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PRESENTATION

Operator

Good day and welcome to Kimco's fourth quarter 2016 earnings conference call.

(Operator Instructions)

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

David Bujnicki - *Kimco Realty Corporation - SVP of IR and Strategy*

Thanks, Steven. Good morning and thank you for joining Kimco's fourth quarter 2016 earnings call. With me on the call this morning is Conor Flynn, our President and Chief Executive Officer; Ross Cooper, the Chief Investment Officer; and Glenn Cohen, CFO. In addition, there are other members of our executive team that are also available to address you during the conclusion of our prepared remarks including Milton, Dave Jamieson and Ray Edwards.

As a reminder, statements made during the course of this call may be deemed forward-looking. 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. Examples include but are not limited to funds from operations and net operating income. Reconciliations of these non GAAP financial measures are also available on our website. With that, I'm going to turn the call over to Conor.

Conor Flynn - *Kimco Realty Corporation - President & CEO*

Good morning and thank you for joining us. Today I'll provide a progress update on our 2020 vision as well as our view of the current retail environment. Ross will provide an update on our portfolio activities and Glenn will cover our fourth quarter and full year results as well as provide color on our 2017 guidance and outlook.

2016 was a very productive year for Kimco and the team has been executing on our four key strategic goals. Which are to one, significantly improve the quality of the portfolio; two, unlock the embedded growth; three, strengthen the balance sheet; and four, develop and motivate employees to further strengthen our team.

In line with our 2020 vision to create a high quality, major metro focus portfolio that is US centric, we undertook and completed a large disposition program during the year. We were able to divest assets at an opportune time when rates were hovering near all-time lows and demand for open air centers was at an all time high.

At our December 2015 investor day we outlined a five year strategy recognizing that our path to achieve our 2020 goals may not be linear. As you saw in our press release, the sale of our lowest quality and international properties will have a short-term impact on our FFO in 2017. Glenn will cover this shortly.

Our portfolio of high quality shopping centers is now tightly concentrated in the best markets in the US and our signature series of redevelopment and development projects are progressing. Regarding redevelopments, we completed $160 million in projects during 2016, including our first mixed use property, producing an incremental return on investment of 9.6%.

We have positioned our portfolio to be defensive in nature with long term leases that have significant mark-to-market opportunities upon lease expiration or recapture. Each redevelopment takes advantage of these opportunities to unlock the highest and best use.

Turning to our development properties. Grand Parkway Phase I and Phase II are moving along nicely with potential for an early delivery on Phase II. At Dania we have parted ways with Costco for Phase I and are moving towards developing a high quality, open air center that will complement the live/work/play environment we are developing in Phase II and improve the overall returns for the project.

Small shop leasing continues to be a bright spot as our year-end occupancy of 89.9% neared an all-time high with no signs of slowing down heading into 2017, as small business sentiment is at a multi-year high. The leading small shop categories are primarily service and food-based providing a complimentary offering to our open air centers.

Finally, our balance sheet continues to improve with a tremendous effort by Glenn and his team to lengthen our debt maturity profile to one of the longest in the REIT universe and opportunistically tap into the bond market to further reduce our borrowing costs. Now let me provide some insight into what we are seeing in the retail environment.

Supply and demand in our portfolio continues to remain in balance, even as we anticipate a choppy 2017 for the retail sector. Several of our top tenants have reported positive same-store sales. The continued sales growth in store openings, specifically for off-price retailers, give us confidence and we see continued absorption of current open air supply and high quality centers and forecast modest increase in our overall occupancy in 2017. That being said, we need to remain ahead of the challenges facing brick and mortar retail.

We believe marginal locations will suffer with store closures. The first wave of shadow supply from department stores will have little to no impact on our portfolio although we continue to monitor this closely. Our disposition program took this into account and we successfully exited locations where we thought pricing power would be negatively impacted. Our team executed leases on three former Sports Authority boxes in addition to 12 anchor leases with retailers that include Lifetime Fitness, Dick's Sporting Goods and multiple fitness and off-price retailers.

We continue to see demand for space that ranges across multiple categories, including the off-price sector, traditional and specialty grocers, flex format Target, which we recently opened in one of our Long Island assets, sporting goods, arts and crafts, home improvement, theatres, beauty, pet supplies, furniture, fitness and entertainment. To be clear, physical retail is not going away and will continue to be critical to the long term success of the omni-channel approach to best serve today's customers.

However, it is now more important than ever to have dominant locations with the best tenant line up. We feel good about the work we have done to competitively position Kimco. We continue to focus on the long term as real estate necessitates a prolonged view.

Our 2020 vision provides visibility over the next four years of improving earnings growth and value creation. The risk profile of our portfolio is dramatically different from just a few years ago. We have scale, liquidity and broad geographic and tenant diversity with multiple levers for growth going forward.

Finally, our earnings stream, now recurring and predictable, will enable us to continue to grow the dividend over time. Finally, we are excited to welcome Mary Hogan to our Board of Directors. She will be a great addition to the team. And with that, I'll now turn the call over to Ross.

Ross Cooper - *Kimco Realty Corporation - CIO*

Thank you, Conor. Overall we had a very productive year on the investment side with over $1.5 billion of transactional activity. This was highlighted by the accelerated exit of our Canadian investments, the sale of 31 assets in our US portfolio for $410 million and select third party and JV acquisitions totalling $457 million Kimco share. The fourth quarter dispositions amounted to $140 million gross value with Kimco share of $65.5 million.

The blended cap rate on the six centers sold was 6.6% at the high end of our valuation range for those assets. On the acquisition side we acquired two former JV assets in California with longer term redevelopment opportunities and strategic locations in the San Francisco/Oakland MSA as well as Los Angeles/Anaheim MSA.

In addition, we acquired a Sprouts anchor center in Temecula, Southern California. This center included a vacant Sports Authority box which provides a solid and immediate upside opportunity which we are in the process of finalizing. This was one of only two assets we bought from the open market all year, evidencing the discipline we employ when evaluating our investment decisions.

We are pleased with the investment execution for 2016 which was consistent with the expedited portfolio transformation strategy we initiated in 2013. While the nature of these sales has had a dilutive impact on the overall portfolio growth profile for the coming year, we're confident that it was the correct decision resulting in the core portfolio we have today.

On the investment landscape, we continue to see a bifurcation in pricing between high quality core markets and those outside the major institutional focus. While cap rates on the best of the best assets remain sticky and at all times lows, the noncore secondary and tertiary assets, particularly those without a grocery component, continue to rise. We are in the fortunate position of having significant redevelopment and selective ground-up opportunities to help grow our portfolio which allows us to be patient as we look for strategic investments that are accretive and enhance the portfolio.

In January we acquired Plaza Del Prado, a high-quality grocer anchored center in Chicago, Illinois. The asset is located within a high income, high barriers to entry submarket, anchored by a Jewel supermarket. This center was developed in 1978 and contains original tenants both in line and on out-parcels with leases that are coming due with no further options. This will allow us to push rent significantly in the next few years and maximize value. Our Albertson's relationship also provides an opportunity to create an out-parcel which will be mutually beneficial to both tenant and landlord.

For 2017, we are providing for a range of $300 million to $400 million of acquisitions and $250 million to $350 million of dispositions, making us a modest net acquirer for the year. Glenn will provide additional color and insight on our guidance and financial performance for the quarter.

Glenn Cohen - *Kimco Realty Corporation - CFO*

Thanks, Ross, and good morning. We finished 2016 with solid fourth quarter and full-year results, bringing to a close our first year of execution on our 2020 vision strategy.

We now have a high quality portfolio of assets in our key markets which will produce strong cash flow growth and future upside from our development pipeline and select ground-up developments. We have dramatically simplified our business by exiting essentially all our foreign investments and reducing the number of joint ventures, with over 85% of our total NOI now coming from consolidated assets.

We've also strengthened our balance sheet by reducing leverage and extending our debt maturity profile as we strive to upgrade our unsecured debt ratings to A-/A3. Although these strategic initiatives have a muting effect on 2017 FFO growth, we have set the foundation for our future growth as lease-up continues, below-market leases are recaptured and redevelopments and developments start generating cash flow. Our vision is clear, our team is focused on execution and we remain confident about our future.

Now for some details on our fourth quarter and full-year results and further color regarding our 2017 guidance. NAREIT FFO per share was $0.38 for the fourth quarter. Included in NAREIT FFO was $5.3 million of impairment charges related to land parcels sold during the quarter and under contract. These charges were more than offset by gains from the extinguishment of debt related to the three properties.

NAREIT FFO per share for the full year came in at $1.32, achieving the upper end of our guidance range. The 2016 full-year results include charges of $0.20 per share related to the third quarter 2016 strategic initiatives to prepay $350 million of Canadian denominated debt and $428 million of US debt, as well as the merger of our taxable REIT subsidiary into the REIT.

FFO as adjusted or recurring FFO, which excludes transactional income and expenses and non-operating impairments, was also $0.38 per share for the fourth quarter, $0.01 above the $0.37 per share reported last year. Versus the prior year, our fourth quarter results include decreases in consolidated NOI of $3.8 million and FFO contribution from joint ventures of $12.4 million, attributable to the significant dispositions of US and Canadian assets throughout 2016.

These decreases were offset by lower financing costs of $13.9 million, attributable to lower debt balances and refinancing. Specifically, lower rates were coupled with the redemption of the $175 million 6.9% preferred stock in the fourth quarter last year.

In addition, G&A expenses were lower by $4 million and tax expense was lower by $2.8 million due to the TRS merger. Overall, our fourth quarter FFO as adjusted grew to $160.4 million from $153.1 million last year, an increase of 4.8%. Our full-year 2016 FFO as adjusted was $1.50 per share, the mid point of our guidance range, and an increase of 2.7% from $1.46 per share reported in 2015.

We achieved this growth despite the $7 million negative impact from the Sports Authority bankruptcy and the $73 million dilutive impact from the disposition activity. To put it in perspective, our pro-rata EBITDA decreased by $64 million to $919 million in 2016, although we were still able to increase our FFO as adjusted by $26 million, or 4.3% increase. The key contributors were debt reduction and financing cost savings of $70 million and recurring income tax savings of $13 million.

Our portfolio operating metrics remain strong as we ended the year with an occupancy level of 95.4%, up 30 basis points sequentially including anchor occupancy at 97.3%. The remaining vacant Sports Authority boxes had a negative impact on occupancy of 75 basis points. And as Conor mentioned, our operating team is actively working on the releasing effort.

Leasing spreads were very strong for the fourth quarter delivering 36.5% for new leases, 7.1% for renewals and options and 14.8% combined. For the full year, combined leasing spreads were a solid 12%. Same site NOI growth was 2.7% for the fourth quarter driven by minimum rent increases of 180 basis points and improved recoveries of 90 basis points with redevelopment sites contributing 80 basis points. The Sports Authority bankruptcy had a negative impact of 110 basis points on those figures.

For the full year same site NOI growth was 2.8% and includes 70 basis points from redevelopment sites and a 70 basis point impact from the Sports Authority bankruptcy. Turning to the balance sheet, we finished 2016 with consolidated net debt to recurring EBITDA of 5.9 times.

As part of our 2020 vision, we are targeting a range of 5 to 5.5 times as we continue to pursue an unsecured debt ratings upgrade. We were active in the bond market during the quarter pricing $750 million of unsecured bonds on November 1, comprised of a $400 million 2.7% bond due in 2024 and a $350 million 4 1/8% 30 year bond due in 2046. During 2016 we issued a total of $1.4 billion of new unsecured bonds at a weighted average coupon of 3.2% and a weight the average term of 16.3 years.

Just over the past year we have reduced our consolidated debt by $310 million and increased our weighted average maturity profile for (inaudible) to seven years from 5.3 years. In addition, we have completed the renewal and expansion of our revolving credit facility, providing us additional liquidity. The new $2.25 billion facility has a final maturity date in 2022 and replaces our $1.75 billion facility which was due to mature in 2018, further extending our maturity profile.

Let me spend a moment on 2017 guidance and the underlying assumptions. As I mentioned on our previous call, beginning in 2017 we are providing guidance excluding any transactional income or expense. As such, our 2017 NAREIT defined FFO guidance and FFO as adjusted guidance are the same. We will incorporate transactional income and expense as it occurs.

Our guidance for 2017 is a range of $1.50 to $1.54 per share with a midpoint of $1.52. The guidance range takes into account the dilution of $22 million, or $0.05 per share, associated with the transformation of the portfolio from the 2016 US and Canadian dispositions.

For 2017 our guidance assumes we will be a modest net acquirer, as Ross mentioned. As it relates to same site NOI growth, the guidance includes a range of 2% to 3%, which incorporates the down time related to the lease-up of the vacant Sports Authority boxes and an appropriate credit loss reserve as we carefully monitor the current retail environment.

The same site guidance also includes a positive contribution from redevelopments of 20 to 40 basis points, which is lower than the 70 basis point contribution in 2016, as we anticipate an acceleration in projects coming offline during the year. We continue to invest in our development pipeline, which has a short-term drag on earnings growth, but expect our Grand Parkway project to begin cash flowing in the second half of the year.

Our significant redevelopment and development projects will be an important contributor to our growth in 2018 and beyond. Lastly, I want to remind you that historically, our first quarter G&A expense is approximately $0.01 per share higher than the other three quarters due to the timing related to employee equity award expense. And with that, we would be happy to answer your questions.

David Bujnicki - *Kimco Realty Corporation - SVP of IR and Strategy*

We're ready to move to the Q&A portion of the call. Due to the large volume of participants in the queue, we request a one question limit with an appropriate follow-up. This will provide all of the callers an opportunity to speak with management. If you have additional questions, you're more than welcome to rejoin the queue. Steven, you could take the first caller.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

The first question comes from Christy McElroy with Citi.

Christy McElroy - *Citigroup - Analyst*

Hi. Good morning, everyone. Just, Glenn, following up on some of your comments on guidance -- just with the pressure on box occupancy that you've seen from the closures, as you work to release that space, what's your outlook for 2017 bankruptcies and store closings? You mentioned an appropriate reserve as you monitor the retail environment. But within your same-store NOI growth forecast, what sort of assumptions are you embedding to try to capture that risk? And as you work to release the space, what should we start -- should we start to see more pressure on releasing spreads at all?

Glenn Cohen - *Kimco Realty Corporation - CFO*

I don't think you'll see pressure so much on releasing spreads. Some of the assumptions that are in the same-site NOI growth is that we do expect a similar impact from the Sports Authority bankruptcy in 2017, so around 70 basis points as well. And we also have a higher credit loss reserve than we've had in the past a little bit. We usually use somewhere between 50 and 75 basis points. Part of our guidance has had 75 to 100 basis points to account for what's going on in the current retail environment.

Christy McElroy - *Citigroup - Analyst*

So what would you target -- in terms of that higher credit loss reserve, what are you looking for in terms of additional retailers, store closings, and bankruptcies? And are there any retailers that you're specifically thinking are at risk?

Conor Flynn - *Kimco Realty Corporation - President & CEO*

I think you've seen recently, Christy, that a number of retailers have come out with mixed results. And you've seen a couple of them actually had some credit rating downgrades. So when we look at our retail rolodex, there's some healthy retailers that are driving a lot of growth and have some healthy numbers for new store openings, and there are some that are obviously still fighting the fight in terms of trying to figure out the omni-channel approach. So, for us, we figured it was the best approach to increase the bad credit loss for this year. And as we look forward, we think the improved portfolio will shine.

David Bujnicki - *Kimco Realty Corporation - SVP of IR and Strategy*

Christy, the reserve that we do set is not a specific reserve. It's more of a general reserve that we use to monitor just over the course of the year.

Christy McElroy - *Citigroup - Analyst*

Thanks, guys.

Operator

The next question comes from Ki Bin Kim with SunTrust.

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

Thanks. Good morning, everyone. Could you just talk a little bit more about the Costco anchor loss in your Dania Pointe project? Maybe give a little more background into what happened as that changed over to the past quarter?

Conor Flynn - *Kimco Realty Corporation - President & CEO*

Sure. So originally we actually had the Dania project as a power-center line-up. And as you've seen, we actually changed Phase II to a high density, live/work/play mixed-use development. Now, Phase I we had an executed lease in place with Costco. And as part of that lease, there was some framework on site-level cost contribution by both parties which we were trying to finalize.

At the same time, the demand from other junior anchors to be a part of Phase I really exceeded what we could accommodate with the Costco being in place. So with this knowledge we felt we wanted to change direction, now would be the best time because the junior anchor line-up really would be more complementary to Phase II and offer us better economics than if we went with the flat-ground lease with Costco, who mutually agreed to allow us to move in this direction.

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

And -- but doesn't losing a Costco have maybe a rolling impact on the demand for the other junior anchors?

Conor Flynn - *Kimco Realty Corporation - President & CEO*

Costco is really a destination-oriented tenant. And I think because of the strength of this real estate, we felt that originally they would be a great lead anchor for a power-center development. But because of the strength of the location, the freeway visibility from I-95, the demand from the junior anchors really actually ticked up regardless of if Costco was a part of the development.

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

Okay. Thank you for that. And just second question, I noticed your tenant allowances for new leases. I know that includes some redevelopment projects. But it seems kind of ticked up pretty noticeably to maybe about 50% of rental value. Just curious if you can make any comments around that.

Conor Flynn - *Kimco Realty Corporation - President & CEO*

Sure. As you probably saw in one of our press releases, we did execute a Lifetime Fitness and West Elm leases at our Suburban Square. That is a very TI-intensive and redevelopment part of the program there. So actually over half of the TI that you see in that line item is really tied to redevelopments. And that was obviously a big piece of it.

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

Okay. Thank you.

Operator

(Operator Instructions)

The next question comes from Jeremy Metz with UBS.

Jeremy Metz - *UBS - Analyst*

Hey, good morning, guys. In terms of the dispositions, you didn't quite hit your 2016 targets of $1.1 billion, $1.2 billion, so is some of that stuff that you wanted to or plan to sell in 2016 rolling into 2017 and is, therefore, maybe a little front end loaded? And is that also perhaps having an impact on the cap-rate range that you provided? I guess I would have thought that going forward at this point, the assets you're selling are of better quality and, therefore, would command a lower cap rate than we've been seeing now that you've gotten rid of, call it, the noncore assets.

Ross Cooper - *Kimco Realty Corporation - CIO*

Yes, I think that's an accurate statement. And we're very pleased with the fourth quarter and the full-year execution on the dispo program. But as evidenced by the relatively modest activity in Q4, we did experience a little bit of a pullback from buyers, particularly the last two months of the year, with uncertainty regarding policy change and interest rates and things of that nature. So a few of the year-end deals were delayed which we expect to bring forward the first half of this year.

That being said, pricing on those deals that we did close met the high end of our value expectation. So we do have pretty good clarity on the first half of this year. And so we're comfortable with the stated guidance for 2017. But it is definitely true. The quality of the assets that are within that pipeline going forward is significantly higher than what we've seen in years past. So we're comfortable with the expectation that we've set forth.

Jeremy Metz - *UBS - Analyst*

All right. And then just one for Glenn. Can you walk us through what sort of capital raising is in guidance? Should we assume you'll look to prefund some of that $450 million of secured debt that's coming due with, call it, with a bond offering here some time early in 2017? And then, what should we think of beyond that? Thanks.

Glenn Cohen - *Kimco Realty Corporation - CFO*

Yes, you're pretty spot on. We will probably do a bond late first quarter, early second quarter, depending on market conditions, and deal with the refinancing. We have plenty of liquidity. Renewing our credit facility has given us a lot more dry powder. So we have flexibility to pick the right spot when we want to go to the bond market. And there's very, very modest equity. There's really nothing that's really in there other than expectations of stock options and equity awards that go into our equity numbers for the year.

Jeremy Metz - *UBS - Analyst*

Thanks, guys.

Operator

The next question comes from Paul Morgan with Canaccord.

Paul Morgan - *Canaccord Genuity - Analyst*

Hi. Good morning. Just on the FFO range, I'm trying to triangulate where you ended the fourth quarter at $0.38. If you just annualize that, you get to the midpoint of your range. You've got occupancy growing and same-store NOI growth 2.5%. It would seem like -- just could you maybe clarify what's offsetting the same store to keep your midpoint around where you ended the year?

Glenn Cohen - *Kimco Realty Corporation - CFO*

Well part of it is when you look at G&A in the fourth quarter, that is not -- you can't use that -- as I mentioned in my opening remarks, you can't use that as a run rate. There is some seasonality to that and the G&A number in total is a little higher as you go through the quarter. So if you really annualized it, you might have been closer to $0.37. So that's part of your issue.

Financing costs, depending on the assumptions you use to refinance the debt, is in there as well. So that's another component when you look at overall guidance. And we do have the impact of all these foreign contribution is really all gone. So the growth that's coming, the 2% to 3% assumption of same-site NOI growth, is offsetting the -- really the foreign and the Canadian contribution that we had in the previous year.

David Bujnicki - *Kimco Realty Corporation - SVP of IR and Strategy*

Paul, also if you factor in that when you're doing a guidance range, you do some sensitivity. So when we set out our acquisitions and dispositions range, as Ross said, some of it could be more front end loaded, especially dispositions, with acquisitions on the back-end side. So it plays into that.

Conor Flynn - *Kimco Realty Corporation - President & CEO*

I would also just note that some of our redevelopment that will be coming offline, specifically three of them -- one in Hylan Boulevard -- add up to almost $4 million of rent that's coming offline in 2017.

Paul Morgan - *Canaccord Genuity - Analyst*

Okay. That's helpful. And then just on the same-store side of the guidance, you talked about the 70-basis-point hit from Sports Authority and your range for the full year, should we expect a ramp-up towards the back end of the year as more of that space comes back online? Or is it more of a steady throughout the year?

Glenn Cohen - *Kimco Realty Corporation - CFO*

No. It's definitely -- you're going to start to see -- especially if same site is cash based. So the team's doing a good job getting leases signed but you need the cash to start flowing through it to start coming into the same-site numbers that we report. So clearly it will wind up in the latter part of the third and the fourth quarters and starts fueling what happens in 2018 and beyond as well.

Conor Flynn - *Kimco Realty Corporation - President & CEO*

You see that in the physical economic occupancy.

David Bujnicki - *Kimco Realty Corporation - SVP of IR and Strategy*

Yes, it's about 230 basis points of a spread, the physical versus the leased occupancy -- rather than the leased versus economic occupancy. So that expanded a little bit during the quarter and it'll probably, over the course of the year, shrink down.

Paul Morgan - *Canaccord Genuity - Analyst*

Right, yes. So the occupancy would also ramp -- because you've got an occupancy increase in the guidance there but that would be second half of the year mostly.

Conor Flynn - *Kimco Realty Corporation - President & CEO*

That's correct.

Glenn Cohen - *Kimco Realty Corporation - CFO*

Yes.

Paul Morgan - *Canaccord Genuity - Analyst*

Okay, great. Thanks.

Operator

The next question comes from Alexander Goldfarb with Sandler O'Neill.

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

Good morning out there. So first question for you. Glenn, have the rating agencies -- or how have the rating agencies changed as far as you guys going for a credit upgrade at the same time you have the redevelopment program but now they are added news headlines of retailers having issues, bankruptcies, et cetera? So have the rating agencies changed the goal posts for you as far as what you need to achieve for the upgrade based on the retail environment? Or is it still the same that it was when you talked about it at your investor day last year?

Glenn Cohen - *Kimco Realty Corporation - CFO*

I would say on the surface, it's the same. They haven't really changed it. But the rating agencies also watch the macro issues. So I'm sure that will be part of the conversation with them. But I think it really comes down to us meeting the balance of the metrics that they are after, which is really trying to bring the net debt to recurring EBITDA down into that low 5 range.

So we have a little bit more work to do there. But when we look at all of the other metrics that the agencies look at, we really meet them, from size of the company, equity market cap, consolidated NOI coming from the portfolio, clearly the simplification of the business with no foreign investments and no currency exposure. And they're not really concerned really about our development or redevelopment pipelines either because relative to $18 billion of assets, it's fairly modest. The debt maturity profiles have been dramatically improved as well.

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

Okay. And then just as the follow-up, when you talked in your guidance about the 75- to 100-basis-point buffer for bad credit versus historic -- I think you said 25 to 50 -- does that mean that if you guys suffer store closings that, that credit loss both absorbs in guidance both the impact of lost rent and the downtime of the closings? Or is that just the reserve for any rent that is -- that may be due to you but hasn't been paid yet and not anything prospective for the balance of the year?

Glenn Cohen - *Kimco Realty Corporation - CFO*

Well, again, it's a general reserve. So it will account for some portion of the lost rent but not -- if you lost someone in January for the full year, on a large scale, it wouldn't encompass that.

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

Okay. Thank you.

Operator

The next question comes from Steve Sakwa with Evercore ISI.

Steve Sakwa - *Evercore ISI - Analyst*

Thanks, guys. I guess I wanted to focus a little bit on the small-shop leasing and just try and get a little bit better handle on where you think that number can go over the next 12 to 24 months. And maybe give us a little bit of flavor for the discussions that you're having for tenants and how you're thinking about leasing the space that is vacant today maybe versus what you were doing over the last year or two.

Conor Flynn - *Kimco Realty Corporation - President & CEO*

Sure, Steve. We finished up the year at 89.9%. Our target for year end was 90%. We actually came 9,000 square feet short of that target. So if you're willing to lease a 9,000-square-foot vacancy, we have one available for you. But, going forward, we clearly think there's more run room there, small-shop activity has been very strong for us.

Just in terms of the last quarter, of the 107 deals we did, 27 of them were with restaurants, 21 were with personal-care services, 12 were with medical uses, 5 were with mobile operators. So you see that the fitness, the services, and the restaurants and food components really are the driving force behind the occupancy lift there.

And small-shop optimism -- I think when you look at it from a business perspective, with the new administration, is actually near all-time highs. So when we look at our pipeline of opportunities there, we think we can push it to 90.5%, and hopefully push that even higher. Our all-time high was 90%. So clearly if we can push that up to the 91% range or even higher, that would be fantastic.

Steve Sakwa - *Evercore ISI - Analyst*

Okay. Thanks very much.

Operator

The next question comes from RJ Milligan with Baird.

RJ Milligan - *Robert W. Baird & Company, Inc. - Analyst*

Good morning, guys. You mentioned a pullback of buyers in the fourth quarter leading to a little bit lighter disposition activity. I was just curious if you're seeing any movement in cap rates, especially within the big boxes, given some of the retailer weakness. And are you seeing any change in the spread between big box- and grocery-anchored centers in terms of cap rates?

Ross Cooper - *Kimco Realty Corporation - CIO*

Yes, we have seen certain private buyers exercise a level of caution over the past few months, especially as interest rates has risen close to 75 basis points during that time frame. The secondary- and tertiary-market buyer typically requires leverage. So it definitely has an impact on pricing. And we have seen the spread between the core product that we and other institutions are trying to buy. And those that are noncore, the spread has widened, particularly for the nongrocery product.

I would say that, at one point in time, the beginning of last year, the spread between power and grocery was minimal -- as low as maybe a 50-basis-point range. We've seen that widen to at least 100 basis points for a similar quality location. So we're very pleased that we're in the position that we're in that we have executed on the fair majority of our dispos. And we'll continue to clean up a few assets the beginning half of this year and through the balance of the year. But that's how we see the marketplace today.

RJ Milligan - *Robert W. Baird & Company, Inc. - Analyst*

Excellent. Thanks, guys.

Operator

The next question comes from Haendel St. Juste from Mizuho.

Haendel St. Juste - *Mizuho Securities - Analyst*

Yes, good morning. Let me see what's left on my list here. Glenn, I guess a question for you. So recently we saw an update from FASB and NAREIT that will once again allow for REITs to capitalize acquisition-related expenses after having to expense them for the last seven years. And clearly this has been one of the reasons for the offshoots of the different NAREIT FFO definitions including FFO as adjusted, which is a term that you guys use. So while the new rules become effective for all REITs this December, there is an early adoption clause. So I'm curious on what's your view of the new standard is and when you plan to adopt, especially in light of the amount of transaction activity you have outlined for this year?

Glenn Cohen - *Kimco Realty Corporation - CFO*

We're happy that they are going back to the old ways, allowing you to capitalize them because it makes much more sense. And we are planning to early adopt it. So one of the reasons -- it's actually good because it does, it narrows that difference between what would be NAREIT FFO and what FFO as adjusted would be.

Haendel St. Juste - *Mizuho Securities - Analyst*

So you did say you plan to early adopt? So there's nothing in the current numbers and when -- or are you willing to discuss when that will be?

Glenn Cohen - *Kimco Realty Corporation - CFO*

We're planning to currently adopt effective January 1.

Haendel St. Juste - *Mizuho Securities - Analyst*

Okay. So you're saying that the number that we'll see from you guys over the next couple quarters will reflect the new standard. Okay.

Glenn Cohen - *Kimco Realty Corporation - CFO*

Correct.

Haendel St. Juste - *Mizuho Securities - Analyst*

All right, guys. Thank you.

Operator

The next question comes from Rich Hill with Morgan Stanley.

Rich Hill - *Morgan Stanley - Analyst*

Good morning. Thanks for taking my phone call. Just a quick question. I know you'd talked a little bit about shadow supply. And I applaud your transparency on that. Going back to some of maybe the operating metrics that you reported, it looked like your new leasing spreads were quite impressive while your -- the renewals were a little bit more stable to maybe slightly declining. I'm just curious if you could maybe give some color as to what you're hearing from tenants in terms of the renewal. Are tenants concerned about the shadow exposure that you've been talking about? And what's driving the pretty impressive new leasing spreads?

Conor Flynn - *Kimco Realty Corporation - President & CEO*

On the new leasing spreads, we clearly think that below-market leases is where Kimco shines. And we have that as our acquisition thesis for a long, long time -- having great real estate with below-market leases. So as you know, these leases are long in tenure and they take a long time to get at, but when they do come to maturity or when we are able to recapture them, that's really when we can unlock the value and mark those leases to market.

So a few of the deals that we talked about already, Lifetime Fitness replacing the Macy's at Suburban Square, and some of our other former Kmart boxes that we were able to reposition really were the drivers of our new-store lease spreads there. Renewal spreads are healthy as well because they actually include options. So options actually are usually a little bit below what our normal renewal spreads are. So when you lump those two together, that's actually a very healthy renewal and option spread for us. And when you combine that with new leasing spreads, obviously is where you get to our double-digit combined leasing spreads.

From a retailer environment standpoint, location is key. Everything is very much a local level of decision for retailers when they look at the opportunity set of what's available in the market. Typically we think our product is actually insulated from the shadow supply that we've been talking about. Many times our retailer base doesn't necessarily want to deal with having an interior entrance. They just prefer to have an exterior entrance and a big field of parking.

And they also like to have that co-tenancy with the best-in-class open-air shopping-center retailers and the visibility from the street. So all those things combined, we clearly think that our repositioned portfolio is in good shape and should continue to produce solid spread results.

Rich Hill - *Morgan Stanley - Analyst*

Got it. And as you're looking forward -- and that's really helpful, thank you -- as you're looking forward, I know we've discussed in the past that you've done a really good job of mitigating any exposure to maybe some store closures but there's things that you can't control. Maybe you can speak about -- and maybe you can speak to just quickly about trying to renew leases mixed in them and your ability to do that prior to any store closure risk that might be coming, maybe using Sears as an example.

Conor Flynn - *Kimco Realty Corporation - President & CEO*

The key, obviously, is, with supply and demand, is that a huge flood of supply doesn't hit the market at the same time. So what we've seen so far is that there's been a steady drip of supply. And that actually is relatively healthy for us as we are able to recapture boxes that are below market and reposition them with best-in-class retailers.

So if there were a large-scale bankruptcy that changes that dynamic, clearly that would have pricing pressure on both new leases and renewals. So we have been looking at our portfolio and making very local decisions on if we think now's the time to renew a tenant and lock them in longer term, then we do engage them with that conversation. As you've seen with our occupancy, it continues to tick up. As you see with our spreads we continue and are able to produce solid spread results. So far the supply and demand is in our favor, especially since we're repositioned in the best markets in the US.

Rich Hill - *Morgan Stanley - Analyst*

Great. That's helpful. I'll jump back in the queue.

Operator

The next question comes from Vincent Chao with Deutsche Bank.

Vincent Chao - *Deutsche Bank - Analyst*

Hi. Good morning, everyone. Maybe just following up on that last question. I know you have done a good job of selling off a lot of the higher-risk assets or properties that may be impacted by shadow supply but as you think about the expiration schedule over the next two years, if there is more than just a trickle that we've seen so far, I guess what percentage of your portfolio would you characterize as at risk currently?

Conor Flynn - *Kimco Realty Corporation - President & CEO*

I think when you look at our anchor lease expiration schedule, it's relatively modest over the next two years. And we do conduct regular portfolio reviews with our tenants. And the nice thing about the portfolio reviews we've been doing, not only with the ones that are continuing to expand but the ones that have pulled back on their store openings, is their portfolio health with us is extremely hot.

And so we continue to think that the reposition portfolio gives us good insight into the retailer quality we have. And even the ones that maybe are on our watch list, the stores that we have with them are actually performing quite well. So that gives us some good insight into how we can perform over the next few years if there is a dislocation in terms of supply.

Glenn Cohen - *Kimco Realty Corporation - CFO*

I mean if you look at the leasing expiration schedule, we know historically that somewhere around 75% of the leases that have options have exercised. So if you take that into account, you're only looking at somewhere between 2% and 3% a year of real true roll to deal with.

Vincent Chao - *Deutsche Bank - Analyst*

Right. I guess that dynamic could change though if there's a lot of other choices out there. But I get it. I got you. Okay. And then just --

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Conor Flynn - *Kimco Realty Corporation - President & CEO*

The only thing I would add to that is if there's an option opportunity for a retailer and their lease is below market, there's usually a higher percentage chance that they are going to take that.

Vincent Chao - *Deutsche Bank - Analyst*

Okay. That's a good point. And the other question is just with regard to the tough environment that we've been talking about and the increase in the credit reserve, I guess as we think about the trajectory of the occupancy being higher by the end of the year, as we think about the typical seasonality or typical drop-off we see in the first quarter, should we be thinking about that as something greater than we've seen in the last couple of years?

Conor Flynn - *Kimco Realty Corporation - President & CEO*

I think it will be relatively consistent in the first quarter. We do see some seasonality there. And obviously there's some retailers that did not perform over the holiday season. But we think that over the year we'll be able to have a modest increase in occupancy both in small shop as well as anchor boxes.

Vincent Chao - *Deutsche Bank - Analyst*

Okay. Thank you.

Operator

The next question comes from Jeff Donnelly with Wells Fargo.

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

Good morning, guys. Conor, I just want to go back and say I recognize that the 2020 plan isn't linear but the guidance that you gave was a little bit behind the pace that you'd outlined in that plan. I'm just curious, in your mind is that a function of timing around development and redevelopment? Is it conservatism on your part? Or is it maybe indicative of the fundamentals of just starting off a little bit softer than maybe was anticipated when that plan was authored?

Conor Flynn - *Kimco Realty Corporation - President & CEO*

No, it really is about timing. I think we still are very confident about delivering the 2020 vision. We realized we had a lot of work to do to get to where we are today. I'm really happy with the execution. I think timing-wise on the disposition program, I think we hit that window and were able to really execute on it probably at a pace even faster than we anticipated. And this year when you look at what we're trying to do, we obviously want to grow FFO while reducing leverage. And usually those two things are very difficult to do. And we're trying to make sure we hit that.

And when we look at our 2020 vision, we've finished off the heavy dispositions, we started to ramp up our redevelopment/development spending, which clearly is not yet flowing. But when we look at 2018, 2019, and 2020 that's where we see the growth coming, that's where we see a lot of the projects coming online and continue to think that, that's where we are headed.

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

That's useful. And maybe just one for Glenn. In regards to the 2017 guidance, the 2% to 3% same-store NOI, do you have that broken out for I guess I'll call it core organic NOI growth and the redevelopment contribution separated?

Glenn Cohen - *Kimco Realty Corporation - CFO*

Yes. So the redevelopments should contribute somewhere between 20 and 40 basis points. And then the balance obviously is coming from the organic, which is a lot lower than it was last year. Instead, we had 70 basis points being contributed in 2016 from the redevelopments. And it's really attributable to there's more projects that are actually coming offline that are going to fuel growth in 2018 and beyond.

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

Great. Thanks, guys.

Operator

The next question comes from Michael Mueller from JPMorgan.

Michael Mueller - *JPMorgan - Analyst*

Thanks. Hi. You obviously have the new developments going on as well as the residential tower, but looking at the consolidated redevelopments, it looks like you have four projects for about $70 million that are coming on in 2017 and 2018. How do you see the average pipeline size there and what the investment could be annually over the next say three to five years?

Conor Flynn - *Kimco Realty Corporation - President & CEO*

The redevelopment projects that you're outlining for 2017 are actually back loaded. Many of those projects are delivering in Q3 and Q4. And so that's why, again, it doesn't necessarily flow through the full year. But we do see the flow in the 2018 pick up and continue to think as we deliver those projects that, as you've seen, we've been able to promote more projects into the active pipeline from the shadow supply.

So when we look at our shadow pipeline, the key for our team is to really pull those forward as quickly as possible so we can continue to grow that active pipeline. And we've been successful in doing that and continue to think we're just getting started on our redevelopment plan.

Michael Mueller - *JPMorgan - Analyst*

Okay, thank you.

Operator

The next question comes from Floris van Dijkum with Boenning.

Floris van Dijkum - *Boenning & Scattergood - Analyst*

Great, thank you. I had a question on the redevelopment -- sort of a follow-up question I guess. I note you still have 20 Sears leases in your portfolio. One of them is disappearing this year at Hylan so there will be 19. But I was curious about the shadow department store exposure you guys have. And in your acquisition guidance for the upcoming year of $300 million to $400 million, do you have any acquisitions in there of some of those potential shadow anchor boxes that you might want to take back in your portfolio?

Conor Flynn - *Kimco Realty Corporation - President & CEO*

When you look at our Kmart and Sears exposure, we've been obviously salivating to get those back for a long period of time. And a lot of those are coming due without any more options remaining. So we've been able to actually put redevelopment plans in place for every single one if and when they come back early or if we're able to strike a deal to recapture boxes early. So the plan is still in place to redevelop those boxes and continue to show the mark to market of over 300% for that portfolio. So we obviously are watching that closely.

In terms of recapturing and having that in our acquisition target, there's no acquisition bake-in for recapture of those boxes. We have constant dialogue with all of our retailers, especially ones that have assets that are way below market and continue to try and see if there is an opportunity for us to recapture early. But in our guidance there's nothing baked in for that.

Floris van Dijkum - *Boenning & Scattergood - Analyst*

Great. Thanks, guys.

Operator

The next question comes from Chris Lucas with Capital One.

Chris Lucas - *Capital One Securities - Analyst*

Good morning, guys. Glenn, a quick question for you. You have a fair amount of -- or actually a fairly significant amount of preferreds that I think are redeemable this year. How do you think about the opportunity there, particularly given the spread that they currently yield relative to where you were able to issue 30-year bonds?

Glenn Cohen - *Kimco Realty Corporation - CFO*

Well, relative to 30-year bonds, the savings, at least on the first-preferred debts going to be -- available to be redeemed would be in March as a 6%. We're probably somewhere around 4 1/2%, 4 5/8% if we did a 30-year bond today. So there's some potential. However, that's not baked into our guidance. Again, we're focusing on net debt-to-recurring EBITDA, on a consolidated basis, so we have to just watch carefully where it makes sense to do that. The other two coupons are 5 1/2% and 5 5/8% that become callable later in the year. Again, nothing baked into guidance in terms of redeeming those. But, again, at the right point, those could be an opportunity.

Chris Lucas - *Capital One Securities - Analyst*

Okay. And then, just a quick follow-up on an earlier question about the same-store bucket for this year. The 20- to 40-basis-points redevelopment contribution, is that a net number? So is that adjusting out for some of the deleasing that you're doing for redevelopment? Or is that a gross contribution on a positive side, excluding the deleasing that you'd do in prep for redevelopment?

Glenn Cohen - *Kimco Realty Corporation - CFO*

That's the net of it together.

Chris Lucas - *Capital One Securities - Analyst*

The net of it together. Okay, great. Thank you. Appreciate it.

Operator

(Operator Instructions)

The next question comes from Linda Tsai with Barclays.

Linda Tsai - *Barclays Capital - Analyst*

Hi. You mentioned that some of the hurting retailers still did reasonably well at your centers. Was there also a regional bias to that in terms of geographies that performed the best?

Conor Flynn - *Kimco Realty Corporation - President & CEO*

No. When we look through the portfolio with our retailers, they typically have a national platform with us. And when you look through the assets that we have and where they were located, there was not really a regional bias. They just went -- we went asset by asset and talked about the store performance. And each one seemed to be an outperformer for them. So that gave us confidence.

Linda Tsai - *Barclays Capital - Analyst*

Thanks. And then in terms of traffic, in your earlier comments I think you said that cap rates have widened for centers without a grocery component. Is that directly tied to the idea that the grocery component is more internet resistant so you're seeing a divergence in traffic for those centers with a grocery versus those that don't have one?

Ross Cooper - *Kimco Realty Corporation - CIO*

That can certainly be a part of it. I think the institutional investor has been a bit more active on the grocery side. But even that being said, so long as it's within a core market. We have seen some power centers with or without a grocery component in still be attractive to investors. It really depends on the location, the quality of the real estate and making sure that, within a power center, there's not too many retailers of which are on a watch list or not considered internet resistant.

So it is a little bit of a site-by-site analysis in that regard. But we're just continuing to be careful and make sure that those assets that we look to acquire, particularly if there's not a grocery anchor, fit the parameters that we've set out, which is the below-market rents, and making sure that we consistently see upside or value-creation opportunities within those assets.

Linda Tsai - *Barclays Capital - Analyst*

Thanks.

Operator

The next question comes from Jeff Donnelly with Wells Fargo.

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

Thanks, guys. Just a follow-up. I was curious -- General Growth made a comment on their earnings call that retailers are increasingly channel agnostic between online, malls and shopping center distribution. Are you seeing more nontraditional retailers appear on your leasing prospect lists? And I guess how many of those ultimately may be moved to leases? Just curious what you might be seeing out there.

Conor Flynn - *Kimco Realty Corporation - President & CEO*

We always look to try and expand our rolodex of retailers in our shopping centers. And we are seeing more in terms of entertainment as well as service and fitness. And that's our first Lifetime Fitness deal that we have in the portfolio. That's our first West Elm deal that we have in the portfolio. But I think when retail starts to blend in terms of all of the different channels, I think that's accurate. We've been talking about that for awhile.

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

But nothing specific like mall-based tenants or maybe even like outlet-based tenants that are knocking on your door?

Conor Flynn - *Kimco Realty Corporation - President & CEO*

Sephora is probably the one that comes to mind where they have been actively working with us to expand and talk about the open-air center as their real growth vehicle going forward because they are already in all of the A malls. So when you look at the portfolio of retailers in malls that would fit with some of our centers, you really got to pick the best in class because you want to be careful there.

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

Maybe one last question. You're about 65% preleased across both phases at Grand Parkway, I'm just curious, is some of the challenges in Houston's economy impacted leasing economics there or maybe leasing pace or has it been pretty resistant?

Conor Flynn - *Kimco Realty Corporation - President & CEO*

No, that really -- that site -- and, again, it's probably site specific. But where the location is, it's almost like a perfect hole in the doughnut, where there's really no retail in any real area of about five miles radiance wise. So we've seen, regardless of where oil is and regardless of some of the issues that have been hitting Houston, the retailer demand has been very, very strong there. And Target is set to open in just a few months. So all of the junior boxes in Phase I are spoken for. The restaurants are starting to lease up now and the small shops are starting to fill in nicely. So we really haven't seen any pullback at all there.

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

Okay, great. Thanks guys.

Operator

The next question comes from Paul Morgan with Canaccord.

Paul Morgan - *Canaccord Genuity - Analyst*

Hi. Just a quick follow-up on Albertsons. I know it's not in your guidance but any update on what you're thinking about in terms of -- obviously there's the IPO route to monetization but you've also alluded to the possibility that you could look at other ways to capitalize on your position, maybe on the real estate side or private market -- is there anything going on right now?

Conor Flynn - *Kimco Realty Corporation - President & CEO*

I think you saw that the S1 has been updated and we continue to look at all opportunities there. We still think it's a phenomenal investment for the Company long term and continue to see how we can either monetize a portion of it or work with the real estate. So that is a continued ongoing effort for us.

Glenn Cohen - *Kimco Realty Corporation - CFO*

I think the Company is watching closely to see how and when and how quickly the deflation impact starts to subside, which will really help the business. And that should lead to other opportunities.

Paul Morgan - *Canaccord Genuity - Analyst*

Okay. Great. Thanks.

Operator

This concludes the question-and-answer session. I would now like to turn the conference back to David Bujnicki for closing remarks.

David Bujnicki - *Kimco Realty Corporation - SVP of IR and Strategy*

We'll just end it on that. So thanks, everyone, for participating on the call. And just a reminder, additional information for the Company can be found in our supplemental on the website. Thanks so much.

Operator

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