LSEG STREETEVENTS

EDITED TRANSCRIPT

REG.OQ - Q4 2025 Regency Centers Corp Earnings Call

EVENT DATE/TIME: FEBRUARY 06, 2026 / 4:00PM GMT

OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

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

Lisa Palmer *Regency Centers Corp - President and Chief Executive Officer*

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

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

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

CONFERENCE CALL PARTICIPANTS

Samir Khanal *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Michael Goldsmith *UBS AG - Analyst*

Cooper Clark *Wells Fargo Securities LLC - Equity Analyst*

Craig Mailman *Citibank Cameroon SA (Douala Branch) - Analyst*

Greg McGinniss *Scotiabank GBM - Equity Analyst*

Todd Thomas *KeyBanc Capital Markets Inc - Analyst*

Michael Griffin *Evercore Inc - Equity Analyst*

Juan Sanabria *Bank of Montreal - Analyst*

Floris Van Dijkum *Ladenburg Thalmann & Co Inc - Equity Analyst*

Ronald Kamdem *Morgan Stanley - Analyst*

Sydney Rome *Barclays Bank - Analyst*

Alec Feygin *Robert W. Baird & Co., Inc - Analyst*

Michael Gorman *BTIG LLC - Equity Analyst*

Michael Mueller *JPMorgan Chase & Co - Analyst*

Omotayo Okusanya *Deutsche Bank AG - Analyst*

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

PRESENTATION

Operator

Greetings, and welcome to Regency Centers Corporation fourth quarter 2025 earnings conference call. (Operator Instructions) As a reminder, this conference is being recorded. I would now like to turn the conference over to your host, Christy McElroy. Thank you. You may begin.

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

Good morning, and welcome to Regency Centers fourth 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, including forward earnings guidance and future market conditions.

These are based on the current beliefs and expectations of management and are subject to various risks and uncertainties. It is 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. Please rejoin the queue if you have any additional follow-up questions. Lisa?

Lisa Palmer - *Regency Centers Corp - President and Chief Executive Officer*

Thank you, Christy. Good morning, everyone, and thank you for joining us today. I'm proud to close out another outstanding year for Regency. Our success in 2025 reflects the quality of our grocery-anchored shopping centers in strong suburban trade areas, the strength of our best-in-class operating and investment platforms and the hard work of our exceptional team.

We delivered strong same-property NOI, earnings and dividend growth driven by robust operating fundamentals and disciplined accretive capital allocation.

Across our portfolio, we continue to see healthy demand for our space, historically low bad debt, and continued growth in tenant sales and foot traffic, reinforcing the durability of our portfolio and the essential nature of the real estate we own.

On the investments front, 2025 was another very active year for Regency, highlighted by accretive acquisitions and strong execution across our development and redevelopment programs. We had another excellent year of growing our development pipeline with more than $300 million of new project starts.

Over the past three years, we started more than $800 million of new projects. And importantly, that pipeline is now translating into deliveries that will contribute meaningfully to total NOI growth in 2026 and beyond, providing strong visibility into our forward growth.

Regency's ground-up development platform continues to be a primary driver of our external growth and a key differentiator for the company. New retail development remains really difficult across the industry, and this is evidenced by historically low supply growth over the past 15 years.

In that environment, Regency is uniquely positioned, leveraging our expertise while track record, access to low-cost capital and long-standing tenant relationships to source and execute on opportunities to build high-quality shopping centers at meaningful spreads to market value.

This allows us to create long-term shareholder value while amplifying our NOI growth profile. In closing, the broader backdrop remains favorable.

Physical retail, particularly well-located grocery-anchored real estate like we own continues to benefit from this limited new supply and a renewed appreciation among retailers for the role of stores. Strong tenant demand is driving rents and occupancy higher and our substantial free cash flow and Fortress balance sheet provides the foundation to continue investing capital accretively through the cycle.

Our portfolio, development platform, balance sheet and team together are unequaled and give us an advantaged position. I'm very proud of the results our team delivered in 2025, and we are carrying that momentum into 2026 and beyond. With that, I'll turn it over to Alan.

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

Thank you, Lisa, and good morning, everyone. 2025 was one of the strongest operational years we've ever experienced as a company. We achieved remarkable same-property NOI growth of 5.3%, supported by substantial base rent contribution including meaningful occupancy commencement and redevelopment impact.

Impressively, our average percent commenced rate for the portfolio increased 150 basis points year-over-year a testament to our team's ability to accelerate the rent commencement of tenants within our SNO pipeline and to successfully deliver redevelopment projects.

Tenant demand remains exceptionally strong in nearly every category and across our portfolio, spanning both anchor and shop space.

Shop momentum was especially impressive in the fourth quarter as we leased our largest percentage of vacant shop GLA in more than five years and increased same-property shop occupancy by 40 basis points reaching yet another new record for us of 94.2% leased at year-end.

Our grocers leasing activity in the quarter was significant, signing leases with Whole Foods, Sprouts and Trader Joe's, among others, beyond grocers, we're continuing to see meaningful engagement and momentum from other anchor tenants such as TJX, Nordstrom Rack, Alta, Ross, Burlington and Williams Sonoma to name a few.

Anchor leasing is one of our greatest opportunities to drive our portfolio occupancy beyond prior peak levels, and we are encouraged by the quantity and quality of the prospects for our high-quality anchor space.

Our SNO pipeline at year-end was approximately $45 million of incremental base rent. We made substantial progress commencing tenants in Q4, while simultaneously backfilling the pipeline with strong new deals.

In addition, we are also seeing a continued trend of tenants inquiring about and signing leases on currently occupied space. This is a testament to the desirability of our centers and the lack of available quality retail supply in our markets.

Our rent growth also continues to benefit as high-quality retail space has become more limited. We achieved impressive cash rent spreads of 12% in Q4, including renewal spread at a record 13% in the quarter. GAAP rent spreads of 25% in Q4 also marked an all-time high, underscoring the depth of embedded mark-to-market in our portfolio, combined with the benefit of annual rent escalators. Notably, more than 95% of negotiated leasing activity in 2025 included annual steps further strengthening future rent growth. In closing, we are excited about the significant momentum we see into 2026.

Demand for our space is robust with operating fundamentals as strong as they've ever been. Our leasing team remains very active and our tenants are having tremendous success, empowering us to remain aggressive on rent growth and to drive occupancy higher.

With that, I'll hand it over to Nick.

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

Thank you, Alan, and good morning, everyone. 2025 was a tremendous year for our investments platform both in terms of volume and quality.

We deployed more than $825 million into accretive investments including more than $500 million of high-quality acquisitions and $300 million in development and redevelopment projects in top markets around the country.

In 2025, we started 24 development and redevelopment projects across 16 markets, with the majority of invested capital into ground-up developments. These projects are creating real value for our shareholders, with ground-up development returns north of 7% at meaningful spreads to market cap rates.

In the fourth quarter alone, we started more than $90 million of ground-up projects including Oak Valley Village in Southern California anchored by Target and Sprouts and Loan Tree Village, a King Sooper anchored center in Denver.

Importantly, our team is also delivering and bringing these projects online including the completion of 13 development and redevelopment projects in the fourth quarter, totaling more than $160 million at attractive 9% blended returns.

These projects are more than 98% leased and with many delivered ahead of schedule and several anchors opening early. Even with the high volume of completions, we are also backfilling our future pipeline.

Our team continues to have great success sourcing and starting new projects, and our in-process pipeline remains strong at nearly $600 million.

This includes several on track to reach 100% leased before the anchor even opens. Looking ahead, we believe we have good visibility into project starts of nearly $1 billion over the next three years.

Our success has led to even greater momentum and our opportunity set has only grown with projects in the works across the country with top grocers and strong suburban communities. Our development platform is a distinct advantage for Regency, fueling our external growth engine.

Our deep tenant relationships, access to capital and experienced team around the country enable us to execute on projects at a time when few others can. In closing, I'm incredibly proud of our team's execution and accomplishments in 2025.

It has been extremely gratifying to see our hard work come to fruition, along with excitement from our local communities and tenants as these projects come online.

Our success spans across the country from recent groundbreakings in Denver, Jacksonville and Southern California, the grand openings of H-E-B in Houston, Whole Foods and Connecticut Public in Atlanta and Safeway in the Bay Area, among others.

As we look ahead, our investments team is energized by compelling opportunities to allocate capital accretively and we continue to raise our eye level on how much we can grow our project pipeline. Mike?

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

Thank you, Nick. Again, Regency delivered exceptional results in both the fourth quarter and for the full year. We achieved Nareit FFO per share growth of close to 8% and core operating earnings per share growth of nearly 7% for the full year, driven by continued strong operating fundamentals and substantial external growth from accretive, high-quality acquisitions and development projects.

Same-property NOI growth finished north of 5% and was largely driven by our success growing commenced occupancy, pushing rents and recoveries higher and experiencing historically low levels of uncollectible lease income.

Turning to 2026. Our guidance is consistent with the expectations we outlined on our October call, reflecting continued strong momentum across all facets of our business. I'll refer you to pages 5 and 6 in our quarterly earnings presentation for a summary of our assumptions and the primary drivers of our forward growth outlook.

We expect same-property NOI growth in the range of 3.25% to 3.75%, which we anticipate to largely be driven by rent spreads and steps and redevelopment deliveries as well as additional contribution from the commencement of our SNO pipeline.

We are also planning for another year of uncollectible lease income falling below our historical average of 50 basis points of revenues.

While the cadence of same-property NOI growth should be largely consistent between the first and second half of the year, we do expect our Q1 growth rate to be above our full year guidance range, driven by a higher expense recovery rate this year versus last and an anticipated impact to other income, which can be uneven by its nature.

Our Q2 growth rate is expected to be below our full year guidance range largely due to a tough comparison related to our annual (inaudible) reconciliation process that we discussed last year. Beyond safe property NOI, total NOI growth will benefit significantly from strong external growth this year, including the substantial progress we've made delivering ground-up development projects and sourcing accretive acquisitions.

Our forecast for earnings also includes a 100 to 150 basis point anticipated impact from debt refinancing activity, again, as discussed in October, excluding which the midpoint of our guidance would be in the mid 5% to 6% area, reflecting a continued strong fundamental backdrop.

As a reminder and consistent with past practices, we do not include speculative acquisitions in our guidance but our team is active in the market sourcing opportunities that meet our quality and accretion requirements. We will keep you updated as transactions are contracted and closed.

As Lisa and Nick described today, ground-up development remains the prioritized and most visible driver of our external growth and our near-term deliveries and growing pipelines are evidence of our strong position in the marketplace as a developer of choice.

Importantly, our balance sheet and liquidity position remain a source of competitive strength, enabling us to remain opportunistic and execute on our development pursuits, acquire properties and achieve favorable debt and refinancing terms.

We have A3 A- credit ratings from both Moody's and S&P, leverage is within our targeted range of 5 to 5.5x, and free cash flow generation is strong with no need to raise equity or sell properties to fund our investment pipeline.

And we have nearly full availability on our $1.5 billion credit facility. In closing, we are looking at a future from a position of significant strength operationally, financially and strategically. With that, we now welcome your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Samir Khanal with Bank of America.

Samir Khanal - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

I guess, Mike, just following up on acquisitions and dispositions. I know you don't guide to those sort of targets there. But curious given where pricing is, right, for grocery anchored today. I mean how do you think, sort of what are you seeing out there in the market opportunities.

I mean, you had a pretty active year for acquisitions. So I just would love kind of your thoughts on kind of how the year could play out.

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

Yeah, Samir, this is Nick. I'll take the question and appreciate the question. Look, the reality is we are seeing demand in our sector continue to grow for a lot of good reasons. There's a lot of investors looking invest in grocery-anchored real estate at the moment.

And so we are seeing a broad range of opportunities in the 5% to 6% cap range is the range I would give you. But as we've always said, and I appreciate you reminding everyone, we don't guide to acquisitions because we don't have to do them in our fundamental business plan.

And so we will lean in when we can find opportunities that are equal to our quality and our growth profile and very importantly, that we can fund accretively. And so those are the ones we're focused on. As you alluded to, we were very successful in that in 2025, finding over $0.5 billion of those.

And our teams are actively pursuing opportunities around the country right now. We do not have anything under contract currently or we would guide to that, as you're aware. And I do expect we will find some needles in the haystack out there as we continue to look throughout the country.

But as we continue to talk about, we're going to continue to focus our capital on the development program, where we're getting development yields north of 7%, and we're very excited about that opportunity set as well. So feel really good about the development program and also confident we will find some acquisitions that meet our thresholds in 2026.

Lisa Palmer - *Regency Centers Corp - President and Chief Executive Officer*

If I may, I just want really, sorry, Christy was ready to move on to the next question. it's not an either/or either. I think that's important, and that's what it has been. There's no question that development is, that is the priority for us, and we will do as much as we can. When we acquire centers, it's incremental to that.

It's an and. It's not an either or. And I think that, that's really important because it goes with what Nick said. We're only going to pursue those acquisitions that will be accretive to earnings growth quality. And we've been really successful in doing so.

Operator

Michael Goldsmith with UBS.

Michael Goldsmith - *UBS AG - Analyst*

Amazon is, they're closing their Amazon Fresh grocery stores. It looks like you have four of them. So I guess, maybe big picture, what do you think that means for the grocery sector as a whole? And then related to those boxes, have you gotten any indication that those would be converted to Whole Foods?

Or have you received interest. Just trying to understand the underlying real estate of Amazon Fresh locations as well.

Lisa Palmer - *Regency Centers Corp - President and Chief Executive Officer*

Michael, I'll start with the bigger picture and then toss it to Alan for specific Regency impacts. Short answer is Amazon still owns Whole Foods, and we're really encouraged that with this announcement that they're leaning in even more into expanding Whole Foods, one of our best customers.

This is certainly not a pullback from a physical store location. It's just a rebranding of where they do have stores. So we're really encouraged by that. The grocery business has always been tough.

We know that. It's why our strategy is to ensure that we're investing with the top brands and then also the banners within those brands and then also the top sales productivity of those change themselves. It's been a winning strategy for us, and we expect that will continue.

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

Yeah, Michael. And I would layer on top of that. You're absolutely right. They announced their closure of their entire fleet. We do have four of them. All four of ours did, in fact, close, but the grocery sector is strong in terms of their expansion right now.

And few things could happen. You're absolutely right, some of our stores could become Whole Foods in terms of conversion, but there's plenty of active grocers out there that are also very interesting.

And the amount of inbounds we got immediately when that announcement came out, again, speaks to, I think, the strength of the real estate and the desire to fill it. Importantly, I would add there is significant term remaining on those leases.

It is Amazon credit. And we're going to be patient and we're going to make the right decision from a merchandising standpoint and something that is accretive to the portfolio and is right for the community.

So more to come on that front for sure. But I am personally very comfortable given the existing makeup of those assets and directionally where we're going to take them.

Operator

Cooper Clark with Wells Fargo.

Cooper Clark - *Wells Fargo Securities LLC - Equity Analyst*

I wanted to ask about the $325 million development and redevelopment spend guidance as you continue to lean more into ground-up development. Could you provide color on how we should think about the mix between ground-up development spend and redevelopment within the $325 million guide?

Also, any color on the current pipeline for additional ground-up starts in 2026 following the fourth quarter activity would be helpful as well.

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

Let me start real quick Cooper and then I'm going to hand it over to Nick. Just fundamentally on the numbers, $325 million of spend is roughly 2/3 ground-up, 1/3 redev.

So just to frame the conversation, and then Nick's going to take it from here and talk about the mix of starts in '25 and then what he thinks the direction is going forward?

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

Yeah, absolutely. Appreciate it, Cooper. And so as Mike alluded to strong starts in 2025 at over $300 million, and those continue to lean more into ground-up development. So as we look at 2025, 75% of those starts were ground-up development.

And as we look forward into '26 and beyond, as I articulated in our prepared remarks, we believe we can be on a run rate here as we look at our shadow pipeline of $1 billion over the next three years of new investment.

And I would think that approximately 75% of those being ground up development is a good placeholder in your mind. And so that's why we continue to be excited about not only the projects we've started, but this future pipeline that we have very good visibility to.

Operator

Craig Malman with Citi.

Craig Mailman - *Citibank Cameroon SA (Douala Branch) - Analyst*

Just wanted to follow up on the shop side of things. How much more room do you guys think you have kind of to push there given the demand? And also just kind of curious, Alan, you had mentioned that there's, you're seeing people kind of line up for spaces that are already occupied.

I'm just kind of curious how that translates into, are these upgraded tenants potentially where you could charge more rent, are these kind of stocking horses pushing renewals, just kind of curious how that ultimately plays out.

And then to slip in a follow-up on Michael's question. Should we expect any lease term fees on the Amazon goes? Or is that just they're going to pay out the rest of their term?

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

Craig, thank you for the question. I appreciate you pointing out the shop occupancy. That's one thing that I take pride in smiling about the success that the team has had. We are at peak. We did break another record, but I've had the good fortune of saying, we broke a record again.

So I am absolutely not putting a ceiling on that. And despite that peak occupancy, it did grow 70 basis points year-over-year. The demand is still there. And the lack of supply is real, the 1 million square feet that we have in negotiations across all regions. And our teams are, as you pointed out, proactively leasing space.

It was really all of the above of what you defined. And generally speaking, look, merchandising is really important to us, qualifying for the right operators and driving accretive returns is certainly the goal. So we are, in many instances, driving higher rents.

But to the extent that it makes more sense after getting into that negotiation to keep a tenant in place, we will certainly do that as well. So I would say it's rarely a stocking horse situation. We will typically commit to who we think is right for the asset, right for the community and right for Regency.

But I remain really encouraged in terms of where we are on the shop front. The turf to you actually, I can answer that. I think that was your third question, really well. Well done. Kind of getting them all in, Craig. TBD, again, it will depend on the circumstances of where we are.

If there's significant term that remains and there's an opportunity to negotiate something that is favorable for all of us. We will evaluate all of those on a case-by-case basis. But there are certainly plenty of instances of lease termination negotiations where appropriate.

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

And just to be clear, there is no term fee from Amazon in any of our outlook guided items.

Operator

Greg McGinniss with Scotiabank.

Greg McGinniss - *Scotiabank GBM - Equity Analyst*

Based on some recent retailer earnings commentary, it appears we might be seeing some early signs of softening consumer resilience. Obviously, spreads were good this quarter, development leasing seems to be going really well.

But have you noticed any changes in store openings or closer discussions with tenants or the types of tenants looking to open and close. Is there any updates to your tenant watch list?

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

Greg, thanks for that question. Look, I guess I would first start so tenant health, our ARs are below our historic norms. Our sales continue to trend up. Our foot traffic continues to trend up. So as we kind of look at it from a backwards basis, I'm really comfortable with where we are.

On a go-forward basis, I'm going to look at my pipeline, right? And I'm going to look at where are we at currently in terms of flow of inbound deals and also look to of those inbound deals and recently executed transactions that are coming through, how successful are we on growth.

And again, you heard in my opening remarks, we're having tremendous success with GAAP rent spreads by really focusing not just on that initial spread but on the annual embedded rent steps.

So as I sort of convert that back to the consumer resilience in our assets in our trade area, I'm not going to say it doesn't exist anywhere, but we feel really comfortable and really confident with the data that we have, both on a look backwards and a near-term look forward and where we stand.

Lisa Palmer - *Regency Centers Corp - President and Chief Executive Officer*

It's important to remember the type of retail real estate that we do own and operate. As Alan said, we're not immune to consumer pressures than downturns.

But we're certainly much more insulated and really well positioned because of the essential nature of our merchants, essentially service providers the convenience factor and close to the neighborhoods and the value that our centers provide.

And on top of that, the neighborhoods in which we operate. So much more insulated and really well positioned.

Operator

Todd Thomas with KeyBanc Capital Markets.

Todd Thomas - *KeyBanc Capital Markets Inc - Analyst*

I wanted to ask about development and you talked about the favorable backdrop for development and for how, for Regency, how it's a key differentiator in what's been a low supply growth environment in general.

And historically, developers seek favorable risk/reward opportunities and the narrative around low supply growth seems broadly understood. And you talked about the strength in demand from grocers and shop tenants.

So is development activity poised to increase? Do you see the competitive landscape changing at all from new development sets more broadly as you look out over the sort of next couple of years? Do you think that development activity in the open air space starts to accelerate a little bit?

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

Tom, this is Nick. I appreciate the question. The answer is yes, but with an asterisk. And so there's no question we're seeing tremendous demand, as Alan just articulated and as we're seeing in our development pipeline in terms of not only the velocity of new starts, but the velocity of the lease-up of those projects, matching and/or in sometimes marginally beating our underwriting.

And so I feel really confident in what we're working on and the underlying demand. And do I think there's going to be continued growth in the developments? Yes, but coming off a very low number. And so we are doing a large portion of the development around the country.

But when you compare that amount of supply compared to the existing supply, it's a very, very small amount in the grand scheme of things. So yes, I think we're going to see more opportunities.

Yes, we're excited about the developments we're working on. Yes, we are starting to see more competition for those opportunities. So I do think there's upward trajectory, but it's still going to be a very limited amount compared to the overall supply in the industry.

Operator

Michael Griffin with Evercore ISI.

Michael Griffin - *Evercore Inc - Equity Analyst*

Alan, I wanted to go back to some of your comments during the prepared remarks, particularly around kind of occupancy and to be able to drive that on the anchor leasing side, it clearly seems like from a landlord perspective, just given the favorable supply demand backdrop, you've probably got some decent leverage.

So not asking you to give away the secret sauce, but could this maybe translate into whether it's shorter options that you're negotiating, maybe embedding some rent escalators?

I know some of those grocery anchor leases can be flat for a pretty long period. Just give us a sense maybe of how you're able to leverage sort of the demand environment you're in to build that occupancy, particularly as it relates to the anchor leases.

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

Yeah, Michael, thank you for that question. So a few questions ago, we talked about shop occupancy being at peak levels. We do see runway on the anchor front. We've got about 50 basis points of spread to get us back to that peak level.

And so I'm really encouraged and you heard in those opening remarks, the comments of Whole Foods, traders, Sprouts, grocers that are being executed for that space. But I would say, first and foremost, it's quality.

And that's where we have kind of the leverage of being able to choose who do we want to really interact with. And I look at our pipeline of anchors that are in negotiation, PJ Superstore, Our House, Pottery Barn and total wine. I mean I'm going non-grocery now, and that list continues on.

And so I feel really comfortable about that. There is an opportunity certainly to lean more into the rent spread nature of it. Capital is also another lever that we can certainly pull in an environment like this in terms of how we're going to address the work letter and/or our contribution, which may be a bit more muted.

But overall, there's a lot of users out there, I think you would hear from them. They've got a bold growth plan and just the lack of supply is putting them in a position where there is more competition on that front.

Operator

Juan Sanabria with BMO Capital.

Juan Sanabria - *Bank of Montreal - Analyst*

Maybe just a two parter if I can try to be a little greedy here. You talked about rent bumps and record GAAP leasing spreads. So curious on what you may be able to articulate on those bumps that you are achieving leading to the higher GAAP numbers?

And then secondly, just curious on any color you could provide on build occupancy and the assumptions embedded in guidance as to how that will flow through the year.

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

Juan, so I'll start with the first question. I'll let Mike handle the second one. So 96% of our new and negotiated renewal deals had steps. I'll start with that. From a Shop's perspective, 85% were 3% or higher and 30% were 4% or higher.

So I think you get the sense that it is a key focus for us in terms of leaning in and that is clearly a big contributor of this kind of future long-term sustainable growth. And it is equally, if not more important than the initial spreads that we've been going after. Mike, I'll let you answer the guidance.

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

From a commenced occupancy rate, let's first go back and just think about the material movement we made in 2025. So we moved to commence occupancy by 150 basis points on average over the course of the year.

That's what contributed to that outsized same property growth, mainly coming from base rent and recoveries all driven by that material increase in occupancy.

As Alan has talked about today, we're approaching kind of peak occupancies, certainly in shop space, customer to run in anchors, and we like to think we can continue to move that needle. When I think about the guide and the mid-3 area, I would characterize it as us continuing to kind of grind out commenced occupancy increases by compressing that SNO pipeline that we've built.

It's currently standing at 240 basis points. Our average on a stabilized basis should be closer to $185 million area. And we're certainly not planning for another 150 basis points of commenced increases on average.

It's just, I think that would take us beyond any kind of sense of reality. So a continued positive tailwind of commenced growth on the margin kind of moving up from where we stand today.

Operator

Floris Van Dijkum with Ladenburg Thalmann.

Floris Van Dijkum - *Ladenburg Thalmann & Co Inc - Equity Analyst*

By the way, I don't think anybody has mentioned it, and I might be off, but I believe this is the first year that you guys achieved over $1 billion of EBITDA as a public company. So a pretty meaningful signpost, I think. My question is on the capital allocation front and redevelopment versus developments.

Obviously, your returns on redevelopment are about 200 basis points higher than on developments, which makes sense because you own the land, have you identified how much potential redevelopment could you do?

Or would you like to do? And what's the impediment to doing more redevelopments over the next two years?

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

Sure. Appreciate the comments, Floris, and appreciate the question as always. So you're absolutely right. Look, and going back to kind of Lisa's comment earlier, we're in the great position to not be either or.

And so the reality is every time we can find an opportunity to invest in our existing portfolio creatively, we're going to take advantage of that, and our teams are motivated and focused on doing that every day.

And so we continue to, as I alluded to earlier, we continue to have our eyesight at $1 billion over the next three years. And of that, I think assuming about 25% of that is, and the redevelopment bucket is the right place to think in terms of just generally where we expect that capital to be spent.

But again, our teams are looking every day at those opportunities. And what prevents them is, quite frankly, just getting access back to some of that real estate.

And so we don't have full control over when we can bring those redevelopments online, but the teams are working to get back a hold of real estate that we think there's a tremendous value to invest in capital and reimagine. And so that's what we wake up doing every day.

Lisa Palmer - *Regency Centers Corp - President and Chief Executive Officer*

The growth in percentage of ground up versus redev, is it a function of us not being focused on the redevelopment. It's a function of us really growing our ground-up development pipeline.

Operator

Haendel St. Juste with Mizuho.

Unidentified Participant

This is Ravi Vaidya on the line for Handel. I hope you guys are doing well. I wanted to ask about your leasing spreads. I saw that this quarter that your renewal spread exceeded your new spreads along with having lower TIs. Can you discuss some of the puts and takes and what drove this?

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

Yes, Ravi. Thank you for that. So again, I guess I'll start supply and demand, right? I mean that's really a large part of where things are. But it can also be lumpy quarter-over-quarter.

Generally speaking, our new transactions will lean in a bit more, but we just had the opportunity of some well below market leases that were expiring in the quarter and we marked them to market.

And so our teams are going to capitalize on that when the opportunity presents itself. Will it happen this upcoming quarter? Maybe, maybe not. But again, I feel really good about that nearly 13% in renewal spreads as our supply continues to dwindle down.

Operator

Ronald Kamdem with Morgan Stanley.

Ronald Kamdem - *Morgan Stanley - Analyst*

Just I had a quick one on the, if you could just talk about acquisition cap rates and where you're seeing it and how that ties back to the development yields. Obviously, I see it's been holding, but do you sort of anticipate some pressure on there.

And then my follow-up, if I may, is just I saw the commenced occupancy slide was taken out of the presentation. Just any comments on that would be helpful.

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

Ronald, I'll start with the first question and then let Mike fill in on the second. And so you're absolutely right. I mean the good news of where we sit right now is from a value creation perspective. We are seeing cap rates continue to get pushed down for core grocery-anchored assets.

And those are exactly the assets that we're coming out of the ground with and completing. But our eyesight continues to be at 150 basis point plus spread in terms of what we think are going in yield on development should be compared to a core acquisition.

And these developments take years to put together and start and come online. And so we are not moving our eyesight daily on the development like we are in the acquisition world, which is a little more fluid.

And so I would expect our development starts for the foreseeable future to continue to be in that 7% plus range, which, again, we feel really, really good about, given where we're seeing those assets trade out in the private market right now.

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

Ron, on the commenced occupancy slide that we did remove from the investor presentation, really that, I think, served a purpose in a post-covid world of us compressing and returning to historical averages and highs on the occupancy front and we've largely achieved that.

So I think that's the reason we pulled the slide is it's really just about the narrative. It's changed to forward growth from here. And Alan spoke a lot today about the continued opportunity for us to grow our percent leased.

I've spoken a little bit about our more limited opportunity in '26, but still opportunity to increase our percent commenced going forward, but we are back to where I think the portfolio needs to be and deserves to be given its quality.

Operator

Sydnie Rohme with Barclays Bank.

Sydney Rome - *Barclays Bank - Analyst*

I was wondering if you could elaborate a bit on the construction cost assumptions embedded in the 9% stabilized development yield and whether you're underwriting any cost relief increased pressure there?

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

Yeah, Sydnie. Great question. The really good news right now is we feel really confident in our assumption on construction costs.

So we obviously lived through a period of extreme volatility a couple of years ago regarding construction costs and really proud of our team's ability, even in that volatile time to project construction costs appropriately.

And so now as we sit here, looking over our shoulder over the last 12 to 18 months and then also looking forward over the next 12 to 18 months, we feel really good that construction costs are stable. We have good visibility, and we are confident in our underwriting.

Operator

Alec Feygin with Baird.

Alec Feygin - *Robert W. Baird & Co., Inc - Analyst*

So can you provide some more color on the development pursuit costs and what led to the increase in the quarter? Is there anything structural that now the development platform is getting bigger, that this line item will continue to increase?

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

Alec, I'll take that one. I wouldn't look into much there. I think that is, we did have a slightly elevated fourth quarter. I think that is consistent with our pursuits. I mean we are working on a lot of projects.

The pipelines that the teams have in process are deep. And as part of our annual kind of cleanup process as we go through each of those rosters, we're going to decide whether or not those projects are worth continued pursuit and like a write-off decision.

LSEG DATA & ANALYTICS

So I don't think there's anything to look into there. I would anticipate, though, that going forward. The teams are going to continue to cast wideness, we're looking for opportunities across the platform.

And I think if you think about the efficiency of our program and the lack of development pursuit cost expenses that we've recorded historically. I think you'll find it's a very efficient development platform.

Operator

Michael Gorman with BTIG.

Michael Gorman - *BTIG LLC - Equity Analyst*

Just wanted to stick with capital allocation. I think it's been quite a while since Regency started a year with no assumed dispositions.

So I was wondering if you could just kind of update us on your thoughts on the more programmatic capital recycling out of the existing portfolio? And maybe how any changes in that viewpoint fits into the funding for the development program in 2026?

Lisa Palmer - *Regency Centers Corp - President and Chief Executive Officer*

Yeah, I'll take it. Our strategy has not changed over the many years that I've been here. Dispositions can and will be part of every year.

We view it as a way when we're deciding on whether to sell a property, is it something that's either nonstrategic that we acquired through a portfolio something that's not poor or perhaps something that we don't believe, that we believe that the future growth isn't consistent with our expectations for our portfolio.

And that's how we look at it. We believe it is key to fortifying the future growth rate of the entire portfolio as a whole. There are some years where we have more, some years we have less, don't necessarily view it as a source of funding for our development program because our free cash flow does that.

And again, we have said that multiple times on this call, development, redevelopment, our highest priority, and we do have the capacity to fund that self-funding with our free cash flow, and we're not spending at all. We still have some more capacity to do so. And that's really how we think about it.

When we do sell properties, we may sell a property as a source of funds for an acquisition. We think about it that way, as we did with Hammocks, pairing it with the asset that we bought in Nashville. And again, we look at it and can we source it and fund it accretively. And that's how the decisions remain.

Operator

Mike Mueller with JPMorgan.

Michael Mueller - *JPMorgan Chase & Co - Analyst*

The Crystal Brook acquisition going right into redevelopment is interesting. Can you talk a little bit about what the scope of that project? And is this just a one-off opportunity? Or is it something that's going to be more of a focus on going forward?

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

I will, let me start with why we handled it the way we did it in our materials and then Nick will cover up the actual investment. But it's a unique opportunity. And it's not quite an acquisition, it's not quite a ground-up development.

It's very classically a redevelopment, but it's an acquired redo. We're starting the project day one, we're going to reach stabilization in a, what I would call, a normal time frame for a ground-up development project.

And so given that the cash flow has kind of resembled an investment of a development, we're going to put it right into that pipeline from day one. It won't be the same property, it will impact same property growth until well past stabilization.

We just felt like that was the best bucket for it. Nor does is acquisition cap rate really match what you would consider a market cap rate. So putting that as an acquisition didn't feel right to us as well. And then Nick can speak more about the investment itself.

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

Yes, Mike, we're really excited about the investment. I mean when you just step back and again, think about our platform, we have a lot of tools in our tool belt. And so as you've heard us articulate about 30 times at a ground up development to one of them, we can go source our own ground and build the entire shopping center which we're very active in doing.

And on the flip side, we can acquire a core asset, but then we can do everything in between. And this one is exactly in between. We found a very underutilized piece of real estate in Long Island.

And we've now acquired it. But as Mike alluded, it's very much in our mind, similar to a development where before we close, we've locked up an anchor tenant. It will be anchored by Whole Foods. We've fully entitled it.

We've got drawings in hand, and we're starting construction right away. And so although we acquired it for $30 million, we do anticipate investing about the same amount of capital over the next couple of years, bringing Whole Foods and other exciting tenants online.

And we expect that project to stabilize similar to our ground-up developments north of a 7% return. And so just a really phenomenal opportunity to, again, lean into Long Island, our Sunvet (corrected by company after the call) redevelopment that many of you are familiar with, ground-up development, that Whole Foods is opening here shortly.

And so just again, success throughout the country is driving additional opportunities, and this is one we're excited about, and we'll talk more about in the future.

Operator

Omotayo Okusanya with Deutsche Bank.

Omotayo Okusanya - *Deutsche Bank AG - Analyst*

Just curious what commentary you're hearing from your tenants just about the ongoing situation with tariffs. Again, just curious how they're factoring that into their plans going forward in terms of kind of open to buy, whether again, some of the near-term confusion with the Supreme Court and what happens next, if that's kind of giving them any near-term trepidation about store openings?

Or just kind of curious what kind of feedback you're hearing from them and how it's kind of impacting how you're thinking about their store strategies going forward?

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

And thank you for that question. So I'll start with what Lisa had previously mentioned in terms of just the portfolio being essential retail, right? And so we do believe it's a bit more insulated given our tenant base.

And look, I'm really proud that we have a whole lot of time-tested operators that really know how to operate and that are very agile through what could be some uncertain times with tariffs, but are we immune to it? No, we're not.

But I think many of our retailers that do have, could have exposure have been diversifying their supply chain for quite some time. And so we're hearing very little, if any, in the way of any tariff impacts within our portfolio.

One example I can give you, we had a great restaurant operator that said, I used to have imported wines and specialty food on my menu.

And I'm just going to switch to local wine, and I'm going to change to more local food for better cost control. So we're going to continue to monitor it, for sure, but there's no read-through and no feedback from our retailers that the tariffs are impacting their business at any way.

Operator

Paulina Rojas with Green Street.

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

Historically, you have tended to outperform the midpoint and even the high end of same property guidance by a significant margin, actually, what would need to happen to exceed this 375% upper end of this year? Where could the biggest surprise, positive surprise upside come from?

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

Paulina, it's Mike. I appreciate the question. You're right. In our recent history, we have had a track record of more material outperformance. And I think it goes back to my comments on the more material changes that are occurring in the portfolio from a commenced occupancy rate.

At the end of the day, that's going to be the biggest lever from an internal growth perspective is how, what changes in commenced occupancy. We talked a little bit about our base case outlook for the year being flat to slightly positive on that front.

So I think my comment would be the opportunity set within internal growth is a little, is less than it has been. We're going to keep leaning on renewal rates. We, as I said, we're going to move commenced occupancy up.

Where we fall on ULI, it would be another factor. We are planning for more of a historically average year, slightly below historical averages, where it went, in fact, '25 was materially below historical averages. If we extend that to earnings, the factors that could move us to the upper end and potentially beyond would include capital allocation.

And we talked a little bit about today. We don't guide on speculative acquisitions to the extent we find those opportunities, and we find high-quality properties that are accretive to our cost of capital, we'll take advantage of them, and that would be additive to our outlook for the year.

Operator

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

Lisa Palmer - *Regency Centers Corp - President and Chief Executive Officer*

Thank you, Rob. I appreciate that. First, I want to, just one last shout out every Regency team member that's listening for a fantastic year. really grateful. And then secondly, thank you all for your time and interest in Regency, and we'll see you all soon. Have a great weekend.

Operator

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