THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

KIM - Q4 2014 Kimco Realty Corp Earnings Call

EVENT DATE/TIME: FEBRUARY 06, 2015 / 3:00PM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

David Bujnicki *Kimco Realty Corporation - VP IR and Corporate Communications*

Dave Henry *Kimco Realty Corporation - CEO*

Glenn Cohen *Kimco Realty Corporation - CFO*

Conor Flynn *Kimco Realty Corporation - EVP, COO*

Milton Cooper *Kimco Realty Corporation - Executive Chairman*

CONFERENCE CALL PARTICIPANTS

Christy McElroy *Citigroup - Analyst*

Craig Schmidt *BofA Merrill Lynch - Analyst*

Samir Khanal *Evercore ISI - Analyst*

Paul Morgan *MLV & Co. - Analyst*

George Auerbach *Credit Suisse - Analyst*

Jason While *Green Street Advisors - Analyst*

Ryan Peterson *Sandler O'Neil - Analyst*

Nathan Isbee *Stifel Nicolaus - Analyst*

Vincent Chao *Deutsche Bank - Analyst*

Jim Sullivan *Cowen and Company - Analyst*

Rich Moore *RBC Capital Markets - Analyst*

Linda Tsai *Barclays Capital - Analyst*

Caitlin Burrows *Goldman Sachs - Analyst*

Chris Lucas *Capital One Southcoast, Inc. - Analyst*

Michael Bilerman *Citigroup - Analyst*

Mike Mueller *JPMorgan - Analyst*

PRESENTATION

Operator

Good morning, and welcome to the Kimco Realty Corp. Fourth Quarter 2014 Conference Call. All participants will be in a listen-only mode.

(Operator Instructions)

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

David Bujnicki - *Kimco Realty Corporation - VP IR and Corporate Communications*

Thanks, Dan. Thank you all for joining Kimco's fourth quarter and full-year 2014 Earnings Call. With me on the call this morning are Milton Cooper, our Executive Chairman; Dave Henry, CEO; Conor Flynn, President and Chief Operating Officer; Glenn Cohen, our CFO; as well as other key executives who will be available to address questions at the conclusion of our prepared remarks.

As a reminder, statements made during the course of this call may be deemed forward-looking, and it's 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 that may differ materially from those forward-looking statements.

During this presentation, Management may make reference to certain non-GAAP financial measures that we believe help investors better understand Kimco's operating results. Examples include, but are not limited to, funds from operations and net operating income. Reconciliation of these non-GAAP financial measures are available on our website. With that, I'll turn the call over to Dave Henry.

Dave Henry - *Kimco Realty Corporation - CEO*

Good morning, and thank you for joining us today. We are very happy to top off a great year, with solid fourth-quarter financial results and operating metrics. Our strong portfolio of fundamentals were led by same-site NOI growth exceeding 4% for the second straight quarter, and reaching our highest portfolio occupancy since early 2008. Small shop occupancy also showed a sharp increase, as local stores and small national retailers recover from the recession and proceed with their expansion plans.

While retailers in general achieved mixed results in 2014, discounters and service-oriented tenants such as health clubs and restaurants continued their aggressive growth in the face of a shrinking inventory of retail space. As a result, effective rents are climbing in our portfolio, and across the entire open-air shopping center sector. Lower gas prices, accelerating household formation, and continued limited development activity all bode well for the shopping center industry fundamentals in 2015.

The omni-channel sales approach is increasingly being embraced by national retailers, with e-commerce success dependent on brick-and-mortar stores providing market presence, product showrooms and fulfillment capabilities. Amazon and many other Internet retailers will indeed be leasing retail space in the coming years.

Glenn and Conor will cover many of the financial and operating specifics in their comments today. But I would like to highlight several prominent successes. First, we have now essentially completed our exit from Latin America, with favorable cap rates somewhat offset by declining currency exchange rates. Second, after lengthy negotiations we reached agreement, and on Monday closed and acquired the remaining two-thirds ownership of the Kimco Blackstone portfolio of 39 high-quality retail properties.

Finally, early last week Kimco, together with its consortium partners led by Cerberus, completed the acquisition and merger of Safeway with Albertson and various other prominent grocers, including Shaw's, Jewel Acme, and United Supermarkets, comprising more than 2,200 stores. Kimco will hold slightly less than 10% of the merged operating companies and related real estate, approximately 50% of which is owned real estate.

As outlined in our earnings release, we have also substantially upgraded our US portfolio through the disposition of 91 shopping centers in 2014, while also acquiring 60 high-quality properties during the same period. While our recycling and upgrading strategy is not unique, the scale of our actions in 2014 exceeded our peers, and the resulting improved demographics and rent of our portfolio are substantial, noteworthy, and promise to deliver excellent future growth.

Looking at our Canadian operations, and responding to related inquiries, our occupancy remains very strong at 96%, and we are fortunate to have the full guarantee of Target's US parent for all nine of our Target stores in Canada. Canadian Tire, Costco, Walmart, Home Depot, and Metro grocery stores have all expressed interest in some of our Target locations. It is quite possible that we will end up with stronger tenants and a significant financial settlement from Target USA.

Separately, while the lower Canadian dollar does impact property level NOI, we estimate $0.02 for 2015 at current levels. Our initial investment in Canada remains hedged through Canadian-dollar mortgages on the individual properties and our Canadian-dollar denominated bonds.

In addition, our local operating partners continue to do an excellent job leasing and managing the properties. Property values and prices also remain at historic high levels in Canada, due to strong demand from pension funds and other institutional investors. During the quarter, as Glenn will note, we monetized one more Canadian preferred equity investment at a substantial gain.

Overall and moving forward across our entire portfolio, it is clear that our emphasis will be on investing capital in our own properties through redevelopment and expansions, complemented with several selective new ground-up projects. Conor will discuss in detail these plans, but we are pleased with our progress in growing this pipeline, and the associated accretive economics.

The third-party acquisition market for high-quality properties is heated and very competitive. As a result, wherever possible we will continue to purchase the equity interest of our institutional partners when they choose to monetize their investments. In these situations, we have a distinct advantage due to our knowledge and long-term management of the assets, coupled with the potential savings in terms of transfer taxes, brokerage fees, and mortgage assumption costs. Given the portfolio upgrade we have completed to date and improving industry fundamentals, we feel very positive about 2015. Now I'd like to turn to Glenn and Conor, with Milton batting clean-up as usual.

Glenn Cohen - *Kimco Realty Corporation - CFO*

Thanks Dave, and good morning. Our theme from our December 2013 Investor Day was TSR Plus, transformation, simplification, redevelopment, and activity from our plus business. We have successfully executed on all these initiatives throughout the year, and we are proud that our TSR Plus strategy delivered a TSR, total shareholder return, of 32.4% for 2014.

Now for some detail on our fourth-quarter and full-year results, and some additional color on our 2015 guidance range. As we reported last night, headline FFO per diluted share, which represents the official NAREIT definition, was $0.38 for the fourth quarter, which includes $0.03 per share of transactional income related to the monetization of several preferred-equity interests in the US and Canada. For the full year, headline FFO per diluted share was $1.45, a 7.4% increase as compared to $1.35 per share for 2013.

Our FFO as adjusted, or recurring FFO, which excludes non-operating impairments and transactional income and expense, was $0.35 per diluted share for the fourth quarter, a 6.1% increase compared to last year, and brings the full year to $1.40 per share, a 5.3% increase over the 2013 level of $1.33 per share, and achieving the high end of our guidance range. It's important to note that we accomplished this despite the $0.05 per share dilutive impact of disposing of higher cap-rate assets, including a substantial portion of our assets in Mexico, and many non-strategic US assets.

Our strong performance is the direct result of the significant portfolio transformation, which is delivering solid operating metrics, including fourth-quarter US same-site NOI growth of 4.3%, bringing the full-year US same-site NOI growth to 3.3%. Over 70% of the NOI growth is attributable to minimum rent increases.

Our combined same-site NOI growth, which includes our Canadian operations, was 4% for the fourth quarter, and 3.3% as well for the full year, excluding the negative impact of currency of 90 basis points and 80 basis points, respectively. Occupancy is approaching 96%, and our leasing spreads were strong, with full-year leasing spreads of 19.5% and 6.3% for renewals and options, bringing combined leasing spreads to 8.8% for 2014.

We continue to execute on the simplification part of our strategy. During the fourth quarter we acquired sevens assets from our joint venture with BIG, and sold eight other properties from this joint venture. We also sold 23 assets in Mexico and two assets in Peru for total proceeds of $161 million, and have now substantially liquidated our investment in both countries.

As previously mentioned, upon substantial liquidation of an investment in a foreign country, the impact of foreign currency translation is recognized in earnings. As such, we recognized a non-FFO charge of $134.3 million, which was applied against the respective gains and losses on the assets sold. This is substantially offset with non-FFO gains, net of impairments, of $107.8 million recognized during the quarter, from the sale of 66 operating properties sold, generating total proceeds of approximately $420 million.

In addition as Dave mentioned, we closed this week on the previously announced $925-million transaction to acquire the remaining two-thirds interest of our joint venture with Blackstone. The 39 properties in the venture are now wholly owned.

With regard to our balance sheet, we finished the year with solid debt metrics, with net debt to recurring EBITDA of 5.5 times, and fixed charge coverage of 3.2 times. These strong levels, coupled with over $1.7 billion of immediate liquidity from availability on our revolving credit facility and cash on hand, provided us the capacity to fund the Blackstone JV buyout.

Subsequent to year end, we refinanced our $400-million term loan with a new $650-million term loan priced at LIBOR plus 95 basis points, among the lowest borrowing spread in the REIT industry. This term loan has an initial term of two years and three one-year extension options, at our option, with a final maturity date in 2020, providing us maximum flexibility. Our debt maturities for 2015 are very manageable, with less than $500 million of maturities, and a significant portion not due until the latter part of 2015. With an average rate of 5.2% on the maturing debt, we view this as a an excellent opportunity to reduce our cost of capital.

Now for some more color on the guidance for 2015. As we discussed on our last earnings call, NAREIT has been strongly advocating that all reporting companies provide guidance in accordance with the official NAREIT FFO definition as part of an effort to have industry-wide consistency. As such, we're introducing an initial 2015 FFO-per-diluted-share guidance range of $1.45 to $1.53, in accordance with the NAREIT request. Our initial 2015 FFO as adjusted per share guidance range is $1.40 to $1.44. The level of growth takes into account the dilutive impact of $0.12 associated with the significant capital recycling and joint venture buy-outs executed during 2014.

We view 2015 as a bridge year, where we absorb the impact of our transformation program in order to position the Company for superior long-term earnings growth in 2016 and beyond. In addition, the guidance considers the investments made in land parcels for future development totaling over $100 million, and our plus business investments in our Super Value and Safeway positions, which are currently non-earning, but should provide excellent growth potential in the future.

Several of the underlying assumptions used to develop the guidance range include an overall increase in US occupancy of 25 to 50 basis points, US same-property NOI growth of 3% to 3.5%, acquisitions of $1.1 billion to $1.3 billion, which includes the $925 million from the recently closed buy-out of Blackstone, and dispositions of $550 million to $750 million.

In addition, the guidance range includes a $0.02-per-share negative impact of the strengthening US dollar on our Canadian-denominated flows. The headline guidance range includes net transactional income of $20 million to $38 million, which is excluded from our FFO as adjusted. The net transactional income includes acquisition costs of $6 million.

The guidance range is sensitive to timing of acquisitions, dispositions, redevelopments coming on line, lease-up, and financing initiatives. Our 2015 plan strongly supports our recently increased common dividend level of $0.24 per quarter, which equates to an FFO payout ratio in the mid-60% range, one of the lowest in the industry. Now I'll turn it over to Conor.

Conor Flynn - *Kimco Realty Corporation - EVP, COO*

Thanks, Glenn, and good morning everyone. Today I'll give a brief summary of our portfolio metrics, a quick update on acquisitions and dispositions, followed by an update on redevelopments. The fourth quarter and full-year results reflect our best efforts to reposition the portfolio to a vibrant collection of high-quality, high-growth assets, located in dense, key Metro markets, that have the highest growth in population, wages, and employment. We are positioned to give our shareholders un-matched safety in terms of tenant and geographic diversity, along side stable and recurring growth.

The US portfolio achieved an increase in occupancy of 80 basis points pro rata for the year, to end at 95.7%. The occupancy gains were primarily driven by an increase in small shop demand, as the US small shop occupancy rose 280 basis points from the beginning of the year to finish at 88% pro rata, an increase of 100 basis points over prior quarter.

Resurgence in small-shop leasing continues, as this quarter we completed 66% of our small shop deals with local operators. The three major categories that make up the bulk of our small shop leasing include personal care services, restaurants, and medical offices. Anchor occupancy also gained 10 basis points pro rata over prior quarter, to finish at 98.3%. Leasing spreads continue to show the strong demand for space by resulting in combined leasing spreads of 9.4% for the quarter. The US same-site NOI of 4.3% for the quarter is a strong result, driven by significant rent commencements, contractual rent increases, and redevelopments coming on line.

Competition in our key markets for acquisitions continues to escalate, with no end of capital chasing high-quality real estate. Acquisitions for the fourth quarter were geared towards off-market, value-add projects, where we are able to leverage our strengths. Braelinn Village, a Kroger-anchored center in an affluent Atlanta suburb, has expiring below-market Kmart lease that we believe has significant redevelopment potential.

In addition, we have acquired four development parcels where we plan to build and hold these long-term strong assets to create shareholder value. One is a Whole Foods development in Wynnewood, Pennsylvania, that is now under construction, and located on the main line, where we continue to expand our presence, alongside our flagship Suburban Square asset.

The Christiana, Delaware, site was purchased from Sears, and sits adjacent to GGP's Christiana Mall, where retailers can take advantage of a tax-free environment, and the site will take advantage of the significant frontage along I-95. In Florida, the Dania Beach development site sits adjacent to our dominant Oakwood Plaza. The nearly three miles of frontage along I-95 that comprise these two properties will create a dynamic and signature asset.

Finally, we have acquired a development parcel in Houston, Texas, near the Woodlands and the new Exxon Mobil campus that fronts the new Grand Parkway. The location of this asset is what we call a hole in the donut for retailers, as they are eager to capture this new pocket of growth in this affluent and highly educated market. Notwithstanding the current oil price volatility, our project has generated significant retailer interest at an early stage, and we expect to execute leases with anchor tenants throughout 2015. These four projects amount to projected gross costs of $469 million, with targeted returns between 7% and 8%. A measured development approach where we can take advantage of our local expertise will enable us to build upon our growing redevelopment pipeline.

For 2015 we plan to leverage our industry-leading relationships to continue to source off-market transactions. A good example is the recently announced consolidation of the Blackstone JV. In line with our stated strategy to simplify the business and further transform our portfolio, this transaction will significantly improve the wholly owned asset base of Kimco, and add a new notable redevelopment projects.

Turning to dispositions, in the fourth quarter we sold 41 properties, 29 wholly owned, and 12 in joint ventures, for a pro rata share from these sales of $325 million. Pricing for these Tier 2 assets continue to show improved strength, as public and private capital chase deals due to the very low interest environment.

For the year, we completed the sales of 91 US shopping centers for a gross sales price of $1 billion, including $249 million of mortgage debt. The Company's pro rata share from these sales was $710 million, and the blended cap rate on our dispositions for the year was 7.5%. We believe we are in the sweet spot for dispositions, and are targeting another $600 million for dispositions in 2015, to effectively complete the transformation of the portfolio, by exiting our low-growth assets in secondary markets.

Our redevelopment program continues to produce significant results. Every asset we own goes through a methodical review process that takes into account all opportunities, including current and future, retail and non-retail, so we leave no stone unturned to help create long-term shareholder value. Our real estate is in demand, not only from our normal Rolodex of expanding retailers, but also new sources, including specialty grocers, outlet concepts, European retailers, and developers of apartments, medical offices, and hotels.

For the year, we completed 34 projects, with a total gross cost of $68 million, with an ROI of 13.9%. These projects continue to improve net asset value, and contributed 90 basis points to our same-site NOI this year. As we look to 2015, we target gross projects of $200 million, with an ROI of 8% to 10%.

We have made significant progress this year, but there is still work to be done as we continue to evolve and position ourselves as a best-in-class capital allocator and redevelopment operation. In this next cycle it will be imperative for us to focus on the capacity to sustain significant income growth when the interest rate environment shifts. As we near our all-time high in occupancy, we will look to our redevelopment and development pipeline to generate significant recurring income growth.

The demand for space continues to out-pace supply, and as we enter into 2015, we are cautiously optimistic due to the fundamental drivers of our industry. Employment growth, cheap gas prices, and consumer confidence, all combine to form a powerful shopping base in the US that is ready to ramp up consumption, especially for off-price and essential goods.

Our retailer services group continues to provide us with invaluable information, and recently found that this dramatic fall in gas prices has been a boon for our grocery concepts. We completed our strategic initiative of increasing our percentage of ABR from grocery-anchored properties, from 58% to over 65%, and will continue to push this initiative in 2015.

Our asset class is now competing at a higher level. As we have noticed, many of our retailers that straddle the line between open-air shopping centers and the enclosed mall world have been out-performing in the open-air environment. Combining the favorable supply and demand balance, in addition to the safety of US investments, provides a nice runway of growth ahead for owning well-located open-air centers. As we look to 2015, our strategic goals remain focused on completing our transformation, simplification, and expanding our redevelopment efforts to include strategic ground-up developments. Now I will turn it over to Milton for his closing remarks.

Milton Cooper - *Kimco Realty Corporation - Executive Chairman*

Thank you, Conor. I believe our retail real estate portfolio is in a particularly sweet spot. The decline in gasoline prices is much more important on a relative basis to our retail tenants, the supermarket, the drug store, the off-price retailers, and many other retailers that sell essential goods and service. It's much more important to them than it is to high-end luxury retailers.

I would also note that the major department stores are opening up more off-price units than ever before. There are 35 new Nordstrom Rack stores planned over the next two years. Hudson Bay has stated they believe the value concepts will capture much of the growth in retail over the next five years, and they are accelerating their expansion of their Saks Off Fifth brand. Even Macy's announced they will explore an off-price business in addition to their existing Bloomingdales outlet concept.

I also believe that cap rates will continue to decline. The spread between the 10-year treasury rate and cap rates should be narrower. US has the best legal system in the world for property rights. Global investors and pension funds are increasing their allocation to US real estate, which should create further demand, and the dollar is getting much more respect.

At Kimco, over the past year we've invested in the future growth of the Company. These investments include the Blackstone purchase, a myriad of redevelopment projects, and the development sites in Florida, Delaware, Pennsylvania, and Texas. But for me personally, the most stimulating part is the bench strength of the Kimco team. I see passion and creative ability, and a fierce energy to create value. Our team has dozens of new initiatives and programs to increase our operating income at NAV. With that, we're happy to take any questions.

David Bujnicki - *Kimco Realty Corporation - VP IR and Corporate Communications*

We're ready to move to the Q&A portion of the call. We request that you respect the limit of one question so that all of our callers have an opportunity to speak with Management. If you have additional questions, you are welcome to rejoin the queue. Dan, you may take our first caller.

QUESTIONS AND ANSWERS

Operator

Thank you. We will now begin the question-and-answer session.

(Operator Instructions)

Our first question comes from Christy McElroy of Citi.

Christy McElroy - *Citigroup - Analyst*

Hi, good morning everyone. As the largest shopping center REIT by market cap, and coming into 2015 as a net acquirer and a potential equity issuer, this feels like an appropriate question for you guys. Dave, as you mentioned, the private market for acquisitions is competitive. You've had a lot of success buying out JV partner interests in the last couple of years. But historically you've been a willing public REIT acquirer, even though you haven't in recent years. I'm wondering what's your view on where the public REITs are trading versus private market values? Is there a scenario where you would consider leveraging your equities to buy another public REIT?

Dave Henry - *Kimco Realty Corporation - CEO*

There's certainly a scenario we would consider it, and we do think there continues to be a difference between properties on the private market and how us as a public Company are valued. We think the implied cap rate of our stock is much too high compared to the high-quality properties that are being traded out there on the private market. There certainly is an arbitrage that exists out there.

As you know, M&A in our sector is difficult. Basically there's a process. You end up paying their bankers, your bankers, their accountants, your accountants. These deals are fully shopped. Yes, we have experience doing it. We've done five over the last I think 15 years, and we're proud of those. We certainly continue to look at opportunities. We are focused, however, on if we do M&A on portfolios that will enhance the quality of our own portfolio.

The inventory of public portfolios out there that would attract our interest is narrower than perhaps it would have been in the past, when we looked at all kinds of deals. We'll see what happens over time. If things become in play we certainly look. I think it's known that we, together with others, looked at AmREIT, which met that high-quality profile. It is noteworthy that a private buyer bought it.

Christy McElroy - *Citigroup - Analyst*

Acknowledging the quality bias, would you have a bias towards larger-format centers or smaller neighborhood centers if you were to buy a portfolio today?

Dave Henry - *Kimco Realty Corporation - CEO*

Yes, sure.

Glenn Cohen - *Kimco Realty Corporation - CFO*

We prefer the larger formats. I think it gives us a little bit more redevelopment potential. That being said, we know that if we want to become a more urban portfolio that we may have to acquire some smaller parcels, and then look to try and enhance that by acquiring adjacent sites around those parcels.

Christy McElroy - *Citigroup - Analyst*

Thank you guys.

Operator

Craig Schmidt, Bank of America.

Craig Schmidt - *BofA Merrill Lynch - Analyst*

Thank you. Regarding the guidance of $1.1 billion to $1.3 billion, how much of that do you think will be acquisitions from JV partners?

Dave Henry - *Kimco Realty Corporation - CEO*

Well, again, you have $925 million that we closed on already this week, so you have a bulk of it that's done that way. We'll continue to look for some more, but I would say the balance of it is really going to be one-off transactions that we find probably on an off-market basis. There might be an asset or two that we can buy out. We've done the bulk of the heavy lifting, I think, on buying out large joint venture partners that are willing to part with their assets at the moment.

Glenn Cohen - *Kimco Realty Corporation - CFO*

We continue to have some discussions with some that are interested. I wouldn't say it's -- that we're completely finished. But the bigger ones, as we've mentioned in the past, have told us they'd like to hold for the long term. We are talking to some of the others.

Craig Schmidt - *BofA Merrill Lynch - Analyst*

Thank you.

Operator

Samir Khanal, Evercore ISI.

Samir Khanal - *Evercore ISI - Analyst*

Good morning, guys. Looking at your international market today, you've exited pretty much all of Latin America. I think most of the bulk to dispose now is in the US at $600 million in 2015. With the soft Canadian currency in Canada, is that a market you think about for the long term as you balance the currency risk there, and possibly a better opportunity to invest elsewhere?

Dave Henry - *Kimco Realty Corporation - CEO*

We certainly take a look at what we have in Canada and what we should do with what we have in Canada. One of the problems we've had, as we've mentioned on these calls over the years, is growing what we've had. Property prices up there are exceptionally high, and we have taken advantage of it in modest ways. We have continued to monetize our preferred equity investments, so we've sold quite a few properties in Canada. Together with some of our partners, we have put properties on the market up there. I think it's more likely than not that you will see our exposure and our investment platform in Canada to go down over time, rather than stay the same.

Samir Khanal - *Evercore ISI - Analyst*

Okay, great. Thanks.

Operator

Paul Morgan, MLV.

Paul Morgan - *MLV & Co. - Analyst*

Hi, good morning. In thinking about the consolidation in the office supply space, you've got more than 100 Staples and Office Depots. As you look at that real estate, I know retailers have been circling a lot of those stores for a long time. How do you think about the marked-to-market within your portfolio, and then broadly how consolidation of that variety might play out in terms of is there enough term left that there will be a lot of sub-lease activity, or would you be able to recapture, and could it be a catalyst for redevelopments, et cetera?

Dave Henry - *Kimco Realty Corporation - CEO*

Yes, it's a good question. The first thing to note is that the two companies will operate business as usual as they go through the FTC process. As we look out the next three years, we have 42 sites that have leases coming due. The good thing is that the boxes that these office supply users occupy are in the highest demand in terms of our shopping center space, so 98.3% occupancy in our boxes over 10,000 square feet. These boxes that come up in the next three years, they're about 10% to 15% below market.

We do believe they're going to analyze a strategy, if they're approved by the FTC, that will then clarify what their needs are going forward. But we believe this is a nice opportunity for us to continue to add specialty grocers to our shopping centers where we can increase our percentage of ABRs from a grocery component. There's plenty of demand from all the TJX concepts, Ross; Bed, Bath and Beyond concepts. If you think about it, these are boxes that once you add a dynamic retailer that will cause more traffic, it should have a trickle-down effect that will impact and enhance the residual shopping center.

We look at it as a net positive. At the end of the day, as a landlord, you're always sad to see another retailer combine, because it's one less that is going to be bidding on that space when it comes available. Even though it's probably necessary for that sector, we do like to think the more retailers, the better for us.

Operator

George Auerbach, Credit Suisse.

George Auerbach - *Credit Suisse - Analyst*

Thanks, good morning. For the fourth quarter in 2014, it looked like TIs and LCs were about 18% or so of the value of your new leases in the US, up from about 15% in 2013. How should we expect capital costs to trend in 2015 and 2016 on new leases, and how do you think that impacts the cash rent spreads on your new leases relative to the call it 20% spreads on new and 9% overall that you achieved in 2014?

Glenn Cohen - *Kimco Realty Corporation - CFO*

I think that's probably a common range in terms of going forward. You'll still see the tenant improvement allowance and landlord work range from third quarter to fourth quarter going forward for 2015. That being said, we are getting close to our stabilization point of occupancy. When new leases come in, unless it's a transformative use where we're going from a soft goods player to a grocery box, or say a bank branch to a restaurant, that's where you really see the up-tick in the cost that you need to reposition those boxes. That's probably what's driving that up-tick in the fourth quarter, because we did execute a number of grocery deals, as well as restaurant deals.

George Auerbach - *Credit Suisse - Analyst*

Going forward, is 15% a better number?

Glenn Cohen - *Kimco Realty Corporation - CFO*

I think that's -- 10% to 15% is a good range to think about.

George Auerbach - *Credit Suisse - Analyst*

Thank you.

Operator

Jason White, Green Street Advisors.

Jason While - *Green Street Advisors - Analyst*

Good morning. I'm just wondering why 2015 is the right time to be a net acquirer, and what factors would lead you to materially depart from your initial guidance this year?

Dave Henry - *Kimco Realty Corporation - CEO*

Well, what I would I say is we had this big opportunity to buy out our Blackstone joint venture, which is over $900 million. That is the bulk of it. If you look at the balance of what we're doing, we're talking about selling at a mid-point roughly $650 million of assets and acquiring on the other side of that somewhere around another $300 million to $400 million of assets. Again, as Dave mentioned, you have a pretty heated market. We're trying to find really good opportunities, but being very disciplined about what we are acquiring. Really, the Blackstone joint venture is the driver.

Milton Cooper - *Kimco Realty Corporation - Executive Chairman*

Definitely the driver. If you think about it, it was a wonderful opportunity for us because there was no broker involved. We could assume the mortgages without any additional costs. We minimized the transfer taxes, and we were able to do a negotiated transaction with Blackstone. Those opportunities don't come along a lot, and $900 million certainly drives us being a net acquirer in the face of very high third-party acquisition prices. You're right in general, but it's just the Blackstone deal fell right into this year.

Glenn Cohen - *Kimco Realty Corporation - CFO*

I would also just add that our dispositions are a lot smaller this year. When you think of it, we're coming off of a very large disposition year, and that tails off because we're nearing the completion of the re-positioning.

Jason While - *Green Street Advisors - Analyst*

Okay, thank you.

Operator

Ross Nussbaum, UBS. Please go ahead.

Unidentified Participant - - *Analyst*

Good morning. It's Jeremy here with Ross. I was wondering if you could give us a little more color on the components of your same-store growth expectations for 2015? What kind of leasing spreads are you baking in? What about expense growth? Also, how much should the development benefit 2015 results?

Dave Henry - *Kimco Realty Corporation - CEO*

In our plan we anticipate re-developments to have 25 to 40 basis-point impact on our same-site NOI growth.

Glenn Cohen - *Kimco Realty Corporation - CFO*

On the leasing spread side, we baked in high single digits, so pretty similar to what we saw for this year.

Dave Henry - *Kimco Realty Corporation - CEO*

Right.

Unidentified Participant - - *Analyst*

On the expense side, another year of 3%-ish?

Dave Henry - *Kimco Realty Corporation - CEO*

Yes, it should be pretty similar. Again, as Conor mentioned, we're starting to get close to our stabilized level of occupancy, so those costs should maintain themselves. We'll have to see a little bit what happens with all the snow removal, but outside of that, it should be pretty consistent.

Glenn Cohen - *Kimco Realty Corporation - CFO*

Right.

Unidentified Participant - - *Analyst*

Okay, thank you.

Operator

Ryan Peterson, Sandler O'Neill.

Ryan Peterson - *Sandler O'Neil - Analyst*

Hi, thank you. This quarter same-store NOI re-developments added 1.4%, but you've spoken of that being a lower number next year. Is that related to lower yields on upcoming re-development, or is that just purely timing?

Dave Henry - *Kimco Realty Corporation - CEO*

No, it's not lower yields. It's actually timing, because we're taking -- as the re-developments mature, actually you take off sites that you're taking down, because you have to take that income off. We actually have a number of assets, as I talked about, $200 million or so coming on line. But then as you look at our pipeline, we actually are taking off quite a bit, as well. If you add that to the benefits, it averages out to about 25 to 40 bips of improvement on same-site NOI.

Ryan Peterson - *Sandler O'Neil - Analyst*

Okay, great. That's it for me. Thank you.

Operator

Nathan Isbee, Stifel.

Nathan Isbee - *Stifel Nicolaus - Analyst*

Hi, good morning. Can you please talk about the land purchases without the pre-leasing, and how you make that decision, weighing the next got-to-have development versus recent history of music stopping with a lot of land on the books, et cetera?

Dave Henry - *Kimco Realty Corporation - CEO*

No problem. Let me walk you through them. The first one, Wynnewood, Pennsylvania. That was a forward commitment where we actually purchased the property with an executed Whole Foods lease. It was in essence a ground-up development where we had the Whole Foods lease in place before closing on the land. It's again in an area where we want to continue to control on the main line.

Christiana, Delaware, that site was actually a six-year labor of love where we were actually working with Sears originally to entitle the project as a JV partner, and then co-develop it going forward. Well, when the entitlements obviously came to fruition, Sears no longer wanted to participate in the ground-up development process because of the cash involved, so we were able to execute a purchase option for us and take them out of it. Now we are going to be owning that 100% and developing it going forward. We have been working that project for a number of years, as I said, and we're very confident in the rental -- the retailer interest going forward.

Grand Parkway, that site again is along the Grand Parkway site in Houston. It's in a perfect location, where if you look at the spacing from all of our retailers, it's really positioned nicely to take advantage of not only the new parkway that's going to be completed, but it also has the new Exxon Mobil campus coming out of the ground, and Woodland is a very affluent, very highly educated pocket of population in Houston that I think will really drive significant retailer interest. We've already been seeing more demand, even from retailers that have been dormant for a number of years, are looking at this site as a real opportunity to get a piece of this new development.

Dania is an adjacent site next to our 100%-leased Oakwood Plaza. This is a Fort Lauderdale airport, really a site that we'll own, from Fort Lauderdale airport all the way down to Hollywood, Florida. I-95 will be controlled by us for three miles. We think we have significant synergies by controlling the adjacent parcel, and looking at doing complementary uses that we believe will really enhance our existing position, and be a signature asset for us going forward.

Each of those ground-up developments have a very specific story. That's why we believe it's a prudent time to step back into the ground-up development process, because we've been very reluctant at paying sub-5% caps for signature assets. If we can develop to a 7% or 8% in a key market where we know we're going to own long term, we think we can control the process and feel very comfortable with in 2017 and 2018 bringing these projects on.

Nathan Isbee - *Stifel Nicolaus - Analyst*

All right, that's helpful.

Milton Cooper - *Kimco Realty Corporation - Executive Chairman*

I would just add one thing. Although there's not a lot of actual signed pre-leases in some of these occasions, before we went ahead, we knew we had the tenant interest. We talked to tenants. We knew exactly who wanted to go where before we went ahead with these deals. Yes, technically there's not a basket full of signed leases, but we had the indications from the tenants that they wanted to be in these locations, especially Houston and Dania.

Nathan Isbee - *Stifel Nicolaus - Analyst*

All right, that's helpful. I am going to miss the roller coaster there on I-95. How much land are you willing, no matter how good these deals are, how much land are you willing to put on your books at this point?

Dave Henry - *Kimco Realty Corporation - CEO*

Yes, I think it's a very measured approach. I think it has to be a very compelling case, like the ones we talked about. I feel very comfortable in the staffing levels that we have. We look to really add one signature development project per region, and feel very comfortable that we're capable of creating value doing that. I feel we'll take a very measured approach, and look for compelling cases only going forward.

Nathan Isbee - *Stifel Nicolaus - Analyst*

Thank you.

Operator

Vincent Chow, Deutsche Bank.

Vincent Chao - *Deutsche Bank - Analyst*

Good morning, everyone. I want to go back to the first question. You talked about a preference for urban areas in larger formats, but just curious geographically as you're looking at potentials, would you stick within the current footprint, or are you willing to go outside of that? If you are, how are you really thinking about quality? Is it more demographics? Is it -- what are the criteria that you're looking at there? Between grocer versus power, obviously you have both. Any specific preference? Would you really mostly focus on grocery anchor at this point, which seems to be an increasing focus for you?

Dave Henry - *Kimco Realty Corporation - CEO*

Let me take the first one on the markets. We very strategically identified our key markets, and we want to stick to that map. We always analyze demographics to see if there's an additional key market that we should be interested in going forward. But for the time being, we feel very dedicated to our map and our key markets, and that's where we've been focusing on, both for acquisitions, re-development, and ground-up development.

The question on the grocery versus power center, we like both. We actually think there's a little bit of a mis-price on the power center right now because of the opportunity to add a grocery component to a power center. If that opportunity presents itself, we usually jump at it and try and work with adding a grocery component, and get that cap-rate compression.

Milton Cooper - *Kimco Realty Corporation - Executive Chairman*

I think you mentioned all the screens we would go through, everything from the average rents to the particular geographic markets, to the types and the size of the assets and whether there's upside in terms of redevelopment. We have not been afraid to buy a large portfolio and then put it in the two buckets, a hold bucket if you will, and a sell bucket. We would continue to look at a mixed assortment of assets and then try to tailor it to what we want long term. But we have spent the last couple years deciding which markets to focus on long term, and trying to become a little more urban focused, and a little more larger-asset focused.

Vincent Chao - *Deutsche Bank - Analyst*

Okay, thanks for that. One question on the dispositions which you guys talked about cap rates compressing across the board, and obviously now it will be more US-focused in terms of asset sales, maybe Canada as well. Curious, this year I think the guidance was for 8% cap rates on the dispositions. How are you thinking about 2015's dispositions? Should we be thinking about 7%, or less than that?

Dave Henry - *Kimco Realty Corporation - CEO*

No, I think you probably still have it in the low to mid-7%s, because some of it's going to be the -- we have a couple of assets that are still remaining in Mexico when you blend it all together, so a combined 7%, 7.5%-ish range.

Glenn Cohen - *Kimco Realty Corporation - CFO*

As long as the interest rate environment stays relatively stable, I think we continue to see the demand there. We feel pretty comfortable with that assumption.

Vincent Chao - *Deutsche Bank - Analyst*

Okay, thanks.

Operator

Jim Sullivan, Cowen Group.

Jim Sullivan - *Cowen and Company - Analyst*

Good morning, thank you. Question for Conor regarding the footprints for the off-price concepts and the off-price demand that you're seeing generally. This is really kind of a segue from Milton's comment about expanding demand from the likes of Nordstrom Rack, and commentary from some of the department store groups that are looking to want to take on more off-price square feet themselves.

Also, given what Primark has just agreed with Sears, I just wonder, Conor, when you look at your Kmart boxes and the possibility for re-development and re-tenanting, are you seeing off-price because of this competitive pressure, off-price footprints expanding, or not? As you think about the re-development, let's say a theoretical re-development of a Kmart box, would it be your preference to do a multi-tenant approach in that box, or would you be just as happy to replace them with a single tenant?

Conor Flynn - *Kimco Realty Corporation - EVP, COO*

Sure. The first one on the square footage, it really depends on the discounter that you're talking about. Saks Off Fifth, for example, is going a little bit larger than say your prototypical TJX or Ross. They're looking for closer to 30,000 to 40,000 square feet. That being said, because the competition is so significant, to get into certain assets they're willing to go down to 20,000 to 25,000 square feet.

We still continue to see that range of 20,000 to 30,000 square feet as being the sweet spot for the off-price discounter. TJX has gone a little bit smaller, from 25,000 to 22,000. Ross continues to be right about the same square footage. We think that's really the sweet spot for the discounter today, as they try and figure out how to get the most sales out of their box, and continue to refine their business model.

As for Kmart re-developments, it really depends on the asset -- where it's located, what's the best use for the surrounding community, and what's really going to drive the most sales to that shopping center. If you've got a single box Kmart that you're re-developing, my preference is typically to chop it up and do a number of different retailers, because then you can really enhance the surrounding retailer. If you can add a grocery concept to it, your small shops then pick up on that significant traffic increase.

The junior anchor space today is probably the most active in terms of our industry, and when we look at Kmart boxes, the demand from the juniors are really what's driving the rents, and really what's driving the growth there. For us it's been a mix, but I would say that going forward they'll still be drawn by a lot of junior box interest.

Jim Sullivan - *Cowen and Company - Analyst*

Thank you.

Operator

Rich Moore, RBC Capital Markets.

Rich Moore - *RBC Capital Markets - Analyst*

Hi, good morning, guys. I realize that the developments that you're currently undertaking are specific in nature, and each has a story. But I'm wondering, do you think there's an industry shift that's being signaled here in terms of the amount of development that's going to happen in the shopping center sector? Should we think in terms of maybe annual starts for you guys as we look at our models and our thought process for Kimco? Should we think in terms of a $200 million of starts a year going forward? Does that make sense?

Dave Henry - *Kimco Realty Corporation - CEO*

I certainly think it's fair to say that after six years of virtually no development that there are the green chutes out there, especially led by the specialty grocers like Whole Foods, you're beginning to see more development. But these are generally smaller projects, and still just a fraction of the number of shopping centers that were developed.

At the peak, we were developing 2,000 shopping centers a year in the United States. Maybe it's gone from 100 to a couple hundred or 300 now, but it's still a small fraction. Nobody, to my knowledge, is doing these million-square-foot lifestyle all-spec centers that take years to get the entitlements. I think the inventory's going to be limited. But certainly there has been a turning point, and the economics are now justifying new construction in selective markets.

Glenn Cohen - *Kimco Realty Corporation - CFO*

Rich, in terms of modeling, again, we're being very disciplined and careful about where we're acquiring them. To think we're going to put on $300 million, $400 million a year, I don't think that's the case. The projects -- there's not that many of them that come along. As Conor mentioned, the Christiana property we've been working on for six years, just as an example. I think it's going to be more limited than that.

Conor Flynn - *Kimco Realty Corporation - EVP, COO*

I would agree with Glenn. I would just add to that. The apartment developers are driving land prices up so significantly that retail is still probably going to be muted in terms of ground-up development going forward. It's going to have to be very selective cases for what makes sense going forward.

Rich Moore - *RBC Capital Markets - Analyst*

Okay, very good. Thanks, guys.

Operator

Linda Tsai, Barclays.

Linda Tsai - *Barclays Capital - Analyst*

Following up on the off-price topic, when you look at the off-price space that's expanding, Nordstrom Rack, Macy's, is your sense that these retailers actively prefer a shopping center location over a traditional outlet location, all else equal?

Dave Henry - *Kimco Realty Corporation - CEO*

It really is case by case on which retailer you're talking about. If it's a pure outlet player that still loves to be in the outlet center, I think that's still their preference. We are starting to see the bleed happen, where typically you would use to see Saks Off Fifth only going in an outlet concept, where now they're really active in terms of going to our open-air shopping centers. The same, I would say, for the Bloomingdale's outlet concept and the Neiman Marcus Last Call. Nordstrom Rack has always been a player in our space, so that one's not new. But I do see those others are becoming very interested, in addition to Nike Outlet and a few others.

That's, I'd say, the starting point. I'm not sure if it's going to fall and be continuous trend and have all the outlets look to relocate. At pricing where significant -- the operating costs in an outlet center today are significant, and we can offer a pretty big discount to that.

Linda Tsai - *Barclays Capital - Analyst*

Thanks. Then in light of Radio Shack declaring bankruptcy, I know this was largely anticipated, any color on how many stores are in your portfolio? Are they in the higher-quality centers like the office supply stores?

Glenn Cohen - *Kimco Realty Corporation - CFO*

We have 68 Radio Shack properties. I could tell you this, last month in January Radio Shack only paid rent on some of the stores. Those were the ones that they thought they were going to keep going forward. I think all but two of our stores we got the rent paid.

We've been talking with them for the past year, as they said they were going to close 1,500 stores. They were going to close 1,500 stores, and most of our stores were not on that list to close. We're pretty confident that the bulk of the 1,500 to 2,000 stores will be in the open-air centers, and a lot of them will be ours. For me, I'm excited that a new operator's going to come in, bring Sprint in there, and do a lot of good things in the stores.

On the flip side, as Conor said early on, we've had an increase in our small shop space, about 280 basis points. There's a lot of demand. They have good locations. The ones we get back I think we'll do pretty well with.

Conor Flynn - *Kimco Realty Corporation - EVP, COO*

Just to put it in perspective, though, because of our large scale, all those stores amount to a total of 170,000 square feet. It's a really tiny piece to our puzzle.

Glenn Cohen - *Kimco Realty Corporation - CFO*

Only 0.3%, I think they are.

Linda Tsai - *Barclays Capital - Analyst*

Thanks.

Operator

Andrew Rosivach, Goldman Sachs.

Caitlin Burrows - *Goldman Sachs - Analyst*

Hi, good morning. This is Caitlin Burrows. On the similar topic of bankruptcy, some of the mall REITs that have reported so far have indicated potential loss of rents this year from those bankruptcies. As you talk about filling small-shop space with local businesses, do you think you'll face the same risk, or is the scene for your tenants different right now?

Glenn Cohen - *Kimco Realty Corporation - CFO*

We have been monitoring for the past couple years. We heard in the fall of last year that a lot of the mall retailers were having issues, especially the ones that are dealing with the teens. They're not going to the malls any more, so they're getting hurt. [Daliers] and folks like that are struggling. We're not seeing that with our (inaudible) tenants at all. It's been very strong on that, so we're pretty comfortable on our end that we're not going to see a fall-out like that.

Dave Henry - *Kimco Realty Corporation - CEO*

I would agree. Our watch list is continuing to shrink. I think Radio Shack and the office supply sector has been on everybody's radar for a long time. We feel very comfortable with the lease roll-over and the opportunity to back-fill those spaces at significantly improved rents.

Linda Tsai - *Barclays Capital - Analyst*

Okay, thanks.

Operator

Chris Lucas, Capital One Securities. Please go ahead.

Chris Lucas - *Capital One Southcoast, Inc. - Analyst*

Good morning, everyone. Most of my questions have been already asked and answered. But just on the development pipeline nationally, David, are we basically in the clear 2015, 2016, and then 2017 is when you start to think that there's a little bit of a tick-up in deliveries and new inventory coming on line, or is it further out?

Dave Henry - *Kimco Realty Corporation - CEO*

I think your term little bit of pick-up is the right term. We just don't see any V-shape to the recovery of development. There were so many difficulties with so many large projects that got caught at the top of the financial crisis that going into large scale development, much of which is spec, is exceptionally hard, and the economics still aren't there. In many markets, rents still aren't back to the levels they were six, seven years ago. It's very hard to make the numbers work. Construction financing is very limited. It's just much tougher in our sector to get going again in major development.

I think you'll see a little bit of a U-turn here with development in our sector, and you're beginning to see some of it. Again, we're a long way off, years off from major addition to supply. It's interesting that retail per capita in the US has actually come down. That's the first time it's happened in a long time.

Conor Flynn - *Kimco Realty Corporation - EVP, COO*

I would just add that the super anchors were really the driver behind a lot of the development in the last cycle. When you look at the super anchors today, Walmart is expanding their smaller footprint with their neighborhood concept. You look at Target, they're expanding their express concept, their smaller footprint. Home Depot is not really doing anything new. A lot of the guys that were out there that were really either buying a piece of land or ground-leasing a big portion of a site to make it feasible are no longer in the game. If you take them out of the playing field, it's really going to be muted for the next few years, and then we'll start to see it pick back up.

Chris Lucas - *Capital One Southcoast, Inc. - Analyst*

Thank you.

Operator

Our next question is a follow-up from Christy McElroy. Please go ahead.

Michael Bilerman - *Citigroup - Analyst*

Yes, it's Michael Bilerman with Christy. Either Dave or Glenn, I'm just thinking about capital financing alternatives. Glenn, I think you talked a little about in guidance that there's a variety of different financing assumptions in your guidance. I think if you back into the weighted average share count that's embedded in your guidance, it's about an extra 10 million shares. It would appear as though there's some level of equity issuance, either off the ATM or direct issuance in the guidance.

I'm wondering as you think about the big Blackstone deal that you did, it was a negotiated transaction, taking on leverage, being a net acquirer, why not have issued the equity earlier, or at least timed it better, and not take market risk? Maybe help us understand how you're thinking about equity as part of that funding source, both within guidance, but more strategically about when to raise it.

Dave Henry - *Kimco Realty Corporation - CEO*

Sure, Michael. We have a very strong balance sheet, and we have plenty of liquidity and plenty of levers to pull in terms of our access to capital. Again, we remain very committed to maintaining our BBB-plus, BAA-one ratings. As you know, we haven't issued common equity since 2009, although we continually evaluate our capital needs in connection with our operating strategy, our debt metrics, our capital plan, and where we believe our NAV is.

But in terms of being able to have more tools, we are going to establish an ATM program, and watch how the rest of our capital plan runs throughout the year. But starting with a net debt to EBITDA of 5.5 times, it gives us the capacity to watch and figure where we're best positioned to, if we need to issue equity, do it. There are other things that are out there. We have our Super Value position, which potentially could be monetized and add capital to us. We really want to see all the pieces come together.

Michael Bilerman - *Citigroup - Analyst*

Is that what's embedded in -- there's some level embedded in guidance that if you don't do that, you don't do an equity raise, there's upside to numbers, and effectively you've dampened FFO per share growth a little bit by embedding some level of equity issuance?

Dave Henry - *Kimco Realty Corporation - CEO*

Yes. Again, guidance is a range, right? We run various scenarios, some with, some without equity. But yes, if we don't issue equity, you'll definitely have upside in those numbers. Again, we have to balance that with our debt metrics and our desire to maintain our credit ratings where they are.

Michael Bilerman - *Citigroup - Analyst*

Thank you.

Operator

Jim Sullivan, Cowen Group.

Jim Sullivan - *Cowen and Company - Analyst*

Sure. I just -- thinking of the comments, Conor's comment earlier in the prepared remarks about sustaining growth going forward after this so-called bridge year, and then with what David had to say about the likely pace of development returning and the upside, the value creation that provides, I'm just curious.

Conor, when we go back to your -- the presentation the Company did at the end of 2013, the internal growth rate talking about 3% plus and a range of 2.5% to 3.5%, and as we're approaching this peak occupancy rate that the Company's been able to achieve historically of 96% and change, are you expecting that the re-development contribution, which of course you include in same-store NOI, combined with higher spreads, do you expect that's going to be able to replace the inability to push occupancy any further and sustain same-store NOI at 3% plus, or do you think that we have to assume that same store is just going to have to come down?

Conor Flynn - *Kimco Realty Corporation - EVP, COO*

No, we do agree with that assumption, that that's really what's going to drive it to 3% plus. This year is the bridge year. We are focused on delivering 3% to 3.5% of same-site NOI. Then 2016 and 2017 is actually when a lot of our leases mature that are significantly below market. We think that's going to be a nice marked-to-market opportunity to continue our growth as our occupancy hits stabilization. You couple that with our re-development program, and that's really what we're excited about unlocking the potential. Our low ABR has grown significantly, and we continue to think that's a nice upside for us going forward.

Dave Henry - *Kimco Realty Corporation - CEO*

If I could just add to that, the re-development contribution, therefore, should continue to be running at a level substantially above what the development contribution would likely be.

Conor Flynn - *Kimco Realty Corporation - EVP, COO*

That's correct.

Jim Sullivan - *Cowen and Company - Analyst*

Okay.

Milton Cooper - *Kimco Realty Corporation - Executive Chairman*

Remember, market rents are moving for us. As occupancies get to these peak levels for everybody, market rents are jumping a bit. That will continue to help, as well.

Jim Sullivan - *Cowen and Company - Analyst*

Sure, thanks.

Operator

Rich Moore, RBC Capital Markets.

Rich Moore - *RBC Capital Markets - Analyst*

Hi again, guys. Glenn, I've got a mundane question to ask you. With the commentary you made about the two numbers you want to show now, the two sets of guidance you want to show, one for NAREIT, one for adjusted, how do you -- since you've got us all on the phone, how do you want us to show this to FirstCall? Should we switch now to a NAREIT definition in what we report to FirstCall, or do you want us to stay with the adjusted?

Glenn Cohen - *Kimco Realty Corporation - CFO*

I think we run our business based on our recurring flows. NAREIT is very focused on headline. That's their desire. We run our business, and we determine our dividend, based on our recurring flows. We've provided both because we were requested to, but we run our business on our recurring.

Dave Henry - *Kimco Realty Corporation - CEO*

I would just add, and maybe Michael Bilerman, who certainly has been one of the stronger proponents of making sure there's a consistent measurement for non-dedicated REIT investors to look at. That's why NAREIT has been so adamant that if you're going to give guidance on something, make sure you also give guidance on the official.

There's only one official SEC-approved definition of FFO. That's why we've started to give guidance, as well as the recurring guidance. If you listened to David Simon's call, he was particularly adamant about it. We want to attract non-dedicated REIT investors to our space. If we can do our part with giving guidance on the official definition, we're going to do that.

Rich Moore - *RBC Capital Markets - Analyst*

Okay. To do that, I think Dave, we've got to show it that way too, though.

Dave Henry - *Kimco Realty Corporation - CEO*

We would agree.

Rich Moore - *RBC Capital Markets - Analyst*

Okay, great. Thank you guys.

Operator

Mike Mueller, JPMorgan.

Mike Mueller - *JPMorgan - Analyst*

Hi. I was just wondering, can you talk about what you're seeing on the ground in Houston and in Florida?

Dave Henry - *Kimco Realty Corporation - CEO*

On the ground in Houston was the question.

Mike Mueller - *JPMorgan - Analyst*

And Florida.

Dave Henry - *Kimco Realty Corporation - CEO*

I'll just take -- Conor knows much more specifics than I do, but in talking to some of our favorite partners and clients and relationships in Houston, they all start off by saying we want to remind you that this is not the first time we've been to the rodeo. In other words, they've been through ups and downs in energy prices, and they feel very good about the long-term prospects of Texas, and Houston in particular. The economy has diversified, and a lot of the energy projects are very long-tail projects. These things take 10 years to put an offshore drilling rig actually in there and producing. There is a lot of capital that continues to flow into approved projects.

Secondly, they remind us, there's a lot of capital waiting to come back in and take advantage of any distress that's there. We've been particularly pleasantly surprised by the level of tenant interest in our new site in Houston, notwithstanding the recent fall in prices. They like that site. They like Houston long term, and these retailers want to be there. With that, Conor?

Conor Flynn - *Kimco Realty Corporation - EVP, COO*

Yes, I think that Houston has done a pretty good job in diversifying their economy. Clearly, it's still tied closely to the hip with oil prices, but the Exxon Mobil campus is fully funded. It's consolidating all their offices. They're going to have over 12,000 employees there. These are all highly educated, affluent workers. Woodlands is the hottest area in terms of Texas and housing prices. I think the average house stays on the market there for about a week before it's gobbled up. We continue to see occupancy hit all-time highs in Houston. Our retail occupancy in Houston is higher than our portfolio average. We think there is huge demand for retailers to continue to expand there.

The Grand Parkway is a new outer loop of Houston. If you think of where the growth has gone, Woodlands is actually outside of the Grand Parkway. The Grand Parkway is almost like an in-fill location that has the highest income and dense area of Woodlands outside of it. It's actually starting to fill in nicely. All with that, we feel very comfortable with the investment and the spacing of the retailers.

Mike Mueller - *JPMorgan - Analyst*

Okay, thanks.

Operator

Our final question comes from Jason White of Green Street Advisors. Please go ahead.

Jason While - *Green Street Advisors - Analyst*

Just a quick follow-up. As you buy the larger portfolios out of your JVs, just curious how many of those properties fall in the top tier of your portfolio, versus maybe some that you have to take with the portfolio? Are you intending on selling any of those assets that may not fall within your top tier?

Dave Henry - *Kimco Realty Corporation - CEO*

Yes, just as a note, our JV platform was originally developed so that we could access cheaper cost of capital so we could go after the higher-quality assets. In general, as a footnote, the JV properties were historically a higher-quality property than our core portfolio. But as we've consolidated it, many of those properties are in our Tier 1 portfolio now.

As we analyze the JV buyouts, we continue to run our filters through to see which ones fall into our Tier 1 bucket, and which ones fall into our Tier 2 bucket, which would then be sold off. It's really a fine approach to analyzing not only the asset that we could potentially acquire, but the good thing is we continue to manage all these assets, so we know them inside and out, and have a very good idea of what we want to do with them, as soon as we get the opportunity to control it.

Jason While - *Green Street Advisors - Analyst*

So is it largely an immaterial amount of the JV acquisition properties that you would see selling over the next couple years?

Dave Henry - *Kimco Realty Corporation - CEO*

That's correct. That's a good assumption.

Jason While - *Green Street Advisors - Analyst*

Great, thanks.

Operator

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

David Bujnicki - *Kimco Realty Corporation - VP IR and Corporate Communications*

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

Operator

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