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KIM - Q4 2015 Kimco Realty Corp Earnings Call

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PRESENTATION

Operator

Good day, and welcome to the Kimco Realty Corp fourth quarter 2015 earnings conference call and webcast.

(Operator Instructions)

Please note that this event is being recorded. I would now like to turn the conference over to Mr. David Bujnicki, Vice President of Investor Relations and Corporate Communications. Please go ahead, sir.

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

I thank you all for joining Kimco's fourth quarter 2015 earnings call. With me on the call this morning are Milton Cooper, our Executive Chairman; Conor Flynn, President and Chief Executive 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 the Company's actual results could differ materially from those projected in such forward-looking statements due to a variety of risks, uncertainties and other factors.

Please refer to the Company's SEC filings that address such factors. During this presentation, Management may make reference to certain non-GAAP financial measures that we believe help investors understand Kimco's operating results. Examples include, but are not limited to, funds from operations and net operating income. Reconciliations of these non-GAAP financial measures are available on our website. And with that, I'll turn the call over to Conor.

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

Good morning. First, I would like to thank Milton and the Board for giving me the opportunity to lead this incredible Company. On a recent Investor Day, we laid out our 2020 vision, underscoring the work we have done over the last several years to position Kimco to take full advantage of the evolving landscape of open air retail, and become a leader in our industry. Our team has executed over the past few years, dramatically transforming the portfolio from a scattered collection of assets across the US, Mexico, South America and Canada, to now a tightly concentrated footprint of high-quality asset clusters in the major Metro markets in the US, where we see the highest growth potential.

The top US markets showcase the highest growth in population, household income, education, pose significant barriers to entry, and present the most potential to add value for our shareholders. All of our resources are now laser focused on what we do best: owning, managing, leasing and redeveloping assets here in the US, to drive net asset value. Our portfolio has two distinct advantages.

First, we have a 37% mark-to-market opportunity that is unmatched, due to the low in-place average base rent, and the spread to market that we can unlock by recapturing and re-purposing assets to meet the needs of today's shopper. Second, we have more raw material to work with. The large collection of assets we own provides numerous redevelopment opportunities, through densification, adding grocery components to our power centers, and adding technology to extend the hours of our shopping centers, to fulfill the everyday needs of our shoppers, 24/7.

Our 2020 vision provides the road map for how we plan to take the Company to new heights in the next five years. The three main pillars of our strategy are simple. First, it starts with management. We have to continue to motivate and empower the best talent in the industry, and create a vibrant and rewarding place to work. Second, the balance sheet. We have to be stewards of capital, by keeping a watchful eye on our cost of capital, so that we can invest wisely and position the balance sheet to weather any storm.

Finally, a major focus on NAV per share growth. In the major Metro markets in the US, asset values are close to peak, or even above prior peak pricing, as a healthy balance in supply and demand continues for open air centers. We believe the best use of our capital is to take full advantage of that demand, and redevelop our assets to drive outsized growth, by leaning on our tremendous team, fulfilling our redevelopment opportunities, and executing on our select strategic developments. We have planted the seeds to redevelopment and development, to bring to life assets that will significantly enhance the value and quality of our overall portfolio.

We will continue to remain disciplined. Pre-leasing, phasing and ground leasing are just a few of our risk management tools that are in place to analyze each and every investment opportunity versus our cost of capital, and to ensure we generate the highest returns for our shareholders. The future is bright, and we are passionate about delivering for our shareholders. Turning to our results for the fourth quarter and the full year, I will give a brief overview of our portfolio metrics, a quick update on acquisitions and dispositions, followed by an update on re-developments.

US occupancy at the end of 2015 was 95.8%, up 20 basis points from last quarter and 10 basis points from the beginning of the year, driven in large part by the small shop recovery. Small shop occupancy is 88.7%, up 70 basis points from last quarter, and from the beginning of the year. US leasing spreads continue to display the mark-to-market opportunity at Kimco, with an impressive 31% on new leases, and a combined leasing spread of

13.1% in the fourth quarter, the highest combined spread in almost three years. US same-site NOI growth was 2.8% for the quarter, primarily driven by minimum rent increases and a 20 basis point positive impact from redevelopment.

For the full year, US same-site NOI growth is 3.1%, including a 50 basis point negative impact from bankruptcies experienced over the year. The average base rent for the US portfolio continues to improve, with a 5.2% gain from the prior year-end. Competition continues to be fierce in our top markets for acquisitions, with some staggering cap rates recently reported in areas of California. This bodes well for the NAV of our holdings in California, which is our largest state by NOI contribution, and continues to direct us to deploy capital towards redevelopment of our existing assets, versus acquiring in the open market.

For the year, our total gross acquisitions of $2.1 billion is heavily weighted toward the purchase of our joint venture interests in 57 assets. In contrast, only two assets were acquired in the open market, for a purchase price of $155 million. The disposition market remains healthy, as we completed a total gross disposition value of $2.2 billion for the year. We completed the exit from Mexico and South America, and announced the closing of the RioCan JV transaction in Canada, that will pave the way to achieving our goal of simplifying the Company to be strictly US-focused by year end.

In the US, we completed the sale of 95 properties in 2015, for a gross price of $762 million, at a blended 6.9% cap rate. Pricing expectations for our disposition candidates have not changed, as we continue to see the demand for high quality anchor open air shopping centers. Our redevelopment program remains a focal point of our strategy. For the year, we budgeted $189 million of projects, delivering a 10.6% incremental return. We are pleased to announce that due to some cost savings, we came in under budget on costs of $184 million, and above budget on NOI, improving the incremental return to 11.3% for the year.

Perhaps the most exciting redevelopment completion this quarter is the Stew Leonard's opening in our flagship Long Island asset, Airport Plaza in Farmingdale. Early indications from Stew's and shoppers are incredible. And for the video footage of the parking lot, we think the benefit of this grocery addition to an existing power center will produce significant NAV and same site NOI improvement for years to come. In Florida, we also had successful openings of Publix in our Palm Beach redevelopment, and Whole Foods at our redevelopment in Orlando. Out west, we signed two new leases with Trader Joe's, one in California and one in Washington.

These tremendous grocery additions improve the percent of ABR from grocery-anchored centers to 72%, up from 65% at prior-year end. To be the best, we continue to question the status quo, and take a deep dive into every aspect of operations to help drive results. Open air retail continues to evolve and embrace omni-channel, as the physical store has proven to be a driver of online sales. Our retailers know their customer better than anyone inside their four walls, and our job is to bring more people to the shopping center and get those consumers to come back time and time again.

The open air retail landscape is healthy, as limited new supply is forecasted, and our strongest retailers continue to grow store count. The shadow supply from potential closings or consolidating retailers, and future redevelopment supply, is what we are monitoring closely. Looking ahead, we are starting to see the activity pick up in every category size. Big box retailers are back looking for space, junior box players continue to be the most aggressive, traditional and specialty groceries are active, and our small shop leasing indicates a healthy trajectory.

All of these ingredients indicate we are well positioned to unlock the value of our real estate for our shareholders. And now, I'll turn the call over to Glenn to provide more granularity on our results.

Glenn Cohen - *Kimco Realty Corporation - CFO*

Thanks, Conor, and congratulations on your appointment to CEO. It's going to be a fun go for us all. Good morning to everyone. We finished 2015 with a solid fourth quarter, delivering strong results for the full year, while furthering our transformation and simplification efforts. We have successfully executed on our TSR strategy, Plus and delivered a total shareholder return of 9.4% for 2015, in a very tough and volatile market. In December, we unveiled our 2020 vision at our Investor Day, focusing on owning and operating high-quality US properties, in the major Metro markets where we have deep concentration.

We also continue to execute on our redevelopment pipeline and select ground-up development projects. Our 2020 vision includes operating with a more conservative capital structure, with plenty of liquidity and even stronger debt metrics than today. Finally, as an added benefit, we have the upside potential from our Plus business. The vision is clear. The team is focused and aligned. Now for some details on our fourth-quarter and full-year results, and further color regarding our 2016 earnings guidance.

Our FFO as adjusted per share, or recurring FFO, which excludes nonoperating impairments and transactional income and expense, was $0.37 for the fourth quarter, an increase of 5.7% compared to last year's $0.35. The increase was driven by higher NOI from the operating portfolio of $24.8 million, offset by $4.4 million of decreased management fees related to the significant reduction in joint ventures, and higher G&A associated with severance charges attributable to our anticipated exit of Canada.

In addition, interest expense was higher by $5.6 million, primarily from the debt assumptions related to the Kimstone acquisition earlier in the year, the recent JV buyouts of Crow and SEB, and the acquisition of the Christown property in Phoenix. Our full-year 2015 FFO as adjusted per share came in at $1.46, achieving the high end of our revised guidance range, and $0.06 above last year's result of $1.40, a 4.3% increase. Headline FFO per share, representing the official NAREIT definition, was $0.35 for the fourth quarter, in line with first-call consensus estimates.

Headline FFO per share was $0.02 lower than FFO as adjusted, primarily related to the $5.8 million non-cash charge for the redemption of our $175 million, 6.9% Series H preferred stock redemption during the quarter, and the acquisition-related costs. Our full-year 2015 headline FFO per share came in at $1.56, achieving the upper end of our guidance range, and a penny ahead of FirstCall consensus. Our 2015 results are $0.11 higher than the 2014 amount of $1.45 per share, a 7.6% increase.

The primary drivers of the headline per share increase are the $0.06 increase in recurring FFO, and the gain on the sale of our SUPERVALU stock investment, which contributed $40 million, or $0.10 per share. Acquisition costs and nonoperating impairments offset these increases. As Conor just articulated, the operating portfolio delivered solid results, with improved occupancy, our 23rd consecutive quarter of delivering positive US same-site NOI growth, and double-digit leasing spreads.

Ross Cooper and his team were very active during the quarter on the disposition front. We completed the sale of interest in 64 US properties, 23 Canadian properties, and our last asset in South America, generating proceeds of approximately $600 million, which we used to fund the $175 million redemption of preferred stock, pay down debt, and fund the acquisitions. We remain focused and committed to operate with a strong capital structure. We finished the fourth quarter with consolidated net debt to recurring EBITDA of 6 times, the high end of our 5.5 to 6 times range, down from the 6.6 times at the end of the first quarter, after acquiring $1.4 billion Kimstone portfolio.

We achieved this level even with the redemption of the preferred stock, which had a 0.2 times impact on the metric. As part of our 2020 vision, over time, we plan to reduce the consolidated net debt to recurring EBITDA to a range of 5 times to 5.5 times. And on a look-through basis, including pro rata JV debt and preferred stock, to a range of 6.4 times to 6.9 times, with a fixed charge coverage of 3 times plus. During the fourth quarter, we tapped the bond market, issuing a $500 million, seven-year, 3.4% fixed rate bond.

Our liquidity position is in excellent shape, ending the year with zero outstanding on our $1.75 billion revolving credit facility, and over $180 million in cash. We have already begun to address our 2016 maturities, both consolidated and in our JVs, which are anticipated to be funded with sales proceeds, the unsecured bank and bond markets and mortgage financings, all at lower coupons than the maturing debt. We are reaffirming our guidance for 2016, which was provided at our Investor Day in December. Our FFO as adjusted, or recurring FFO per share range, is $1.48 to $1.52, and our headline FFO per share range is $1.54 to $1.62.

The guidance range takes into account the significant level of dispositions throughout 2015, and the accelerated exit of Canada during 2016, which has a combined impact of $0.06 to $0.07 per share on the 2016 growth expectations. We anticipate that by the end of 2016, we will be a purely US owner and operator, with assets concentrated in our key Metro markets. The transactional expense and income included in the headline guidance range, but not in the recurring range, is primarily comprised of acquisition costs and the commencement of monetizing our Albertson's investment.

As such, the transactional income portion is heavily weighted toward the fourth quarter of 2016. The guidance range is sensitive to timing of acquisitions, dispositions, re-developments coming online, lease-up and financing initiatives. Our 2016 plan supports our recently increased common dividend level of $0.255 per quarter, which equates to an FFO payout ratio in the upper 60% range. And with that, I'll turn it over to Milton.

Milton Cooper - *Kimco Realty Corporation - Executive Chairman*

Thanks, Glenn. Kimco is back to basics, the Company focusing on property advantages in the United States. It took a tremendous effort by our exceptional team to execute on all the transactions last year. In 2015, we reduced our foreign investments by $1.5 billion gross, of which $749 million was our share, and we reduced the number of sites in joint ventures by another 43%, a 65% decrease since 2010.

Now, our portfolio is much more streamlined, predominantly self-managed, located in the United States, with 564 properties in all the major markets. We look forward to the opportunities in the years ahead. There are some very exciting re-developments and developments that our team is working on. We're committed to unlocking the value in our current portfolio, and to grow the NAV for our shareholders. And now, we'd be delighted to take any questions.

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

We're ready to move on to the question-and-answer portion of the call. Due the large volume of participants in the queue, we request a one-question limit, with an appropriate follow-up. This will provide all of our callers an opportunity to speak with Management. If you have additional questions, you're 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. Please go ahead.

Christy McElroy - *Citigroup - Analyst*

Hi. Good morning, everyone. Just with regard to the Canadian assets, it looks like those that are remaining, so the assets in the same-store pool at year end, have weaker growth and lower occupancy than those that you sold to RioCan in Q4. Can you just remind us where you are in the sales process of those remaining 35 assets? What portion of the $900 million of dispositions guidance is attributable to Canada? And then what cap rates do you expect on those assets, relative to the RioCan deal?

Ross Cooper - *Kimco Realty Corporation - EVP and CIO*

Sure. Hi, Christy, it's Ross Cooper. In Canada, as of right now, we have 25 assets out of the 35 that are under contract to be sold. We expect that to happen in the next two to three months, pending the outcome of some of the due diligence that's still remaining. And at that point in time, we'll be approximately 86% completed, from an NOI standpoint. So we feel really good about the pace at which it's going.

The pricing is very consistent with where we were in the other assets, so we don't feel that the quality is necessarily lower. And we're in the low 6 cap rate range on those assets, as well. The remaining assets, to that point in time, we're still working on getting into the marketplace. Doing a little bit of lease-up in some scenarios, but as Glenn mentioned, we're very much on track to be completely out by the end of the year.

Glenn Cohen - *Kimco Realty Corporation - CFO*

Christy, I'll just add, the same-site guidance that we have is just going to be US-based, because the balance of these assets is really anticipated to be sold. Most of it within the first half of the year, and whatever straggles by the end of the year.

Christy McElroy - *Citigroup - Analyst*

Thank you.

Operator

And our next question comes from Craig Schmidt of Bank of America. Please go ahead.

Craig Schmidt - *BofA Merrill Lynch - Analyst*

Thank you. Just maybe give me some color on some of the real estate development projects where the estimated completion was pushed slightly further out?

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

Sure, hey, it's Conor. On Wynnewood, that's the Whole Foods development. Actually, the stabilization dates haven't changed. It's more the completion date, so that was actually compressed between the two. And actually, the costs lowered a little bit there, so we should see that completed this year in the third quarter. Christiana, that site plan has actually changed. You see that the cost came down quite a bit. Originally, we had thought we were going to be developing a prototypical power center, with junior box lineups.

A large big box anchor has significant interest now. So we've redesigned the site plan to ground lease and get quite a bit of contribution from that tenant, for the redesign of the site plan. So that's really what changed that site plan there. Grand Parkway, we're finalizing the anchor lease there that we should be announcing shortly, but we have yet to cross that finish line. So that's really why that was pushed out a quarter. So those are the big moving pieces there on those assets.

Craig Schmidt - *BofA Merrill Lynch - Analyst*

Okay. And just as a follow-up, on Owings Mills, do you have a sense of what you're going to do with this project? I know there's about a 3.5 year lag between that opening, as well.

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

The beauty of Owings Mills is, it's going to be a blank slate. That's why we bought all the different pieces. Mall redevelopment is a tricky one, especially if you don't control all the pieces. So what we did was, we purchased our partner's interest. We purchased the Macy's. We purchased the JC Penney.

Which allows us to really start from scratch, and take down the mall. And our design is really for a Best-in-Class open air shopping center, which includes big box retailers, junior anchors, restaurants, you name it. So we actually have four different site plans that we're working on right now, that we think all will add significant value, and really create a lot of value for our shareholders in the long term.

Craig Schmidt - *BofA Merrill Lynch - Analyst*

Thanks.

Operator

And our next question comes from Ross Nussbaum of UBS. Please go ahead.

Jeremy Metz - *UBS - Analyst*

Hey, good morning. It's Jeremy Metz on with Ross. I was just wondering if you can give us maybe a little more color on the sales environment today, ignoring the Canada stuff? Just talk about what you're seeing, in terms of investor demand? Has the buyer pool thinned, and maybe the composition of interested buyers changed, in recent months? And then is financing at all becoming an issue for sellers -- or for buyers in particular, on some of the secondary market stuff?

Ross Cooper - *Kimco Realty Corporation - EVP and CIO*

Sure. This is Ross again. As you've seen from the numbers, we've been executing on our plan on the dispositions. We really haven't seen any pushback or fallout of deals that we have in the marketplace. We've already closed on a couple shopping centers so far this year. So the pace and the pricing is still very competitive.

I think that you're right about the depth of the buyer pool. It certainly is maybe a little bit shallower than it was six to nine months ago, but the groups that are active are still very competitive. We haven't seen financing really become an issue on the deals that we're selling in the secondary markets. And we think that we're going to have a very strong year. In fact, we have some assets on the West Coast that we've sold at very aggressive pricing.

And when you look at the statistics for our fourth-quarter sales, our average cap rate was 6.5%, which was the lowest cap rate that we've had on our dispositions that we've tracked since we started the transformation. So we continue to see the cap rates become more aggressive, not less aggressive.

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

Yes, I think in the key markets in California, you've been tracking that really the cap rates now almost start with a 4%, and some have even dipped even lower. So we're obviously being very patient there. And clearly, we're not going to win many bidding wars today, when those types of assets come to the market.

Jeremy Metz - *UBS - Analyst*

Okay, and then just one quick one on shop occupancy. It's obviously been steadily moving higher. And I think you previously mentioned the goal of getting to 90% by year end. I know it's early in the year, but has the disruption in the markets, or general nervousness about the economy, impacted any leasing activity at all, or demand for shop space? And maybe put that in context of the national and franchises, versus maybe the mom and pops? Thanks.

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

No, yes, it's a good question. I think we've seen demand continue to improve for small shops. You see it with our occupancy pick-up there. In our pipeline, looking forward, we continue to see that improving over the year. It's a nice split between the nationals and the mom and pops.

We had 55% of our small shops were done with mom and pops this quarter. So the volatility in the market has not really put a governor on the amount of small shop leasing we're able to do. And we know that that's really where our occupancy pick-up is going to be driving, going forward. So we have been pleasantly surprised with the production there, and we'll continue to push that, going forward.

Jeremy Metz - *UBS - Analyst*

Thank you.

Operator

And our next question comes from Paul Morgan of Canaccord. Please go ahead.

Paul Morgan - *Canaccord Genuity - Analyst*

Hi, good morning. Your lease spreads were, as you noted, stronger in the quarter. Ad you've been talking about your mark-to-market across the portfolio, and the upside potential there. Were there any specific catalysts on the new lease spreads that you would point to? Are these numbers something that you think could be achievable, as we look into 2016?

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

I think combined leasing spreads is really -- the double-digit is really our goal. So if we can continue that, that would be fantastic. Some of notable ones we did this past quarter, we did three deals on former Anna Linen's boxes that were actually a positive 33%. So above what our previous range was, that we thought we had on that mark-to-market opportunity. And again, it's all about supply and demand.

Right now, we see that there's retailers in all categories, whether it's small shop, mid-size, junior boxes or the big box anchors. They all have been very aggressive in growing store count, and that continues to lead to bidding wars, which will bid up rents. And we continue to see that that is an opportunity for us, going into this year.

Paul Morgan - *Canaccord Genuity - Analyst*

Okay. And just to follow up. Your credit losses were also really low in the quarter, and it seemed like the bankruptcy season has been relatively light so far. How's your outlook for the first half of the year, especially thinking about it from a year-over-year comp perspective? And how that could benefit same-store numbers?

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

We obviously monitor our tenants' health very closely. Our watch list hasn't really changed all that much. You know that we've been watching the same tenants for a long time now. And I think it's relatively healthy, when you look out. Clearly, there might be some consolidation or some fall-out in the year, but overall, we think we're in the sweet spot of retail. We think off-price is really becoming the darling in the US, and we continue to see huge demand for that type of space. And we think that this year, we'll continue along that path of being just a healthy environment.

Paul Morgan - *Canaccord Genuity - Analyst*

Thanks.

Operator

And our next question comes from R.J. Milligan of Baird. Please go ahead.

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

I was just curious if you could give an update as to what you're seeing on the ground in Puerto Rico? And if any of the macro issues there have trickled down into, whether it be sales or leasing?

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

Puerto Rico is obviously one we're watching closely. It's relatively small, in terms of the impact on our whole portfolio. It's a little bit less than 3%. So we watch it closely. We have seen activity on the Anna's boxes that we got back, and think we'll be able to lease those up this year. Clearly, the headline is that Puerto Rico has some serious issues, with trying to restructure their debt, but the shopper is still vibrant down there. We recently hosted a portfolio tour down there. And Glenn, you want to talk a little bit about the traffic you saw?

Glenn Cohen - *Kimco Realty Corporation - CFO*

Yes, it's pretty amazing. I was down there on this NDR. You go into Kmarts in Puerto Rico, all the lights are on, the shelves are fully stocked. The couple that we went into, there's seven or eight registers open, with three or four people deep in them. And the parking lots are filled with people shopping.

The discounter approach down there works really well. Although the economy -- the Puerto Rican economy's been in a recession for a long time, it really is a very deep underground economy there, and the people just shop. So the properties are very, very successful.

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

Dan, next question?

Operator

Yes, sir. Again, we would like to remind people, in the interest of time, that we ask that you limit yourself to one question and one follow-up. Our next question comes from Ki Bin Kim of SunTrust. Please go ahead.

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

Thanks. In regards to development, we've seen a lot of REITs pull back on their overall size of the pipelines. Just holistically, what are you guys seeing that gives you confidence to increase it, at this point in time?

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

Yes, most of our strategic developments have a story to them, and we feel very confident about why we think it's appropriate to add these to the pipeline. If you go asset by asset, they each have a reason why. The one in Fort Lauderdale is right across from our most successful shopping center in the state of Florida, and the demand has been off the charts there. If you look at the Christiana Delaware, it's right along 95, where we've been working to rezone that from a former Sears Warehouse to now a retail offering. And it's right next to GGP's successful Christiana mall.

So each and every one of these projects has a story to it. And there's not going to be significant more development in our pipeline, looking out, mainly because the land prices have really skyrocketed. A lot of that's due to the multifamily that we've seen pop up. But we see the demand from our retailers to want to grow store count, and the limited supply. So each of these projects has really -- it's within a key market for us. The demand is there.

And the one in Houston, obviously, with Houston going through some headwinds, we still see retailers wanting to be there and fill a void. Clearly, the apartments and the density around our Grant Parkway project has been there for a long period of time. And I think the retail was the last sector to really catch up to meet the demand. So we haven't seen any falloff, in terms of retailer demand, there. And that will actually be one of our first development projects out of the ground, and we're cautiously optimistic that it will be a big success.

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

Okay. And as a follow-up, same topic. Could you comment on some of the retailers that you're -- that you have as anchors for these developments? Like hhgregg or Sports Authority, or Target that was an anchor listed at Grand Parkway, that's no longer there in the supplemental this quarter? Just curious if you could comment on, basically, the health of these anchor tenants?

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

I think we reposted, and the Target is back on the plan there. So that was probably just a refresh that you need to do on the supplemental. But yes, you mentioned a few tenants that are on our watch list. Those tenants are obviously ones we're watching closely and monitoring.

We're cautiously optimistic that it's not going to be a liquidation, if and when something happens to those retailers. So we're looking to see what our exposure is, how we can limit it. And again, that mark-to-market opportunity that we talk about is really our measure of safety, when we get those boxes back. So we think we're trying to be careful about how we manage risk, and those junior boxes you mentioned are ones that are obviously on the watch list.

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

Okay. Thank you.

Operator

Our next question comes from Alex Goldfarb of Sandler O'Neill. Please go ahead.

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

Good morning. First question is just on Albertson's, just given the choppy IPO market. Would you guys consider other monetization alternatives, like a private sale of your stake? Or your view is that it's not -- you're fine to hold this as long as necessary, to when the IPO market comes back?

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

I think our intent -- hi, this is Ray Edwards. Our intent right now is just to hold our interest with our partners, at this point. It's a very successful business operation, and we're very optimistic about it.

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

Okay. And then second is for Glenn. Glenn, in the debt summary, it looks like you guys still have two Canadian unsecured bonds outstanding. And with the exit from Canada slated for year end, it would seem like a mismatch. So just curious, especially with the strength of the US dollar, does it make sense to prepay these? Or your view is to just leave these outstanding to their natural maturities, over the next, I guess, four years or so?

Glenn Cohen - *Kimco Realty Corporation - CFO*

It's a very fair and great question. We're very closely monitoring the progress that we make on the sales, because the bonds serve as our natural hedge. So depending on the timing and the quickness of the sales, we're going to need to evaluate how we want to handle the debt. As long as we leave the cash in Canada, it stays naturally hedged. But there may come a point where it makes sense to either do a cross-currency swap, tender for the bonds, make whole the bonds, but it's something that's very much on the radar screen, that we'll have to address as we go forward.

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

Okay. Thank you.

Operator

And our next question comes from Vincent Chao of Deutsche Bank.

Vincent Chao - *Deutsche Bank - Analyst*

Wanted to go back to the off-price commentary. Obviously, that's been a key driver for the space overall. But I was just wondering -- we hear about it, and we've been hearing about it for quite a long time. Just wondering how you think about saturation of that concept? And maybe if you could comment on what percentage of your centers have some form of off-price in it, whether or not that's a traditional TJs or some of the newer players?

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

We can get back to you on the percentage of the total portfolio of an off-price component. It would be very high, and so we can give you the exact percentage. But on your question on saturation, it's one we watch closely. There's obviously a lot of new players in the off-price segment. We love the off-price segment. We think that TJX has been, really, the phenomenal performer for many, many years now.

And if you look back not too long ago, the market cap of TJX and Ross combined was relatively small compared to some of the mall anchors. And if you just compare it to today, it's really phenomenal, just the growth that they've achieved. The new players, we're watching closely. You want to try and pick Best-in-Class, and have the merchandising mix that enhances the shopping center and the amount of traffic it drives. So we're cautiously optimistic, but I think that more competition is good for the off-price sector.

We clearly favor the ones that have the proven business model, and have been doing it for many, many years. But going forward, it will be an interesting situation to watch, to see who really can capture some of that market share. TJX obviously has such a lead, and now Ross is really ramping up their expansion plans. And then if you look at Nordstrom Rack and then some of the Saks Off Fifth, Fine from Lord & Taylor, there's a lot of players out there that are trying to really gain market share. So it will be interesting to see how competitive they are.

Vincent Chao - *Deutsche Bank - Analyst*

Okay, thanks. Any comments on Backstage, and how they're doing?

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

We have been in talks with Backstage. We have yet to execute a lease with them. So again, it's one of those newer players we're watching closely, to see how they perform.

Vincent Chao - *Deutsche Bank - Analyst*

Okay. Thanks.

Operator

And our next question comes from Caitlin Burrows of Goldman Sachs. Please go ahead.

Caitlin Burrows - *Goldman Sachs - Analyst*

Hi, good morning. I just had a quick question on Amazon. We've heard that they've started opening select bricks and mortar locations. And I was wondering if you had had any discussions with them, whether we could expect them to be in your centers in the future? And if you knew anything about their long or medium term bricks and mortar plan?

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

Yes, they have one open bricks and mortar location in Seattle, and it's done very well for them. They continue to see that as an opportunity. We have met with them. We've talked about opportunities with them. I think they're going to be very select and very strategic on their store opening plan. And so I think it's going to be more of a measured approach to it, rather than a full-blown assault on opening a lot of bricks and mortar stores.

But it's clearly an indication that a lot of pure e-commerce retailers see the value of opening physical stores, which is a real boost for our sector, because there is this tethering effect. And you see it from a lot of our retailers, who come out and display the amount of online sales that go into opening a new physical location, but also the amount that they lose when they close a physical location, in terms of the online sales. So it's interesting to watch, and Amazon obviously being the largest, is clearly a good sign for us, for the long haul.

Caitlin Burrows - *Goldman Sachs - Analyst*

Okay. Thank you.

Operator

And our next question comes from Mike Mueller of JPMorgan.

Mike Mueller - *JPMorgan - Analyst*

Conor, you talked about seeing more demand from big box tenants. Can you give us a little more color on just how broad-based that is? Is it covering just existing shopping centers, the appetite for new shopping center development, et cetera?

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

Yes, it's both, actually. They're looking to try and enter some of our re-developments, as well as the new developments. So it's nice, because a lot of the times when we were looking at the most active players, it was the junior boxes. So they were the ones most aggressive on re-developments, as well as the ground-up developments we have in our pipeline.

And it's nice to see, now, that the big box anchors are coming back, and looking to grow store count. And again, it's in select locations, where they see opportunity, or it might be a void for them. But again, the mass merchandisers have been missing for a while, in terms of activity. So it's nice to see them back looking for stores.

Mike Mueller - *JPMorgan - Analyst*

Okay, so it's not just one category or two? You're seeing it -- it's fairly broad-based?

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

Exactly.

Mike Mueller - *JPMorgan - Analyst*

Okay. Thank you.

Operator

And our next question comes from Jim Sullivan of Cowen Group. Please go ahead.

Jim Sullivan - *Cowen Group - Analyst*

Good morning. Thank you. Conor, just to follow up, in terms of the demand side of the equation. There's been a lot of press reports recently about some of the major, as well as some new, grocers expanding into the Mid-Atlantic market, and Wegmans, Publix, Lytle and so forth. And just curious whether that's showing up?

When you're talking about demand for boxes, I'm assuming you're talking about big boxes, as opposed to grocers. But you might be talking about both. So are we looking at -- I don't want to say a bidding war -- but a really strong demand environment in the Mid-Atlantic, as a result of those trends? And as part of that, can you just address, in terms of Lytle, whether they're going into centers or are they looking at free-standing locations?

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

No, you're spot on. My comments earlier were really targeted towards the big box players. But you're right on, when you talk about the grocery competition in the Mid-Atlantic. It is going to be fierce, with all those new entrants into that market. And you're right, where it's going to be a bidding war. It's going to be interesting to see who shakes out, in terms of the winners and losers. But you're -- there's going to be plenty of aggressive entrance into that market in the Mid-Atlantic. And you named pretty much the majors that are all coming, and coming in droves.

So on your question on Lytle, it's an interesting one. We met with them, and talked to them about their plans. Most of their plans are self-development. So they're actually looking to self-develop standalone grocery stores, where they can be competitors to the traditional grocery stores, at a lower price point. So most of what they've been doing is tying up land, and looking to self-develop. So they have a little bit of a different approach to it than, say, some of your traditional grocer, who is looking to lease space.

That being said, though, there's plenty of bidding going on for opportunity there, but it's already a very tight market. So it's very difficult to penetrate.

Jim Sullivan - *Cowen Group - Analyst*

And if I could just follow up, in terms of Albertson's and the West Coast. With Albertson's buying back some of their stores, its domination in many of the northwest markets, I guess, has increased. And I wonder if you could address whether Albertson's has put any bid on the -- I think there's 33 remaining Haggen stores that go to auction next week. Whether Albertson's has put a bid in for any of those, as well? And perhaps an update on the timing of an IPO?

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

With respect to Haggen's, I know they're looking at the 30-odd stores that are going -- they're trying to sell their going concern. But again, I'm not sure -- I'm not into the detail. So I don't know if there's FTC issues about being able to take down all of those locations or not. And partly on that front, Albertson's had a lawsuit with Haggen's that was settled. So that will help get something done there. So it was a big step for them to get that resolved.

With respect to the IPO, the S-1 remains on file. It's been updated for the third quarter. And the fourth quarter for Albertson's ends, I think, February 22 or 23. So if market conditions improve, come after the fourth quarter, they'll revisit the opportunity in the public markets.

Jim Sullivan - *Cowen Group - Analyst*

Okay. Good. Thank you.

Operator

And our next question comes from George Auerbach of Credit Suisse. Please go ahead.

George Auerbach - *Credit Suisse - Analyst*

Thanks. Good morning. Conor, any color on the expected yield at the new projects in Owings Mill and Pentagon? Or I guess more broadly, if I look at the active development page and add in Pentagon, what's the expected weighted average yields on these projects?

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

Yes, it's a good question. We're targeting between 7.5 and 8.5. That's really where the expected yields are for the entire portfolio of redevelopment and development projects. So obviously, Owings Mills is just a recent combination of acquisitions there. So we have a few different site plans, depending on the best return, which one we will go with.

Pentagon is obviously the apartment towers that we've talked about, and 25,000 square feet of new retail there. So the ROI's going to be a little bit lower there, because of the apartments. But the spread from the cap rate is still well over 200 basis points. So we feel like we have a manageable pipeline that really will deliver significant NAV for the Company, going forward.

George Auerbach - *Credit Suisse - Analyst*

That's helpful. And just one follow-up. Glenn, what are you modeling for non-cash revenue in the 2016 guidance? I saw it increased in the fourth quarter, and just wondering if it stays at that kind of a run rate?

Glenn Cohen - *Kimco Realty Corporation - CFO*

Can you be a little more specific about non-cash revenue?

George Auerbach - *Credit Suisse - Analyst*

Yes, the straight line rent and FASB was something like $11.5 million. And it was running in the $8 million range earlier in the year. I just wondered if that was --

Glenn Cohen - *Kimco Realty Corporation - CFO*

Yes, it bumped up, really, due to acquisitions, right? Certainly, when we brought on the Blackstone portfolio, the Christown asset is a very large asset that has it in there. It will probably a little bit higher, but not -- just modestly higher than where we see it today.

George Auerbach - *Credit Suisse - Analyst*

Okay. Thank you.

Operator

And our next question comes from Steve Sakwa of Evercore ISI. Please go ahead.

Steve Sakwa - *Evercore ISI - Analyst*

Two questions. Number one, maybe Glenn, in terms of the guidance of 2.5 to 3.5 for same store, I'm just trying to think what you've incorporated, in terms of bankruptcies and down time? You had some those of those in 2015, and it clipped the results. I'm just trying to figure out how conservative you might have been, or where that figure is, in relation to where you started a year ago?

Glenn Cohen - *Kimco Realty Corporation - CFO*

Yes, if you think about the initial guidance that we put out last year, we were in this 3 to 3.5 range. We brought -- for the whole year, we came in at 3.1. Anna's -- as Conor mentioned, Anna's and A&P really hit us about 50 basis points. So we would have achieved the high end of the range, but bankruptcies happen.

The guidance range does incorporate a modest amount, not a lot, of bankruptcies. So if you get to the midpoint, we think there should be a very, very modest amount. If there's a large-scale bankruptcy, you probably would have a nick on us, and you probably would end up towards the lower end of the range. If it stays stable, and the lease-up happens where we think, we can get to the mid to upper end of the range.

Steve Sakwa - *Evercore ISI - Analyst*

Okay. Thanks. And then to follow up on a couple of the Albertson's questions. I believe the intent, obviously, in 2016, was to have the IPO, and then start to monetize that and use some of that cash to fund. To the extent that the IPO either happens later in the year, or maybe doesn't happen at all, for market conditions, how do you think about your needs of cash? And how do you supplement that?

Glenn Cohen - *Kimco Realty Corporation - CFO*

Yes, it's fairly -- on a relative basis, it's fairly modest. What's baked in the guidance, from a cash standpoint, is somewhere between $50 million and $100 million to us, late in the year. So for a 2016 impact, it's fairly modest. And they can be supplemented in many different ways. You might have a little bit more debt.

At the high end of $100 million, it's about 1 tick of net debt to EBITDA. We may have more sales that supplement it. So in the scheme of things, if it didn't go, we would obviously have to deal with our headline guidance, because it's baked into that. But other than that, the recurring flows are all there, and it's modest to the capital plan.

Steve Sakwa - *Evercore ISI - Analyst*

Okay. Thanks.

Operator

And our next question comes from Chris Lucas of Capital One Securities. Please go ahead.

Chris Lucas - *Capital One Securities - Analyst*

Good morning, everyone. Follow-up, actually, on the last question, and I guess maybe more directly. Stock price has done well. You're within a few percentage points of the cycle high, if you will. Just wondering how you think about maybe issuing some equity, a modest amount, in terms of de-risking some of your funding needs, as it goes forward? Particularly in light of maybe weakening conditions on the disposition market, and just overall capital markets uncertainty?

Glenn Cohen - *Kimco Realty Corporation - CFO*

The nice part about what we have is an enormous amount of liquidity. We end the year with zero outstanding on our credit facility. As you see in our guidance, we're still planning to be a net seller during the year, so there's more proceeds coming in. And the nice part about where we are today is, we do have an ATM in place, and we can use it opportunistically if it makes sense to do so. So it's another thing that we continually monitor, and we try to take advantage of improving the balance sheet, at any point in time that we can, in measured form.

Chris Lucas - *Capital One Securities - Analyst*

And then can I just ask a question on the Canadian situation, as it relates to where the cash is? Is the cash that is generated off the asset sale, is that in Canada right now? Is that how that's held?

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

To date, everything that we've sold, we've actually repatriated so far.

Chris Lucas - *Capital One Securities - Analyst*

Okay.

Glenn Cohen - *Kimco Realty Corporation - CFO*

We will -- so far. So the remaining assets that we'll need to sell, because they'll match up against the Canadian bonds that are outstanding. So we're not going to be repatriating that cash so quickly, because we'll need to balance it with the debt, keep the natural hedge in place.

Chris Lucas - *Capital One Securities - Analyst*

Great. Thanks a lot. Appreciate it.

Operator

And our next question comes from Jason white of Green Street Advisors. Please go ahead.

Jason White - *Green Street Advisors - Analyst*

Good morning. Just a couple quick questions, same topic. As you look at market rents over last year versus this year, what kind of market rent growth are you seeing? Not re-leasing spreads, but true on-the-ground market rent growth?

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

Market rent really depends on location, and obviously, the strength of the site and the surrounding demographics. But the market rents in the top markets continue to pick up nicely. It really is a function of supply and demand, and we continue to see pretty strong leasing spreads. But if you look at the pure tick-up in market rents, it's at the high end of our range, where we expected it to be. And continue to see it improve, as retailers really have focused on making sure to try and penetrate these markets, but also not lose stores.

I think that's more of a critical component to it, as retailers that are coming due for renewals are worried about losing store count in these tough markets, where they have significant market share. So you'll probably see the renewal spread actually pick up a little bit this year, as those leases come up for renewal.

Jason White - *Green Street Advisors - Analyst*

As you look at sales growth by the tenants, and low single digits, and e-commerce takes a slice of that for those tenants that do have e-commerce exposure, or maybe they even have their own omni-channel presence. But with brick and mortar really being a low single digit sales growth environment, how long can market rent growth continue to outpace that? And get OCRs that are probably increasing higher than potentially long-term averages would assume is correct?

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

It's a good question. It's one that I think, as retailers look at their occupancy costs, they really have to be mindful of sales growth, as well as how much rent they can pay. The nice thing about our sector is, we have some of the lowest occupancy costs across any sector of REITs. So we think we have significant pricing power still left to go.

And it really helps by being in the best markets, and having the best assets. It's -- those are ones that are very difficult to come by, so retailers don't necessarily want to lose those store count, either. So it's one that we think still has a long runway to go. And again, I think that as long as supply and demand remains in check, we're in good shape there.

Glenn Cohen - *Kimco Realty Corporation - CFO*

Yes, it's Glenn. I'd offer, also, our portfolio is a little bit different because it's older. We have so many leases still that are really well below market. So even though you might not have true dramatic amounts of rent growth, per se, relative to where our leases are today, leases that are 10, 15, 20 years old, you still have a lot of upside when you bring those to market.

Jason White - *Green Street Advisors - Analyst*

Great. Thank you.

Operator

And our next question comes from Rich Moore of RBC Capital Markets. Please go ahead.

Rich Moore - *RBC Capital Markets - Analyst*

Hi, good morning, guys. The fourth-quarter jump in lease termination income, I'm assuming that wasn't the bankrupt guys, because they're gone. So is there anything special in there? And what are you thinking about, as we look at the next couple quarters?

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

Yes, the lease termination was really tied to one big lease termination. And it was in East Windsor, where we had a Safeway that was dark and paying, and they wanted to get out of the lease, and offered us a settlement. So we took it, and now we have a redevelopment on our hands, as well. So it was a double win for us there.

Rich Moore - *RBC Capital Markets - Analyst*

Okay. And then if I could follow up real quick on Christy's question. The -- if you look at the $900 million that you guys guided to in dispositions, is it roughly $300 million Canada, $600 million US? Is that math about right?

Glenn Cohen - *Kimco Realty Corporation - CFO*

No, it's -- I'm sorry. It's really more $500 million Canada, $400 million US.

Rich Moore - *RBC Capital Markets - Analyst*

Okay. Good. Thank you, guys.

Operator

And our next question comes from Collin Mings of Raymond James. Please go ahead.

Collin Mings - *Raymond James - Analyst*

Good morning. Just wanted to see if you could provide a little bit more color on the progress backfilling the A&P and Anna's Linens spaces? I think, Conor, you stated that spreads were maybe a little bit better than you referenced last November?

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

Yes, on the Anna's Linens boxes, if you remember, we had 21 leases. We have three fully executed leases, at a positive 33% spread. We have 14 active leases in negotiation, to fill those boxes. Two of the leases were assigned to Fallas, and we actually sold two. So we actually have very strong interest, across the board, on Anna's Linens. And I think, when it's all said and done, we might be at the high end or above the initial range, when we set our mark-to-market there.

A&P, the nine locations, five were assigned, four to Acme, one to Best Yet. The four vacant boxes have significant interest. And -- I'm sorry, the -- we have -- really, when you break it down, it's a phenomenal opportunity to really reposition what was a struggling grocer. And you name it, in terms of who the off-price retailers that want to try and take these boxes, as well as some of the specialty grocers. And even some of the warehouse clubs that are -- where we have liquidity and lease termination rights for the surrounding retail, we might have some redevelopment potential there.

In addition to the Staten Island redevelopment, where we plan on keeping that as a strategic vacancy through 2017, when our entitlements come into place, and we have a very large redevelopment there.

Collin Mings - *Raymond James - Analyst*

Okay. Thanks.

Operator

And 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 - Senior VP of 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 on our supplemental, as posted to our website. Have a good day.

Operator

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