Rating Action: Moody's affirms Kimco's Baa1 rating; stable outlook

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Approximately $4 Billion of Securities Affected

New York, August 19, 2015 -- Moody's Investors Service has affirmed the ratings of Kimco Realty Corporation (senior debt at Baa1) with a stable outlook. Kimco's Baa1 senior unsecured debt rating reflects its solid franchise in the shopping center business, a well-diversified portfolio, with excellent property management and leasing platform.

The stable outlook reflects Moody's expectation that Kimco's portfolio fundamentals will remain strong and the REIT will reduce leverage over the next few quarters with further asset sales and improvement in operating profitability. It also reflects our expectation that the REIT will continue to ladder its debt maturity schedule.

The following ratings were affirmed with a stable outlook:

Kimco Realty Corporation -- Senior unsecured debt at Baa1; senior unsecured debt shelf at (P)Baa1; preferred stock at Baa2; preferred stock shelf at (P)Baa2, preferred stock non-cumulative shelf at (P)Baa2; senior unsecured MTN program at (P)Baa1.

Kimco North Trust III -- Senior unsecured guaranteed Canadian debentures at Baa1.

Pan Pacific Retail Properties, Inc. -- Senior unsecured debt at Baa1.

RATINGS RATIONALE

The Baa1 rating continues to reflect Kimco's solid liquidity. Kimco has a $1.75 billion revolving credit facility expiring in March 2018 with two six-month extension options and a $500 million accordion feature. At 2Q15, Kimco had drawn $225 million (13%) from this facility. The REIT obtained a new term loan facility for $650 million in January 2015 that matures in January 2017 and can be extended for three additional years. In the first quarter, Kimco issued $350 million of 30-year unsecured notes. Upcoming debt maturities are material with $406 million due in 2015 and $2.2 billion due in the next two years, excluding the extensions available for the term loan. Moody's expectation is that, over time, the debt maturity schedule will become more laddered. The unencumbered asset base of the REIT's core portfolio is solid at 75% of total assets on a gross book basis. The REIT's FFO payout ratio is modest at 59%, enhancing its financial flexibility.

Other credit strengths include Kimco's demonstration of excellent access to capital over the years and it continues to be a bellwether among shopping center focused entities. This credit strength is mitigated by Kimco's overall effective and operating leverage (Net debt to EBITDA), which have been high relative to expectations for the rating level. At 2Q15 the REIT's consolidated effective leverage, which includes preferred stock, was 47.9% on a standalone basis and 51.2% including JV interests. Net debt/EBITDA was 6.3x at 2Q15 and the average over the last four quarters was 6.1x. Secured leverage in the owned portfolio is modest at 13.1%, but Kimco's off-balance sheet joint ventures have high levels of secured debt, therefore, secured leverage including JV interests is 20.7%. Kimco's cash flow ratio and EBITDA margins have improved as occupancy and average lease realization rates increased. Fixed charge coverage is 3.0x at 2Q15, up from 2.7x at YE13 and 2.4x at YE12. Exposure to joint ventures has declined considerably to 22% from 36% at YE13, but is still high for the rating level. The REIT has been selectively acquiring joint venture properties from its partners and has concluded two such transactions in 2015, which is reducing the JV ratio.

Kimco has a strong and diverse franchise in the US and Canadian retail real estate business, focused principally on owning and operating a portfolio of high quality, necessity-based neighborhood and community shopping centers. At 2Q15, 95.5% of the combined portfolio was leased relative to 94.8% at 2Q14. The REIT's portfolio is well diversified with minimal geographic or tenant concentrations, a credit plus. As of 2Q15, the REIT derived approximately 14.8% of its annualized base rent from core portfolio properties located in California, 8.7% in New York, 8.2% in Florida, and 7.9% in Canada. Kimco's top 25 tenants, national retail and supermarket chains, accounted for 32.9% of annualized based rent. Kimco has reshaped its portfolio in modest increments since September 2010, having sold over 200 assets, mainly mid-tier US properties and some international assets, and acquired over 150 US assets in high quality centers.

Upward rating movement is unlikely until Kimco further solidifies its metrics within the Baa1 rating range, but would require fixed charge coverage above 3.5x; Net debt/EBITDA (excluding JVs) approaching 5x; debt maturities less than 15% of total debt; and JV revenue closer to 10%. A downgrade of Kimco's ratings would be prompted by fixed charge coverage (excluding JVs) falling below 2.5x; Net debt to EBITDA (excluding JVs) above 6.0x; and any pressure on the REIT's liquidity position.

The last rating action for Kimco was taken on January 15, 2013, at which time Moody's affirmed Kimco's Baa1 ratings with a stable outlook.

Kimco Realty Corporation [NYSE: KIM], headquartered in New Hyde Park, New York, USA, is a real estate investment trust (REIT) that that is North America's largest publicly traded owner and operator of open-air shopping centers, with interests in 727 shopping centers comprising 107 million square feet of leasable space across 39 states, Puerto Rico, Canada and Chile. At June 30, 2015, Kimco had book assets of $11.5 billion and total book equity of $5.1 billion.

The principal methodology used in these ratings was Global Rating Methodology for REITs and Other Commercial Property Firms published in July 2010. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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