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## KIM - Q3 2018 Kimco Realty Corp Earnings Call

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**OVERVIEW:**

Co. reported 3Q18 NAREIT FFO per diluted share of $0.34 and FFO as adjusted per diluted share of $0.36. Expects 2018 NAREIT FFO per share to be $1.45-1.47.

## CORPORATE PARTICIPANTS

**Conor C. Flynn** *Kimco Realty Corporation - CEO & Director*

**David Jamieson** *Kimco Realty Corporation - Executive VP & COO*

**David F. Bujnicki** *Kimco Realty Corporation - SVP of IR & Strategy*

**Glenn Gary Cohen** *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

**Raymond Edwards** *Kimco Realty Corporation - EVP of Retailer Services*

**Ross Cooper** *Kimco Realty Corporation - President & CIO*

## CONFERENCE CALL PARTICIPANTS

**Alexander Goldfarb** *Sandler O'Neill + Partners, L.P., Research Division - MD of Equity Research & Senior REIT Analyst*

**Christine McElroy Tulloch** *Citigroup Inc, Research Division - Director*

**Christopher Lucas** *Capital One Securities, Inc., Research Division - Senior VP& Lead Equity Research Analyst*

**Craig Schmidt** *BofA Merrill Lynch, Research Division - Director*

**Derek Johnston** *Deutsche Bank AG, Research Division - Research Analyst*

**Greg McGinniss** *Scotiabank Global Banking and Markets, Research Division - Analyst*

**Haendel St. Juste** *Mizuho Securities USA LLC, Research Division - MD of Americas Research & Senior Equity Research Analyst*

**Ki Bin Kim** *SunTrust Robinson Humphrey, Inc., Research Division - MD*

**Linda Tsai** *Barclays Bank PLC, Research Division - VP & Research Analyst of Retail REITs*

**Michael Mueller** *JP Morgan Chase & Co, Research Division - Senior Analyst*

**Richard Hill** *Morgan Stanley, Research Division - Head of U.S. REIT Equity and Commercial Real Estate Debt Research and Head of U.S. CMBS*

**R. Jeremy Metz** *BMO Capital Markets Equity Research - Director & Analyst*

**Stephen Sakwa** *Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Equity Research Analyst*

**Vince Tibone** *Green Street Advisors, Inc. - Analyst of Retail*

**Wesley Golladay** *RBC Capital Markets, LLC, Research Division - Associate*

## PRESENTATION

**Operator**

Good morning, and welcome to the Kimco's Third Quarter 2018 Earnings Conference Call. (Operator Instructions) Please note, this event is being recorded.

I would now like to turn the conference over to David Bujnicki, Senior Vice President. Please go ahead.

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**David F. Bujnicki** - *Kimco Realty Corporation - SVP of IR & Strategy*

Good morning, and thank you for joining Kimco's Third Quarter 2018 Earnings Call. Joining me on the call are Conor Flynn, our Chief Executive Officer; Ross Cooper, President and Chief Investment Officer; Glenn Cohen, Kimco's CFO; David Jamieson, our Chief Operating Officer; as well as other members of our executive team that are present and available to answer questions during the call.

As a reminder, statements made during the course of this call may be deemed forward-looking, and it is important to note that the company's actual results could differ materially from those projected in such forward-looking statements due to a variety of risks, uncertainties and other factors. Please refer to the company's SEC filings that address such factors.

During this presentation, management may make reference to certain non-GAAP financial measures that we believe help investors better understand Kimco's operating results. Reconciliations of these GAAP-non-GAAP financial measures can be found in the Investor Relations area of our website.

With that, I'll turn the call over to Conor.

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**Conor C. Flynn** - *Kimco Realty Corporation - CEO & Director*

Thanks, Dave, and good morning, everyone. Today, I'll provide an overview of our third quarter performance and give an update on our leasing and redevelopment progress, two critical components of our growth strategy. Ross will then report on our quarterly transaction activity and describe the overall transactional environment. Finally, Glenn will provide details on key metrics and our updated 2018 guidance.

Overall, the economy is healthy, and consumer confidence is near an 18-year high as we enter the critical holiday season. Retail sales growth projections for this holiday season from both the National Retail Federation and ICSC are north of 4%. And we anticipate that our Transformed portfolio will benefit from increased traffic and purchasing power.

Having made the strategic decision to increase our dispositions in 2018, our portfolio is now well positioned to embrace the dynamic change in retail that is unfolding right before our eyes and moving at a faster pace than anyone could have imagined. We are seeing major shifts in consumer preferences and shopping habits, impacting every retail category, which has resulted in a form of retail Darwinism. While some legacy retailers have been unable to adapt and compete in the new environment resulting in reorganization or liquidation, there are many more savvy, well-capitalized and experienced retailers who have successfully adapted to their business models and are flourishing. We are also seeing many new and creative concepts stepping in and grabbing market share at a rapid clip.

Off-price continues to thrive. A recent National Retail Federation survey showed that 89% of consumers shop at discount retailers, and their appeal spans across ages and income groups. Retailers like Walmart and Target have gone on the offensive with acquisitions or new store concepts, and the results are showing.

Target, for example, reported traffic growth of 6.4% in its most recent earnings report, by far the strongest since the company began reporting traffic in 2008. Comparable sales increased 6.5%, which was Target's best comp in 13 years.

Health and wellness concepts and trends continue to create new demand across categories, from new forms of exercise classes to restaurants and to fashion, and this is just the tip of the iceberg, with other new retail concepts and categories continuing to emerge. So while change in the retail sector may be disconcerting to the investor, the fact of the matter is that there are more store openings than closings, and the changes occurring in the shopping center landscape are for the better. Why for the better? Because the survivors and newcomers are better capitalized and better prepared to adapt to consumers' changing tastes and needs.

Kimco's vision and strategy dovetails with this continuous evolution by focusing on place making and reinvesting in our best assets to create live, work, play experiences. The key is having the right real estate, an exceptional team and a rock-solid balance sheet.

The quality of Kimco's real estate is validated on a daily basis as the demand for space in our shopping center portfolio remains strong, with new and expanding retailers continuing to seek out great locations. This is also reflected in our key metrics, with continued strength in leasing spreads, occupancy and same-site NOI. Our new lease spreads of 12.1% continue our streak of 19 quarters in a row with spreads over 10%. Our portfolio occupancy remains strong at 95.8% despite the slight impact from the Toys"R"Us vacates. While our small shop occupancy has reached an all-time high of 90.8%.

As to Toys"R"Us, we have executed leases or leases have been assumed on more than 60% of our Toys"R"Us spaces or 13 of 21 boxes, with LOIs and leases pending on all remaining locations. The demand has been strong, but the primary driver is coming from the leaders in off-price, furniture, hobby, fitness and entertainment. The recent Sears Holdings bankruptcy should provide Kimco with a long-awaited opportunity to reposition our 14 remaining Sears Kmart locations, which are significantly below market. And while these boxes account for only 60 basis point of our total ABR, we have been proactively marketing these locations and are ready to recapture them and start to create value.

As for our major projects, we were thrilled to host our grand opening of Lincoln Square in the third quarter, with residents moving into the apartment units and Sprouts Farmers Market opening to lines around the block. This Center City, Philadelphia project provides a window into the future of what we expect from our mixed-use platform. Other major milestones include the opening of our first phase of Dania Pointe in Florida that is set for next week, and Costco's opening at Mill Station in Owings Mills, Maryland just last week.

These Signature Series redevelopments are now all over 90% preleased and are set to deliver significant growth for the company in 2019 and beyond.

In closing, we are pleased with the momentum we are building in both our leasing and redevelopment platforms. The strength of our portfolio has given us the confidence to raise our FFO and same-site NOI guidance for 2018. We believe it is more important than ever to have a motivated team that is laser-focused on execution at the local level to help drive strong, sustainable growth and create long-term shareholder value.

And now I will turn it over to Ross for his transaction updates.

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**Ross Cooper** - *Kimco Realty Corporation - President & CIO*

Thank you, Conor. We had another very productive quarter on the transaction side, setting us up for a strong year-end. In the third quarter, we sold 10 shopping centers for $154 million Kim share. An additional sale occurred yesterday in Greenville, South Carolina for $37 million. With those closings behind us, we have now sold 49 centers year-to-date, with total Kim shares proceeds of approximately $722 million, exceeding the bottom end of our range of $700 million to $900 million provided at the beginning of the year. As such, we are raising the low end of the dispositions guidance for a new range of $800 million to $900 million.

The blended cap rate through the third quarter remains within the target range of 7.5% to 8%, and we anticipate ending the year firmly within said range. As we previously indicated, given the success of our disposition activity this year, our 2019 disposition plans anticipate only a modest level of asset pruning with proceeds being used primarily to fund redevelopment. As we enter the new year with our right-sized portfolio, the major focus for the company is the internal growth opportunities.

In terms of transactions market color, investor demand for shopping centers remains strong across all quality levels and geographic locations. Core institutional asset sales continue to be very competitive with substantial capital raised and dry powder chasing limited opportunities. Cap rates for this product continues to be sticky with the transactions in the low 5s and high 4s in several coastal markets. Value-add investors continue to seek yield and are willing to stretch for assets that meet their criteria and provide upside potential.

There has been a tangible increase in investor demand for our assets earmarked for disposition over the course of the year with private equity capital plentiful and debt readily available from traditional lenders as well as nontraditional financing sources. We have also been approached by interested parties evaluating larger portfolio opportunities. However, at this stage of our disposition program, we continue to focus on finishing off the remainder of the asset sales on a one-off basis. We still believe that is the best way to maximize value.

Glenn will now provide additional detail on our financial performance for the quarter.

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**Glenn Gary Cohen** - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

Thanks, Ross, and good morning. Our third quarter performance further exemplifies our continued focus on execution of our strategic plan. Leasing continues at a brisk pace. Our Signature Series projects are beginning to come online. Our disposition target is in range. And our balance sheet and liquidity position are in solid shape.

For the third quarter, NAREIT FFO was $0.34 per diluted share, which includes a $0.03 per share charge from the early extinguishment of our $300 million 6.875% bonds and a $0.01 per share benefit from transactional income, primarily from gains on land sales.

FFO as adjusted, which excludes transactional income and charges and nonoperating impairments, was $0.36 per diluted share for the third quarter as compared to $0.38 per diluted share for the same quarter last year. The decrease is a direct result of our aggressive disposition program, which resulted in the sale of $922 million of assets during the past 15 months and a corresponding reduction of NOI of approximately $16 million during the quarter.

The proceeds from the dispositions were used to fund our development and redevelopment programs, which are beginning to produce cash flow, as well as for debt reduction. Our transformed portfolio, with over 80% of our annual base rents coming from assets in our top 20 markets nationwide, is producing strong operating metrics. Our pro rata anchor occupancy was 97.6% at the end of the quarter despite the 40 basis point impact from the Toys"R"Us boxes that vacated during the quarter and, as Conor mentioned, are being addressed at a speedy pace.

Our leasing spreads for new leases remain double-digit positive, and lease options and renewals produced a 7.9% increase. Same-site NOI growth was 2.3% for the third quarter and includes a contribution of 10 basis points from redevelopment projects. Most encouraging was the 3.5% growth in the minimum rent component of our same-site NOI, which was offset primarily by higher property expenses net of recoveries due to a large real estate tax refund received last year, and a higher credit loss reserve due to the recent bankruptcy filings of various tenants.

For the 9-month period ended September, same-site NOI growth was 3%, primarily from minimum rent contributions, with no incremental effect from redevelopments. Same-site NOI growth for the quarter and the 9-month period ended September both benefited from more Toys"R"Us leases being affirmed or assigned than anticipated and the delay in timing of lease rejections by Toys"R"Us.

On the balance sheet front, our consolidated weighted average debt maturity profile is now 10.7 years, one of the longest in the REIT industry, with no unsecured debt maturing until May of 2021 and only $120 million of mortgage debt maturing during the same time frame. We have over $2 billion available on our unsecured revolving credit facility, which provides us significant liquidity for any opportunistic funding requirements.

Let me spend a moment on 2018 guidance. Based on our year-to-date same-site NOI results, we are increasing our same-site NOI growth guidance for the full year 2018 from 2% to 2.5% to a new range of 2.3% to 2.7%. We are also increasing our full year NAREIT FFO per share guidance range from $1.43 to $1.46 per share to a new range of $1.45 to $1.47, and lifting our FFO as adjusted per share guidance range from $1.43 to $1.46 to a new range of $1.44 to $1.46. We will provide 2019 guidance on our next earnings call. Our team remains confident and energized as we complete 2018 and look forward to realizing the benefits of our efforts in the coming year.

And with that, we'd be happy to take your questions.

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**David F. Bujnicki** - *Kimco Realty Corporation - SVP of IR & Strategy*

(Operator Instructions) Anita, you can take our first caller.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) The first question today comes from Jeremy Metz with BMO Capital Markets.

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**R. Jeremy Metz** - *BMO Capital Markets Equity Research - Director & Analyst*

Ross, I was hoping you can give a little bit more detail about the stuff you sold in the quarter in terms of occupancy and what the mark-to-market profile looked like to for those assets? And then you mentioned moving to more modest level of sales next year. Can you put some rough numbers around what exactly that could mean?

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**Ross Cooper** - *Kimco Realty Corporation - President & CIO*

Sure. Yes. In terms of the sales this quarter, the total amount of $154 million was a little bit less than previous quarters, but continued to be primarily geographically located within the Midwest and a couple of other assets outside of the central part of the country. Occupancy remained very high on the disposition sites, just around 95% for the quarter, so we are selling fairly stabilized assets. As we get into next year, as we mentioned, it'll be a meaningfully less number. We are very confident in the right-sized portfolio that we have by the end of this year. So we'll continue to prune assets and fund redevelopment opportunities with that and really focus on the recurring FFO growth for '19, but it'll be a modest number.

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**R. Jeremy Metz** - *BMO Capital Markets Equity Research - Director & Analyst*

So is that kind of $200 million to $300 million? Is that kind of a fair ballpark to put it?

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**Ross Cooper** - *Kimco Realty Corporation - President & CIO*

I think when you look at our redevelopment spend, which will be sort of in that low- to mid-$200 million number, the dispositions are really earmarked for that, so.

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**R. Jeremy Metz** - *BMO Capital Markets Equity Research - Director & Analyst*

Okay. Great. And second one for me, just in terms of the bankruptcies here, the 21 Toys boxes, how many of those are pure retenant boxes kind of as is versus where you're going to need to break it up? And then can you also comment on Mattress Firm. You have the 62 leases. So do you know at this point how many are on that near-term closing list? And then the rent is north of $21 -- $29 in aggregate. It's a little above the portfolio level. So is it fair to assume the rents will come down here as you re-lease those or any sort of range you can frame around that opportunity?

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**David Jamieson** - *Kimco Realty Corporation - Executive VP & COO*

Sure. This is Dave Jamieson. So first, let's address the Toys"R"Us question. In terms of -- those that have already been awarded at auction or assigned, there were 6 initially, so those -- there was no downtime in rents. They were assumed either by retailers or other operators. From there, we've had, since before this call, 7 executed, 6 of which have been single-tenant backfills, one of which is a box split, and then that brings you to 13. Of the remaining, we have 6 that are in negotiation, LOI negotiation, of which 3 of the 6 will be single-tenant backfills. So out of that group, you only see 4 that could be potential box splits. And then on the remaining 2, they are currently flagged and are under contract for disposition. So what we've seen is really single-tenant as being the dominant use for these boxes, which has obviously helped reduce the overall cost required to reposition the boxes. And then as it relates to Mattress Firm, I'll turn it over to Ray.

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**Raymond Edwards** - *Kimco Realty Corporation - EVP of Retailer Services*

This is Ray. With regards to Mattress Firm, 8 of our 62 properties were listed as site to close in the first month of the filing. And for now, we don't know of any store closings. We're working with the company. We might figure a few more might fall out as they might want rent reductions that we don't want to give to them. But it should be a pretty fast case with them assuming, by middle of November, to have a plan approved to come out of bankruptcy shortly thereafter at 100% planned to the unsecured creditors.

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**Conor C. Flynn** - *Kimco Realty Corporation - CEO & Director*

And we're comfortable with the mark-to-market on those locations. We feel like they're pretty much right at market, so we don't see any rent roll downs. Typically, they like to be right up in front either on a pad or on an end cap. And as our small shop occupancy, as you know, just hit all-time highs. There's significant demand for those locations from service tenants, from restaurants, from financials, so we feel really strongly that those spaces will be recaptured and leased very quickly.

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**Operator**

The next question comes from Christine McElroy from Citi.

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**Christine McElroy Tulloch** - *Citigroup Inc, Research Division - Director*

Just with regard to the 14 Sears Kmart boxes, in terms of being ready to recapture them, I know it's early in the process, but just wondering how much progress you're looking to potentially make in the context of the bankruptcy process? And what impact does Bridgehampton being collateral in the DIP financing have on your ability to get that back at some point?

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**David Jamieson** - *Kimco Realty Corporation - Executive VP & COO*

Christine, it's Dave again. So on the Kmarts, the 14, so what we know today is that there will be 4 coming back to us. And right now, it actually has to go to auction. One of which is slated for dispo,. And of the remaining 3, we have LOIs in negotiation for the balance of those boxes for single-tenant users. And as a reminder, as well, one of those is in 1 joint venture where we own 15%, while the other is in a venture that we -- in which we own 49%. So from a cost standpoint, we feel very comfortable there. That said, it still needs to go auction. The auction date has not been set yet. So what we've been doing and what we've messaged clearly over prior quarters is we've constantly prepared for this event and we continue to be out in the market preleasing these boxes with contingent leases. So if and when we do get them back, we'll be ready to act.

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**Raymond Edwards** - *Kimco Realty Corporation - EVP of Retailer Services*

I mean, with regard to Bridgehampton, typically, when a debtor is in bankruptcy almost -- usually, all the leases are part of the collateral, so they're very selective here in what they did. But if there is a reorganization around the company, which they're trying to do or going-concern bid, probably Bridgehampton will be part of that and we might not get it back. But if it's a wind down, then it doesn't matter and we'll have an opportunity to get the property back at that time.

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**Christine McElroy Tulloch** - *Citigroup Inc, Research Division - Director*

Okay. And then, Conor, you talked a bit about the big changes in retail happening at a faster pace than ever. Just from a bigger-picture perspective, can you put in context how you're thinking about the necessary CapEx spend in that environment? So you have, on one hand, the sort of the revenue-generating redevelopment and densification opportunities created, but then there's also this elevated pace of retenanting churn and sort of how you're thinking about that relative to trying to get back to free cash flow positive after dividend?

**Conor C. Flynn** - *Kimco Realty Corporation - CEO & Director*

Yes, sure thing, Christy. When you look at our strategic goals for the long-term for Kimco, we were very vocal about what we wanted to do with the portfolio to really transform the geographic locations. We're big believers in the top 20 markets in the U.S. That's where we see population growth, that's where we see barriers to entry and that's where we see retailers want to be, and they want to concentrate their store base there. So what we've found is the demand for the locations in those areas have been really, actually, stronger than we anticipated. And that's why you're seeing us be, I think, well ahead of what we anticipated for our Toys"R"Us leasing because those boxes really are concentrated in our best markets. There will be some tenant churn, as you mentioned. We've gone through a point where the legacy retailers that have not invested in the store and have not put the customer really as the focal point. Those are the boxes that are coming back to us. But the beauty of Kimco is our diversity. When you look at our tenant diversity, we feel like it's unmatched. If you look at the ability of -- to mark-to-market on those boxes, it gives us great potential to really generate significant return on investment for our shareholders. And that's what we continue to focus on, whether it's the Toy boxes or the Kmart boxes, we look at it as an opportunity. We look at it as a way that we've got the right portfolio now that we can unlock the value for our shareholders by repositioning the real estate with great quality tenants that are going to drive more traffic and then you get the halo effect that will really drive the surrounding rents on the spaces that have been living with some of these retailers that have not been driving traffic for an extended period of time. And so that's where the focus has been of the company. And we're very excited to turn the page and head into '19 with a trimmed down portfolio, tightly concentrated in our best metro markets, with a big redevelopment pipeline that's just starting about to deliver as you've seen with Lincoln Square and others, where we've got, I think, the right mix of projects and place making that really makes a difference in today's world. Because you can't just line up boxes next to each other and think that someone is going to shop it. You've got to lean in. You've got to create the place. You've got to do more from a landlord perspective.

**Christine McElroy Tulloch** - *Citigroup Inc, Research Division - Director*

Sorry. Just 1 quick follow-up on that. It sounded like the Toys boxes, a few of them are going to be box splits. I can imagine these Kmart boxes, a bunch of them are going to be box splits. What impact does that have on the timeline to getting free cash flow positive? I think, originally, you were talking about potentially next year. I can imagine this CapEx spend continues to eat into that.

**Conor C. Flynn** - *Kimco Realty Corporation - CEO & Director*

Well, remember, 6 were awarded from the Toys, so we actually have no capital outlay there. And the majority of the Toys boxes are actually individual tenants taking the existing boxes. And the costs have actually been pretty modest when you look at the TI and landlord work there. Right now, it's right in that range of $35 to $40 a foot for the Toys' locations. So we feel like we've been careful and cognizant of the CapEx that are going to these boxes. You're right, when you split a box, it takes a little bit longer to get the rents to commence. But since the lion's share of these boxes have been single-tenant users, we feel like we can get those paying tenants open quicker. And you've seen that with the compression of the lease to economic occupancy spread. We've put a lot of effort and put more resources behind expediting rent commencement dates, and you're starting to see that happen.

**Glenn Gary Cohen** - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

Don't forget this is also revenue generating CapEx. This is not just maintaining same rents. I mean, you have rents on these Sears boxes that are at $5 a foot, so there's a fair amount of revenue generation that's going to come from it.

**Operator**

Next question comes from Craig Schmidt with Bank of America.

**Craig Schmidt** - *BofA Merrill Lynch, Research Division - Director*

Looking for future redevelopment efforts, will you be actually replacing existing anchors, given your kind of view on winners and losers in the space?

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**Conor C. Flynn** - *Kimco Realty Corporation - CEO & Director*

I think that's always part of the business, Craig. When you look at how to generate the most traffic to your assets, you really want to try and put together the tenants that are going to drive traffic at all points during the day. And so this is a long-term business. Typically, our retailers sign long-term leases. So we would have loved to have been repositioning our real estate over the years with the best-in-class. But many times, the real estate is controlled by these long-term leases. So as these boxes have been coming back to us, you've seen us get the mark-to-market opportunity as well as the repositioning opportunity to drive more traffic. And so there's been a lot more repositioning with the off-price players. When you look at TJX and all their banners, including their newest concepts, that are doing quite well, HomeSense and Sierra Trading Post. Burlington and Ross and then Sprouts Farmers Market, the specialty grocers, where we're doing a lot of deals with Sprouts and Trader Joe's and Whole Foods, those are the types of players that we get really excited about because it compresses the cap rate on the whole asset and it also drives a tremendous amount of traffic.

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**Craig Schmidt** - *BofA Merrill Lynch, Research Division - Director*

Okay. And what is the climate of the smaller space, the small business in terms of taking new space?

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**David Jamieson** - *Kimco Realty Corporation - Executive VP & COO*

Yes, it's Dave. The climate for our small shops has been very, very strong. When you look at 90.8% on our small shop occupancy, which is by far and away the highest we've ever seen in the company. It's just evidence that you have small businesses that are continuing to look to open locations. The franchise model has been very successful in this last runup. It gives people an opportunity to focus on the business, less so on specifically trying to define a business so they can take an existing business and just start performing. You see the urgent care is doing well, the financial is doing well, fast casual, QSRs, all very, very active. You can't lose sight of the fact, too, that Amazon with the Amazon Go rollouts, how that trends, the pace of that, no one knows. But just again, it's further illustrating that there is high, high demand for great quality real estate on the small shop category.

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**Conor C. Flynn** - *Kimco Realty Corporation - CEO & Director*

We've been putting a lot of focus, Craig, on services. When you look at the makeup of our small shop tenant base, we always had the hair salons, the nail salons. And now we're really seeing a boost. When you look at the fitness element and the health and wellness and beauty, that has just been a major, major shift in terms of demand, and we continue to see it expand. And we like those uses because we haven't been able to figure out what the Internet-resistant type use, like those fitness players that you can't do that online yet, so.

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**Glenn Gary Cohen** - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

Just to add a little also, having transformed the portfolio with all the sales we've done, I mean, it's part of the evidence that it's working. Getting to 90.8% of small shop, it proves where the properties are. You have properties that are in higher demographic areas, higher household incomes, higher density, higher population. They're better markets, and they lead to being able to add more small shop space to the centers.

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**Operator**

The next question comes from Greg McGinniss with Scotiabank.

**Greg McGinniss** - *Scotiabank Global Banking and Markets, Research Division - Analyst*

I was just curious what percent of taxable income is currently being distributed and how you're thinking about dividend raises considering the level of dispositions this year and the mid-80% AFFO payout goal you've talked about before?

**Glenn Gary Cohen** - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

Well, we're comfortable where the dividend level is today. Again, we are focused on continuing to grow our EBITDA and our recurring FFO as we go forward. And each quarter, we go ahead and we analyze and look and discuss with our board where the dividend level is. For now, we're fine and very comfortable where it is, and we'll go quarter-by-quarter and continue to monitor it.

**Conor C. Flynn** - *Kimco Realty Corporation - CEO & Director*

As we've mentioned before, we have a large redevelopment pipeline that's now prefunded and preleased and starting to deliver. And that's really showcasing what we believe is going to really grow the recurring FFO and EBITDA levels in '19 and '20. So that's where we've been investing as we want to create the places that people want to come back to time and time again, which will really help us drive free cash flow.

**Greg McGinniss** - *Scotiabank Global Banking and Markets, Research Division - Analyst*

All right. So how do you think about that discrepancy or, sorry, that matching either the mid-80% AFFO payout goal or increase the dividend, I guess?

**Conor C. Flynn** - *Kimco Realty Corporation - CEO & Director*

Well, again, it's a balance, and we're going to continue to grow recurring FFO and EBITDA and then talk with our board and see when it makes sense to continue to grow our dividend.

**Greg McGinniss** - *Scotiabank Global Banking and Markets, Research Division - Analyst*

All right. Sorry, just one more. And with disposition funding earmarked for redevelopment next year, should we expect another year of pretty limited acquisitions? I mean, is there anything even worth buying at this point?

**Ross Cooper** - *Kimco Realty Corporation - President & CIO*

Yes, I mean, there are certainly assets in the market that we like. We continue to be very selective. And I would imagine, it will be an extremely modest level for next year. As I mentioned in the prepared remarks, I mean, the cap rates and the prices for the high-quality stuff is still very aggressive with low cap rates. With where our cost of capital is today, it doesn't make sense for us to be acquiring in the open market. So we'll continue to monitor. We see everything that's out there. We're building long-term relationships for acquisition opportunities when our cost of capital does come back. But for now, our priority is clearly the redevelopment spend, where we get significantly better yields than what we would find on the open market.

**Glenn Gary Cohen** - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

We have very deep pipeline of redevelopment projects. And the team is spending a lot of human capital working on getting entitlements for future projects that'll take us several years out. So we feel pretty comfortable about where we can deploy our capital accretively.

**Conor C. Flynn** - *Kimco Realty Corporation - CEO & Director*

We will always be looking for adjacent parcels, things that could potentially add to our redevelopment potential where it make sense for value-creation opportunities.

**Operator**

Next question comes from Rich Hill with Morgan Stanley.

**Richard Hill** - *Morgan Stanley, Research Division - Head of U.S. REIT Equity and Commercial Real Estate Debt Research and Head of U.S. CMBS*

I wanted to just spend a little bit more time on the cash flow side of the argument -- or the debate. So when I'm looking at your condensed consolidated statement of income, it looks like your revenue came down quarter-over-quarter. Is that just due to you pruning your portfolio? Or are there other things that we should be considering?

**Glenn Gary Cohen** - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

No, it's a direct correlation to the amount of sales. As I mentioned, over the last 15 months, we've sold over $900 million of assets. That's what it relates to.

**Richard Hill** - *Morgan Stanley, Research Division - Head of U.S. REIT Equity and Commercial Real Estate Debt Research and Head of U.S. CMBS*

Got it. And though -- but then at the same time, it looks like CapEx is up to maybe stable at the same time. Is that just because -- to go back to what was previously discussed, is that just because you're spending more time on development at this point?

**Glenn Gary Cohen** - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

We are between the developments, the redevelopments. Again, we've put some money back into the Sports Authority boxes that you're now starting to see come online. If you look at our lease-to-economic spread, that's actually narrowed by 50 basis points. So again, that's from all the capital that we put in to get those flows started.

**Richard Hill** - *Morgan Stanley, Research Division - Head of U.S. REIT Equity and Commercial Real Estate Debt Research and Head of U.S. CMBS*

Okay. All right. Once we get the 10-Q, I may have some additional questions.

**Operator**

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

**Alexander Goldfarb** - *Sandler O'Neill + Partners, L.P., Research Division - MD of Equity Research & Senior REIT Analyst*

Just 2 questions. First, Glenn, just with Sears, Mattress Firm, Toys being the biggies, as we think about NOI this year versus next, how much NOI is going to be coming out of 2019 as these retailers wind down, with an understanding you're going to backfill them but still probably not till later in the year? And I understand that Sears may be restructured, so maybe some of that NOI doesn't go away. But just can you sort of quantify it? How much NOI is going to come out of -- on an annualized basis, out of 2019? And then we can sort of guess at when that may start to get, come back online in the latter part?

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**Glenn Gary Cohen** - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

The short answer is, we can't actually do that because we don't really know what's going to happen with Sears Kmart, right? We know that a few of them have been -- that we expect to get them back, but we don't know what's going to happen with the other 10. And in the case of Mattress Firm, although there's 8 on the block, as Ray mentioned, we don't know what the final balance is going to be there as well. Now the other thing -- the other point I'd make on the Mattress Firm is, on the ones that they reject, because it is a 100% plan, we're going to wind up getting a full year's worth of rent as part of our rejection claim. So the Mattress Firm leases, I don't really think they're going to have a major impact on our '19 NOI. So it's very, very hard to predict what it's going to be. I think the good news for us is, when you look in total, Sears makes up less than 60 basis points. Mattress Firm makes up less than 80 basis points. And it does look like Mattress Firm is going to come out as a reorg, so many of those sites will stay in place.

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**Alexander Goldfarb** - *Sandler O'Neill + Partners, L.P., Research Division - MD of Equity Research & Senior REIT Analyst*

Okay, that's helpful. And then the second question is just on Albertsons. Thinking for your next steps, what are you guys thinking as far as your position there? Is it worth it just to -- I mean, it would seem like you don't really get any credit for it. So is pursuing a private sale and just being done with it and not having this linger over, does that seem more likely, especially if the retail environment seems to be improving? My understanding is Albertsons had some good sales recently -- or good earnings recently? Or is your hope still to try and affect either an IPO or some sort of merger?

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**Raymond Edwards** - *Kimco Realty Corporation - EVP of Retailer Services*

No, I think that the IPO route is the way that the company is focused on. And listen, they went through all the noise of 8 months of this merger with Rite Aid. But during that time period, they improved the operations. They didn't get distracted from that. Sales improved. They reduced their debt levels. They had about $11 billion in net debt 1.5 years ago. Now they have about $9.5 billion in net debt. And they're getting themselves in the right shape for the company, with over $1 billion of free cash flow expected in the coming year, that they're going to get themselves, markets prevailing and allowing us, be in a good position sometime, hopefully, in '19, to do something in an IPO. But again, markets have a little direction of whether we can do something or not. But they're running the business very well, improving the business and reducing the debt. And that's all we can ask them to do for us right now.

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**Glenn Gary Cohen** - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

I guess, I'd add also, Al, is that again, in our '19 numbers, there is nothing in there for Albertsons at all. We're focused on our core business of leasing, development, redevelopment. Albertsons, when it happens, is just going to be an upside for us. So it's not in anyone's numbers. It's not in any of our debt metrics or anything else that goes along that line.

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**Alexander Goldfarb** - *Sandler O'Neill + Partners, L.P., Research Division - MD of Equity Research & Senior REIT Analyst*

No, I understand, Glenn, but it's still a source of capital. So are you guys dual tracking it, where you're running, right now, possibly reaching out to private people to sell to if the IPO doesn't occur? I mean, it just seems like it does help you guys delever and get you there, where that's more beneficial than maybe maximizing the last dollar?

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**Raymond Edwards** - *Kimco Realty Corporation - EVP of Retailer Services*

We're not doing that at this point. We haven't considered it. I think we're --we're very bullish on where they are going now. And there's a lot of upside if they execute to plan. And you don't -- you don't want to leave too much money on the table. So we're not thinking even about that because we're very bullish on the prospects for the next year or so.

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**Operator**

The next question comes from Stephen Sakwa with Evercore ISI.

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**Stephen Sakwa** - *Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Equity Research Analyst*

I guess first question really is on the redevelopment/development program. As you just sort of look out to the '19/'20 and maybe the deals that you're contemplating for '21, what kind of returns do you think you can achieve? And what sort of maybe cost pressures are you seeing on the construction side? And what sort of risks are there on those yields?

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**Conor C. Flynn** - *Kimco Realty Corporation - CEO & Director*

Hey, Steve. When you look at our pipeline, we actually feel like we're in really good shape because the developments that we have, really, in the pipeline right now are all prefunded and heavily preleased and will start to really deliver in '19 and '20. So when you look at Grand Parkway Phase 1 and Phase 2, that's going into operations now. When you look at Dania Pointe, the Phase 1, we're actually going down next week for the ribbon-cutting, and it's over 90% preleased and it will open and really stabilize in '19. When you look at Lincoln Square, the retailer is 100% preleased, and we're now really starting to bring on the multi-family section of it. We just actually signed our 100th apartment lease there. And Mill Station, we just opened Costco. Lowes is set to open right after. It's over 90% preleased. On the redevelopment side, we've got some great projects that are under construction. Pentagon is topped off. That's our large multi-family tower. We sit right above the metro there in Pentagon City. We continue to watch that one take shape. The Boulevard in Staten Island continues to take shape as well. Steel is going up. The projects that we have currently under construction really have all GMAX contracts. So even though prices have been rising, we've locked in our costs and feel very comfortable with our returns. On the future projects, as we've mentioned earlier, we are working hard at entitling a number of projects across the portfolio. And then each one, we're going to have a decision tree of how we fund it, how we're going to actually create the highest and best returns for our shareholders. And as you've seen in our pipeline, we really identify really where our cost of capital is and how do we best unlock the value for our shareholders. We can sell those entitlements. We can ground lease those entitlements. We can joint venture those entitlements. And so right now, where our cost of capital is, we're going to look at the portfolio and look at the opportunities we have in the future. And when we get the projects shovel-ready, then we're going to take the best approach going forward. The returns for multi-family have been in, call it, 6% to 7.5% returns. And on retail, they've been much higher. And so we were cognizant of where our cost of capital is and the funding requirements. And going forward, we're going to take them on a one-off basis and really identify what's the best way to unlock the value.

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**Stephen Sakwa** - *Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Equity Research Analyst*

Sorry. So is there a way for you to just kind of blend it? So on average, the '19 and '20 deliveries you think will have average returns of what?

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**Conor C. Flynn** - *Kimco Realty Corporation - CEO & Director*

In between 7% and 8%, I think when you look at the blended because of the multi-family projects that we have coming online, that brings it into that 7% to 8% range.

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**Stephen Sakwa** - *Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Equity Research Analyst*

Okay. And I realize you're not giving '19 guidance, but as you just sort of look forward and think about the tenant watchlist and a lot of things have happened this year and maybe the timing of legacy Sears Kmart was unclear if it was this year or maybe next year. As you just sort of look at the watchlist today, how does that sort of stack up versus maybe a year ago? And would you sort of consider or think that your reserves would need to be as big next year as they were in coming into this year?

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**Conor C. Flynn** - *Kimco Realty Corporation - CEO & Director*

The watchlist is something, obviously, we talk about a lot and we continue to see that, actually, it's getting a little bit smaller with these legacy retailers liquidating and going out of business. And so when you look at our exposure, it really is modest compared to what it has been in years past. Sears Kmart, for example, even though we have 14 locations, 1 of them is actually already subleased to a public retailer. So we don't think we lose any income or have any capital outlay there at all. We think the 3 of the 4 that are going to auction, there's a chance that a number of those locations might be purchased at auction because of the below-market leases, so again, limiting our downtime and our cost on some of those locations. I mean, clearly, there's still some disruption going on in retail, and we're cognizant of that. We don't want to sound overly optimistic. But we look at the portfolio. We look at where we're positioned. And we think that the normal run rate going forward of that 100 basis points of bad debt reserve is something that we continue -- we'll have going forward as we look at years '19 and '20.

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**Operator**

The next question comes from Vince Tibone with Green Street Advisors.

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**Vince Tibone** - *Green Street Advisors, Inc. - Analyst of Retail*

For the 7 Toys boxes that have already been re-leased, when do you expect the tenants to open and start paying rent? And what was the mark-to-market on those spaces?

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**Glenn Gary Cohen** - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

So the mark-to-market, it's been pretty much in the mid-single digits, low- to mid-single digits. And in terms of the flows of those, we'd expect to start seeing them coming in the back half of '19 and into '20 as well. So again, 6 of the 7 of those are single-tenant uses, so those will be pushed forward and start flowing a little bit sooner than others.

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**Vince Tibone** - *Green Street Advisors, Inc. - Analyst of Retail*

Were those the kind of spreads you were expecting on these spaces? Or is that -- was that in line with your expectations maybe a year ago?

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**Glenn Gary Cohen** - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

Yes. I mean, most of the significantly below-market leases were ones that were picked up at auction. So when you look at the whole portfolio, the whole mark-to-market opportunity was higher. And then for those that we had remaining, they were slightly closer to market, so that's about in line with what we were expecting.

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**Vince Tibone** - *Green Street Advisors, Inc. - Analyst of Retail*

Makes sense. My next question is for Ross. You mentioned Kimco was approached by interested buyers about potential portfolio deals. Do you still feel that portfolio deals are being discounted by buyers versus the price that you could achieve by selling individual assets?

**Ross Cooper** - *Kimco Realty Corporation - President & CIO*

I think there's still a modest level of discount, but it's certainly narrowed from where the discount for portfolios was when there were discussions that we were having at the early part of the year. So I do think that there are large private equity groups that are getting a bit more constructive on retail and looking at opportunities within portfolios. So you may see that as we get into '19 with some other portfolio owners. But for us, we're at the tail end of this program. So we just have -- we're going to finish it off with the one-off strategy.

**Operator**

The next question comes from Derek Johnston with the Deutsche Bank.

**Derek Johnston** - *Deutsche Bank AG, Research Division - Research Analyst*

Could you talk about cap rates that you're seeing for different formats? Guys, have you seen any divergence between power centers versus grocery anchored, especially with recent pushes into online grocery? Any changes in demand or pricing?

**Ross Cooper** - *Kimco Realty Corporation - President & CIO*

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I think, for the core major market assets, grocery-anchored product is still very much in favor, particularly for the best-in-class grocers. So a couple examples in Raleigh, Portland, Northern California, we've seen grocery-anchor deals either close or price sub-5%. I would agree with the premise that, as you get a little bit of outside of the real major institutional type of assets, that buyers are being much more critical of who the grocer is, what their performance is, if their rent is replaceable. Whereas, in years past, I believe that having a grocery anchor sort of was an automatic bulletproof type of investment for an investor. So I think there is a bit of a blending now between grocery, power if you're outside of the major institutional markets. People are just much more focused on who the retailer is, how their performance is, how their rent compares to market and if there's any additional upside. So that's really what we're seeing in the marketplace today.

**Derek Johnston** - *Deutsche Bank AG, Research Division - Research Analyst*

And on TIs and CapEx associated with new leasing activity in 3Q, it did look a bit higher than previous quarters. And the volumes looked a little light. And of course, understand this is a volatile statistic Q-over-Q and a slightly smaller portfolio. But was this related to a specific new lease? Or is it consistent with breaking up some of the bigger boxes and something that may remain elevated into 2019, if there's any insight there that you can share, please?

**David Jamieson** - *Kimco Realty Corporation - Executive VP & COO*

Sure. Yes, absolutely. Great question. And you're spot on, it was driven by a few leases that elevated the cost side. But what's also more important to look at is on the new rent side. So when you look at the trailing forward just over $19, in this quarter, we're at over $22 a foot. So there's a significant gain there as well that more than compensates for the slight increase of the additional cost and that what it was driven by. So you strip those out and you're pretty much back into your trailing 4 and the trend, we assume, would continue.

**Operator**

Next question comes from Wes Golladay from RBC.

**Wesley Golladay** - *RBC Capital Markets, LLC, Research Division - Associate*

Looking at the Toys"R"Us, you had 6 Toys boxes awarded to others, and I think you mentioned maybe some of the Kmarts may be assumed by others. Can you talk about who those entities might be? Is it retailers or construction teams, landlords, et cetera?

**David Jamieson** - *Kimco Realty Corporation - Executive VP & COO*

Yes. So on the -- on those that have been assumed, they were all primarily in retailers. So those that would be managing their own. I believe you said construction, so doing their own construction and fit-outs, absolutely. And again, on the Kmarts, same thing, end-use operators, retailers, off-price crafts have been popular with the Toys. Those have been big drivers of it, furniture, fitness, et cetera, so.

**Wesley Golladay** - *RBC Capital Markets, LLC, Research Division - Associate*

Okay. And then when we look at the redevelopment budget for next year, I believe, at a high level, it's around $250 million. Is there any part of that budget dedicated to the Sears Kmart redevelopment?

**Conor C. Flynn** - *Kimco Realty Corporation - CEO & Director*

There's a piece of it that we just have as a placeholder. But again, we'll have to wait and see how that plays out.

**Operator**

Next question comes from Haendel St. Juste with Mizuho.

**Haendel St. Juste** - *Mizuho Securities USA LLC, Research Division - MD of Americas Research & Senior Equity Research Analyst*

Conor, I guess, for you, I know you're not ready to talk about 2019 guidance. But obviously, '19, looking like a bit of a transition year, held back a bit by this year's disposition activities and redev drag and a growing 2018 same-store NOI base. You've raised guidance now 2 quarters in a row. I guess I'm more curious what you think the portfolio -- the Kimco portfolio can generate on a same-store NOI and FFO growth basis on a more steady-state basis once all the noise settles down?

**Conor C. Flynn** - *Kimco Realty Corporation - CEO & Director*

Look, our goal, long term, is to be the best shopping center REIT in the entire sector. And we believe that, in order to do that, we have to have same-site NOI growth that's really north of 2.5% on a long-term run rate and an FFO growth rate that's in that 4% to 5% or higher. And so when you look at the portfolio and what we're trying to do, that's our long-term goal to get there. Now '19 has some hurdles ahead of it -- ahead of us because of the accounting change, because of the dispositions that we did and because of the developments/redevelopments that are continuing to start to ramp in -- that continue to ramp from '19 into '20. So look, our goal is to get there. We obviously have our work cut out for us in '19, but we're committed to make it a growth year. And that's what we continue to say is that we've repositioned the portfolio to where we see now we can really run a top-quality and top-flight portfolio going forward.

**Haendel St. Juste** - *Mizuho Securities USA LLC, Research Division - MD of Americas Research & Senior Equity Research Analyst*

A question, follow-up on the tenant side. We've seen a number of traditional strips that are tenants who are still opening a large number of stores, ULTA, Five Below, Carters, started to go into B and C malls some time till the exterior because it's often cheaper. Curious what you're thinking and seeing on this front and how it impacts your view on tenant retention going forward as the environment for some of these tenants gets more competitive.

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**Conor C. Flynn** - *Kimco Realty Corporation - CEO & Director*

It's something that we talk about a lot and watch closely. When you look at the competitive set, we continue to look at malls as a competitor. And when you think about, though, the opportunity set there that retailers are looking at, the mall is really a four-headed monster when you look at the anchors that they have. And really, the retailers that we're used to doing business with that you listed off, they're really focused on making sure that they have great visibility to the street, big fields of parking and an exterior entrance. And so when you think about the mall, there's really only probably 1 or maybe 2 boxes that could be repositioned to flip to the exterior and retain that type of visibility and that parking field and that exterior entrance. And so it has been very limited to date. And now that we've repositioned the portfolio to be concentrated in the top 20 markets, we believe that if an 'A' mall gets a box back, the likelihood of them doing an off-price retailer or a discounter is probably very limited because they're probably either going to do a luxury end redevelopment or a densification for that box. And so that's why we continue to look at the portfolio as well positioned for that shadow supply that we've been talking about now for a number of years.

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**Haendel St. Juste** - *Mizuho Securities USA LLC, Research Division - MD of Americas Research & Senior Equity Research Analyst*

Do you have handy what the retention levels have been historically, say the last 5 years, and maybe how we should think -- or how you are thinking about that going forward?

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**Conor C. Flynn** - *Kimco Realty Corporation - CEO & Director*

The retention levels have increased. I mean, when you look at the amount of options and renewals that we're doing, we continue to be pleased with the retention rate not only in the junior boxes and anchor boxes but also in the small shop boxes. We continue to beat budget on that assumption. And so we've been watching that closely. And I think it's a reflection of the improved portfolio as well.

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**Ross Cooper** - *Kimco Realty Corporation - President & CIO*

It's pretty evident -- it's pretty evident what's happened with the portfolio when you have options or renewals running in high single digits quarter-after-quarter. I mean, that's really when these tenants have the opportunity to move down the street, go somewhere else if they think they can get a better deal. Yet they're signing renewals and options in high single-digit numbers without us needing to put any real capital into it.

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**Operator**

The next question comes from Michael Mueller with JPMorgan.

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**Michael Mueller** - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Quick question. When you're, I guess, through the Dania, Mill Station and Lincoln Square development, are we going to see a pipeline of new development opportunities that kind of backfills those?

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**Conor C. Flynn** - *Kimco Realty Corporation - CEO & Director*

We're going to continue to look for the Lincoln Squares of the world, but those are real needles in the haystack -- and the Danias as of the world. So we look at our portfolio and see the huge amount of opportunity on the redevelopment side, and so that's where we're going to focus and continue to look for that organic internal growth that we can add to the pipeline. Dania has multiple phases to it. The second phase, obviously, is now moving forward. And one thing to also keep in mind on Dania Phase 2 is that the apartments are under construction, which we have as a ground lease. So it's not listed as an anchor, but it's one that continues to evolve as that project really comes into its own, and the first phase is opening next week. So as you see the transformation of the portfolio going forward, I think you're going to see more Pentagons, more of those types of redevelopments versus, say, these ground-ups.

**Ross Cooper** - *Kimco Realty Corporation - President & CIO*

Yes, and that's where the team has been working on these entitlements. It's really been able to gain entitlements when we can further densify the properties.

**Operator**

The next question comes from Chris Lucas with Capital One Securities.

**Christopher Lucas** - *Capital One Securities, Inc., Research Division - Senior VP& Lead Equity Research Analyst*

Hey, Glenn, just a quick question on the -- on where you stand as it relates to the taxable income given the -- where you expect asset sales to come in and the pricing. Is there any need, potentially, for a special dividend this year given the sizable volume of asset sales?

**Glenn Gary Cohen** - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

It's a good question. I mean, we've done a lot of strategic planning to put us in a position where we don't think we will need a special dividend at all. But you'll see the composition of the dividend be very different than what it's been in the past. So in the past, you've had some level of return of capital. Right now, I think there would be no return of capital. It'll be a pretty good mix of ordinary income and capital gains because we have not used the 1031 exchange market to defer the gains. So we have a pretty significant amount of capital gains that is in the taxable income this year.

**Christopher Lucas** - *Capital One Securities, Inc., Research Division - Senior VP& Lead Equity Research Analyst*

And then just a quick question, Conor, just on the 14 Sears Kmart boxes, if you were to bucket them between those that could potentially trigger redevelopment versus those that are more likely just simple backfills, could you give us a sense as to what that split is?

**Conor C. Flynn** - *Kimco Realty Corporation - CEO & Director*

There's a number in there that we've been focused on in terms of large-scale, mixed-use redevelopment, and it's small. It's probably in the 2 to 3 number of ranges. And it's those assets that are in dense urban locations that we've been waiting patiently for. What we've found is that there's a number of individual retailers that are now at the table looking to take the whole box. And we could either do that as a ground lease to limit our capital, or we can do it as a reverse build-to-suit or just a normal TI fit-out. So as we have said, we're focusing on the ones that we have visibility on. And actually, the cost on those are in that $30 to $50 a foot range, which is very -- probably right in our sweet spot, when you look at the rents that we're achieving there and the spread. So as we go through the process, we'll continue to be ready with other retailers at the table if we get the boxes back, but that's really the spread of where we see it going forward.

**Christopher Lucas** - *Capital One Securities, Inc., Research Division - Senior VP& Lead Equity Research Analyst*

And then just a quick follow-up on Kmart Sears. Is there anything unique or different about their operations in Puerto Rico that we should be thinking about as they go through this process?

**Conor C. Flynn** - *Kimco Realty Corporation - CEO & Director*

I would just tell you that they're some of the highest performers in the entire chain. Their sales are incredible there. And so as a profitable entity or a reorganized entity those are the ones that create a significant amount of EBITDA for them. So that's something to keep in mind. The other thing I should just mention on Puerto Rico is the whole island has been deemed an opportunity zone, which, for us, is an interesting development as we look at our portfolio down there as that may change the cap rates on the island.

**Operator**

The next question comes from Ki Bin Kim with SunTrust.

**Ki Bin Kim** - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

Coming back to your earlier comments about a pretty strong or stable pricing market for asset sales. I know you've been very consistent in your messaging that you don't want to do a lot more in 2019 in terms of dispositions, but what keeps you from doing more? Is it really basically that dilution is painful and the stock market doesn't appreciate it? I know the market's kind of turned in their mentality about can you do asset sales to -- you can do it but just don't do too much. But just curious, overall, why not do more asset sales and bring down your leverage a little bit above 7x to something more in line with your peers?

**Ross Cooper** - *Kimco Realty Corporation - President & CIO*

Yes. I think we're very confident in the portfolio with where it sits today. We're seeing strong results quarter-after-quarter in terms of the performance on the existing portfolio. But you are right, we have stated, we are very excited to bring this portfolio back to a recurring FFO growth year in '19. But more so than that, we just are really confident within the portfolio and think that we have a right sized portfolio that has a strong mix of quality, core, grocery-anchored centers as well as an opportunity set for redevelopment that we really believe is unmatched. So we're excited about the future within this portfolio.

**Glenn Gary Cohen** - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

The only thing I would add is, when you look at the net debt-to-EBITDA, it's going to naturally come down because EBITDA growth from all the investment that we've made in these developments and redevelopments, they're just beginning now to flow. I mean, we have $0.5 billion invested in development projects that are just now beginning to flow. So as all that EBITDA comes onboard, '19 and further into '20, you'll see leverage come down naturally.

**Ki Bin Kim** - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

Yes. I realize that, and that makes a lot of sense. Second question, this might be a tough one, but when you look at the applied cap rate for your internal portfolio today versus 15 months ago, pre $900 million of asset sales, I know you you're not going to give a cap rate for your portfolio on the call, but directionally, how has your view on the applied cap rate changed over that time frame? And like it has come down 25 basis points or 50?

**Ross Cooper** - *Kimco Realty Corporation - President & CIO*

Yes. I mean, I think, when you look at the portfolio that we have today compared to 12 months ago, the significant amount of our best assets take-up are bigger percentage of our overall value. And we don't think that that's been represented within the stock price yet. But we're hopeful and we're optimistic that all the work that we've done that we've put into repositioning the portfolio as well as the redevelopment opportunities that we have, as they continue to start flowing, we'll see a narrowing of that gap, but from where we sit today, there's still clearly a big discrepancy between the private market cap rate that would be on our portfolio versus where the implied is today.

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**Operator**

The next question comes from Linda Tsai with Barclays.

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**Linda Tsai** - *Barclays Bank PLC, Research Division - VP & Research Analyst of Retail REITs*

I know you've been relying more on data and technology to help retailers understand the attractiveness of your centers. And you've said in the past, you still look at 1-, 3-, 5-mile rings, but now, density is more of a focus. And you can look at geospatial data to figure out a true trade area. Are there any insights you could share as to which retailers or service providers help expand a trade area? And then on the flipside, does this data help you understand the impact of competing centers and sales cannibalization?

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**David Jamieson** - *Kimco Realty Corporation - Executive VP & COO*

Yes, it's -- in terms of those that actually have the draw, it's interesting, when you look at, say, the ethnic grocers, the Asian grocers, they have a significant draw outside your traditional 1, 3 and 5. They can pull from 15 to 20 miles away, which is pretty unique. And so when you see them as an anchor, you keep that in the consideration. As it relates to the utilization of data, we continue to be very proactive in that case and partnering with our retailers to get a better understanding of how they're utilizing it, so collectively, we can have more of a joint partnership to create the best offering to the end customer, which is really both our customer and their customer. And that's what's most important. And with retailers, so just Target and others and Walmart, I mean, how they're utilizing it to draw people in on the buy online, pick up in store and making it more customer oriented and customer service oriented, it's so critical for the evolution of what retail needs to be going forward. And so you see the -- really the winners and those that are seeing some outstanding performance. It's really a result those efforts. So for us, we see it as a critical part of our business going forward, and we'll continue to work with the retailers and the like.

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**Operator**

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

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**David F. Bujnicki** - *Kimco Realty Corporation - SVP of IR & Strategy*

Thank you very much for participating on our call today. I'm available to answer any follow-up questions you may have, and I hope you enjoy the rest of your day.

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**Operator**

This conference is now concluded. Thank you for attending today's presentation. You may now disconnect.

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