Tanger Inc.
Second Quarter 2026 Earnings Call
August 5, 2026

Presenters
Ashley Curtis, Assistant Vice President, Investor Relations
Stephen Yalof, President and Chief Executive Officer
Michael Bilerman, Executive Vice President, Chief Financial Officer and Chief Investment Officer
Doug McDonald, SVP, Treasurer and Investments
Justin Stein, Executive Vice President, Chief Revenue Officer

Q&A Participants
Michael Griffin – Evercore
Greg McGinniss – Scotiabank
Akhil Guntupalli – J. P. Morgan
Juan Sanabria – BMO Capital Markets
Floris Van Dijkum – Ladenburg Thalmann
Richard Hightower – Barclays
Andrew Reale – Bank of America
Todd Thomas – KeyBanc
Naishal Shah – Green Street
Omotayo Okusanya – Deutsche Bank
Caitlin Burrows – Goldman Sachs

Ashley Curtis
Good morning. I'm Ashley Curtis, Assistant Vice President of Investor Relations, and I would like to welcome you to Tanger Inc's second quarter 2026 conference call. Yesterday evening, we issued our earnings release as well as our supplemental information package and investor presentation. This information is available on our IR website, investors.tanger.inc.

Please note this call may contain forward-looking statements that are subject to numerous risks and uncertainties and actual results could differ materially from those projected. We direct you to our filings with the Securities and Exchange Commission for a detailed discussion of these risks and uncertainties. During the call, we will also discuss non-GAAP financial measures as defined by SEC Regulation G. Reconciliations of these non-GAAP measures to the most directly comparable GAAP financial measures are included in our earnings release and in our supplemental information.

This call is being recorded for rebroadcast for a period of time in the future. As such, it is important to note that management's comments include time-sensitive information that may only be accurate as of today's date, August 5th, 2026. At this time, all participants are in listen-only mode. Following management's prepared comments, the call will be opened for your questions. We request that everyone ask only one question and one follow-up question. If time permits, we are happy for you to re-queue for additional questions.

On the call today will be Stephen Yalof, President and Chief Executive Officer, and Michael Bilerman, Chief Financial Officer and Chief Investment Officer. In addition, other members of our leadership team will be available for Q&A. I'll now turn the call over to Stephen Yalof. Please go ahead.

Stephen Yalof
Thank you, Ashley, and good morning everyone. I'm pleased to report another strong quarter for Tanger reflecting the continued strength and durability of our proven leasing, operating, and marketing platforms, and our creative external growth initiatives. This momentum shows up directly in our results and gives us confidence to raise our full-year 2026 guidance.

Quarter-end occupancy of 96.6% is in line with a year ago, and as expected, a slight moderation from the first quarter, reflecting our proactive recapture of the Saks Off 5th space we discussed last quarter. We're taking a strategic approach to these closures. Backfill deals are already in our pipeline, and we're leveraging our temp tenant program to bridge select spaces while we work to execute new long-term deals. These boxes sit in some of our top performing assets, and we see them as real opportunity to add more productive uses and in-demand retailers with meaningful upside in rents and return on our invested capital.

Our leasing results demonstrate the successful execution of our merchandising strategy and the continued demand to be in our centers. Over the last 12 months, we've executed over 650 transactions totaling 3.3 million square feet. Blended rent spreads were 10.5% marking our 18th consecutive quarter of positive rent spreads. We have renewals executed or in process for 70% of our 2026 expirations and continue to make progress re-tenanting less productive space.

We continue to expand and elevate our roster with popular and highly sought after brands, food and beverage concepts, and service and entertainment uses, driving ongoing improvements in the quality and diversity of tenants seeking space in our centers. Notably, retailers once focused on major metros are now increasingly adding stores in mid-tier markets where many of our centers are located. This demand is created by the continued consolidation of the department store business, the lack of new retail development across the country, and the substantial permanent population growth in our markets coupled with strong tourism activity. As we grow our lifestyle portfolio, we are broadening our retailer base and seeing demand from brands native to each of our platforms, along with increasing opportunities for cross-platform growth. The successful execution of our initiatives has resulted in a more diverse and productive tenant roster where the top 25 tenants, which represents more than 60 brands, now comprise approximately 50% of our rent, down substantially from over 60% five years ago. In the same time period, we've grown our portfolio to over 800 brands, up from approximately 500.

This quarter, we saw the benefit of increased international and domestic tourism. The World Cup demonstrated our ability to capture opportunity and traffic from major events in our markets. We're excited to see even more sports and entertainment activity coming to our adjacencies, including the new Chief Stadium in Kansas City and the Sphere development at National Harbor. Through our early back-to-school promotions, our outlet centers have become the destination for this important shopping season, and we're particularly encouraged by continued engagement we're seeing from younger customers.

Our marketing platform remains a real differentiator for Tanger, enabling us to reach shoppers where they prefer to engage with personalized offers delivered through their preferred channel. This approach is driving higher subscriber and engagement activity while we also continue to build on our TangerClub loyalty cohort. Our investments in AI further strengthen these efforts. Our AI-powered communications match our subscribers with relevant messaging from the brands they select and contribute to increased open rates, wallet downloads, and shopper visits. Beyond marketing, our AI-enabled customer service tools now handle the majority of all inquiries, and the volume continues to grow.

Looking ahead, we're focused on expanding these initiatives to streamline operations, sharpen our marketing and consumer engagement, and free up our team for higher value work. The value of this engagement combined with the impact of our on-center events, activations, and partnerships is directly visible in our results. Traffic remained positive in the second quarter and the momentum has continued into July and the important back-to-school season. Average tenant sales reached $487 per square foot on a trailing 12-month basis, up 5% year over year.

This performance reflects our strategic improvements to the portfolio through new development, acquisitions, dispositions, and peripheral land activation along with our continuous merchandising across both existing and newly added centers. We still have continued runway for growth with a relatively low occupancy cost ratio of just 9.7%.

Our disciplined external growth strategy continued this quarter with the acquisition of Levis Commons Town Center, an open-air lifestyle center in a vibrant, mixed-use district in the Perrysburg submarket of Toledo, Ohio. This market-dominant center has an expected first-year return of roughly 8.5% with room to grow over time. This is the seventh open-air center and the fourth lifestyle center we've added in the past three years. Across all of them, we've proven our ability to apply our platforms and drive real growth.

Across our portfolio, we continue to benefit from favorable demographics and population growth in the markets we serve. Over the past 15 years, the areas around our centers have grown at roughly twice the national average, and growth within a 10-mile ring of our centers has exceeded their MSAs by about 25%. We expect that trend to continue driving incremental demand and traffic over time, reinforcing our centers as the anchors of the thriving communities they serve, and creating additional long-term opportunities to increase rents, invest capital, and unlock value.

Our balance sheet gives us the flexibility to take advantage of this growth, and we remain conservatively levered with substantial capacity to fund both our external growth and our reinvestment in the existing portfolio. I want to thank our dedicated Tanger team members, retail partners, shoppers, and shareholders for your continued support. I'll now turn the call over to Michael to discuss our financial results, capital market activity, and updated guidance in more detail.

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Michael Bilerman
Thank you, Steve. For the second quarter, Core FFO was $0.64 a share compared to $0.58 a share in the prior year period, an increase of 10.3% driven by our strong internal growth and our accretive external growth. Same Center NOI increased 3.5% for the quarter, driven by increased base rents and tenant reimbursements from our continued strong leasing activity, along with ongoing growth in our other revenue streams. Our tenant watch list remains at low levels, and we are encouraged with the momentum that we're seeing in our business, and we have raised our FFO and Same Center NOI guidance.

Our balance sheet is extremely well-positioned with low leverage, ample liquidity, and a largely fixed rate debt structure. At quarter-end, Net debt to Adjusted EBITDA was at 4.7 times, flat with year-end 2025, and that provides us capacity relative to our five to six times target. 100% of our debt is at fixed rates, including swaps. Our weighted-average interest rate is just about 4%, and our weighted-average term to maturity is 3.3 years.

We ended the quarter with approximately $1 billion of total liquidity. This includes $355 million of cash, short-term investments, and our delayed draw term loan commitments, the full availability in our $620 million unsecured lines of credit, and $24 million of proceeds available to us from the forward equity that we issued under our ATM program. This liquidity gives us the capital that we need to redeem the $350 million of unsecured bonds maturing in early September, as well as to be able to continue to fund our internal and external growth initiatives.

In July, our board authorized a quarterly dividend of $0.3125 a share, which reflects a 7% increase over last year reflecting our continued FFO growth and the confidence in the durability of our cash flow. Our payout ratio remains at low levels in the low 60% range, providing additional liquidity to fund our growth and serve as a basis to continue to grow the dividend over time.

Based on our year-to-date performance, the acquisition of Levis, and our outlook for the balance of the year, we are raising our full-year 2026 guidance. We now expect Core FFO per share of $2.45 to $2.52, which is up from $2.42 to $2.50 a share previously. Our new midpoint represents 7% growth over last year. We have raised the low end of our Same Center NOI growth guidance to 2.75% from 2.25% previously, with the high end remaining unchanged at 4.25%. Our guidance for G&A, as well as recurring cap ex are unchanged from last quarter, while our expectation for net interest expense has increased modestly due to the acquisition of Levis, the interest earned on our cash, and changes in the forward curve. Our guidance does not assume any additional acquisitions, dispositions, or financing activity. For additional details on our key assumptions, please see our release issued last night.

We look forward to seeing many of you at the NYSE Real Estate Investor Access Day in August and at the Evercore, Barclays, and BofA Securities conferences this fall. Finally, I encourage you to take a look at the photos and video that we've embedded in our investor presentation on our website. They give a visual sense of much of what we've discussed today, including the quality of our centers, our tenant base, and platform that continues to set Tanger apart. With that, Operator, we'd now like to open the call for questions.

Operator
Thank you. [Operator instructions] Our first question will come from Michael Griffin from Evercore. Please unmute your line and ask your question.

Michael Griffin
Thanks, good morning. Steve, I'm curious if you can comment at all about the health of the consumer that you're seeing in your portfolio. It seems like leasing's really kept pace despite the elevated gas prices that we've seen over the past couple months. I mean, have you seen a shift in the customers that are coming to your centers, maybe some of the folks that might fly somewhere for vacation or drive into Hilton Head instead? Just curious if you can give us some sense of where the consumer stands in the portfolio.

Stephen Yalof
Sure, Michael, and thanks for the question. We think the customer's quite resilient, especially this year. We had anticipated some headwinds at the beginning of the year, higher gas prices, higher interest rates, but that's really caused a lot of folks to stay domestic this year, couple that with the World Cup, and we've seen a lot of folks coming through shopping centers this summer in addition to what we had anticipated. We're finding a much younger customer come and shop our centers as well. And I think that that's a really important cohort. It's one that we've done a great job of marketing to, but more importantly, we've been leasing space to brands that these younger customers are looking for. So, I think the combination of all those things has led to a really robust customer traffic this summer.

I'll layer in one more thing, the movie business. Movie business, the movie grosses right now are back to the numbers that they were pre-COVID. The three movies that are out currently right now, largest box office ever. We're seeing extended hours in a lot of the movie theaters, so our centers are enjoying customers coming a lot earlier, staying a lot later. And with the restaurants and other services that we've brought into the mix, in both our outlets and lifestyle centers, we're seeing that as a great draw. People are coming early to enjoy the shopping, staying late and enjoying the dining, and that flywheel that we've created in the new merchandising mix has really been a great customer draw.

Michael Griffin
Thanks, Steve. That's certainly helpful. Maybe one for Michael on the transaction market opportunities. Clearly you closed the Levis deal this quarter at a pretty attractive year one yield. What does the competition set look like for both outlets and lifestyle centers? And how do you think Tanger is well positioned to potentially capitalize on future external growth opportunities?

Michael Bilerman
Thanks, Griff. We're pleased that we have the balance sheet capacity to act, and what we've been able to demonstrate through the seven deals that we've bought over the last three years is where we can leverage our platform to create value is really where we're able to create long-term stakeholder returns. And so, when we look at transactions, really where can we leverage our leasing, operating, and marketing platforms to create value that others may not see? I would say the other aspect of our external growth strategy is

being able to look at both outlets and open-air lifestyle centers in a lot of mid-tier markets where there may not be as much robust competition allowing us to transact. It is a competitive marketplace, there's more capital chasing retail, as evidenced by the fundamentals, which are strong, limited supply, and the attractive growth opportunities, and we're going to stay prudent and disciplined in our efforts.

Michael Griffin
Great. That's it for me. Thanks for the time.

Operator
Our next question will come from Greg McGinnis from Scotiabank. Please unmute your line and ask your question.

Greg McGinnis
Hey, good morning. Thank you. On the Saks locations, how far below market were those leases, and what type of large format customers do you think is going to be additive to the centers where you bought back the leases? And then, if you could also touch on the cap ex needs, that'd be appreciated. Thank you.

Doug McDonald
Sure, Greg, it's Doug. The ones that we acquired, we felt provided a considerable opportunity to mark those to market. We haven't discussed exactly what those are, but I'd say that the rents that were in place were similar to the temporary rents in our portfolio, and we've said before that those provide an opportunity for often a two-to-four times multiplier on the new rents. Some of these will be single user replacements, some will be multi-tenant. We're trying to find the best fit for each of these centers, and we are in advanced discussions on some of the centers. The cap ex needs are going to depend on the use and whether we're splitting boxes, but the overall economics we felt provided a really significant return on our investment, and we're excited about the value creation opportunity going forward on those.

Greg McGinnis
Okay, thanks. And then, in looking at your occupancy, there's plenty of centers with over 98% occupancy. Is there excess land where you can capitalize on some potential ground up development opportunities in these proven locations, or do acquisitions make more sense to use that balance sheet capacity from a risk and cost-adjusted perspective?

Stephen Yalof
Well, I think both provide great opportunities for us. With regard to the existing portfolio, a lot of these centers when they were built years ago, a lot of excess land was acquired. And we've been speaking over the past few years about our peripheral strategy, where we've been monetizing that peripheral land. And one of the great shots in the arm that a lot of our centers, particularly in the outlet space, have seen, is the fact that permanent population is now moving closer and closer in to centers that were originally built far away from department stores and other wholesale sensitivity issues. Now, with this great wave of folks moving out of bigger cities, moving into some of these mid-tier markets, places like Myrtle Beach and

Pooler, South Carolina, our centers, they want to be more things to more people, giving us the opportunity to really monetize a lot of that external land opportunity.

We've got a lot of case studies that we could share with you of things that we've done. With regard to expanding existing centers, a number of these centers were similarly built with expansion opportunity, and that's something that we're leaning pretty heavily into right now. We're currently under construction in a couple of our centers across the portfolio, to renovate, rehabilitate, but also expand those centers to create more upside, more opportunity, and create the space that today's retailers and restaurants are looking for in modern presentations and shopping centers.

Greg McGinnis
Okay, thank you.

Operator
Our next question will come from Akhil Guntupalli from J.P. Morgan. Please unmute your line and ask your question.

Akhil Guntupalli
Good morning, this is Akhil Guntupalli on for Michael Mueller. It's been nearly a year since you made the Legends acquisition in Kansas City, can you give us an update on any significant changes or upgrades that are underway?

Doug McDonald
Sure. We've been really happy with the performance there so far, it's a great asset, we're excited about the market, all the demand drivers in that market. We've had some good traction on the leasing side, we've been able to find some efficiencies on the operating side, and we're really excited about the value creation opportunities that will continue to present themselves at that center as we keep executing.

Akhil Guntupalli
Got it. Thanks. One more question from my side. When you look at your tenant roster and lease expirations for next year, how are you thinking about bad debt levels and how could that trend compare to what you're seeing this year?

Michael Bilerman
We'll continue to approach the market conservatively and evaluate things on an ongoing basis. Our watchlist today, as I mentioned in the comments, remains at low levels as some tenants have rolled off, and so the overall demand levels are positive, but we continue to make sure that we understand our credit levels.

Akhil Guntupalli
Got it. Thank you for taking my questions.

Operator
Our next question will come from Juan Sanabria from BMO Capital Markets. Please unmute your line and ask your question.

Juan Sanabria
Hi, can you hear me?

Michael Bilerman
Yeah.

Juan Sanabria
Great. I'm happy I was able to figure that out. Just with regards to the ancillary income line and the various drivers of that, just curious if you could size the opportunity on a long-term basis on marketing, events, loyalty, all the various different initiatives you have, and what's at the forefront of driving growth over the near to medium term.

Michael Bilerman
Thanks, Juan. It's been an area that we have focused on to create additional value beyond the lease line. You look at that other revenue stream, it equates to almost a half a million dollars per center on average, and we feel that there are opportunities to continue to grow those line items. We have the opportunity certainly at the deals that we acquired, Doug just talked about Kansas City. One of the things that was very evident, and I think you were on our tour last year, was just the signage, old static advertising that we can enhance. And so, not only in the core portfolio where we continue to find opportunities to drive value in selling our assets as marketing mediums, and then adding other sources of additional revenue as we've grown our loyalty program, as we've put additional services, whether they're EV charging or solar, or any other way to generate additional income from just beyond leasing, those are the things that we're flexing. And I would say that opportunity within our acquisitions is one part of the value creation that we see from our platform.

Juan Sanabria
Thanks. And then, if we could just go back to Saks and just more broadly the occupancy expectations. How should we think about the trends and occupancy that help drive same store NOI for the balance of the year? And is there any incremental drag from the second quarter to the third from Saks, or actually a pickup with some other boxes at least being temporarily filled?

Michael Bilerman
Great. Yeah, we focus on NOI, cashflow, and value creation. Occupancy is just a metric, and obviously we care about driving ultimately EBITDA per square foot. So, as you saw this quarter, the impact of Saks sequentially was about 45 basis points. We took back 150,000 square feet of Saks stores, about half which are currently temped, and the other half, which are vacant, about 70,000 square feet. We would expect our occupancy to seasonally build, as it normally does through the balance of the year, and with our roll next year, we'll continue to look at opportunities to continue what we've been doing, which is actively re-

merchandising our space, weeding out lower productive and bringing in higher productive tenants that can pay higher rents.

Juan Sanabria
Thank you.

Operator
Our next question will come from Floris van Dijkum from Ladenburg Thalmann. Please unmute your line and ask your question.

Floris van Dijkum
Hey, thanks guys. Follow-up, I guess, on the impact of the Saks re-tenanting. Maybe if you could talk a little bit about the impact of potential re-tenanting on your cruising speed, i.e., your fixed annual rent bumps. Presumably Saks was paying not only a low rent, but also with very low escalators, maybe talk about how you expect your cruising speed to increase and also what you're achieving in terms of your fixed CAM bumps these days.

Michael Bilerman
Thanks, Floris. So, in terms of fixed CAM, we do get higher bumps on our fixed CAM relative to base, anywhere from 100 to 200 basis points greater, and then as you think about cruising speed or embedded growth, the Saks deals were very low rent paying as Doug outlined. And so the opportunity now is to take 150,000 square feet that's paying basically no impact this year, very limited, and turn that into fully productive rent-paying space at market for those boxes. And so that will just be part of the continuation of growing our NOI base. We do have about 20% roll every year, and that serves as an opportunity to re-mark our space to market. We've been running at about 80% renewal rate, and so depending on our leasing for next year, that will all effectively roll in to our growth outlook.

Right now, our rents relative to sales continue to be low at only 9.7%, and our sales have increased pretty meaningfully. And so our ability to capture that upside either by bringing in higher productive tenants or capturing the sales upside that our tenants are receiving and flowing that into our business and then trying to operate our centers the best that we can and drive as much upside in our revenue base as possible to continue to grow our NOI and value for stakeholders.

Floris van Dijkum
Let me try asking the question another way, Michael. Your tenant sales, I think, improved 4.7% this past quarter. Are you able to get those kinds of increases in your lease contracts or how much room do you have to push the annual escalators in your new contracts?

Michael Bilerman
If you look at our strategy, we've kept our renewals shorter, right? The average term, if you look at the supplemental on page 12, our renewals have averaged three and a half years, our new leases have been average of nine years, and that sales productivity number reflects the tenants going out and their lower

sales productivity, as well as the tenants that are rolling in. Obviously, those that are rolling out may have a higher occupancy cost than those that are lower. It may not be working for them. So I wouldn't correlate exactly one to the other, but over the long term, our NOIs have a gravitational pull towards the overall sales level. And so we feel our mark to market, given our shorter duration, is really what's driving NOI rather than the contractual rent bumps when we have so much rolling, as well as still about 10 percentage points of temp.

Floris van Dijkum
Thanks, Michael.

Operator
Our next question will come from Richard Hightower with Barclays. Please unmute your line and ask your question.

Richard Hightower
Yeah. Hey, guys. Sorry about dialing in from phone here. Hopefully you can hear me.

Stephen Yalof
We hear you.

Richard Hightower
Can you guys hear me?

Stephen Yalof
Yep.

Richard Hightower
Okay, great. Yeah, maybe just following up on a similar line of questioning, but given the composition of what you've got rolling in the next couple years and granting that there is obviously a range of tenant sales and sales growth within that, I mean, is it reasonable to assume that continued double-digit spreads are achievable given the moving parts as we understand them today?

Stephen Yalof
Yeah, we think our rents have a lot of run rate left in them, for sure. If you think about the tenants that we keep on adding into the center, we're replacing poor performing retailers with better performing retailers. We just did our third round of Sephora deals. We're up to 14 Sephora stores across our portfolio where we replaced older poor performing $200 a square foot retailers with retailers doing business over $1,000 a square foot. That creates this great flywheel of growth. Our sales performance across our portfolio is up over $100 a square foot over the past five years. And as you look at occupancy cost ratio, the occupancy cost ratio is a reflection of our sales and rents. So if we've managed to keep our occupancy cost ratio pretty

flat at that 9.7% number, but all the while growing our sales performance across our platform, embedded in that is our ability to continue to push our rents forward.

Richard Hightower
Okay, that's very helpful. Maybe one on capital allocation as well, but obviously, there's been a noticeable shift in favor of more lifestyle center exposure in the portfolio. Is there a theoretical upper limit on what that might look like over time? And then maybe from our seat over on the analyst side, how should we think about the risk of lifestyle versus traditional outlet in different economic environments? How should we think about cap rates? How do you guys think about the risk and return profile just on a go-forward basis?

Michael Bilerman
Yeah, thanks, Rich. We don't have a target in mind. We're trying to buy the best centers, whether they're outlets or open-air lifestyle centers. There's not an ideal mix. We approach every transaction and what value we can add to the asset and what value the asset adds to our portfolio. We're conscious of the difference in tenant base modestly, but I would say that we've benefited dramatically, as Steve talked about in his opening comments, about the cross-pollenization of tenants, tenants that are in our outlet portfolio that find value in our lifestyle centers and vice versa, those that are in lifestyle finding us in the outlets.
So we underwrite risk appropriately and we believe the compliments of the two asset classes are very synergistic given the tenant base is largely the same. The assets operate and have the same level of operating intensity. And the marketing aspect we feel is a really competitive advantage that we have built on the outlet front that has lent itself extraordinarily well to the lifestyle centers that we've acquired. And so we'll continue to evaluate the opportunities and ultimately to create value for stakeholders.

Richard Hightower
Okay, great. Thanks, Mike.

Operator
Our next question will come from Andrew Reale with Bank of America. Please unmute your line and ask your question.

Andrew Reale
Hi, good morning. Thanks for taking my questions. Maybe if we could just jump back to the consumer and tenants for a second. I'd just be curious, any more detail on what you've been hearing from retailers in conversation just in terms of early indications on how back-to-school has been and what retailer outlooks are for the balance of the year maybe through the holiday season?

Stephen Yalof
We look at our outlet platform as the destination for back-to-school shopping. Back-to-school is the second biggest shopping holiday of the year. A lot of our promotional dollars, particularly in the outlet space, are geared towards driving that customer into our centers for that period of time. The customers that shop our centers, particularly in the outlet space, are looking for their famous brands, but they're looking for the best

possible price. And a lot of the initiative that we're doing around back-to-school and early back-to-school shopping gives those shoppers not only the values that you get in store, but additional value for being members of our club, our loyalty club, and our Tanger club, which is over 12 million people right now.

So the consumer is definitely voting with their dollars. Our traffic has been up for the quarter. Our sales performance continues to grow, and we continue to bring the brands to the consumer that they're looking for. Younger brands for a younger consumer, we're finding the Gen Alphas and the next generation of consumers are the cohort that want to shop in center the most right now. So brands like Sephora, Ulta, Miss A, which we've just added a couple of Miss A stores, they're looking for health and beauty products at a price point that makes sense for them. They continue to shop athleisure. We've got a whole host of athleisure brands that continue to grow that cohort of brands as well. And then they're looking for experience. And experience can come from the entertainment that they get in a movie theater or in a swim school such as one that we just put in our center in Huntsville, but also from places like Coach Cafe, which offer a unique spin on their coffee and pastry offering that makes for Instagram-able moments for the folks that are coming in. We just put our first in our center that opened this quarter in Phoenix and it's drawing incredible crowds.

So our responsibility using our marketing to drive customers into our shopping center, our leasing team doing an amazing job of bringing relevant brands to the center, as well as uses that these folks are looking for, has really created the opportunity for us to continue to be the destination for back-to-school shopping this summer. And we don't see it slowing down going into the third quarter.

Andrew Reale
Got it. Thanks. Maybe a follow-up on that. I mean, I saw in the presentation non-apparel GLA is now 32%. That's up from about 19% several years ago. I guess what's the target mix for non-apparel tenants in terms of GLA and how do non-apparel tenants, how have they impacted productivity and traffic at your centers?

Stephen Yalof
Yeah, I think it's the diversity of uses that's really driving the traffic to the centers. I think each center's unique because there's going to be markets like Sevierville, Tennessee that we reside on a street full of restaurant and entertainment. Our shopping center is very pure play. So that mix of alternative uses will probably be less than you might find in a Savannah where we seem to be the dominant shopping center in that market. We just added a Sandbox Virtual Reality. We just added a Dave & Buster’s. So by center, we're going to merchandise those centers for the market, for the mix, for the crowd. We're going to listen to our customer, listen to what they want. We're going to execute accordingly. And our plan is to constantly drive new brands, new uses, new amenities, new fashion in order to create the best mix that's going to drive the most amount of traffic.

I think we've been doing a really good job to date. And with the retailer open to buys, don't seem to be slowing down. I think we're going to continue to do a great job into the coming quarters.

Operator
Great. Our next question will come from Todd Thomas with KeyBanc Capital Markets. Please unmute your line and ask your question.

Todd Thomas
Thanks. I wanted to go back to Saks if I could. First, for the three boxes currently occupied by temporary tenants, are those temp tenants in occupancy at economics that would equate to a similar two to four times multiplier once permanently tenanted as you mentioned, Doug? Or is there a greater opportunity from these boxes specifically? And then by definition, I suppose the temp tenants are expected to vacate too. When might you expect to recapture those three spaces?

Doug McDonald
Sure. The good news is that even with temp tenants, we're able to effectively replace most of the rent that Saks was paying. So there is still a strong opportunity on the permanent re-tenanting from those boxes. From a timeline perspective, we're going to continue to evaluate the best options, and not only on pure economics, but the merchandising fit for the center and how these new tenant prospects can help drive traffic and drive other leasing efforts around the center. I think you'll see a bigger impact on the 2028 numbers than you will in 2027 from the new permanent tenants coming in, but we're excited about the runway and the opportunity there.

Todd Thomas
Okay. Yeah, that's helpful. And regarding the timeframe to retenant vacant spaces, I guess, you just mentioned 2028, you've talked about the speed and efficiency of re-tenanting space in the outlet format generally, but yeah, these were larger spaces. You talked about potential plans to split some of these. So, I guess the realistic timeframe to recapture rent ... Would you expect any impact in 2027? Or is this mostly a 2028?

Doug McDonald
Yeah, 2027 can have a minimal impact, but typically with our average square foot being around 5,000 feet, those are the ones that we can turn pretty quickly, 60 to 90 days to build out, get open. But with these boxes averaging 25,000 to 30,000 feet, it's just a longer timeframe, and it's also we want to make the right decision. If there's landlord work involved in splitting boxes, that adds to the timeline. There will likely be some permanent rent coming out of certain of these boxes next year, but it'll be more weighted toward the back half of the year with a bigger impact felt in 2028.

Todd Thomas
And then just back to acquisitions, I was just wondering if you could talk a little bit about how the acquisition pipeline looks today. Just curious if the opportunities that you're seeing are improving. And can you also speak to cap rate trends, whether there's been any change in pricing as you're looking out at new opportunities?

Michael Bilerman
Thanks, Todd. I'd say the pipeline is very active. There is more things on the market today, and we continue to build our off-market pipeline looking for ways that we can leverage our platform to create value for stakeholders. Whether the seller wants to stay in or not, we feel we have a really big competitive advantage with the platform that we've built.

To your second part, it is competitive. You've seen cap rates compress, and so that just means we have to be very disciplined in finding the deals that work for our stakeholders that ultimately create both financial and strategic value. And we are very pleased to have purchased Levis this past quarter and to have deployed almost $1 billion over the last three years at very accretive spreads. And that's what we'll continue to be focused on, targeting both outlet, open-air lifestyle centers in both our existing and new markets.

Operator
Our next question will come from Naishal Shah from Green Street. Please unmute your line, and ask your question.

Naishal Shah
Hey, morning. Thank you for taking my question. On the retailer demand side, I was curious if you could speak to how the pipeline for brands new to the outlet channel today compares versus prior years. Are you seeing more brands that historically haven't played much in this space look to increase their exposure to the outlet channel? Thanks.

Justin Stein
Hey, good morning. It's Justin. We are seeing tremendous demand in the outlet channel from new brands. The reality is that we are spending a lot of our time meeting and sitting with tenants that historically have not been with us in the outlet channel and educating them on how our evolution is going. As Steve has mentioned in the past, we continue to lifestyle our outlets and bring in brands. We talked about Sephora and Ulta and Victoria's Secret. We've added hard good brands like Serena and Lily, Pottery Barn. Williams Sonoma continues to expand into our portfolio.

And I think the one category where we see tremendous amount of runway, Naishal, is in the food, beverage, and entertainment sector. Steve mentioned the swim school that we're adding and also Dave and Buster's. Excuse me. Dave's Hot Chicken and more Shake Shacks. So, everything that we're doing is trying to keep people on campus longer because we know the longer they stay on campus, the more they're going to spend. And we feel like we're doing a really good job educating the tenant community on how the outlet channel can provide that opportunity for them.

Naishal Shah
Thank you. And as you sit down with these retailers, is there a certain price point you target? Are you targeting more the middle market? Are you looking at semi-aspirational labels? Is there a certain kind of consumer that you'd like to get in your centers moving forward that are new to the outlet space?

Justin Stein
Listen, we're always looking for a consumer, a younger demographic consumer, but no, there's no exact target. At the end of the day, we have our ear to the ground on what the community wants in the centers that we operate in because it's really important. Those are the people that are going to come shop our centers. And so, we are a very data-led leasing team. We rely on our data analytics to help drive our leasing decisions. And so, at the end of the day, our strategic merchandising decision is geared towards that, and we feel we do a really good job at leasing and merchandising to what the communities want.

Naishal Shah
Great. Thank you so much.

Operator
Our next question will come from Tayo Okusanya from Deutsche Bank. Please unmute your line and ask a question.

Tayo Okusanya
Yes. Good morning, everyone. Great quarter. I wanted to talk a little bit about, again, some of the marketing initiatives and some of the technology initiatives that you guys are undertaking to just drive more foot traffic to the outlets on the lifestyle centers.

Curious, when you guys are thinking about making these investments, how do you think around the ROI or returns or return hurdles before you do a green-light on any of these initiatives?

Stephen Yalof
Sure. Well, starting with the outlet business because I think it's really unique, a lot of the brands in the outlet business aren't using their marketing capital to get the consumer to come and shop their brand off price. Because of that, traditionally, the outlet developer has long been relied on in order to drive traffic to the shopping center. And because we've been in the business as long as we've had, we've done a really good job of building those muscles.

The big evolution that we've seen in our company over the last four or five years is that evolution to more digital marketing. And I think the digital marketing is where we see the ROI because, when you have digital messaging, you can be far more personalized. You can go after the customer that you're looking for. You can meet that customer where they consume that advertising information. But more importantly, there's attribution associated with a lot of that marketing so that when the customer receives messaging from us, they bring that messaging back when they shop. Whether it's a coupon, or it's a digital coupon, or it's a QR code, we can then tie that sale, that purchase, back to where that individual consumed that information, and then we're able to apply a return on what we invest in that particular line of marketing.

Tayo Okusanya
Gotcha. Thank you.

Operator
Our next question will come from Caitlin Burrows with Goldman Sachs. Please unmute your line and ask your question.

Caitlin Burrows
Hi, good morning. Maybe I was wondering if you guys could comment on TIs in the quarter and more broadly. I know you guys, as you just discussed, have been shifting some of your mix over time, so wondering to what extent that is coming through in the necessary TI spend and/or what could be timing-related going on also. Thanks.

Michael Bilerman
Thanks, Caitlin. So, I think if you focus on page 10 and 12 in the supp, just from a overall TA second gen cap ex, our second quarter was more elevated as we finished out a lot of the leasing that Justin talked about in terms of openings. And we've reiterated our guidance for the year of $65 to $75 million, which is about mid-teens percentage of our NOI, which has been relatively consistent over the last couple of years. When you look at the executed transactions on page 12, you can see the net economics have been relatively steady with strong renewal spreads and TAs that are equivalent to just over a year of rent with very low capital costs on the renewal activity.

The other aspect is we do do a lot of non-comp leasing which is why spreads are only one part of the equation. When you look at page 12, you can see that we did 3.3 million of total leasing relative to three million of comp, which means there's another 300,000 square feet that we're re-tenanting where there's either vacancy or a temp in that space. And so, that incrementally, obviously, is driving some tenant allowance on those deals but is driving significant upside given a mark-to-market opportunity that exists.

We'd expect the second half of this year to moderate from a total basis given that we're at about $37 million year-to-date. And as we release some of the boxes, we should stay in that mid-teens to upper teens level with very strong returns on that investment. And overall, our capital as a percentage of our NOI remains very low relative to other forms of real estate and the retail peer set.

Caitlin Burrows
Got it. Thanks. And then another one that comes up frequently on the call, so the answer might be related to timing, but it looks like both property operating expenses and tenant reimbursements were high in the quarter, even excluding the extra expense related to Saks. So, I was wondering if you could talk about those two line items, if there was something driving them, if they stay high, new normal, or more timing related.

Michael Bilerman
Thanks. So, these numbers will bounce around quarter to quarter. I'd say, on an expense recovery basis, we should be in that high 80s, low 90s for the entire year. So, you were just maybe a tad more elevated in the second quarter.

And you were correct in the property operating expenses, one that was that $1.3 million lease buyout fee. And so, that obviously doesn't reoccur as we go forward, and we expect that tenant recovery rate to come down a little bit in the back half because our operating expenses are much higher in the second half than they are in the first half, given all of the holiday spend, all the marketing, and all the things that we do in the fourth quarter when our centers are the most active from a traffic perspective.

Caitlin Burrows

Thanks.

Operator

As there are no more questions, this concludes today's call. Thank you for joining. You may now disconnect.