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Kimco Realty Corp. (KIM)

Q4 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Kimco Realty Fourth Quarter 2024 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, 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, everyone, and thanks for joining us. My remarks today will cover the favorable supply and demand dynamics that continue to drive leasing across our portfolio, our well-curated tenant mix that is servicing the healthy Kimco consumer, and our strategic accomplishments and future goals. Ross will provide an update on the transaction market, and then Glenn will cap things off with our Q4 and year-end results and our outlook ranges for 2025.

I first want to speak to the recently announced changes to the board and our management team. With respect to Milton's retirement from his role as Executive Chairman and Director, on behalf of our entire organization, I want to thank Milton for his leadership, mentorship and friendship. Milton will always be synonymous with Kimco, and our ongoing success is a direct result of not only his stewardship, but also the passion and optimism that he exudes every day.

His enthusiasm for Kimco is contagious and permeates through our entire organization. The great news is that in his new role as Chairman Emeritus, Milton will continue to challenge us every day and serve as an invaluable resource, making sure we can be the best we can be. Richard Saltzman's new role as Chairman comes at the perfect time. Other than Milton, no one understands the company's history better, and Richard brings vast experience, creativity and insight to help lead us into the future.

Additionally, I want to welcome Ross Cooper and Nancy Lashine to the board. Ross needs no introduction. His leadership role at Kimco and his reputation in the industry make him a logical addition and will make for an easy transition to board member. As for Nancy, her capital markets and real estate background, along with her energetic and collaborative demeanor, makes for a compelling addition. I am truly excited about our evolving board and believe we are well-positioned as Kimco moves forward.

Now, onto the quarter. We continue to drive significant leasing momentum across the Kimco portfolio. The lack of new supply, now measured at just 0.3% of existing retail stock, combined with a near record low national vacancy rate, continues to facilitate strong fundamental results and earnings growth. The only new shopping center development taking place is limited to third and fourth-ring suburbs, where population growth has forced sprawl into new areas.

Drilling down further, the favorable supply and demand dynamics we're benefiting from today is no accident. Part of our 2020 five-year strategic vision focused on repositioning our portfolio into first-ring suburbs with natural barriers to entry, making it difficult for new competition to outposition our assets, while at the same time producing natural pricing power advantages. Moreover, the population in these first-ring suburbs continues to grow, as more and more people desire to be near central business districts while enjoying the suburban live-work-play experience.

Kimco's densification initiatives dovetail perfectly with the strong demand, pricing power advantages and demographic trends enjoyed by our high-quality retail centers. More specifically, we reached our goal of entitling 12,000 apartment units a year ahead of schedule, providing the opportunity to further expand our mixed-use portfolio. We continue to believe our ongoing portfolio transformation to a grocery-anchored and mixed-use portfolio positions us to be in the sweet spot of the retail and multi-family sectors for the foreseeable future.

At the property level, the Kimco consumer continues to gravitate toward our merchandising mix of everyday goods and services. We continue to see positive year-over-year traffic increases, both on a quarterly and yearly basis. The average unemployment rate across our portfolio is 20 basis points lower than the national average. The strength in the employment market, combined with robust traffic, has led to increased sales at our retailers.

Our grocery anchors, together with our off-price anchors, form the perfect blend of cross-shopping. This is further enhanced by our service-oriented retailers, including quick-service restaurants that drive traffic all points of the day. It's also worth noting that Internet-resistant retailers, which include service providers, now make up more than 50% of our new lease volume. We have seen a surge in leasing to medical, health and wellness, fitness, medi-spas, hair and nail salons that complement our traditional grocery-anchored tenants.

In closing, we have built a portfolio in areas characterized by limited supply, high employment and population growth, and curated our centers to meet the needs of consumers' tastes and preferences. Our portfolio is designed to generate growth and shareholder value. Our team is excited and ready to move the needle in 2025. Thank you for your ongoing support and interest in Kimco Realty.

And now, I'll turn things over to Ross.

Ross Cooper

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

Thank you, Conor, for the kind words. I'm honored and excited about being added to the board and could not be more enthused about the future of our company. First, I'd like to highlight our capital allocation achievements during 2024, starting with the most notable transaction we undertook, which was the RPT Realty acquisition, as we recently celebrated the one-year anniversary of its closing.

Reflecting back, the speed and efficiency of our integration has enabled us to exceed our expectations in all facets. It is even clearer today that this was an incredibly opportunistic purchase with an implied cap rate of 8.5%, equating to approximately $165 per square foot, a pricing that could not be replicated in today's market. Beyond our initial underwriting assumptions, we were able to improve cost synergies by approximately 13% to $36 million.

Integral to our success was the swift disposition of 10 former RPT properties, which did not fit our strict investment criteria, for $248 million for the same cap rate we bought RPT. During the year, our operations team did a remarkable job with this portfolio, signing 57 new leases with an average pro-rata cash rent spread of 52% and completed 98 renewals or option exercises at a blended 9.9% spread. Overall, we increased RPT's occupancy 120 basis points, with anchors rising 140 basis points and small shops 50 basis points, which helped drive the RPT same-site NOI growth to 6.2%.

As we put a bow on 2024, I wanted to quickly summarize our fourth quarter activity. As previously announced, Kimco acquired Waterford Lakes Town Center in Orlando, Florida in October, and we have already started to benefit from the purchase. In our view, the timing of this acquisition was ideal, as larger assets and portfolios were priced at a discount compared to smaller, less complex properties. Since that time, that pricing dynamic has shifted.

Throughout 2024, we talked about institutional retail capital curiosity and questioned at what point that would convert to action. The ROIC acquisition announcement by Blackstone in November seemed to be the turning point, giving the sector an aggressive stamp of approval that the shopping center sector is one of the top convictions for investment opportunities. This sentiment and excitement for our asset class has continued through year-end and into 2025. As capital has gotten more aggressive on open-air retail and investors have greater comfort making bigger investments, Waterford Lakes would likely trade at a higher price today.

On the structured investment side, we continue to see significant deal flow and potential to grow this platform responsibly. Since the inception of this program in 2020, we have touted its benefits for Kimco. It is the strategy that allows us to get our foot in the door on high-quality real estate, generating outsized returns on a very safe and comfortable basis, while retaining a right to acquire in the future if the borrower elects to sell.

To those points, in January of 2025, we successfully converted our first structured investment into an equity ownership position. We accretively purchased The Markets at Town Center in Jacksonville, Florida for $108 million at a low-7% cap rate using the proceeds we raised from our ATM program in December. Originally sourced as a mezzanine financing in late 2021, we underwrote this property with the premise that it would be a great core acquisition candidate and align well with our owned portfolio.

While our borrower did a great job in the time they owned the asset, we believe there remains a meaningful opportunity to create additional value. We see significant long-term upside as we continue to push rents and further enhance tenant quality, benefiting from the property's location, which is adjacent to the Simon-owned St. Johns Town Center and the bull's eye of the rapidly growing Jacksonville trade area.

The competitive advantage we have is that the all-in rents, including common area pass-throughs, are at a fraction of what St. Johns Town Center is able to command. We are confidently looking ahead to 2025 with our outlook establishing us as a net acquirer, inclusive of structured investments. The Markets at Town Center acquisition has given us a strong start toward this objective. We will continue to be selective on core acquisitions and structured investments, selecting opportunities accordingly.

From a disposition perspective, our portfolio is performing exceptionally well and we don't see the need for any significant disposition activity. Instead, we will focus on the opportunity to further enhance our growth profile and accretively recycle capital with two new initiatives in 2025. The first initiative is the disposition of several long-term flat ground leases in the portfolio at aggressive cap rates.

The second focus is on monetizing select development entitlements, where we believe the most prudent approach is to mitigate risk and sell the rights to a developer and still benefit from the densification of our centers. We plan to redeploy the capital from these flat growth and non-income producing assets into core investments that offer a growing recurring income stream and value-add opportunities. We will continue to provide updates on our progress as we move through the year.

I will now pass it on to Glenn for the financial update and outlook.

Glenn Gary Cohen

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

Thanks, Ross, and good morning. We finished 2024 with solid fourth quarter results, highlighted by robust leasing activity, strong same-site NOI growth and high single-digit FFO per share growth. In addition, our abundant liquidity position and modest upcoming debt maturities position us well as we start the new year.

Now, for some details on our fourth quarter results and our 2025 outlook. FFO for the fourth quarter was $286.9 million or $0.42 per diluted share. This compares favorably to last year's fourth quarter FFO of $239.4 million or $0.39 per diluted share, representing a per share increase of 7.7%. Instrumental to this was a $60.8 million or 17.8% increase in total pro-rata NOI to $403.4 million over the same period in the prior year.

Key drivers of the NOI growth include $38.1 million from the RPT acquisition, $7 million from other acquisitions, and $15.7 million from the balance of the operating portfolio, which benefited from higher minimum rents due to an acceleration of rent commencements. The NOI growth was offset by greater pro-rata interest expense of $16.4 million due to higher debt levels from the RPT acquisition and the pre-funding of the $500 million bond that matures in February 2025.

Our operating portfolio fired on all cylinders to end the year. Our year-end portfolio occupancy stood at 96.3%, reflecting a year-over-year increase of 10 basis points despite a 10 basis point sequential decline. This achievement underscores the strength of our leasing pipeline as we effectively managed to offset a nearly 40 basis point impact caused by the vacating of 16 leases associated with Lumber Liquidators, Big Lots, Conn's and Bob's stores in the fourth quarter.

Same-site NOI growth was 4.5% for the fourth quarter. The primary driver continues to be higher minimum rents contributing 3.8%, mostly from contractual rent increases and faster rent commencements from the signed not opened pipeline. In addition, overall NOI continues to benefit from lower credit loss. For the fourth quarter and full year, credit loss was 82 basis points and 75 basis points respectively, meeting the low-end of our 2024 outlook assumption.

For the full year 2024, same-site NOI growth was 3.5%, outperforming our previously raised outlook assumption of 3.25%-plus. Higher minimum rent was the primary contributor of the growth. As a result of the faster pace of rent commencements, the spread between leased occupancy and economic occupancy compressed to 270 basis points, a change of 40 basis points sequentially and represents 374 leases totaling $56 million of future annual base rent. We anticipate approximately 80% of this to commence with a total of $25 million in rent being received from the signed but not open pipeline in 2025.

Turning to the balance sheet, we ended the fourth quarter with consolidated net debt to EBITDA of 5.3 times, and on a look-through basis, including pro-rata share of JV debt and preferred stock outstanding, of 5.6 times, maintaining our best levels for these metrics. During the fourth quarter, we raised $136.3 million from the sale of 5.4 million shares at an average price of $25.07 per share through our at-the-market common equity offering program.

These proceeds were accretively invested toward the acquisition of The Markets at Town Center in Jacksonville, Florida that Ross mentioned. We also conducted a cash tender for the outstanding depositary shares, representing the 7.25% Class N Cumulative Convertible Perpetual Preferred Stock, successfully tendering for just over 22% of the shares and reducing the liquidation preference to $71.9 million. Our year-end liquidity position remained very strong, comprised of $690 million of cash and the full availability of our $2 billion revolving credit facility.

As a reminder, included in the cash balance is $500 million from the 4.85% long tenure bond issued in September 2024, which proceeds were invested accretively in short-term interest-bearing instruments. We recently used the cash to pay off our 3.3% $500 million bond on February 3. Subsequent to year-end, Moody's affirmed our Baa1 unsecured debt rating and changed our outlook from stable to positive. Our unsecured debt is rated A- with a stable outlook from Fitch and BBB+ with a positive outlook from S&P.

Now to our 2025 outlook. Notwithstanding some of the uncertainty, given the economic and political environment and several recently announced bankruptcy filings by a few additional tenants, we remain confident about the growth prospects of our operating portfolio and balance sheet positioning. Our initial 2025 FFO per share outlook range is $1.70 to $1.72, representing an initial per share growth range of 3% to 4.2%.

Our outlook range is based on the following assumptions. Same property NOI growth of 2%-plus. Included in the same property NOI outlook is a credit loss assumption of 75 basis points to 100 basis points. This is a similar level to our credit loss experience in 2024 and considers the potential impact from the Party City and JOANN's bankruptcy filings. In addition, the 2025 same property outlook assumption takes into account the boxes vacated at the end of 2024 related to the bankruptcies of Big Lots, Conn's, Lumber Liquidators and a few others.

Given the strength of our leasing demand, we view the recapture of these spaces as an opportunity to further increase rents and enhance the credit profile of our tenant mix. Other 2025 outlook assumptions include lease termination income between $6 million and $9 million, as compared to $4 million in 2024. Interest income from cash on hand is expected to range between $6 million and $9 million, approximately $0.03 per common share less than the $26 million reported in 2024 due to the significantly higher cash balances last year.

Acquisitions including structured investments, net of dispositions, of $100 million to $125 million. This is inclusive of The Markets at Town Center structured investment acquisition completed in January. Corporate financing cost ranging from $354 million to $363 million, comprised of consolidated interest expense and preferred stock dividends. Annual G&A expense ranging from $131 million to $137 million, as we expect to realize annual savings from the board leadership transition that was undertaken to start the year.

Lastly, the outlook range assumes no redemption charges or prepayment charges associated with the callable preferred stock outstanding or early repayment of debt obligations, and no planned issuance of additional common equity. I want to thank all our associates for their unwavering effort given each and every day. Kimco is a special place to be a part of, and we look forward to a successful 2025 together.

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. You went with a credit loss reserve of 75 to 100 basis points, kind of in line with your historical average. Can you talk about what you have visibility to start the year, where your watchlist is, and then maybe try to put some context into how much exposure you have to potential troubled tenants to start the year, maybe to pre-pandemic levels and how that played out? I'm just trying to put the setup for 2025 into context with how it may have played out in the past. Thanks.

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

A

Yeah, sure. Appreciate it. So, in terms of the watchlist that obviously is going through the bankruptcy process, Big Lots, Party City, JOANN's, starting at the beginning of 2024 is about a 130 basis point impact. We already absorbed about 10 basis point impact from Big Lots in 2024. So, that's already into the portfolio. And so, the remainder is in play and they're currently going through the bankruptcy process. For Big Lots, the remaining 10 basis points that we have, bids are being collected next week for the remaining five locations that we have.

Party City, I believe the lease auction is actually running today, and then concurrently after that auction, there's still going to be an opportunity for retailers to bid for a period of time. And then, with JOANN's, they're currently collecting going concern bids next Wednesday, of which case after the going concern, depending on what's remaining, they'll look to schedule an auction for late April. As it relates to our plan, we went through the portfolio. We made what we felt were the appropriate adjustments to budget, which are baked into our guidance for the year about what we assume we would either be able to backfill, we would get back or would be assumed or purchased at auction.

In terms of the demand side, it's robust. Dollar stores, footwear, books, grocery, beauty, across the board, there are a number of retailers that are looking at a variety of package deals to help absorb some of these boxes. On the JOANN's side, you have a lot of the off-price guys, grocery as well, et cetera. So, we're very encouraged by that opportunity. There are a number of locations where we don't have grocery, where we're able to actually backfill with grocery. So, when you're looking at the credit upgrade, it's significant.

These are really the opportunities Conor mentioned in his script, the lack of new supply. These second-generation boxes are the opportunity for retailers to grow market share, to grow store count, which they're very focused on doing. And so, I'd say the relationship between landlord and retailers isn't – couldn't be stronger today because of the collective opportunities that we had, that we want to grow the relationship together.

So, in terms of the watchlist and how it's evolved, it's really been status quo. When you look at those that have filed, they're repeat offenders, right. They filed in the last two years. They came out of bankruptcy. They closed very, very few stores, if any. During the first bankruptcy, we were able to modify terms to our benefit. So, coming into this bankruptcy round, we're able to work with the new retailers on opportunities to better the terms, and obviously, secure better credit. So, not much has really changed on our watchlist. And from there, I'll pass it over to Glenn.

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

A

Yeah, sure. Hey, let me just help frame it a little bit in terms of the numbers. So, if you look at our expectation of revenues, it's around $2.2 billion. So, at 75 to 100 basis point range, you're looking at credit loss baked in of $17 million – a range of $17 million to $22 million. And we feel pretty comfortable with that based on our bottoms-up budget that we ran through and just the historic levels of where we've been. Pandemic aside, we feel pretty comfortable where this sits as a starting point.

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

A

And those $17 million to $22 million of credit loss that Glenn mentioned is inclusive of both just write-offs, as well as the potential lost rent you may have from some of those retailers that Dave Jamieson mentioned that may go bankrupt or – during the course of the year.

Michael Goldsmith
Analyst, UBS Securities LLC

Q

Thank you very much.

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

Craig Mailman
Analyst, Citigroup Global Markets, Inc.

Q

Hey. Good morning. You guys have been a little bit more acquisitive, as have some of your peers. You took the opportunity to raise a little bit of equity. Just kind of curious, it seems like in guidance, you just have what you've done so far this year kind of dialed in. But could you talk a little bit about what the opportunity set looks like today and then maybe put some thoughts around sources of funds? Ross, I know you talked about some of the ground leases. Like what's the magnitude of those sales, kind of just talk through everything, and also where cap rates and IRRs are trending?

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

A

Sure. Happy to. Thanks for the question. As you mentioned, we really have already identified and closed on sort of the net acquisition activity, primarily with The Markets acquisition. So, as we look to the remainder of 2025, the intention is really to match fund through some of the initiatives that I mentioned. As Glenn indicated, we don't have any additional equity in our plan. But as showcased in Q4, to the extent that we like where the stock is trading, we're not shy about tapping into that.

So, the intent for this year, which is a little bit different than what we've seen in years past, is to recycle capital accretively. So, the dispositions of old at higher cap rates that were dilutive is not something that we're planning on undertaking. We don't need to, as I indicated, based upon how the portfolio is operating. So, when we look at what are the opportunities in terms of source of funds, the ground leases, we have close to 10% of our income stream right now that comes from long-term ground leases. Now, that's a big pool. Obviously, not all of those are going to be considered for disposition.

But when you break down that bucket and you look at what is the use, what's the foot traffic that comes from that retailer, how much term do we have remaining, do we need to go back and look at blended extends, what is the location within that center, there is a pool of those opportunities that we anticipate that we're going to monetize. And that will somewhat be opportunity-driven based upon what we see on the investment side in terms of the capital that we'll need to raise.

In addition, on the entitlements, Conor mentioned it, we achieved our goal of the 12,000 units a year earlier than anticipated. So, again, we have a tremendous pool of potential densification opportunities. And when you prioritize that list based upon what is compelling geographically, financially or otherwise, there are several opportunities that we think are better suited to potentially monetize and sell to a developer versus something that we may not activate ourselves for many years and utilize that capital to reinvest. So, we feel very comfortable in terms of the sources and uses of where the capital will come from in terms of new opportunities.

We continue to identify and look at a wide range of acquisition opportunities. We talked about in the past, we think that our both geographic and format diversification allows us to be active at all parts of the cycle. So, we've been more focused in the last couple of years on larger format grocery-anchored, but with a lifestyle component. That's where we found better yields over the last couple of years. Now, as more capital is coming into the system and into the market, I think that that "discount" has dissipated. So, we'll continue to evaluate if there are other formats or geographies where we think that we can get a little bit of a better yield or differentiation.

And of course, with our Structured Investment Program, we continue to see opportunities to put out capital. And the nice part about the Structured Program is the average check size for those deals are anywhere from $15 million to $25 million. So, they're not tremendous capital investments. But as showcased by The Markets acquisition, it can be a small investment on our side on a larger asset that ultimately can become a $100 million-plus acquisition. So, when we look at all of those different opportunities rolled together, we're very confident in what we're going to be able to do on the investment side.

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

A

Yeah. I would just add though, as I mentioned in my prepared remarks, in addition to the cash on the balance sheet, our availability of our line, the company should generate around $140 million of free cash flow after dividends, CapEx and TI. So, that's another pool of capital, obviously, our lowest cost. So, kind of keep that in mind.

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

Alexander Goldfarb
Analyst, Piper Sandler & Co.

Q

Hey. Good morning out there. And first to Milton, mazel tov. Congrats on a well-earned retirement. And Ross, welcome to the board. Just a question on small shop. Over the past year, it sort of stagnated around [ph] 97.7%, 97.8% (00:30:38). And just sort of curious if this is sort of a frictional cap or if there are other issues going on. Would think – given the comments about lack of supply and the robust demand that you've outlined for backfilling a number of the troubled retailers, would think that small shop would be where people would be looking, especially as retailers get more flexible on their prototypes.

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

A

Yeah. Great – great question, Alex. Appreciate it. And I know Ross appreciated your kind words. So, I'll say thank you [ph] in that regard (00:31:10).

As it relates to the small shops, the one thing to be mindful of too though is we absorbed RPT, and the RPT small shop occupancy was significantly lower than Kimco's. It's in the 88-plus-percent. So, year-over-year, we actually grew the RPT small shop portfolio by 50 basis points. Kimco legacy is over 92%. So, there was a weigh down and that ultimately contributed to the flat year-over-year.

As it relates to the opportunity going forward though, you're absolutely right though. The – in terms of flexibility of format, people are looking – especially that mid to larger size small shop box. So, I'm thinking like 6,000 to 9,000 square feet. Some of the retailers have mentioned earlier on the Party City locations are looking to optimize their footprint and could absorb some of those units, which will help contribute. And for us this year, we're laser-focused on how do we continue to grow the balance of the small shop portfolio, and the deal teams are incentivized to push the small shop leasing as far as we can. Our goal is to break through that [ph] sort of unit as a ceiling. Right now, it's at 91.8%. And (00:32:16) we want to extend that further, and we think there's opportunities to do that.

Alexander Goldfarb
Analyst, Piper Sandler & Co.

Q

Thank you.

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

Dori Kesten
Analyst, Wells Fargo Securities LLC

Q

Thanks. Good morning. Within your 2% same-store NOI growth, how will you describe the growth for legacy RPT versus legacy Kimco?

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

A

I mean, it's – we're all one company today. So, it's all completely blended together.

Dori Kesten
Analyst, Wells Fargo Securities LLC

Q

Yes.

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

A

So, still – and you have a full – you have to remember, you now have a full year – we had a full year of RPT's numbers last year. We actually have a full year of results of RPT in the Kimco numbers. It's all in the complete blend, and we would expect it to be in the same – very similar range as what the core legacy would have been. But you have to view it as – it's all one big company.

Dori Kesten
Analyst, Wells Fargo Securities LLC

Q

Right.

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

A

We still see upside on the small shop. I mean, if you look at the spread between the two, as Ross mentioned in his remarks and Dave just mentioned, there's still a lot of upside that we plan to harvest there. As Glenn's really said though, it's one combined company now. We've done a lot in the first year, and now the second year, we continue to think there's continued growth to harvest. But we're super excited about, even in the fourth quarter, some of the deals that we got – we finished and converted to a grocery-anchored center in Delray, Florida with BJ's. So, we're pretty excited about continued small shop opportunity, as well as the anchor leasing. We have momentum in that portfolio.

Dori Kesten
Analyst, Wells Fargo Securities LLC

Q

Thanks. Understood. Very helpful.

Operator: And the 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. Thanks for highlighting some of the one-timers influencing the guide like the lease termination fee and the interest income call-out. But I was hoping maybe you could shed some color on the reduction in G&A. I think that's about $4 million. Curious what's driving that. Is that some capitalized interest? And then, maybe some color on the – some of the items that could be swing factors getting you to the upper and lower end of the guide. Thanks.

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

A

Sure. Great question. As far as the G&A, actually, as you can see, the G&A is actually down at the midpoint around $4 million. The bulk of it is related to the transition of Milton coming off as Executive Chair and off the board. But the balance of it really – there's nothing related to capitalized interest. We don't have an enormous amount of development, redevelopment going on, like the target for that range for this year is $100 million to $125 million. So, the cap interest component is actually very, very small for us.

We really just spend a lot of time focused on controlling costs, and even with annual increases that went through, the overall G&A budget is flat and then less by the amount of the management transition. As far as the other things that are in the budget, quite candidly, there are not a whole lot of one-time things that are forecasted. It is a really, really clean forward-looking year for us. We called out the items that we think that people will focus on. But it's real straightforward. It is a very much blocking, tackling, run the business, keep costs maintained, acquire accretively where it makes sense, and lease and lease and lease.

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

Yeah. I think the spread on the earnings guidance is reflective of really sort of what may or may not happen in the market with the bankruptcy proceedings. So, that is sort of what gets you to the low-end and that's what gets you to the high-end in terms of starting off the year.

Operator: And the next question comes from Greg McGinniss with Scotiabank. Please go ahead.

Greg McGinniss
Analyst, Scotiabank
Q

Hey. Good morning. I just want to touch on the kind of development/redevelopment spend again. Appreciate the clarity on what that expectation is for this year. Is it just less of a focus now and you'd be looking more at on the acquisition front and letting all the kind of redevelopment [ph] opportunity and the mixed use stuff is just (00:36:41) going to be kind of sold off and joint ventured or ground leased out? And then also, can you also touch on Coulter Place, where we saw the stabilized yield drop from last quarter?

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

Yeah. Just touching on Coulter, it didn't drop from last quarter. All we did was we – because we only have one project posted right now on the mixed-use, we just tightened the range to what it always was. So, there is actually no change on yield. It's just how it was guided to for this. And as we activate more projects, the range of that guide may be modified as well.

As it relates to the focus on redevelopment, it's always a focus. It's really retail-driven. There's opportunities, as you've seen, through the robust leasing program that we have, that there's opportunities to backfill the existing space. We went through a very extensive redevelopment program over the years to repurpose, build better mousetraps for retailers, and the quality of our portfolio is such that we're opportunistic in nature. If it's the best use of capital, given all the other opportunities that we have, we'll pursue it absolutely and it's something that we continue to focus on.

But again, it's retail-driven. So, if we're able to backfill space with less investment and less disruption to get cash flow coming sooner, that's a great option and most likely a better opportunity. So, we'll continue to focus on that. And as it relates to the multi-family program, obviously, as you saw that we've exceeded our 12,000 units, that was a corporate goal. We did it a year ahead of time. We have a number of projects that we're actively looking at right now to potentially activate in, I mean, a year or two. Whether or not we develop, joint venture, monetize the entitlements, all those options are – continue to be on the table, and we'll just look at the market cycle and what makes the most sense for our use of funds and then proceed as such.

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

Yeah. We still think there's a lot of upside, as we outlined earlier in the call. That mixed-use – when you add those residential units to your retail center, you do get a significant benefit both from the retail side and on the residential side. The challenge for us is the cost of capital and those returns for apartment developments are lower than what we're seeing in the open market for other uses of our capital. So, what we're trying to do is make sure we prioritize the highest returns on our capital and then look to get creative on structuring those entitlements, so that we get the benefit of the density around our shopping centers without potentially having a lower yielding investment versus what we're seeing in the open market.

Greg McGinniss
Analyst, Scotiabank

Q

Thank you.

Operator: And the next question comes from Andrew Reale with Bank of America. Please go ahead.

Andrew Reale
Analyst, BofA Securities, Inc.

Q

Good morning. Thanks for taking my question. Just of the bankruptcy boxes you've already gotten back and may get back this year, what's the average square footage on those? And how many would you have to really reposition, maybe split up, versus what proportion do you think you could just fill as is?

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

A

The majority right now we're looking at are to backfill with single-use tenants. I mean, with Bed Bath & Beyond, we were very aggressive in terms of finding single-use operators to backfill the spaces, and over time, the substantial majority were similar. When you look at the Party City boxes, the average is 13,000 square feet. It does range though in size to sort of the 8-plus-thousand square feet to slightly higher. So, as a result of that, that gives us that opportunity to hit a much larger canvasing of retailers because of the variety of square footage. On the JOANN's side, you're looking at a slightly larger box, around 32,000 square feet. But with that, you have grocers, you have off-price, you have fitness and a variety of others that are interested in those. And those also range in size pretty dramatically. So, I think in general, we'll be fairly successful in backfilling with the single-use operators.

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

A

So, the only thing I would mention is to think about the lack of new supply for our sector. And then, if you think of this as shadow supply or potential opportunities for growing retailers, if you took it – that subset and add it to the new shopping center supply that's under construction, it's still extremely modest and it's one of the lowest, if not the lowest of the entire commercial real estate sector. So, we feel very confident that, because of the range of sizes of these tenants that are giving back space, we're going to be uniquely positioned to backfill with single-tenant users at significant mark-to-market rents.

Operator: And the 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. Just hoping for a little bit more color on the assumptions on the credit loss reserves. If I just look at Party City and JOANN, it's about 1.1% of ABR. So, just hoping you could help us square that with the 75 to 100 basis points in guidance. And kind of a Part B to the question, is there any skew in the timing of bad debt?

Is it more front half-loaded, given the upcoming auctions you referenced and the recent headline [ph] BKs (00:42:22) we've seen? Thank you.

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

A

Yeah. Again, as I mentioned, we do feel pretty comfortable with the range, with the [ph] dollars (00:42:29) that we're talking about of potential credit loss. Party City is working through their auction. We'll see what happens with their GOBs when they end. JOANN's, although they filed for bankruptcy, hasn't actually even started their GOB sales yet. So, you're going to have rent that runs for a minimum for the first quarter, probably well into the second quarter. And then, it's going to come down to, is there a going concern buyer for some of the boxes? So, there's a lot of variability. And then, again, that's why we feel comfortable with the range that we have, which takes into account what could happen, both good and bad, for both Party City and JOANN's.

Operator: And the next question comes from Caitlin Burrows with Goldman Sachs. Please go ahead.

Caitlin Burrows
Analyst, Goldman Sachs & Co. LLC

Q

Hi. Good morning. Maybe two quick ones, guidance-related. First on the acquisitions, then FFO. It seems like – somebody else already mentioned – you've already met the net acquisition guidance. So, are you just saying that from here, property acquisition volume would be offset by dispositions of ground leases and development entitlements, which would suggest like a meaningful spread? And then, just on the FFO side, it seems like the range of $0.02 is quite tight. So, wondering kind of how you're thinking about that and if it's more of what you might otherwise think of as like a bottom-end of the range with upside potential.

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

A

Yeah. As I mentioned – I'll take the second part first. Then, I'll let Ross deal with the acquisition piece. But on the guidance, if you think about the range, the range really is about $20 million in total. So, if you go – again, we're a pretty large company. It takes $7 million of FFO for $0.01. So, that range, although narrow in terms of pennies, it is a $20 million range to start with. And as I mentioned, we feel like we have pretty good visibility about what we're seeing in front of us. There's not a whole bunch of one-timers either way, good or bad. So, we feel very comfortable about where the portfolio is going. We know what we've done already in terms of this initial acquisition and what's baked in. So, it requires a little bit more of a narrower range.

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

A

Yeah. And the first part of your question, I think the short answer is yes. The expectation is the recycling of capital from some of the initiatives that I mentioned into new opportunities. So, we have the ability to be patient, see what comes our way on the new deal side, new investment side, and then utilize those opportunities to source those appropriately. Obviously, to the extent that there is more opportunity at accretive yields in excess, we have other capital sources, as Glenn outlined earlier, and we'll certainly update as the year progresses with our activity.

Caitlin Burrows
Analyst, Goldman Sachs & Co. LLC

Q

Thanks.

Operator: And the next question comes from Ki Bin Kim with Truist. Please go ahead.

Ki Bin Kim
Analyst, Truist Securities, Inc.

Q

Thank you. Good morning. Just want to go back to some of the bad debt guidance. If you can frame Party City and JOANN and some of these other troubled retailers to your experience with Bed Bath. And I was curious about kind of – when do you actually start to really ramp up the marketing for these spaces, at what point during a bankruptcy process or before and what the potential rent upside looks like compared to what you experienced at Bed Bath? Thank you.

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

A

Yeah. I mean, you're marketing these boxes well in front of any sort of filing. When you're looking at your watchlist tenants, you're constantly looking to upgrade the tenancy and prepare for what can eventually be a bankruptcy. Obviously, with JOANN's and Party City, they're both repeat offenders. So, from when the first time happened, we were already out marketing those boxes. For example, we already have a handful of leases executed for Party City boxes before they even filed, and it was just contingent on recapture.

We felt confident in those recaptures, because we reduced the term of those leases. So, we knew an absolute end date there. And then, we're constantly looking at upgrading the tenancy. So, that's no different. When you look at the blend between Big Lots, Party City, JOANN's, you're seeing double-digit yields, 10%-plus over the blend of all of these. Obviously, there's higher ones and lower ones. And when you look at the Bed Bath activity that we had over the years, it was significant. The mark-to-market on those was higher just because they're more vintage leases, bigger boxes, signed long time ago. But again, most of those were backfilled with single-tenant users and the interest was robust.

Ki Bin Kim
Analyst, Truist Securities, Inc.

Q

Thank you.

Operator: And the next question comes from Floris van Dijkum with Compass. Please go ahead.

Floris van Dijkum
Analyst, Compass Point Research & Trading LLC

Q

Good morning, everyone. Thanks for taking my question. A capital allocation question. Maybe Ross is best suited for this. But in terms of your apartment entitlements, I think you've got 8,900 currently entitled and another similar amount in the process of being entitled. A couple of those are more than 1,000 units. I think there are four of them out there. Are those the ones that are most likely to be JV-ed or sold off because of exposure? And then maybe, Conor, by the end of the decade, what percentage of NOI do you think Kimco is going to get from apartment contributions? Is it 10%, 15%, in that range?

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

A

Yeah. I'll start, and then Conor can jump in. When we're looking at the prioritization of the entitlements and where we want to densify, it's a pretty detailed and involved analysis that includes market feasibility studies. We're working with all of our different regions to understand where trends are happening geographically.

So, it's not necessarily based upon size. We're looking at what is the timing, what is the supply and demand dynamic in that particular market, what are the yields that we're looking at for creating this project, and then ultimately making a decision, given all of the information that we've gathered and the market intel, given our cost of capital and other uses that we have for that capital, where do we want to put that and which projects are best suited for Kimco to invest a substantial amount of our own capital, which you've seen us do on certain projects, where is it best suited to ground lease and to retain that ROFR and allow somebody else to put their capital to work.

We've gotten creative in terms of structuring, as you've seen on Coulter and some others that we're considering, in terms of joint venturing and putting our entitled land into that venture at [ph] a marked-up basis and our (00:49:36) component being preferred equity or different pieces of capital. And then, of course, we have the option to potentially sell. So, we're evaluating all of those alternatives on each one of these projects. And the beauty of the program is that based upon our geographic diversification in all of the entitlements that we've had, we can be very selective in where and when we want to activate and how we want to do so.

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

So, just to touch base on the two projects you mentioned that have over 1,000 units entitled, and those are both large master plans, one's in Kentlands, the other – Kentlands Market Square and Pentagon. And so, when you go in for entitlements, there's opportunity sometimes to really to secure a large allocation of residential. That does not mean that you have to build it all at once. And so, you take 1,000 units and break it into 5 different phases of 200 units a piece over an extended period of time. So, you're managing new supply coming on, market absorption, et cetera. And then, to Ross' point, you can activate each of those phases and whatever is most appropriate, given the market cycle time and use of funds. So, just for clarity there. Conor?

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

And then, Floris, I think for the long-term, we continue to push towards activating more multi-family entitlements, where we can structure it accretively to our cost of capital. Putting a target, the dream scenario would get to 90%/10%, where 10% is coming from apartments, and then build it from there. Again, where our cost of capital is today and where we can accretively deploy it, it's limiting how much we can activate on the multi-family side. So, we'll continue to use the structure like we had before, whether it's ground lease with the ROFR or it's a contribution to a joint venture with the ROFR upon stabilization as well. So, those are ways that, again, we can take a CapEx-light approach, hit our return hurdles and still activate apartments. As you know, we've activated over 3,000 and continue to take that approach to see how we can go about adding value, creating value for our shareholders over the long-term.

Floris van Dijkum
Analyst, Compass Point Research & Trading LLC
Q

Thanks.

Operator: And the next question comes from Steve Sakwa with Evercore ISI. Please go ahead.

Steve Sakwa
Analyst, Evercore ISI
Q

Yeah. Thanks. Good morning. I guess given the tightness in the whole industry and retailers still looking to grow and their, I guess, inability maybe to hit store opening plans, I guess what's Kimco's appetite to take on actual ground-up development in retail? And what discussions have you had with some of the bigger retailers to kind of jumpstart that development process? Thanks.

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

A

Yeah. I mean, you're seeing ground-up right now in more in like the second and third-ring, as urban – or suburban sprawl extends out in some of the markets in, say, like Arizona and Texas. You're not really seeing ground-up development in first-ring suburb opportunities. Rents still have to reach a higher premium to justify the underwriting for a development [indiscernible] (00:52:39) yield that's accretive to our cost of capital. So, in those more tertiary market development projects where you are doing a large format Target, or what not, necessarily in the core markets that we're looking to expand.

For us, that opportunity is really working with these retailers on the backfill of second-generation space, further densifying core markets, how do they expand market share. They are starting to look at their – the tightness of their radius between individual stores, and those are starting to narrow, realizing that they can operate more locations within a tighter trade area than they did historically. So, there's real opportunities there for them as well. And that's where we continue to see it. But we do talk to them. If there is an opportunity that comes about, we would consider it.

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

A

Yeah. It's a good question, Steve, and I think that's what gives us a lot of confidence about our credit loss reserve of 75 to 100 basis points. Because if you think about the lack of options for retailers today, we don't see a huge ground-up opportunity on the horizon that either we or others will take advantage of. And so, the opportunity set is really on these bankrupt tenants, these second-generation boxes that are going through the auction process. As you saw from last year, there was a tremendous amount of activity from retailers in the bankruptcy process, even outbidding us on a few ones that we tried to acquire and bring back under control. So, we feel like there is a similar backdrop today with supply and demand, and that's what gives us a lot of confidence in our 75 to 100 basis point credit loss reserve.

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

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

Q

Hey. Good morning, everyone. A quick clarification. The savings from the management changes, would that start in January or at the time of the Annual Meeting? And then, kind of on that point you just made about bidding on boxes, do you plan on doing a lot of that?

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

A

I'll take the first one because it's straightforward. It started at the time of the announcement, end of January.

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

A

And then, on the auction process, I think – again, we look at every box. We look at every opportunity set. We're talking to a lot of retailers, both pre-bankruptcy auction and during the bankruptcy auction. We know a lot of these retailers will be in the auction tent, but they're also looking at doing package deals with us across multiple locations. So, it really just depends on the returns that we can generate from the capital and what tenant we have to backfill that location.

Where we've been unsuccessful in the auction process, where others have outbid us, we were running with a grocery anchor to backfill a location that we were excited about and another retailer that was not grocery was super aggressive for the location. And so, again, not necessarily a lose-lose situation, because obviously the tenant that wins that bankruptcy auction has to fulfill all the back rent as well as the go-forward lease obligation. So, we're in a good spot where we can be selective and really get aggressive where we think we can dramatically improve the valuation of the asset, not only on that box, but on the surrounding retail that we own as well.

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

All right. Thanks for the time.

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

We'll take the next question.

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

Paulina Alejandra Rojas Schmidt Q
Analyst, Green Street Advisors LLC

Good morning. Recent bankruptcies have been significant, right? Do you believe these bankruptcies will materially impact the rents that you can achieve for new anchor leases? I understand that the mark-to-market of rents will likely be still very significant. But I'm more focused on how the market dynamics will shift and how rents might change compared to a scenario where these bankruptcies had not occurred.

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

Yeah. It's a good question, Paulina. It's one that, I think, you have to think about a little bit from the amount of supply that comes available in a certain submarket and if that will change the supply and demand dynamic of pricing power that we've experienced over the past few years. And if you look at the amount of locations that overlap between [ph] the two (00:57:31) that are in these submarkets, it's very few that will have multiple boxes coming available in the same submarket. So, in our opinion, it really doesn't change the pricing power, because if it's a good location in a tight trade area, that is usually the only box available in that trade area.

As you can see, our occupancies are at all-time highs. Vacancy rates for the entire sector is at all-time lows. It's a very tight market right now for good quality retail. And so, when these boxes are available, there's usually not a second option for retailers to fall back into. And so, that's what's driving the competitive set to take advantage of these unique opportunities. And we feel confident that, again, because of that tightness in the market, you're going to see activity both in the auction tents, but as well post-auction with retailers wanting to do package deals on a number of these locations that are spread across multiple subsectors.

Operator: And the next question comes from Mike Mueller with JPMorgan.

Michael W. Mueller
Analyst, JPMorgan Securities LLC

Q

Yeah. Hi. You talked about the demand for medical and wellness. I'm curious, like how do you size up the credits versus other national and local options? And in the past, have you had any meaningful bad debts from that category?

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

A

I can take it, if you want. I mean, the nice thing about medical is they put a lot of money in themselves, the build-outs that they have with the equipment. They are very, very sticky tenants. They stay for a long time, and I would say the bad debt on those is really de minimis. I mean, it really doesn't even come up very often. They're really, really solid tenants.

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

A

Yeah. A lot of the push recently have been from urgent care, pediatric urgent care, some offsite facilities from hospitals, because we've always had dentistry, we've always had – physical therapy is becoming a bigger piece as well. But we continue to like that use. It's a service use. It's Internet-resistant. It does drive traffic. It does bring people that want convenience to the shopping center, and usually, it does drive the right shopper as well because of the cross-shopping opportunities. So, we always look at credit quality. And to Glenn's point, we've been very successful in underwriting the medical uses that have come into shopping centers and haven't had really dramatic issues in any shape or form.

Michael W. Mueller
Analyst, JPMorgan Securities LLC

Q

Got it. Thanks.

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

Michael Gorman
Analyst, BTIG LLC

Q

Yeah. Thanks. Good morning. Maybe just circling back to the transactions for a minute here, just a question on the match funding, and apologies if I missed it. But when we think about the match funding with the sales of either ground lease or entitlements in 2025, would those proceeds also apply to future structured investments? And I guess if so, can you talk about maybe the scale of opportunity and the strategy of selling out of understandably slower growing, but fee positions into a more structured investment for the long-term strategy? Thank you.

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

A

Sure. Yes, it does include structured investments. So, we look at sort of our blended investments between the core acquisition strategy as well as the structured. When we think about the Structured Program, as I mentioned previously, I mean, most of these investments with a few exceptions are relatively bite-sized. So, you're looking at $15 million, $20 million, $25 million check sizes. So, it really does expand and diversify the risk profile.

We feel very comfortable about our underwriting strategy and the basis at which we enter these properties. But to your point, we acknowledge that there is a differential between fee acquisitions of existing shopping centers and a structured investment that has a variable timeline. So, as part of that program, we're constantly looking at the roll-over schedule, where we might get redeemed or repaid on any of the structured investments and are building a pipeline to consistently backfill and recycle that capital as well.

So, one component that I didn't mention, in addition to the ground leases and the entitlements, is there is always the opportunity to get capital back from prior structured investments. So, as we see new investment opportunities on the structured, there is a recycling that occurs within that program as well. We feel very confident and comfortable with the size of that program right now, being right around 2% of enterprise value. So, we think that we can sort of responsibly, gradually that over time as we continue to see more opportunity. But it's going to be at a slow methodical pace.

Michael Gorman
Analyst, BTIG LLC Q

Thank you.

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

Linda Tsai
Analyst, Jefferies LLC Q

Hi. Could you provide color on upcoming refis in 2025 and in 2026, and then how to think about the timing of when you might refi and the interest cost impacts?

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

Sure, sure. So, we just paid off a bond, as I mentioned. So, that's done. The only debt that remains outstanding or maturing in 2025 is about $290 million. There's about $50 million of mortgage debt that's going to get paid off on March 10. Then, we have a bond that matures June 1. So, it's about $240 million. We have a whole variety of ways to deal with it, whether it'd be from free cash flow, again, some of the – it could come from some of the disposition activity. Our line is fully available to us, and quite candidly, the borrowings on our line today are priced better than where would do something even longer range. So, we have a whole bunch of opportunities. As far as 2026 goes, there's about $750 million in 2026, but it doesn't really start maturing until August. So, we have plenty of time to address the upcoming maturities.

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

The only thing I would add is it's nice to be on positive watch from S&P and Moody's, because if you think about the timing of when they may make a move to improve our credit rating, it lines up nicely with some of our refinancing opportunities to take advantage of that tighter pricing we can achieve.

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

Yeah. I mean, just in terms of pricing, like if we would go to the bond market today, we're probably somewhere around [ph] 95 over on the 10-year (01:03:59). So, it'd be somewhere in the [ph] – probably 5%, 5.45% (01:04:05) range today.

Operator: And the next question comes from Ronald Kamdem with Morgan Stanley. Please go ahead.

Ronald Kamdem
Analyst, Morgan Stanley & Co. LLC

Q

Hey. Just a couple of quick ones, just some themes that was touched before. Back to the same-store NOI, so sort of the 2-plus-percent guidance, I think in the opening comments, you mentioned that there was some sort of end of 2024 [ph] closures (01:04:33) and stuff that impacted. Any chance we could sort of quantify what that hit was to 2025? And does that create an opportunity as you sort of backfill those into 2026 and 2027? Thanks.

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

A

Yeah. I mean, again, the vacancies that I mentioned, they're out now of the same-site NOI numbers. So, that's all baked into the overall 2%-plus starting point. So, it'll vary as we go through the quarters, again, because we do same-site NOI – for the most part, it's on cash basis, right. The tenants have to be paying rent. That's what goes into the number. We don't include straight-line rents. We don't include lease termination fees in it. So, it's all baked into that 2%-plus starting point.

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

A

Yeah. And then, as we backfill, you're right. I mean, it's going to be a contributor to – into 2026.

Ronald Kamdem
Analyst, Morgan Stanley & Co. LLC

Q

Right. So, if I could ask the question just a different way is like what's the bridge from 3.5% to 2% same-store NOI? Like what are the deltas there and the big pieces?

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

A

Well, I mean, again, we have to take into account all the different – the bankruptcies. We have to really see what we get back, what we don't get back. If we don't get lot of the boxes back from – whether it'd be JOANN's or Party City, there's more upside in that number, which is the plus point of it. So, we're just trying to use – we feel very comfortable that 2% is the floor and that we'll see how the rest of the year goes, and as we go through the year, we'll make adjustments to that guidance.

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

A

Ron, I'll also say we start the year out with a little more ambiguity, right, because last year, even when we started out, assuming how much we would get from the SNO pipeline, it was between $15 million and $20 million. We ended the year close to $35 million, somewhere between $33 million and $35 million. Same thing, we're starting the year out making an assumption of the SNO pipeline. [ph] We're at (01:06:29) about $25 million. So, that's sometime an estimate you make, and as we go through the course of the year, that can change and that can move you from where you start the year out in your same-site guide. So, there's a number of different levers. But to Glenn's point, we feel confident where the floor is. It's just a question how high the ceiling could be.

Ronald Kamdem
Analyst, Morgan Stanley & Co. LLC

Q

That makes a ton of sense. If I could just sneak my second one in, it's just on the net acquisition guidance. Obviously, the opening comments about selling sort of flat leases and so forth. Just a sense of the quantum of dispositions, because it's hard to tell from the guidance, is what could that look like this year? Like is it $50 million, $100 million? Could it be $300 million? Just how big is that opportunity on the sell side? Thanks.

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

A

Yeah. As I mentioned, I mean, having close to 10% of our income from ground leases, there is a large pool, but it really is intended to be a match funding mechanism. So, it's going to be very much dependent upon what we see on the new investment side as to how much we want to push into the market to potentially sell. But we'll be relatively measured to start the year, and then as we progress and we see opportunity, we'll update you and the market on what we're seeing and how much we anticipate doing there.

Ronald Kamdem
Analyst, Morgan Stanley & Co. LLC

Q

Great. Thanks so much.

Operator: And the next question comes from Omotayo Okusanya with Deutsche Bank. Please go ahead.

Omotayo Okusanya
Analyst, Deutsche Bank Securities, Inc.

Q

Yes. Good morning, everyone. You guys historically have been well-known to come up with creative ways to create shareholder value. As you look at the landscape for retailers and as well as retail real estate over the next 12 to 18 months, could you just talk about probability that you guys could do something of that nature as well, whether it's something Albertsons-like, whether it's more of the [ph] SIP loan-to-own (01:08:26) program or maybe something totally new and out of the box?

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

A

Yeah. I think we always look for opportunities. I think as you've seen us do in the past, our best deals typically occur when there's dislocation in the market or mispricing that we can take advantage of. We're excited that our balance sheet continues to improve and put us in a position that when the next cycle occurs, the balance sheet strength usually is rewarded. I think that's at a time where – when the tide goes out, usually balance sheet strength, it becomes an advantage. So, where we sit today, obviously, with employment and where the economy is today, there's not a tremendous amount of mispriced or dislocation occurring in our sector because of the health of the cash flow growth that's occurring across portfolios.

When you look at some of the individual retailers that are in trouble that we've talked about, not a tremendous amount of owned real estate in those portfolios. We really look for real estate-rich retailers that we – where we can take advantage of owning or repurposing of the properties. But that being said, we always take a look for unique opportunities. Albertsons, obviously, a complete homerun that we were able to achieve. We continue to look across the relationship spectrum that we have. And every deal is a little different, a little different shape or size. But our team is always looking for those unique opportunities to take advantage of to create shareholder value.

Omotayo Okusanya
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Thank you. And then, a quick modeling question, if I may ask. On the Waterford acquisition, the interest rate on the assumed debt?

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

A

The interest rate on the loan was 4.86%.

Omotayo Okusanya
Analyst, Deutsche Bank Securities, Inc.

Q

Thank you.

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

A

[ph] No mark-to-market. So, that's straight (01:10:13).

Operator: And the next question comes from Caitlin Burrows with Goldman Sachs. Please go ahead.

Caitlin Burrows
Analyst, Goldman Sachs & Co. LLC

Q

Oh, hi. Quick one. I know over time, CapEx has been a big topic for certain property types, including retail. So, it looks like the midpoint of your CapEx guidance for 2025 is lower than 2024 actual was. So, wondering what's driving that and is it more timing-related or run rate improvement or any other details?

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

A

Yeah. I mean, as the tenants come online, obviously, that funding's been in process and now you're getting the compression of the SNO pipeline. So, that's what we're seeing in 2025. Obviously, with these bankruptcies, right now, we would anticipate obviously investment would have to occur, but that would be more of a 2026 item.

Caitlin Burrows
Analyst, Goldman Sachs & Co. LLC

Q

Thanks.

Operator: And the final question comes from Ki Bin Kim with Truist. Please go ahead.

Ki Bin Kim
Analyst, Truist Securities, Inc.

Q

Thanks for letting me back in. Just a quick question on Dania Pointe. I remember one of your office tenants was Spirit. Can you just remind us the structure of that deal? I can't remember if you sold that building to them. But just overall, curious about the potential impact from their bankruptcy?

David Jamieson

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

A

Yeah, yeah. So, Spirit does own their own headquarters. They purchased it from us early on in the project and then they built it and opened it. We do have a ground lease with them on the multi-family, which they're current on. They are anticipating to come out of bankruptcy this quarter. You may have read the headlines that Frontier is now going back and looking at Spirit as well. Currently though, it's open and operating. There is 900-or-so employees there that occupy Dania every day.

Ki Bin Kim

Analyst, Truist Securities, Inc.

Q

Okay. Thank you.

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

David F. Bujnicki

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

Just like to thank everybody who joined our call today. We look forward to getting together with a number of you in the upcoming several weeks, and at the same time, have a wonderful weekend. Thanks so much.

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