senior Vice President, Capital Markets

Thanks, Dori.

**Operator**

Haendel St. Juste, Mizuho Securities. May I request you to unmute your mic and go on with your question, please.

**Haendel St. Juste** - *Mizuho Securities Co. Ltd - Analyst*

Yes, rookie mistake. So I appreciate the color on '25 the initial kind of guideposts. I guess my question is on the debt maturities here. You've got \$300 million or so of debt maturing next year with three handles on them. So I guess I'm curious what's your plan? What you're thinking there? Perhaps timing? And is that refinanced embedded within that 5% FFO growth outlook for next year? Thanks.

**Michael Mas** - *Regency Centers Corp - Chief Financial Officer, Executive Vice President*

Yeah. The Nareit FFO head knot would include the impacts from the debt changes both in '24 and '25. So importantly, the largest impact actually has to do with what we financed this year, which, as you know, was all affected basically right at the midpoint of the year in June. So we need to capture full year of that in '25 but we do have a very late '25 maturity that we have incorporated into that head knot. We're going to -- it's at a favorable rate, as you mentioned, we're going to use that capital and that cost of capital as long as we can. We're going to be very tactical with our windows selection as we work in the capital markets next year. and we will refinance that bond into the public market at the right time.

**Christy McElroy** - *Regency Centers Corp - Senior Vice President, Capital Markets*

Thanks, Haendel.

**Operator**

Ronald Kamdem, Morgan Stanley.

**Unidentified Participant**

Hi this is Matt on for Ron. You guys mentioned that tenant demand was very strong this quarter, and you could see that in the same-property shop percent lease number. How should we be thinking about that going forward over the next 12 to 24 months?

**Alan Roth** - *Regency Centers Corp - East Region President and Chief Operating Officer*

Hey Matt, thank you for the question. This is Alan. Demand is strong. And I would say we set a recent record high on shop leasing at 93.7%. But we're not pulling the troops off right now. They're staying focused. We are seeing a lot of tenants still willing to engage, not just on vacant spaces, but on spaces that are occupied right now.

And Sephora, J.Crew, EverBank, Mendocino Farms, they're all looking at spaces that are occupied not just signing leases in '25, and I'm just naming a few but also signing leases in 2026. So we would expect to continue pushing forward.

I don't have my sight set on a particular number as part of that process, but we're focused on continuing to drive the shops, and we're focused on our anchor side as well, trying to get that back to our peak levels of roughly 98.5%. So we believe there's runway and the team is committed.

**Lisa Palmer** - *Regency Centers Corp - President, Chief Executive Officer, Director*

I'm disappointed that Alan didn't say it for like the third consecutive quarter.

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**Alan Roth** - *Regency Centers Corp - East Region President and Chief Operating Officer*

Records are meant to be broken Lisa. (multiple speakers)

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**Operator**

Samir Khanal, Evercore ISI.

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**Samir Khanal** - *EVERCORE ISI - Analyst*

Hey Mike, on the 3.5% for next year, I just want to understand because I think the expectation is for the group and not only Regency but the group to accelerate growth next year. So look, maybe you're being conservative here, but I get the rent commencements, the higher occupancy. But is there something that's sort of putting a lid on better growth next year? I just want to make sure that I'm not missing anything here. Thanks.

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**Michael Mas** - *Regency Centers Corp - Chief Financial Officer, Executive Vice President*

I don't think you're missing anything, Samir. And I actually -- I mean, as Lisa's point that she was making earlier in the call, this is above-trend growth. This is 3.5% two consecutive years is on a stabilized basis that would be considered exceptional. We are benefiting from occupancy gains. I wanted to -- from Matt's question in yours, I would encourage people to take a look at page 7 in the earnings deck that we put out.

And that really frames for everyone the opportunity set to move percent commenced. I will share with you that as we -- as a supporting element of that 3.5% head nod in the next year, we are anticipating moving commenced by -- in the area of 75 to 100 basis points north, which if you study the history of that page, you'll see moving commenced occupancy by 100 basis points is about as good as we -- and about as fast as we can run. And the teams are pushing the pace on that every single day, and we're very proud of them. But that's a -- 75, 100 basis points, a very healthy change in percent commence. So to answer your question directly, what's the headwind, frankly it's just time.

We've got a lease space. We've got to build out those space. We've got to deliver that space. And we're doing that as well as we possibly can right now. I'm very proud of the team.

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**Christy McElroy** - *Regency Centers Corp - Senior Vice President, Capital Markets*

Thanks, Samir.

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**Operator**

Floris Van Dijkum, Compass Point.

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**Floris Van Dijkum** - *Compass Point Research & Trading LLC - Analyst*

Hey, good morning, guys. Thanks for taking my questions. You have one of the highest percentages of ABR coming from shop space in the sector, I think, at 58%. But as you look at this SNO pipeline and typically -- which I think is around 57% shop, but shop rents are double the typical anchor rent. I mean is there a scenario here over the next 18 to 24 months where you're going to have more than 60% of your ABR coming from shop space?

**Lisa Palmer** - Regency Centers Corp - President, Chief Executive Officer, Director

I'm not going to get into necessary specifics. I hope that we continue to lease and bring and commence our anchors as well as shop space. But when you think about just our investment strategy, our portfolio quality for as long as I can remember, even at a time when there were some of our competitors that we're talking about cumulate shop space and making them into anchors. We have not been afraid of shop space. We like shop space.

Clearly, you just pointed to the fact that the rents are higher. We typically get better contractual rent steps, the growth is better. But at the same time, it's a balance. We also very much appreciate and acknowledge the steadiness, the sustainability of the cash flows that we get from our anchors. I remind you, it's been, what, almost four or five years now.

But because of the quality of the cash flow and the NOI stream that our shopping centers, we didn't need to cut our dividend during COVID. And I think that, that's really -- it's a really important factor, and we balance it. But we lean in the shop space, we like shop space, we like the format of our existing portfolio. We really -- and we intend to continue to grow in that sector.

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**Floris Van Dijkum** - Compass Point Research & Trading LLC - Analyst

Thanks, Lisa.

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**Christy McElroy** - Regency Centers Corp - Senior Vice President, Capital Markets

Thank you, Floris.

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**Operator**

Linda Tsai, Jefferies.

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**Linda Tsai** - Jefferies - Analyst

Hi, thank you. In terms of building and replenishing the SNO pipeline, you said you replenished with \$14 million this year, do you think that stays elevated or compresses next year?

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**Michael Mas** - Regency Centers Corp - Chief Financial Officer, Executive Vice President

Well, it's a blessing and a curse, right? We want to continue to elevate. We want to continue to lease more space and absorb and set new records, as Alan indicated, but we're also going to commence rent, right? Linda, I do think from a trajectory perspective, we will commence that SNO pipeline over time and into 2025. As we -- because we're just running out of -- we're hitting kind of top ends of percent leased.

You should expect us to compress that going forward. as our outlook for material move-outs isn't significantly high either. So I do anticipate us compressing that going forward. It won't compress to historical averages in one year. We have -- and we're on the same page internally here. We have more than one year of growth ahead of us in a disproportionate manner because of increases in rent pay and occupancy.

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**Linda Tsai** - Jefferies - Analyst

Thank you.

**Christy McElroy** - Regency Centers Corp - Senior Vice President, Capital Markets

Thanks, Linda.

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**Operator**

Alex Fagan, Baird.

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**Unidentified Participant**

Hi. Thank you for taking my question. One on the development pipeline. It looks like it's currently at \$237 million. I'm curious how big that pipeline can get in the next year?

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**Nicholas Wibbenmeyer** - Regency Centers Corp - West Region President and Chief Investment Officer

Yeah. I appreciate the question, Alex. So as you alluded, our total in-process development and development right now is over \$600 million. So the team has just done an exceptional job of continuing to bring projects online. But also continue to execute on as I mentioned in the prepared remarks, Glenwood Green. The project we just completed the ground-up project in Old Bridge, New Jersey. The team did a phenomenal job of bringing that online. And so as we've indicated, we expect to start over \$200 million a year. 2023, we started \$250 million. This year, we expect just another \$250 million of projects. And we're very bullish on the future pipeline as they move into future years of continuing to start and ultimately deliver over \$200 million of projects a year in and year out. We love the platform, and we're going to continue to lean into it.

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**Unidentified Participant**

Thank you.

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**Operator**

(Operator Instructions). Mike Mueller, JPMorgan.

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**Mike Mueller** - JPMorgan - Analyst

Yeah, hi. How does what you're expecting today for new development stabilization time frames compared to what you saw, say, between the GFC and COVID?

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**Nicholas Wibbenmeyer** - Regency Centers Corp - West Region President and Chief Investment Officer

Yeah, it's a great question, Mike. I would tell you, similar to what Alan's remarks were about what we're doing in terms of the operating portfolio and bringing tenants online aggressively. We're seeing the same thing on the development end. We are starting to see permitting supply chain bidding process is, I would call it, stabilized. And so I would expect our ground-up developments to -- from commencement to -- from commencement and construction to coming online, be in the two- to three-year range, depending on the size of the project, the scale of the project and the construction timeline.

But again, I'd point to Old Bridge a really good example of that team did a really nice job starting that and bringing it online, not only on time, actually a little ahead of schedule and ahead of budget as it relates to NOI. And so we have confidence in our ability right now to start these projects and deliver them on time and on budget.

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**Mike Mueller** - *JPMorgan - Analyst*

Thanks.

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**Christy McElroy** - *Regency Centers Corp - Senior Vice President, Capital Markets*

Thank you, Mike.

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**Operator**

Ki Bin Kim, Truist Securities.

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**Ki Bin Kim** - *Truist Securities - Analyst*

Thanks. Just a couple of follow-ups here. What drove other property rents going come higher? And I'm curious if that's a more sustainable level?

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**Michael Mas** - *Regency Centers Corp - Chief Financial Officer, Executive Vice President*

Hey Ki Bin, yeah, real quick. So as you can see in the disclosure, we differentiate between other lease income and other property income. And just for everyone's benefit, lease-related other income items are in the lease, line items, so think storage, signage, ATMs, temporary tenants, et cetera. Other property income is the ancillary income streams that our shopping centers can generate because of their quality in nature, but they're not contractual, right? So insurance settlements, fees, parking, et cetera, items like that.

There was a planned higher level of other property income in the settlements area in the insurance settlements area that did come into fruition in the third quarter. We -- importantly, it was part of our initial plan coming into the year, so it is not a contributing factor to our outlook increase for the year. And it is one time in nature, but so is everything within that category. What we know when we zoom out is that we will consistently drive other income in our portfolio because of its location qualities.

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**Ki Bin Kim** - *Truist Securities - Analyst*

Okay, thanks. And just going back to that 3.5% same-store NOI commentary on '25, just trying to better understand some of the detracting elements. Are you at all watching any kind of larger leases that may not renew that might be causing some cushion into that same-store number?

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**Michael Mas** - *Regency Centers Corp - Chief Financial Officer, Executive Vice President*

We're highly -- I mean, we're doing a bottom-up plan, Ki Bin. We're very aware of the needle mover leases. '24 was a unique set of circumstances. So we to the extent we have any big pluses or minuses from big anchor leases, those would be captured in that number. I do want to remind everyone, credit loss in '24 in the 50 to 75 basis point area as a revised -- on a revised basis.

And in my comments earlier in the call, we will plan for more of a historical average year next year. So that is a touch of a headwind. And remember, historical averages are 75 to 100 basis points.

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**Ki Bin Kim** - *Truist Securities - Analyst*

Okay. Thank you, Mike.



**Michael Mas** - Regency Centers Corp - Chief Financial Officer, Executive Vice President

Sure.

**Operator**

Thank you. As there are no further questions, I would now like to hand the conference over to Lisa Palmer for closing remarks.

**Lisa Palmer** - Regency Centers Corp - President, Chief Executive Officer, Director

Thank you all for your time. I appreciate your interest in Regency, and we will see, hopefully, many of you in, I think, just a few weeks at Nareit. Thank you.

**Operator**

Thank you. This concludes today's conference. You may now disconnect your lines at this time. Thank you for your participation.

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