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PRESENTATION

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

Hey, good morning, good afternoon, wherever you're from. Thank you for joining us today for the Regency Centers Q&A. My name is Richard Hill. I'm Head of U.S. Commercial Real Estate Research at Morgan Stanley. I'm going to turn it over to Lisa Palmer quickly to go through some prepared remarks. And after that, we will jump into Q&A.

As a reminder, for those that would like to submit Q&A over the webcast, please feel free to do so, and we'll ask those questions at the end.

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

Rich, thank you, and I appreciate you taking your time to host us today. Good afternoon, everyone. Joining me here in the room, we have Mike Mas, our CFO; we have Christy McElroy, SVP of Capital Markets; and behind me, which I never like to have my back to anybody but behind me is Kathryn Mckie, who is a Director in our Investor Relations team.

I can't believe that this is now our third consecutive virtual NAREIT. I do remember being in this room last year, doing -- in fact, I was sitting in Mike's seat though, I remember it clearly. And we've been saying for what feels like a really long time that we hope to see everyone in person soon. And it looks like that may finally happen at the NAREIT conference this November, which was confirmed at my Board meeting this morning as long as there's no backwards.

So knock on wood. And so we're very much looking forward to that. And -- but with that, as challenging as this past year has been really, really pleased to say that we continue to see operational improvement and that we have reason to be optimistic about the future. For those of you that listened to our last call, we talked about on our earnings call a month ago. Government restrictions continue to be lifted, and we expect the final lift in California this month will be meaningful for us and for our tenants.

Consumers have proven eager to return to brick-and-mortar retail, in-person restaurant dining, the demand there is robust. And as a result of that, we have seen foot traffic for our portfolio return to nearly 95% of 2019 levels as of mid-May with some regions at or even above 2019 traffic levels. Our rent collections continue to improve. As of our earnings report last month, we collected 93% of Q1 rents and 94% of April rents. We also continue to collect rent that was due in 2020, as Rich, you highlighted in your report last week.

This is an indication of improving tenant health and a positive in our ability to convert more non-rent paying tenants back to rent paying again. And we believe this is one of our greatest opportunities for improvement as we look to recover NOI back to 2019 levels. We're also encouraged by continued improvement in leasing volumes in recent quarters. In fact, the first quarter was the highest Q1 new leasing volume that we've seen in the past 5 years. And our future leasing pipeline is also healthy. We're seeing activity across all regions, all categories.

Just pivoting a little bit and talk a little bit bigger picture. Most of you have heard me discuss and talk about Regency's key strategic advantages. And for those of you that -- but for those of you that may not know our company quite as well, I'd like to talk about them a little bit here. They've been crucial to our company's resiliency throughout this past year and will continue to differentiate Regency as a leader in the shopping center sector.

First, our geographically diverse portfolio of grocery-anchored open air centers that serve our communities with a focus on necessity, service, convenience and value. Second, our strong and flexible value-creating development and redevelopment pipeline. This pipeline allows us to adapt to evolving retail and economic landscapes. Third, our strong sector-leading balance sheet, a balance sheet that afforded the financial flexibility to maintain our quarterly dividend payment throughout 2020, and that is something I'm especially proud of.

Finally, and perhaps most importantly, our incredible team located in 22 offices around the country. Throughout the last year, it has been vitally important to have this team on the ground, located close to our tenants, located close to our properties and located in the communities they serve. We do see tailwinds for our company and for our sector. And what I hope is very soon, truly the post-pandemic world, our tenants more clearly see and appreciate the value of the last-mile distribution capabilities that their stores and our centers offer.

And consumers have a new appreciation for the environment and convenience of our open air neighborhood and community centers. And we also see our centers and our tenants benefiting from longer-term trends, things that are coming out of the pandemic. So favoring suburban growth and the increased work from home, with people spending more time at home, we do believe and are already seeing that positively impact foot traffic at our neighborhood centers.

And with that, Rich, I will turn it back to you. We welcome your questions. And we will all participate in the Q&A.

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

Yes. Thank you, Lisa. And look, I live down the street from one of your properties in Connecticut, Darinor. And I can assure you that is booming. And if you've seen any pickup in sales, it might be 100% attributed to my 5-year-old son who loves the party city there because he...

QUESTIONS AND ANSWERS

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

So that leads me to my first question. You have a really high-quality portfolio of grocery store anchored centers. But one of the things that we struggle with, and I spend a lot of time on this, and I think investors struggle with it as well is there's tens of thousands of strip centers. How do you determine what property you want to own in what market?

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

I'm going to try to really, really, really refrain from doing too much storytelling here. But -- so I joined Regency, it will be 25 years ago in September. And my very first position with the company, I was responsible for market research. And our market research team, consisted of me and Barry Argalas, who is now our Head of Transactions nationally. And in addition to invest what we call investment services was underwriting all those new investments. And we were responsible for identifying the markets and properties that we wanted to invest in as we were looking to significantly grow.

And so we really laid the foundation of that 25 years ago, and we've just continued to get better with how we really do identify investment opportunities and how we've selectively constructed the portfolio that we own. So we say this all the time. The quality of our portfolio is not by accident, very intentional. So it is geographically diverse. And we do target trade areas that we believe -- trade areas and shopping centers that we believe have a sustainable competitive advantage. And by that, I mean, we'll be able to continue to grow NOI at those centers well into the future. And we remain confident in that. So it's a study in data, looking at data, micro and macro.

Mike and the team did an exceptional job of actually taking us even to the next level with that sort of proprietary look at how we do this with what we affectionately call our DNA model, which is an internal asset grading model. And really looked at all of the inputs as to what are those factors that taken together will allow that shopping center in the trade area to have that sustainable competitive advantage. Post-COVID, we believe that there are some macro and micro migration patterns that could potentially open up new opportunities for us, and we are in the process of studying that today. Could be expanding our presence in existing markets or it could be exploring new markets. So again, it's something that I'm especially proud of, not because I started and laid that foundation 25 years ago. But because of watching how we've continued to enhance that and how we do identify those investment opportunities.

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

I got to tell you, I didn't know that background. And I say that primarily because that wasn't a planted question. But that's a pretty cool story. So look, I want to come back to maybe your guidance for a second. I actually like the way you've framed your guidance in 4Q and then 1Q.

And specifically, you adopted what I think is known as the continued improvement scenario, and you certainly raised guidance. So I guess the question that I have for you is what changed so much in a 3-month period? I was sitting there when you released, and there was a little bit of a shock and awe moment.

Now you have a history of being pretty conservative. So I think some of this might have been Regency being naturally conservative. But I also think that the world has changed a little bit, and it does feel like we're in a little bit of a sugar rush right now. So can you maybe just walk through what gave you the confidence to really rip the band-aid off on the bearish scenario?

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

I'll take it, Rich. I appreciate the observation on conservatism. I'll take that as a compliment, but we'll move forward from there. We -- think about the timing when we put out initial guidance, it was late January, building that up, early February release. At that point in time, there was a lot of uncertainty in the environment. California was moving backwards from a restrictions perspective. But we -- looking back on it, we were on that tipping point, right? So shortly thereafter, vaccine started to be rolled out in more -- at a more effective rate. People started to relax their restrictions in other parts of the country. Even California shortly thereafter, started to pivot in their approach. So it became pretty clear to us as the first quarter came to an end and looking back over our shoulders that the continued improvement scenario, which was the high end of our initial guidance range was the universe within which we were likely to operate in 2021.

So we took the other 2 scenarios, although they, I think, were very helpful for investors to understand, we adopted continued improvement. And then we added to that. And I think what we've added to that is really kind of primarily twofold. One, 2020 collections. So we have had some success collecting on reserved rent from 2020. That's added about 300 basis points to the midpoint of our range going from fourth quarter to first. And what I'm most excited about, and I know Lisa is as well, is 175 basis points we've added to the midpoint for this -- for current year billings. Collecting on current year billings, that's what we're highly focused on doing.

I don't want to dismiss the importance of collecting prior period rents. But collecting current year billings is a better signal for what -- how we think about our company going through '21, but '22 and beyond. I think that's -- that 175 basis points, which is reflective of our effective rent paying occupancy is moving up. We talked about 86%, 87% range at the end of the first quarter. Our teams are highly focused on moving that rate up to bringing our uncollectible leasing come down and then backfilling the vacancy that we've had to absorb over the first quarter.

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

And just remember, Rich, that current cash basis collection rate is what really moves the needle on that 175 basis points. And we improved from January through April, that cash basis collection rate improved 15 percentage points. So that's a pretty massive change when you think about that time period.

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

I really wish I could ask you questions about what's happening in 2Q, but I'm going to settle there. I do want to compare this environment, though, to pre-COVID. Can you maybe compare and contrast the two? And I have some follow-up questions to that. But you can just like level-set mark-to-market where we sit as of the end of 1Q to pre-COVID levels. How would you comp that?

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

I'll take that one. So we definitely feel the continued improvement. I think that's really important. The other story I've been telling is I've been talking to people that aren't necessarily in the business recently because I was visiting my mother up in PA. And very generically, the way I describe it is, right, 2019, let's -- rough numbers, $850 million of NOI. And in 2020, it wasn't nearly as bad as we feared it could have been when we sat here in the middle of March and April last year.

But we still -- that NOI still declined by, again, really rough numbers, roughly $100 million. That's a big hole in a bucket. And especially for a company that's a REIT that is required to pay its taxable income and dividends. And I always take that as the opportunity to say -- to remind everyone that we also continue to pay that dividend and sustained it throughout the year and still generated free cash flow. So with that as the backdrop, as we sit here in 2021 and to answer your -- more directly answer your question, how does it compare to pre-COVID, we still have a long way to go.

We feel really good about where we are, and our guidance does show you that. Roughly speaking, we think that in 2021, we're going to get about halfway there back, if you will. But that other half is going to take time because we did lose real occupancy, so we have to rebuild that. We still have a fair amount of tenants that are not rent paying. We have to rebuild them. But we're very encouraged is the best way to say it. And that I do -- we know it no longer feels like we're fighting fires or that we're in a crisis. But now we are doing what we do, and we do it well. So I have 100% confidence that we will get there.

And we've been saying it from the beginning and really hasn't changed much. Our eyes are set on 2022 as the point in time -- there will be a point in time in 2022. Right now, we're looking towards the latter half of the year. I hope I'm wrong. I hope we're wrong, perhaps we can bring it forward. But right now, the latter half of the year, where we can take a quarter, annualize it, and we'll be back to 2019 levels. So it feels better, but we still have a long way to go.

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

Lisa -- go ahead, Mike.

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

Rich, if you don't mind. The 2019 comparison, we've resisted as a team. We've kind of tried to resist taking too many lessons from the COVID experience on the operating front because so much of it was indiscriminate. And in a lot of ways, our business today feels a lot like it did in 2019. I think I think we -- our pipelines from a leasing perspective are filling with very similar uses to what they once were. We're doing deals with fitness. We're doing deals with restaurants. We're doing deals with all service providers.

Traditional retailers are interested in expanding their footprints. At the same time, we will certainly apply some lessons and some takeaways, right? Health and wellness as a theme, COVID only accelerated that, right? So that was already a building theme. We're going to take advantage of that going into the future. So I just wanted to make that comment that in a lot of ways, this -- I think looking back over our shoulders, this will be an accelerated period of time, but I don't know that it will meaningfully alter any type of future for us.

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

Got it. And Christy, I'm a big fan of 1980 movies. So when you're comfortable that you're going to be back to 2019, will you call it the back-to-future scenario? I would be very happy.

I do want to talk about the collection of previously unpaid rents from cash tenants. So 2-part question. How much of your NOI growth was driven by those collections? But more importantly, what does it tell you about the health of the retailers?

And what I mean by the health of the retailers is, how much do you think of this is driven by COVID stimulus? How much of the your thinking is driven by a better backdrop? And what do you think it's telling you? And what are you hearing about tenant negotiations right now?

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

Okay. So for the details of it, it was about a 950 basis point positive impact to our growth rate in the first quarter. It's a -- and again, going forward, it will be about 300 basis point impact at the midpoint of our guidance range. Change -- sorry, 400 basis points.

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

425.

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

425. Thank you. 300 basis points incremental. I think -- but the biggest takeaway, Rich, is it tells you something about the health of the underlying retailer, right? It tells you that at one point in time, we were obviously not collecting rent, fearful of their ability to pay rent going forward, which drove us to reserve the rent in the first place. Their ability to bring that payment into our -- to Regency, I think just speaks volumes about what the retailer is hearing and experiencing on the ground. They weren't required, even if they were stimulus, they weren't required to pay rent with it, but they're choosing to pay rent with it.

They see their business and the prospects for their business pretty positively. They're seeing their consumer show up, come through their doors, experience their offering. I think it's a pretty positive statement about '21 and beyond.

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

And I think the other -- what else it tells you is about the health and quality of the retailers in our portfolio. And across the publicly traded sector as there are others that are clearly experiencing what we are as well. These are really good operators that want to continue to remain in high-quality shopping centers, and they realize that paying the rent is one of their obligations. The -- one of the things that we were really pleasantly surprised with early in 2020, was the ability to innovate and the ability to adapt by many of our retailers. And I think that's what we're continuing to see. And so it's the health and it's the quality as well of the retailers in our centers.

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

Got it. So I want to come back to that in a second. But there was a really interesting point made on your earnings call. And I think you guys made it more eloquently than I've heard anyone else say it, which was basically, yes, you have a shallower trough than anticipated because of recovery. Mike, I can see you shaking your head. But the endpoint of the recovery hasn't necessarily changed because of the lost occupancy, increase in vacancy. I think you've lost 200 basis points of commenced occupancy, if I'm thinking about it correctly. So how do you think about that going forward? And how do you get that occupancy back up to normal if, in fact, that is going to be the endpoint? And what do you think that endpoint is?

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

No, you've got it exactly right. I think everyone wants to assume that with this higher rate -- this reopening trade and there's higher velocity and all these good green shoots and now good news that we're experiencing that we can accelerate the recovery. And the reality is to your point, you got it exactly right on the details. 200 basis points is a meaningful amount of real occupancy that we need to backfill. So how do we do that? We do best. We build our leasing pipelines. We identify the right retailers, we execute the right leases. We build out their spaces and we commence rent. Unfortunately, that takes time. So we were then pretty vocal and consistent with our approach to our recovery. We've long been talking about an end of '22, full year '23 time frame, as Lisa mentioned earlier.

And although we are very gratified to see the success so far in '21, it doesn't necessarily change the endpoint. I hope we can continue to shallow out the trough. That is our near term goal, how do we continue to kind of raise the floor, so to speak, on what we've lost. But ultimate recovery will be -- will take some time to lease.

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

Yes. That's very helpful. I want to maybe transition to the future a little bit. And there's a lot of dialogue about all the bad things that happened in COVID to retail real estate. But one of the things that the market is not really focusing on, I think it's funny that I'm sitting here 12 months later talking about curbside pickup, but, God, I use it all the time. Can you talk about what you're hearing? Lisa, stop laughing at me. I use it all the time. Can you really talk about how retailers are using omnichannel? And what does that mean for revenue growth medium to long term?

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

Yes. I'll comment on that. Sorry to laugh. This is one area that hasn't changed from pre-pandemic, but was just accelerated, right? We were already seeing these changes and the evolution within retailers and how they get their goods to their customers. And they had already -- the best operators were already and understanding, acknowledging and working towards an omnichannel strategy. It is how they want to ensure that they can serve their customers in any way, whether it be fully online, home delivery, whether it be curbside pickup or whether it be in the store.

And again, you see that across the board. And the physical presence remains an extremely important part of that system for a couple of reasons. One, it's still the most profitable, I don't know for how long. But at this point in time, and I think for the very foreseeable future, it is still the most profitable method of getting the goods to the customers, for the customer to walk in the door, pick it themselves. Their basket size tends to be larger. There's more impulse buying.

And the cost, the labor cost to get the goods in the cart are the lowest of the 3 methods. So that's number one. Then -- and I think -- and again, we were already seeing that. And you see the validation of that, I think that one of the companies that -- whose strategy is to ensure that they can service the customer at all points, and they want to own the customer is Amazon. And Amazon clearly demonstrated a commitment to a physical presence and continues to. You may have seen that they just opened an Amazon fresh in our portfolio a couple of weeks ago.

So really committed to growing the physical presence. And again, because it is the most profitable way. Next is curbside pickup, and we're going to -- that's here to stay. And so now retailers are focusing their efforts and their investment in improving the technology, improving the friction for the customers for all 3 of those methods. And we're going to continue to see that innovation from the best retailers, but still believe and are 100% confident that the highest -- but we'll see shrinking GLA rationalization of the number of stores. But the best real estate, the locations where the foot traffic is going to be the highest, are going to be the locations where the productivity of those stores will be the highest.

And that will be the location that will command market-leading rents. And we have more conviction in that today than we had even in February of last year.

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

Great. We have about 5 more minutes left. We're getting some questions in from investors looking at the webcast. The first one, I think, is a simple one, but a really good question to ask. What do you think is most misunderstood about your business?

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

I would say it's what we just talked about. I think it's the fact that people view e-commerce and home delivery as a replacement for a physical presence. But the reality is that customers want to shop. They don't want to just buy. And that all real estate is not created equally, and that it is up to the owners of the real estate to create an experience in an environment that the customers want to come to. And not everybody does that equally as well. And I think Regency is one of the best.

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

Can I add on to that?

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

Sure.

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

If I may, Rich, I think it is a good question. I think too often, the retail headlines are attributed to the open-air shopping center business, and I'll just speak to Regency in particular. We're a food restaurant service-oriented offering, and we're in the fabric of the communities. And those communities need to be fed, they need the services and they need the offerings that we provide. So it's too often -- and I think when it comes to traditional retail, we're value-driven retail. So I think too often in our business, what's misunderstood is retail headline translating to grocery-anchored regency shopping center results.

And there's a lot of gray in between there. We really like how we position -- how we're positioned for the -- for those neighborhoods to service them appropriately.

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

Okay. Another question coming in, and I recognize it's a small portion of your portfolio. But what about the entertainment portions? What do rent collections look like there? And I think it's -- the reason I'm deciding to ask the question is it's sort of like at the epicenter of reopening. And so if you can give us any insights into the entertainment side, I think that would be really powerful.

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

Yes. The entertainment is the lowest collection rate in our portfolio. I would say that -- and that's broken down into different types of uses from a movie theater perspective. They are -- that's one category that hasn't had the opportunity to really innovate because they weren't allowed to open. So I think that in time, we will see people return to the movies. I've actually spoken with 2 people in the last 2 days that have been to the movie theater. So we're going to see time.

But I also believe that, that's going to evolve, and they will innovate as well. Then there's other entertainment within that, which we've seen really good recovery in terms of foot traffic, more related to family type entertainment. So I'm thinking like the fin stacks of the world. And we're seeing good activity in that part of our portfolio. So it's a little early on movie theaters today because it's also driven by what happens in Hollywood, not just the consumer.

Christy McElroy - *Regency Centers Corporation - SVP of Capital Markets*

But we only have 4 movie theaters and entertainment is less than 1% of our [EBI].

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

Nice plug there. I like that. I'm going to give you the last word. It was the first question that came in, so I'm going to ask it last. What would you tell investors that gave up on retail real estate and maybe even sold Regency shares at the depth of the COVID crisis?

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

It's not too late to get in.

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

I was hoping you're going to say that. Just getting started?

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

Yes.

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

Any final comments, guys? This has been a lot of fun. I hope you've enjoyed it as well.

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

No. Nothing here. And we sincerely appreciate your hosting, Rich, and a great series of questions. And we can't see everyone, but appreciate everyone participating on the webcast as well.

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

If anyone has any follow-up questions, please feel free to reach out to myself, and I'm sure the Regency team would love to hear from you.

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

Absolutely. Thank you.

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

Thanks, everyone. Have a good day.