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Kimco Realty Corp. (KIM)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Kimco Realty First Quarter 2025 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to David Bujnicki, Senior Vice President of Investor Relations and Strategy. Please go ahead.

David F. Bujnicki

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

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

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

During this presentation, management may make reference to certain non-GAAP financial measures that we believe help investors better understand Kimco's operating results. Reconciliations of these non-GAAP financial measures can be found in our quarterly supplemental financial information on the Kimco Investor Relations website. Also, in the event our call was to incur technical difficulties, we'll try to resolve as quickly as possible, and if the need arises, we'll post additional information to our IR website.

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

Conor C. Flynn

Chief Executive Officer & Director, Kimco Realty Corp.

Good morning, and thanks for joining us today. I will start out with a summary of our stellar Q1 highlights, provide an update on our strategy going forward and address the macroeconomic environment. Ross will follow with an update on the transaction market and as usual Glenn will provide details on our financial metrics and guidance. We started 2025 with robust momentum demonstrating the power of Kimco's strategy focused on high quality grocery-anchored shopping centers.

Our results speak to our ability to consistently execute. Our operating performance for the quarter was exceptionally strong. We signed 583 leases, totaling 4.4 million square feet delivering blended pro rate cash rent spreads of 13.3% including remarkable new lease spreads of 48.7%, the highest we have achieved in over 7 years. Occupancy remains healthy at 95.8% pro rata with small shops climbing 20 basis points year-over-year to 91.7%. The demand for our high quality centers is clear as we completed 9 grocery leases this quarter, which enabled us to reach our strategic target of deriving 85% of our annual base rent from these essential necessity-driven properties. Notably, we finalized multi-pack deals with Sprouts Farmers Market, Dollar Tree, Five Below, Barnes & Noble, and others year-to-date including April. This achievement highlights the competitive advantage provided by our significant scale, strategic market positioning and best-in-class leasing team. Same property NOI outperformed as it grew 3.9%, driven by healthy leasing activity, rent growth, and disciplined cost management.

Tenant credit loss remained favorable at just 56 basis points, reflecting our portfolio's diversity and stability even amidst the bankruptcies of Party City, Big Lots, and Joann's. Demand for these spaces have been exceptionally strong.

For Party City, we started the year with 49 leases and we have successfully resolved half of these already with 12 being assigned and another 17 either leased or at lease with a blended rent spread of approximately 35%. We also have LOIs for nearly all the remaining spaces.

Similarly, for Big Lots, we have 3 spaces at lease with a blended average spread of approximately 45% and LOIs for most of the 11 remaining boxes. Our ability to quickly backfill and upgrade these spaces underscores Kimco's differentiated leasing platform and the benefits of well-located, high quality, grocery-anchored shopping centers.

Despite macroeconomic fluctuations and tariff changes, consumer behavior has remained resilient, as foot traffic at our centers is up year-to-date, with April continuing this positive trend. This resilience is not surprising, considering 7 of our top 10 retailers by annual base rent are either grocers or off price retailers and the vast majority of our top 50 retailers include additional grocers, investment-grade tenants, or retailers that are one of the top in their respective category.

Nevertheless, we remain vigilant, closely monitoring markets, employment trends, inflation, and interest rates to proactively address any emerging challenges and capitalize on opportunities as they arise.

Turning to transactions. We completed the strategic $108 million acquisition of The Markets at Town Center in Jacksonville, a premier grocery-anchored asset that aligns perfectly with our investment strategy. Additionally, we continue to benefit from our structured investment program, creating a pipeline of unique investment opportunities positioned for future external growth. As the current macro environment continues to evolve, our rock solid balance sheet with $2 billion in liquidity provides another competitive advantage. Additionally, we repaid approximately $550 million of debt during the quarter, significantly reducing near-term maturities and enhancing our financial flexibility. Moody's affirmed our BAA1 rating and upgraded our outlook to positive, further validating our prudent balance sheet management.

Reflecting confidence in our long-term prospects, we repurchased 3 million shares at an average price of $19.61 subsequent to quarter end, capitalizing on significant market and valuation dislocation in April. Given our strong first quarter results and visibility into upcoming rent commencements, we are pleased to raise our full-year guidance for both net income and FFO per diluted share.

Looking ahead, our priorities remain straightforward and consistent, continue driving strong leasing results, actively backfill spaces and upgrade tenancy, and maintain our prudent approach to capital allocation and leverage Kimco's financial strength to capitalize on opportunities as they arise.

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

Ross Cooper

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

Thank you, Conor, and good morning. We had a productive first quarter and a strong start to the second quarter. As Conor touched upon, we have built our strategy, team, portfolio and balance sheet to be resilient, allowing us to adapt to changing market conditions and unforeseen events. This flexibility often creates the best and most unique opportunities for us to pursue. In the first quarter, we closed on $100 million in net acquisitions, including the previously mentioned acquisition, The Markets at Town Center in Jacksonville, which originated from our structured program as the loan matured.

Additionally, we acquired the fee interest in two Las Vegas grocery-anchored shopping centers. We are currently within our net acquisition target for 2025 with planned activity net neutral. We kicked off the second quarter funding a $35 million senior loan on a grocery-anchored center in South Florida with an 8% coupon and a well-protected basis of 65% loan-to-value.

Consistent with all of our structured investments, we retained a right of first offer or ROFO on this asset in the event our borrower looks to sell while our capital is outstanding. We anticipate funding a second senior loan on a high quality asset in New York for total proceeds of approximately $24 million during the current quarter. This investment will also have a ROFO.

With respect to structure investment repayments, given the increase in interest rates and market volatility, we believe the likelihood of repayment in 2025 is low. Nevertheless, we have factored some potential repayments into our FFO guidance and are confident that we can redeploy any proceeds to maintain a net neutral position.

On the disposition side, we have identified a number of potential long-term ground leases, multi-family entitlements and non-income producing assets in our portfolio that are lower growth and right for sale. We expect to sell in the range of $100 million to $150 million of these assets in 2025 and have identified a future pipeline, which we intend to continue to monetize in later years as another accretive funding source, as well as a strategy to remove lower growth properties from our portfolio.

We plan to reinvest into higher yielding, higher growth opportunities with that capital. Looking at the broader market, given the ongoing uncertainty of the tariffs, trade dynamics, and consumer and retailer appetite, the outlook for transaction volumes and cap rates remain cautious with buyers and sellers in a bit of a wait and see mode. Up through the end of the first quarter, we had seen pricing for high quality centers consistently in the sub-6% cap range with a very deep pool of bidders. This made competition fierce and accretive acquisitions challenging.

However, with our strong balance sheet and financial flexibility, we believe the current environment has the potential to create unique opportunities for us in both acquisitions and structured investments, and we are well positioned to capitalize on them.

I will now pass it to Glenn for the detailed quarterly results and updated 2025 outlook.

Glenn Gary Cohen

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

Thanks, Ross, and good morning. 2025 is off to a solid and active start, evidenced by double-digit leasing spreads, solid same site NOI growth and strong demand for vacant party sitting in Big Lots boxes. In addition, our superior liquidity position and modest upcoming debt maturities position us well to be opportunistic.

Now, for some details on our strong first quarter results, followed by our increased full year 2025 outlook. FFO was $301.9 million or $0.44 per diluted share for the first quarter 2025. This compares favorably to last year's first quarter FFO of $261.8 million or $0.39 per diluted share, a per share increase of 12.8%. The key drivers of the

FFO increase were higher pro rata NOI of $23.1 million, attributable to strong same site NOI growth contributing $15 million and an increase in lease termination income of $5.3 million.

Also, we had improved credit loss of 56 basis points as compared to 62 basis points last year. Other FFO drivers include a $6.8 million benefit from growing financing income attributable to our structured investment program, offset by lower interest income of $5.2 million and higher interest expense of $5.2 million. We had a very productive quarter within the operating portfolio. Our leased versus economic occupancy spread increased by 20 basis points to 290 basis points. The spread is comprised of 385 leases with total annual base rents of $60 million. Of this amount, we expect about 60% of these leases to commence, with $16 million anticipated to be received within this year. Combined with the $14 million from rents that began in the first quarter, a total of $30 million in rent is projected to commence and be collected in 2025, reflecting a $5 million increase from previous quarter's estimate.

Turning to the balance sheet, we ended the first quarter with consolidated net debt to EBITDA of 5.3 times and on a look-through basis, including pro rata, joint venture debt and preferred stock outstanding at 5.6 times, matching our best levels for these metrics. Our debt maturities for 2025 are modest, with just one bond totaling $240.5 million maturing in June and no other maturities until July 2026.

As Conor mentioned, we took advantage of our strong balance sheet and liquidity position by utilizing our common stock buyback program in early April in response to the market sell-off and our stock trading at a significant discount. We opportunistically repurchased 3 million common shares at an average price of $19.61 per share, representing an FFO yield of approximately 9% and a 24% discount to consensus NAV.

Now, for an update on our 2025 full-year outlook. Based on our strong first quarter results, the security of our long-term leases with strong credit tenants and visibility into future cash flow growth coming from near-term rent commencements, we are confident in raising our FFO from the previous range of $1.70 to $1.72 per diluted share to a new range of $1.71 to $1.74.

Our updated range reflects per share growth between 3.6% to 5.5% over 2024. Our updated FFO per share outlook range incorporates same-site NOI growth of positive 2.5% or better, an increase of 50 basis points from our initial assumption, factoring in the vacating of all leases with Party City and Big Lots that were not assigned to other tenants as well as those with Joann's at the end of May.

As a result, we expect our occupancy to temporarily dip in the second quarter, followed by an increase thereafter. Further, the spread between our leased versus economic occupancy should expand, providing additional cash flow growth for the remainder of 2025 and into 2026.

We are maintaining our credit loss assumption of 75 basis points to 100 basis points as a precautionary measure. Our other outlook assumptions remain unchanged from our initial 2025 outlook. I want to thank all our associates whose unwavering efforts contributed to our solid results. While we cannot control the abrupt swings in the capital markets, we remain confident that we can deliver growth for our shareholders.

And we are now ready to take your questions.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from Michael Goldsmith with UBS. Please go ahead.

Michael Goldsmith
Analyst, UBS Securities LLC

Q

Good morning. Thanks a lot for taking my question. Credit loss in the first quarter was 56 basis points, which compares to your full year reserve of 75 basis points to 100 basis points. So, I just want to understand the dynamics of what happened in the quarter and how the rest of the year can play out relative to your expectations? So, can you – can you put the 56 basis points so far this year into context of where that has landed compared to prior years? And then do you have any other visibility to tenants on your watch list or other areas of concern? And just like how does that – how does that set up and reconcile with that 75 basis points to 100 basis points that you put out at the start of the year? Thanks.

Kathleen Thayer
Senior Vice President & Treasurer, Corporate Accounting, Kimco Realty Corp.

A

Thanks, Michael, for the question. So, I think it's important to lay it out starting off with our bankruptcy is and how we treat those. So, when you look at Party City, Big Lots and Joann's from a guidance perspective, those assumptions are all baked in our minimum rent line for our guidance.

So, inside our plan, we have Big Lots out for the entire year. Party City, we had vacating March 1 and then Joann's we have them estimated to vacate at the end of May. So, for reference, Party City ended up staying past that march date. So, that benefit is really seen in our minimum rent line.

Now, on the flip side if Joann's was to go out earlier, you would see that being covered and what we say our credit loss assumption is within our guidance. So, credit loss is really made up of two items in our assumptions. One side of it is the potential for uncollectible receivables. So, our cash basis that we talk about and historically that's been around the 75 basis point range. Obviously, for Q1, you heard that we were lower at 56 basis points, which is a positive metric.

The second part of our credit loss assumption in our guidance is really related to unbudgeted tenants that either vacate or file for bankruptcy and weren't in our original planning in rent. So, for reference, you look at two of our watch list tenants At Home and Rite Aid. If they were to vacate the second half of the year, that would be about 15 basis points. So, in our credit loss assumption, for that unexpected vacates, we have about 20 basis points to 25 basis points in there. So, that 15 basis points from Rite Aid and At Home would be covered in our credit loss assumption for that.

So – and as where the market is and the uncertainties out there, we still feel very confident with that 75 basis points to 100 basis points that we have in our assumption.

Operator: Our next question comes from Dori Kesten with Wells Fargo. Please go ahead.

Dori Kesten
Analyst, Wells Fargo Securities LLC

Q

Thanks. Good morning. I believe it's been quite some time since you last repurchased shares. I think it was back to 2018 or so. Can you just walk through the internal discussions you had versus other potential capital uses?

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

Yeah, I think it's a good question. I think when you look at the situation that we were in, obviously there was only a few days we had post Liberation Day before we went into a blackout when we saw our shares trade off dramatically. And I applaud our team to really circle up quickly and identify that we had a tremendous amount of free cash flow for this year.

We had some disposition proceeds that we had not only executed in the quarter, but also had identified for the remainder of the year. And we felt like when you look at the – the FFO yield, the discount to NAV, and really sort of the opportunities that are buying Kimco at those levels, it was hard to say that there was another use of proceeds that was better suited.

So, we really only had about three trading days to really execute, but we felt good about the opportunity. We felt like it was a time to pounce. And again we also point to the fact that we issued equity at over $25 only just a few months ago.

So, it is sort of unique to be in a position where the volatility in the market creates these types of opportunities. And we feel like we need to have every tool in the toolbox to be able to take advantage of these dislocations and really sort of showcase that when the opportunity presents itself, Kimco is ready to pounce.

Operator: Our next question comes from Samir Khanal with Bank of America. Please go ahead.

Samir Khanal
Analyst, BofA Securities, Inc.

Q

Good morning, everybody. Hey, Glenn. Just looking at the supplement, what's driving the – the higher reimbursements in the quarter? And maybe help us understand, sort of the trajectory for that for expense recovery for the – for the rest of the year. Thanks.

Glenn Gary Cohen
Chief Financial Officer & Executive Vice President, Kimco Realty Corp.

A

Yeah. I mean, recoveries are pretty strong. You have good – good collections. I think the other thing that is – we have a lot of tenants that are on fixed CAM. So, the recoveries there, those are pretty well set relative to the expenses that are going out the door.

So, some of it's a little bit of timing. We also did a little bit better on our insurance costs than – than we anticipated. So, that also helped.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

Yeah. It's more the benefits. That, again we try and identify benefits of scale, advantages of scale. And I think our insurance cost came in below what we anticipated from a budget standpoint. So, that is one that again because of the diversity of the – of the portfolio, the great results we've had in terms of – of – of loss prevention. So, that really is a testament I think to the team and the property management team and our insurance team.

Operator: Our next question comes from Alexander Goldfarb with Piper Sandler. Please go ahead.

Alexander Goldfarb
Analyst, Piper Sandler & Co.

Q

Hey. Morning. Morning out there. So, just a question. Clearly, it's an uncertain macro backdrop despite your strong first quarter. Most companies out there have even if they had a good first quarter, they maintained guidance unless it was something truly like onetime-ish outsized. So, either you guys are packing a lot more punch in there that gave you the confidence to raise or what else is giving you that comfort? Just I mean there's a whole host of risks out there, whether it's unforeseen tenant bankruptcies, job loss or whatever. But clearly, you guys are setting yourself up for a better outlook. So, just want to really understand what key drivers gave you that confidence.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

Yeah, it's a good question, Alex. I think when you look at the – the setup we have, clearly first quarter was – was a quarter that we thought with the bankruptcy noise in the market, with the – with the uncertainty of the consumer. There's a lot of soft data out there that we identify that has really obviously gone pretty negative post Q1.

The hard data, though, continues to be in our favor. If you look at our – our traffic, which is really a leading indicator, the consumer continues to shop with their feet and really it shows up in not only Q1 but also in April that we're posting very strong positive numbers in terms of traffic. The leasing demand continues to be rock solid. I think that's another piece of it that gives us a lot of confidence.

You look at the sign but not open pipeline, and the forecasting we can do on that cash flow coming in. It really gives us a lot of confidence to say that even if there's a significant pullback, that wide moat of that future cash flow coming online will still drive significant earnings growth going through this year and into next year. So, you put that and combine that with the strength of our balance sheet, the strength of our team, we really feel good about sort of the setup we have because we've done a lot of work to position ourselves for these types of environments. We've done a lot of work over the last decade to be really sort of – Kimco's in a great spot to take advantage of these dislocations and to prove out that like our thesis of reinventing the portfolio, improving the balance sheet, investing in our people will really pay off in these types of environments.

Glenn Gary Cohen
Chief Financial Officer & Executive Vice President, Kimco Realty Corp.

A

So, I'll just add, the first quarter, we are a penny ahead of what we thought our budget was going to be. So, a couple of things. Party City stayed in a little bit longer than what we had originally budgeted. So, that was – that was definitely a help. The operating metrics were better as I just mentioned. Our insurance costs are a little bit lower and we've been very, very conscious about where the spending is going. So, those all – those all help.

In addition, we have good visibility into the SNO pipeline. And as I mentioned in my prepared remarks, we feel really good about where those are coming on, and those are ahead of schedule as well. So, between those two things, and then buying back the stock, which was not part of the plan when we started the year, combine all that together, it gives us a lot of confidence about where we've raised guidance to.

Operator: Our next question comes from Craig Mailman with Citi. Please go ahead.

Nick Joseph
Analyst, Citi

Q

Thanks. It's Nick Joseph here with Craig. I recognize it's only been a month, but just would like your kind of color on how tenant conversations and how the leasing pace has been in April post – post the tariffs.

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

A

Yeah. Sure. I appreciate the question. So, obviously we came off a really strong Q1 and the expectation for everybody is what's to come. And so when you look at April already, we're about 46% of our total deals executed relative to last year. So, we're maintaining that pace in a very healthy way.

And actually on the non-anchor side we're about 65% ahead of plan – plan as it relates to last year. So, when you're doing a comparable year-over-year, we are maintaining this pace and having good visibility into what we've already done in April. And now when we look at our pipeline relative to last year and I'm using that as a comparison, as it seemed somewhat stable, you're continuing to see the – the look through has been very robust.

And so year-to-date and what we expect through moving into Q2 is – is a path and a track that still remains healthy as it relates to the conversations. The conversation continued to look at – look through the short-term volatility. Retailers are really about long-term strategic planning.

There is a – a history of disruption. And a lot of retailers have learned from the past that it's very difficult to stop a retail growth program and then to accelerate or reinstate it in time. And so I think what you're seeing is just understanding that the – the short-term volatility in the market doesn't want to disrupt what their long-term growth plans are.

So, we're continuing to see these opportunities to do package deals as Conor mentioned in his prepared remarks with Sprouts. We did five deals with Sprouts in Q1. We did those not only as a package but we did those in under 21 days, which is truly exceptional. And so I think it's the demonstration of not only our commitment working closely with the retailer, but the retailer's desire to also get these deals done as quickly as possible because they want to continue to hit their growth profile, get these stores open and get them cash flowing.

And so there's a mutual benefit there. And our whole team is structured around how do we get this done quicker, remove friction from the process to execute this deal sooner so we can get focused on the core of their business, which is really opening and operating the stores.

Now, when you look through it, Glenn mentioned like the SNO pipeline in terms of the activations in the openings, we have $16 million remaining in the pipeline that started – that's expected to flow through 2025. Neither of which is expected to flow in Q2 alone.

That said, we already have half of that committed and open in the month of April. So, we're – we're continuing to see the momentum, as – as planned through our guidance and in the luxury for the balance of the year has been fairly strong. And on the retention side, always the opportunity for retailers to reconsider or rethink where they want to position their store and location, where we're right now trending year-to-date over 90% on a retention levels, which is slightly ahead of plan where we were last year by about 5%.

When you look at the naked leases of anchors that have no options remaining, we had 25 remaining and we're at 99% resolved at this point. So, again it's just further evidence and demonstrating from the retailer side that they're committed to this phase, they're committed to the physical brick and mortar and the quality of our products, such that there is a greater value in staying and leaving. And – and for us, it's really incumbent that we stay very close to the retailers as they do navigate this volatility, but create opportunities as well for both sides.

Operator: Our next question comes from Haendel St. Juste with Mizuho. Please go ahead.

Haendel St. Juste
Analyst, Mizuho Securities USA LLC

Q

Hey, guys. Good morning. Appreciate the color on the Big Lots, Party City and Joann's outcomes and expectations. I was hoping you could add some color on the expected capital required to backfill some of these boxes? The timeline to cash flow from – to cash flow from new tenants. And will there be any subdividing of the boxes? Thanks.

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

A

Yeah, no, great question. So, on the Party City spaces, as Conor mentioned, we had 12 aside and we had over 13 executed in the quarter. So, we actually had over half of those executed or assigned, which is pretty remarkable considering it all happened under 90 days. And then the balance of those, we almost have the remainder with LOIs or at lease, so it's over that 90% basically in some form of resolution. With the Joann's, you're upwards of two-thirds to 70% in some form of resolution as well.

And on the capital side, we're seeing it similar to we saw on – on the Bed Bath way back when – on the Party City, it's like $40 to $50 a foot for those that have new deals executed on the Joann's around $50 as well. We're targeting obviously single tenant users. That is the priority one, two and three initially, and then ultimately becomes split box opportunities. It does require a little more capital, but you'll see that reflected in the rents to use of net-net. It's a – it's a really good outcome for both sides.

We've also converted a handful to grocery. So, back to the nine deals that we signed in grocery, a handful of those came from these opportunities that helped us succeed that 85%. In terms of expectation of cash flow because we're able to execute so many so early this year, there should be a handful that start to cash flow. It's really at the tail end of 2025, it will have a de minimis impact in terms of cash flow for this current year but we'll see the full benefit of that in 2026. And then the remainder we'll start to – to cash flow in the Q1, Q2 of 2026 as well. So, very encouraged by the momentum and the velocity that we're seeing today.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

It really all ties back to the lack of new supply. I mean if you think about our sector relative to other commercial real estate sectors with virtually no new supply coming out of the ground, this is really the opportunity set for the best quality, highest credit tenants to capture market share, especially in areas where they don't currently have presence.

And so that's why you're seeing so much demand for these spaces, because there's not many vacancies available, especially in a quality shopping centers. And then when you layer on the fact that it's super important to pick your landlord today with a thoughtful approach, that who is going to be there through different tumultuous times, retailers have proactively seen what we've been doing with our portfolio reviews, with our packaged deals, and have been more aggressive on why they do deals with Kimco.

Operator: Our next question comes from Juan Sanabria with BMO Capital Markets. Please go ahead.

Juan C. Sanabria
Analyst, BMO Capital Markets Corp.

Q

Hi. Good morning. I just noticed that the same-store pool count changed a bit quarter-over-quarter. It seems like some of that was moved into the redevelopments. Just curious, I guess what the same-store occupancy change was with and without that pool change because I didn't see that in the – in the supp this quarter.

Kathleen Thayer
Senior Vice President & Treasurer, Corporate Accounting, Kimco Realty Corp.

A

Thanks for the question, Juan. So, yeah, we're – we're following our definition on the same property NOI and our goal is really to provide a more consistent performance measure so that when you're looking at the population year-over-year, what's in there is – is providing some consistency. And so what we're doing is we're providing with and without which as you saw with the 30 basis points which is a really small amount that – that we're showing as a differential.

David F. Bujnicki
Senior Vice President, Investor Relations & Strategy, Kimco Realty Corp.

A

Juan, it's Dave Bujnicki. Also, in terms of our same site, those properties that are excluded that are under redevelopment are flagged on our redevelopment page. We have footnotes, so you could quickly see which ones are excluded from that calculation. And again we still disclose same-site NOI both with and without the redevelopment. So, you could still see what the impact is.

Operator: Our next question comes from Michael Griffin with Evercore ISI. Please go ahead.

Michael Griffin
Analyst, Evercore Group LLC

Q

Great. Thanks. Maybe going back to the backfill strategy. And clearly you guys have done a good job of finding assigners for these leases as well as getting a lot of pre-leasing done. Can you give us a sense of how you would justify maybe signing a lease versus saying hey we're going to take it back and try to lease it out. I mean imagine it's a property-by-property basis. But, are some just not good candidates for redevelopment? Like maybe give us a sense of your thought process really between those two buckets.

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

A

Sure. When you look at the assignees, obviously are they going to be a complement to the balance of the center? First and foremost, obviously these are all high quality retailers. So, usually they check the box in that regard. And then when you look at the current economics of the deal, is there a benefit to recapture the space upgrade – upgrade the tenancy and drive rents further north?

And is it worth the invested capital to do so could be a consideration. Obviously, if you're taking a space and there is an opportunity to combine it with an adjacent space to accommodate a grocery store or that space in itself could accommodate a grocer, which is first and foremost the priority for us. In a lot of these cases, that would be a consideration.

So, you go through the decision tree, you look at the suite of options that are on the table and make the best, obviously financial decision but also what's best for the long-term value of the site and the complement that's surrounding merchandise mix to drive value in the future.

Operator: Our next question comes from Greg McGinnis with Scotiabank. Please go ahead.

Greg McGinniss
Analyst, Scotiabank
Q

Hey. So, looking at the transaction market, whether acquisitions or structured investments, have there been any recent indications of weakening on pricing that may lead to more activity there yet or sellers taking a step back? And if cap rates remain sub-6%, is that 1950-ish level pre-fees for the stock buyback remain an attractive option for this year?

Ross Cooper
President, Chief Investment Officer & Director, Kimco Realty Corp.
A

Yeah. It's a great question. We are seeing that in the last month or so since the announcement of the tariffs that there has been a little bit of a wait and see. When you hear – when you see a shock to the system like we had, you don't typically see the impact overnight. So, it drags out over a period of time.

You feel you have various timelines, so you have to look at sort of where you are in the – in that particular deal. So, some deals have still continue to go forward. You have seen other deals that have been put on pause. As it relates to our strategy, we are tasked with investing accretively at a spread to our cost.

So, we have to evaluate all of the opportunities for our capital. You mentioned the stock buyback and just taking a step back and looking at what we've accomplished over the last six months. We've acquired several assets, including Waterford and The Markets at Town Center.

We acquired the two fee acquisitions on the grocery-anchored centers in Las Vegas, a couple of structured deals in New Jersey and South Florida, as well as another one that's in the pipeline in New York that I mentioned in the prepared remarks. And then, of course, the buyback of the $60 million of stock. So, we have all these tools available to us to invest capital. And at any given point in time, we're really evaluating what is the best use of that. And I would say the beauty of our plan as an organization for 2025 in particular is that it is not contingent upon our external growth target. So, anything that we do with our capital that's accretive and additive to that, we'll absolutely consider. But to the extent that it's not attractive, there's plenty of internal opportunities between redevelopment, leasing and otherwise. So, it's a really good setup for where we sit today.

Operator: Our next question comes from Wes Golladay with Baird. Please go ahead.

Wesley Golladay
Analyst, Robert W. Baird & Co., Inc.
Q

Hey. Good morning, everyone. Looking at your supplement, you have about $200 million to $365 million of apartment land. Can you tell us about how much of that you sell this year?

Ross Cooper
President, Chief Investment Officer & Director, Kimco Realty Corp.
A

Yeah. I think I mentioned in the prepared remarks that there is $100 million to $150 million of both ground lease opportunities, long-term leases that we'll look dispose of in addition to some of the entitlements and or non-income producing assets. What I would tell you is that the majority of that will come from the ground leases. Those are chunkier in nature just in terms of the size based upon the rents and the cap rates that we're able to achieve.

So, we do anticipate that we'll be able to dispose of some of the entitlements on the margin, but it's going to be a pretty small percentage of that overall land value that we have. We're really looking at each and every one of our redevelopment opportunities on the mixed use side to determine what is the activation strategy and if it's a core or non-core redevelopment opportunity. So, I think that will – we'll monetize around the edges, but we still feel really good about the long-term opportunity of a majority of our land that we have slated for future redevelopment.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

So, Wes, the only other thing I would add is that we feel like this is a program now that we set up, where we can do a recurring year-over-year. So, the population of ground leases, the population of entitled land, actually continues to grow. And so we feel like that range is achievable year in and year out, and so that – the mix might be a little different because sometimes the closing of entitled land takes it a little bit longer. But we are – we see a lot of opportunity to continue to mine the portfolio.

And we're still doing deals with ground leases, with Home Depot, Walmart, Costco, Lowe's, you name it. So, as we sell some of these, we're actually backfilling the portfolio with more product to be put into that 1031 triple net market to achieve very low cap rates and the same on the entitled side. You saw we entitled over 400 units this quarter and we continue to look at that pipeline of opportunities as ways to accretively reinvest, which is very different from the past when we had to transform the portfolio.

Operator: Our next question comes from Floris van Dijkum with Compass Point. Please go ahead.

Floris van Dijkum
Analyst, Compass Point Research & Trading LLC

Q

Hey, guys. So, following up on the recycling opportunities, obviously the ground rents, those tend to sell for 5% to 6%-ish, maybe even a little bit lower depending on where the – where the rent is to market. Significant accretive opportunities to – if you were to buy back stock at a 9% plus implied cap rates – sorry, FFO yields. If you could talk a little bit about the $100 million to $150 million, you say this is going to be a recurring thing. What percentage of that do you estimate could be used to repurchase stock?

And also in terms of share repurchases, will you set something up whereby it's sort of on autopilot depending on the share price? Or will you want to have control of your share repurchases so that you determine exactly when and where you – you repurchase based on disposition proceeds?

Ross Cooper
President, Chief Investment Officer & Director, Kimco Realty Corp.

A

Yeah. I think we always want to be in control of our decision-making, right. So, at any given point in time, things change pretty quickly. I think Conor outlined how quickly the team really came together to execute on the – on the buyback that we did just about a month ago.

And conversely I think we outlined a little bit of the thought process behind, when we issued the equity in the fourth quarter. So, we really enjoy the fact that we can be nimble. We can make decisions based upon where the market is, what's happening in the macro, what we see in terms of the opportunity set.

So, in terms of buybacks, stock buybacks, as I alluded to before, we have a host of ways to invest capital accretively between acquisitions, structured redevelopment, leasing. Buyback is just one of many tools that we have in our tool belt.

Glenn Gary Cohen

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

A

I'll just add also, it is also a balance, right. I mean just buyback loads and loads of stock generally right, you'll start to have impact on your balance sheet metrics. So, we kind of take all the pieces into account what is – what we can do with the capital accretively, while making sure that our balance sheet remains incredibly strong.

Operator: Our next question comes from Mike Mueller with JPMorgan. Please go ahead.

Michael W. Mueller

Analyst, JPMorgan Securities LLC

Q

Yeah. Hi. I think quarter-end physical occupancy was 92.9%, little under 93%. You noted 2Q dip. Just curious like where – where do you think you could end the year? What does guidance speak in for ending the year on a physical occupancy basis?

David Jamieson

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

A

Yeah. Yeah. Yeah. You're talking about economic occupancy right now. Yeah. So...

Michael W. Mueller

Analyst, JPMorgan Securities LLC

Q

Yeah.

David Jamieson

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

A

...I mean, right now, with Joann's, obviously if they all vacate as we have in our guidance at the end of May, I think it's about a 68-basis-point impact of occupancy. So, you're going to be navigating the ups and downs with – with some of that fallout. Obviously, our goal is to sustain it and grow it as best we can, but we wouldn't – we would anticipate a bit of a dip in the – in the interim, as we – and then offset as we start to get some of these other retailers open through our SNO pipeline.

Conor C. Flynn

Chief Executive Officer & Director, Kimco Realty Corp.

A

We don't embed any occupancy guidance in the numbers. So, but we do anticipate obviously a lot of leasing because the momentum is there. The demand is there. And we continue to think that where we ended last year near all-time high, we – obviously our goal is to – to lease as much as possible and we feel good about both the demand side on the anchor boxes that we're recapturing as well as the demand on the small shop as Dave went through in terms of how far we are ahead of last year at this point in time in the – in the year.

Operator: Our next question comes from Paulina Rojas with Green Street. Please go ahead.

Paulina Alejandra Rojas Schmidt
Analyst, Green Street Advisors LLC

Q

Good morning. And could you elaborate a bit on the two projects listed under ground up developments, North Towne Plaza and Gordon Plaza, both around $15 million? And the projects seem a bit unusual in the sense that they are using existing land and – and at least one of them seems to involve completely redoing the center. And so more color on that. And if you could indicate if you see more opportunities to pursue similar projects in the future.

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

A

Yeah. I appreciate the question. Yeah. So, we have two – two projects that we listed on the supp this quarter underground of development. Starting first with North Towne Plaza. It parlays very well into the five Sprouts leases that we talked about earlier. This is legacy land acquired from the Weingarten transaction several years ago. There's a bunch of vacant parcels that are yet to be developed with the infrastructures in place.

Currently, there is – there's Lowe's on site. There is a handful of small shop buildings that were constructed that are partially occupied. This is an opportunity in line with Sprouts' growth strategy to bring them to the center which will have a significant upgrade in terms of our ability to lease now the remaining vacancy that's already been in construction and been sitting there, so be about 20,000 – 23,000 square foot Sprouts. And then we look to most likely ground lease the adjacent out parcels that are there. So, it's just a continuation of further maturing the site that's been there for a number of years.

And then on Gordon Plaza, it's actually an existing shopping center that – that became somewhat defunct. There's a lot of vacancy. It was somewhat obsolete in its current configuration. So, what we ended – what we're ending up doing is actually demolishing the center and doing three major deals, one with Home Depot, one with Aldi, and one with Chase Bank. Our responsibility there is just the infrastructure work. So, it's doubling, clearing the site, putting in the critical infrastructure, and then construction is being passed on to the adjacent tenants.

So, both – both were hiring better uses for the existing land, obviously that very much is in line with our strategy of always trying to identify highest and best use while also being risk adjusted, making sure that we're pursuing the rate of return that's appropriate.

Operator: Our next question comes from Linda Tsai with Jefferies. Please go ahead.

Linda Tsai
Analyst, Jefferies LLC

Q

Hi. In terms of the 68 bps dip in occupancy in May from Joann, is your expectation that the dip in economic occupancy 2Q is the trough? And would you expect more discernible improvement in 2Q or in 4Q?

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

A

I know it's going to be probably in 3Q, yeah, and then into 4Q as you start to get the channels open from the SNO pipeline to offset some of that dip.

Operator: Here's a follow up question from Alexander Goldfarb with Piper Sandler. Please go ahead.

Alexander Goldfarb
Analyst, Piper Sandler & Co.

Q

Hey, Conor. Just wanted to go back to RPT and your whole sort of under-promise over deliver. Just sort of curious from the time that you did the deal till now, how much extra you're getting out of it, I'm curious. I don't know if you still break out the performance, but how the same-store of that portfolio is trending versus the Kimco portfolio?

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

Yeah. Thanks for the question, Alex. I think when you look back at the timing of that transaction, it was really Q1 last year. So, really that first year of outperformance, I give a lot of credit to the SNO pipeline that was really built up by the RPT team. And this is really the first year where I think that Kimco team has been able to shine and showcase what they can do with it.

Because in essence, if you signed deals last year, they're really starting to commence this year. And this quarter was the highlight for us because RPT produced 9.9% same site NOI for us, which is – which is really incredible when you think about the ability of the team to execute both on the anchors and the small shops, converting a number of those sites to grocery-anchored assets.

And we continue to mine for future opportunities. As you know, Mary Brickell Village is the crown jewel there and we continue to see significant mark-to-market on leases there as well as future density opportunities. So, we're excited about that transaction. We continue to squeeze juice out of it. We continue to think it's going to be a big win for Kimco shareholders – shareholders over the long term.

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

A

Yeah. I'd just also add that on the small shop side, that was – that was a big point that we're highlighting when we acquired the – the portfolio as an opportunity to increase and just quarter-over-quarter it's up 50 basis points, year-over-year up over 100 basis points. So, it seems we're doing a great job in that regard.

Operator: Our next question comes from Michael Gorman with BTIG. Please go ahead.

Michael Gorman
Analyst, BTIG LLC

Q

Yeah. Thanks. Good morning. Maybe just quickly understanding there's still a lot of demand out there from retailers. They're moving forward with plans. I wonder if in the last month, in your conversations, there's been any shift in the requests for CapEx work or CapEx budgets or – or discussions that retailers are going to have to spend more dollars on their supply chain or on holding extra inventory and maybe requests for more buildout work. Has any of that shifted in the last 30 days or so?

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

A

No. It – it hasn't materially. I think it's – right now they're – they're sort of – they're working through their supply chain issues. Obviously, there is a number of headlines with how retailers have frontloaded their inventory levels into the US. They've been working on diversifying their supply chains over the last several years as – as per the first round of tariffs in 2017-2018. I think a lot of retailers have been preparing for the event. Obviously, there's still disruption on their end. But from a cost standpoint right now, there's – there's no material impact.

Operator: [Operator Instructions] We have a follow-up question from Linda Tsai with Jefferies. Please go ahead.

Linda Tsai
Analyst, Jefferies LLC

Q

Hi. I just wanted to ask, how much was traffic up and any differences by region? And how does that compare to 1Q.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

Yeah.

Linda Tsai
Analyst, Jefferies LLC

Q

To 4Q, sorry.

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

A

Yeah. Sorry. April traffic is actually up 6% year-over-year, so it's moving. We're continuing to see the activity at the shopping centers.

Geographically, it's pretty well evenly distributed. Obviously, the South but also the Pacific Southwest is seeing – are seeing levels slightly higher than that. So, we're – we continue to be encouraged by the activity from the consumer resilience – resiliency of our product.

Operator: This concludes our question and answer session. I would like to turn the conference back over to David Bujnicki for any closing remarks.

David F. Bujnicki
Senior Vice President, Investor Relations & Strategy, Kimco Realty Corp.

Thanks for joining our call today. We look forward to meeting a number of you at the upcoming NAREIT Conference in June. Have a great day.

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