Corrected Transcript

10-Feb-2022

Kimco Realty Corp. (KIM)

Q4 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to Kimco's Fourth Quarter 2021 Earnings Conference. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to David F. Bujnicki, Senior Vice President, Investor Relations and Strategy. Please go ahead.

David F. Bujnicki

Senior Vice President-Investor Relations & Strategy, Kimco Realty Corp.

Good morning, and thank you for joining Kimco's quarterly earnings call. The Kimco management team participating on the call today include Conor Flynn, Kimco's CEO; Ross Cooper, President and Chief Investment Officer; Glenn Cohen, our CFO; Dave Jamieson, Kimco's Chief Operating Officer; as well as other members of our executive team that are also available to answer questions during the call.

As a reminder, statements made during the course of this call may be deemed forward-looking, and it is important to note that the company's actual results could differ materially from those projected in such forward-looking statements due to a variety of risks, uncertainties and other factors. Please refer to the company's SEC filings that address such factors

During this presentation, management may make reference to certain non-GAAP financial measures, that we believe help investors better understand Kimco's operating results. Reconciliations of these non-GAAP financial measures can be found in the Investor Relations area of our website. Also, in the event, our call was to incur technical difficulties, we'll try to resolve as quickly as possible; and if the need arises, we'll post additional information to our Investor Relations website.

And with that, I'll turn the call over to Conor.

Conor C. Flynn

Chief Executive Officer & Director, Kimco Realty Corp.

Good morning and thanks for joining us. Today I will recap our operating results for the fourth quarter, provide an update on our strategic merger with Weingarten, and outline our key goals for the year ahead. Ross will give an update on the transaction market, and Glenn will cover our earnings results and guidance for 2022.

We continue to focus on execution as reflected by our strong fourth quarter performance. Leasing, leasing, leasing has been, is now and will continue to be our first, second and third priority. Our entire team has worked tirelessly to create a one-of-a-kind platform that utilizes our scale, portfolio quality, relationships, procurement abilities, data analytics, tenant support programs, last mile infrastructure, and pricing power. This platform has proven to be resilient when times are tough and shown to generate growth when the economic climate is favorable.

It is a key reason why we have been successful in re-leasing pandemic-induced vacancies while simultaneously attracting best-in-class operators that have embraced the future of last mile omni-channel retail.

Now, for some details on the quarter. Pro-rata occupancy increased to 94.4%, up 30 basis points from last quarter and 50 basis points from a year ago. Anchor occupancy grew 20 basis points from last quarter to 97.1% and was up 40 basis points year-over-year. Small shop occupancy also increased and is now at 87.7%, up 40 basis points from last quarter and 160 basis points from a year ago.

Our portfolio continued to exhibit strong pricing power. During the fourth quarter, as illustrated by the solid increase in new leasing spreads, which were up 14.1% based on 152 deals and 588,000 square feet. Blended spreads on renewals and options also increased by a healthy 7%, comprised of 4.1% for renewals and 13.1% for options. These spreads were based on 286 deals covering 1.5 million square feet. Overall, our combined leasing spreads grew 8.1%, based on 438 deals covering nearly 2.1 million square feet.

A couple of things to note about our strong results: First, the suburbanization trend spurred by the pandemic helped to increase retailer sales and supported our efforts to push rents at our high barrier-to-entry locations; second, our portfolio continues to benefit from the pandemic-induced work-from-home trend as people are eating more takeout than home-cooked meals, which is driving more frequent visits to our restaurants and grocery stores. As a result of this activity, our traffic counts have exceeded 2019 levels. We expect this trend to continue in the post-pandemic. New normal as shopping centers continue to play a critical role in omni-channel retailing.

Our strategy to have a grocery and mixed use portfolio surrounding the first ring of our top 20 major metropolitan markets in the US continues. When we started this strategy over five years ago, it was nearly a 50/50 split of our annual base rent coming from our grocery-anchored shopping centers versus our non-grocer. Today, 80% of our annual base rent comes from shopping centers that have a grocery.

We have continued to successfully invest in our assets and over the past year signed eight new grocery leases, two of which converted non-grocery spaces. The other six leases backfield former grocers who vacated. And with the Weingarten merger now complete, we have further solidified our dominant grocery portfolio in the major Sunbelt markets. In addition, we have taken a deep dive into every asset we own and believe there continues to be further opportunity to push our ABR from the portfolio to 85% from grocery-anchored centers and increase our mixed use over the next five years with a combination of strategic redevelopment; leasing; acquisitions; and, to a smaller extent, dispositions.

The Weingarten merger was a perfect fit for our strategic vision, and I am happy to report that our fourth quarter results from the Weingarten portfolio exceeded all of our underwriting assumptions. We were ahead on leasing spreads, occupancy gains, retention rates and cash flow. In addition, we have exceeded the high end of the synergy forecast range of $35 million to $38 million, and we will continue to mine for additional savings throughout 2022.

With our first full quarter as a combined entity complete, we demonstrated that our proactive efforts to ensure a seamless integration really paid off, resulting in outperformance, including enhanced margins and cash flow. I want to thank all the new and existing Kimco employees for their ongoing commitment and contributions without skipping a beat during the integration.

In closing, we have a good visibility into our leasing momentum and continue to see strong demand across our portfolio in all categories. We remain committed to strengthening our long-term earnings growth through the portfolio by curating the right merchandising mix that will drive traffic at all points of the day. Ultimately, we expect to be first in last mile retail by attracting tenants that can plug into the supply chain and deliver goods and services to the consumer in the most flexible and convenient way possible. We believe that this ongoing approach is the best way to generate long-term growth and value creation.

Now, I'll turn it over to Ross.

Ross Cooper

President & Chief Investment Officer, Kimco Realty Corp.

Thanks, Conor, and good morning, everyone. 2021 was a banner year on many fronts, and we are incredibly excited about the positioning of Kimco and the platform we have built that will support future growth. Today, I will discuss our fourth quarter activity and then make a few comments on current market conditions and our expectations for 2022. As outlined on previous earnings calls, our Q4 transaction activity came mostly from partnership buyouts and structured investments. Buyout activity included two grocery-anchored assets in California for a gross value of $134 million, increasing our ownership from 15% to 100%. The previously announced buyout of Jamestown and the subsequent formation of a new 50/50 partnership with Blackstone's BREIT on our portfolio of six high quality Publix-anchored centers in South Florida and Atlanta. Based upon a gross valuation of $425.75 million, this deal increased our ownership level from 30% to 50% and the buyout of our partners 10% interest in the Centro Arlington project, a 366-unit Class A mixed use residential asset in Arlington, Virginia, for a pro-rata price of $26 million, increasing the Kimco ownership on this signature series asset to 100%.

A major benefit of our joint venture program is the ability to acquire assets throughout the cycle, while typically having both the first and last look when the partnership decides it is the appropriate time to exit. While we have had success acquiring portions of several JV assets that we didn't previously own, we remain prudent in our valuation.

To that point, in the fourth quarter, we sold our interest in several minority-owned joint venture assets where pricing was very aggressive. We anticipate selling a few more joint venture assets in the first quarter of 2022, as the market remains extremely hot for all open-air retail centers.

On the structured investment side, we closed on a $15 million mezzanine financing investment in a sprouts-anchored center in Jacksonville, Florida, adjacent to the dominant St. Johns Town Center. As with prior mezzanine financing, we will retain a right-of-first refusal in connection with any future sale, while achieving a double-digit current return in the interim. We expect to allocate additional capital towards our structured investment platform and will selectively add assets into the program that fit our criteria for quality locations, tenancy, demographics and sponsors. Since the inception of the preferred equity and mezzanine financing programs in late 2020, we have invested $126 million at double-digit returns with an option to acquire each of the assets in the future. All of these investments are currently performing as expected.

As we've entered 2022, a very different landscape exists than at this time last year. Rent rolls are more predictable and reliable, open-air retail has undoubtedly proven its relevancy for retailers and shoppers alike and capital continues to flow into our sector. I would classify the investment landscape today as ultra-competitive, with very crowded bidding by qualified buyers with an abundance of capital that they're ready to put to work.

The relatively modest level of increase in interest rates so far this year has not created any pause in the transaction market with equity investors or lenders at this stage. While this is a positive sign for the industry at large, it creates a challenge for us when seeking external growth opportunities. To illustrate this point, we've seen deals trading at sub-5% cap rates regularly, including one-off assets and portfolios on the West Coast, Metro DC, Florida, Boston, New York, Charlotte and elsewhere.

Buyers consist of our public REIT peers, non-traded REITs, pension funds and 1031 exchange buyers. In many cases, we are competing with investors, who are agnostic on asset class, and see the wonderful risk-adjusted return in open-air retail when compared to industrial, multifamily, self-storage or life science, which are trading in the twos and threes. We will continue to be selective and disciplined from an acquisition perspective and ensure that there is a strategic fit or a unique circumstance that helps further differentiate Kimco in this environment.

There is no question that we are extremely fortunate to have multiple avenues of investment opportunity that not only provide a slightly greater yield than current market, but a higher likelihood of success and simply participating in a bidding war. As such, we will continue to work through partnership buyouts and structured investments as our main source of external growth, with perhaps a few select third-party assets in the 2022 pipeline as well.

Given what we see ahead of us and currently have in the works, we are comfortable to initially guide towards being a net acquirer of real estate investments for this year. Depending on the opportunity set, market conditions and our cost of capital, we will update you on our progress towards this goal as the year continues.

I am now happy to pass it over to Glenn to review our financial results and provide our expectations for the year ahead.

Glenn Gary Cohen

Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

Thanks, Ross, and good morning. We finished 2021 with strong fourth quarter results produced from increased occupancy, strong same-site NOI growth, further improvement in collections and credit loss and a full quarter of better than expected contribution from the Weingarten acquisition.

For the fourth quarter, NAREIT FFO was $240.1 million or $0.39 per diluted share and includes $3 million of income or about $0.01 per diluted share related to the valuation adjustment of the Weingarten pension plan. Excluding the pension valuation adjustment, NAREIT FFO would have been $0.38 per diluted share. Either way, this compares favorably to the $133 million with $0.31 per diluted share reported for NAREIT FFO for the fourth quarter of 2020.

The increase in FFO was primarily driven by higher NOI of $124.2 million, of which the Weingarten acquisition contributed $91 million. In addition, NOI benefited from improvements in credit loss, abatements and straight-line rent reserves of $28 million compared to the fourth quarter last year. Higher cash collections returning to pre-pandemic levels were the primary driver, including $7.8 million from cash basis accounts receivable, which were previously reserved.

FFO was impacted by higher interest expense of $11.6 million, resulting from the $1.8 billion of debt assumed with the Weingarten acquisition. In addition, G&A expense was higher due to increased staffing levels to support the Weingarten portfolio and higher bonus accrual based on the company's operating performance as compared to the fourth quarter last year.

We collected 79% of rents due from cash basis tenants for the fourth quarter 2021. Our cash basis tenants now comprise only 6.8% of annualized base rents, down from the 9.1% at the end of the third quarter. The operating portfolio continues to deliver strong results, with same-site NOI growth of 12.9% for the fourth quarter 2021, inclusive of the Weingarten sites for the first time. The primary drivers of the same-site NOI growth were higher minimum rents contributing 3.4% and improved credit loss and lower abatements adding 9.4%. In addition, redevelopment sites provided an additional 50 basis points.

Turning to the balance sheet, we ended 2021 with a very strong liquidity position comprised of over $330 million in cash and full availability of our $2 billion revolving credit facility. In addition, our marketable securities investment in Albertsons was valued at over $1.1 billion, and all restrictions are scheduled to expire in June of this year.

As of year end 2021, our consolidated net debt to EBITDA was 6.1 times and on a look-through basis, including our pro-rata share of joint venture debt and perpetual preferred stock outstanding, was 6.6 times, the lowest reported level since the company began disclosing this metric in 2009. On a pro forma basis, if the Albertsons investment were converted to cash, these metrics would improve by 0.7 times, bringing look-through net debt to EBITDA below 6 times.

Now for our 2022 outlook. While the pandemic and its effects on certain of our tenants continues, we are in a much better position than a year ago, given our strong balance sheet and highly diversified and well-located open air shopping center portfolio. Consumers continue to frequent our high-quality centers which offer necessity-based everyday goods and services.

Our initial 2022 NAREIT FFO per share guidance range is $1.46 to $1.50. The guidance range is based on the following assumptions. Same-property NOI growth will be positive. Please keep in mind the robust comps we will have for the last three quarters of 2022 are against varying levels of significant improvement in credit loss during the same periods in 2021. A normalized credit loss for 2022 of 100 basis points or approximately $18 million. No additional income from the collection of prior period accounts receivable attributable to cash basis tenants or reinstatement of straight-line rent receivables. No redemption charges or prepayment charges associated with callable preferred stock outstanding or early repayment of debt obligations. No monetization of Albertsons' shares, but inclusive of the expected dividends from the investment.

Total real estate acquisitions net of dispositions of $100 million subject to timing. Annual G&A expenses of approximately $105 million to $112 million, with the first quarter higher due to the timing of annual equity awards. Annual financing expenses of $248 million to $258 million from debt and perpetual preferred stock outstanding and no issuance of common equity. Based on our expected performance during 2022, the board has raised the quarterly cash dividend on the common stock to $0.19 per share, representing an 11.8% increase. This dividend level is based on anticipated REIT taxable income for 2022 and represents an FFO payout ratio in the low 50% area, based on our 2022 NAREIT FFO guidance range.

Looking back, 2021 was an incredibly successful year despite the ongoing pandemic. We fully integrated the $6 billion Weingarten portfolio, successfully onboarded close to 100 associates, improved occupancy levels, produced positive leasing spreads all year, and made significant progress on our leverage metrics. There's a lot to be proud of, and we thank the entire Kimco team for all their hard work and commitment. We look forward to another successful year in 2022.

And with that, we're ready to take your questions.

David F. Bujnicki

Senior Vice President-Investor Relations & Strategy, Kimco Realty Corp.

In terms of the Q&A, we have a pretty deep lineup today. To make it an efficient process, we encourage you just to ask one question with an appropriate follow-up and then you're more than welcome to rejoin the queue. Andrew, you can take the first caller.

QUESTION AND ANSWER SECTION

Operator: Okay. The first questioner is Rich Hill from Morgan Stanley. Please go ahead.

Richard Hill
Analyst, Morgan Stanley & Co. LLC Q

Hey. Good morning, guys. I wanted to just come back to the guide for a little bit and talk about the same-store NOI guide of being positive. I think that's well below maybe some of the expectations and even some of the long-term forecasts that you had put out. So while I appreciate the desire to be conservative and I do appreciate the tough comps comment, maybe you can just elaborate on that a little bit more and help us unpack it and maybe provide a little bit more of a bridge?

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp. A

Sure, Rich. It's Glenn. How are you doing? Again, we do expect it to be positive for the full year, but as we've talked about, the metric itself is a little bit tough because of all the noise that's in the credit loss aspect of it between reserves, straight-line rents coming back. So you have that. So it is a challenge to really pinpoint a really specific range. If you took all the credit loss out on both sides of it, same-site NOI growth would be somewhat close to the 3% range. And I'll give you a feel for where it is. But to pinpoint a specific range today, it's just very challenging. However, we are comfortable and confident that it will be positive this year.

Richard Hill
Analyst, Morgan Stanley & Co. LLC Q

Okay. That's helpful. I appreciate that. And just one more follow-up regarding the guide. I noted that you're not including Albertsons in it, which I understand and I also understand that Albertsons monetization wouldn't go into FFO. But given where your net debt to EBITDA is – maybe Conor, this is a question for you – what would you do with the monetization? It sounds like the buying assets is really competitive right now or your debt levels are at a good level. And when you think about deploying that capital and recognize you want to maintain maximum flexibility, but – could you maybe just walk through the capital allocation process?

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp. A

Sure. Thanks, Rich, for the question. The beauty of the Albertsons investment is it gives us a menu of different options to utilize that capital. We do have some – few bonds actually coming due this year. We have two callable preferreds. So, that's obviously a piece of the menu. We do have some opportunities on external growth. As Ross outlined in his script, we like our strategy there of looking at buying our joint venture partner, looking at core properties, as well as the mezz and pref investments that we have been making. We have a lot of leasing and re-development spend to do. There is no doubt about it. You've seen the uptick in the leasing volumes and that continues to be wind at our back. It's a – I think we're really in the sweet spot in terms of last mile retail and where retailers want to invest, not only in the existing store fleet but in net new stores. So, we've got a great menu of options. We'll continue to see, as the year progresses how that Albertsons investment continues to perform. But we feel very fortunate to have that as an additional, almost free equity raise that we will look to deploy freely.

Richard Hill
Analyst, Morgan Stanley & Co. LLC

Q

Perfect. Thanks, guys.

Operator: The next question comes from Michael Goldsmith with UBS. Please go ahead.

Michael Goldsmith
Analyst, UBS Securities LLC

Q

Good morning. Thanks a lot for taking my questions. You had a really nice acceleration on the re-leasing spread and that was both on the new leases and renewals. Can you walk through what's driving the gains, were they broad-based, were they concentrated in certain markets? [indiscernible] (00:23:26) to dig into where the strength is coming from would be really helpful.

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

Sure. Yeah. This is Dave Jamieson. It is broad based, but I would say that the majority of our leases – 95% of our leases that were executed in 2021 came from the Sun Belt and coastal markets. That's the substantial majority of our portfolio at this point. So when you look at geographic concentration, that's where we're seeing a significant uptick in activity.

In terms of our ability to push rents, you've seen it through the course of this year, you have muted – you have no new supply developed from development that's come online. You have this COVID inventory that's getting absorbed relatively quickly as a result of what Conor mentioned, the value of last mile, distribution and the utility of brick-and-mortar retail has really come into its own through the pandemic. And so you have these demand drivers that are pushing out with muted supply, that's helping us push rents further north.

So we're very encouraged by the spread this quarter. I always say the spreads are lumpy. It's all about the deals that qualify as comp deals in any given quarter. So it does go up, it does go down. But when I look at the net effective rents, it's really what we're focused on because that factors in costs as well. We're up over 9% when we look at our trailing four quarters in Q4, and we're up at 12% year over year. So that to me is a better indicator where we're going, that's factoring in the cost as well.

Michael Goldsmith
Analyst, UBS Securities LLC

Q

That's really helpful. And as a relevant follow-up, as we think about the drivers of leasing, have we hit the point where the pent-up demand has dried up and what's left is I don't know like good old fashioned underlying demand rather than a catch-up that we had kind of been seeing in the past?

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

So I think you still have pent-up demand that's flushing through the system. But more importantly, it's retailers redefining their strategy and how they utilize brick and mortar, and you have some of the leaders like Target who have been at the forefront for years now, continuing to find ways to repurpose their small format as well as their full size store. They're continuing to make investments to test how they can better connect with the customer. I think you're then starting to see that trickle down into other nationals, regional and local players. You're seeing digitally native brands come into the market, appreciating that brick and mortar has value. The margins are better in distribution to the customers. So, you are seeing this is somewhat reinvention of how people are utilizing the box. Micro fulfillment within the store is becoming a component when you look at the grocery stores carving out 10,000 to 15,000 square feet of their box and/or leasing adjacent space to accommodate this new use. So, you're beyond just the pent-up demand, which still takes time to absorb. You are seeing new utility for the box and the shopping center, which I think is really encouraging as we move into what I consider the next iteration of the open-air sector.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

Yeah. Just one thing to add on that is if you watch our retailers and I anticipate this to occur not just this quarter, but for the next few quarters, you'll see a capital allocation shift really towards last mile retail. And I think that's where you're going to start to see significant dollars being invested in existing stores because they're hard to replace as well as net new stores. And I think that's going to be a big shift from prior years where they were probably more focused on the e-commerce platform and are now really starting to shift more the additional dollars towards that last mile retail.

Michael Goldsmith
Analyst, UBS Securities LLC

Q

Thank you very much. Good luck in 2022.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

Thank you.

Operator: The next question comes from Samir Khanal with Evercore ISI. Please go ahead.

Samir Khanal
Analyst, Evercore ISI

Q

Hey. Good morning, everybody. So Conor, I just wanted to kind of dig deep a little bit more into this guidance here. I guess what are you assuming from Weingarten, and I know we've talked about the overhead savings before, but I'm just trying to understand in terms of additional opportunities, the margins that from Weingarten's perspective, I remember at that time, your occupancy rate was probably about 100 basis points lower. Just trying to see what's baked in the guidance, what are the opportunities that exist there in the portfolio today.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

Yeah. Good question. So the Weingarten portfolio did have lower occupancy when we announced the deal. Within the timeframe of, by the time we announced it versus when we closed, the occupancy actually caught up to Kimco's occupancy level. So we're sort of in tandem now as we go forward. The nice part about, as Dave mentioned on the demand side of it, leasing is robust across the Sun Belt and the coastal markets, and we continue to lean into our strategy there of portfolio reviews, using our size and scale, using our ability to tap our network for new concepts and continue to think that that's really going to be the driving force of the earnings growth going forward.

There will be some synergy savings, as I mentioned in my script going forward, that are above our targeted range that we're mining for. We've been very focused on the integration. We've hit the ground running. As you've seen with our results, there hasn't been any sort of bubble of any type, so like where we hit a pause. We'd hit the ground running and think that there is more opportunities on the redevelopment side. We've focused on entitlements on their major mixed use projects as well. Ross mentioned buying out the JV partner in the mixed use asset near our Pentagon project, so we have a nice cluster there of mixed use assets that continue to define our strategy in the DC market. So there's a number of different levers to pull for growth from the Weingarten portfolio. First and foremost is the leasing side of it, second is obviously the redevelopment side of it and then the JV buyouts, as I mentioned before. So it's a nice menu of options to help our growth profile going forward and obviously the Sun Belt continues to shine.

Samir Khanal
Analyst, Evercore ISI

Q

And my second question, I guess, for Glenn is just in terms of prior period rent collections that you could potentially collect in 2022, I mean how big is that bucket today? Please remind us on that. And then maybe of that bucket, what percentage of those tenants are sort of still active today in the business?

Kathleen Thayer
Senior Vice President-Corporate Accounting & Assistant Treasurer, Kimco Realty Corp.

A

So Samir, it's actually Kathleen, and I'll jump in and answer your question. So I think – of course, we all wish we had a crystal ball and we don't, but I think the best way to look at it is right now, our cash basis tenants have a reserve of about $35.5 million. And so in that number, about $7 million of it relates to our deferred receivables and then about a quarter of it is related to vacated tenants. So when you're narrowing down what we're looking at from a cash basis perspective, you start with that $35.5 million which is what the reserve is. And then any collections on that is on the plus side.

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

I'll just add. Again, as I mentioned, inside the guidance, we're not anticipating any further collections from that. So to the extent that we pick up some of it, it'll just be additive to where we are.

Samir Khanal
Analyst, Evercore ISI

Q

Thanks so much, guys.

Operator: The next question comes from Craig Schmidt with Bank of America. Please go ahead.

Craig Schmidt
Analyst, BofA Securities, Inc.

Q

Thank you. The off price category seems particularly aggressive in terms of store opening. I think between TJX, Ross and Burlington, they plan on opening over 350 stores. I wonder how you could – if you could tell us how many of these stores are entering into the Kimco portfolio in 2022.

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

Yeah. So, off price and combined with some dollar stores actually represented in 2021 almost 25% of the deal flow. So, you're seeing a substantial [indiscernible] (00:31:40) from the off price category, and I would anticipate that that demand will continue through 2022. TJ has multiple brands, all of which they're pushing. They've been really encouraged by the signs that they saw through the pandemic. TJ Maxx, Marshalls, HomeGoods, HomeSense is now expanding to new markets [indiscernible] (00:31:57) as well. So, they see a lot of runway and lot of white space that they can fill and also create a greater density and pockets of concentration to grab market share.

Same with Burlington. Burlington continues to modify their footprint. They're becoming much more efficient in the utility of the box. So, it gives them more flexibility to penetrate a market that may otherwise not have been available to them in the past. So, I think you're going to continue to see them grab market share where they can, appreciating that they really are in the sweet spot. People love the treasure hunt, price points appropriate. They have goods and services. They have a good supply chain, merchandise mix, so they're in a good position right now.

Craig Schmidt
Analyst, BofA Securities, Inc.

Q

Yeah. And Kimco also has been trying to add grocers to the portfolio. Can you give us an update on the number of grocers you've been able to add?

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

Yeah. We did eight grocery deals in 2021, and we converted a couple of those non-grocery centers into grocery-anchored centers. In terms of the grocer demand, it really is across the board as well. You have Sprouts expanding, you've Fresh Market expanding. You have New Seasons in Pacific Northwest looking to do new deals. You have ALDI on the more – the value oriented side expanding. So, grocers have appreciated that. Obviously, they were invoked during the pandemic. They're continuing to able to retain customers. So from Conor's earlier point about the change in behavior with this hybrid work-from-home, go-to-work structure now, it does increase [ph] maybe – or shops (00:33:45) one time a week, one more meal at home and has a material impact when you scale it across the country. So I think you'll continue to see that expand through it. And obviously, Amazon in their grocery initiative as well is fairly aggressive.

Craig Schmidt
Analyst, BofA Securities, Inc.

Q

Thank you.

Operator: The next question comes from Juan Sanabria with BMO. Please go ahead.

Juan C. Sanabria
Analyst, BMO Capital Markets

Q

Hi. Good morning. Thanks for the time. Just hoping you could talk a little bit about expectations, a range of expectations underlying the guidance for both occupancy and spread, the cadence and/or trends from 2021 into 2022, and how you think we should be looking at that given a robust environment to start the year.

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

Yeah. So occupancy when we came out of – we try to look back to look forward. And when we look back on the Great Recession, we noticed around a 10 to 30 basis point gain quarter over quarter on the recovery rate. Obviously, this last year, we had about a 50 basis point gain on the recovery year over year. In 2021 we're going to hold within that range of that 10 to 30 basis points. It can be lumpy at times. Obviously, Q1 historically been a little more muted [indiscernible] (00:35:15) you get back post-holiday. So you'd have to manage that. And then as you played out through the course of the year, that's sort of what we're seeing it today. But demand is strong, as we've already talked about.

Juan C. Sanabria
Analyst, BMO Capital Markets

Q

Any color on spreads?

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

Spreads, again, I mentioned it before, spreads are lumpy. It really depends on what falls into that category on a quarterly basis. What I would say is when you look at our 2022 and 2023 anchor rollover schedule, it's about $12 a foot in rent. Our average ABR on anchors signed last year was $17. So you have a nice window there. Just continue to see growth in the rents. And again, we're highly focused on [ph] NER (00:36:07) and that's where we're seeing some encouraging signs as well.

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

I would just add, we still as a portfolio have large amount of below market rents. So as those come due, they add pretty considerably to the portfolio. But at this point, they are lumpy.

Juan C. Sanabria
Analyst, BMO Capital Markets

Q

And then just my last question just on the joint venture buyouts and/or sales. Any quantum that you can give us in terms of the potential opportunity for how you guys are thinking about it on both the acquisition and/or sale side? You've kind of hinted at some dispositions here in the first half of the year particularly on that. And any color around size and/or pricing around those potential transactions?

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

Yeah. I mean it is a little bit difficult to predict. We keep in very close contact with each and every one of our partners, and they all have varying degrees of views on time horizon on their investment strategy. So we are having active conversations with several. We don't know necessarily which ones will hit this year, next year or even five years into the future. So we try to maintain a pretty conservative view on our acquisition and disposition guidance. But what I can tell you is that several partners are active today. As I mentioned, we have sold a couple of joint venture minority interest that we owned in the fourth quarter and already here in the first quarter thus far, and we do anticipate a few more on both the acquisition and disposition side. So, we'll update you as the year progresses in terms of what the volume is, but there are substantial active conversations ongoing.

Juan C. Sanabria
Analyst, BMO Capital Markets

Q

Thank you.

Operator: The next question comes from Caitlin Burrows with Goldman Sachs. Please go ahead.

Caitlin Burrows
Analyst, Goldman Sachs & Co. LLC

Q

Hi. Good morning. Maybe just a question back on the credit loss. So, guidance is assuming a headwind of 100 basis points. Can you go through how this would compare to pre-pandemic years, and to what extent this is based on specific tenants that you have concern about versus a more general unknown bucket?

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

Yeah. Hi, Caitlin. I mean, again, credit loss, if you look pre-pandemic, we were in a range of somewhere in the 75 to 85 basis points in a given year. Again, very hard to predict early on, but – so we've taken approach of 100 basis points in our guidance. And then, yeah, obviously, we'll report quarter by quarter, but we think it's a good starting point. And we do feel pretty good about where the collection levels are because they are back to more pre-pandemic levels. And I would say the tenant base is certainly very, very strong today. The pandemic was able to – you have a lot of tenants that went away that probably needed to go away and the team's just done a great job replacing that. And you have uplift coming, certainly, from the occupancy side from the low that we did. So, we think that's really the right starting point.

Caitlin Burrows
Analyst, Goldman Sachs & Co. LLC

Q

Okay. Got it. And then maybe just one back to Albertsons. I was wondering if you could go through what the kind of FFO tax implications could be when there is a monetization. I think given the time you've waited, to what extent are you able to manage and avoid a more significant impact or not?

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

So it's a great question. I think as I mentioned previously, in any given year, the way the investments held today, we could sell and absorb the gain in the REIT of around $350 million, and we could do that to stay a REIT, right? The key there is the gross receipts test, the 75% gross receipts test. So if you look at overall gross receipts of the company today is somewhere in that $1.7 billion, $1.8 billion range. We could do around $350 million of gain and we would be fine. From an FFO standpoint, again, we're not including gains on marketable securities in FFO to sign an FFO issue. But obviously, the cash would come in, and how we utilize that cash would have some impact on FFO. Bear in mind that whatever we sell, the dividend that we're earning, which is baked in the guidance, would fall away. So we have room – if – again, we also have strategies that if something was larger, we can move part of the investment back into a TRS that has other tax implications. So we're going to monitor the investment and try and be as opportunistic as we can and monetizing it over time.

Caitlin Burrows
Analyst, Goldman Sachs & Co. LLC

Q

Okay. Thank you.

Operator: The next question comes from Greg McGinniss with Scotiabank. Please go ahead.

Greg McGinniss
Analyst, Scotiabank

Q

Hey. Good morning. I was hoping to talk about the development pipeline just for a moment which kind of appears to be slowing down quarter over quarter as you continue to deliver projects. But has that become a less important aspect to the growth story relative to external growth or how should we think about the potential for adding projects, especially given the mixed use entitlements you already have?

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

Yeah. It's a great question, obviously accurate observation. I would say where you're seeing the strategic shift on our investment strategy on the development – redevelopment side is less of an influence on a go forward basis on ground up development and more of an emphasis on redevelopment. Redevelopment broken into two distinct categories. The first one being our core retail redevelopment, has been part of our DNA for the last 10, 15 years, and that's really the repositioning of retail within the center, adding of outparcels, anchor repositionings which are a very big focus of ours right now coming out of COVID and [indiscernible] (00:42:19). And the second part of that is the activation of our entitlements, the mixed use pipeline. So, as you can see in the [ph] South (00:42:29), we obviously have the Milton that's currently under construction, phase 2 at Pentagon Centre, which is across from the Amazon HQ campus in Arlington, Virginia. In addition to that, we do have a couple ground leases, one in Camino Square, which is in South Florida, as well as the Avery Tower 2, which is part of the Dania Pointe project, that's another 600 or so residential units. So, we almost have about 1,000 units under construction, either through our joint venture structure at Pentagon or [ph] surrounding (00:43:00) structure. We'll see – continue to focus on the opportunity to activate some of those entitled projects in the future. The time and how the structure is will be conditioned on the market and what we see as the most opportunistic way to proceed. So that's definitely where we're going to apply our focus going forward.

Greg McGinniss
Analyst, Scotiabank

Q

So is there any like level of guidance you can give on kind of expected pipeline size in terms of future development or future spends that expected to stay around the same level and just recycle as you finish up assets or do we expect some growth in the level of pipeline size [ph] income and (00:43:39) spend each here?

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

I would say from a future spend standpoint, somewhere between $100 million and $125 million a year on redevelopment is what we've baked into our plan, so pretty similar to what you've seen previously. But again, we're going to be very methodical and disciplined about how we start executing on those projects.

Greg McGinniss
Analyst, Scotiabank

Q

Okay. Thanks.

Operator: The next question comes from Katy McConnell with Citi. Please go ahead.

Michael Jason Bilerman
Analyst, Citigroup Global Markets, Inc.

Q

Hey. It's Michael Bilerman here with Katy. Maybe Glenn, sticking with you, I just wanted to circle back on the guidance just to make sure that we all have it correctly. Coming out of the fourth quarter, I think you said the $0.39 was really $0.38 when you adjust for the Weingarten benefit on the G&A, so call it about a $1.52 going into next year. It appears as credit loss reserve. Obviously, you had a benefit in the fourth quarter, which probably added $0.01 to $0.15. So maybe the run rate's $0.365, which is effectively the low end of your guidance. And so

I'm just trying to put it all together because it sounds like everything is really positive. You have increased synergies coming next year from Weingarten, you have positive same store, you have positive net investment income, you have the benefit of the investments you made in the fourth quarter. So I guess I'm struggling a little bit to sort of comprehend the $1.46 to $1.50 and why that really shouldn't be up towards $1.50 to $1.54.

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.
A

So, Michael, I guess you were sitting in the room with me when we were doing guidance because your math is pretty accurate. Again, you hit on the points that are important, right? The Weingarten pension accrual is a onetime thing. So again, that's why we've pointed it out. So you do need to pull that roughly penny out for that. And we did have, as I mentioned, about $7.8 million of collections of prior period, cash basis tenants that came during the quarter. So again, in our guidance, as I mentioned, that's not in there. So to the extent that we collect some of that, you're right, there is some room for upside and your run rate is kind of where you're at. That's right, too. This is where we're going to start out. We feel good about where things are. We have good credit loss back in, which is a – it's a pretty significant number, right? We're using $18 million of credit loss in the numbers for this year, where we add net-net about $7 million of income. So year over year, you're looking at like a $25 million swing, which is $0.04 or $0.05. So that's kind of the math. As we'll go forward, we'll see where things fall out and we'll make adjustments accordingly.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.
A

Yeah, Michael, just remember, we are still in the midst of a pandemic and we felt like this was the appropriate starting spot. Now like, you've seen before, it's not how you start, it's how you finish. And so I think we're focused on that. And we feel like as [ph] we sit and still (00:46:57) in the midst of a pandemic, we feel like it's a good starting spot.

Michael Jason Bilerman
Analyst, Citigroup Global Markets, Inc.
Q

So it sounds like there is nothing else other than this credit loss of 100 basis points that obviously would be probably an incremental drag relative to where Street estimates are probably in the range of at least $0.02 to $0.03 relative to probably what people were expecting. Is there anything else in your numbers that is acting as a negative surprise or conversely, are there things out there other than credit loss that could be a positive surprise? I'm just trying to make sure that there's nothing else that we're missing in the numbers.

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.
A

I think there's a couple of things, right? I mean we're early on in the year. We've talked about the fact that there is a fair amount of refinancing that needs to be done. So, depending on where interest rates are at the time we do it, that could have some level of impact on where everything falls out and where things go forward. And again, Albertsons, again, is not really baked into the numbers at this point. So, anything that happens there has some impact as well. So, again, it's early on. We tried to lay out all the pieces of the way we're thinking about it. And again, as we move along through the year, we'll continue to update it.

Michael Jason Bilerman
Analyst, Citigroup Global Markets, Inc.
Q

Okay. And Katy had a question as well.

Katy McConnell

Analyst, Citigroup Global Markets, Inc.

Q

Hi, everyone. It's Katy. Just wanted to go back to capital allocation again with the acquisition guidance pretty like start. I'm just wondering how much you think you could potentially allocate this year to debt or preferred paydown as opposed to refi for your upcoming maturity.

Glenn Gary Cohen

Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

So, our capital plan is to really refinance, obviously the bonds that we have. The company today is forecasted to generate around $200 million of free cash flow after dividends. I mean, again, cash is fungible, but to the extent that the plan ran exactly as is, we would expect that for the most part, we could use a good portion of that cash towards debt – again, it's fungible, but towards debt repayment. So overall, again depending on how the whole year goes, we are not expecting debt levels, absolute debt levels really rise.

Katy McConnell

Analyst, Citigroup Global Markets, Inc.

Q

Got it. Okay. Thanks.

Glenn Gary Cohen

Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

I think I just want to add one other point again, just back to Michael, a little bit. I think I've said in my prepared remarks, there are no charges baked into this plan for the redemption of preferreds or any pre-payment charges [indiscernible] (00:49:41). Should any of that occur, obviously, we'll make adjustments to the headline FFO guidance, but that is not incorporated in the plan today.

Michael Jason Bilerman

Analyst, Citigroup Global Markets, Inc.

Q

And is the refinancing and the accretion or dilution embedded in the numbers? I mean, do you have anything from the net effect of it, forget about the charges for a second?

Glenn Gary Cohen

Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

Yes. Yeah. We do. There's a modest amount that's baked into it, but remember, most of it is later in the year.

Katy McConnell

Analyst, Citigroup Global Markets, Inc.

Q

Yeah.

Glenn Gary Cohen

Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

Right. So the preferred isn't callable until middle of August. And the second preferred is isn't callable until December 20. So you're going to have very little impact for 2022, as it relates to that. The bonds don't mature until October 15 and November 1. So a similar situation where the refinancing of those items is really late in the year. So more of a – we'll get to it later, but it's more of a 2023 impact and we'll see where the refinancings of those occur at the time.

Katy McConnell

Analyst, Citigroup Global Markets, Inc.

Q

Okay. Thank you.

Operator: The next question comes from Alexander Goldfarb with Piper Sandler. Please go ahead.

Alexander Goldfarb

Analyst, Piper Sandler & Co.

Q

Hey. Good morning. And Dave, maybe you'll permit me to use Michael Bilerman two plus one questions. So just following up on Michael's question, just for simplicity, what is the abnormal or sort of the onetime benefit in 2021 because obviously, you guys collected a lot of back rent, et cetera. So as we think about the base run rate heading into 2022, how much was 2021 inflated by the one-timers, the catch-up, repayment of prior due rent, et cetera?

Kathleen Thayer

Senior Vice President-Corporate Accounting & Assistant Treasurer, Kimco Realty Corp.

A

Hey, Alex. It's Kathleen. So for 2021, if you include AR, deferred and straight line, it's closer to $7.3 million is the income that we did record related to those items.

Alexander Goldfarb

Analyst, Piper Sandler & Co.

Q

So $7.1 million. So basically when we're thinking about the comp to get to the guidance for 2022, we would take out $7 million – call it $7.5 million of FFO to start the base?

Kathleen Thayer

Senior Vice President-Corporate Accounting & Assistant Treasurer, Kimco Realty Corp.

A

And then add in the 100 basis points from the credit loss that we have built into the projections.

Glenn Gary Cohen

Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

[indiscernible] (00:52:04) You really have a – you have a spread – as I was mentioning, a spread of about $25 million when you're looking at the guidance.

Alexander Goldfarb

Analyst, Piper Sandler & Co.

Q

Okay. Now for my two questions. The first is, obviously, we got the CPI print 7.5% which is just crazy. But you mentioned that the bidding for shopping centers is intensifying, no real change in cap rates. Couldn't you make the argument that given there's been no supply in like 15 years and you have a lot of tenants finally coming back to their store fleets, that we'll actually see cap rates continue to compress as institutional buyers try and buy up that inflationary mark to market and that maybe with that Albertsons proceeds that you guys would want to go on a buying, like be more aggressive in buying because of what potentially could be happening as far as that inflationary mark to market and cap rate compression or is your view that that's not probably what's going to happen or that's not a reasonable assumption to be going out and making acquisition decisions based on?

Ross Cooper
President & Chief Investment Officer, Kimco Realty Corp.

A

Yeah. No, it's a good point. I mean I think we like to be selectively aggressive and really pick our spots. You have sort of counterbalancing impacts from inflation and the impact on interest rates. So we obviously are watching that closely. My point wasn't to say that the pricing and the cap rates are not justified. The low cap rates and what we're seeing transacting regularly in the 4s, there's good reason for it. There is substantial growth in a lot of these assets. And frankly, when we look at acquisition opportunities, cap rate is one of multiple metrics that we're looking at. Obviously, CAGR, the compounded annual growth rate is critical, where do you land an IRR versus just the going in cap rate, cash on cash, FFO impact. And then, again, when compared to other asset classes, which is who we're competing with and a lot of these deals are buyers of other asset classes, there's a real reason that they see a very solid risk adjusted return in grocery-anchored retail. So, we expect that the market is going to continue to be very aggressive throughout this year, notwithstanding where interest rates go for a variety of reasons, including what you just pointed out and we'll pick our spots. We will definitely be active. We will be putting out money. We do anticipate being a net acquirer. To what extent will depend on the opportunity set and where our cost of capital is and a variety of other factors. But your point is well taken.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

Just one other point to add [indiscernible] (00:54:42) is the capital formation for our product. I mean the private REITs, some of them are putting a toe in the water, some are just getting started. And I think that's going to be a major impact on cap rates in 2022 when they really start to put a lot of capital to work. And as Ross said, the relative returns are still pretty juicy relative to other food groups.

Operator: A reminder to currently limit yourself to one question and one follow-up. The next questioner is Floris van Dijkum with Compass Point. Please go ahead.

Floris van Dijkum
Analyst, Compass Point Research & Trading LLC

Q

Yeah. Good morning. Thanks for taking my question, guys. Conor, you guys are the largest shopping center REIT in the country now. You've got tremendous information at your fingertips. I saw that you appointed a Chief Information Officer. You have access to a huge amount of data, probably more data in the shopping center space than anybody else in the country. Just help us think about how you're mining that data, trying to monetize that. We've heard one of your competitors yesterday talk about how they're using data to get into the unanchored center space because they think that that's an underappreciated segment. And what kind of impact could all of this information have in your view or what initiatives do you have in place to really – to raise also the occupancy level, particularly in your small shop space, which has historically lagged your anchor space by almost 10%?

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

Yeah. Floris, it's a great question. And I think you're spot on in a lot of ways. You might have picked up that I mentioned data analytics in my script as well. I think it's a big differentiator. And I think having scale has that advantage when you're able to invest in data analytics and information and tracking, that others can't, and it gives you the opportunity to understand your consumer better than ever before, and it helps with capital allocation and it helps with leasing. And so, we're at the very forefront of that. We're doing a lot of things to test out different products. I would say that we understand trade areas better than we ever had before. We understand consumer habits better than we ever had before. We're also partnering with our retailers to start to share information because we sort of have data around the shopping center, where they have data inside the four walls. So, all of these, I would say, are going to be major differentiators in the future. I think data analytics is at the very first inning of utilization in the shopping center sector. And online has had that advantage for a very long time, where they have all of your data, all of your habits and sort of anticipate what you're going to need. And I think that that's just starting to come to the brick-and-mortar space, as most of the best online retailers are now brick-and-mortar retailers. And I think you're going to see that customer acquisition continue to be sort of critical. And I think it's going to be a major game-changer for us, for capital allocation, as well as on leasing, because we can anticipate what the demographic needs, what's missing, avoid analysis tool that we utilize for our leasing as important, trade area information, it goes on and on. But, I do think data analytics is really just starting and I think we're putting a lot of investment, both capital and human resources into it to make sure that we take advantage of it from our scale side of it.

Ross Cooper
President & Chief Investment Officer, Kimco Realty Corp.
A

And I'd just like to add two things. One, on the specific retailer initiatives when we're working with a retailer, as Conor had mentioned, we're able to share some of the information that we have related to performance of the center, their catchment area, their overlap in market share, and how our center could be an appealing option for them. And in several cases, it's actually drawn the retailer to our center versus a competing center. So, we'll continue to refine and utilize that going forward.

And I think second to that, coming back to Weingarten is, you have to look at technology and data in a much broader context, because I think you also have to take into consideration our operating platform and the dollars that we've invested and the time that we've invested into building a very sophisticated operating platform that's now allowing us to grow at scale and be very efficient in doing so. If we didn't make the investments that we had done for the last three years, prior to Weingarten, we would have been in a very different position. But as a result of that, we were able to absorb a very large portfolio in a very short period of time, report our numbers in 60 days, and the operating team really didn't skip a beat. So, that to me also is a go-forward opportunity that we can utilize and flex.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.
A

You can tell we're pretty passionate about it. I mean, I think, when you look at the benefits of scale, historically, it's probably been: number one, pricing power; number two, maybe G&A savings; and number three, technology. And I think in a matter of probably a few quarters, that's going to be flipped. And I think technology is going to be the dominant reason for scale to take advantage of that opportunity.

Floris van Dijkum
Analyst, Compass Point Research & Trading LLC
Q

Great. If I can ask one little follow-up, the Donahue Schriber portfolio supposedly is trading, you guys must have looked at that. It appears to be a very, very tight cap rate based on market sources. Maybe can you talk about the impact on the markets and, again, another print, lower cap rate print, and maybe the – how much should people get worried that return expectations are factoring in more growth, but slightly less current income, or should we be pretty confident about that growth going forward?

Ross Cooper
President & Chief Investment Officer, Kimco Realty Corp.
A

Yeah. I mean, it's – look, it's a great portfolio, so we're not surprised to see that it's traded aggressively and that there was a lot of competition for it. It's just another of many data points that we continue to see in our sector, we'll have a lot of capital chasing a smaller amount of supply. And with that, you're going to continue to see pricing remain very aggressive. There's been a tremendous emphasis on certain parts of the country, the Sunbelt especially, and we love the Sunbelt, and we continue to invest capital there. But let's not lose sight of the fact that the other markets and because we are geographically diverse, there is a lot of demand and a lot of pricing power who are Northeast and New England and the Mid-Atlantic and Pacific Northwest, and especially California as well.

So, there are tremendous barriers to entry in a lot of these markets, and it's not surprising to see the rest of the investment community coming around to it and continuing to provide a lot of capital to those assets. So it's – there is going to continue to be more and more single assets and portfolios that are going to surprise to how competitive and [indiscernible] (01:02:16) there.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

It still shines a light on that disconnect between public and private pricing. And I think that – as deals come through this year, especially sizable ones, it will be very apparent that there's a sizable disconnect still.

Floris van Dijkum
Analyst, Compass Point Research & Trading LLC

Q

Great. Thanks, guys.

Operator: The next question comes from Haendel St. Juste with Mizuho. Please go ahead.

Haendel St. Juste
Analyst, Mizuho Securities USA LLC

Q

Hey, good morning. Conor, I was intrigued by your comments on technology and wanted to follow up on that a bit. I guess, I'm curious, first of all, what's the built-in assumption for expense growth this year, where are you seeing the most pressure? And what's your sense of pricing power and Kimco's platforms ability to offset these rising costs, both from a [indiscernible] (01:03:06) growth side, but also from a platform and technology-driven cost savings. How much are we thinking maybe reflected in that guide from some benefits of margin expansion from those two items? Thanks.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

Yeah. So, technology does continue to be a focus of ours and we do invest – and I think the key word there is invest – I think annually, and making sure that our platforms are up-to-date and sort of the most efficient for the portfolio, so it's operated in improved margins. We utilized sales force really as our backbone in MRI. We did a pretty significant upgrade there and continue to think that those platforms give us an advantage going forward to integrate whether it's one-off of portfolios on to the platform and gives us tremendous data relatively real-time. And so, the annual investment there continues to be sizable.

Ross Cooper
President & Chief Investment Officer, Kimco Realty Corp.

A

We invest somewhere between $5 million and $10 million in a given year.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

And we continue to pilot new ideas as well. I think that, again, as long as you continue to think of it as an investment and a differentiator for you going forward, I think that's the right way to look at it. But I think as soon as you start looking at it as an expense item, that's when you can get in trouble because then you're going to start to cut corners and you're not going to have the advantage going forward.

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

Yeah, I mean, I just had a little bit to give you. I mean, we've invested a fair amount of money in developing bots that do things that are repetitive transactions instead of having people doing Excel spreadsheets. We're using the technology and it just creates an enormous amount of efficiency and allows our people to focus on higher level things that help drive future value in the business. So, anywhere where we can use technology to our advantage, we've really done that and we've taken even things like MRI that we've migrated to from CPI. I mean, we are a major contributor to increasing the power of that product. So, we work very, very closely with the vendor, same thing with sales force. So, technology is a key part of what we're doing to create all the efficiencies we can in the business.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

It's also part of our ESG initiative, right? I mean, if you look at all the investments we're making, it really is for improving – ways to improving the long-standing value creation to all of our stakeholders. That, obviously, includes the communities that we serve.

Haendel St. Juste
Analyst, Mizuho Securities USA LLC

Q

That's helpful. And I guess, I understand that you're still investing. And curious, what do you think you'll be able to put some numbers around some of those potential cost savings? It seems like you're still kind of earlier stages, maybe that's top of the list for the next year. But, just curious on when do you think you'll be able to put numbers?

And then, back to my original question, one of the pieces was what's in the guide for expense growth this year. Maybe you could talk about that a bit and maybe some of the key pressure points? Thanks.

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

Yeah, I mean, from an expense standpoint, again, inflation is clearly something that is in the works and you have to deal with. Our recovery rates are pretty strong from a TAM and tax standpoint. So, the amount of leakage is not tremendous, but we have that. And if you look at overall NOI margins, that NOI margins are in the low 70s. So, we would expect them to kind of stay in that range throughout the year.

We gave you guidance, as it relates on the G&A side. So, that's already baked into the guidance range.

Haendel St. Juste
Analyst, Mizuho Securities USA LLC

Q

Got it. Thank you.

Operator: The next question comes from Ki Bin Kim with Truist. Please go ahead.

Ki Bin Kim
Analyst, Truist Securities, Inc.

Q

Thanks and good morning. Just going back to the last question on expense reimbursements, that reimbursement rate, it looks like it dropped a little bit in 4Q. I was just curious if there was anything you can help us understand about that. And do you have caps on the amount of reimbursement that – how much a tenant will pay versus how much you will pay on expense rises?

Kathleen Thayer
Senior Vice President-Corporate Accounting & Assistant Treasurer, Kimco Realty Corp.

A

So Ki Bin, when it comes to recoveries, there's a lot of facets to it. It really comes down to timing of spend and the nature of the spend. So as there are certain tenants that have caps in their leases, so if your spend reaches that cap in the fourth quarter, you may see a drop off of the recovery related to that particular lease, just as an example.

When it comes to the capping things, you also have a component of fixed CAM, which means that it's a set dollar amount that we're going to get from the tenants, and that amount comes through pro-rata throughout the entire year, irrespective of where the actual spend happens. So again, when it comes to recovery, there's a lot of timing impact, which makes it a little bit lumpy.

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

Yeah. I would just add to that. Again, when you look at the spend during the fourth quarter of 2021 versus the fourth quarter of 2020, it was clearly more spend, you have more spend related not just to the Weingarten acquisition, but fourth quarter of 2020, we're still pretty deep in the pandemic and the amount of spend that was going on was a little bit more limited. So I think when you look at the fourth quarter, that's a pretty decent run rate about where spend is going.

Ki Bin Kim
Analyst, Truist Securities, Inc.

Q

So some of these fixed CAM nature and maybe some caps on expenses that a tenant would pay, is that at all a drag in your 2022 guidance for your same-store NOI given what [indiscernible] (01:08:47).

Kathleen Thayer
Senior Vice President-Corporate Accounting & Assistant Treasurer, Kimco Realty Corp.

A

So when it comes to fixed CAM, just something to know, there's a bump each year in the lease with regards to the reimbursement that's the tenant gives us. So it's not a set it and forget it, the amount keeps increasing over the years.

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

And there's also a component in terms of as you're building back occupancy and getting more tenants opened, they're starting to contribute to the CAM, or you still have to operate a shopping center even as the occupancy is down a little bit. So you still have recurring expenses, some of which the landlord will bear until you have a new tenant that comes online. So as you start to see or at least the economic compress, more tenants open and start contributing to the reimbursement pool, that recovery rate will increase.

And as we go through our budget process, the – any cap component that may be associated with the lease is well understood and we manage our expense within what the contribution could be. But to Kathleen's earlier point, what's really essential is that the fixed CAM element continues to grow on an annualized basis and it allows us to make the investments that we need to make to ensure that our center stay at the top of the market and relevant for both our retailers and customers.

Ki Bin Kim
Analyst, Truist Securities, Inc.

Q

Right. I guess, what I was getting to was, your fixed CAMs are growing, but perhaps not at the pace of inflation. So I was wondering if that...

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

Right. Now I understood.

[indiscernible] (01:10:15)

Ki Bin Kim
Analyst, Truist Securities, Inc.

Q

Yeah.

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

Yeah. No. So, let's talk inflation. Obviously, inflation is real, it's here. The number just came out this morning. We're very mindful of that and you're managing with – you're managing through that as well, and so you have the opportunity to adjust your spend as needed. In addition to that, what we've done is, we've also pre-purchased material that we knew would be needed in 2022. We started buying roofing materials and other items that were essential back well into 2021, in preparation to utilize for 2022, stay in front that, and that's something that we'll just continue to manage as we're working through our budgets.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

We don't have it – we don't see it having in negative impact on same-store NOI, to your question.

Ki Bin Kim
Analyst, Truist Securities, Inc.

Q

Okay. Yeah. Thank you, guys.

Operator: The next question comes from Wes Golladay with Baird. Please go ahead.

Wes Golladay
Analyst, Robert W. Baird & Co., Inc.

Q

Hey, good morning, everyone. There's been a lot of noise in the quarterly non-cash rent, and so can you tell us what's embedded in the full-year guidance this year for the non-cash rent on a pro-rata basis?

Kathleen Thayer
Senior Vice President-Corporate Accounting & Assistant Treasurer, Kimco Realty Corp.

A

So the collections for the quarter were $7.8 million of previous rents that were reserve that we did collect. As Glenn mentioned, there's no estimate of past collections inside the projections for 2022. But then there is actually 100 basis points of credit loss is what's actually embedded in the numbers. So as I mentioned, there's no income related to prior periods included in any of the numbers that we put out.

Wes Golladay
Analyst, Robert W. Baird & Co., Inc.

Q

Apologies, [ph] I meant from the non-cash rents, not the straight line rents (01:11:56).

Kathleen Thayer
Senior Vice President-Corporate Accounting & Assistant Treasurer, Kimco Realty Corp.

A

Same concept there. So we're not showing any of the tenants flipping back onto accrual where we reinstate the straight lines. That – there's no impact in the numbers related to that.

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

There was about $1.5 million in the fourth quarter. So if you look at the straight line income number, there was about $1.5 million that came back through that line. So if you're trying to figure out run rates, you'd have to kind of back that off a little bit.

Wes Golladay
Analyst, Robert W. Baird & Co., Inc.

Q

That's exactly what I was looking for. And then, now going back to the, I guess, the strong bid in the private market for shopping centers. Can you maybe talk about the bid for non-core assets? Is that firm enough as well? How much is that bid tightened up? And then we look at your disposition program this year, will it be mainly non-core assets, or we have some opportunistic assets in there as well?

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

Yeah. I mean, fortunately, we don't have a lot of non-core assets at this point. So when we look at our disposition pipeline for the year. It's really assets where we feel we've maximized the value. Maybe there's less growth, but still good tenancy, good credit. And there's a lot of demand for credit in this market. So I think all facets open-air retail, have continued to be more aggressively priced and we've seen pricing and cap rates continuing to compress not just institutional grocery-anchored product, but power lifestyle, certainly single tenant as well. So everything is getting more aggressive as the amount of capital is flowing into the sector.

Wes Golladay
Analyst, Robert W. Baird & Co., Inc.

Q

Great. Thanks, everyone.

Operator: The next question comes from Mike Mueller with JPMorgan. Please go ahead.

Michael W. Mueller
Analyst, JPMorgan Securities LLC

Q

Yeah, hi, Connor, you talk about wanting to own last mile retail I think a few times. Just curious, what's the difference between what you see as last mile retail and what isn't?

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

Yeah. It's a really good question. I think when we define last mile retail, it's retail that's embedded in the community that it serves so that when you look at the trade area using data analytics, you understand that it is the closest to where people live. And so, that that is sort of the neighborhood grocery store, the asset that sits within dense populations, really high barrier-to-entry locations where you don't necessarily have significant opportunity to see new supply come into the market any time soon. And so, that's why we continue to think we're in the right spot or we're in the sweet spot of last mile retail. Because when you look at where we've put our chips, the map for us is really around the top 20 major metro markets, first string, where we're seeing a lot of population growth, a lot of demographic shifts and continuing to think that our locations have a lot of barriers to entry. So the supply and demand continues to be in our favor.

Michael W. Mueller
Analyst, JPMorgan Securities LLC

Q

Got it. Okay. That was it. Thank you.

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

Sorry. I was going to add. If you think about a lot of the retailers, they're looking at the store today as their – a main distribution point. So lot of this online activity that they're getting, they're delivering that product from the store. I think also having curbside pickup is just another advantage where – for the consumer and for the retailer. So you put all that together when you have an asset that's sitting surrounded by just general housing, it's just much easier for them to get their product quicker.

Michael W. Mueller
Analyst, JPMorgan Securities LLC

Q

Got it. Thanks.

Operator: The next question comes from Anthony Powell with Barclays. Please go ahead.

Anthony F. Powell
Analyst, Barclays Capital, Inc.

Q

Hi, good morning. So maybe one for me on credit losses, you said historically that you're having 75 basis points to 85 basis points. Can you exit 2022 at that level? And looking long-term, given the increased quality of tenants, more grocers, could it be below that with each year's given kind to improve quality of the tenant base?

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

I mean, it's a great question. I mean, if I had a crystal ball, I guess I could tell you the answer. But it's possible. But again, we're still – to Conor's point, we're still in the midst of the pandemic and I – it's very difficult to predict what's going to happen, which tenants might fall out. We've had very, very little in terms of bankruptcies. It would be great if that would continue. But it's always possible that something could happen that it could go the other way. So again, as we sat and think about guidance, we think this is really the appropriate level to start with, and we'll make adjustments as we go. And if things improve, we can certainly see it would be better than what it is.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

I think it's a fair assumption just if we lease correctly and upgrade the tenant base with the credit tenants that are doing new deals and you think that last mile retail is finally plugged into the supply chain and used in the e-commerce platforms that all of our retailers have, that you should be able to use, after the pandemic, a lower credit loss reserve. I think that's a fair assumption to make.

Anthony F. Powell
Analyst, Barclays Capital, Inc.

Q

Thanks. And maybe on, I guess, lease spread, you were very strong in the quarter. There was a big difference between new and renewal. Is there an opportunity to push some of those renewal, I guess, went a bit higher, given what you've seen or are you more focused on retention at this point?

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

Well, I mean, our renewal and option spreads continue to be in the high-single-digit range – mid- to high-single-digit range, which continues to be encouraging. We always look at that as an opportunity for tenants to walk away or renegotiate. So – and the fact that it's still holding a healthy positive is good. We push as hard as we can. It's case by case and we'll continue to do that going forward. Again, I always revert back to the fact that the spreads that are posted are comp spreads based on a point in time with a certain population, so that can vary quarter to quarter.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

Yeah. Just one more point on that. New lease spreads typically are higher because you have more below-market leases coming to maturity, where they don't have any more control. And you get the opportunity then to replace them with an at-market rent, where some of the renewals and options have embedded bumps that are lower than what a mark-to-market would be.

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

Yeah, and one more point on top of that is that, we had – we did a lot of small-shop leasing, which is typically closer to market. And so, that's where you're seeing the difference still.

Anthony F. Powell
Analyst, Barclays Capital, Inc.

Q

Thank you.

Operator: The next question comes from Linda Tsai with Jefferies. Please go ahead.

Linda Tsai
Analyst, Jefferies LLC

Q

Hi. Can you give us some color on shop retention in the quarter and any trends to note between the KIM and legacy Weingarten portfolio?

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.

A

So what's been so nice about the Weingarten portfolio is how it's really complemented the Kimco portfolio and I think we both had very similar strategies over several years of pruning the non-core assets, improving the overall quality. So when we merged together in August, there is very complementary qualities, so we're very similar trends between the two.

When you look at retention levels in 2021, our deal retention was over 80% to 83%, which was really the highest it's been in over five years and the GLA was almost near 90%. So the retention time to vacate level as well is at the lowest point we've seen really over the last six years as well. It's 56% below our historic average.

So I really think that this is a reflection of what happened during the midst of the pandemic and really in 2020 and the purging of distressed tenancy, those that really just couldn't make it through, it didn't see a path forward, that really fell out in 2020. So in 2021, you really saw a renewed base that was relatively stable, had a desire to stay and grow within the shopping center and then compound it now, obviously, with the new deal activity that's where we're seeing the occupancy growth. So you're getting occupancy growth not only with elevated retention, reduced vacates, but also new deal as well.

Linda Tsai
Analyst, Jefferies LLC

Q

And then, we've heard some of your smaller competitors discuss increased competition in the transaction market and mentioned unanchored centers as one opportunity, is this something you'd consider or are you sticking with grocery-anchored?

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

Yeah. It's an interesting concept. We do look at all sorts of formats of retail. We talked about it in the past, we love grocery, we love mixed use. We've seen some of our power centers beat some of our best performers with huge development potential. So, at the end of the day, we're focused on the real estate, the location, but we do believe that having that grocery-anchored is really a component that adds a lot of value and a lot of traffic to the center. So, I don't want to discount the strategy or say it's something that we wouldn't consider, but just given our focus right now, we have been more focused on larger format grocery-anchored-type shopping centers.

Linda Tsai
Analyst, Jefferies LLC

Q

Thanks.

Operator: The next question comes from Michael Gorman with BTIG. Please go ahead.

Michael Gorman
Analyst, BTIG LLC

Q

Yeah. Thanks. Good morning. I'll try to be quick here, and then – we're running long. Kind of just wondering, you talked a lot about last mile retail and I think you mentioned MFCs in there as well, especially on the grocery side. Can you just give us any stats that you have about MFCs that are currently in the portfolio, maybe ones that are planned for the portfolio? And is there an opportunity for Kimco to partner with the tenants here to kind of do some improvements and invest in MFCs in your centers?

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

Sure. So, it is very, very early on micro fulfillment. And I think what you're going to see is continuation of a lot of testing on that. What we've found is that some of our grocers are looking for adjacent space to either have that micro fulfillment bolted on where some are actually looking at freestanding locations that are within the last mile retail that are vertically integrated and automated. So, you can have that help with last mile delivery.

I continue to think that the store will continue to evolve. A lot of the grocers that we've talked to have also talked with – has not far off to think that the center of store becomes a micro fulfillment where you walk around the outer rim of the store, and that's where you get the fresh, you got the meats, you get the bakery-type goods, and then your commodity-type goods are fulfilled and they're ready for checkout when you're – when you walk through the rest of the store.

So, it's still very, very early there. But I think with retailers reinvesting in their store base, the way that we see that, that will be a part of their strategy. Now, someone will have that bolt-on strategies, someone will probably test integrating it, someone will probably have freestanding. But the store continues to be a focus for the lion's share of our retailers, and I think that's how you're going to continue to see it evolve.

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

I would also add that you have to start, I think, thinking about micro fulfillment a little bit differently. And there is the physical change, right, say, you have a grocery store that may parcel out 10,000 to 15,000 square feet [ph] throw in a racking (01:23:43) system with some robotics to fulfill the orders, right. So that is something a visual change that you notice is something different that wasn't there a year ago. But then you got to think about the target. 95% of their goods are distributed through a store. Is that not micro fulfillment, in some capacity, they are already utilizing their existing footprints to accommodate, address those same needs similar to like QSRs as well. So, I think we have to broaden that definition or appreciation of how we view that. But to Conor's point, it's still very much in the early days of its evolution, and it will be different for each retailer.

Michael Gorman
Analyst, BTIG LLC

Q

And are you seeing like – just for flexibility or as it evolves as you're doing some of these grocery leasing, are you seeing them ask for more space, look for more space, are you looking – are they looking for things where there are potential adjacencies already in place or is it still too far out for that?

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

No, no, it is very much now. I mean, sometimes they may have had a box that was an older format that could have been 65-plus-thousand square feet, and so now they're going to utilize the 15,000 square feet of that to do that where maybe some of their newer formats in the last five years were slightly smaller, but now they appreciate that they need more space so then they'll do the adjacent vacancy expand out the back or otherwise. We know its portfolio views on a weekly basis with a number of retailers and I'd say that continues to be a topic of conversation for some. I'd like to know what you have to the left and the right of me that might be available either now or in the near-term.

Operator: The next question comes from Tammi Fique with Wells Fargo Securities. Please go ahead.

Tamara Fique
Analyst, Wells Fargo Securities LLC

Q

Thank you. Maybe just following up on the asset pricing question and understanding cap rates are compressing across segments, I'm just curious what you are seeing in the market today in terms of cap rates spread between grocery and power center, and is that narrower or wider today versus where it's been historically?

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

I think it's pretty similar, they're both compressing at a pretty aggressive pace. So if we've seen grocery anchor institutional quality now sub-5, we're seeing a lot of the traditional more commodity power centers compressing sub-7, in some cases low-6s. So I think you're still seeing maybe 150-basis-point spread on average, but a lot of factors go into the pricing, of course. But I think that's consistent with historic, everything is just compressing [indiscernible] (01:26:21).

Tamara Fique
Analyst, Wells Fargo Securities LLC

Q

Okay. Thank you. And then curious, what do you need to redevelop or acquire in order to get to the 15% of ABR and mixed use target by 2025? Just trying to think about that in the context of the $100 million to $125 million annual spend for redevelopment, or if there's planned acquisition activity of this product type in a longer-term plan? Thank you.

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

Yeah, it's a great question. So that ABR is the – ABR of the center, there's a mixed use component associated with it. So for us, it can be achieved in several different ways, the – obviously the activation of several more of our multifamily projects. If we are [indiscernible] (01:27:03) full benefit of the income that will contribute as well. Obviously, external growth through what Ross and his team are doing, finding opportunities to acquire mixed use. But when you look at our entitlement platform and the number of entitlements we have and 1,000 activate, we have the opportunity to pull the trigger on several of those over the next three years, which will help contribute to that.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

Yeah, that's the lion's share that's coming from the internal entitlement platform and the activation of it, in a number of different ways. We can ground lease, we can joint venture. But that continues. And then, obviously, the bigger projects that have multiple phases to them clearly will continue to trend that percentage higher. I think we're at 11% today of mixed use. So we've done a lot of work because five years ago, that was zero. So we continue to think that that has the nice trajectory of adding density to our existing assets. And that's where you'll see our capital allocation plans continue to shift away from ground-up development more towards that redevelopment side of the equation.

Tamara Fique
Analyst, Wells Fargo Securities LLC
Q

Great. Thank you.

Operator: The next question comes from Chris Lucas with Capital One Securities. Please go ahead.

Chris Lucas
Analyst, Capital One Securities, Inc.
Q

Real quick, guys. Glenn, just 10-year approximately 2% this morning, I guess I'm just curious as to what you think you could price your 10-year bonds at and with inflation print, the way it was, set us expectations to general macro outlook. How are you thinking about the fourth quarter maturities? Are you thinking – you want to get in front of those or does it not matter in terms of how you're thinking about the funding plan for those?

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.
A

That's a great question. Again, we're always constantly monitoring the market, looking for open windows that makes sense for us to issue. Again, we have two bonds that mature: one in October, one in November. Ideally we'll try and probably look to maybe do something sooner than later with one of them. But we're watching the markets pretty closely. In terms of pricing, again, it really depends on the day, it depends on the particular market. But I would say that we're probably somewhere in the [ph] 110 (01:29:22) range or so around – above the 10-year treasury, so you're looking at somewhere in that [ph] 310, 315-ish (01:29:29) range would be the coupon today.

Chris Lucas
Analyst, Capital One Securities, Inc.
Q

Super. Thank you. Appreciate it.

Operator: And we have a follow-up from Greg McGinnis with Scotiabank. Please go ahead.

Greg McGinniss
Analyst, Scotiabank
Q

Hi. Just two quick ones, sorry, about that. Looking at the rent collections that fell slightly from last quarter, is there anything to read into that, perhaps highlighting some weaker tends expect to fall out before occupancy recovers or is that just a year end timing issue?

Kathleen Thayer
Senior Vice President-Corporate Accounting & Assistant Treasurer, Kimco Realty Corp.
A

So what you're seeing there, Greg, is actually, there are some significant billings that go out in the fourth quarter related to our real estate taxes, and those aren't – like your contractual rents where it's every month and no number. So when those go out, it takes a little bit longer to collect those. So that's what's just causing that relative small dip. But those collections will pick up in the first quarter related to those real estate taxes.

Greg McGinniss
Analyst, Scotiabank
Q

Okay. Thanks. And then maybe last year you mentioned true rent growth versus 2019 is limited to certain Sunbelt markets. Is that still true, or are you starting to see improvement in other regions as well? So any details you can provide on market rent growth would be appreciated.

Ross Cooper
President & Chief Investment Officer, Kimco Realty Corp.
A

Yeah. I mean, we're seeing – I mean, again, when you look at the net effective rents, spreads that were posted, the volume of activity between our coastal and Sunbelt markets, which represents over 94%, 95% of our deal flow. We're seeing market rents move north in almost every case. So at this point, so it really has spread balance throughout the country. I think that's a result of several items we talked about before. Obviously, no new developments supply, urban inventory getting absorbed relatively quickly. Retailers fully appreciating the value of open air and wanting to grab market share and/or enter and/or expand their growth in open-air that otherwise may have been a little bit muted in the past. So I think when you combine those all that, that's putting some nice demand forces in our favor that we can [indiscernible] (01:31:36).

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.
A

Yeah, Greg. That's another tool that we use, right, with data analytics to give us sort of a – an advantage, I would say in capital allocation to understand maybe where the market has yet to reflect some of the pricing power that we see. We see Sunbelt gets a lot of airtime. And clearly, there's a lot of rent growth going on down there. But there are other markets where we see rent growth that potentially is not yet reflected in pricing that we can take advantage of.

Greg McGinniss
Analyst, Scotiabank
Q

Okay. Thank you.

Operator: And the final question today comes from Katy McConnell with Citi. Please go ahead.

Michael Jason Bilerman
Analyst, Citigroup Global Markets, Inc.
Q

Hey, it's Michael Bilerman. Just on the page 28 in the supplemental where you broke out all the entitlement projects, thank you for doing that. It's pretty comprehensive. How does the – how does that tie to page 26 and then ultimately page 43, where you sort of value the entitlements today, at least that are active? And so, page 26 and page 43 have it at about 4,400 units and keys, whereas page 28 only breaks up the entitlement at that 3,400, so I don't know where those other 1,000 units are coming from, maybe that's some that are undergoing entitlements that have more certainty, but can you just reconcile that?

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.
A

Yeah, yeah, no problem. There is two parts to it. So one of which I actually mentioned earlier where you had the Community Square and you had the Avery Part 2, which is over 600 entitled units that are actually – our spend is fully completed, so you won't see reflected in the Active mixed use page, which is just in Milton right now. But those are accounting for a portion of that delta and then the other ones are undergoing entitlements that wouldn't necessarily be reflected on that page, but that's effectively where you're getting the tie out.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.
A

Well, those are ground leases, Michael. So that's why our spend is like pad prep and then it's over. So that's why you don't see that.

Michael Jason Bilerman
Analyst, Citigroup Global Markets, Inc.
Q

Yeah. I was going to get that on page 26, 3,795 multifamily count and then you flip to page 28 then it's 2,856.

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.
A

Right. And then you have 2,200 and then you have another 1,000 or so that are currently under construction, or tied up.

Michael Jason Bilerman
Analyst, Citigroup Global Markets, Inc.
Q

Okay. I guess, is there – what's the potential that some of these projects get launched this year so that when we look at page 26, your sort of active mixed use starts to grow.

Glenn Gary Cohen
Chief Financial Officer, Treasurer & Executive Vice President, Kimco Realty Corp.
A

Yeah. So I mean, we're evaluating, when you look at the entitled projects – you go to page 28, When you look at the 11 entitled projects that are on the pipeline there, and there are two that are referenced that currently have ground leases in place that are pending permit approval from the developers. So those could be opportunities to activate. In addition to that, we're evaluating probably three to five of those. And again everything I've mentioned before, market conditions, capital allocation, how we want to structure a deal which ones we actually want to pull the trigger on. So not necessarily committing to a number today, but it's something that we're wanting to pursue.

Michael Jason Bilerman
Analyst, Citigroup Global Markets, Inc.
Q

And all the spending you have in pursuing entitlements, all that's been capitalized now, and is there are certain balance of capitalized costs for these projects?

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.
A

Yeah. I mean, the capital that we're spending on those projects is definitely capitalized, it goes into the building basis for the asset.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.
A

We're trying to have a balance, Michael, of how much we activate and how much we activate using ground leases as well as bringing in sort of a world-class multi-family developer. As we've seen that, it's a nice blend for us to not have too much capital going into these projects where we can continue to focus on FFO growth. It activate more mixed use opportunities without having the drag of these – these are lower return projects. So the ground lease continues to be a nice way for us to probably set these projects up for future generations to collapse the ownership and have Kimco shareholders benefit from it long-term.

Michael Jason Bilerman
Analyst, Citigroup Global Markets, Inc.

Q

Great. See you in a weeks.

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

David F. Bujnicki
Senior Vice President-Investor Relations & Strategy, Kimco Realty Corp.

Just want to thank you everybody that participated in our call today. We hope you enjoy the rest of your day. Thank you.

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