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KIM - Q1 2015 Kimco Realty Corp Earnings Call

EVENT DATE/TIME: MAY 07, 2015 / 2:00PM GMT

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CORPORATE PARTICIPANTS

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

David Henry *Kimco Realty Corporation - CEO*

Glenn Cohen *Kimco Realty Corporation - CFO*

Conor Flynn *Kimco Realty Corporation - President & COO*

Milton Cooper *Kimco Realty Corporation - Executive Chairman*

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

Dave Henry *Kimco Realty Corporation - CEO*

Ross Cooper *Kimco Realty Corporation - CIO*

CONFERENCE CALL PARTICIPANTS

Christy McElroy *Citi Investment Research - Analyst*

Samir Khanal *Evercore ISI - Analyst*

Craig Schmidt *BofA Merrill Lynch - Analyst*

Jim Sullivan *Cowen and Company - Analyst*

Haendel St. Juste *Morgan Stanley - Analyst*

Jeff Donnelly *Wells Fargo Securities, LLC - Analyst*

Jason White *Green Street Advisors - Analyst*

James Bambrick *RBC Capital Markets - Analyst*

Nathan Isbee *Stifel Nicolaus - Analyst*

PRESENTATION

Operator

Good morning. And welcome to the Kimco's first quarter 2015 earnings conference call. All participants will be in listen-only mode.

(Operator Instructions.).

After today's presentation there will be an opportunity to ask questions.

(Operator Instructions.)

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

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

Thanks, Frank. Thank you all for joining Kimco's first quarter 2015 earnings call. With me on the call this morning are Milton Cooper, our Executive Chairman; Dave Henry, Chief Executive Officer; Conor Flynn, President and Chief Operating Officer; and Glenn Cohen, CFO; as well as other key executives will be available to address questions at the conclusion of our prepared remarks.

As a reminder, statements made during the course of this call may be deemed forward-looking and it is important to note that the company's actual results 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 could cause actual results to differ materially from those forward-looking statements.

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

Before we begin, I want to mention that Kimco plans to host an investor day on December 10 of this year, in New York City. We will be sending a save the date notice out shortly with more details. But want to make everyone on this call aware of it, so you can mark it on your calendar. Thank you. And with that, I will turn the call over to Dave Henry.

David Henry - *Kimco Realty Corporation - CEO*

Good morning. And thank you for joining our call today. We are very pleased to report strong first quarter financial results and operating metrics. Glenn and Conor will cover the specific details. But the solid fundamentals of our portfolio continue to drive excellent FFO earnings growth and same-site NOI increases.

Small shop occupancy improvements are particularly encouraging as the economy continues to recover. While recent retail sales growth has been modest, national retailers are still committed to robust expansion plans, all in the face of a declining inventory of retail space. Discounters and service-oriented tenants such as theaters, health clubs and restaurants, continue to expand rapidly, helping to increase effective rents and occupancy in our portfolio, and across the open-air shopping center sector.

Lower gas prices are also expected to give a boost to consumer spending, and in a good find for shopping centers, Rich Moore of RBC continues to point to five-year high levels of planned new store openings while Craig Schmidt of BofA Merrill notes a recovery of retailers focusing on the middle class. The renewed strength of middle class purchasing power is expected to disproportionately benefit neighborhood and community shopping centers anchored by conventional grocery stores, casual and fast casual dining, and discount anchors such as Walmart, Target and Kohl's. Overall, we feel terrific going into 2015, as new supply remains muted, despite population growth, growing household formation, and the slow but steady growth of the US economy.

With respect to our overall strategy, we have essentially completed our exit from Latin America, with pending deals on our last shopping center in Mexico and various land parcels. We also continue to take advantage of a strong market for shopping centers. Even in secondary markets, by selling both our second tier assets as well as those located outside our long-term growth markets. Our US property dispositions, in total, are on track with all of the identified assets largely sold or targeted to be under contract by year-end. This will give us a run rate portfolio of excellent properties with strong long-term earnings and NAV growth potential.

In general, sales proceeds from our dispositions are being recycled into our large pipeline of re-development projects, selective new developments, and purchases of our institutional partners' ownership interest in existing Kimco assets. We believe these activities in general are excellent accretive investments and superior to the acquisition auctions of high quality stabilized shopping centers owned by third parties.

Our recent Blackstone purchase, for example, allowed us to fully consolidate 39 high quality properties we have managed and leased for approximately 10 years. We know these assets. And we know these markets very well. And we are excited about their long-term growth potential. We have also increased our efforts to purchase out parcels or retail properties adjacent to or within existing high quality properties we already own. These acquisitions are usually very accretive and increase our scale and leasing leverage in some of our very best properties.

Looking at our Canadian operations, our occupancy remains strong at approximately 96% and our Target exposure is fully covered by parent company guarantees on all nine of our Target Canada leases. Interest from other retailers is growing and we believe at least eight of our nine Target stores will find new anchors this year.

Also, as noted in prior statements, we have begun to selectively sell certain Canadian properties where we can benefit from historic low cap rates and high institutional demand. RioCan, our largest Canadian partner, has purchased our 50% interest in three of our RioCan joint venture properties, comprising 545,000 square feet, while concurrently selling us their 80% interest in a premium joint venture property we originally developed and currently manage in Dallas/Fort Worth. Our RioCan venture is also selling two large properties in Quebec in areas where we believe growth will be constrained.

On a separate topic, we continue to be pleased with both our Supervalu and Safeway investments. Supervalu reported excellent quarterly results and we took the opportunity last week to partially monetize our Supervalu stock at a large gain. In addition, the Safeway Albertson's integration is proceeding well, under Bob Miller's direction. While the Safeway investment headlines are a plus business, it is important to note that over the years we have completed many smaller transactions within the plus business, which have led to either individual property sale lease-backs or acquisitions of retailer-owned real estate. Generally, these investments have been off-market, a direct result of our relationships with retailers, their advisory firms and private equity contacts.

As a final comment, Glenn and our treasury team continue to do a wonderful job in the capital markets. Our first ever 30-year unsecured bond was a particularly noteworthy achievement and helped stagger our debt maturities while taking advantage of today's low interest rates.

Now I would like to turn it to Glenn, Conor and Milton for their comments.

Glenn Cohen - *Kimco Realty Corporation - CFO*

Thanks, David and good morning. 2015 is off to a strong start. Our solid first quarter results are the product of strong execution on all fronts including leasing, acquisitions, dispositions, re-developments, and capital raising.

As we reported last night, headline FFO per share, which represents the official NAREIT definition was $0.37, up from $0.34 last year, an 8.8% increase, and $0.02 higher than first call consensus. The improved performance is attributable to higher NOI contribution from the operating portfolio, lower G&A expenses, and prior transactional income from our investment in Albertson's which contributed $6.5 million or a penny and a half per share of growth year-over-year.

FFO as adjusted or recurring FFO, which includes nonoperating impairments and transactional income and expense, was $0.36 per diluted share for the first quarter, up from $0.34 last year, a 5.9% increase. This level of per share growth was achieved even after a $0.055 per share dilutive impact from the significant transformation of the portfolio, including the substantial liquidation of our share of assets in Mexico totaling $480 million, non strategic US asset sales of $850 million, and the impact from currency fluctuations. The dilutive impact was more than offset by the purchase of high quality assets totaling $2.1 billion over the past year, many from our joint venture programs, including the Kimstone acquisition during the first quarter. And by our reduced debt costs from recent higher coupon debt.

Our portfolio operating team kicked off the year with solid results, delivering US same site NOI growth of 3.2%, and combined same site NOI growth, which includes Canada, of 3%, for the negative 100 basis point impact in currency. The same site NOI growth was achieved primarily from top line revenue growth generated from increased occupancy which is 95.7% for both the US and the combined portfolios. Leasing spreads were strong with a 19.1% increase on new leases signed and 8.1% for renewals and options, bringing combined leasing spreads to 10.1% for the first quarter.

We were very active on the capital raising front. During the quarter, we sourced a new $650 million term loan with a final maturity in 2020 priced at LIBOR plus 95 basis points. We used the proceeds to repay a $400 million term loan which was priced at LIBOR plus 105, and to partially fund the Kimstone purchase. In addition, we issued a $350 million, 30-year bond at a coupon of 4.25%, yielding 4.31%, equaling the lowest 30-year coupon in the REIT industry and extending our weighted average maturity profile by two years.

As a result of this significant acquisition volume in the first quarter, our net debt to recurring EBITDA is 6.6 times. And 6.4 times when you pro forma for the full quarter of EBITDA from the Kimstone acquisition which was closed in February. We expect to bring net debt to recurring EBITDA back to 6 times by the end of year consistent with our stated objective of operating in a 5.5 times to 6 times range.

Our liquidity position is in excellent shape ending the quarter with over $1.6 billion available on our revolving credit facility. We also established a $500 million after-market equity program providing us another source of low cost capital.

Based on our strong first quarter results and expectations for the balance of the year, we are raising our headline FFO per share guidance range to $1.50 to $1.55 from the previous range of $1.45 to $1.53. The headline FFO guidance range includes $32.4 million, or $0.08 per share, gain from the partial monetization of our Supervalu investment which was completed during the second quarter. We are also increasing our FFO as adjusted per share guidance range to $1.42 to $1.45 from the initial range of $1.40 to $1.44.

We are reaffirming our operating guidance assumptions for occupancy of 25 to 50 basis points, and US same site NOI growth, up 3% to 3.5%, as well as our acquisition and disposition partners. Keep in mind the guidance range is sensitive to timing of acquisitions, dispositions, and financing initiatives. And now I will turn it over to Conor.

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

Thanks, Glenn and good morning, everyone. Today I will start by recapping our progress on acquisitions and dispositions, followed by updates on our development and re-development pipeline, and finishing with a quick recap of the operating metrics.

Overall, we had a good start to the year, and are pleased with the team effort that showcases how Kimco continues to execute on all fronts. The evolution of the open air shopping center gives our talented team a tremendous opportunity to enhance net asset value. We continue to execute on our transformation and simplification strategy, with the previously announced closing of the Kimstone transaction. At the time closing, the cap rate on the portfolio was approximately 6%, and it has since performed above our own internal expectations.

In addition we acquired a Sprouts-anchored center in Houston also at a 6% cap which gives us control of the three corners of the dominant intersection of Highway 6 and Spencer Road. We also acquired four adjacent parcels to our tier one portfolio as we look to expand our footprint where we see the opportunity for future re-development. The acquisitions market remains red hot. And we remain disciplined. We continue to be selective about targets, and are focused on unlocking opportunities at strategic locations within our core markets.

The disposition market does not show any signs of slowing down, with cap rates continuing to compress for dominant secondary market assets. The definition of core appears to be shifting, with numerous buyers willing to step out on the risk spectrum for a slightly higher yield. We sold six shopping centers this quarter at an averaged implied cap rate of 7 1/4% in addition to 37 triple net assets for a $10 million gain. We plan to have the final phase of our disposition program complete by the end of the year, and then we'll take a fresh look annually on how to continue to improve the portfolio by selling our lowest tranche and match funding those proceeds into our re-development and development activities.

In the first quarter, we completed 12 re-development projects at a cost of $35 million, giving us a return on investment of 11.7%, which was 114 basis points higher than our original estimates. Notable completions this quarter include the Whole Foods at Pompano Beach, the two level Publix at our Miller Road asset in Miami and the opening of Nordstrom Rack at Redfield Promenade. The re-development pipeline is focused on the emerging trend of adding a traditional and specialty grocers to our tier one power centers.

This quarter, we completed and have under construction 12 grocery stores, including two Whole Foods, two Publix, two Safeways, two Fresh Thyme Farmers Markets, a Stew Leonard's, a Harris Teeter, a Lucky and a Trader Joe's. These projects now bring our total percent of ABR from a grocery anchored center to 71.2%, up from 65.8% last quarter.

We believe this is the sweet spot for our re-developments as we identify and incentivize our team to execute on creating a grocery opportunity that boosts daily traffic and surrounding retailer sales and ultimately improves NAV. We have made great strides with this initiative as a unique way for Kimco to create significant value and have improved from 56.3% in 2010, to over 70% today.

In addition, this quarter, we broke ground on the mixed use re-development in Columbia, Maryland, where we ground leased a portion of the grocery-anchored asset to an apartment developer who is now under construction adding 230 units to complement our retail at Wild Lake. Currently we have a total of $289 million in active re-development projects with another $659 million in the design and entitlement phase and $117 million that is currently under review. For the quarter, re-development added 70 basis points to our same site NOI.

Moving to development, our development pipeline remains on track. And each development is a special case, where we feel the team has sourced an opportunity to either expand upon a successful asset or add an additional tier one asset in our core markets. Whole Foods at Wynnewood is under construction and on schedule for a mid-2016 opening. The three other development projects are in the early stages of securing entitlements and we will be soon be announcing major anchor signings.

The Dania Beach project sits along I-95 and adjacent to the Fort Lauderdale airport and our successful Oakwood Shopping center. The Christiana, Delaware project also sits along I-95 and is adjacent to GGP's Christiana mall. And finally our Grand Parkway project sits along the new Grand Parkway in close proximity to the new ExxonMobil campus in the Woodlands area of Houston. The lack of supply and strong retailer demand has given us confidence that we will be able to achieve a risk-adjusted return on each of these projects between 200 to 300 basis points above exit cap rates and provide the company with long-term hold assets, and help boost internal growth in major gateway cities.

I am very proud of our leasing team and their achievements for the first quarter, historically, the most challenging quarter from an occupancy perspective. For the first time in five years, we are able to maintain our US pro rata occupancy from prior quarter. This is no small feat on a portfolio of our size, and the credit goes to all of those hard-working deal makers. The small shop occupancy drove the performance with an increase in pro rata occupancy to 88.2%, a 20 basis point increase from prior quarter, and 260 basis point increase over prior year first quarter. We achieved this in spite of Radio Shack's bankruptcy filing, which had a negative 20 basis points drag on our small shop occupancy.

Our combined leasing spreads were over 10% this quarter, an improvement over the prior year and were boosted by new deals with Whole Foods, Publix and our first Stew Leonard's. We welcome Stew Leonard's to anchor our Airport Plaza in Farmingdale, Long Island. Stew Leonard's, who is also known as the Disneyland of dairy stores, will be the only Stew Leonard's on all of Long Island and create a one-of-a-kind signature asset.

In closing, we continue to see improving fundamentals across the major metro markets in the US and believe the slow recovery will soon take hold at the middle class that will provide a further boost to our retailer sales. The US same site NOI improved 3.2% due to the positive boost of net absorption, re-development and less than anticipated tenant fall-out. The ABR of the portfolio is up 6.2% year-over-year, an increase from $13.18 to $14.00.

Our new leases are being signed at $17.35, 24% above our current average base rent, showcasing the significant embedded value and the market-to-market opportunities we have here at Kimco. We remain focused on improving net asset value through aggressive early terminations, dynamic re-developments, adding grocery components, diligent small shop leasing, and adding density to unlock value. We are ahead of our internal plan for the year thanks to our talented team and strengthened portfolio. But as have you heard us say many times, there is more work to do. And with that, I will turn it over to Milton for his final comments.

Milton Cooper - *Kimco Realty Corporation - Executive Chairman*

Well, thank you, Conor. Great properties. Great people. And a great future. That is what I think about when I think of Kimco. Since the announcement of our transformation strategy at our 2010 investor day, we have bought and sold over $5 billion for properties. Think about that for a moment. Not only is that a staggering figure in and of itself, it is a size that represents an equity market cap that is larger than many of our peers. But it is also reflective of the transformation of our portfolio. The result? Our portfolio is now better located, of higher quality, more resilient and offers tremendous growth opportunities through re-development.

Our transformation however, is not limited to our portfolio. It extends to our management team as well. And this is what I am most enthused about. Our transformed management team led by our future CEO Conor Flynn, is a unique blend of energy, talent and experience. With our new Chief Investment Officer Ross Cooper, and our new Executive Vice President of Asset Management, David Jamieson who joins Conor, Glenn, Ray Edwards, and our spectacular and pragmatic General Counsel Bruce Rubenstein, I believe we have assembled an executive dream team at Kimco.

But that's not all. I have often trumpeted our deep bench strength at Kimco. And that phrase sometimes connotes a backup team. And nothing could be further from reality. At our headquarters and in our regions, we have many talented leaders who are moving Kimco forward every day. These include Will Teichman, our Senior Director of Strategic Operations. Chris Freeman, our Vice President of Property Management, and Tom Taddeo, our Chief Investment Officer. And there are many others.

And I have watched these talented individuals grow over the years, and I am even more excited to see what they will accomplish in the years to come. And now, we would be delighted to answer any questions.

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

We are ready to move to the question and answer portion of the call. We request that you respect the limit of one question so that all of our callers will have an opportunity to speak with management. If you have any additional questions, are you welcome to rejoin the queue. Frank, you may take our first caller.

QUESTIONS AND ANSWERS

Operator

Thank you, sir.

(Operator Instructions)

Our first question comes from Christy McElroy from Citi.

Christy McElroy - *Citi Investment Research - Analyst*

Good morning, guys. Conor, I'm wondering if you could provide your thoughts around Whole Foods' new concept of lower price stores aimed at millennials? It sounds like they have already started negotiating some leases for the new stores, if you are able to provide any color on whether or not you have had discussions with them, and what size and types of locations they are targeting. And also, is this a game changer potentially? Or are they up against some pretty steep competition for that demographic?

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

It is a good question, Christy. They definitely -- we have an open dialogue with Whole Foods, as you heard in my remarks. We have a number of deals pending with them, and in different forms of construction.

So, we do think that it is going to be an added benefit to our portfolio. Especially when you look at the size that they are considering. Because many times, when we try and add a grocery component to one of our assets, the size of the box sometimes restricts what kind of retailers we can add. So, I think there are price points going after the millennials, trying to probably be a little bit more competitive, with some of the new specialty grocery concepts that have done so well in the recent years. I think that is their strategy. And I think it is a good one. Because I think that they have, for a long time, been the highest price point in terms of the grocery sector, and I think if they launch a competitive line of millennial-targeted grocery stores, I think it will fit nicely within our portfolio and others.

Christy McElroy - *Citi Investment Research - Analyst*

Thank you.

Operator

Next question comes from Samir Khanal from Evercore.

Samir Khanal - *Evercore ISI - Analyst*

Good morning, guys. As you mentioned, in your opening remarks, that the debt-to-EBITDA number had ticked up in the quarter, it seems to be because of Kimstone. Just trying to -- can you expand on that and just kind of remind us how that leverage sort of goes back down, based on kind of the options you have available?

I mean there is the ATM. I don't think that was utilized. Maybe it is an equity raise, or even possible asset sales. Just trying to get a sense of how you kind of prioritize these options as you kind of work the leverage down.

Glenn Cohen - *Kimco Realty Corporation - CFO*

Sure. Obviously, the leverage is up, due to the Kimstone portfolio. We brought on balance sheet roughly $1.1 billion of debt. And it is our goal to bring it back down to the 6 times level. As I mentioned, it is 6.4 times today, when you really pro forma in the full amount of the EBITDA, right? We closed in the beginning of February, so you are missing a full month of EBITDA. So, you have to really start at that 6.4 times.

And then we have multiple options and levers to pull. Selling the Supervalu stock is one piece to it, which happened in the second quarter. So that will help bring down leverage. That's an asset sitting on our books that had no EBITDA, so the cash will go to reduced debt there. We have the balance of our sales, that we are working through as well. And we do have our ATM program in place, which, at the right time, we will be able to use, and we've modeled that into our forecast. So, we feel comfortable that we will get it down one way or another, to 6 times by the end of the year.

Operator

Next question comes from Craig Schmidt from Bank of America.

Craig Schmidt - *BofA Merrill Lynch - Analyst*

Thank you. I am wondering, as you head into Las Vegas -- ICSC Convention, what are your top priorities? What do you really want to get accomplished with this convention?

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

The ICSC in Vegas is really a -- is a time and a place to go through the portfolio, but also think strategically with our retail partners. We have obviously upgraded our portfolio. We are adding a lot of re-development projects in the out years, as well as some development projects. So, I like to think of it as a way to look at the out years, to try and see what we can do strategically together. And where our retailers are expanding. And what they are looking for from a landlord today.

I think the landlord's perspective has changed in terms of what we want to try and offer at the shopping center. And we want to see what the retailers are looking for as well. In terms of what we can do to be a more proactive landlord. So, hearing from them, obviously putting, you know, getting together with some of our largest partners is always a benefit. And seeing what they believe is in store for the year ahead. And years ahead.

Craig Schmidt - *BofA Merrill Lynch - Analyst*

And are the retailers pushing you for new developments that opens towards them?

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

Absolutely. They have some pretty significant store counts that they need to fill. And they are looking at all of our ground-up developments as well as our re-developments. So, they are very aggressive in trying to get into the high-quality shopping centers. And the supply and demand is definitely in the landlord favor. And we are utilizing that to the best of our ability and making sure that we have the right portfolio to grow with our retailers.

Craig Schmidt - *BofA Merrill Lynch - Analyst*

Okay. Thank you.

Operator

Next question comes from Jim Sullivan from Cowen group.

Jim Sullivan - *Cowen and Company - Analyst*

Thank you. Good morning. Recently, we were seeing that Sears has been very active with mall owners to reposition its mall-based Sears locations. I know your Kmart exposure declined in the first quarter. But, just curious if they have been more receptive and active to the same strategy with respect to the Kmart locations in your portfolio?

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

This is Ray Edwards. First off, you should appreciate that, with the mall locations, Sears owns those properties, and for the mall owners to joint venture with them -- for the re-development -- is very important. Kimco has lease positions with Kmart. We have a number of locations that have no term remaining in the next two to three years and we will be getting back. So, we are focused on those. And we are working with them on some other locations. But, we have a lot more flexibility with Kmart -- they're all lease positions. We're working with them. They don't have control of the spaces for a tremendous amount of time and we are working with them.

We have done deals with Kmart and Sears in the past. And, particularly, we closed last year on Christiania, which was a property they owned that was a product service center for them. And we worked with them for five years to get that site re-developed. And then, upon getting the site rezoned, we were able to acquire the property and develop it on our own. So, we have a good relationship with them and we will work strategically where it makes sense.

Jim Sullivan - *Cowen and Company - Analyst*

Okay. Then, regarding the comments Conor made regarding the power center re-development strategy, just curious whether you found that grocer-anchored power centers kind of consistently sell at lower cap rates than power centers without the grocery component, and if that's -- if you found that, how much of a difference would you estimate that can result in?

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

It definitely compresses the cap rate when you can add the grocery component into a power center. It is probably between 50 to 150 basis points, depending on the location and who the surrounding retailers are.

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But, not just from a cap-rate compression standpoint, it is a great thing to boost surrounding retailer sales, because the traffic flow is dramatically increased when you have that grocery component. And, originally, we thought that this new strategy was only going to be dedicated towards the specialty-grocer sector. But what's been a huge boost for us is, now the traditional grocers are trying to take advantage of this as well. And it might have something to do with the supply-and-demand factor where boxes are just not readily available. So, when we can put together spaces for these grocery concepts, it is fantastic for us.

Jim Sullivan - *Cowen and Company - Analyst*

Okay. Then, finally for me, in the past, merchant developers have been a major source of acquisition opportunities in the industry, but development starts have remained relatively low this cycle. I'm just curious, and again, you know, in anticipation of ICSC, I'm just curious whether you're seeing any evidence of any material increase in terms of merchant development starts -- development starts.

Dave Henry - *Kimco Realty Corporation - CEO*

No, we really haven't. We think it is going to remain muted for quite a while. The few developments you are seeing are generally smaller and generally food anchors. So those large 800,000 to 1 million-square-foot large-scale spec developments of years ago, they just haven't come back yet. So the total supply, in terms of new supply, we expect to remain very low for a while. Remember, we are still in a recovery mode, in terms of rents getting back to previous high levels, so the economics are still tough for developers to make a lot of sense for a lot of people.

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

And multifamily developers are really driving up prices in terms of land. So we really -- when do you a retail development versus a multi-family development, it is really hard to make the numbers pencil.

Jim Sullivan - *Cowen and Company - Analyst*

Okay. Thanks, guys.

Operator

Next question comes from Haendel St. Juste from Morgan Stanley.

Haendel St. Juste - *Morgan Stanley - Analyst*

Thanks. Glenn, one for you. A question on the guidance. In the guidance detail on the back of your supp, we see that the full-year portfolio contribution is up a bit in the forecast for this year versus what you were forecasting last quarter, despite you leaving the same store NOI outlook unchanged. So, is that reflective of dispositions perhaps occurring later in the year than expected? Or maybe you are taking a wait-and-see approach for your same store NOI guidance and maybe you will wait until next quarter before revising it upward?

Glenn Cohen - *Kimco Realty Corporation - CFO*

Well, again, it is up modestly. If you look at where it is, it is only a few million dollars up. So it doesn't move the same-site NOI needle all that much. And part of it is a little better performance, really, coming from this Kimstone portfolio, which is not in the same-site NOI number. But, overall, the portfolio is performing better. So, it is early in the year, though. But we feel comfortable with our guidance range.

Haendel St. Juste - *Morgan Stanley - Analyst*

And then, a question on the impact for the first quarter of snow -- just curious on how much that might have taken a bite out of your NOI in the first quarter.

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

Yes, we actually saw that the snow had a 15- to 20-basis-point impact on our same-site NOI numbers this quarter.

Haendel St. Juste - *Morgan Stanley - Analyst*

All right, thank you.

Operator

Next question comes from Jeff Donnelly from Wells Fargo.

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

Good morning, guys. I saw that you're marketing the centers in the big portfolio out on the West Coast and I was wondering if that was a JV you guys expected to exit outright or is that's just part of a -- I will call it a price discovery process -- maybe under a right of first refusal.

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

It is part of our simplification strategy, but is a JV that -- back last year, if you remember, we split the portfolio into two, and this was the remainder of that portfolio. We are in the market with that portfolio and we will see what the pricing comes in at. But it is a portfolio that has some good locations, but it also is mixed. So we are marketing it as a portfolio to see what kind of price discovery we can find.

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

And just a follow-up, the TIs on new leases, excluding re-development assets, has been running in the $20-a-square- foot range the last few quarters. I think Kimco used to pride itself on its lack of TI contribution in prior years. Is that what is necessitated in this environment or is that really a function of your shift to a higher-quality type of property that is driving increased TI contribution?

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

I think it is a little of both. Historically, we have been running as the low-cost provider, and many of our assets, I think, require some upgrading, so you are seeing that in terms of when we reposition an asset, with a new anchor, we want to make sure that we bring the asset up to a competitive level. So, we are investing quite a bit in terms of re-developments as well as some property upgrades to help curb appeal. And the TIs have ticked up a little bit, but I think that is part of our strategy going forward.

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

Thanks, guys.

Operator

Next question comes from Jason White from Green Street Advisors.

Jason White - *Green Street Advisors - Analyst*

Hey, guys. Just a quick question on size. It looks like, obviously, you guys are the biggest in the group, but as you look at some other sectors, there's kind of behemoths in their groups and is there benefit to even larger scale in the shopping center peer group, or is size -- once you get to your level -- kind of irrelevant?

Dave Henry - *Kimco Realty Corporation - CEO*

Well, we think we have two benefits. One is the total size. And the number of properties we have. But also being national in scale, that helps us with retailers. We are at the top of their list in terms of landlords they want to sit down and talk to and review their expansion plans and their desire to meet their store counts. So, it does give us a little bit of an edge having so many properties and having so many relationships with these different retailers. It also helps from the cost standpoint on our side. We are more productive and there's more efficiencies in our backlog, as when you spread our costs over so many properties, and so many different leases.

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

I would just add that I think size makes a difference when you have a controlling interest in specific sub-markets. So, as you can see when you look at our map, we are trying to get a lot more concentrated around the major gateway markets because we believe that there is significant pricing power when you can control significant sub-markets, and that is what we are trying to get to.

I don't think that the size necessarily matters in our sector, because of the amount of strip centers that are in the population, but if you can concentrate your ownership around corridors -- retail corridors that are very successful, then you can use that to your advantage.

Jason White - *Green Street Advisors - Analyst*

So if Kimco was to, say, double in size, you don't think there is much incremental benefit to the extra square footage added?

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

It really depends on where those -- when you double in size, where those assets are. If you own the three or four corners in the best market, absolutely, then you can definitely use that to your advantage, as leases roll and you can see how to upgrade the tenants and push rents. But, again -- and maybe it will add significant re-development opportunities when you do control a lot more real estate. But it really is, I think, market specific, and what you want to try and capture there, is where the growth is coming from.

Jason White - *Green Street Advisors - Analyst*

Great, thanks.

Operator

Next question comes from James Bambrick from RBC Capital Markets.

James Bambrick - *RBC Capital Markets - Analyst*

Hi, guys. Regarding the 37 net lease properties you sold in the quarter, were those the same net lease assets that you acquired a couple of years ago? And, also, does that eliminate your net lease exposure? Or do you have a bit more that you are looking to sell?

Dave Henry - *Kimco Realty Corporation - CEO*

These are indeed part of the portfolio -- the large portfolio of net lease restaurants we did acquire a couple years ago that was fairly public. So far, we have sold 42 of those net lease restaurants. Our original cost was about $58 million. We sold them for about $70 million. So there were some nice gains in that. We have 29 more to go; 20 of them are under agreement to sell. So we are liquidating those net lease restaurants. But you shouldn't confuse these net lease restaurants with our net leases, that we have lots of different net leases with different types of tenants. It is a great time to sell these net lease restaurants, and some of these are in secondary markets -- and the 1031 market in particular is very aggressive right now.

James Bambrick - *RBC Capital Markets - Analyst*

All right. Great. Thank you.

Dave Henry - *Kimco Realty Corporation - CEO*

You're welcome.

Operator

The next question comes from Nathan Isbee from Stifel.

Nathan Isbee - *Stifel Nicolaus - Analyst*

Hi, good morning. Some recent press reports have the Safeway consortium preparing to tee it up for an IPO. Can you discuss what you have accomplished there, so far, and how close you are to an event?

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

Hi. Again, this is Ray Edwards. With regard to -- the Safeway transaction originally closed in the end of January of this year, and the one thing that is public that is out there is that we did come to an agreement with Supervalu regarding the transitional service agreement and the wind-down of our -- dependency on them, so we can be a stand-alone company. So, that is really what we are focused on. Bob Miller and his team are working on merging a 20 (inaudible)-store chain right now, and focused really on getting that done. We are very happy with the performance to date. As to what our exit strategy is, obviously, we think about that every day but it is really too early to tell where we are going to be and how it is going to end up.

Nathan Isbee - *Stifel Nicolaus - Analyst*

All right. Thanks.

Operator

(Operator Instructions)

Next question comes from Jim Sullivan from Cowen group.

Jim Sullivan - *Cowen and Company - Analyst*

Sure, just a quick follow-up question here. Conor, you had mentioned about the acquisition market, for secondary markets, particularly, being red hot. And I'm just curious -- obviously, it has been a strong appetite across the quality spectrum, but I'm just curious, in your view, if you think that the cap rate -- we are seeing cap-rate compression between primary and secondary markets, or whether the spread remains where it was, say, about a year ago?

Ross Cooper - *Kimco Realty Corporation - CIO*

Hi, this is Ross Cooper. I would say that there is a little bit of compression certainly, between the secondary markets and the primary. But at the same time, you are also seeing the primary markets continue to go further lower, as Milton has indicated in prior quarters that he expects. So, there is a little bit of compression certainly. But we are also seeing the A-quality in primary markets come down a little bit as well. So, it is a good time to be a seller in those secondary markets. But it is also a pretty challenging market to be buying in the A and primary markets as well.

Jim Sullivan - *Cowen and Company - Analyst*

I know that can be difficult to assess exactly why this might be happening, but do you see more buyers out there, for the secondary markets now than you did a year ago? And there was reference to the yield-driven acquisition strategy, but does there seem to be more funds teed up who want entry into that product type?

Ross Cooper - *Kimco Realty Corporation - CIO*

Yes, I would absolutely say that is accurate. On all of our dispositions, when we are in the market, we are seeing significantly more bidders and all different types of bidders, both private institutions, bidding on property that a couple of years ago may not have had the same response. So, we are very excited about where we are on our exit strategy for the secondary-market assets, and expect that to continue through the end of the year.

Dave Henry - *Kimco Realty Corporation - CEO*

It may be worth adding that the growing CMBS ability of obtaining financing is helping for the secondary-market acquisitions. CMBS is back, and financing is available for these secondary assets now.

Jim Sullivan - *Cowen and Company - Analyst*

Great. Okay. Thanks, guys.

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.

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

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

Operator

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