Regency Centers.

Regency Centers Reports Third Quarter 2023 Results

November 2, 2023

JACKSONVILLE, Fla., Nov. 02, 2023 (GLOBE NEWSWIRE) -- Regency Centers Corporation ("Regency" or the "Company") (Nasdaq: REG) today reported financial and operating results for the period ended September 30, 2023 and provided updated 2023 earnings guidance. For the three months ended September 30, 2023 and 2022, Net Income was $0.50 per diluted share and $0.51 per diluted share, respectively.

Third Quarter 2023 Highlights

- Reported Nareit FFO of $1.02 per diluted share, which includes a $0.01 per diluted share impact for merger transition expense, and Core Operating Earnings of $0.97 per diluted share
- Raised 2023 full year Nareit FFO guidance to a range of $4.13 to $4.15 per diluted share and 2023 full year Core Operating Earnings guidance to a range of $3.93 to $3.95 per diluted share
- The midpoint of the updated 2023 Core Operating Earnings guidance represents nearly 6% year-over-year growth, excluding the collection of receivables reserved during 2020-2021
- Same Property NOI grew year-over-year by 2.9% in the third quarter, excluding lease termination fees and the collection of receivables reserved during 2020-2021
- Increased Same Property percent leased by 70 basis points year-over-year to 95.4%, and Same Property percent commenced by 40 basis points year-over-year to 92.7%
- Increased Same Property shop percent leased by 180 basis points year-over-year to 93.2%
- Executed 1.8 million square feet of comparable new and renewal leases during the quarter at blended rent spreads of +9.3% on a cash basis and +17.2% on a straight-lined basis
- Completed the previously announced acquisition of Urstadt Biddle Properties, Inc. ("Urstadt Biddle") on August 18, 2023
- Pro-rata net debt and preferred stock to operating EBITDA*re* at September 30, 2023 was 5.5x, and was 5.0x as adjusted for the annualized impact of the third quarter EBITDA*re* contribution from the acquisition of Urstadt Biddle assets
- Acquired a 20% interest in Old Town Square, a Jewel-Osco-anchored shopping center in in Chicago, IL, for $5.5 million at Regency's share

Subsequent Highlights

- Subsequent to quarter end, on October 11, 2023, acquired Nohl Plaza, a Vons-anchored shopping center in Orange County, CA, for a gross purchase price of $25.3 million
- Subsequent to quarter end, on November 2, 2023, Regency's Board of Directors (the "Board") declared a quarterly cash dividend on the Company's common stock of $0.67 per share, an increase of approximately 3% from the prior quarterly dividend

"Our strong results in the third quarter were supported by continued positive momentum in our business, including robust tenant demand and further progress building our value creation pipeline," said Lisa Palmer, President and Chief Executive Officer. "Our integration with Urstadt Biddle is progressing successfully, we acquired two additional shopping centers, and we raised our dividend once again. With a high-quality portfolio of grocery-anchored centers in top trade areas, a sector-leading balance sheet and an exceptional team, Regency remains well positioned in today's environment."

Financial Results

Net Income

- For the three months ended September 30, 2023, Net Income Attributable to Common Shareholders ("Net Income") was $89.1 million, or $0.50 per diluted share, compared to Net Income of $87.6 million, or $0.51 per diluted share, for the same period in 2022.

Nareit FFO

- For the three months ended September 30, 2023, Nareit Funds From Operations ("Nareit FFO") was $182.8 million, or

$1.02 per diluted share, compared to $174.2 million, or $1.01 per diluted share, for the same period in 2022.
    - Nareit FFO in the third quarter of 2023 was impacted by $1.5 million, or $0.01 per diluted share, of merger transition expense related to the Company's acquisition of Urstadt Biddle.

Core Operating Earnings

- For the three months ended September 30, 2023, Core Operating Earnings was $174.0 million, or $0.97 per diluted share, compared to $161.6 million, or $0.94 per diluted share, for the same period in 2022.

Portfolio Performance

Same Property NOI

- Third quarter 2023 Same Property NOI, excluding lease termination fees and the collection of receivables reserved during 2020 and 2021, increased by 2.9% compared to the same period in 2022.
    - Third quarter 2023 Same Property Net Operating Income ("NOI"), excluding lease termination fees, increased by 2.1% compared to the same period in 2022.
    - Same Property base rents contributed 3.2% to Same Property NOI growth in the third quarter of 2023.

Occupancy

- As of September 30, 2023, Regency's wholly-owned portfolio plus its pro-rata share of co-investment partnerships, was 94.6% leased.
- As of September 30, 2023, Regency's Same Property portfolio was 95.4% leased, an increase of 20 basis points sequentially and an increase of 70 basis points compared to September 30, 2022.
    - Same Property shop percent leased, which includes spaces less than 10,000 square feet, was 93.2%, an increase of 50 basis points sequentially and an increase of 180 basis points compared to September 30, 2022.
    - Same Property anchor percent leased, which includes spaces greater than or equal to 10,000 square feet, was 96.7%, an increase of 10 basis points sequentially and a decline of 10 basis points compared to September 30, 2022.
- As of September 30, 2023, Regency's Same Property portfolio was 92.7% commenced, no change sequentially and an increase of 40 basis points compared to September 30, 2022.

Leasing Activity

- During the three months ended September 30, 2023, Regency executed approximately 1.8 million square feet of comparable new and renewal leases at a blended cash rent spread of +9.3% and a blended straight-lined rent spread of +17.2%.
- During the trailing twelve months ended September 30, 2023, the Company executed approximately 6.5 million square feet of comparable new and renewal leases at a blended cash rent spread of +8.7% and a blended straight-lined rent spread of +16.8%.

Capital Allocation and Balance Sheet

Developments and Redevelopments

- During the third quarter, Regency started approximately $32 million of development and redevelopment projects, at the Company's share.
- As of September 30, 2023, Regency's in-process development and redevelopment projects had estimated net project costs of approximately $440 million at the Company's share, 46% of which have been incurred to date.

Property Transactions

- On September 19, 2023, the Company acquired a 20% interest in Old Town Square, a Jewel-Osco-anchored shopping center in in Chicago, IL, for $5.5 million at Regency's share.
- On October 11, 2023, the Company acquired Nohl Plaza, a Vons-anchored shopping center in Orange County, CA, for a gross purchase price of $25.3 million.

Urstadt Biddle Merger

- On August 18, 2023, the Company completed its previously announced acquisition of Urstadt Biddle in an all-stock transaction, including the assumption of debt and issuance of preferred stock.

Balance Sheet

- As of September 30, 2023, Regency had nearly $1.2 billion of capacity under its revolving credit facility.
- As of September 30, 2023, Regency's pro-rata net debt and preferred stock to operating EBITDA *re* ratio was 5.5x on a trailing 12-month basis.
  - As of September 30, 2023, Regency's pro-rata net debt and preferred stock to operating EBITDA *re* was 5.0x, as adjusted for the annualized impact of the third quarter EBITDA*re* contribution from the acquisition of Urstadt Biddle assets.

Common and Preferred Dividends

- On November 2, 2023, Regency's Board declared a quarterly cash dividend on the Company's common stock of $0.67 per share, an increase of 3% from the prior quarterly dividend. The dividend is payable on January 3, 2024, to shareholders of record as of December 14, 2023.
- On November 2, 2023, Regency's Board declared a quarterly cash dividend on the Company's Series A preferred stock of $0.390625 per share. The dividend is payable on January 31, 2024, to shareholders of record as of January 16, 2024.
- On November 2, 2023, Regency's Board declared a quarterly cash dividend on the Company's Series B preferred stock of $0.367200 per share. The dividend is payable on January 31, 2024, to shareholders of record as of January 16, 2024.

2023 Guidance

Regency Centers has updated its 2023 guidance, as summarized in the table below. Please refer to the Company's third quarter 2023 'Earnings Presentation' and 'Quarterly Supplemental' for additional detail. All materials are posted on the Company's website at investors.regencycenters.com.

Full Year 2023 Guidance (in thousands, except per share data)	**3Q YTD**	**Current Guidance**	**Previous Guidance**
Net Income Attributable to Common Shareholders per diluted share	$1.56	$2.02 - $2.04	$2.05 - $2.09
Nareit Funds From Operations ("Nareit FFO") per diluted share	$3.13	$4.13 - $4.15	$4.11 - $4.15
Core Operating Earnings per diluted share(1)	$2.96	$3.93 - $3.95	$3.89 - $3.93
Same property NOI growth without termination fees	2.0%	+/- 1.5%	+1.0% to +1.5%
Same property NOI growth without termination fees or collection of 2020/2021 reserves	4.3%	+/- 3.5%	+3.0% to +3.5%
Collection of 2020/2021 reserves(2)	$3,736	+/- $4,000	+/- $4,000
Certain non-cash items(3)	$31,226	+/- $39,500	+/- $37,500
G&A expense, net(4)	$69,370	+/- $91,000	$88,000 - $91,000
Interest expense and Preferred dividends(5)	$127,636	+/- $178,000	+/- $168,000
Recurring third party fees & commissions	$19,582	+/- $26,000	+/- $25,000
Development and Redevelopment spend	$115,719	+/- $130,000	+/- $130,000
Acquisitions	$5,502	$30,830	$0
Cap rate (weighted average)	7.4%	5.6%	0%
Dispositions	$0	+/- $10,000	+/- $65,000
Cap rate (weighted average)	0.0%	+/- 7.0%	+/- 7.0%
Unit issuance (gross)	$20,000	$20,000	$20,000
Share repurchase settlement (gross)	$20,000	$20,000	$20,000
Merger-related transition expenses	$1,511	+/- $5,000	$0

Note: With the exception of per share data, figures above represent 100% of Regency's consolidated entities and its pro-rata share of unconsolidated co-investment partnerships.

(1) Core Operating Earnings excludes certain non-cash items, including straight-line rents, above/below market rent amortization, debt and derivative mark-to-market amortization, as well as transaction related income/expenses and debt extinguishment charges.
(2) Represents the collection of receivables in the Same Property portfolio reserved in 2020 and 2021; included in Uncollectible Lease Income.
(3) Includes above and below market rent amortization, straight-line rents, and debt and derivative mark-to-market amortization.
(4) Represents 'General & administrative, net' before gains or losses on deferred compensation plan, as reported on supplemental pages 5 and 7 and calculated on a pro rata basis.
(5) Excludes debt and derivative mark-to-market amortization; included in Certain non-cash items.

Conference Call Information

To discuss Regency's third quarter results and provide further business updates, management will host a conference call on Friday, November 3rd at 11:00 a.m. ET. Dial-in and webcast information is below.

Third Quarter 2023 Earnings Conference Call

Date: Friday, November 3, 2023

Time:	11:00 a.m. ET
Dial#:	877-407-0789 or 201-689-8562
Webcast:	3rd Quarter 2023 Webcast Link

Replay: Webcast Archive – Investor Relations page under Events & Webcasts

About Regency Centers Corporation (Nasdaq: REG)

Regency Centers is a preeminent national owner, operator, and developer of shopping centers located in suburban trade areas with compelling demographics. Our portfolio includes thriving properties merchandised with highly productive grocers, restaurants, service providers, and best-in-class retailers that connect to their neighborhoods, communities, and customers. Operating as a fully integrated real estate company, Regency Centers is a qualified real estate investment trust (REIT) that is self-administered, self-managed, and an S&P 500 Index member. For more information, please visit RegencyCenters.com.

Reconciliation of Net Income Attributable to Common Shareholders to Nareit FFO and Core Operating Earnings – *Actual (in thousands, except per share amounts)*

For the Periods Ended September 30, 2023 and 2022	**Three Months Ended**		**Year to Date**	
	2023	**2022**	**2023**	**2022**
Reconciliation of Net Income to Nareit FFO:				
Net Income Attributable to Common Shareholders	$ 89,076	87,578	$ 273,139	387,602
Adjustments to reconcile to Nareit Funds From Operations [1]:				
Depreciation and amortization (excluding FF&E)	94,011	86,405	272,551	256,273
Gain on sale of real estate	(827)	(202)	(1,132)	(119,301)
Exchangeable operating partnership units	520	379	1,490	1,694
Nareit Funds From Operations	$ 182,780	174,160	$ 546,048	526,268
Nareit FFO per share (diluted)	$ 1.02	1.01	$ 3.13	3.05
Weighted average shares (diluted)	179,311	172,267	174,621	172,620
Reconciliation of Nareit FFO to Core Operating Earnings:				
Nareit Funds From Operations	$ 182,780	174,160	$ 546,048	526,268
Adjustments to reconcile to Core Operating Earnings [1]:				
Not Comparable Items				
Merger transition costs	1,511	-	1,511	-
Early extinguishment of debt	-	-	-	176
Certain Non Cash Items				
Straight-line rent	(3,142)	(3,140)	(7,315)	(9,152)
Uncollectible straight-line rent	92	(4,156)	(2,298)	(9,610)
Above/below market rent amortization, net	(7,919)	(5,191)	(22,138)	(15,906)
Debt and derivative mark-to-market amortization	667	(28)	667	(185)
Core Operating Earnings	$ 173,989	161,645	$ 516,475	491,591
Core Operating Earnings per share (diluted)	$ 0.97	0.94	$ 2.96	2.85
Weighted average shares (diluted)	179,311	172,267	174,621	172,620
Weighted Average Shares For Diluted Earnings per Share	178,231	171,525	173,711	171,870
Weighted Average Shares For Diluted FFO and Core Operating Earnings per Share	179,311	172,267	174,621	172,620

[1] Includes Regency's consolidated entities and its pro-rata share of unconsolidated co-investment partnerships, net of pro-rata share attributable to noncontrolling interests.

Same Property NOI is a key non-GAAP measure used by management in evaluating the operating performance of Regency's properties. The Company provides a reconciliation of Net Income Attributable to Common Shareholders to pro-rata Same Property NOI.

Reconciliation of Net Income Attributable to Common Shareholders to Pro-Rata Same Property NOI - *Actual (in thousands)*

For the Periods Ended September 30, 2023 and 2022	**Three Months Ended**		**Year to Date**	
	2023	**2022**	**2023**	**2022**

Net income attributable to common shareholders	$ 89,076	87,578	$ 273,139	387,602
Less:				
Management, transaction, and other fees	(7,079)	(5,767)	(20,223)	(18,950)
Other[1]	(12,016)	(13,564)	(34,317)	(38,295)
Plus:				
Depreciation and amortization	87,505	80,270	253,373	237,462
General and administrative	20,903	20,273	71,248	56,710
Other operating expense	3,533	949	4,718	3,739
Other expense	39,643	37,356	109,192	12,516
Equity in income of investments in real estate excluded from NOI [2]	11,668	11,754	35,266	23,767
Net income attributable to noncontrolling interests	1,453	1,269	4,050	4,048
Preferred stock dividends	1,644	-	1,644	-
NOI	236,330	220,118	698,090	668,599
Less non-same property NOI [3]	(11,570)	(122)	(15,055)	(1,711)
Same Property NOI	$ 224,760	219,996	$ 683,035	666,888
% change	*2.2%*		*2.4%*	
Same Property NOI without Termination Fees	$ 223,723	219,094	$ 676,628	663,098
% change	*2.1%*		*2.0%*	
Same Property NOI without Termination Fees or Redevelopments	$ 191,110	189,398	$ 579,772	572,834
% change	*0.9%*		*1.2%*	
Same Property NOI without Termination Fees or Collection of 2020/2021 Reserves	$ 222,674	216,298	$ 672,892	645,268
% change	*2.9%*		*4.3%*	

(1) Includes straight-line rental income and expense, net of reserves, above and below market rent amortization, other fees, and noncontrolling interests.

(2) Includes non-NOI expenses incurred at our unconsolidated real estate partnerships, such as, but not limited to, straight-line rental income, above and below market rent amortization, depreciation and amortization, interest expense, and real estate gains and impairments.

(3) Includes revenues and expenses attributable to Non-Same Property, Projects in Development, corporate activities, and noncontrolling interests.

Reported results are preliminary and not final until the filing of the Company's Form 10-Q with the SEC and, therefore, remain subject to adjustment.

The Company has published forward-looking statements and additional financial information in its third quarter 2023 supplemental package that may help investors estimate earnings. A copy of the Company's third quarter 2023 supplemental package will be available on the Company's website at investors.regencycenters.com or by written request to: Investor Relations, Regency Centers Corporation, One Independent Drive, Suite 114, Jacksonville, Florida, 32202. The supplemental package contains more detailed financial and property results including financial statements, an outstanding debt summary, acquisition and development activity, investments in partnerships, information pertaining to securities issued other than common stock, property details, a significant tenant rent report and a lease expiration table in addition to earnings and valuation guidance assumptions. The information provided in the supplemental package is unaudited and includes non-GAAP measures, and there can be no assurance that the information will not vary from the final information in the Company's Form 10-Q for the period ended September 30, 2023. Regency may, but assumes no obligation to, update information in the supplemental package from time to time.

Non-GAAP Disclosure

We believe these non-GAAP measures provide useful information to our Board of Directors, management and investors regarding certain trends relating to our financial condition and results of operations. Our management uses these non-GAAP measures to compare our performance to that of prior periods for trend analyses, purposes of determining management incentive compensation and budgeting, forecasting and planning purposes.

We do not consider non-GAAP measures an alternative to financial measures determined in accordance with GAAP, rather they supplement GAAP measures by providing additional information we believe to be useful to our shareholders. The principal limitation of these non-GAAP financial measures is they may exclude significant expense and income items that are required by GAAP to be recognized in our consolidated financial statements. In addition, they reflect the exercise of management's judgment about which expense and income items are excluded or included in determining these non-GAAP financial measures. In order to compensate for these limitations, reconciliations of the non-GAAP financial measures we use to their most directly comparable GAAP measures are provided. Non-GAAP financial measures should not be relied upon in evaluating the financial condition, results of operations or future prospects of the Company.

Nareit FFO is a commonly used measure of REIT performance, which the National Association of Real Estate Investment Trusts ("Nareit") defines as net income, computed in accordance with GAAP, excluding gains on sale and impairments of real estate, net of tax, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Regency computes Nareit FFO for all periods presented in accordance with Nareit's definition. Since Nareit FFO excludes depreciation and amortization and gains on sales and impairments of real estate, it provides a performance measure that, when compared year over year, reflects the impact on operations from trends in percent leased, rental rates, operating costs, acquisition and development activities, and financing costs. This provides a perspective of the Company's financial performance not immediately apparent from net income determined in accordance with GAAP. Thus, Nareit FFO is a supplemental non-GAAP financial measure of the Company's operating performance, which does not represent cash generated from operating activities in accordance with GAAP; and, therefore, should not be considered a substitute measure of cash flows from operations. The Company provides a reconciliation of Net Income Attributable to Common Shareholders to Nareit FFO.

Core Operating Earnings is an additional performance measure that excludes from Nareit FFO: (i) transaction related income or expenses; (ii) gains or losses from the early extinguishment of debt; (iii) certain non-cash components of earnings derived from above and below market rent amortization, straight-line rents, and amortization of mark-to-market of debt adjustments; and (iv) other amounts as they occur. The Company provides a reconciliation of Net Income to Nareit FFO to Core Operating Earnings.

Forward-Looking Statements

Certain statements in this document regarding anticipated financial, business, legal or other outcomes including business and market conditions, outlook and other similar statements relating to Regency's future events, developments, or financial or operational performance or results such as our 2023 Guidance, are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. These forward-looking statements are identified by the use of words such as "may," "will," "could," "should," "would," "expect," "estimate," "believe," "intend," "forecast," "project," "plan," "anticipate," "guidance," and other similar language. However, the absence of these or similar words or expressions does not mean a statement is not forward-looking. While we believe these forward-looking statements are reasonable when made, forward-looking statements are not guarantees of future performance or events and undue reliance should not be placed on these statements. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance these expectations will be attained, and it is possible actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. Our operations are subject to a number of risks and uncertainties including, but not limited to, those risk factors described in our Securities and Exchange Commission ("SEC") filings, our Annual Report on Form 10-K for the year ended December 31, 2022 ("2022 Form 10-K") under Item 1A. "Risk Factors", on Form 10-Q for the three months ended March 31, 2023 under Part II, Item 1A. "Risk Factors" and our Form S-4 Registration Statement, filed with the SEC on July 10, 2023, in connection with our acquisition of Urstadt Biddle, which contains, without limitation, additional risk factors in a section of the prospectus entitled "Risks Relating to Regency After Completion of the Mergers". When considering an investment in our securities, you should carefully read and consider these risks, together with all other information in our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and our other filings and submissions to the SEC. If any of the events described in the risk factors actually occur, our business, financial condition or operating results, as well as the market price of our securities, could be materially adversely affected. Forward-looking statements are only as of the date they are made, and Regency undertakes no duty to update its forward-looking statements, whether as a result of new information, future events or developments or otherwise, except as to the extent required by law. These risks and events include, without limitation:

Risk Factors Related to the Company's Acquisition of Urstadt Biddle

Combining our business with Urstadt Biddle's may be more difficult, costly or time-consuming than expected and we may fail to realize the anticipated benefits of the acquisition, which may adversely affect our business results and negatively affect the market price of our securities.

Risk Factors Related to the Current Economic Environment

Continued rising interest rates in the current economic environment may adversely impact our cost to borrow, real estate valuation, and stock price. Current economic challenges, including the potential for recession, may adversely impact our tenants and our business. Unfavorable developments affecting the banking and financial services industry could adversely affect our business, liquidity and financial condition, and overall results of operations. Additionally, macroeconomic and geopolitical risks, including the current wars in Ukraine, and involving Israel and Gaza, create challenges that may exacerbate current market and economic conditions in the United States.

Risk Factors Related to Pandemics or other Health Crises

Pandemics or other health crises, such as the COVID-19 pandemic, may adversely affect our tenants' financial condition, the profitability of our properties, and our access to the capital markets and could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Risk Factors Related to Operating Retail-Based Shopping Centers

Economic and market conditions may adversely affect the retail industry and consequently reduce our revenues and cash flow and increase our operating expenses. Shifts in retail trends, sales, and delivery methods between brick-and-mortar stores, e-commerce, home delivery, and curbside pick-up may adversely impact our revenues, results of operations, and cash flows. Changing economic and retail market conditions in geographic areas where our properties are concentrated may reduce our revenues and cash flow. Our success depends on the continued presence and success of our "anchor" tenants. A percentage of our revenues are derived from "local" tenants and our net income may be adversely impacted if these tenants are not successful, or if the demand for the types or mix of tenants significantly change. We may be unable to collect balances due from tenants in bankruptcy. Many of our costs and expenses associated with operating our properties may remain constant or increase, even if our lease income decreases. Compliance with the Americans with Disabilities Act and other building, fire, and safety and regulations may have a material negative effect on us.

Risk Factors Related to Real Estate Investments

Our real estate assets may decline in value and be subject to impairment losses which may reduce our net income. We face risks associated with development, redevelopment and expansion of properties. We face risks associated with the development of mixed-use commercial properties. We face risks associated with the acquisition of properties. We may be unable to sell properties when desired because of market conditions. Changes in tax laws could impact our acquisition or disposition of real estate.

Risk Factors Related to the Environment Affecting Our Properties

Climate change may adversely impact our properties directly and may lead to additional compliance obligations and costs as well as additional taxes and fees. Geographic concentration of our properties makes our business more vulnerable to natural disasters, severe weather conditions and climate change. Costs of environmental remediation may adversely impact our financial performance and reduce our cash flow.

Risk Factors Related to Corporate Matters

An increased focus on metrics and reporting relating to environmental, social, and governance ("ESG") factors may impose additional costs and expose us to new risks. An uninsured loss or a loss that exceeds the insurance coverage on our properties may subject us to loss of capital and revenue on those properties. Failure to attract and retain key personnel may adversely affect our business and operations. The unauthorized access, use, theft or destruction of tenant or employee personal, financial or other data or of Regency's proprietary or confidential information stored in our information systems or by third parties on our behalf could impact our reputation and brand and expose us to potential liability and loss of revenues.

Risk Factors Related to Our Partnerships and Joint Ventures

We do not have voting control over all of the properties owned in our co-investment partnerships and joint ventures, so we are unable to ensure that our objectives will be pursued. The termination of our partnerships may adversely affect our cash flow, operating results, and our ability to make distributions to stock and unit holders.

Risk Factors Related to Funding Strategies and Capital Structure

Our ability to sell properties and fund acquisitions and developments may be adversely impacted by higher market capitalization rates and lower NOI at our properties which may dilute earnings. We depend on external sources of capital, which may not be available in the future on favorable terms or at all. Our debt financing may adversely affect our business and financial condition. Covenants in our debt agreements may restrict our operating activities and adversely affect our financial condition. Increases in interest rates would cause our borrowing costs to rise and negatively impact our results of operations. Hedging activity may expose us to risks, including the risks that a counterparty will not perform and that the hedge will not yield the economic benefits we anticipate, which may adversely affect us.

Risk Factors Related to the Market Price for Our Securities

Changes in economic and market conditions may adversely affect the market price of our securities. There is no assurance that we will continue to pay dividends at current or historical rates.

Risk Factors Related to the Company's Qualification as a REIT

If the Company fails to qualify as a REIT for federal income tax purposes, it would be subject to federal income tax at regular corporate rates. Dividends paid by REITs generally do not qualify for reduced tax rates. Certain foreign shareholders may be subject to U.S. federal income tax on gain recognized on a disposition of our common stock if we do not qualify as a "domestically controlled" REIT. Legislative or other actions affecting REITs may have a negative effect on us or our investors. Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

Risk Factors Related to the Company's Common Stock

Restrictions on the ownership of the Company's capital stock to preserve its REIT status may delay or prevent a change in control. The issuance of the Company's capital stock may delay or prevent a change in control. Ownership in the Company may be diluted in the future.

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