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KIM - Q3 2016 Kimco Realty Corp Earnings Call

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PRESENTATION

Operator

Good day and welcome to Kimco's third quarter 2016 earnings conference call and webcast.

(Operator Instructions)

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

David Bujnicki - *Kimco Realty Corporation - SVP IR*

Thanks, [Kari]. Good morning and thank you for joining Kimco's third quarter 2016 earnings call. With me on the call this morning is Conor Flynn, our President and Chief Executive Officer; Ross Cooper, Chief Investment Officer; and Glenn Cohen, our CFO. In addition, other members of our executive team are also available to address questions at the conclusion of our prepared remarks including Milton Cooper, Dave Jamison and Ray Edwards. As a reminder, statements made during the course of this call may be deemed forward-looking and it's important to note that the Company's actual results could defer materially from those projected in such forward-looking statements due to a variety of risks, uncertainties and other factors. Please refer to the Company's SEC filings that address such factors.

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

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

Good morning and thanks for joining us today. I am pleased to announce another strong quarter driven by our high quality operating portfolio and the tireless efforts of our team. This quarter we made the decision to remove any contribution to our NAREIT defined FFO from an Albertsons monetization for two major reasons. First and foremost, we believe we should not succumb to the pressures of short-termism and pursue the sale of a portion of our Albertsons investment in an environment that would negatively impact creating long-term value for our shareholders. Currently grocery stores are dealing with food deflation while the IPO market remains challenging. Despite these headwinds, Albertsons continues to increase EBITDA providing substantial free cash flow to pay down debt and invest in the business.

Second, and sometimes forgotten, are the significant real estate holdings of the Company. Close to half of the chain's 2,300 stores are either owned or under long-term ground leases with concentrations in desirable markets such as Los Angeles, San Francisco, Chicago and Washington D.C. In fact, the recently updated S-1 noted an estimated value of $12.1 billion for its real estate holdings. We believe that over a medium term horizon, our investment in Albertsons will provide Kimco with significant capital to reinvest in our recurring business activities and create long-term shareholder value. As a reminder, we are just shy of two years into the merger of Albertsons and Safeway and the Company continues to reap the benefits of scale through execution on the planned synergies. The S-1 remains current and we continue to monitor the markets with our partners.

To be clear, we remain focused on our core business and will continue to fund capital requirements with free cash flow after dividends, opportunistic use of our ATM and disposition proceeds. Our 2020 vision outlines our plan to create long-term shareholder value by focusing on our building blocks of growth, reducing leverage and maintaining a cost efficient capital structure. The fundamentals of our open air shopping center portfolio remain strong due to the favorable balance of supply and demand in the major metro markets. As the performance on key metrics demonstrates, our operating platform continues to deliver value to our shareholders. A wide range of open air retailers, including our first Nike store, continue to expand and seek growth opportunities in high quality real estate.

Supply has modestly increased recently due to bankruptcies and announced store closings and we are monitoring closely the shadow supply coming from struggling department stores at enclosed malls. Overall, however, this environment provides the ability for us to position our real estate with best in class retailers that drive more traffic and sales. While the Sports Authority liquidation drove the dip in anchor occupancy, we are pleased with the leasing momentum on those boxes. 7 of our 25 Sports Authority boxes are now fully committed. The deals include Dick's Sporting Goods, a Land Rover Jaguar dealership, Orchard Supply Hardware, HomeGoods Ulta combo, Burlington and Hmart Grocery.

Anchor leasing volume was the strongest this quarter year-to-date with 19 anchor deals fully executed. Small shop leasing continues to progress even though pro-rata occupancy remained flat this quarter. This was primarily due to the disposition of a number of fully occupied centers that have limited upside remaining and the purchase of assets with significant redevelopment potential that included considerable small shop vacancy, which we believe offers future upsides. The strategic redevelopment and development pipeline, which we are calling our Signature Series, continues to mature and deliver results. As an update, we move the first phase of our flagship Suburban Square redevelopment to the active pipeline where we have an executed lease to expand Trader Joe's and construction underway to build a new parking facility to provide Kimco with further densification opportunities.

Separately, our Whole Foods development is now open and thriving in Wynnewood, Pennsylvania and has moved out of our development pipeline and into the operating portfolio. Our signature series continues to provide the Company with significant internal growth opportunities and we remain laser focused on the execution. This quarter we delivered $65 million of redevelopment projects producing an incremental ROI of 10%. I will now turn the call over to Ross who will provide a deeper dive into the transaction activity this quarter.

Ross Cooper - *Kimco Realty Corporation - CIO*

Thank you, Conor. The third quarter was a successful continuation of our strategy and transformation of the portfolio composition resulting in a higher quality asset base with stronger demographics and tenancy. This includes our Kentlands Marketplace acquisition in metro D.C. which offers significant value creation and redevelopment opportunities for our team. In just two short month of ownership our plans to reposition the asset are underway and the preliminary leasing interest has been very strong. We expect to begin seeking municipal input regarding our plans in the coming month. Also during the third quarter we bought out a JV partner on a 4 property portfolio with assets located in our core markets of Atlanta, Houston, Washington D.C. and Pittsburgh and acquired an additional JV asset Gateway Center in Seattle where we are working on a supermarket and pharmacy lease to reposition this well-located asset.

These acquisitions, along with the Canadian asset sales, helped further reduce our JV portfolio as we continue to simplify our ownership position while increasing the percentage of wholly-owned net operating income coming from the overall portfolio. The wholly-owned NOI is now 85% compared to being at a low of 60% level a few years earlier. In Q3 2015 we had 264 JV properties and at Q3 2016 we have only 135 JV properties, nearly a 50% reduction in one year. The acquisitions market continues to be extremely competitive for core assets as investors of all types chase hard assets in the United States. Pension fund advisors, REITs and private operators have all narrowed the definition of core, which has further limited the available supply of institutional quality assets. This has created bidding wars for the highest quality assets in major MSAs, pushing down cap rates even further, notwithstanding the potential risk of interest rate hikes in the future.

While some may view the current real estate environment as expensive, on a relative basis we continue to believe that compared to alternative investment options, our asset class remains a wonderful investment with a healthy spread between cap rates and treasuries. Our focus remains on making investments in solid real estate with a strong business plan. We also consider the dynamic that new shopping center development remains at all time lows together with the living and shopping patterns of millennials to recognize that the first ring outside of the urban core has become extremely desirable for investment, redevelopment and repurposing. This has created mixed use opportunities offering a live/work/play environment which we believe offer attractive investment opportunities. We are constantly evaluating these types of projects while remaining disciplined in our search for quality assets.

On the disposition side the sale of our interest in five Canadian assets has reduced our ownership in Canada to one remaining shopping center and two land parcels. In just 12 months the NOI coming from Canada has gone from approximately $19 million in the third quarter of 2015 to roughly $1 million in the third quarter of 2016. We are thrilled with our progress. In the United States we sold seven assets for $53.3 million, $49 million Kimco share.

Execution on sales of non-core asset has become more challenging and it is critical to perform due diligence in the buyer pool before selecting the buyer. In addition, we've seen the pricing between the core trophy and secondary market assets, particularly non-grocery widen from 9 to 12 months ago. Fortunately we are at the tail end of the heavy lifting and expect to close approximately $100 million of asset sales in the fourth quarter. We will continue to review the portfolio and judiciously sell assets that do not fit within our long-term 2020 vision. Now I would like to introduce Glenn to provide additional color and insight on our financial performance for the quarter.

Glenn Cohen - *Kimco Realty Corporation - CFO*

Thanks, Ross, and good morning. Our execution during the third quarter takes another step forward toward achieving our 2020 vision. Our operating results were solid despite the short-term headwinds of the Sports Authority store closing. We also successfully completed three strategic initiatives related to our Canadian debt repayment, US debt repayment and the merger of our TRS into the REIT. Headline FFO per share, which represents the official NAREIT definition, was $0.18 per diluted share for the third quarter. Included in the headline result is $45.7 million of early extinguishment of debt charges in connection with the prepayment of $350 million Canadian denominated bond with a weighted average interest rate of 4.77%, the prepayment of our 5.7%, $291 million US bond and the prepayment of $137 million of 6.32% mortgage debt encumbering 10 properties.

Also included in the headline result is a noncash FFO charge of $32.6 million associated with a deferred tax valuation allowance in connection with the TRS REIT merger. The one-time charges associated with the prepayments in the TRS REIT merger totaled $0.20 per share. These initiatives will enhance our future profitability and our tax efficiencies. FFO as adjusted or recurring FFO, which excludes transactional income and expenses in nonoperating impairments, was $0.38 per diluted share for the third quarter, up 5.6% from $0.36 per diluted share last year. The solid results include the diluted impact of further transforming and simplifying the business over the past year with the sale of over a $1 billion of US assets and another $1.1 billion of assets in Canada and Mexico.

The proceeds raised from these efforts were used to acquire $800 million of high quality, wholly-owned US assets in our key markets from our joint venture partners and third-parties. The net effect of this activity reduced net operating income, including our pro-rata share from the joint ventures, by $23.5 million. This was largely offset by a reduction in financing costs of $18.2 million related to lower debt levels of $1 billion, lower interest rates on debt refinancings and the redemption of our $175 million 6.9% preferred stock last year. Recurring tax savings from the TRS REIT merger were an additional contributor.

Turning to our operating metrics. US occupancy stands at 95.1%, down 90 basis points from last quarter and 50 basis points from a year ago. The Sports Authority store closures account for 85 basis points of the decrease from last quarter. Positive net absorption of 35 basis points from a year ago mitigated the TSA impact. As Conor mentioned, our operating team is making great strides in releasing these boxes with higher quality tenants that will drive increased traffic to the centers. Occupancy of our boxes over 10,000 square feet remain a healthy 97% and our small shop occupancy is at 89.2%, up 120 basis points from a year ago.

Leasing spreads continue to be strong with new leasing spreads of 26.6% and renewal on option spreads up 7.8% for combined spreads of 12.9%. US same site NOI growth was 3.3% for the quarter, notwithstanding a 110 basis point negative impact from the Sports Authority bankruptcy. Redevelopments contributed 60 basis points this quarter. For the nine months US same site NOI growth stands at 2.9% including a negative 60 basis point impact from TSA. We have narrowed our US same-site NOI guidance for the full year to a range of 2.7% to 3.3% from the previous range of 2.5% to 3.5%. We remain focused on further strengthening our balance sheet metrics and debt maturity profile. Consolidated net debt to EBITDA as adjusted is 5.8 times with a target of 5 to 5.5 times. On a look-through basis, including pro-rata joint venture debt and perpetual preferred stock, the look-through metric was 7.1 times with a goal of 6.4 to 6.9 times.

During the quarter, we issued a new $500 million 10 year unsecured bond at a coupon of 2.8%, the second lowest 10 year coupon issued by a REIT. Over the last year we've extended our consolidated weighted average debt maturity profile to 6.7 years from 4.3 years just a year ago. We opportunistically utilized our ATM program to issue 4.8 million shares of common stock at a weighted average sale price of $30.59 per share, raising $146.7 million of proceeds. The proceeds we used for accretive and value creating acquisitions of the four property joint venture buyouts and the Kentlands project that Ross mentioned in his remarks. Year-to-date we have issued 9.8 million shares of common stock raising net proceeds of $285 million.

Let me spend a moment on guidance. Based on the solid results through the first nine months achieving $1.12 per diluted share for FFO as adjusted, we are narrowing our FFO as adjusted per share guidance range to $1.49 to $1.51 from the previous per share guidance range of $1.48 to $1.52. For the nine months we achieved NAREIT defined FFO of $0.94 per diluted share. We previously stated that our 2016 NAREIT defined FFO guidance included a partial Albertsons monetization in the fourth quarter. As Conor mentioned, we're not anticipating a monetization of our Albertsons investment this year. As such, we revised our NAREIT defined FFO guidance to a range of $1.30 to $1.32 with a midpoint of $1.31 from the previous range of $1.34 to $1.42 with a midpoint of $1.38. The reduction is solely attributable to not monetizing a portion of our Albertsons investment this year. We remain confident that we will be able to do so in accordance with our 2020 vision.

We are currently deeply into our property-by-property budget process and will provide 2017 guidance on our next earnings call. Our initial 2017 NAREIT defined guidance range will not include any transaction income or expense. As such, our NAREIT defined FFO per share range and our FFO as adjusted per share range will be comparable at the start of the year and will only differ upon the execution of specifically identified transactional events. We remain focused on growing our recurring earnings and cash flows. Lastly, we are pleased to announce that based on our 2016 performance and expectations for 2017, our Board of Directors has approved an increase in the common stock quarterly cash dividend to $0.27 per share from $0.255, an increase of 5.9% on an annualized basis. Our FFO as adjusted payout ratio remains conservative, among the lowest in the peer group. And with that, we'd be happy to answer your questions.

David Bujnicki - *Kimco Realty Corporation - SVP IR*

We're ready to move to the Q&A portion of the call. Due to the large volume of participants in the queue we request a one question limit with an appropriate follow-up. This will provide all callers an opportunity to speak with management. If you have additional questions you're more than welcome to rejoin the queue. Kari, you may take the first caller.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question comes from the Christy McElroy of Citi. Please go ahead.

Christy McElroy - *Citigroup - Analyst*

Hi. Good morning, everyone. Conor, as you think about the possibility that we're nearing the end of the cycle, there's increasing evidence of softness in retailing. And you talked about in your opening remarks about greater supply of space. You have a lot teed up in terms of larger scale redevelopment densification over the next several years, how might your capital allocation priorities shift with the potential for a slowdown in demand fundamentals?

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

It's a good question. I think when you look at our pipeline of opportunities over the next five years, a lot of the projects that we've identified have an enormous amount of pre-leasing involved in those projects. And when we always look at the projects, we also look at offramps so to give us the opportunity to hit the pause button if and when our cost to capital changes or if the market changes on us. But we feel really confident in the projects we've identified. We're also making big strides on announcing preleasing on all those projects. So I think when you look at the risk/reward, we still feel really strong about what they will deliver to our shareholders over the next five years.

That said, going forward we're going to be very careful on what we add to the pipeline. We want to be sure that it's something that checks all the boxes with our strategy and where we want to take the Company and the portfolio. And we also want to be very careful in terms of how much more we add to the pipeline. You'll probably see maybe another development deal or two, but maybe probably not much more than that over the five years. But you will see us ramp up redevelopment where we see the opportunity because we continue to believe that's the best use of our capital risk adjusted and continue to think that there's more to come when you look at our shadow supply.

Christy McElroy - *Citigroup - Analyst*

Okay. And then just a follow-up for Glenn or Jamieson -- can you talk about same-store operating expenses? The operating an expense maintenance line has shown some pretty consistent declines this year. What are the main drivers of that and how should we be think thinking about the impact on margin changes on same-store NOI growth going forward?

Glenn Cohen - *Kimco Realty Corporation - CFO*

Again, we spend a lot of time trying to be a low-cost provider. We spent a lot of time watching the maintenance things that have to happen at the projects. So we try to keep costs down as best we can as we go along and you see that over and over again. I think the other thing you have is some of it's also a little bit of timing just based on where weather is and things like that, whether it be from the extent that where snow is hitting, which obviously hasn't hit yet, the amount of parking lot projects that we have at any given point in time. But the main focus really is maintaining and keeping costs low and efficient at the properties.

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

I would just add that it might be the early signs of our clustering strategy starting to take effect because we are a bit more efficient now that we look at our portfolio today versus five years ago and how tightly concentrated it is. It allows us to manage more with less.

Christy McElroy - *Citigroup - Analyst*

Thank you.

Operator

Our next question comes from Ki Bin Kim of SunTrust. Please, go ahead.

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

Thank you. Could you just help me understand the expiration schedule a little bit? There's a big difference like with most REITs between the leases that are expected to expire with options and without. Generally speaking, what is a good metric to that for that tag for how much you're going to actually roll? And maybe you can comment on the lease spread expectations.

Glenn Cohen - *Kimco Realty Corporation - CFO*

I'm sorry, Ki Bin. We didn't understand your question. Are you asking about lease expiration schedules?

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

Yes. So your 2017 lease expiration schedule. There's usually a very wide gap between what's set to expire with options or without options or if options were executed versus not being executed. So I was wondering what is a good tag for that? So basically, what is a good amount that you actually -- the actual amount that you actually roll? And maybe if you could provide some commentary on some of the mark-to-market opportunities as you look into 2017.

Glenn Cohen - *Kimco Realty Corporation - CFO*

I'll start off and I'm sure Conor will add in. Roughly 75% of the tenants exercise their options. So that -- you see this wide gap, which is why the amount of liquidity in the leases that happens in any given year is relatively modest. In terms of upside in the below-market rents, we know that over the next three years we have close to 90 leases, 90 anchor leases alone where we think the upside in those leases is roughly 50% in total. So we see a fair amount of upside as we look out the next few years.

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

Yes, and it's part of our strategy and has been for a long period of time to focus on huge mark-to-market opportunities and to acquire assets that have below-market leases. So when you look at those anchor maturity schedule, the ones that are below market are typically going to exercise that option unless there comes a time where they give space back to us. And we're starting to see some opportunities there come to fruition. So when you look at our mark-to-market opportunities, what we try and do is we show you the ones where we have control over it, where there's no more options left, where we think that those spreads are very much achievable and continue to try and harvest that from the portfolio.

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

Okay. And so is there -- if you had to ladder it out, is there more coming in earlier in the next three years or later in the next three years, just to get a better sense of that timing?

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

I think it's relatively equal over the next three years.

Glenn Cohen - *Kimco Realty Corporation - CFO*

Yes, it's pretty equal what's going to come year after year.

Ki Bin Kim - *SunTrust Robinson Humphrey - Analyst*

Okay. Thank you.

Operator

Our next question comes from Paul Morgan of Canaccord.

Paul Morgan - *Canaccord Genuity - Analyst*

You talked about a couple different places, cap rates and a narrowing definition among institutional investors in what is core and what's not and how it's a little bit harder to sell non-core assets. Can you maybe dive in a little bit more? Is there a way to kind of quantify maybe how much that spread has widened in the past six, nine months? And then in what ways is the definition getting narrower? Are we talking about secondary markets or just sort demographics within metros or the tenancy of a center? Any detail?

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

Sure. When we look at our experience in the market today, the fully occupied, stabilized assets are the ones where we're really seeing the shallower buyer pool, particularly without a grocer anchor. The grocer anchor shopping centers still see a deeper bench of bidders. But by way of example, our Q3 dispositions average in the mid-7s on a cap rate range. Overall for the year blended, we're closer to a 7. So that puts it a little bit into context. But that being said, we are fortunate that we're in the very latter stages of our disposition process. So not every property that we put into the market is transacted. If we don't like the pricing then we haven't sold it. But we've been successful so far this year and we think that we will be for the rest of the year.

In regards to the second part of the question, I think that all buyer types, whether institutional or private, are chasing upside value add in some form or fashion. So it really is regardless of the location the flatter income streams without any foreseeable growth have been challenging to move. But certainly I think the definitions of core from a market perspective continue to narrow to the major markets and it's the second secondary and the tertiary markets where the institutional investors are just really not focused at all regardless of the quality of the asset within that market.

Paul Morgan - *Canaccord Genuity - Analyst*

Great, that's helpful. As a follow-up on Albertsons, you talked early in the year about exploring maybe a pre-IPO options for monetization. And I heard you say that's not going to be in your initial outlook for 2017, at least in terms of the guidance. Is that still on the table? Or are you just kind of looking at maybe a longer term sort of situation there? You commented on the real estate value of $12 billion. Is that one mechanism maybe for you to just kind of start to take some of the capital off the table?

Glenn Cohen - *Kimco Realty Corporation - CFO*

Well I think obviously we're monitoring the investment very closely. Again, there's a lot of headwinds at the moment just relative to the supermarket industry between the food deflation that we've talked about and, quite candidly, the IPO market is still pretty challenging. Having said that, the business is performing very well. The synergies that have been forecasted are coming to fruition. And the longer we go, more of those synergies come and create more EBITDA for the Company.

So it's really the group itself, us and our partners, are monitoring the market closely. You see that we're keeping our S-1 current. So we are watching very closely for the right opportunity to begin to monetize the investment. You can look at who our partners are and know that at some point, where it makes sense, we are going to look to monetize the investment. That is clearly the path for all of us. But we want to do it prudently and where it makes the most sense to create the most shareholder value for us and for everybody else in the group. So we have the ability to be very, very patient with it.

Paul Morgan - *Canaccord Genuity - Analyst*

Great. Thanks.

Operator

Our next question comes from Jeremy Metz of UBS. Please go ahead.

Jeremy Metz - *UBS - Analyst*

Hi, guys. Good morning. I wanted to go back to Christy's question and some of your opening remarks about the seeing an increase in supply and continuing to monitor the shadow pipeline and potential increase in vacant department stores. So I'm wondering, based on what you're seeing today, is it making you more receptive to just getting some deals done when you can versus holding or pushing rent or even waiting for some sort of ideal replacement tenant?

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

It's a balance. Every site is looked at, at a location basis, and what's going on in that market. You have to really look at the supply side. Clearly we're looking at supply now with malls as part of that and want to identify the highest and best use for the asset and what's the best retailer we have to replace the vacancy with. We still see strong demand.

If you look at our categories we still see strong demand from off price, home improvement, specialty and traditional groceries, sporting goods, arts and crafts, pet supply, health and wellness, beauty, fitness. These are all categories that are alive and well and looking to grow store count. And you see that coming up in our pipeline. This quarter we did more anchor deals than we've done all year. And we have a healthy pipeline looking forward. So even though there has been a bit more supply added to the system, it's very much a local business. You have to look at each and every site individually and make the best decision you can merchandising mix wise as well as for the net asset value of the property. And right now, where we sit, we still feel that we're in the sweet spot of retail.

Jeremy Metz - *UBS - Analyst*

Okay. And for my second one, just one on Sports Authority, you mentioned having 7 of the 25 have fully committed. At this point, if we go back to last quarter you had talked about hoping to have everything released in 6 to 12 months. So I'm wondering, is that still the time frame you're thinking about? And then from a rent commencement standpoint, when should we realistically be thinking about that rent coming back into earnings?

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

I think that's still our goal for the team to execute on. Clearly we've got some work to do there. But we feel good about the momentum we've displayed this quarter and hope to continue to display each and every quarter. I think the rent commencement will coincide depending on the box and what we have to do with it. Some of the boxes will be redevelopments where we have to expand the box and some of them will be splitting like we did for HomeGoods and Ulta. So those are a bit more complicated deals and the RCDs may lag versus say just a pure backfill. But those are ones where we believe we're adding the best in class retailers that help the site valuation wise as well as traffic and sales wise. So you'll see a constant laddered approach to the RCDs.

Glenn Cohen - *Kimco Realty Corporation - CFO*

Yes. In terms of modeling I would say the second half of 2017 -- towards the back half of 2017 is when the cash will start flowing. So if you think about the way we calculate same site NOI growth, it will be more towards the back end of 2017 where it will begin flowing.

Jeremy Metz - *UBS - Analyst*

Thanks, guys.

Operator

The next question comes from Jay Carlington of Green Street Advisors.

Jay Carlington - *Green Street Advisors - Analyst*

So just staying on that path, just given the amount of boxes that have been going offline over the last few years from bankruptcies, is there anything different you're doing internally maybe versus a couple years ago to become more efficient turning them around? I know it's a normal part of the business but do you need to or have you shifted or added resources to this effort to maybe mitigate some of the down time?

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

It's always been part of our business. We think we're one of the best in class when it comes to leasing. We talk about it every day in and day out and talk about how we can be more efficient and what we can do to drive more leasing because that's the fuel. That's what makes the business run. So we're looking at everything. I think when we try and be creative we throw everything against the wall. And we like to come up with ideas and incentives that make us unique and make people want to do deals with Kimco first and foremost.

So we'll always take that approach and always try and make sure we're doing everything we can in our power to get the leases executed as quickly as possible, whether it's condensing the deal flow in terms of how long it takes from start to finish and then also getting that rent commencement occurring quickly and making sure we try and condense that time frame. So we're looking at everything we can. So it's not a silver bullet type thing. Every deal is different.

Glenn Cohen - *Kimco Realty Corporation - CFO*

Yes, I would just add also, you have to understand, we have our entire platform of operating people looking at every lease that we have. We have a watch list. So we are always analyzing and looking for who the potential might be that might go out and talking to tenants well in advance so that when it does happen we're not starting at ground zero. We've already had a lot of conversations. Because, again, at the end of the day for us, the key is get the rent flowing as quickly as we can. So we really are focused on the watch list tenants and where we can put someone back in place if someone was to go out.

Jay Carlington - *Green Street Advisors - Analyst*

Okay. And maybe as a quick follow-up to that, as you work through your budgeting process for 2017, how are you thinking about potential bankruptcies for next year? How does that watch list look? Has it been growing or is it shrinking or about the same?

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

It's about the same. When we look at budgeting for next year, we always carry a pretty sizable amount for bankruptcies. And so we feel like we have a nice cushion when you look at our portfolio of spread of risk and our number one tenant is TJX at a relatively small percentage of our NOI. And then we look and see what we can do in terms of leasing. And right now we feel like we still have momentum moving in our favor and obviously we have a lot of execution that needs to be done. But when you look at a pipeline of people that are expanding, we feel good about the occupancy growth that we can provide and just need to execute on that.

Jay Carlington - *Green Street Advisors - Analyst*

Thank you.

Operator

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

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

Good morning out there. Just the two questions -- first, Glenn, just going back to your earlier response on Albertsons. I think you guys did -- or were trying to pursue sort of a private stakes sale. So just sort of curious if -- how those conversations went. Was it matter of price or the fact that the stake would also have to be offered to the other partners in the consortium? In which case it didn't make sense. Either the buyer didn't have enough capital or wasn't worth it. So if you could just provide a little bit more color on how the private market is for private investments like Albertsons.

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

Hi, it's Ray. First off, Kimco by itself never tried to sell individually part of our investment in Albertsons solo. We decided -- and I think that's what Conor was referring to when we elected not to pursue monetization on our own at this point. We never even tried to do that. You know what, the Company did have some conversations with people. But in the end we think the privatization -- it wasn't just the monetary portion of it, it was the structure of the deal, whether we want to be a private Company with additional partners or not because that's what it really would have been. And we elected that wasn't the right way for the Company to go. So that's why we didn't pursue the private placement.

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

Okay. And then just as a follow-up to that, I think you guys did outline at the Investor Day that the Albertsons is a source of capital. And right now from a GAAP perspective I think it's not contributing at all to Kimco. But if you could just provide some color, one, on if you're not able to monetize next year, how it does impact capital plan? And two, does Kimco get any cash flow or anything that may not show up in the GAAP P&L but at least compensates Kimco for having this capital tied up in Albertsons?

Glenn Cohen - *Kimco Realty Corporation - CFO*

No. Again, as I've said at many conferences, the Albertsons investment is a cost method investment for us. The Company prudently is using all its free cash flow to pay down debt. So it's improving the value of the entity. But we don't get any EBITDA from it. We don't get any cash currently and we don't get any NOI or FFO contributions from it. So the way we view the investment today is it is really up slide when the monetization does happen.

Yes, we have it as part of our capital plan through our five year period through our 2020 vision. But it's relatively modest amounts in any given year. So we have plenty of other levers to work through if the monetization wouldn't happen during 2017. We're very comfortable with our capital plan and our liquidity position certainly to deal with our redevelopments, our developments and things that we're doing. Because the Company generates between $125 million and $150 million of free cash flow after we pay our dividends.

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

Okay. Thank you, Glenn. Thank you.

Operator

Our next question comes from Haendel St. Juste of Mizuho. Please go ahead.

Haendel St. Juste - *Mizuho Securities - Analyst*

Hi, good morning. Thanks for taking my question. Conor, I guess I was hoping you could provide some thoughts on how you're thinking about your capital allocation more broadly today beyond your redevelopment and development pipeline. How is the recent move in rates in your stock price and the changing rates impacted your investment return requirements? And as part of that, I'd also appreciate some thoughts specifically on potential stock repurchases, given your stock here in the mid $20s versus where you issued at nearly $31.

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

Well we always look at capital allocation as our priority. And when you look at the pipeline of what we have outlined, clearly the redevelopments are the most accretive in terms of returns to the Company and shareholders. So you can't really remove that from the analysis because we think that's number one, two, and three for us going forward. And we have, as we've said a number of different times, we have all the assets internally to work over. We don't actually have to go out to try and acquire assets in a very competitive market to try and create that internal value.

So clearly for us that's a big differentiator. And we still think we're in the early innings of unlocking that value for the portfolio. Our share price has moved with along with the interest rate environments and we obviously can't control that. We did take advantage of the ATM when last quarter when we thought that it was prudent. And we used it accordingly and we'll continue to monitor that. But for us, when we look in the open market, we want to be extremely selective.

A Company of our size, we feel like we need right now to be extremely selective on third-party acquisitions. And you've seen us do that and continue to finish off our dispositions. So we have a five year plan that's outlined. We have all the building blocks internally to really unlock a tremendous amount of value for our shareholders. And for us, it's all about execution and making sure we deliver on those results.

Glenn Cohen - *Kimco Realty Corporation - CFO*

Yes. I would just add, in terms of the buyback question, again, putting capital into our business where we think we can get higher yields, as Conor mentioned. The redevelopments give us that so at this point I don't see that's something that really is on the table when necessary at this point. Again, you do that when that's the last thing you have to create investment. We still want to invest in our product and our properties.

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

That's right.

Haendel St. Juste - *Mizuho Securities - Analyst*

Appreciate that. And a follow-up on the Sports Authority discussion. Can you guys talk a bit about the rents you're getting, rent spreads versus prior rents and how much capital are you're putting into some of these boxes to get them released?

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

The mark-to-market on the deals that have been executed is right around 5%, 5.5%. So we think that should be the case going forward on our boxes there. The TI has been somewhere between $30 and $50 a foot in TI. For the backfill of the normal box, it's right around $30. If you need to split it obviously it takes a little bit more cash and capital to reposition it. So that's where it comes in at the $50 per square foot range. So we feel pretty good about the demand sources there and continue to think that we can show measured improvement on the way.

Haendel St. Juste - *Mizuho Securities - Analyst*

All right. Thank you.

Operator

Our next question comes from Rich Hill of Morgan Stanley, please go ahead.

Rich Hill - *Morgan Stanley - Analyst*

Hi, guys. Good morning. Just a quick question going back to Albertsons and I'm sorry to continue to focus on this. But just hypothetically speaking, you had mentioned you had a lot of levers to pull if you could not monetize Albertsons in 2017. Is there any sort of guidance as to what -- which of those levers you might prefer in the event that a monetization didn't occur? Is it -- could you give this guidance if it's more senior unsecured debt? That seems to be a really attractive option for you right now. Given from a financing perspective, is it an equity capital raise? What are you guys thinking there?

Glenn Cohen - *Kimco Realty Corporation - CFO*

It really -- all the options are there, whether it be an ATM, if the stock price makes sense to us where it is, the unsecured debt markets -- we continue to be very successful and have -- continue to lengthen -- an important piece to us is lengthen our debt maturity profile. So I'm sure you'll see us continue to be in the unsecured bond market. We have sales that we're still not done. We will still have some more dispositions that will be part of next year that we've all talked about.

The bank community is another very much supportive of what we do. So if we wanted to do a term loan within the bank market, obviously we have our line. We have $1.750 billion line that has very little drawn on it. So we have a lot of opportunities. I would tell you the one thing we're not looking to do is to put mortgage debt on our consolidated properties. But even there, if that was the only market open, we even have that ability with close to 400 unencumbered assets.

Rich Hill - *Morgan Stanley - Analyst*

Got it. I'll stop my questions there. Thank you. That's helpful.

Operator

The next question comes from Michael Mueller of Morgan Stanley. Please go ahead.

Michael Mueller - *JPMorgan - Analyst*

Hi. I'm JPMorgan. Can you talk a little bit about the decision to buy out the partners stake in the four properties? I think it was in September. Was it set to unwind or did you just practically go after the properties and why?

Ross Cooper - *Kimco Realty Corporation - CIO*

Sure, I'll comment on that. We're constantly evaluating our JV program. That particular portfolio was one that we've had discussions with our part partner many times over the last few years. It was a window of opportunity that fortunately opened us for us and we seized upon it. In terms of the assets themselves, they're all located within our core markets. We obviously know them very well having [owned] and leased and managed them for well over a decade.

So we believe that there's still opportunity. They fit the program for us very well. In fact, we've already executed a 56,000 square foot lease at our property in Atlanta. So we're already seeing the benefits of that ownership piece. So it's -- when you look at the JV program sort of in its totality, we continue to see it as an opportunity for us to acquire interests in very high quality assets that we already have a strong familiarity with. So we'll continue to seek opportunities from the JVs when the opportunity presents themselves.

Michael Mueller - *JPMorgan - Analyst*

Okay. That was it. Thank you.

Operator

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

Chris Lucas - *Capital One Securities - Analyst*

Hi. Good morning, everyone. I guess, Conor, maybe if you could give us a sense as to what the balance is between sort of the landlord versus tenant negotiation situation stands right now. In other words has -- I think over the last year or so it's felt like landlords have had continuously better positioning for negotiating with tenants. Is that shifting at all back or is it still sort of feels like the wind is at your back?

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

It really comes down to the asset and the location of it. If you think about it, the high quality assets still demand a premium and there's still a tremendous amount of retailers that have a flexible format to get into those high quality pieces of real estate. That's where we're seeing the strongest demand. That's where we want to be long-term. That's why we've identified our target markets and we've done a lot of heavy lifting to get to those assets and to get to those target markets.

So that's where we see the demand continue to be strong. And so we feel good about the supply and demand is still in balance there. Clearly the added supply does change a little bit of the environment. But, again, it all drills down to the location and how strong that asset is relative to the surrounding assets and we feel good about our positioning.

Chris Lucas - *Capital One Securities - Analyst*

Okay. And then if I could make -- ask a follow-up just on the transaction market. You talked about the quality spreads between core and sort of non-core but I was curious as to whether or not the portfolio discount versus one off transactions has widened or stayed the same over the last few months.

Ross Cooper - *Kimco Realty Corporation - CIO*

We have not seen too many portfolio transactions execute in the marketplace. So like Kimco, many of the investors out there are very focused on specific markets and asset types. We haven't seen too many portfolios that have a similar high quality and locations. So the portfolios that have been on the marketplace have not achieved any sort of premium. So as we looked at our disposition program, we continue to feel that the best way to execute for us is really on a one-off basis or some very small select portfolios. But I think that the portfolio discount is certainly there and it's hard to move large portfolios of non-core assets.

Chris Lucas - *Capital One Securities - Analyst*

Great. Thank you.

Operator

And 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 - SVP IR*

Thanks, Kari, and to everybody that participated on our call today. Have a wonderful weekend.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines. Have a great day.
