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**Michael Jason Bilerman** *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

## PRESENTATION

**Mary Kathleen McConnell** - *Citigroup Inc., Research Division - Research Analyst*

Good morning, and welcome to the 10:30 a.m. session at Citi's Global Property CEO Conference. I'm Katy McConnell, here with Michael Bilerman from Citi Research, and we're pleased to have with us Regency Centers. Before we get started, this session is for Citi investing clients only. So if media or any other individuals are on the line, please disconnect now. Disclosures are available up on the webcast. (Operator Instructions) And now, Lisa, I'll turn it over to you to introduce your team and company and provide some opening remarks.

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

Thank you, Katy, and Michael as well. Good morning, everyone. I had to make sure it was still morning. It feels like we've been going a while already today. Joining me today are Mike Mas, directly to my left, our CFO; Christy McElroy, our SVP of Capital Markets. For those of you that don't know, it's her first year at this conference on this side of the table, in person, and we are really happy to have her. Thank you. And also with us is Katherine McKee, she's in the audience. Katherine is our Director of Investor Relations.

Given the exceptional job this team that's here with us say, as well as the rest of the team that is back in the office, does with our, I believe, very clear and transparent disclosure throughout the year. I'm going to keep my remarks brief, so we have more time to answer your questions. We are really excited to be back here in person with all of you this week. And I think it's really fitting that this is our first in-person conference since COVID disrupted all of our lives.

As I've been speaking with many here, I've learned that this is the first business trip for many people. So we really had -- since March of 2020. So the last time people traveled was the Citi conference in March of 2020. So it really has come full circle. While we've enjoyed the flexibility of virtual conferences and meetings, and we still think that there will be a place for that going forward, it really doesn't compare to being together. The personal interactions just over the last, is not even 48 hours, that we get to experience with the people that are here simply cannot be replicated virtually.

So thank you. Really appreciate you pushing forward and bringing us all back together and hosting what has been a great conference.

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**Michael Jason Bilerman** - *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

Thank you for that.

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

As we sit here today, Regency has also come full circle over the last 2 years. It's a testament to our resiliency. Our portfolio foot traffic has recovered, our NOI has recovered and our balance sheet has recovered. And I'd like to remind you, not only did we not cut our dividend during the pandemic, we've actually grown it since 2019. We feel good about the financial health of our tenants. Leasing activity is strong and our investment pipeline is full.

Our grocery-anchored neighborhood and community centers are benefiting from strength in suburban trade areas. This is helped by positive migration patterns as well as flexible work trends. Our tenants emerged from the pandemic with an even greater appreciation for and confidence in their brick-and-mortar stores as the last mile fulfillment and distribution capabilities that they offer within their network are critical.

After spending a lot of time during 2020 and part of 2021 always looking back over our shoulders, we've pivoted to looking ahead with the benefit of hindsight and with a focus on growth. Last year, we completed nearly $500 million of acquisitions and sold $280 million of nonstrategic and lower growth assets. We currently have over $300 million of ground-up development and redevelopment projects in process, and we continue to build our future value creation pipeline. We are well positioned to capitalize on future growth opportunities with one of the strongest balance sheets in the sector, over $130 million of free cash flow and plentiful access to capital.

So in summary, and you've likely heard me say this before but I believe it is worth repeating, Regency emerged from 2020 a stronger company, and we and our tenant spent last year, 2021, adapting to position ourselves for success in the new normal. And we have done just that. We've recovered from the pandemic. We maintained and even raised our dividend. We are on our front foot today. This consistency that you've seen from us over the years, even through the toughest of times, is evidence of the quality of our assets, our investment discipline, the strength of our balance sheet, and most importantly, for those of you are listening back in all of our 22 offices, our people.

Thank you. With that, Katy and Michael, turn it back over to you.

## QUESTIONS AND ANSWERS

**Michael Jason Bilerman** - *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

Great. Thank you for that, Lisa. We've been starting each of these questions asking every CEO why and what are the top 3 reasons an investor should buy your stock over any other listed REIT, not just shopping center REITs, but what positions Regency as the top opportunity for investors?

**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

I'll start with -- I'm going to -- I know you said all REITs. So -- but I think I'm going to start with a discounted public valuation versus private market valuations for our product type, but also offering more attractive total returns on a risk-adjusted basis versus really most other sectors today. There are structural sector tailwinds as I just mentioned in my remarks, that are benefiting our high-quality neighborhood shopping centers, including an increase, the remote work and suburbanization trends are tailwinds for our sector. And finally, I would say our strong balance sheet positioned to accretively invest while maintaining the consistency and safety of our dividend.

**Michael Jason Bilerman** - *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

On the remote work side of things, what's Regency's own policy? And how many people have you brought back to the office? What's your sort of corporate plan?

**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

We believe -- I said it in my remarks here about the conference that we are better together. We also understand the need to balance personal and professional lives and goals and we want to attract and retain the best talent out there. And flexibility is an important part of that. So we have brought our teams back. We brought them back in June of last year. We were focused on the safety of our employees throughout that whole time. We had restricted capacity, so ensuring that we're maintaining social distancing.

But we brought people back 3 days in office, 2 days remote, with a focus on what we call our core hours, so that our core hours are 9:30 to 3:30. That is the time -- the window of time that our teams are expected to hold meetings so that people can manage their lives outside of that and just finish their work whenever and wherever they need to. That's going to continue to evolve. We're still at 50% capacity. So in essence, our teams are in the office 6 days a month. We're hoping we can increase that number of days together. Still to be determined.

But do believe that going forward, hybrid will be a part of our work environment. And again, really believe that the collaboration needed -- we did a phenomenal job over the past few years. I'm really proud of the team, with a lot of that being done remote. But I do believe that being together generates more creativity and more ideas, and we will continue to be even better than we already are by being together at least a couple of days a week.

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**Michael Jason Bilerman** - *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

Yes. And I would agree with that. And I think it's evident when people are together, you do get a lot more out of it. How do you think corporates in your markets, the demand drivers that are drawing to your centers, how do you think that's going to adapt? Because I think one of the things you talked about in the top 3 reasons was that element of remote work driving increased and more frequent trips to the shopping center. I guess is there a potential risk to that as people perhaps go back more often?

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

I don't believe so. I do believe that being back to the office for Regency is good and it's going to be good for a lot of other companies, corporate America. But I don't believe that -- I don't know if many that are going to about 5 days a week. And that -- so you'll still be able to have people close to home. And there has been -- as I mentioned, right, our foot traffic has recovered, and I do believe part of that is a result of people being at home more frequently and more often. And if they're spending all day on their house, they want to go out to their neighborhood restaurant. They are attending their local gym. They've shifted from Peloton since they're in their homes, so often as it is already.

When people go back, I don't know that -- we're still -- our trade areas are 2 miles, 2 to 3 miles, people are still going to -- [frequent to] their neighborhood shopping centers because our tenants and our merchandising is about essential needs, convenience and value. And I think, if anything, we really have -- it's been validated over the past 2 years, people still are -- for the most part, it's not 100% of human beings, but for the most part, people are social beings and they want to go out, and they don't want to just spend time in their homes, and they like to shop and they like together. And our shopping centers provide a place for that.

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**Michael Jason Bilerman** - *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

How are you finding the impact of inflation on your tenant base, both from the perspective of -- I assume a lot of your small tenants from a labor perspective are really hard in terms of scheduling hours. I see it even downstairs here at the bar, right, we couldn't extend hours because they couldn't get any -- they were already on overtime shifts. So can you talk about the labor side of the equation first and how you're maybe helping get through that to ensure your stores are open. So that when people come to shop at your centers, they get the experience that they want. And then there's a couple of other variations of inflation that obviously have an impact.

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

I think those are actually -- in my mind, those are 2 different concepts because we started to see labor shortages well before we started to see inflationary pressures. So I believe labor shortages are more -- it has just been an outcome from the pandemic. And we have seen improvements, I think, from kind of the peak trouble or the peak challenges, if you will, that was probably in maybe the summer of -- from 2020, then started alleviate towards the summer of 2021 even, started to see our tenants be able to extend their operating hours and not have hours shortages, be able to get their help back in.

What we were really proud of our tenants over the past 2-year period is watching them innovate and adapt. And whether it's their back -- I say their back office, their kitchens, or how they -- for restaurants, for example, where there is a higher dependency on labor or the actual ability to like serve -- to serve the food to the customers, more self-help. And again, we -- if you were to listen to some of our earnings calls, you've heard us say that many of our tenants are experiencing record sales. So sales above 2019. And that, in many cases, may be with slightly shorter operating hours, but certainly with less labor. So they've adapted.

That's happening. The other positive thing for our portfolio, we tend to be in neighborhoods that the operators are able to pass on the cost increases, and we have seen that as well. So they have been able to absorb that. But that's if it stays in where the inflation has been. If we go back to the early '80s and get to double-digit inflation, that's a different story. It's too early to tell what -- when or if that will happen. And if it does, then I think we have to come back -- you have to ask me the question again. I'm going to have a different answer. But for now, our tenants have been resilient enough and have been able to pass through the necessary cost increases.

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**Michael Jason Bilerman** - *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

Right. I guess at some point, the rent equation to them, right, the cost of occupancy when -- if the profitability goes down, that presents the potential risk pushing the rents.

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

Well, we do have the opportunity to reset our rents as well. We're not -- we don't have annual leases as maybe multifamily does. But our lease duration for our smaller shop tenants typically 5 years on the long end.

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**Michael Jason Bilerman** - *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

Right. And then are you worried at all? I mean the cost of gas nationally is at the highest level it's ever been. Do you think that has any impact at all in terms of number of trips that a person is willing to make? Or it's just a nonfactor for -- in your mind?

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

Again, I would say that I think it's too early to know if there will be any meaningful impact going forward. But with the demographics surrounding our shopping centers, they're able to absorb that.

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**Mary Kathleen McConnell** - *Citigroup Inc., Research Division - Research Analyst*

Maybe just a little bit more on the consumer side of things. Do you think the spending environment is going to continue to be as strong this year, especially in light of the macro headwinds we just discussed? And are you seeing any notable shifts so far this year in terms of category spending between services and goods?

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

Too early to comment on whether there's any noticeable shifts in categories. But how I would answer I think that -- gosh, I mean, is it -- are we going to just have -- are we on the path to double digit inflation? Are we on a path to recession? Are we on a path to stagflation inflation? I don't know. And I'm not certain that anyone really knows. But what I do know is that our neighborhood centers are positioned to, again, essential needs. And the other thing, we did see this in the GFC and also in maybe probably the 1998 and 2000, the dot-com recessions, if you will, it does impact spending. But people tend to trade down. And we -- when you think about the Regency merchandising, our restaurants typically are more of the casual nature, more of the quick service restaurants, not a lot of white tablecloth dining.

So again, that -- the consumer dollar is still coming to those types of uses. If you think about discretionary spending, apparel, we don't have a lot of apparel. I think it's about 5% of our portfolio. So our tenant mix is suited to do well in a recession type or in an environment where consumer spending is declining.

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**Mary Kathleen McConnell** - *Citigroup Inc., Research Division - Research Analyst*

And with grocers being one of the biggest beneficiaries of the pandemic, how sustainable do you think the tail end is for grocer sales?

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

I do believe that the grocers continue to -- when we think about the past 2 years, and I said it in my remarks, how they've positioned themselves and also adapted to the new normal, they understand that in order to capture the consumers as much of the consumer's dollar as possible, they need to be able to serve their consumer through different channels. That is home delivery, that is order online and pick up in the parking lot curb side, order online, pick up in the store and come into the store. And they are -- the better operators, those that anchor Regency's shopping centers are investing in every one of those channels. And they've improved the experience in every one of those channels. And I believe they're going to continue to do so.

It's a volume game with grocers. It's not a margin game. And so to the extent that they can continue to grow their top line, it does flow through to the bottom line, it allows them to increase their absolute cash flow to invest back in their business. With that said, it's also the case that the highest margins are for you to walk in the store. And they want people to walk in the store, which is why they continue to invest in the in-store experience.

It's also better to be close to the consumer's home, which is why you see one of the largest e-commerce grocers investing in bricks-and-mortar stores and opening new stores. So that they can be close to the customers' homes for their last mile fulfillment as well as to bring the customer into the store. I think we're going to continue to see technological advances. You've seen checkout-free technology, I think that, that is something that will continue to progress. And you'll see more and more not just grocers, but retailers adapting that technology and rolling it out.

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**Mary Kathleen McConnell** - *Citigroup Inc., Research Division - Research Analyst*

How are your tenants thinking about last mile fulfillment today? And is that bringing in much more incremental new leasing demand to your centers today?

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

I'm sorry, incremental?

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**Mary Kathleen McConnell** - *Citigroup Inc., Research Division - Research Analyst*

New leasing demand for tenants that are more focused on that today.

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

We had -- that's -- we were beginning to see some migration from malls, if you will. So tenants that had been more mall-centric even pre-2020 because of the ability -- the last mile fulfillment, the closer to the consumer. So I think that's absolutely the case, yes. And we continue to see that. And on the margin, we're seeing more of it.

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**Mary Kathleen McConnell** - *Citigroup Inc., Research Division - Research Analyst*

And in the past, you've talked about how curbside pickup and buy online, pick up in store is a lot more profitable for the retailers ultimately. Are you seeing tenants start to provide economic incentives to bring customers into the store?

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

I think that they've been doing that, and they continue to do that. That is my point about investing in the store. I mean you all may or may not remember in the very beginning when Amazon bought Whole Foods, they actually offer discounts to their in-store, to their prime members, to try to bring people into the store. So yes, we're going to continue to see all retailers, not just grocers, incent customers to come into the store.

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**Michael Jason Bilerman** - *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

Maybe we can go -- one of the comments you made, Lisa, up front was the focus on growth and you're getting growth from a number of different areas. The presentation you posted sort of walked through the components of your long-term growth plans. Can you sort of outline a little bit in those building blocks and how you sort of see that growth in total return over the next few years?

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

The lion's share of that growth for those of you that haven't had the opportunity to see that model, comes from same-property NOI growth. And that over the -- in a stabilized environment, we believe that we will be able to generate -- because of the quality of our assets, the quality of our team, the quality of the trade areas, we will be able to generate 2.5% plus same-property NOI, without a lot of capital investment. And that would be, in my belief, at the upper end of our sector. With a little capital investment, believe we can push that to 3%. So investing back into our own centers.

Over the next couple of years, we have occupancy upside. Because we did lose some -- we lost tenants throughout the past few years. So as we push that occupancy, we are going to have the ability to grow that even more. And when you look at even the guidance that we provided on our last call, stripping out the noise, you will see that our same-property NOI guidance is north of that 3% at the midpoint. So to me, that is the biggest generator of growth because then you leverage that and you get earnings growth.

But on top of that, I also mentioned in my remarks, we are generating $130 million of free cash flow, and we are able to invest that $103 million back into redevelopments as I just -- that's the capital that you put back into your own center, redevelopments in our own portfolio, as well as ground-up developments. I believe we have the best development team in the business. We just recently announced another new ground-up development 30 miles south of New York in Old Bridge, New Jersey. Grocery-anchored ShopRite, Target-anchored, with a medical office building, and it's going to be a fantastic development. We will continue to harvest those opportunities to invest our free cash flow. That is the -- that is what will generate our earnings growth going forward.

I think the model will show that over the long term, we do believe that we will sustain greater than 4% earnings growth. And again, going back to my 3 reasons, if you -- I haven't looked today, and maybe I shouldn't, but if you were to invest in Regency today, we're getting close to a 4% dividend yield. You combine our earnings growth, we would expect to grow that dividend very similar rate to which we're growing our earnings, plus the yields you're already capturing, should result in total returns exceeding 8%. And on a risk-adjusted basis for a company that just went through one of the worst economic times that never cut its dividend, and we've returned back to 2019 earnings, I think that that's a pretty good value proposition.

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**Michael Jason Bilerman** - *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

Right. Because I think on a relative basis relative to that point, I mean, there's so much noise in numbers as you've gone through in 2020 and 2021 and now into 2022 in terms of so many different accounting policies in terms of rents, sort of stripping that out on a quarter-to-quarter basis, you sort of look at 2022 being -- are you still down a little bit or you actually higher on a just core basis when you strip everything out?

**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

Our total NOI is higher. We have had acquisitions. And -- but through -- but in 2022, we will be back on a core basis.

**Michael Jason Bilerman** - *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

Where most of the sector is still below, right?

**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

Yes.

**Michael Jason Bilerman** - *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

And do you feel like you're getting the right multiple then for that cash flow? And what can you do to help drive investors to value the cash flow at a higher price?

**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

I think all we can continue to do is be as transparent and clear as possible in our disclosure and try to understand, as you mentioned it, even the accounting noise, if you will. There's a lot of -- and there will continue to be. 2022 is not going to be the last year of accounting noise. We still will have some prior year collections in 2022, which will impact 2023 comparability.

And so we will continue to communicate as clearly as we can and point to the fact that we do, internally, even for our own team, focus them on, let's look at 2022 compared to 2019. And we essentially -- so if you average -- the performance from 2020 and 2021, the decline -- because it was a decline for everyone in our sector, Regency's decline was either the lowest or second lowest in the entire sector.

**Michael Jason Bilerman** - *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

And you view that as the quality of your anchor tenants, the quality of the shopping centers, the focus on the leasing and the relationships that you have?

**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

Yes.

**Michael Jason Bilerman** - *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

Talking about the transaction, Mark, you mentioned some acquisitions that you've made, but you also talked about the discount to private market values in those opening comments. You have the strips trading on average at a 6 cap. I would imagine if you can buy a lot of strips at a 6 cap, you would be gung ho.

**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

We had -- again, our investment discipline, I believe, is an important part of our success, and we will remain disciplined. When we think about whether it's a single property acquisition, a small portfolio of properties, multiple properties or a large M&A transaction and those of you that have followed us for a while have heard us say this when we did the Equity One merger closed in March of 2017, we really need to check 3 boxes: accretive to our quality, accretive to our future growth rate and accretive to earnings, while not -- while preserving the balance sheet.

That may be difficult to do with some larger portfolios. So as we think about acquisitions and external growth from the acquisition standpoint, in Regency's history, while we have had very successful M&A -- and I imagine that, that will be and can be a part of our future, more likely than not it's going to be a bunch of singles and doubles. And we'll acquire a single property, maybe multi -- like our Serota portfolio that we closed on property -- multiple property portfolio in Long Island.

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**Michael Jason Bilerman** - *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

Right. And where do you see that delta today relative to where you trade? I mean I'm trying to get this...

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

As I said, I haven't looked today. So for the type of asset that we want to invest in, you can look at our Blakeney acquisition that we acquired last year. And we reported that cap rate to be in the high 4s. And I think for the quality of the opportunity and the quality of the shopping center that Regency wants to own long term, today's pricing is going to be in a 4% to 5% range depending upon the growth of that. So you're looking at 6% unlevered IRRs, not 6% going in cap rates.

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**Michael J. Mas** - *Regency Centers Corporation - Executive VP & CFO*

Michael, I think, importantly, capital sourcing plays a role in that. So it's not all about incremental equity, right? We're -- we've [about] $500 million of projects in 2021, there wasn't a $500 million capital raise involved with that. We will find opportunities within the portfolio to identify dispositions when those make sense, low growth, low cap rate dispositions. We even found $50 million of nonincome-producing land that we're able to monetize in 2021 and we deploy that into opportunities at a 5% or better cap rate.

And as importantly, as we think about '22 and beyond, we are sitting in the 5.1 range, the low 5x range from a net debt-to-EBITDA perspective. We'd like to operate in that 5 to 5.5 over the long term. And with what I would call a still depressed level of net operating income or EBITDA, we have room to grow through the balance sheet and without having -- so this combination of potentially low growth asset sales, a little bit of balance sheet financing, I believe will continue to allow us to remain on our front foot as we look to grow the platform.

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**Michael Jason Bilerman** - *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

What do you think is the biggest growth opportunity that the market is not giving Regency credit for today?

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

I still think it is that outsized same-property NOI growth that we talked about, because I think that there's still it's being a little -- there's a cloud over it with a little bit of the accounting noise.

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**Mary Kathleen McConnell** - *Citigroup Inc., Research Division - Research Analyst*

Just going back to the cap rate compression that you've seen in the private markets for strips overall, can you expand on the trends that you've seen across different property types and also geographies that you're focused on, in particular?

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

We -- I'm going to answer the last part first. So we do have a national platform, 22 offices across the country. And I do believe that, that is an important part and competitive advantage for Regency with the local relationships and the local market knowledge. We are focused more on trade areas than we are macro geography or macro cities. And we have a proprietary model where -- we call it our DNA model, that does have many inputs and variables to essentially score, if you will, the trade areas, and we use that. So we will grow in the markets where we already operate, and there's not a singular focus on any specific one. We have mentioned publicly that we would like to expand into Phoenix. That would be the only new market that we're not in today, and we are working towards making sure that we have some resources allocated to exploring those opportunities.

With regards to the property types, I think even going back to early 2020, there was very little transaction activity. But even during that time, when there was very little, there was a little. And the little was just in grocery anchored and smaller bite-sized, grocery anchored shopping centers. We continue to see trades in that property type. And cap rates didn't change, it was the NOI that had changed because people -- because tenants had fallen out. So the cap rate on the existing NOI was the same, on a stabilized, it was higher. Since that time, when it became very clear and visible that there was a path to recovery, certainly for high-quality shopping centers like Regency's, the transaction market came back to life, if you will. And it came back pretty fast. And we saw -- we have seen cap rates continue to compress. I would say that we probably plateaued because [it couldn't go any] lower in that 4% to 5% range by the middle of 2021, and we still sit there today. And it is -- there's certainly more capital that is going after grocery anchored versus power centers, for example.

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**Mary Kathleen McConnell** - *Citigroup Inc., Research Division - Research Analyst*

How much lower do you think cap rates can go over the next 12 months?

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

I don't think they're going -- I think they're at their [fuller.]

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**Mary Kathleen McConnell** - *Citigroup Inc., Research Division - Research Analyst*

And for your acquisition and disposition guidance for this year, it suggests that you'll be a net seller. Can you discuss your outlook for transaction volumes overall?

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

I'm going to let Mike answer that.

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**Michael J. Mas** - *Regency Centers Corporation - Executive VP & CFO*

Sure. First, on the guidance and what seemingly looks like -- appears to be a net selling environment. I think it's also important to look at 2021. We did have an acquisition of the Long Island portfolio on the last day of 2021. So effectively, that is a 2022 acquisition. It was funded by the sale of an asset in Southern California that closed in the first 2 weeks of January of this year. So as we think about our transaction activity over an extended period of time, we've been a net acquirer of properties.

Philosophically, from a guidance perspective, we don't believe in guiding on speculative acquisitions. So although we have spent a lot of time talking about remaining on offense and being on our front foot, you won't necessarily see us guide to acquisitions until we have some certainty around our ability to close. Historically, we've been uncomfortable with the pressure that can put on ourselves and our team to buy properties for the sake of meeting guidance. We want to buy properties that are meeting the 3 checkpoints that Lisa identified that are accretive to our quality, that are accretive to our growth rate and that we can fund accretively from a capital sourcing perspective. We have $30 million in the plan. We feel good about that. We -- and we also feel great about the team's ability to continue to pursue what appears to be -- in remaining pretty active market.

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**Mary Kathleen McConnell** - *Citigroup Inc., Research Division - Research Analyst*

And then on the development side of things, you recently sold Costa Verde when it transitioned to a life science asset. What are your thoughts around mixed-use development today?

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

Our core competency is grocery-anchored shopping centers. It really has been. You might say that in the previous 5 years, our strategy was leaning into mixed-use and doing a little bit more of that, but we were never 100% focused on densifying and developing mixed-use assets. We have a nice successful track record of horizontal mixed use, dating back to the early 2000s. We will continue to do that. For the nonretail uses, we will partner with, we will sell, we'll essentially offload, we will not use our capital for the other uses. And so that is unchanged, and that is how we will think about it going forward.

So when we have properties or opportunities where it's very difficult to extract the retail, we will most likely pursue another avenue as we did with Costa Verde. So a sale of the whole property, a ground lease, a partner with an experienced op or something along those lines. In Costa Verde, we were trying to go down that extracting the retail, and we simply could not get to a good resolution because it was so intricately complex and integrated.

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**Mary Kathleen McConnell** - *Citigroup Inc., Research Division - Research Analyst*

We have a couple of investor questions, maybe we can get through quickly. The first one is, how much occupancy upside is left? And when do you get -- expect to get back to that pre-pandemic level?

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

I'll answer the -- what's left, and I make sure that I don't provide any guidance that I shouldn't provide. So our high watermark is a little north of 96%. And I -- but we -- I think we only sustained it -- it's 96.4%, I believe. I think we only sustained it for 2 or 3 quarters. With today's market and the health and the strong operating fundamentals, I do believe we can get back to 96%. There will always be frictional vacancy. It's intentional, as we think about remerchandising our centers, as we think about redeveloping our centers. The anchor occupancy, we've sustained north of 99% for many quarters, and I expect that we can and we will hold that. It's the smaller shop space that becomes intentional. So I believe we can get to 96%.

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**Michael J. Mas** - *Regency Centers Corporation - Executive VP & CFO*

Driving earnings would be commenced occupancy. And Lisa's comments were around percent leased. Historically speaking, our high watermark at that 96% level is about 94.5%, call it, 150 basis points of pre-lease activity. We're approaching 92% today. So as we think about our growth -- our near-term growth potential, that's over 250 basis points of commenced occupancy increases. We -- that's a lot of space to absorb in any 12-month period.

If you think about our post-GFC environment or a healthy leasing environment, good vacancy to absorb it in the company, we -- looking back, we absorbed about 100 basis points, plus or minus per year. So underlying -- an underlying assumption of our same property NOI growth rate in 2022 is that we'll absorb about 75 to 100 basis points through commenced occupancy in '22. So obviously, that provides us with a, in 2023 and beyond, outsized growth potential for the company.

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**Michael Jason Bilerman** - *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

Same-store NOI growth for the shopping center sector in 2023.

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

It's stripping out accounting prior year collections, I think it will be high. I think it's going to be north -- say, 3.5%.

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**Michael Jason Bilerman** - *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

3.5%. 10-year treasury yield a year from now. It's about 1.9% today.

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

It's always my favorite, 2.5%.

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**Michael Jason Bilerman** - *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

And will the shopping center sector have more or fewer public companies a year from now?

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

Fewer.

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**Michael Jason Bilerman** - *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

Fewer.

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**Unidentified Participant**

The next session will begin in 10 minutes.

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**Michael Jason Bilerman** - *Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst*

Thank you.

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**Lisa Palmer** - *Regency Centers Corporation - President, CEO & Non Independent Director*

Thank you.

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