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## **Fitch Rates Kimco's \$350MM 3.125% Sr. Unsecured Notes due 2023 'BBB+'; Outlook Stable**

NEW YORK--([BUSINESS WIRE](#))--Fitch Ratings assigns a 'BBB+' rating to the \$350 million 3.125% senior unsecured notes due 2023 issued by Kimco Realty Corporation (NYSE: KIM). The notes were issued at a 125 basis point spread to Treasuries (with an effective yield of 3.211%). Net proceeds from the offering are expected to be used for general corporate purposes including the partial repayment of amounts outstanding under the revolving credit facility and to prefund future debt maturities.

Fitch currently rates KIM as follows:

- Issuer Default Rating (IDR) 'BBB+';
- Unsecured revolving credit facility 'BBB+';
- Senior unsecured term loan 'BBB+';
- Senior unsecured notes 'BBB+';
- Preferred stock 'BBB-'.

The Rating Outlook is Stable.

### KEY RATING DRIVERS

The ratings reflect Kimco's solid track record as a leading owner of community and neighborhood shopping centers, the company's large and diversified pool of retail properties, its experienced leasing and management team and its high quality, diversified tenant mix with a well laddered lease expiration schedule. The ratings also factor in the company's demonstrated track record of accessing a wide variety of capital sources.

These positive rating elements are balanced by slightly low fixed charge coverage for the rating category and a U.S. retailer environment where market share defensibility remains a key challenge for many traditional retailers.

### DIVERSIFIED PORTFOLIO

Kimco owns and operates a large and diversified portfolio of consolidated and unconsolidated interests in 895 properties aggregating 88 million square feet of pro-rata gross leaseable area (GLA), located throughout the United States, Puerto Rico, Canada, Mexico, Chile, Brazil and Peru. The company's portfolio is well diversified

with the largest tenant accounting for less than 3% of annualized base rent (ABR) and the top 10 tenants collectively accounting for less than 20% of ABR. Additionally, Kimco continues to make progress reducing the risk profile of the company through the disposition of non-core assets and maintenance of a smaller development pipeline.

Lease maturities (based on square footage) are well-laddered with no more than 14% expiring in any one year and less than 3% expiring in any one year when assuming the exercise of tenant renewal options. Lease maturities based on annualized base rent are similarly well-laddered.

#### APPROPRIATE LEVERAGE AND COVERAGE

Leverage was 6.1 times (x) at March 31, 2013, up slightly, from 5.8x at Dec. 31, 2011 and 5.6x at Dec. 31, 2010. Fitch forecasts leverage will remain around 6.0x through 2014, due to modestly positive same store NOI growth. Fitch defines leverage as net debt to recurring operating EBITDA (including Fitch's estimate of recurring cash distributions from unconsolidated joint ventures).

Kimco's fixed-charge coverage is adequate for the 'BBB+' rating level. Fixed charge coverage was 2.2x for the trailing 12 months (TTM) ended March 31, 2013, consistent with 2.2x for 2011 and 2010, respectively. Fitch projects fixed-charge coverage will improve modestly as the company retires higher coupon preferred stock and unsecured notes. Fixed-charge coverage is defined as recurring operating EBITDA plus Fitch's estimate of recurring cash distributions from unconsolidated joint ventures less recurring capital expenditures and non-cash straight line rental income divided by total interest incurred and preferred stock dividends.

#### POSITIVE OPERATING PERFORMANCE

Despite wide product availability, increasing price transparency, and lack of consumer loyalty that have threatened the long-term viability of certain retailer business models, Kimco's same-store net operating income (SSNOI) performance turned positive in 2010 and accelerated in 2012. SSNOI growth for the first quarter 2013 (1Q'13) was 4%, the twelfth straight quarter of positive growth.

Fitch expects SSNOI growth of 1-2% per year through 2014. In adverse scenarios not anticipated by Fitch in which SSNOI growth is flat or experiences declines worse than 2009, Kimco's metrics would deteriorate to levels weak for the 'BBB+' rating.

#### STRONG ACCESS TO CAPITAL & LIQUIDITY

Kimco has demonstrated a long track record of accessing a wide variety of capital sources, including secured and unsecured debt, common and preferred equity and joint venture capital. Since 2011, Kimco has demonstrated access to the term loan market, senior unsecured market and preferred stock market.

Kimco maintains a large unencumbered asset pool to support its unsecured borrowings. As of March 31, 2013, unencumbered asset coverage of unsecured debt was 1.9x assuming an 8% capitalization rate, which is slightly low for the 'BBB+' IDR.

Kimco's liquidity coverage ratio is appropriate for the rating at 1.3x pro forma through 2014. Under a scenario where Kimco is able to refinance 80% of its secured debt, the liquidity coverage ratio improves to 2.1x. Fitch defines liquidity coverage as cash, availability under the company's unsecured revolving facility and Fitch's

expectation of retained cash flows from operating activities after dividends and distributions divided by uses of liquidity pro rata debt maturities and Fitch's expectation of recurring capital expenditures.

#### PREFERRED STOCK NOTCHING

The two-notch differential between Kimco's IDR and its preferred stock rating is consistent with Fitch's criteria for corporate entities with an IDR of 'BBB+'. Based on Fitch's criteria report, 'Treatment and Notching of Hybrids in Nonfinancial Corporate and REIT Credit Analysis,' dated Dec. 13, 2012, the company's preferred stock is deeply subordinated and has loss absorption elements that would likely result in poor recoveries in the event of a corporate default.

#### STABLE OUTLOOK

The Stable Outlook reflects Fitch's view that metrics will remain relatively unchanged and the Company's demonstrated access to capital will offset an adequate liquidity coverage ratio.

#### RATING SENSITIVITIES

The following factors may have a positive impact on Kimco's ratings and/or Outlook:

--Fitch's expectation of fixed-charge coverage sustaining above 2.5x (coverage was 2.2x for the TTM ended March 31, 2013);

--Fitch's expectation of net debt to recurring operating EBITDA sustaining below 5.0x (leverage was 6.1x as of March 31, 2013);

--Reducing the exposure to non-core assets.

The following factors may have a negative impact on Kimco's ratings and/or Outlook:

--Fitch's expectation of fixed-charge coverage sustaining below 2.0x;

--Fitch's expectation of leverage sustaining above 6.5x;

--Increased exposure to non-retail assets or increased joint venture debt guarantees.

Additional information is available at '[www.fitchratings.com](http://www.fitchratings.com)'.

Applicable Criteria and Related Research:

--'Criteria for Rating U.S. Equity REITs and REOCs,' Feb. 26, 2013;

--'Treatment and Notching of Hybrids in Nonfinancial Corporate and REIT Credit Analysis,' Dec. 13, 2012;

--'Recovery Rating and Notching Criteria for Equity REITs,' Nov. 12, 2012;

--'Corporate Rating Methodology,' Aug. 8, 2012.

Applicable Criteria and Related Research

Criteria for Rating U.S. Equity REITs and REOCs

[http://www.fitchratings.com/creditedesk/reports/report\\_frame.cfm?rpt\\_id=700091](http://www.fitchratings.com/creditedesk/reports/report_frame.cfm?rpt_id=700091)

Treatment and Notching of Hybrids in Nonfinancial Corporate and REIT Credit Analysis

[http://www.fitchratings.com/creditedesk/reports/report\\_frame.cfm?rpt\\_id=696670](http://www.fitchratings.com/creditedesk/reports/report_frame.cfm?rpt_id=696670)

Recovery Ratings and Notching Criteria for Equity REITs

[http://www.fitchratings.com/creditedesk/reports/report\\_frame.cfm?rpt\\_id=693751](http://www.fitchratings.com/creditedesk/reports/report_frame.cfm?rpt_id=693751)

Corporate Rating Methodology

[http://www.fitchratings.com/creditedesk/reports/report\\_frame.cfm?rpt\\_id=684460](http://www.fitchratings.com/creditedesk/reports/report_frame.cfm?rpt_id=684460)

Additional Disclosure

Solicitation Status

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