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REG.OQ - Q1 2025 Regency Centers Corp Earnings Call

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## OVERVIEW:

Company Summary

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**Alan Roth** *Regency Centers Corp - East Region President and Chief Operating Officer*

**Nicholas Wibbenmeyer** *Regency Centers Corp - West Region President and Chief Investment Officer*

**Michael Mas** *Regency Centers Corp - Chief Financial Officer, Executive Vice President*

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**Samir Khanal** *Bank of America - Analyst*

**Craig Mailman** *Citigroup - Analyst*

**Todd Thomas** *KeyBanc Capital Markets Inc. - Analyst*

**Ronald Kamdem** *Morgan Stanley - Analyst*

**Juan Sanabria** *BMO Capital Markets - Analyst*

**Michael Griffin** *Evercore ISI - Analyst*

**Viktor Fediv** *Scotiabank - Analyst*

**Jamie Feldman** *Wells Fargo - Analyst*

**Ravi Vaidya** *Mizuho - Analyst*

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**Michael Gorman** *BTIG - Analyst*

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**Michael Mueller** *JPMorgan - Analyst*

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## PRESENTATION

### Operator

Greetings, and welcome to Regency Centers Corporation first-quarter 2025 earnings conference call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the call over to your host, Christy McElroy. Thank you. You may begin.

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### Christy McElroy - Regency Centers Corp - Senior Vice President, Capital Markets

Good morning, and welcome to Regency Centers' first-quarter 2025 earnings conference call. Joining me today are Lisa Palmer, President and Chief Executive Officer; Mike Mas, Chief Financial Officer; Alan Roth, East Region President and Chief Operating Officer; and Nick Wibbenmeyer, West Region President and Chief Investment Officer.

As a reminder, today's discussion may contain forward-looking statements about the company's views of future business and financial performance include forward earnings guidance and future market conditions. These are based on management's current beliefs and expectations and are subject to various risks and uncertainties. Possible that actual results may differ materially from those suggested by these forward-looking statements we may make. Factors and risks that could cause actual results to differ materially from these statements may be included in our presentation today and are described in more detail in our filings with the SEC, specifically in our most recent Form 10-K and 10-Q filings.

In our discussion today, we will also reference certain non-GAAP financial measures. The comparable GAAP financial measures are included in this quarter's earnings materials, which are posted on our Investor Relations website. Please note that we have also posted a presentation on our website with additional information, including disclosures related to forward earnings guidance. Our caution on forward-looking statements also applies to these presentation materials. As a reminder, given the number of participants we have on the call today, we respectfully ask that you limit your questions to one and then rejoin the queue with any additional questions.

Lisa?

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**Lisa Palmer** - Regency Centers Corp - President, Chief Executive Officer, Director

Thank you, Christy. Good morning, everyone. We are pleased with another quarter of outstanding results highlighted by strong same-property NOI growth and earnings growth. Our results are reflective of continued robust operating fundamentals within our trade areas and at our shopping centers simplified by the commencement of leases within our SNO pipeline and accretion from investments, including our ground-up development, redevelopment and acquisitions. Positive trends in activity continued into April in a few weeks have indicated no impact on sales or shifts in consumer behavior.

Within our portfolio, we've seen growth in foot traffic accelerate in April from Q1 levels. And for the remainder of the year, our lease commencement plans are largely committed, supported by a strong pipeline of leases already executed and awaiting rent commencement, and our lease negotiation pipeline remains full. Our tenants are healthy and continue to look long term, planning for space needs years ahead of time amid a scarcity of high-quality available space. In addition, external growth remains visible largely driven by in-process development and redevelopment projects coming online. Additional acquisitions in 2025 would be opportunistic and additive to our plan.

As we look longer term, I'll highlight the competitive advantages that make Regency unique across the REIT sector peers and why we believe we are positioned to outperform across cycles. Our grocery-anchored neighborhood and community centers serve the essential nondiscretionary needs of our shoppers within a format that caters to service, convenience and value in which we operate are supported by strong demographics with above-average income and employment, while the retailers within our centers are predominantly in the top tiers of performance across their chains. As a result, our tenant bases on the whole more insulated from the impacts of potential inflation and volatility in the macro backdrop. We are also in a great position growing opportunistically supported by our substantial liquidity and access to low-cost capital.

In closing, we acknowledge the elevated volatility and macro uncertainty in the economy today. But importantly, we continue to feel good about how Regency is positioned as we are built to thrive across changing economic cycles. We hold our long-term playbook and strategic objectives firm, maintaining our focus on driving growth, and we remain confident in our competitive edge with the unique combination of our strategic advantages.

Alan?

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**Alan Roth** - Regency Centers Corp - East Region President and Chief Operating Officer

Thank you, Lisa, and good morning, everyone. Our first-quarter results were again marked by solid leasing activity and continued success growing NOI and particularly base rent. We made significant progress delivering on as well as further building our leasing pipelines with strong demand from various tenant categories, including grocers, restaurants, health and wellness and off-price retailers. Activity in the quarter was led by continued

strength in shop leasing, where we were able to drive another 10 basis points of growth in leased occupancy on top of our 60-basis-point increase last year.

Notably, our same property metrics now include the former Urstadt Biddle Properties which entered the pool this year. We also made meaningful progress commencing new leases, representing approximately \$10 million of ABR while driving the same property percent commenced rate up another 20 basis points in the quarter. While we've been actively rent commencing preleased space, the value of our SNO pipeline is up to \$46 million of incremental base rent as we continue to replenish the pipeline with newly signed leases, providing further support for future commenced occupancy.

Cash rent spreads were 8% in Q1, while GAAP rent spreads were nearly 19%, positively impacted by achieving higher average embedded rent steps in our executed leases given a greater mix of shop space in the quarter. I am proud of our team delivering these exceptional operating results reflected in same-property NOI growth of 4.3%, primarily driven by growth in base rent. As Lisa mentioned, we acknowledge the macro uncertainty, but as we've moved through April, our leasing activity, foot traffic and rent collection trends within our portfolio remain favorable. We are well positioned due to the quality and location of our assets, durability of occupancy within our neighborhood and community center format, manageable exposure to watch list retailers and a strong cost profile, including top-performing grocers.

Nick?

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**Nicholas Wibbenmeyer** - Regency Centers Corp - West Region President and Chief Investment Officer

Thank you, Alan, and good morning, everyone. We had another active quarter of accretive investment activity, including closing on a large high-quality acquisition, continued successful execution of our in-process development projects on time and on budget and further progress sourcing new projects to drive growth in our future pipeline. During the quarter, we acquired Brentwood Place in Brentwood, Tennessee, one of the most desirable submarkets in Nashville. Whittwood Place is a 320,000 square foot community center with best-in-class retailers including national anchors that performed well above their chain averages. Furthermore, the future mark-to-market leasing opportunities give us clear visibility to significant growth in coming years at this shopping center.

Additionally, we have a high-quality grocery-anchored shopping center under contract within our joint venture platform located in the Northeast. We expect to close in the second quarter and look forward to sharing more details at a later time. Pivoting to development. I'm really proud of our team's execution on our \$500 million of in-process development and redevelopment projects. Leasing activity remains strong, and we are managing costs in line with our underwriting.

Ground-up development remains a key component of our strategy and a unique differentiator for Regency, especially in an environment with limited new retail supply and capital constraints for other developers.

We believe our development platform, combined with accretive redevelopments within our existing portfolio continues to be the best use of our levered free cash flow with blended returns exceeding 9%. The vast majority of our projects involve partnering with leading grocers where we continue to see significant demand for space as they further expand their footprints and reach. Our team remains highly engaged sourcing and underwriting investment opportunities and we continue to have confidence in maintaining an annual planned pace of \$250 million of project starts.

Mike?

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**Michael Mas** - Regency Centers Corp - Chief Financial Officer, Executive Vice President

Good morning, everyone. Piling on the comments from Lisa, Alan and Nick, we are certainly gratified with our strong first quarter results, evidenced across our same-property NOI for operating earnings and NAREIT FFO metrics. This is a testament of our team's ability to drive both occupancy and rent growth within our portfolio, amplified by astute capital allocation, including execution within our value-add development and redevelopment

platform in addition to sourcing accretive acquisitions. We are reaffirming our 2025 earnings outlook, which implies growth in NAREIT FFO of nearly 6% and growth in same-property NOI of 3.6% each of the midpoint of our guidance ranges.

This includes maintaining our credit loss guidance of 75 to 100 basis points, which combines the expected impact of both uncollectible lease income and lost revenues from bankruptcy-related moveouts. One item to point out within same-property NOI growth, we do expect a modestly elevated growth rate in the second quarter driven primarily by the timing of percentage rent and other income. These items will not affect base rent growth, which we expect to remain fairly consistent quarter-to-quarter. As a reminder, core operating earnings accretion from our Q1 acquisition of Brentwood Place was previously included within guidance. This quarter and with the closing behind us, you'll see within the guidance slides of our earnings presentation that we made a few adjustments for noncash items related to the below-market leases and below-market debt associated with that acquisition which were a wash for NAREIT FFO.

These small tweaks comprise the only changes to our earnings outlook for 2025.

Moving to the balance sheet. In February, S&P upgraded Regency's credit rating to A- as follows our upgrade to an A3 rating by Moody's approximately one year ago. We now hold the only A credit ratings from either Moody's or from S&P in the shopping center REIT sector. We are extremely proud of this accomplishment and the validation from the agencies, reflecting the strength of our business and appreciation for our balance sheet strategy. Our balance sheet strength and liquidity remain key advantages with leverage well within our target range of 5 to 5.5 times, strong annual free cash flow generation and plentiful availability on our credit facility.

From this position of strength, we will remain opportunistic, investing accretively, and driving earnings growth and shareholder value over the long term and through economic cycles.

With that, we look forward to your questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Michael Goldsmith, UBS.

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### Michael Goldsmith - UBS Global Research - Analyst

The questions on the watchlist and bad debt. Clearly, the market is concerned about the impact of tariffs and the potential pressure consumers that may follow up from that. So as you're looking at your tenant base, have you made any changes to the watchlist or has there been anything noticeable from your perspective in terms of accounts receivable or in a small shop? Are you expecting anything? And with that, can you remind us of your Rite Aid exposure?

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### Alan Roth - Regency Centers Corp - East Region President and Chief Operating Officer

This is Alan. That was a loaded -- a lot of questions in there. So let me see if I can unpack you one at a time. So from the watchlist perspective, we are constantly evaluating and updating that watchlist. But from an exposure perspective, it stays consistent with where it has been in the past. And so we feel really good about how we are proactively approaching our watchlist tenants.

From a Rite Aid exposure, we have 30 basis points of ABR that is out there. And again, the team is not just from a Rite Aid perspective, but the totality of the watch list standpoint, we are aggressively out in front of proactively what we call leasing occupied space where appropriate. And from an AR perspective, I would just tell you it remains below historic levels. And I think that addressed your questions, Michael.

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**Operator**

Samir Khanal, Bank of America.

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**Samir Khanal** - *Bank of America - Analyst*

I guess, Lisa, just maybe expanding on your opening remarks there maybe post sort of April to talk about kind of how leasing discussions have been going, how activity has been trending? I mean, even for your existing tenants, right? I mean, they're certainly going to -- I mean, if this tariff situation doesn't get resolved to a certain degree, the more this lingers, how are you sort of approaching these conversations given the higher cost that they'll have to incur?

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**Lisa Palmer** - *Regency Centers Corp - President, Chief Executive Officer, Director*

I'll start, but I think it might be best to have Alan address the specific conversations with tenants. I will again just reiterate that -- and you've said this in your question, the kind of reality, the scale, the impact from tariffs is so unknown right now and uncertain. And we acknowledge that of speaking -- many of you know Hap but speaking with Hap earlier this week. And like our eyes are wide open and do not want anyone to think that they're not. But I want to remind you and just to reiterate what I did say in my prepared remarks, and that is our sector, our product type, we really do cater to essential nondiscretionary service, convenience, value that's the product that our centers offer to our shoppers.

And we are not immune, and we know we're not immune, but we are much more resistant as a result of that and able to kind of absorb economic uncertainty and cycles. Recession is what would impact us is when people lose their jobs and when there's a lack of -- and they don't have income coming in when they really cut back on spending. But again, remind you of the trade areas in which we operate much more well positioned to absorb those pressures. So if you think historically, because I've been at the company for quite some time now, have lived through different cycles. There were really two major economic downturns that impacted us.

And I'll say they only impacted us by 200 to 250 basis points of occupancy, and they were severe. And that was the GFC and COVID. I don't have a crystal ball. I have no idea where we're going. I'd be surprised if we have something that severe.

So I feel really good about the strength and quality of our tenant base. As you just heard Alan say about ARs, they're healthy. The quality of our tenants, they're able to navigate and get through challenges and also, again, emphasizing service convenience value essential goods. So no, we're not immune, but I feel really good about how well positioned we are to perform through and even outperform and thrive in economic downturns.

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**Alan Roth** - *Regency Centers Corp - East Region President and Chief Operating Officer*

Samir, I thought that was such a well-articulated answer. I'm not going to add anything.

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**Operator**

Craig Mailman, Citi.

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**Craig Mailman** - *Citigroup - Analyst*

Lisa, I appreciate the comments that you just made and kind of in that being with pretty decent conviction here that you guys are a little bit more immune at least in the near term. You guys talked also about the balance sheet capacity, and you've been opportunistic. You bought the Nashville asset. Just kind of how are you thinking about keeping powder dry until things maybe we get better visibility on what ultimately plays out from a

tariff perspective versus looking at opportunity today and how much you would want to kind of put to work if you think that maybe this is less of an issue and there's some dislocation in the market and you can find some opportunities.

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**Lisa Palmer** - *Regency Centers Corp - President, Chief Executive Officer, Director*

Appreciate the question. And I also appreciate the recognition of the strength of the balance sheet. And strategically, it is not by accident that we're the only A-rated company in the sector. We intentionally keep balance sheet capacity so that we can play offense again through all cycles and so that we can take advantage of and capitalize on opportunities. Our best use of our free cash flow, and we've said this often is our development program today, and that's because it gives us the best return on our invested capital, and that will continue to be the case.

So we will always evaluate opportunities as they're presented to us. And if it's compelling enough, which gets to your question about using it now versus saving it, we'll know if it's compelling. And if it's compelling, we'll act, and we have the capacity to act. And so again, in my prepared remarks, I made the comment about the playbook and our objectives remain firm, and that's the case, and we will continue to operate that way.

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**Operator**

Todd Thomas, KeyBanc Capital Markets.

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**Todd Thomas** - *KeyBanc Capital Markets Inc. - Analyst*

I just wanted to dig in a little bit and follow up on Samir question. Just curious, has there been any change at all in the time line to get lease deals done, whether you're seeing any slowdown at all in the decision-making process or whether there's any pushback at all on new lease deal conversations through escalators or move-in rents given what might be a little bit more of an uncertain outlook for tenants trying to budget sales at a new location?

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**Alan Roth** - *Regency Centers Corp - East Region President and Chief Operating Officer*

So we always closely monitor lease activity, foot traffic, collections, pipeline and quality of the pipeline and simply put, as we look at April post-quarter close, we're simply just not seeing any translation from this volatility in our April results. Activity was really solid in April. In fact, 2025 new activity exceeded the April '24 new activity. Foot traffic for the first three weeks was up 7% year-over-year. As I mentioned in Michael's question, AR remains well below our historical averages.

And our pipeline still remains strong with quality operators. We're going to continue to stand tall as Lisa said, with our eyes wide open and our antenna up, but April was another really good month for us, and nothing has transitioned.

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**Operator**

Ronald Kamdem, Morgan Stanley.

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**Ronald Kamdem** - *Morgan Stanley - Analyst*

Just on the construction side, development side, if you will. Just any sort of quick early indications of how much construction costs are up. And how are you guys thinking about sort of the evolution of the yields that you're targeting sort of in this post tariff environment?

**Nicholas Wibbenmeyer** - Regency Centers Corp - West Region President and Chief Investment Officer

This is Nick. So yes, we're obviously very closely monitoring construction costs. And as you go all can appreciate, the last four or five years have been a challenging time to do that for a host of reasons. And so with the new volatility our team is digging in as they always do, to really make sure we understand every line item. And as you can see in our in process, the team continued to do an amazing job.

We really do de-risk these projects significantly before we even start construction. So our in process continue to perform really, really well. And then as we look forward to our projects that have not yet started construction, same thing the team is digging in and yes, these proposed tariffs could impact some of those line items without a doubt.

The good news is though other line items, we have seen some pullback in cost. Steel prices are down year-over-year. Crude prices are down year-over-year. And so net-net, we still feel really good that we can deliver the projects that are in our pipeline at a budget and a return that we think is appropriate. And to your question on return, you can see where we have our eyesight.

As we've always articulated our development program, we want a spread above what we think those assets are worth post being built. And so we're looking at a 150 basis point spread, and we continue to achieve that and then some. And so feel really good about in process and feel really comfortable with what we have planned to start as we move forward this year next.

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**Operator**

Juan Sanabria, BMO Capital Markets.

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**Juan Sanabria** - BMO Capital Markets - Analyst

Just hoping you could talk a little bit about the transactions market, how higher trends have changed. Are there more or less players looking to acquire in the space? And kind of where you see cap rates trending? Have you seen any diminution of foreign investors looking at the US?

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**Nicholas Wibbenmeyer** - Regency Centers Corp - West Region President and Chief Investment Officer

The reality is we're in early innings from the volatility, so let me say that. And sometimes, the transaction market is a little backwards looking. But every data point we're looking at, we continue to see cap rates in the 5% to 6% range for high-quality, grocery-anchored assets, the type of assets we're pursuing. And in recent conversations anecdotically, it does seem like there's been a little pullback in the public and international markets compared to other private market. And so it does appear deals that are on the market right now continue to have a lot of interest from private capital and are still pricing aggressively.

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**Operator**

Michael Griffin, Evercore ISI.

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**Michael Griffin** - Evercore ISI - Analyst

Maybe sticking in the acquisition vein. Just wanted to get some more color and context on the Brentwood deal. It looks like a going in cap rate of call it, the mid 5s, but it seems like there is some opportunity to realize mark-to-market as those leases roll. I'm curious, number one, how quickly do you think you can realize that mark-to-market within the center? And then what are you looking at on sort of a stabilized cap rate basis from that acquisition?

**Nicholas Wibbenmeyer** - *Regency Centers Corp - West Region President and Chief Investment Officer*

So a couple of things. One is we do feel really good about the mark-to-market opportunities. And so as you articulated, we're comfortable with the going in yield and how that project was financed, especially with the low market debt, but we're even more excited about the future growth potential of that asset. And so -- and that initial 10-year hold, our eyesight is really at a high single-digit IRR. And so we feel good about the ability to achieve that IRR.

But then what's even more exciting about that asset is we have visibility beyond even that initial 10-year hold of future material mark-to-market opportunities. And so that asset based on the quality of that market, the quality of the asset within that market and the quality of the income stream on a go-forward basis, we're extremely excited to bring that one into the mix.

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**Operator**

Greg McGinniss, Scotiabank.

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**Viktor Fediv** - *Scotiabank - Analyst*

This is Viktor Fediv on with Greg McGinniss. And let's stick with acquisitions. I'd like to kind of understand your forward-looking thinking. Essentially, you've doubled your Tennessee exposure with this acquisition and obviously great asset. But what are your future plans?

Are you planning to kind of expand in this market, your footprint, or which markets are your areas of interest as of now?

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**Nicholas Wibbenmeyer** - *Regency Centers Corp - West Region President and Chief Investment Officer*

As we've talked about before and as Lisa has alluded to a couple of times on just this call, the good news in our business plan is we don't have to acquire to meet our business objectives. And so let me state that first and foremost. But that being said, we are very, very focused on growing our exposure in high-quality markets across the country. And so every one of our 22 plus offices is waking up every day trying to figure out what are the opportunities within that market to own a best-in-class retail that we feel like has appropriate growth profile. And so Nashville has been on that list for quite some time.

It's a very tight market. And so there's no doubt, not a lot trades in that market. We continue to be focused on Nashville, but I'll tell you, we are also focused on the other great markets we operate around the country. And so feel good that we'll win more than our fair share of these opportunities as they present themselves.

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**Operator**

Jamie Feldman, Wells Fargo.

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**Jamie Feldman** - *Wells Fargo - Analyst*

Great. I guess, sticking with tariffs a little bit. I mean, have you -- are you able to provide any color from conversations with tenants or even your own math in terms of just tariffs as proposed, what they would do to cost of goods sold for your tenants? What it could mean for credit coverage. Just anything you can kind of quantify from either work you've done or conversations you're having with tenants?

And then along those lines, President is going to be in office for four or more years maybe more, but we'll see. Does it change at all your view on the types of tenants you want, types of categories you want in the portfolio or even where you want to own assets longer term?

**Lisa Palmer** - Regency Centers Corp - President, Chief Executive Officer, Director

I'll start and again, I'll have Alan add if he so desires. I really -- I'm just going to go ahead and reiterate holding our playbook firm, our strategy firm, and we really like it, right? The format that we own, neighborhood, community shopping centers, mostly grocery-anchored, catering to essential needs, catering to service, convenience and value. I do not expect that to change. We feel really good about it.

We feel really good about the sustainability of cash flows and the ability to sustain growth in those cash flows as a result of the offering that we have to both our customers, which are people we're leasing space to and the customers of those merchants, the shoppers. Reiterate once again, foot traffic is up year-over-year. It was up in April over Q1. We feel really good about the positioning and the ability to perform through so there will always be cycles and we have proven that we can and will perform.

**Alan Roth** - Regency Centers Corp - East Region President and Chief Operating Officer

And Jamie, I would just add as we think about categories and again, we don't know, but apparel, luxury, hobby, home improvement, variety stores, largely discretionary type retailers, and that's a very small part of our portfolio and those that could be impacted. We certainly have the very well capitalized operators that are top in their sector and our time tested really knowing how to operate through uncertain times. And so as we think about our approach to leasing, I would say it's not going to change. It has been and it will always be very intentional, very deliberate as we think about how to qualify operators based on their experience, based on their balance sheet, and we're just not filling space to fill space.

**Lisa Palmer** - Regency Centers Corp - President, Chief Executive Officer, Director

And I will remind you that the retail world is always changing. And you will always have -- you're going to have operators that cannot navigate challenges, changes in their kind of environment and they'll fail. Really interesting. I was telling some of the people that I work with that I went back and did a quick reread of good to great and one of the companies that they highlight as Circuit City is a great company, and we all know what happened with Circuit City. So it's just an example of doesn't mean that we're going to be perfect.

It doesn't mean that we're going to have a 100% batting average or 1,000% batting average that there will always be failures in our business. We plan for those. We expect those, but we also manage it really proactively. And as a result of that, the impacts in our portfolio tend to be pretty small and pretty immaterial and insignificant and we manage through it.

**Operator**

Haendel St. Juste, Mizuho.

**Ravi Vaidya** - Mizuho - Analyst

This is Ravi Vaidya on the line for Haendel. I hope you guys are doing well. Just trying to the map here on page 9 of the presentation. Looking at the timing of commencements and contributions to the snow pipeline. How should we think about rent recognition either being pulled forward or pushed back in the current environment?

**Michael Mas** - Regency Centers Corp - Chief Financial Officer, Executive Vice President

Ravi, that's a good question. So the slide that just to position everybody, we get some details on our SNO pipeline and the delivery of the same. So again, just to level set 80% of our SNO pipeline is set to commence in 2025. However, only about 1/3 of that will be recognized as income this year. And what that really says to us is that, that positions us for continued positive momentum and tailwind going into '26.

As we'll continue to deliver upon the really strong losing efforts of the team. The variability on these line items from a commencement perspective is rather small. I mean we tend to -- on the vast majority of our leases embed contractual rental rate increase as commencement dates.

So the tenant is obligated to commence rent as the earlier when they open or a date certain. So we know we have a tremendous amount of visibility into that certainty of that income stream. Our ability to pull that forward and accelerate that opening to commence rent is what this team is about and what this team has been doing a great job accelerating build-outs to get that rent commencing sooner. So the risk would be in the difference between that ability and the contractual increase, which I would characterize as relatively small.

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**Ravi Vaidya** - Mizuho - Analyst

Got it. That's really helpful. Just one more here. In terms of your leasing pipeline, how forward.

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**Christy McElroy** - Regency Centers Corp - Senior Vice President, Capital Markets

Ravi, we limited to one question. If you could requeue, that would be great.

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**Operator**

Ki Bin Kim, Truist Securities.

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**Ki Bin Kim** - Truist Securities - Analyst

So just going back to your comments about April being better than last April. I'm guessing the dentist pie probably isn't too impacted by tariffs. So if you looked at some of the tenant categories that might be more impacted. Is that the same case? Or are some of those tenants a lot more impacted?

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**Alan Roth** - Regency Centers Corp - East Region President and Chief Operating Officer

Ki Bin, I'm not sure I 100% follow that question, to be honest. I feel bad about that, but let me just say a few things. So QSR and Medical were our top categories in the first quarter in terms of who we transacted with. And then there are a lot of tenants that we did multiple deals with that are aggressively out there expanding Shake Shack, a remarkable QSR operator, Paris Baguette, Warby Parker, Great Clips, those are just a few that come to mind that we did multiple transactions with. And we're constantly doing portfolio reviews and continued one-off deals with a lot of nationals as well who still remain committed.

And I think importantly, as Lisa mentioned, looking long term, right? And it's certainly multiple grocers that are out there, off-price, financial services, vet clinics to name a few. And so things are still really good and really active, and I hope that addressed your question.

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**Michael Mas** - Regency Centers Corp - Chief Financial Officer, Executive Vice President

We haven't seen a shift in the character of our leasing activity in April versus now. It's the same to Alan's point, that we're working with a lot of the same tenants who are looking to expand their businesses. Similarly, the impact of more heavier tariffs impact tenants is small. Therefore, it is not as materially represented in our leasing activity. So as of today, Ki Bin, we're just not seeing anything in the numbers.

**Lisa Palmer** - Regency Centers Corp - President, Chief Executive Officer, Director

And anecdotally, reiterating what I said in my remarks, the conversations, which I think getting a little bit more direct to your question, Ki Bin, the conversations we have had with our tenants have not indicated any shifts in consumer behavior. And the fact that we did see overall foot traffic accelerate from Q1, I think, just reinforces that.

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**Operator**

Michael Gorman, BTIG.

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**Michael Gorman** - BTIG - Analyst

Maybe just going back to the transactions market for a minute here. Can you -- and I know there's more details to come, but can you maybe give a little bit of background on the grocer-anchored asset that's under contract for the JV platform kind of what drove that into the JV platform versus wholly owned? And kind of maybe the appetite that you see out there for institutional capital still coming into the space given some of the recent market volatility?

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**Nicholas Wibbenmeyer** - Regency Centers Corp - West Region President and Chief Investment Officer

Sure. I appreciate the question, Michael. So let me start with a little bit on the assets. So again, once we close, we'll share all of the details. But what I will share at this point is -- it is a phenomenal grocery-anchored shopping center and a great submarket.

And I'll keep it as simple as that as it relates to the specific transaction. But it's definitely right in line with other great assets we own in the Northeast, and so very excited about the opportunity. And then in terms of the structure with the joint venture, it's a long-term institutional JV partner we've had for years and years that is still very bullish on the sector for the same reasons we are. And so we do have a program rotation with them to offer them opportunities as we have the ability to acquire them. And the hit rate is very high when we say we want to buy assets, they are usually hand-in-hand with us.

And this is just the case in this scenario of they're taking their opportunity within the rotation to partner with us on this asset.

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**Operator**

Floris Van Dijkum, Compass Point.

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**Floris van Dijkum** - Compass Point Research & Trading - Analyst

So I believe that Brentwood had something like 4.3 million visits last year. Where would that rank in your portfolio? And how many assets do you have that actually do more than where the Brentwood gets in terms of annual visitors. I'm sure you have that data somewhere Nick. I'd love to get your perspective on that.

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**Nicholas Wibbenmeyer** - Regency Centers Corp - West Region President and Chief Investment Officer

Floris, I'm laughing because I love the question. Talk about the (technical difficulty) to your point, it is a phenomenal asset, and it is heavily traffic. I have to admit off the top of my head, I don't know where it ranks in our portfolio. We can circle back with you and give you that specific answer. But it's definitely on the top end.

But again, as you can appreciate, Floris, the size matters. And so it's a larger asset, and so by default, traffic counts are going to be higher. And so not only do we look at total volume, we also look at traffic based on GLA as well, which also gives us a really accurate prediction on volumes and success for our retailers. And so we can circle back with you on the exact on that one, but I think your assumption is correct that is of our portfolio.

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**Operator**

Paulina Rojas, Green Street.

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**Paulina Rojas-Schmidt** - *Green Street Advisors, Inc - Analyst*

Regarding developments, I had a follow-up to a prior question. You looking for spread over the value or the cap rate the property would sell for. But I imagine cap rates are likely becoming less of a certain thing in this environment. So I wonder how you're navigating that uncertainty. And then second, as you continue to evaluate new development projects, are you seeing any consistent pattern in the types of projects that are emerging?

And who are other developers that you are seeing in the market today?

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**Nicholas Wibbenmeyer** - *Regency Centers Corp - West Region President and Chief Investment Officer*

Sure. Paulina, let me take your first question first related to yields and spreads. And so you're right, as I articulated before, we definitely are looking to get a spread above what we think the value of that asset would be stabilized. But it's not because we anticipate selling that asset, it really is to make sure we're getting an appropriate risk-adjusted return. And as you've heard Lisa mention even several times on this call, that is our best use of capital.

And so when you look at the yields we're getting on our development program in comparison to what acquisitions would be, there's no question it's a better source -- a better use of our capital in terms of what that long-term return is and then I would just stress, yes, we want that spread because of the risk of that transaction, but we do a phenomenal job derisking these development opportunities.

The team is highly focused on getting entitlements in hand, significant pre-leasing, construction bids and drawings in hand before we close, which is why you've seen usually right after closing, we are starting construction. And so when you combine that going in yield compared to what an acquisition would be and how well these assets are derisked. And I think our track record shows we do a very good job of delivering these projects on time and on budget. That really is why our eyesight continues to be open. But we are continuing to monitor those yields, and we'll continue to push development yields to the best of our ability to be as high as we can get, look, it's to our benefit to build to as high yields as we can achieve.

And so feel good about that business plan, and you're starting to see the impact of that come through.

And then in relation to what we're seeing in terms of competition and the type of developments, it's really what we've talked about the last couple of years, which is the grocery side of the business. And so at our scale, we have phenomenal relationships with every major market in the country. And they continue to invest right now in the brick-and-mortar side of their business. They know stores are a critical component to driving their top line, and we're there to partner with them and help them execute on that side of the business. And so the vast majority of the opportunities we're looking at are with our tremendous grocery partners.

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**Lisa Palmer** - *Regency Centers Corp - President, Chief Executive Officer, Director*

I feel like it's a great opportunity for me to jump in and just remind everyone. Development is something that we have been committed to for as long as we have been a company and certainly as long as we've been a public company for decades. And the combination of kind of factors are

what really allow us to have such success. And it's why it is the best use of our capital because it does provide us the best returns on our invested capital. And that is -- so you can't turn it on and off.

You've heard me say that, and you can't build it in a year. So it has been decades of this. So we have the experience of our team is second to none. And the talent that goes along with that experience, the relationships with the grocers and the retailers and the master plan communities and then our cost of capital. And you combine those things and we will remain committed to it, and we will develop through cycles, and it will enhance our growth rate.

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**Operator**

(Operator Instructions) Mike Mueller, JPMorgan.

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**Michael Mueller** - JPMorgan - Analyst

I guess for the full year bad debt guide, it looks like what you booked in the first quarter was extremely low, but you maintained the full year guidance. I guess, is it just conservatism given the world? Or is there some known kind of chunky fallout coming down the pike soon?

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**Michael Mas** - Regency Centers Corp - Chief Financial Officer, Executive Vice President

Mike, I appreciate the question. We -- remember, we gave guidance not even 3 months ago, so 2, 2.5 months ago, we had a pretty good indication at the time that the first quarter would come in late. And we still provided a range on credit loss of 75 to 100 basis points. And the reason for the first quarter being light is -- the health of the tenant base, as Alan articulated, we knew that our cash base tend to collection rate on some annual reconciliations would be high, that would be recognized in the first quarter. And what you're seeing is a result of that, right?

So kind of a detailed way of articulating, we understood that this would be a first half to second half story, where the first half would be a little bit higher from a run rate perspective. And the second, on the growth but nothing was out of the ordinary. Nothing was beyond our expectations. So I wouldn't go as far to call it added conservatism, but an in-line quarter to our expectations and our outlook remaining the same, given that the current conditions that we're seeing haven't changed.

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**Operator**

Linda Tsai, Jefferies.

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**Linda Tsai** - Jefferies & Company - SVP, Senior Analyst, US REIT Team

On foot traffic being up 7% the first three weeks in April, how much do you think that came from pull-forward demand? And then just any color on variances in traffic by region?

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**Lisa Palmer** - Regency Centers Corp - President, Chief Executive Officer, Director

I'll take the first part and I'll let Alan address the regions. But I've read the same things that you have and have seen the data come through of some kind of forward front loading and spending. But I have to think about when you think about, again, our tenant types or just -- there wouldn't be a lot of that. People are not going grocery shopping for months in advance. And when they go out to eat, going out to eat for that day.

So I would doubt that there's as much of that at our centers.

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**Alan Roth** - *Regency Centers Corp - East Region President and Chief Operating Officer*

Yes, Linda, I would just add that there was marginal differences around the country on traffic count, but importantly, every single region was up. So I think that's really the way I would answer the question. And so there really was no read-through from a foot traffic perspective as we try to bifurcate the regions.

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**Operator**

Floris Van Dijkum, Compass Point.

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**Floris van Dijkum** - *Compass Point Research & Trading - Analyst*

Lisa, a question for you. And I think you're in a good position to comment on this. As retailers are going to have margin pressure because of tariffs and et cetera, what do you think the impact is on the store and owners like yourself in particular owners with high-quality real estate?

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**Lisa Palmer** - *Regency Centers Corp - President, Chief Executive Officer, Director*

Appreciate the question. And I think it's possible we've spoken about this. Retailers have been feeling margin pressures over the past five years. And I am on the Board of Trustees with ICSC. So I do have the opportunity to sit with many of them, and I have said this often, we want -- it's got to be a win-win.

We want our tenants to be successful and be productive so that we can continue to raise and increase our cash flows, which comes from rent. And there is no question that there continues to be tailwinds despite all of these headwinds that we've focused on, on this call, there's also tailwinds in our industry due to the limited new supply that has come online over the last decade, really, plus 15 years.

And as a result, and I said this in my prepared remarks, there's still a scarcity of quality space available. And retailers are going to want to continue to grow and we're going to continue to grow in the best locations and where they're going to have the opportunity to produce the best sales, which will then help them with margin pressures that they're facing. So again, to say that we're immune to any impacts of inflation or recessions, I know we're not. I feel really good about the quality of our trade areas, the quality of the locations within those trade areas and the quality of the retailers in which we do business. And I think that we will manage through that, and we will continue to grow same-property NOI for the years ahead.

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**Operator**

We have reached the end of the question-and-answer session. I would now like to turn the call back over to Lisa Palmer for closing comments.

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**Lisa Palmer** - *Regency Centers Corp - President, Chief Executive Officer, Director*

Thank you all for your time. Appreciate the questions, and have a great rest of your day. Thank you.

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**Operator**

This concludes today's conference. You may disconnect your lines at this time. And we thank you for your participation.

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