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EDITED TRANSCRIPT

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PRESENTATION

Operator

Greetings, and welcome to Regency Centers Corporation Third Quarter 2020 Earnings 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, Senior Vice President of Capital Markets. Please go ahead.

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

Good morning, everyone, and welcome to Regency Centers' third quarter 2020 earnings conference call. Joining me today are Lisa Palmer, President and Chief Executive Officer; Mike Mas, Chief Financial Officer; Mac Chandler, Chief Investment Officer; Jim Thompson, Chief Operating Officer; and Chris Leavitt, SVP and Treasurer.

As a reminder, today's discussion contains forward-looking statements about the company's future business and financial performance as well as future market conditions. These are based on management's current beliefs and expectations and are subject to various risks and uncertainties.

It is possible actual results may differ materially from those suggested by the forward-looking statements we may make. Factors and risks that could cause actual results to differ materially from these statements are included in our presentation today and in our filings with the SEC.

The discussion today also contains non-GAAP financial measures. The comparable GAAP financial measures are included in this quarter's earnings materials, all of which are posted on our Investor Relations website.

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Please note that we have again provided additional disclosures in this quarter's supplemental package related to COVID-19 and its impact on the company's business, and have also posted a presentation on our website with additional information.

Lisa?

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

Thank you, Christy, and welcome to Regency. We're really glad to have you on the team. Good morning, everyone.

I want to start by, again, thanking our Regency team for all of the amazing work they have done for our company, our tenants and our communities over the last 8 months. I cannot be more proud and appreciative of the dedication and commitment that our employees continue to demonstrate. As many of you have heard us say throughout the years, we do believe that bigger can be better, but better is always best, particularly in an uncertain environment.

And while Regency enjoys the advantages from our size, scale and national presence, one of the things that makes us better are the people in our 22 offices across the country. Our local presence provides us the boots on the ground and close proximity to our properties, enabling us to act small and to take a personalized relationship-driven approach with our tenants.

With the challenges we are all facing, our ability to provide focused attention to our tenants is really important to the improving current performance as well as to future results. We are encouraged by our meaningful progress as demonstrated by increasing cash collections and productive tenant discussions over the past few months.

As of the end of October, we collected 86% of third quarter rent. Importantly, and Jim will discuss this in more detail, we have seen a direct correlation between tenant reopenings with increased rent collections and executed deferral agreements as restrictions are lifted.

As tenants are able to reopen, even with capacity restrictions, they gain the visibility they need to start paying their rent or to enter into a deferral plan that both they and we can feel confident in. In many cases, tenants that we originally thought we might have to defer, we're collecting rent instead. And we're always remembering that our goal is to maximize the likelihood of long-term success for our tenants.

Where tenants are able to open and operate safely, we are seeing customers return, engaging with their local neighborhood businesses and community centers. We hear this from our tenants, and we see this in recovering foot traffic in regions around the country that have continued to gradually reopen and lift restrictions, such as Colorado, parts of the Northeast, Texas and most of the Southeast.

The experience may be different today. In fact, we know it is different today versus pre-pandemic, but we've been impressed by the resiliency of our tenants and the value placed on local retail shopping, dining and services by the American consumer.

These results give us confidence that the improvement we've experienced over the last several months will continue as more markets and businesses find a pathway to reopening safely and operating successfully in the new normal.

This is especially relevant as we think about the Pacific Coast, and particularly California, where the most restrictions on nonessential businesses and restaurants remain in place. This geographic and category concentration comprises the majority of our uncollected rent, and we expect continued improvement in our results as California reopens.

Supported by the continued improvement in our cash collections and overall financial performance, and consistent with our long-standing commitment to building total shareholder value over the long term, we have again maintained our quarterly dividend, which has remained consistent throughout the pandemic.

As always, on a quarterly basis, our Board and management team will continue to monitor and revisit all relevant metrics and factors when making future dividend decisions.

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While we are pleased with the improvements and the progress, we also recognize that meaningful uncertainty about the future remains. The restrictions that remain in place in some markets are putting a strain on the health of the impacted tenants.

And in that context, while our tenant fallout has been limited to date, we are mindful of both the cyclical and structural challenges impacting many tenant categories. And we acknowledge the risks of further tenant bankruptcies and store closures in this environment.

But again, there are clearly visible green shoots, and we are on the road to recovery. Still likely to be an extended one and the length of which could be dependent on the existence and timing of medical solutions.

While we certainly can't control the hand we've all been dealt, what we can control is that Regency came into this pandemic as prepared as we possibly could have been due to our unique combination of unequaled strategic advantages, which include, and have never been more critical: our geographically diverse portfolio of high-quality, grocery-anchored, open air centers that serve as the backbone of our communities with a focus on necessity, service, convenience and value; our sector-leading balance sheet and liquidity position, affording us financial flexibility; our strong but flexible value-creating development pipeline that has allowed us to quickly adapt to the evolving retail landscape; and finally, our people. It's times like these when the value of experience and relationships become most apparent and important.

We acknowledge the challenges facing our industry, accepting that we are not unaffected, but the game is always changing, and our playbook will continue to evolve along with it, as it has throughout the years. We are not standing still. Regency is working with, partnering with and helping our tenants adapt to the new normal.

And we are certainly in a relative sweet spot with a seasoned team, a high-quality grocery-anchored portfolio and a strong balance sheet.

Jim?

James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

Thanks, Lisa, and good morning. I reiterate Lisa sentiments regarding our appreciation for the Regency team and all of their incredible efforts this year, particularly our operations team members in our 22 field offices across the country, who have been in constant communication with our tenants throughout the pandemic to ensure we've done all we can to enable them to open and operate safely.

It's hard to believe more than 7 months have passed since the shutdowns began, and I continue to be amazed and inspired by our team's capacity to deliver results while keeping our energy and spirits high.

I'd like to provide some color on the investor presentation we posted yesterday. As of the end of October, 97% of our tenants are open, up modestly from a quarter ago and compared to 75% open as of the end of May. At this point, the limited number of tenants that remain closed are generally comprised of entertainment, restaurant, fitness and service users in certain regions of the country where stricter government mandates are still in place.

We continue to see improving base rent collections and most importantly, our collection rate has improved sequentially with each consecutive month. Our strongest categories in terms of collections remain grocers, drugstores, banks and home improvement, while not surprisingly, we continue to see our lowest collection rates among those tenant categories that have not been able to fully reopen or operate due to local restrictions.

This is also evident in our collection rates by geography. There are many markets where our collection rate recovered to 90% or above in the third quarter. This is encouraging as we think about the opportunity for continued improvement in markets like California and the Pacific Northwest, where collection rates continue to weigh on our portfolio average. It's important to highlight that Pacific Coast comprised nearly half of our uncollected rent in the third quarter.

As we've communicated previously, we have been implementing a very intentional strategy with regard to our tenants during this time in pushing for rent payment and deferral agreements. Our first priority has been getting tenants open and operating, and then working on them with deferral

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plans that maximize their potential for future success, which in turn improves our likelihood of ultimately collecting that rent. The majority of our deferral agreements have been with nonessential tenants in our most challenged categories, and we continue to see the greatest success in getting deferral agreements executed once these tenants are able to open and operate.

Our executed deferral agreements as of today require payback predominantly during 2021. We have also been successful at negotiating concessions from certain tenants in exchange for rent deferrals. This includes nonmonetary concessions like landlord recapture rights, sales reporting requirements and modifications to co-tenancy and use restrictions as well as some lease term extensions and early renewals.

What was most encouraging this quarter was the rebound in new leasing activity following much softer volume in the second quarter, together with the renewal volumes remaining consistent with expectations. Retailers are most active in categories with little-to-no restrictions in place as well as those operators that have successively adapted to the current environment and are performing well. We are signing new leases in categories such as grocery, banks, beauty, restaurants and medical. Some of these leases were originated pre-COVID, but we're also executing new deals that were initiated well into the pandemic.

While this activity is encouraging, as we noted on last quarter's call, we are seeing pressure on rents in this environment, especially on tougher-to-lease space. Due to a lack of legacy anchor deals in the mix this quarter, which typically have strong mark-to-market upside, our new lease spreads were impacted. Also, we remind everyone that our new lease spreads include all comparable space leases executed, including those older spaces that have been vacant for greater than 12 months.

As category and geographic restrictions continue to ease, we see a runway for continued recovery. Tenants are learning to adapt and succeed in the new norm and are taking extra precautions to make sure customers feel safe. We've seen so many examples of that in the restaurant space, where in many markets, capacity restriction of indoor dining remain, but restaurant operators are flipping the script. And we are helping them to do that by enabling greater common area access through our pick-up-and-go zones as well as help with space and permitting for outdoor dining.

In summary, we are very happy with the improvements we are seeing in rent collection and leasing activity. Customers are back shopping as evidenced by the continued improvement in foot traffic trends in nearly all our markets. While we are far from declaring victory, we are encouraged by the resiliency of our merchants and are seeing a more visible road to recovery.

Mike?

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

Thanks, Jim. Good morning, everyone. While our financial results continue to reflect the impacts of the pandemic on our tenants, our collections and operations are moving in the right direction, as I'll discuss in more detail.

Third quarter NAREIT FFO includes a debt extinguishment charge this quarter of $19 million or $0.11 per share associated with the previously disclosed redemption of our senior unsecured notes originally due in 2022. NAREIT FFO was also impacted by an $8 million or $0.05 per share noncash charge taken against straight-line rents receivable.

These charges, which are not included in core operating earnings, are in addition to uncollectible lease income of $29 million or $0.17 per share in the third quarter. This quarter's decline in same-property NOI was driven predominantly by uncollectible lease income.

Before we dive deeper into rent collections, let me touch on G&A, which in the third quarter is elevated as compared to the year ago quarter. The primary driver continues to be reduced capitalization of development-related overhead similar to our results in the second quarter. As discussed previously, we extended the time line of approximately $150 million of investment in our pipeline at the outset of the pandemic. This flexibility and action allowed us to preserve liquidity as well as adjust to any changes in tenant demand.

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Longer term, the teams continue to work diligently to bring these value-add projects back into production when design and tenant demand thresholds are met. This shift in investment timing will continue to impact overhead capitalization from an FFO perspective, but importantly, reduced capitalization does not impact our total cash flow.

Moving to NOI. As Jim discussed, we continue to see improvement in the base rent collection rate from 72% as reported last quarter to 87% in October. We ask that you refer to our updated COVID-19 disclosures on Page 32 of the third quarter supplement. The tables provide a good reconciliation to pro rata billings, showing what was collected and of the uncollected amounts, what was accrued versus reserved. Uncollected pro rata billings in the third quarter totaled $41 million, which is down by nearly half when compared to Q2.

In accordance with our lease-by-lease collectability assessment, we reserved nearly 70% of that amount. As evidenced by the additional $8 million write-off of straight-line rent receivables this quarter, we did move some additional tenants to cash basis accounting. In accordance with GAAP, we are not recognizing any uncollected revenue on these tenants even if rents have been contractually deferred.

As Lisa and Jim both discussed, the continued tight restrictions that remain in place in certain markets have disproportionately impacted specific categories of tenants. However, despite adding tenants to the pool, we saw a 30% sequential quarter-to-quarter decline in our third quarter reserve for uncollectible lease income. Driving this was a meaningful improvement in collections on the entire cash basis tenant pool, rising from 46% in the second quarter to 64% in the third.

Importantly, the improvement we are seeing in collections is driving an increase in our revenue recognition. In the third quarter, we recognized revenue equating to 90% of pro rata billings and other income. That's up from 86% in Q2.

This sequential improvement aligns with what we are experiencing in the portfolio, improved collection rates on both current and Q2 billings as well as quality deferral discussions with creditworthy tenants.

Moving to our balance sheet, as Lisa spoke to earlier, we are fortunate that despite the disruption of the last nearly 8 months, our balance sheet remains in a position of strength. Including the full capacity on our credit line and cash on hand, we stand today with immediate liquidity of nearly $1.5 billion, easily covering, if needed, development, redevelopment commitments and debt maturities over the next 4 years.

We raised $600 million from our bond issuance in May at a time of especially heightened uncertainty to pay down the credit line and shore up our cash position. And as previously disclosed, in September, we used a portion of those proceeds to redeem $300 million of notes originally due in 2022.

We will continue to monitor the evolving landscape, but given the continuing positive trend, we expect to use remaining cash on hand to repay our $265 million term loan due early 2022. This repayment would likely be in the December and January time frame, and would result in Regency having no significant debt maturities until our next bond maturity in 2024.

During the third quarter and subsequent to quarter end, we also closed on $25 million of dispositions at a 4.5% average cap rate. These transactions align with our continuing objective to improve portfolio quality and divest of nonstrategic lower growth assets. We would opportunistically look to sell more assets like these on a limited basis with an eye on preserving balance sheet strength.

Taken together, our low payout ratio coming into the year, our very strong balance sheet position, our flexible approach to developments and redevelopments and our improving collections have enabled us to maintain our dividend at its pre-COVID level, which is a critical component of total shareholder return.

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

Thank you, Mike, and thank you, Jim. Just before we turn it over to questions, I really do just want to reiterate my appreciation of the dedication and commitment of the Regency team during this challenging time. I know many of you are listening. So thank you.

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Looking back on the last 8 months, our primary focus has been on NOI and balance sheet preservation, while continuing to prioritize the safety and well-being of fellow team members, our tenants and our communities. I believe the results of these efforts are evident, and I'm really proud of that.

We are navigating through this pandemic with the long term in mind for which I'm confident we are well positioned.

That concludes our prepared remarks, and we now welcome your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Katy McConnell with Citi.

Mary Kathleen McConnell - *Citigroup Inc. Exchange Research - Research Analyst*

Wondering if you could provide some color on what the new backfill leasing pipeline looks like today. And given the negative new leasing spread this quarter, can you discuss how you're thinking about balancing rent versus occupancy as you address your lease negotiations in this environment? And whether that had an impact on the shorter lease terms?

James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

Katy, it's Jim. You got a lot packed in that question. I think on the lease terms, I would say that, that kind of goes back to the mix. And in this -- in our new leasing for the quarter, which I indicated did rebound pretty nicely, 108,000 feet in 72 deals, only 2 of those were anchor deals. So the majority of that population are shop spaces, which generally have shorter terms.

As far as the rent growth associated with that, again, due to that small population of anchors, we had 2; Sephora, which is a great tenant that we got over Cameron Village had nice rent growth baked into it, but it was a JV deal, so we didn't get -- with the pro rata growth, it was not as impactful to the pool.

And then the second one, which I'd like to highlight just because I think it's a great deal, is a UFC Gym backfilled a 30,000 foot, 24-hour fitness rejected lease in Southern California. And the reason I say it's a great deal. It was a mid-20s lease. We were able to sign UFC at par. So it was a flat deal. But the best thing about it was we executed that deal before the lease was actually rejected. So our guys in Southern California hats off, kudos, did an outstanding job of getting out of that BK.

As to pipeline, what I see as far as color in the pipeline, really from a national regional anchor, home improvement, off-price, the TJs, the Burlington, Sierra Trading. We're engaged with PGA Superstore on the shop side. The pet sector is still pretty solid, [Banfield]. Sports, bike shops are red hot; off-price, Five Below. Fast casuals food is still very good; Chipotle, Burger King, Chick-fil-A. Medical, obviously is -- medical, medical support are hot categories. And then obviously, in the pads, we're seeing Starbucks very aggressively with order to buy as well as some of the auto servicing and parts groups.

So as I look at the pipeline, I'm really very encouraged by the level and quality of tenants that we're seeing in the pipeline.

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

You got them all.

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James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

Did I get them all?

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

I think you did.

Mary Kathleen McConnell - *Citigroup Inc. Exchange Research - Research Analyst*

Yes. I think you got a lot. And then just wondering if you can update us on the de-leasing impact that you might expect to see into 2021 as you prep some of your larger development projects? And have your thoughts around timing of any of those changed?

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

I think you're highlighting, Katie, the projects that we've been speaking a lot about, which would be The Abbot and Costa Verde, in particular. Nothing's really changed in that regard. Those impacts to forward-looking earnings would be the same as we've talked about in the past.

I think it was about $1 million at The Abbott of lost NOI. And that has, in fact, occurred. We are working on that building to bring it back to leasable condition at some point when that demand appears to us.

And then Costa Verde, we continue to pursue the redevelopment of that project as well. So we do anticipate that same trajectory of lost NOI. That number will not occur in 1 year. That will be strung out over multiple years. And I believe that number was in the $2 million to $3 million range. So no changes in that regard.

Operator

Your next question comes from the line of Nick Yulico with Scotiabank.

Greg Michael McGinniss - *Scotiabank Global Banking and Markets, Research Division - Analyst*

This is Greg McGinniss on with Nick. Given the improving rent collections, what's your expectation regarding that trend heading into year-end? And at this point, do you have a better sense for what we should maybe expect regarding permanently lost rent from leases in place?

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

Greg, it's Lisa. I'll take that. It's still -- I'm going to go back to what Jim said in his prepared remarks and what I said in my prepared remarks. We're really pleased and encouraged with the improvement that we've seen from we first shut down in March and then picking up throughout the year, there's still some uncertainty.

And as we said in our remarks, there's a really high correlation between opening and lifted restrictions with rent collections. And that's why we feel really good. If things are to stay and gradually improve in these markets, and we see a pathway to more openings, we would expect that we should see some improvement in our numbers.

But the reality is none of us really know that are sitting around this table or that are on the call as to what may happen with the virus and with lifted restrictions. So I'm not allowed -- I can't possibly give you guidance. I think that's the best answer I can give you. We feel really good about the

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quality of our real estate, about the fact that we're close to neighborhoods that we have a lot of essential tenants. And for the retailers, even in the nonessential categories and restaurants, have really learned to adapt in this new normal and are -- have creative new ways to service their customers.

And our team in the field is doing a fantastic job of actually helping them do that as well with a lot of curbside pickup and dedicated parking spaces and looking to use technology to help connect the consumers with the merchants.

And so I expect we should see marginal improvement from here and the significant improvement will come when there's a medical solution.

Greg Michael McGinniss - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Okay. And then on leasing, I did appreciate the disclosure on rent collection by geography, which I thought was very interesting. But I was wondering if you could also discuss whether you're seeing differences in leasing productivity and spreads based on geography as well.

James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

Productivity, I would say -- I'd have to say, yes. Again, it gets back to, we have found, even in the deferral program, until tenants are open and some of these folks can get back and have visibility towards reopening and what the environment looks like, it's very difficult to do deferral deals, let alone new leasing.

So where we have opened and we're 98-plus percent collection, foot traffic's back, we're seeing good activity. We're seeing a closer return to normalcy in markets where we're still operating under mandated closures. Activity is probably slightly less.

However, one thing that I will mention is in this group of local tenants in Q3, we had about 25% that were really more nonessential, mom-and-pop in nature, we saw several of these in some of our tougher markets. We saw them in some of our tougher spaces. And at the end of the day, the way I looked at that was I felt like it was a very positive sign that those retailers, in my mind, have learned how to adapt, are looking at the future and are making their way that step demand is really -- in those nonessential categories is stronger than I would have guessed at this point in time.

So I found that to be kind of a positive in our sample size of leasing in Q3.

Greg Michael McGinniss - *Scotiabank Global Banking and Markets, Research Division - Analyst*

So I guess, given that you've had maybe more limited leasing, where there's been greater restrictions and a little bit increasing vacancy numbers, can we potentially see productivity increasing over the next few quarters? And is there enough interest out in the market from tenants right now to support that?

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

I'm going to -- I'll just interject here because I had a conversation just this week with one of our leasing agents here in Florida. And he very encouragingly told me that he was working on getting some more transactions finished by the end of the year. And if he was able to get them across the finish line, which he was really optimistic about, that he would actually meet his goals for the full year.

So that tells me that, yes, we are seeing some pickup where markets are -- again, that was here in Florida, where we may -- where we see more openings. So I do think that, that will be the case. And you obviously also saw our decline in percent leased, which means we do have more space to lease as well. And that obviously also will translate to higher volumes and higher productivity.

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Operator

Your next question comes from the line of Rich Hill with Morgan Stanley.

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

Lisa, I just wanted to follow-up on that point about where you stand today. And I recognize that you're not in a position to give a guide, nor am I asking for one. But as we think back to maybe where you were in 2Q and then where you were at the NAREIT meeting in June, if you had a bull case scenario, or a base case scenario and a bear case scenario, where do you think you're following out on that today versus your expectations a couple of months ago?

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

Well, you just gave me a great opportunity to give a shout out to the tremendous team we have here at Regency. So thank you for that because the information from the field, from our finance team, from everyone that is really the inputs into how we thought about those scenarios was fantastic. And I would say that we've -- it was a lot more uncertain 3 months ago so we have a lot more certainty and visibility today.

And I would say that we're slightly better than perhaps even what our kind of base case was in terms of cash collections. And we've taken that data. And then I would just reiterate what I just said to answering the last question. There's still a lot of uncertainty. And with what we know today, we expect that if it's status quo, then we expect kind of status quo. And if we see improvements and restrictions lifted and markets reopen, then we would expect marginal improvement.

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 then, Lisa, I liked what you said at the beginning with bigger is better, but better is better. And I'm sure you've learned a lot...

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

Better is best.

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

Better is best, excuse me. I'm sure you've learned a lot of lessons as we all have on the other side of COVID. But as you think about your portfolio right now, do you still love all your assets? Or are there any sort of assets that maybe you'd look to dispose of, given a market that seems to be holding in there? And what are the attributes that you might be looking for to make you less bullish on an asset than maybe you were this time last year?

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

Let me answer that first, just broader. I think when you look at how our entire sector has performed throughout the pandemic, institutional quality shopping centers are performing well. I think beyond -- as you asked the question, kind of as a bull versus bear, I think probably beyond what anyone would ever have imagined. When I speak to friends and neighbors and family that are kind of outside of our business, and you tell them that you're recognizing 90% of your revenues, they're like, wow, that's amazing in this type of environment.

I do try to remind them that we typically, we collect 99.5%. But I think that, that alone says that we do have really high-quality properties in good neighborhoods, and that's across the sector. It's institutional quality. With that said, I mean, for as long as I've been in the business and for as long

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as Regency has been a public company, retail is always evolving. And you're always going to see changes within neighborhoods, within the merchandising of tenants.

And that is why we've always remained really committed to kind of portfolio culling, if you will, and disposing of 1% to 2% a year and active asset management. So there's always going to be centers that we don't necessarily love as much as some of our best centers. And we rank them appropriately.

I'm comfortable owning everything that we own long term. But there will be some that we will target for disposition. And I don't think that the nature of those has changed. We still really like about neighborhoods, with above-average demographics. We still like shopping centers with a merchandising mix that's going to appeal to all -- to the consumers that has a high percentage of essential tenants. That is not unchanged from where we were pre-COVID.

And with that fresh look, there's so much competition in today's retail environment that we need to ensure that we are working with our tenants, with our merchants, with our retailers to create a thriving gathering place for consumers to give them a reason to come in.

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

Great. And Christy, if I didn't mention it, congrats on the new seat. And if you are sitting in Jacksonville today, I'm a little bit envious. So look forward to working with you.

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

Thanks, Rich. I am.

Operator

Your next question comes from the line of Craig Schmidt with Bank of America.

Craig Richard Schmidt - *BofA Merrill Lynch, Research Division - Director*

Your second quarter and third quarter same-store NOI were somewhat lower than the average for your peers. I'm wondering what are the factors that are resulting in that spread?

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

Craig, this is Mike. I appreciate the question. I mean, listen, it's as hard for us to compare ourselves to our competitors as it is for you. But what I can say is what's significantly driving our results is our uncollectible lease income estimates. And if I think about those uncollectible estimates and where they're coming from, it is -- at this point in time, it's coming from the collection of tenants that is really coming from 3 different types of categories, whether it's geography, those regions within our portfolio that are more restricted, and those tenants that are unable to operate at full capacity.

And within that, those regions, tenant categories matter significantly. So are you in a fitness, many restaurants, where those restrictions are even more damaging. And then obviously, credit comes into the equation. And those would focus us on more local shops, where the local credit may not have the ability to bridge those tenants from pre-pandemic to after the fact. So I think that combination certainly has something to do with it.

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Craig Richard Schmidt - *BofA Merrill Lynch, Research Division - Director*

Great. And then in terms of thinking about the new leases you signed in the third quarter, how long is it going to take for them to actually be open for business?

James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

Craig, I think we're operating about like our historical averages. I'd say we're generally from lease execution to doors open 90 to 120 days, depending on the deliverable shape of the space.

Craig Richard Schmidt - *BofA Merrill Lynch, Research Division - Director*

So these new tenants aren't trying to wait out the virus?

James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

No. The folks that are engaged today are engaged. We're kind of back in business. We're delivering as fast as we can. And the tenant expects the same.

Operator

Our next question comes from the line of Vince Tibone with Green Street Advisors.

Vince James Tibone - *Green Street Advisors, LLC, Research Division - Senior Analyst*

Could you elaborate on how tenant demand for new leases varies by region, and if any markets jump out as being particularly strong?

James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

Again, Vince, I would say there's demand across the country. But again, the more open the geography is, probably, I would say, correlates to the depth of demand. There's more comfort, there's more credibility, if you will, that the people are comfortable. They see the return of the consumer, they're seeing sales from their peer groups. And it just seems to make life easier, as you would expect, when things are open and operating closer to full capacity, you get better activity.

Vince James Tibone - *Green Street Advisors, LLC, Research Division - Senior Analyst*

Makes sense. Switching gears a little. What needs to change in your mind to unfreeze the private transactions market? And could you also touch on just the current state of CMBS availability and terms for shopping centers, for potential buyers of your centers?

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

We'll let -- I'll direct traffic here. We'll let Mac answer the transaction part of the question, and then Mike will take the CMBS.

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Dan M. Chandler - *Regency Centers Corporation - Executive VP & CIO*

Sure thing. Vince, we haven't seen a ton of transactions that have consummated, but you are seeing more and more of them. And those transactions are -- typically, they're smaller size centers because buyers just -- it's easier to get your head wrapped around a smaller rent roll. And they're typically transactions where tenants are open and they're essential tenants and they have vibrant grocers. And generally, markets that are less restrictive than more restrictive.

So you are seeing more price discovery out there. What we've seen is the premier high-quality centers, the types of centers that we own for the most part, valuations really haven't moved internally. They're really pretty close to what they were before COVID. That does vary a little bit by geography because in some areas, tenants are more open than others.

But we've been pleased to see that there is demand from experienced retail investors who are looking to expand their platform and they're able to underwrite transactions. And I think we're going to see an increased amount of that. We may -- we're not going to see the volume that we had last year, but the volume looks like it's going to get better month-over-month, and we'll see that continue into '21.

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

Vince, it's Mike. Let me follow-up on that from a financing standpoint. We have the benefit with our portfolio and our JV relationships to be pretty active in the secured debt market. And we're going through a financing at the moment. And I'll tell you, we've been very pleased to see that for our quality combination of essential retailers, a grocery anchor doing very good business, great location in Northern Virginia, we're seeing good demand from the lending community to finance the project. It's not -- the demand is not what it once was, for sure. But I think sponsorship, asset quality and location are all proving that we can find pretty well-priced debt, all things considering.

I would say, specifically on the CMBS front, we are seeing CMBS lenders being very interested in this product type. And I would characterize their interest is from an economic perspective on a rate spread as being tighter than that of more of the classic secured lenders in the life company field. A lot more to go. We're still in the middle of the process, but feel good about finding a solution here.

Vince James Tibone - *Green Street Advisors, LLC, Research Division - Senior Analyst*

Just maybe one quick follow-up there. How about LTVs? Like even a good combination of sponsor, quality, location, are LTVs where they were before COVID? And how are lenders thinking about the V in that equation? Are they still using kind of January levels? Or are they taking a small haircut?

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

There's a haircut. And we understand that the V in that equation is less than it once was. I'd say it's not materially so. And they're going to rely on the appraisal community, of course, as a backstop. And we know that in that regard, those V's tend to move pretty slowly. But everyone sizing to debt yields, what I'm seeing is minimum thresholds that looked like they did in the past. And I'd say we're the type of borrower that's not looking for high LTV. So we're in that 50% to 55% range.

Operator

Our next question comes from the line of Mike Mueller with JPMorgan.

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Michael William Mueller - *JPMorgan Chase & Co, Research Division - Senior Analyst*

I have two quick ones here. One, how confident are you in the 2021 redevelopment starts? And then do you still see Serramonte as a core long-term holding?

Dan M. Chandler - *Regency Centers Corporation - Executive VP & CIO*

Mike, it's Mac. Happy to take those. We've -- you've seen how our disclosure on Page 17, we've listed out our projects that we expect to start. Obviously, those ones that are sooner, we're more confident in; '21 is right around the corner. And -- but they are still dependent on external variables. So I'll give you a '22 example. Costa Verde, we have a hearing next week to get our entitlements, for example. Until those things are done, you can't have 100% confidence, but we -- what we are confident is these are terrific properties that have great long-term potential for densification redevelopment, and there's great value creation in them.

So we'll start these projects when we have real clear visibility on underwriting our NOI and clear visibility to understanding the risk-adjusted returns. And we'll use the same high standards that we've used in the past to underwrite them and make appropriate business decisions. So we'll give more guidance as we get closer, but we really like these projects, and we intend to start them. But some factors are beyond our control.

On Serramonte, that's a property that we have great long-term faith in. So we anticipate holding that for the very long term. We like the fact, above everything, is that it's 80 acres of free and clear land just south of San Francisco. And there's lots of various opportunities to create value in the short term and the long term. For example, we're embarking on 2 drive-through ground leases that will start later this year that have a very nice return to them. And we also have an opportunity to retenant the former JCPenney box, which is arguably our best space.

So we're engaged with several retailers about that. And we just think long term, just really that's a rich -- a unique asset that will continue to grow and do well for us.

Operator

Our next question comes from the line of Linda Tsai with Jefferies.

Linda Tsai - *Jefferies LLC, Research Division - Equity Analyst*

Can you talk about lease terms in the current leasing environment and how that plays into your negotiations with tenants?

James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

Yes, Linda. This is Jim. What we're seeing in lease terms really isn't that much different than historical, quite frankly. I would say the only tweak to that might be in the -- more in the renewal environment where there's -- again, in those nonessential, smaller local tenants, there's probably more angst towards the future. And they're less willing to potentially pop their option as stated, look for shorter term. And I think we're both on the same page there. Let's -- we like the tenant, but let's get our -- sea legs underneath us and talk again in 2, 3 years.

So that would be the only thing I would say that I've seen that's a little different than normal. But new deals, and in general, essential nonessential players are taking options, stated options, no negotiation, business as usual. And that would be the same in new deals with those essential, nonessential players.

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Linda Tsai - *Jefferies LLC, Research Division - Equity Analyst*

And then in terms of tenants facing higher pressures, has it made sense to reevaluate your criteria for how you evaluate collectability since the start of the pandemic, given various tenants' performance to date, either on the upside or the downside?

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

Yes. Linda, it's Mike. I think you've kind of nailed the change in our uncollectible lease income sequentially from second quarter to third. And we did, in fact, change our assessment of certain tenants because of that time that you're identifying. We moved about 4% of our ABR into cash basis tenants this quarter, and that's translated into our uncollectible charge.

And that has driven -- that change in mindset was driven by this -- I've used this analogy internally about this weight that these -- many of these tenants are carrying. And with each month of these closures that goes by, the weight is heavier. And that is impacting our thoughts on our ability to collect rent that is owed. And that's where you're seeing the -- as I said in the front, that's where you're seeing the uncollected rents kind of cluster is in certain geographies that are more closed, it's within certain types of tenants and then specifically within a local kind of credit quality. So definitely changed.

On the flipside of that, if you look at our cash basis tenants and the entirety of the pool, this -- we are also -- we see this positive in our collection rate. We posted a 46% collection rate in the second quarter on that pool. Well, that's up to 64% this quarter. And in fact, looking into October, it's up to 66%. So while we've segregated those tenants into that cash basis pool, we are seeing green shoots and productivity, all of it, as you've heard from all of us today, tied to the restrictions and their ability to operate.

Operator

(Operator Instructions) Our next question comes from the line of Floris Van Dijkum with Compass Point.

Floris Gerbrand Hendrik Van Dijkum - *Compass Point Research & Trading, LLC, Research Division - Analyst*

Yes. Intrigued about the regional disclosure on collectability. And I'm perhaps a little bit surprised that New York or the Northeast didn't get mentioned in lower collections as well. How much of an impact in your view is the local governments on the ability for your tenants to operate? And where do you see the greatest impediments? Is it in the regions you've mentioned?

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

I mean, we're all looking at each other. Like, who wants to take this one? I'll start. So I think that there's no question, geography matters. So does percentage of essential versus nonessential. And you can't look at either one of them in isolation. So we have a higher percentage of essential in the Northeast than we do in California, which is why it wasn't necessarily mentioned in kind of the opening remarks or some of the answers to the questions.

And the restrictions do matter. And this goes back to what we talked about on earlier calls, specifically when it's for restaurants and for fitness and for those -- for the indoor activities or, if you will, where people need to come into the store because a lot of the nonessential and the restaurants that are more fast casual have been able to really adapt and recover sales from a takeout and from a curb side, but the ones that you need to come into the store for indoor dining, in the -- in the areas where the governments have imposed restrictions, where capacity is still limited at 25%, it's just really difficult for those operators to make the numbers work.

So it absolutely has an impact. And as you increase -- at 50%, I think you get some that are more willing to lean in and try to make it work. But then if you have the threat of a future shutdown again, that could potentially wipe them out because it takes capital to reopen. And that is what we're

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seeing, and that's what we're feeling. But you can't look at geography in isolation. It absolutely has to -- you have to take into account the percent essential as well.

Floris Gerbrand Hendrik Van Dijkum - *Compass Point Research & Trading, LLC, Research Division - Analyst*

Maybe one follow-up question in terms of -- I mean, you guys are in an enviable position in terms of your balance sheet, clearly, and in terms of your portfolio. Collections are on the mend, as you say, on the road to recovery, I think was your quote.

As you look at opportunities going into '21, do you think that there's going to be more opportunities on one-off assets with private owners? Or do you think they're going to be portfolios or other larger transactions you could be looking at?

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

I think that it's -- I appreciate the question. Thanks, Floris. I think that it's still too early to know for sure. But I do like how strong we are positioned. And we've been, I think, saying that consistently, that I feel really confident about how we will come out on the other side of this and how we will emerge, positioned to continue to be a leader. And we will continuously look for those opportunities and take advantage where we can.

And some of our really successful development, some of our really successful acquisitions came out of other cycles. And it's being prepared to be able to capitalize on them. And I believe we are taking all the steps that we need to do in order to do that.

Operator

Your next question is a follow-up from Katy McConnell with Citi.

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

It's Michael Bilerman here with Katy and I would be remiss if I didn't offer my own congratulations to Christy in her new role and definitely think, Lisa, you've made a wonderful decision in hiring her. So congratulations.

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

It's the best decision of 2020.

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

For you. So I wanted to sort of go back to thinking about the whole JV partner side and putting capital out. You've obviously had very long-term relationships with a lot of different capital partners. I guess, within your holdings today with them, how eager are they to create some liquidity in those, versus how eager are they to go out and put capital out alongside of you in potential acquisitions?

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

Michael, this is Mike. I'll start, and Lisa can jump in. We are very fortunate to have a very long-standing relationship with our existing JV partners. And they've been wonderful to work with in this environment. No eagerness at all from a -- or nobody's crossed off retail and put in sell orders, very, very patient.

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They've agreed with our approach to tenant negotiations, which has been, again, another testament to just the relationship we've built with them over time. And I'd actually kind of flip it on its head. I think across the board, they understand that grocery-anchored retail in the best neighborhoods of the country is where you want to be in this space, and they believe in that on a long-term basis.

And I believe if presented with the right opportunity, where you have confidence in the forward income stream, they would be there to co-invest with us on a continued basis.

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

How do you think about perhaps larger-scale opportunities? And the discussion on Serramonte was a good one and granted, I recognize it came from Equity One and something that they had started, but there could be a fair amount of mall land and mall assets available around the country over the next little while, right, because enclosed has not performed as well as outdoor.

And you talked about Serramonte, having 80 acres and you're right south of San Francisco. Is there a focus internally today about trying to source differentiated, opportunistic, value-add type of deals where, if you have strong partners, you're able to do those on a risk-adjusted basis, but there are obviously -- these types of deals are not cookie-cutter and maybe require a fair amount of work and time and capital?

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

Michael, Serramonte is unique, and it did come through with a larger acquisition. And we do feel really great about the real estate. But I'll go back to our unequaled strategic advantages. And number one is a high-quality grocery-anchored portfolio and to the -- that is really our focus.

So to the extent that we can continue to create value with that focus, that will happen. But it's not -- we're not looking for 80-acre parcels to invest capital. We still have a lot of opportunities in front of us with our owned assets and with our own redevelopment pipeline. And that is really -- as we think about risk-adjusted use of our capital, that is where -- that is our focus today.

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

And then the last question. If I go back to the Investor Day, which was, I think, it was the beginning of '18. You talked a lot about sort of this whole asset quality DNA, both from a trade area DNA perspective and then a individual asset DNA perspective. And you sort of went through and you graded all of your assets along those lines to eventually come out with that premier plus, premier quality core and noncore.

I guess, as you're seeing the markets evolve during this pandemic, is there anything as you run the portfolio, new markets that are coming up that would be stronger, or markets that you're in today that are moving down the spectrum, is there anything that you can tease out from that data at all?

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

I appreciate you remembering that, Michael. This is Mike again. We're learning a lot about our DNA model...

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

Well, to be fair, Katy remembered it, I didn't. So let's give credit where credit's due, so.

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

We are learning a lot about that model, and we study it continuously, and it's a guide. It's not a rule for sure. We think the model is proving out what we believe, which is that our suburban/near urban locations, as measured by the demographics and the really supply constraints that that DNA produces, are holding up very well in this environment, and will benefit from any changing landscape with respect to where people work.

What I would also say at the same time is we didn't have a pandemic box in the math. And when you overlay a government-imposed mandate that you cannot conduct business in a certain environment, it doesn't matter how much money the people make or how many people are involved in that trade area, the model will break down. And we did -- we have seen that. So there's -- this period of time will have a lot of noise in the math. But we are learning. I think what we're learning is that we're -- from a location quality perspective, much of what we believed is confirming itself.

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

Thanks, Michael.

Operator

(Operator Instructions) Ladies and gentlemen, we have reached the end of the question-and-answer session, and I would like to turn the call back to Lisa Palmer for closing remarks.

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

Thank you very much all of you for your time today. Thank you to the Regency team one more time. And I look -- it is Friday. So have a nice weekend. And I look forward to seeing many of you and I put seeing in air quotes in a couple of weeks. Thanks, all.

Operator

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

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