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KIM - Q4 2013 Kimco Realty Corporation Earnings Conference Call

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OVERVIEW:

KIM reported full-year 2013 as-adjusted FFO of $1.33 per share. 4Q13 headline FFO was $0.33 per share and as-adjusted FFO was $0.33 per share. Expects 2014 as-adjusted FFO per share to be $1.36-1.40.

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PRESENTATION

Operator

Good morning, and welcome to Kimco's fourth-quarter 2013 earnings conference call.

(Operator Instructions)

Please note this event is being recorded. I would now like to turn the conference over to David Bujnicki. Please go ahead.

David Bujnicki - ***Kimco Realty Corp - VP, IR & Corporate Communications***

Thanks, Andrew. And thank you all for joining Kimco's fourth-quarter 2013 earnings call. With me on the call this morning are Milton Cooper, our Executive Chairman; Dave Henry, the President and Chief Executive Officer; Glenn Cohen, Chief Financial Officer; Conor Flynn, our Chief Operating Officer; as well as other key executives who will be available to address questions at the conclusion of our prepared remarks.

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 can 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 that could cause actual results to differ materially from those forward-looking statements.

During this presentation, management may make reference to certain non-GAAP financial measures that we believe help investors better understand Kimco's operating results. Examples include but are not limited to funds from operations' net operating income. Reconciliation of these non-GAAP financial measures are available on our website.

And finally, during the Q&A portion of this call, again, we request that you respect the limit of one question so that all callers have an opportunity to speak with management. If you have additional questions, please rejoin the queue. And with that, I'll turn the call over to Dave Henry.

Dave Henry *- Kimco Realty Corp - President & CEO*

Good morning, and thanks for calling in this morning. We are very pleased to report strong fourth-quarter results.

Glenn and Conor will provide the details. But in general, our operating metrics are excellent, led by our US same-site NOI growth of 4.1% for the fourth quarter, and 3.8% for the full year. The same-site number, which increased from the prior quarter, together with our substantial increase in occupancy, provide solid evidence of the continued strength and health of our core portfolio of neighborhood and community shopping centers.

Looking at the shopping center industry overall, leasing activity continues to be strong, with both occupancy and effective rent strengthening. The International Council of Shopping Centers, ICSC -- our industry trade group -- announced this week that the US shopping center industry NOI grew 8% in 2013. Which, while not a same-site number, represents the best annual growth rate since 2008.

Brick and mortar holiday sales were also up 2.4% year over year, despite awful weather and six fewer shopping days. Clothing, sporting goods and hobbies were particularly strong. And the -- quote -- daily spend by consumers is now the highest in six years.

National retailers continue their expansion plans, with more than 81,000 new stores planning to open over the next 24 months. Despite the growth of e-commerce sales, the shopping center industry is benefiting from population growth, very limited new development and GDP growth exceeding 2%.

This is translating into occupancy gains, rent increases and NOI growth across our sector. Kimco's own key metrics and operating results are robust, and give us confidence that 2014 will again produce solid results across our portfolio.

In Latin America, we continue to make excellent progress with our disposition activities. We sold five additional shopping centers in the fourth quarter, bringing our 2013 gross sales in Latin America to $1.1 billion.

As recently announced by the buyer, a joint venture of Macquarie Mexico REIT and Frisa, Kimco has signed a purchase contract to sell nine of its remaining Mexico shopping centers, comprising 2.1 million square feet to the Macquarie joint venture. Closing is expected within the next 30 days.

In addition, we now have signed letters of intent or contracts on 13 additional shopping centers --12 in Mexico, and our single last property in Chile. Only five existing shopping centers and a small net lease portfolio in Mexico remain unspoken for at this time.

North of the border, our Canadian portfolio remains strong and a significant contributor to our earnings, despite the recent currency decline of the Canadian dollar. Kimco's Canadian high-quality portfolio overall remains well-occupied at 96.3%.

We are benefiting from the continued expansion of US retailers in and into Canada. This week, Walmart announced plans to open 35 additional Supercenters in Canada over the next 12 months. Target also announced plans to open nine more stores in Canada, bringing their Canadian store count to 133. Nordstrom, Saks, Uniqlo and DSW are also on their way into Canada.

In the US, as Glenn will detail, our recycling efforts continue at a solid place, with Kimco purchasing high-quality retail properties and selling its equity interest in non-strategic shopping centers. Step by step, the profile of our portfolio is improving significantly in terms of demographics, average rents, NOI growth profile and primary markets.

Coupled with our redevelopment efforts, which Conor will cover, our new acquisitions and partner buyout activities will provide strong future NOI growth. We are particularly excited about our pending acquisition of the 24-property, Boston-area retail portfolio, which should close in March.

In addition, we are under contract for Crossroads Plaza, a Class A dominant, regional power center in Raleigh, North Carolina; and Quail Corner, a Harris-Teeter grocery-anchored shopping center in a high-income suburb of Charlotte, North Carolina. Subsequent to year-end, Kimco also closed on the acquisition of three grocery-anchored shopping centers in the greater Baltimore area from one of our institutional joint venture partners.

Now I would like to turn to Glenn to discuss the financial details of the quarter, to be followed by Conor's in-depth discussion of our portfolio results. And then Milton will, as usual, provide some general observations.

Glenn Cohen - ***Kimco Realty Corp - CFO***

Thanks, Dave, and good morning. We finished up 2013 on solid footing, delivering very strong operating metrics for the quarter and the full year, while continuing our portfolio transformations.

As we reported last night, FFO as adjusted and headline FFO each came in at $0.33 per share for the quarter, bringing FFO as adjusted to $1.33 per share for the full year. Representing a 5.6% increase over 2012 and achieving the upper end of our 2013 guidance range.

Our key portfolio operating metrics of same-site NOI growth, occupancy and leasing spreads were the highlights of the quarter. Combined same-site NOI gross was 3.4% for the quarter, which includes a 70-basis point negative impact from currency. The US portfolio was the key driver, generating same-site NOI growth of 4.1%.

For the full year, combined same-site NOI growth reached 3.5%, including a 30-basis point negative impact with currency. And the US portfolio delivered 3.8% growth.

Our pro rata occupancy rate increased 50 basis points during the quarter for both the US portfolio and the combined portfolio, bringing occupancy to 94.9% for the US, and 94.5% for the combined portfolio. These levels represent increases of 100 basis points and 70 basis points, respectively, over the 2012 levels.

Leasing spreads were solid, with new leases providing an 8.2% increase, and renewals and options coming in at an increase of 5.2%, for a combined 5.9% increase for the fourth quarter. For the full year, leasing spreads delivered a positive growth rate of 7.7%, comprised of 15.6% for new leases and 5.9% for renewals and options. These excellent operating metrics are the direct result of our transformation and simplification efforts thus far, and improving economy, and the hard work of all of our leasing and property management associates.

We have continued to be active capital recyclers, and the fourth quarter was no exception. We completed the sale of 14 non-strategic US shopping centers, for a gross price of $192 million and a cap rate of 6.7. And quickly redeployed the proceeds, acquiring 14 shopping centers in our key markets, for a gross price of $240 million at a similar cap rate to those disposed of.

In addition, as Dave mentioned, we sold five more assets in Latin America for a gross sales price of $40 million, including the complete exit of Brazil, with the sale of the two Brazilian assets. We now have one property remaining in Chile, which we expect to complete the sale of during the first quarter of 2014. And two small properties in Peru, one which is already under contract.

As part of our simplification strategy, we are in active negotiations or have at LOIs for many of the remaining assets in Mexico. And we expect to substantially complete these transactions by the middle of 2014.

In addition to our excellent portfolio operating metrics, we were successful in improving our balance sheet metrics as well. We improved our consolidated net debt through recurring EBITDA to 5.5 times, and increased our fixed charge coverage 2.9 times.

We took full advantage of the low interest rate environment during 2013, issuing a 10-year US bond at 3.125% in May, and a 7-year 3.855% Canadian bond in July, using the proceeds to repay higher coupon debt, generating annual savings of over $13 million. Our liquidity position remains in excellent shape, with over $1.4 billion of immediate availability, and very manageable debt maturities in 2014.

We are pleased with our execution and results in 2013, and have a clear, focused strategy, as articulated at our Investor Day in December. Our theme is: Transformation, Simplification and Redevelopment -- TSR -- to drive total shareholder return, with some extra from the plus business. We plan to deliver on this strategy in 2014 and beyond.

Let me provide some color around our 2014 recurring earnings guidance. We are affirming our 2014 FFO as adjusted per share guidance range of $1.36 to $1.40, with a midpoint of $1.38. At the midpoint range, the FFO per share growth is just under 4%.

This guidance range is based solely on recurring close and does not include any transaction-encumbered expense. We expect to achieve this solid growth level, despite the dilutive impact from the dispositions of InTown Suites, the American Industries portfolio and the net acquisition and disposition activities during 2013.

Several of the underlying assumptions used to determine the guidance range include an increase in overall occupancy of 50 basis points to 75 basis points, combined positive same-site NOI growth of 2.5% to 3.5%, the benefit of reduced borrowing costs and reduced G&A expense. In addition, we expect to continue the transformation and further improvement of the portfolio through significant disposition and acquisition activity.

The guidance range assumes the monetization of substantially all assets in Mexico by the middle of 2014 and the sale of US assets throughout the year, yielding proceeds in the $700 million to $900 million range. Proceeds from the dispositions will be used to acquire US shopping centers in our targeted markets, with a gross acquisition range of $900 million to $1.1 billion. The guidance range is very sensitive to the timing of the acquisition and disposition activity.

Our 2014 capital plan does not assume any new common equity requirements, and supports our recently increased dividend level of $0.225 per quarter. Which equates to an FFO payout ratio of 65%, one of the lowest in the REIT industry. And with that, I'll turn it over to Conor.

Conor Flynn - ***Kimco Realty Corp - COO***

Thanks very much, Glenn, and good morning, everyone. Today I will review the economic portfolio strategy, give an update on asset recycling activities and address fourth-quarter and full-year performance.

At our recent Investor Day, as Glenn mentioned, we outlined our portfolio strategies for the next three to five years: Transformation, Simplification and Redevelopment to drive total shareholder return. There are significant growth opportunities embedded in our portfolio, such as redevelopment, re-leasing and management of efficiencies, which will continue to drive net asset value.

We continue to build on the existing critical mass in our key territories, where we have boots on the ground, local expertise and the ability to create value. We believe the current environment, highlighted by available capital, modest interest rates and limited supply, make this an optimum time to accelerate the translational aspect of our strategy. We continue to dispose assets where we perceive risk, either in the form of lower growth profiles, below-average metrics, or that are located in non-core markets.

During 2013, 35 properties were sold for a gross price of $349.7 million, at a cap rate of 7.6%. But disposing assets is only one side of the equation. We have also been acquiring larger and higher-quality assets, possessing growing cash flows that are located in strong demographic markets.

For the full year, Kimco acquired 23 retail properties totaling $640 million, at a cap rate of 6.8%. In line with our communicative strategy of simplifying the business and leveraging our relationships, five of those sites were acquired from existing joint ventures.

One recent acquisition is an off-market grocery portfolio that we structured as a sale lease-back with Winn-Dixie. We acquired six sites, punctuated by Marathon Center, a 106,000-square foot high-volume center anchored by Winn-Dixie.

Marathon is also anchored by a Kmart paying below-market rent that expires in 2017, with no remaining options. And we are excited about the great redevelopment opportunity this presents.

The site is located in the Florida Keys, an area with high barriers to entry and limited new development. We expect our asset recycling program will lead to continued portfolio-strengthening and a continued upgrade in quality.

Turning to redevelopment activities, during the fourth quarter we moved 35 projects with a gross cost of $109 million to the active redevelopment pipeline. For the second half of 2013, we increased the redevelopment pipeline by $400 million to $778 million, comprising a total of 262 projects.

We continue to mine the portfolio for redevelopment opportunities where we can add a grocery component. And believe that the large expansion plans of traditional, specialty and ethnic grocery chains will provide numerous opportunities to significantly increase our percentage of grocery anchors in the portfolio.

This quarter, we signed five new grocery leases, including Publix at Belmart Plaza in West Palm Beach, Florida, where will be demolishing a former Winn-Dixie box and building a new Publix grocery-anchored center. In total, we acquired 11 grocery-anchored assets this quarter, increasing our grocery exposure to nearly 60% of our total portfolio base rent.

While our redevelopment projects have aimed at re-tenanting our centers with quality, credit-worthy tenants, our releasing teams have continued to focus on recycling our tenant mix to reduce our exposure to at-risk retailers. In 2013, we reduced our exposure to Kmart and Sears, redeveloping these spaces for high-quality tenants at better rents.

In Ocala, Florida, for example, we released the former Kmart box to Burlington Coat Factory for a 179% rent increase. And at Fairview Heights, Fresh Thyme Farmers Market took a portion of the former Kmart box for a 279% rent increase. Additionally, we reduced our exposure to office supply stores in seven locations.

We are also very active on the small shop recycling front. National restaurant chains, including Chipotle and Panera, are replacing noncredit operators.

Medical and personal service industries, such as Urgent Care, weight loss centers, hair and nail salons, and massage spas are showing positive net absorption. Indeed, these service-oriented businesses, which are e-commerce resistant, are a growing part of our shopping center evolution.

The increase in small shop occupancy continues to be driven by positive net absorption and the disposition of riskier assets. We continue to see significant demand for opportunities in proven retail nodes, and high occupancies across the industry are driving rents. Kimco is benefiting from this trend through higher rents for a larger portion of our portfolio, as below market leases mature and anchor boxes are redeveloped for strong junior-anchor line-ups.

Our average base rent per square foot increased in 2013 by $0.41 or 3%, from $12.58 to $12.99. And we only see opportunity for healthier increases as 86 anchor leases expire through 2017, with no further options and a 20% spread on mark-to-market.

For example, there are five Kmarts expiring through 2017 that are 253% below market, and 10 office supply stores that are 69% below market. Our 32 Kmart stores represent only 1.4% of ABR, at an average base rent of $5.62 per square foot. We have three Sears, representing 0.1% of ABR, at an average rent of $5.56 a foot.

As far as JCPenney is concerned, we have four locations representing 0.1% of ABR, at an average base rent of $6.28 a foot. This quarter in Philadelphia, we recaptured a JCPenney box, and are redeveloping the space with Burlington Coat and Bob's Discount Furniture, where we will be adding vertical transportation for the multi-story box.

We continue to monitor our tenant watch list, as we believe in this environment, recapturing boxes will create strong leasing spreads and redevelopment opportunities. The recovery of the small shop segment of the business continues to be a positive sign, as annual increases and lease terms are creeping back to pre-recession highs in our key markets. This segment will continue to improve with the economy, as it is closely tied to housing market, job market and consumer confidence.

Credit quality is important to us. And our large, balanced portfolio mitigates individual retailer exposure.

Among our top 20 tenants, we have the largest proportion of A-rated ABR among our peers. Still, we continue to monitor our watch list, and believe this environment provides unique opportunity to recapture these boxes for redevelopment, resulting in stronger leasing spreads.

And now turning to our results. US same-site NOI increased by 4.1% pro rata, representing the 15th consecutive quarter of positive growth. When we include LTAs, as some of our peers do, our same-site NOI jumps to 5.3%.

Leasing spreads for both new leases and renewals have now been positive for 11 consecutive quarters. Fourth-quarter new leasing spreads were 8.2%, driven mainly by our junior-anchor deals and mid-sized shops.

The benefits of our redevelopment projects drove spreads this quarter, with retailers like Bob's Discount Furniture and Burlington Coat Factory taking the former JCPenney space in Philadelphia at a 64% spread. We additionally continue to reap the benefits of older leases in our portfolio, with a 20-year-old SignMart in western Texas renewing at a market rent at a 35% spread.

Over Kimco's long history, we have been able to adapt to the ever-changing retail environment. And today we continue to employ a proactive approach toward positioning our portfolio for tomorrow.

We maintain a constant dialogue with our tenants, and have excellent relationships on a national and local level that help us identify new and emerging trends very early. We are constantly evaluating how we can further improve the appeal of our centers. Via through new amenities, energy-monitoring initiatives, innovative retailer incentive programs and technology, we continue to improve -- and pilot programs -- to adapt to this dynamic retail landscape.

In closing, it is an exciting time for Kimco, and I look forward to providing updates on our Transformation, Simplification and Redevelopment progress, which is well-underway and already yielding results. And now, I will turn it over to Milton for his closing remarks.

Milton Cooper *- Kimco Realty Corp - Executive Chairman*

Well, thank you, Conor. I believe we are in the sweet spot in the ownership of retail real estate. There has been virtually no growth in shopping center supplies since 2009, while on the demand side, we still have a strong population growth.

As pointed out by an astute analyst, the 2009 to 2013 period is the first time since 1974 that GLA for shopping centers has declined on a per capita basis. The performance of our value-oriented retailers, discounters, warehouse clubs, grocers and retailers selling essential goods has been strong.

Our largest tenant is TJX. They have done quite well and are planning to open 700 stores over the next five years. We own over 130 TJX stores in their various formats. And we plan to expand substantially with them over the next five years.

Among our peers, we are also the largest landlord of Home Depot and Costco stores. Both of these tenants have had excellent results and have strong balance sheets. These tenants are also very positive about our property type.

Now, that is not to say that the viability of retailers will ever change. Let me remind you that some time ago, an entire retail segment disappeared. I am referring to the variety stores -- Woolworths, Newberrys, G.C. Murphy, S.S. Kreske -- gone.

Yet all of that space has been replaced. Venture stores -- W.T. Grant -- others have also disappeared. But since then, have all been replaced.

Overall, we have properties that essentially consist of retailers that are value-oriented or have excellent credit, such as Walmart, Target. Or retailers that sell everyday necessities -- grocers, services such as health clubs, nail salons and dry cleaners.

And unlike other industries, we do not run the risk of technological obsolescence. There are some technology companies that sell in huge multiples, and a new invention can dramatically affect their existence. Think about Polaroid. Think about carbon paper, and more recently, cassettes and CD papers.

The quality of our portfolio is getting better and better as we transform it. And the best test is the same-store growth in our properties, and that's has been outstanding.

I like where our portfolio properties is going, and like the way our portfolio of people are developing. You know, we always talk about TSR. We are transforming the quality of our portfolios. And by the way, to sell over $1 billion of low-quality assets at a higher cap rate and buy higher-quality assets at a lower cap rate and still -- despite the dilution -- deliver growth in earnings, is something to pound our chest about.

We are simplifying our business by exiting Mexico and South America, and reducing the number of our joint ventures. And we are going to take advantage of redevelopment opportunities.

Now, in addition, what is really unique about Kimco is our plus business, run by Ray Edwards and myself. Over the years, as you know, we have had a track record of having sizable profits in this business. As of today, our investment in the super-value shares has had an annualized returns of 38%.

In our investment analysis, we have received almost five times our money back. And our share of the equity above our costs in the overall venture is still quite substantial. It is not too shabby for a small overhead operation.

And we are excited about 2014, and as Conor has outlined earlier, Transformation, Simplification and Redevelopment programs are well underway. And we look forward to harvest the fruits of our execution. And with that, we will be delighted to take any questions.

David Bujnicki - ***Kimco Realty Corp - VP, IR & Corporate Communications***

Andrew, we are ready to move to the Q&A portion of the call.

QUESTION AND ANSWER

Operator

We will now begin the question-and-answer session. (Operator Instructions)

Craig Schmidt, Bank of America.

Craig Schmidt - ***BofA Merrill Lynch - Analyst***

Thank you. About 19.3% of Kimco's ABR comes from US markets outside the top 40 MSAs. Just given your acquisition and disposition plans, where do you think that number might be in, say, three years time?

Conor Flynn - ***Kimco Realty Corp - COO***

Well, as you know, we are very focused on reducing that. And I think in three years time, our goal is to cut that in half. It's really to -- we have our disposition pipeline now that targets about 10% of that. And so 50% of what you are talking about will be -- we plan exit in three years.

Craig Schmidt - ***BofA Merrill Lynch - Analyst***

Thanks.

Operator

Christy McElroy, Citi.

Christy McElroy - ***Citi - Analyst***

Hi, good morning, everyone. Conor, I have a multi-part question on the redevelopment pipeline.

What is your share of the $223 million in-process and the $778 million total pipeline? And how would you characterize the 37 smaller projects in your in-process pipeline? And when you think about anchor replacements versus true redevelopment, how do you decide what to include and exclude from your releasing spread calculation?

Conor Flynn - ***Kimco Realty Corp - COO***

Why don't I start with the smaller projects on the redevelopment pipeline are typically out-parcels. Where we are creating a pad or a multi-tenant building, where we are developing it in the parking lot of the shopping center.

Our share of the redevelopments -- I can get that for you. It is really -- why don't we pull it up right here? It's about $409 million of the total pipeline -- $409.2 million.

So it really -- now, a lot of those projects are still in joint ventures. And we have shown that we have the opportunity to buy our joint venture partners out in certain cases. So there is a potential to increase that share as we have the KIF portfolio in the market and our few other portfolios in the market. Can you repeat the third or the fourth question?

Christy McElroy - ***Citi - Analyst***

I'm sorry. When you think about anchor replacements versus true revenue-generating redevelopment, how do you decide what to include in your releasing spread calculation?

Conor Flynn - ***Kimco Realty Corp - COO***

Our releasing spread is very much focused on just the releasing of the box. Where it is a redevelopment, we are doing something to the box. We are expanding it, we're cutting it, we are redoing the shopping center.

So if it's a pure tenant-out, tenant-in type of analysis, that is a re-leasing spread. Where we consider if we have to do something to the box, then it is considered a redevelopment.

Christy McElroy - ***Citi - Analyst***

So if you are replacing a former Filene's Basement with a Nordstrom Rack and a DSW, that is not included in the releasing spread?

Conor Flynn - ***Kimco Realty Corp - COO***

That one is, because we actually -- we did not do anything to the box. So the box is as it stands, and we're actually just putting Nordstrom rack in one portion of the box and DSW in the other portion.

Christy McElroy - ***Citi - Analyst***

Okay, thank you.

Operator

Paul Morgan, MLV.

Paul Morgan - ***MLV & Co. - Analyst***

Hi, good morning. Just on the acquisitions, you gave $900 million to $1.1 billion.

First of all, is that -- I don't recall exactly what it was before. Is that a higher guidance?

And then, a lot of the focus has been in terms of the recent activity in the Sunbelt. And I am just wondering, is that an explicit target? Or is this opportunity-based? And is the cap rates for a high-quality asset in some of those markets in the Sunbelt more advantageous to you, in your view, than in the Northeast corridor and the West Coast?

Glenn Cohen - ***Kimco Realty Corp - CFO***

Hi, Paul. First, part of what we have is, we have already lined up things like the Boston portfolio. We have closed on a couple of properties in our LaSalle joint venture.

So almost half of the amount that I mentioned -- roughly $500 million -- has already been targeted. The balance is really going to come based on our case of dispositions and the opportunities that present themselves. But those targets are based, really, on the activity we see coming forward.

And we think that we will be able to achieve those levels. They are pretty much in line with what we talked about at our Investor Day. And again, it is going to be subject to the level of dispositions that happen.

Dave Henry - ***Kimco Realty Corp - President & CEO***

We do, Paul -- on your second part of your question, we do look at a lot of transactions. The two that I mentioned in North Carolina where we are very excited about, because we like North Carolina long-term. We like the demographics, we like the prognosis. Both Raleigh and Charlotte are dynamic, good markets.

And the truth is, we can get a little bit higher yield in those markets then we can other places. But we look at all of our key markets actively across the board.

Paul Morgan - ***MLV & Co. - Analyst***

Okay, thanks.

Dave Henry - ***Kimco Realty Corp - President & CEO***

Sure.

Operator

Alexander Goldfarb, Sandler O'Neill.

Alexander Goldfarb - ***Sandler O'Neill & Partners - Analyst***

Morning. I just want to get a little more color on Puerto Rico. I did not hear it in your opening comments. If you could just give a sense for how the NOI trends have been there, both in the quarter and then for the full year, as well as rent spreads.

And bigger part of that is, obviously we have all read the headlines, and you can see all of that stuff. But just really seeing over the past year or two if there has been any change in US tenant interest in going down to the island.

Glenn Cohen - ***Kimco Realty Corp - CFO***

I will take the first part of it, Alex. The same-site NOI growth for the quarter was 5.7%, and for the year in Puerto Rico was 4.4%. And the occupancy level is up 130 basis points. So it began the year at 96.7% and ended at 98%.

Conor Flynn - ***Kimco Realty Corp - COO***

I'll just mention that our portfolio -- that occupancy is the highest it has ever been. If you go to Puerto Rico, you will start to see that the macro environment does not necessarily reflect the portfolio that we currently own.

The parking lots are full. The retailers are doing exceptionally well. And the high sales that these retailers are producing are attracting other like-kind retailers to come down to the market.

PetSmart is extremely aggressive down there -- Petco as well. Anna's Linens does phenomenally down there. And we are continuing to see more and more retailers contact us for opportunities.

But as you can tell, our portfolio is pretty well-occupied. So it is very hard to find those opportunities in Puerto Rico. And we anticipate another grocer coming to Puerto Rico shortly. We think that is a real opportunity to bring a national brand to Puerto Rico.

Alexander Goldfarb - ***Sandler O'Neill & Partners - Analyst***

Okay. So -- (multiple speakers)

Dave Henry - ***Kimco Realty Corp - President & CEO***

From a very high level, Alex, when you read the negative headlines, you have to remember that Puerto Rico is very supply-constrained from a retail perspective. It's got a fraction of the retail per capita that the US does. And so shopping centers are generally very well-occupied, and rents are still on the way up, despite the economic problems of Puerto Rico.

Alexander Goldfarb - ***Sandler O'Neill & Partners - Analyst***

Okay, perfect. So as far as all of the headlines, none of it -- the retails at the end of the day are focused on making money. And as long as they see making money, they are not dissuaded by any of these headlines.

Dave Henry - ***Kimco Realty Corp - President & CEO***

Exactly.

Alexander Goldfarb - ***Sandler O'Neill & Partners - Analyst***

Okay, thank you.

Operator

Jeff Donnelly, Wells Fargo.

Jeff Donnelly - ***Wells Fargo Securities, LLC - Analyst***

Good morning, guys. I recognize this may be more of a mall question. But can you update us with your general thoughts on how the threat of closures from the Sears, Kmart, Penneys play out.

And as follow-ups, whether or not you think discount retailers and other box users are going to look for unit growth by retrofitting those spaces, versus ground-up construction? And lastly, is there an investment opportunity in there for Kimco?

Conor Flynn - ***Kimco Realty Corp - COO***

Let me take the last part. We do think that there is opportunity there. We think that -- we have been monitoring this for a long period of time.

And everybody has their thoughts on what's really going to happen two, three, five years from now to those retailers you mentioned. We do think there is opportunities to retrofit boxes if the box is in good condition, if the ceiling height is right, if the space lays out correctly.

We have seen that Bed, Bath and Beyond will take the entire box and put all three or four of their concepts into the box. We have also seen it work where you have a Burlington Coat come in and take an existing Sears box.

Where I think it gets challenging is if the box has not been touched for 50 years. But if you take a few Kmarts, for example, there is really no way to retrofit that box. You have to tear it down, you've got to start fresh.

But that is not necessarily a bad thing. Because that allows you to really have a blank state, an open palette to create a dynamic retailer line-up to help revitalize the shopping center.

Dave Henry *- Kimco Realty Corp - President & CEO*

And, Jeff, I will comment on the first part. In general, if you look across our industry -- Kimco and all of our peers -- our occupancy is the highest in our bigger boxes. So when you get above 10,000 square feet, we are all 97%, 98% leased these days.

To the extent that one of these big guys comes more available, like Kmart, I think it will be rapidly absorbed by the junior anchors that are expanding. TJX and Ross together are going to open 200 stores a year for the foreseeable future.

So there is this enormous growth of some of the junior anchors and boxes that we do business with. The Bed, Bath and Beyonds are at least 25, 30 stores a year. The Petco, the PetSmarts, the Hobby Lobbys.

I mean, they are all growing like crazy. And these boxes -- as Conor described, in the right situations, can work well for these tenants.

Jeff Donnelly *- Wells Fargo Securities, LLC - Analyst*

Thanks, guys.

Operator

Vincent Chao, Deutsche Bank.

Vincent Chao *- Deutsche Bank - Analyst*

Good morning, everyone. Just want to go back to the disposition commentary, in terms of the pace that disposition is dictating some of the acquisitions beyond the $500 million. Just curious how demand trends are for dispositions of the type that you are trying to complete.

Are you seeing a pick up in interest? Or has some of the uncertainties that have unfolded here over the fall here changed anybody's outlook or appetite?

Dave Henry *- Kimco Realty Corp - President & CEO*

Vince, I think we feel good about being able to sell the assets that we are trying to market. We have packaged up quite a few of them. And I think you will start to see a lot more activity happening really in the second quarter on those.

But I think the market is in good shape. The capital markets are in excellent shape. The CMBS market is in excellent shape.

So there is clearly capital available. And there is a demand for the product type today, because of its yield.

Conor Flynn *- Kimco Realty Corp - COO*

Right. Someone said that the sun, moon and stars are all lined up in terms of the market right now for that type of product. So where we can expedite it -- where we can do a larger package of assets, that's what we are looking at in trying to make sure we execute.

Glenn Cohen *- Kimco Realty Corp - CFO*

And then cap rates are drifting down, even for the B properties these days.

Vincent Chao *- Deutsche Bank - Analyst*

Okay. And at this point, do you think there is a portfolio sale premium? Or do you think it's still better off selling single assets?

Glenn Cohen *- Kimco Realty Corp - CFO*

We will find out.

Dave Henry *- Kimco Realty Corp - President & CEO*

We have a large portfolio in the market now, and we are accepting bids on both the portfolio as a whole and the individual assets. So that will be a good test. We will see.

Vincent Chao *- Deutsche Bank - Analyst*

Okay. Well, thanks a lot.

Dave Henry *- Kimco Realty Corp - President & CEO*

Sure.

Operator

Jim Sullivan, Cowen.

Jim Sullivan *- Cowen and Company - Analyst*

Good morning, thank you. Question really for Conor on the impact of -- excuse me -- the increasing occupancy rates.

In prior periods where your occupancy rates have reached these kinds of levels, you have typically been able to maintain double-digit leasing spreads on a several-quarter basis. How close are we to getting to that point, number one?

And number two, regarding the LTAs. The prepared comments, you noted the increase in the LTAs last year. Is that a trend do you think we are going to see for a while here, or not?

Conor Flynn *- Kimco Realty Corp - COO*

I think you're going to start to see LTAs become a factor. As landlords can get more aggressive in trying to recapture some of these boxes, there is such a lack of new supply, that I think we can be more proactive on that, and really see how we can harvest the portfolio. And see if we can create more opportunity that way.

On your question on redevelopment? Yes, the spreads on the re-leasing, I think you are right on. We've got a probably about another, I would say -- 96.5, I think, is our target to hit in terms of occupancy.

So we do believe we can raise the occupancy a little bit more. But you are starting to going to see it come from releasing spread. You're going to see it come from small shop occupancy gains. And you will see the anchor box releasing spreads be strong as well.

Because these boxes that are coming due without any options -- there's bidding wars out there now, which was not the case a few years ago. So it is an exciting spot to be in.

Dave Henry *- Kimco Realty Corp - President & CEO*

Rents are jumping -- not by 2% or 3%, they are jumping by $1, $2, $3. So that is what gives us some comfort. And rents still are not back to pre-recession levels. So we still have a ways to go.

Operator

Steve Sakwa, ISI Group.

Mr. Sakwa, your line is open. Please go ahead with your question.

Steve Sakwa *- ISI Group - Analyst*

Hello. Can you hear me?

Operator

Please go ahead.

Steve Sakwa *- ISI Group - Analyst*

Good morning. On page 7 of the supplemental, you guys disclose the lease occupancy and the economic occupancy. It is about 240 basis points today.

I am curious, what has that spread been historically? How tight can it get? And over what period of time, should that incremental NOI -- that I guess is ineffectively signed and in place, but not yet income-producing -- how long does it take to show up on the income statement?

Glenn Cohen *- Kimco Realty Corp - CFO*

Historically, it has been somewhere between 150 and 175 basis points. And it takes six months or so.

Because we signed a lot of leases at the end of the year. And those leases -- the rental will start flowing when you deliver the space to be tenants, which is anywhere from -- it can be three to six months. But on general, I would say around six months we will start seeing it flow.

Conor Flynn *- Kimco Realty Corp - COO*

That's right. And we had a huge leasing volume this past quarter. So as Glenn mentioned, you will start to see that flow 60 to 90 days [passes].

Steve Sakwa *- ISI Group - Analyst*

And is there anything different about the environment today that would allow that 150 to 175-basis point gap to narrow?

Glenn Cohen - ***Kimco Realty Corp - CFO***

You know, we have a very large portfolio. We are signing roughly 2 million square feet of space every quarter. So it really is dependent on the deal buying that you have.

But again, if you look historically, that is where it's been. I don't see it really changing a whole lot.

Conor Flynn - ***Kimco Realty Corp - COO***

Really, what we are focused on is trying to expedite the rent commencement date, and to try and shorten that deal curve as much as possible. But it does take time to get the tenants in, to get them built, and opened and operating. So as much as we can, we are going to try and shorten that, but it still takes time.

Steve Sakwa - ***ISI Group - Analyst***

Okay, thanks.

Operator

Cedrik Lachance, Green Street Advisors.

Cedrik Lachance - ***Green Street Advisors - Analyst***

Great, thank you. Milton, you were talking a little bit about the results so far of the SVU transaction. Other than the share price performance, can you talk to us a little bit about whether or not you were able to accomplish some of the goals on the real estate front? And whether, as you go into year two, three, and the future of that investment, whether you are going to be able to recapture some real estate at what could be an advantageous price?

Milton Cooper - ***Kimco Realty Corp - Executive Chairman***

That is the -- an important objective. And we have had several transactions where we were able to acquire real estate from the remaining partners. In each case, we had outside appraisals so that it was fair.

But it really has worked for us. And I think that those companies have relatively real estate rich.

So the bottom line is that our objective is to not only make money on the investment, but to obtain real estate, other than bidding for it in the marketplace. And that's -- we have done and will continue to do, Cedrik.

Cedrik Lachance - ***Green Street Advisors - Analyst***

Sorry. So how much have you been able to acquire so far in real estate from SVU?

Milton Cooper - ***Kimco Realty Corp - Executive Chairman***

Ray?

Ray Edwards - ***Kimco Realty Corp - VP, Retailer Services***

Well, we have three properties we are under contract to acquire in adjacent shopping centers, that we own from them. And we are looking at some other deals. Also properties where there are tenants looking to restructure some of these things like that, that can benefit the long-term value of the properties.

So the company right now, Cedrik, is focused 150% on improving the business. And they want to work with us, but we don't want to distract them from their main goal of that.

As things get stabilized, we will be able to work with them. But we don't want them to lose sight of their main goal, which is to create the value in the operating business. In the early stage, it's hard to get a lot of control.

Cedrik Lachance - ***Green Street Advisors - Analyst***

Okay, thank you.

Operator

Rich Moore, RBC Capital Markets.

Rich Moore - ***RBC Capital Markets - Analyst***

Good morning, guys. There's always got to be something. And lately, I've been hearing more talk that the bank branches at shopping centers are all going to disappear.

And I know Bank of America, I think, is number 46 on your tenant list. So not a big deal. But I am curious what you're hearing about bank branches, what you think about that situation and who might be likely replacements.

Conor Flynn - ***Kimco Realty Corp - COO***

Yes, bank branches have been on a target list for a while, of understanding that they are going more to the ATM and the -- less tellers. A lot of the banks have been putting private wealth management into the bank branches to try and create more value. But they are still reducing the amount of branches across the country.

Now, those pieces of real estate are typically the best located in the shopping center. So they command the highest rent, and are usually great real estate to recapture. Because of today's environment with all of the restaurants that are very aggressive, to wanting to be up front.

Those spaces are typically pads that can be repositioned very easily, with significant value-creation involved. So it is something we have been watching. I think that trend will continue as technology becomes -- more and more people are banking online and are really using technology to go less and less to a bank branch.

Rich Moore - ***RBC Capital Markets - Analyst***

Okay. And just real quick, Conor, is that right that the only real exposure you guys have is Bank of America at 0.4% of rents?

Conor Flynn - ***Kimco Realty Corp - COO***

That would be the largest in terms of the bank branches that we have. But we do have a number of banks across the portfolio. So that is the largest single exposure.

Rich Moore - ***RBC Capital Markets - Analyst***

Okay, great. Thank you.

Dave Henry - ***Kimco Realty Corp - President & CEO***

And there still are banks that are expanding their branch networks. So it's not they are all going down. TD, as an example, has been very aggressive at taking branches from other banks that are downsizing.

Conor Flynn - ***Kimco Realty Corp - COO***

And credit unions, too. Credit unions have seen a big jump.

Rich Moore - ***RBC Capital Markets - Analyst***

Great. Thank you.

Operator

Haendel St. Juste, Morgan Stanley.

Haendel St. Juste - ***Morgan Stanley - Analyst***

Yes, good morning. Thank you for taking my question. So I am looking at page 30 of the supplemental and see that new leases in Canada were down 8.2%, and also down 16% in Latin America.

We know you are continuing your exit from Latin America. But was wondering if you could provide some color -- more color around demand for retail space in Canada and Latin America. And then, in light of the positive commentary you made earlier in your remarks about Canada, when does that translate into positive leasing spreads?

Dave Henry - ***Kimco Realty Corp - President & CEO***

In Canada, we were hit with a couple things. One is the currency. Obviously the Canadian dollar has weakened dramatically. And if you took the currency impact out of it, we would have positive same-site numbers in Canada.

But in addition, as you know, Zellers closed its chain across Canada, selling most of the stores to Target, but not all. So we do have two empty Zellers stores that ended up in the numbers. One of those has been re-leased. So you will see that turn around in the future.

Even though this quarter is a little bit down from what we normally expect, Canada should continue to do very well. And you have to put it in the context that Canada just did not have the decline that the US had. So it has always been kind of a Steady Eddie for us.

It is not in the recovery phase, if you will. We still feel very good about what is going to happen longer-term in Canada, in terms of same-site and rent growth.

Like Puerto Rico, it is supply-constrained in the sense that it's only got about 60% of the retail per capita that the US has, and there is enormous demand for space by retailers. And you see the evidence of that in development activity picking up, mostly in urban locations in Canada. So I think this is a one-quarter blip, primarily driven by the currency.

In Latin America, we have been selling a lot of property, so the numbers are jumbled. Some of our best properties were in the early rounds of what we've sold. But on the ground, we are seeing pretty good tenant demand.

Our job is to keep our operating partners focused on the leasing as we move towards closing these properties. As I mentioned, all but five are now spoken for. And so within the next three to six months, they should be closed and gone.

So it is a little bit of a wind-down activity, which is not representative of the actual demand for space in Mexico. You probably saw yesterday they were upgraded to investment grade by Moody's, which I think gives you an indication of what is going on in the Mexican economy, which is strong.

And both domestic and international retailers are expanding in Mexico. I think the long-term is positive for Mexico on the ground in retail space.

Haendel St. Juste - ***Morgan Stanley - Analyst***

I appreciate that. And just to clarify on an earlier comment about your 2014 investment activity.

Should we assume the spreads -- similar spreads for this year as incurred last year, that 80 BPs more or less of dispositions versus acquisitions? Is that a fair assumption?

Dave Henry - ***Kimco Realty Corp - President & CEO***

Yes. Are you talking on in terms of the dilution?

Haendel St. Juste - ***Morgan Stanley - Analyst***

Right.

Dave Henry - ***Kimco Realty Corp - President & CEO***

Again, yes, it is probably around 100 basis points. Okay, I would say it is a good start. The better properties are trading at that 6-ish, and we are doing pretty good when we sell the stuff we are selling at 7, or maybe even a little higher. The gross cap rate difference is at least 100 basis points.

Haendel St. Juste - ***Morgan Stanley - Analyst***

Got it. Thank you, guys.

Operator

Ki Bin Kim, SunTrust.

Ki Bin Kim - ***SunTrust Robinson Humphrey - Analyst***

Thanks. Just going back to your earlier comments about e-commerce. It seems like the e-commerce industry itself has slowly changed in the past five years. And at first, it really targeted the power center-type of tenants, commodity-like items and now has gone, too, towards more malls.

So my question is, if you look at your power center portfolio, what percent of the tenant mix would you categorize as very Internet-resistant? And could you comment on the difference in performance between power centers and strip centers in your portfolio today?

Dave Henry - ***Kimco Realty Corp - President & CEO***

Well, let me take a stab at the e-commerce question. Just about all retailers are affected to some degree by e-commerce.

And they range from very limited impact -- like barber shops and grocery stores and things like that -- all the way up to the electronics and book sellers that have been victims of the e-commerce trend. And a lot of our retailers fall somewhat in the middle.

What is encouraging to us is a couple of things. Almost all of these better retailers have found ways to blend their own e-commerce online activities with their brick and mortar activities. And they are getting very good at it.

In many cases, they are taking share away from the Internet-only sellers, if you will. Because they can provide delivery services much more efficiently. They are closer to the customers.

And in terms of what impact it has on our space, what we are seeing is the bigger retailers are converting portions of their stores to what they call fulfillment centers. These stores are not only showroom and sale space, but they are also delivery centers.

Macy's, I believe, has announced that they already converted 500 of their department stores -- a substantial amount of the space in those 500 stores -- to fulfillment centers. So as they take online orders, they take it directly out of the stores.

And most of these brick and mortar retailers love it when goods are returned. Because they sell $1.30 to $1.40 for every $1 that is returned to the store. Sometimes they get a new customer that sees new merchandise, and so forth. So they are finding very effective ways to blend those operations together.

Gap is another great example of working well, and I think I think more than 30% of their sales are now online. And they have managed to bring their brands all together with -- online.

Right now, it has not slowed -- none of this e-commerce activity has slowed down the demand for space. It has shrunk their prototypes.

So, for instance, Old Navy, I know that. It used to have 25,000 square feet. Now it is more like 17,000 as their newer prototype. But it has not slowed down their demand in terms of looking at space.

We see the TJXs of the world, the Rosses -- as I mentioned, the Petco, and so forth -- growing like crazy, even as they expand their own online activities. And the saving grace for us as landlords is, there just is no new building out there.

So instead of building 2,000 shopping centers a year in the US, it is down to less than 100. And retail per capita is going down instead of up. So all of that makes it an effective counterweight to e-commerce.

Nobody is going to disagree that e-commerce is taking a bigger and bigger share. But the limited new construction, the GDP-positive growth and the limited new supply has more than offset it.

And the proof is in the pudding. All of our occupancies are up. Our rents are up, and so forth. So we are still on a good trend.

Ki Bin Kim - ***SunTrust Robinson Humphrey - Analyst***

Any difference between performance of power centers versus strips?

Dave Henry - ***Kimco Realty Corp - President & CEO***

Oh, I'm sorry. Well, again, there's issues that we look at in both. I think the neighborhood centers -- which are generally what you would call strips -- are generally grocery-anchored, and they are focused right on the neighborhood.

And they deliver, as Milton pointed out, essential goods and services. So your dry cleaner, your grocery store, your drug store, your commercial bank, is all there. They are probably a little less vulnerable than power centers that have a Barnes & Noble, or that have a Best Buy, and so forth.

So I would not disagree with the general theory that perhaps the power centers are a little more vulnerable. But the power centers also have these boxes and chains that are growing like crazy. So the demand for space is still strong, even in the power centers.

Conor Flynn - ***Kimco Realty Corp - COO***

I would just add that it is becoming a very blurred line between the power centers and the neighborhood centers and the community centers. Because today, there are more grocery retailers entering power centers that have never entered them before.

So it is becoming more of -- rather than a destination-oriented type shopping center, it is really becoming more of a daily shop. And so that is spilling over the sales volumes to an increase across the power center.

But as Dave mentioned, right now the power center has been doing quite well. Because there is such a lack of that big box opportunity that there's bidding wars for those types of opportunities when they come available.

Where the grocery-anchored center has done well, and the grocery stores continue to show that they are Internet-resistant. But they are mostly using their small shops for their growth. So there is opportunity there as well, as the small shops have recovered to increase growth through small shop lease [opportunities].

Dave Henry - ***Kimco Realty Corp - President & CEO***

One of the most encouraging signs we have is the number of retailers that ask us about our watch list. They are trying to get a proactive jumpstart on retailers that might give back space. And they are starting to get worried themselves about the store counts that they have to achieve over the next couple of years.

Operator

Michael Mueller, JPMorgan.

Michael Mueller - ***JPMorgan Chase & Co. - Analyst***

Hi. Just a question on disposition guidance for 2014. The $700 million to $900 million -- is that just US volume? Or does that include Latin America as well?

Glenn Cohen - ***Kimco Realty Corp - CFO***

No, that includes Latin America.

Michael Mueller - ***JPMorgan Chase & Co. - Analyst***

Okay.

Glenn Cohen - ***Kimco Realty Corp - CFO***

Latin America will be $500 million of it.

Michael Mueller - ***JPMorgan Chase & Co. - Analyst***

Got it. Okay. That was it. Thank you.

Operator

Nathan Isbee, Stifel.

Nathan Isbee - ***Stifel Nicolaus - Analyst***

Good morning. Can you break out the same-store revenue versus the same-store expenses expectations as baked into your guidance for next year? And where do you think there is room to drive operating efficiencies you referenced earlier?

Conor Flynn - ***Kimco Realty Corp - COO***

I will take the operating efficiencies question. I think that when you have a very geographic-centered portfolio, you have more time spent at the properties than you would if you were geographically diverse. Or if you were in secondary and tertiary markets and don't have an office located right at the shopping center.

So we are looking to see -- as we move towards our goal of a tier 1 portfolio in our key markets, we think we can have more boots on the ground, more touching and feeling, and kicking the tires of these assets to see what we can do to generate growth. Can we come up with more redevelopment opportunities?

And I think the more time you spend on each individual asset, the more efficiency you'll have in terms of your managing your portfolio. By having to travel less, keep your expenses low and potentially have a core group managing a portfolio shopping centers in a very strategic area.

Nathan Isbee - ***Stifel Nicolaus - Analyst***

So where do you think your margins can go in that?

Conor Flynn - ***Kimco Realty Corp - COO***

I think we can probably look at -- if we look at where the portfolio will be in three to five years from now, I think our goal is to actively reduce overhead where we see fit. It's managing a much smaller number of properties. But the NOI is still going to continue to grow.

So we think we can become more efficient. We don't have a target number yet. But we do believe that there's efficiencies in that.

Nathan Isbee - ***Stifel Nicolaus - Analyst***

All right. And the guidance?

Glenn Cohen - ***Kimco Realty Corp - CFO***

Nate, can you clarify your first part of your question?

Nathan Isbee - ***Stifel Nicolaus - Analyst***

Yes. I mean, you came out with a 2.75% to 3.25% on the same-store. I don't know why, I'm just curious how that breaks out between revenue and expenses.

Glenn Cohen - ***Kimco Realty Corp - CFO***

Well, you will have -- somewhere in the 2% range would be coming from the revenue line. So it would be expense side.

Again, the expense recovery piece of it is probably another 50 basis points of it. And then you have the other components, which are the other rental revenue and the percentage rent piece. Which is -- it's a little subject to change. But the minimum rent is the key driver of the same-site NOI growth, in that 2.5% to 3.5% target.

Nathan Isbee - ***Stifel Nicolaus - Analyst***

Okay. And then, on the expense side, are you baking anything in there in terms of reduction for 2014?

Glenn Cohen - ***Kimco Realty Corp - CFO***

Well, again, if you look at our margins, they've run overall somewhere in the low 70s. And the budgets, as we roll them up property by property, bring us to the same level.

So when you talk about expenses, you have certain variable costs -- things like snow, landscaping and things like that. It depends on how that all comes together.

But our recovery side will improve. And that is why there is a piece of that, that is in the same-site NOI growth.

Dave Henry - ***Kimco Realty Corp - President & CEO***

Right. As the occupancy goes up, we recover more of our expenses.

Nathan Isbee - ***Stifel Nicolaus - Analyst***

All right, thanks.

Operator

Christy McElroy, Citi.

Michael Bilerman - ***Citigroup - Analyst***

It's actually Michael Bilerman. Just a question, I don't know who wants to take it. But Milton, you talked a little bit about the plus strategy and low overhead with you and Ray.

I'm just curious how active the plus business is internally, in terms of other resources that may be at play. About whether there could be more transaction activity as you think about the different areas that the plus business has taken over the years.

Whether it just be, say, lease-backs or bankruptcies or repositioning some underperforming retail locations or financing. How should we think about potential transaction activity in the plus area?

Milton Cooper - ***Kimco Realty Corp - Executive Chairman***

I would think that you will see substantial activity in 2014 and 2015. I think it will be dramatically increased.

Michael Bilerman - ***Citigroup - Analyst***

And what does that comprise? Where is that emanating from in terms of the types of transactions that Kimco would be involved with?

Ray Edwards - ***Kimco Realty Corp - VP, Retailer Services***

I mean, historically, we have done deals where it's a financing with retailers that we have put on the back burner for the last couple of years, that have been very profitable. So that is an area that we can look to, to grow the business on that.

And again, we are still -- we have very strong relationships with the private equity world and the other people in the turnaround world, to get leads. It's really at this point, for Mil and I to kind of -- what you have been doing is the last six months or so, reach out to people, and let them know we are interested in doing this business again. Where we were basically on the sidelines the last few years.

But we have very strong relationships. And I think people want to work with us, and they are happy to hear that we are back in business.

Dave Henry *- Kimco Realty Corp - President & CEO*

It is a complement to both Milton and Ray that we are probably one of the first calls by a lot of the private equity companies and other major investors. And retailers that are under any kind of distress as they try to unlock real estate value.

And to your question on other resources, we do use our regional field network to help us underwrite these opportunities. And that is one of the strengths we bring to our partners.

We have the ability to tell them what the replacement rents will be. We have an ability to quickly swarm over a lot of properties and help private equity and others underwrite these things. So it is a good marriage, especially when the opportunity itself is a good one, like Albertsons and SUPERVALU.

Michael Bilerman *- Citigroup - Analyst*

So it sounds like more of those types of transactions. Will you be partnering and taking a smaller piece, but be the real estate expertise?

Dave Henry *- Kimco Realty Corp - President & CEO*

Be the real estate partner.

Milton Cooper *- Kimco Realty Corp - Executive Chairman*

Exactly right.

Dave Henry *- Kimco Realty Corp - President & CEO*

That is the key, yes.

Michael Bilerman *- Citigroup - Analyst*

Thank you.

Operator

Ross Nussbaum, UBS.

Jeremy Metz *- UBS - Analyst*

Good morning. Jeremy Metz. If I take a couple of comments that were made on the call, including what was just said regarding the dramatic increase potentially in the plus business. And then I think about what is the lower GLA per capita, which is a function of higher population, as well as the increasing demise of whether it is B malls or tertiary real estate. It seems to me that we are entering a new phase for retail real estate in America, where we are seeing a huge segregation in the quality in the growth prospects of retail.

And I'm just curious if you generally agree with that statement. That the next 5 to 10 years are going to be dramatically different than the last 10 or 20 years, in terms of how investment returns are achieved in retail real estate.

Dave Henry *- Kimco Realty Corp - President & CEO*

Well, I will take one stab at that. We are seeing an increasing urbanization. The retailers want to follow the population growth and the job growth. And we are seeing a desire in the value of properties that are located in some of our key markets, which are higher-density, higher-income areas.

And retail is definitely following those trends. And cap rates and values are definitely following those trends. Which is why some of these tertiary areas -- and as you reference, the B malls and the second-class properties -- are probably going down faster than other things.

By the same token, the higher-quality is holding up quite well. The rents are up. There is a declining supply of it. The retailers are trying to quickly rent space in these areas.

So I would agree with you that I think there is dividing going on here. And we intend to be part of it, which is why we think it is a great time to sell some of our more tertiary assets and buy some of the things that we think are going to hold up well over the next five years.

Operator

And at this time I would like to turn the conference back over to David Bujnicki for any closing remarks.

David Bujnicki *- Kimco Realty Corp - VP, IR & Corporate Communications*

Thanks, Andrew, and to everyone that participated on our call today. As a reminder, additional information for the Company can be found in our supplemental, which is posted on our website. Have a good day.

Operator

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