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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Greetings, and welcome to Regency Centers Corporation Fourth Quarter 2024 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 of Capital Markets*

Good morning, and welcome to Regency Centers' Fourth Quarter 2024 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 management's current beliefs and expectations and are subject to various risks and uncertainties.

It's 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.

Finally, as a reminder, given the number of participants we have on the call today, we kindly and respectfully ask that you limit your questions to one and then rejoin the queue if you have additional follow-up questions. Lisa?

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

Thank you, Christy, and good morning, everyone. We are proud to report another quarter and year of exceptional performance and execution of our strategy. Same property NOI and earnings growth were strong, reflective of continued robust tenant demand and opportunities for us to drive value. This was evident in the strength of our base rent growth, the size of our leasing pipeline driving new record high leased rates, the activity within our expanding development program and continued growth in our dividend, which we increased another 5% in the fourth quarter.

Our operating fundamentals continue to benefit in part from a relative lack of new supply in our sector over the last 15 or so years. At the same time, while supply growth has remained muted, Regency has found opportunities to create meaningful value through development. We had another great year of project starts, hitting our target of \$250 million or more for the second straight year, with nearly half in new ground-up developments.

We have close to \$500 million of projects in process today and are having a lot of success continuing to build our shadow pipeline for future growth. Our development platform is, and will continue to be, a meaningful differentiator for us. And as I've said before, we have the best national development platform in the business.

Our accretive investment activity totaled more than \$0.5 billion in 2024 with the funding of this growing development pipeline, combined with our high-quality acquisitions and our opportunistic share repurchases, all while maintaining the strength of our balance sheet.

In closing, I'm so appreciative of all the hard work of our team to generate this impressive performance and I'm even more excited about continued strong momentum as we look ahead. We believe the positive trends and tailwinds we are experiencing in our high-quality shopping centers, combined with our sector-leading balance sheet and liquidity position, will continue to serve as a strong foundation for the long-term success of our business. Alan?

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

Thank you, Lisa, and good morning, everyone. Regency's 2024 operating results were highlighted by robust same-property NOI and base rent growth, which was driven by record leasing activity, strong rent spreads and embedded rent steps and success with accelerating rent commencement dates. The tenant demand environment remained very strong, with activity consistent across all regions and driven by several key categories, including grocers, restaurants, health and wellness, personal services and off-price.

Our leasing team has been extraordinarily busy, and I am so proud of their success in executing nearly 2,000 leases this past year, comprised of more than 9.4 million square feet of space. This is a significant number of deals and a record high volume for Regency. We also set new record highs for our same-property lease rate, ending the year at 96.7%, and our shop occupancy lease rate ending the year at 94.1%.

Our same property commenced rate was up another 100 basis points in Q4 with continued progress getting tenants in the SNO pipeline open and rent commencing, while also replenishing the pipeline with newly signed leases. Our executed lease pipeline currently reflects 300 basis points of occupancy and \$44 million of incremental base rent, supporting momentum for upcoming rent paying commencement.

We also continue to have success pushing rent growth, reflected in the upward trajectory in cash rent spreads throughout 2024, finishing the year with spreads at approximately 11% in the fourth quarter. Our renewal rent spreads were nearly 9% for the year, our highest annual rate for renewals in more than 15 years. We achieved GAAP rent spreads of almost 20% for the year, reflecting our team's ability to capture the mark-to-market, while also achieving record levels of rent steps and new shop lease activity indicative of the strong environment and the health of our tenants.

Same-property NOI growth, excluding term fees and COVID period reserve collections came in at 4% for the quarter and 3.6% for the full year. In addition to our success driving rent growth and accelerating rent commencements, same property NOI also benefited from an improvement in our expense recovery rate.

As Mike will discuss, our credit loss forecast for 2025 is in line with our historical average, which is impressive if you consider the level of retail tenant bankruptcies we've seen in the last few months. Our exposure to credit risk tenants is very manageable, a direct result of our deliberate long-term approach to strategic merchandising and intense asset management.

In closing, our fantastic results are attributed to continued strength in the fundamentals of our business, combined with the hard work of our talented team. A thriving retail demand environment, coupled with limited new supply, sets Regency up well for continued success. Nick?

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

Thank you, Alan, and good morning, everyone. We had another active quarter of accretive investment activity to cap off a very successful year. In 2024, we started nearly \$260 million of development and redevelopment projects, including \$35 million in the fourth quarter. These investments encompass 24 distinct value-add projects in 14 markets around the country, with blended yields exceeding 10%. This was the highest level of annual starts in nearly two decades, and nearly half of that was the new ground-up developments.

It was also a very productive year for project completions, as we are starting to see a more significant direct benefit from our team's efforts in expanding our pipeline over the last few years. We completed more than \$230 million of projects during 2024, including 7 projects in the fourth quarter, totaling more than \$150 million.

Notably, this included Buckhead Landing in Atlanta, where public celebrated a long-awaited and highly successful grand opening in December, evident in the nearly 50% increase in foot traffic compared to before the project's commencement.

At year-end, we had nearly \$500 million of development and redevelopment projects in process with blended returns of more than 9%. The team continues to make great progress executing on lease-up amid exceptional tenant demand as we are currently more than 94% leased within the pipeline.

To reiterate Lisa's comments, our development platform remains a key differentiator for Regency. There is no doubt this business is challenging and each project presents its own unique set of complexities, but our unequaled combination of expertise, proven track record, deep industry relationships and access to capital has enabled us to strategically build our pipeline and execute on numerous attractive projects in recent years.

Looking ahead, we remain highly optimistic about our opportunity set. We expect demand for high-quality space in the markets and trade areas where we operate to continue to support attractive returns, driving meaningful accretion and growth on a risk-adjusted basis.

Shifting to acquisitions. We continue to see an uptick in activity in the transaction market, and our team is actively underwriting opportunities around the country. As previously disclosed, we acquired University Commons, an H-E-B-anchored Center in Austin, within a long-standing institutional joint venture partnership.

We also currently have a center under contract in Nashville, which will further enhance our presence in a market where we've been looking to expand for some time. This high-quality center is in a desirable trade area, located in close proximity to existing Regency assets, and we look forward to providing additional details on the transaction in the coming months.

In closing, we believe the success and momentum within our investments platform, especially the growth in our development and redevelopment pipeline over the last few years, positions Regency well for the future, providing clear visibility into the drivers of our earnings growth in the years ahead. Mike?

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

Thank you, Nick, and good morning, everyone. As Lisa, Alan and Nick have described, we reported another strong quarter to complete an exceptional full year results, generating core operating earnings growth of just over 5%, excluding the impact of prior year collections. Our high-quality portfolio produced same property NOI growth, excluding term fees and COVID period collections of 3.6% for the year, primarily driven by base rent growth.

We are looking forward to continuing this positive momentum, but let's now turn to our 2025 earnings guidance. As usual, I'll refer you to some helpful details on pages 5 and 6 of our earnings presentation, including a roll forward of 2024 results to the midpoint of our current year outlook. We are guiding to a NAREIT FFO range of \$4.52 to \$4.58 per share, which reflects nearly 6% year-over-year growth at the midpoint.

The largest contributor to our earnings growth is same property NOI, which we expect to grow in a range of 3.2% to 4%. Just as a quick reminder, now that we are about 1.5 years past our merger date with Urstadt Biddle, those properties have now entered our same property pool as of January 1 of this year.

We expect base rents will continue as the primary driver of same-property NOI growth generated from contractual rent steps, continued strength in re-leasing spreads and higher average commenced occupancy, including redevelopment contributions.

Even with the uptick in recent bankruptcy filings that Alan referenced, our credit loss outlook is unchanged from our indication a quarter ago, at a range of 75 to 100 basis points of total revenues, in line with our historical averages. Tenant failures and move-outs, simply said, have and will always be part of this business, but Regency's low and manageable exposure to tenant credit risk speaks to the quality of our portfolio as well as our merchandising discipline.

Moving to the balance sheet. In the fourth quarter, we raised \$100 million of equity on a forward basis through our ATM at an average price of \$74.66 per share. This issuance adds to our liquidity and balance sheet capacity as we work to invest growth capital into accretive investment opportunities. We have 12 months to settle in order to best match fund sources and uses.

Our liquidity position is further supported by a strong free cash flow generation and access to debt capital. We have more than \$1.4 billion available on our unsecured line of credit. We have no unsecured bond maturities until late this year, and our leverage remains within our targeted range of 5 times to 5.5 times debt-to-EBITDA. We believe that our balance sheet position, ready access to low-cost capital and ample liquidity will continue to provide us with the flexibility to be opportunistic, drive growth and create shareholder value.

With that, we look forward to your questions.

QUESTIONS AND ANSWERS

Operator

At this time we'll be conducting a question-and-answer session.(Operator Instructions)

Andrew Reale, Bank of America.

Andrew Reale - Bank of America - Analyst

Good morning. Thanks for taking my question. So \$250 million of development and redevelopment spend this year, could you just share more detail on what you plan to start in '25? And what types of projects you see as adding the most value going forward?

And then I believe the blended yield on in-process did tick up to 9% in 2024. So is this kind of the level you expect to deliver over the long term? Or are you finding new opportunities to maybe even push that a little bit further? Thanks.

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

Andrew, this is Nick. Really appreciate the question. So let's start with your spend question, the \$250 million. So the spend side of the equation is we have clear visibility to that. So that's just forecasting the projects we've already started that we'll continue to fund through 2025. And so I feel really good about those projects that we started in '23 and '24, and as they continue to progress.

In addition to that, we do still anticipate finding another \$250 million of opportunities for development and redevelopment spend as we move into 2025 or starts. And so continue to be excited about that pipeline and the progress the team continues to make related to that.

In terms of yield, as you can see, they've been pretty, I'd call it, steady in terms of our starts. To your point, they've increased on the margin. We feel really comfortable about our ground-up development yields being 7% plus, and we continue to solve for returns in that range.

And then on the redevelopment side, as you know, those can come in a little bit of waves, but we have been in the low double digits, and we would expect that to continue. So on a blended basis, high single digit when you combine the 2. And so excited about what we've done to date and excited about 2025, adding to that list.

Operator

Craig Mailman, Citi.

Nick Joseph - Citi - Analyst

Thanks. It's Nick Joseph here with Craig. I was hoping you could run through what the drivers of the earnings are that drove kind of guidance now above what was previously discussed in terms of the considerations for year-over-year FFO growth and same-store growth?

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

Sure. And again, I'll reference you to Page 6 of the supplemental materials that we provided, which I think tell the story pretty cleanly. But it's foundationally driven by our same property NOI growth, right? So 3.2% to 4% is driving the majority of the earnings outlook for '25. And then you add to that accretive capital allocation, which is both transactions that occurred in '24, our net acquisition activity, the contribution to Nick's point of delivering some developments here that have been building on our pipeline to this point, and that will only increase even beyond '25. And then the net impact of our share repurchases last year is also coming through.

We do have some headwinds in the growth outlook for '25, primarily on the interest rate line item. And that is to be expected. That's largely -- or about half of that, and we note \$0.09 of headwind here. About half of that is due to the bond that we already placed in '24. So a full year impact of that refinance. And the balance of that interest expense line item is actually attributed to that accretive cap allocation activity. So that's continuing to invest capital accretively going forward.

Lastly, and I may just take this opportunity to identify the G&A expense line item, you will see a positive contribution from G&A, that is unusual. But again, this stems back to this opportunity to continue to capitalize overhead as a result -- and directly as a result of our success in growing that development business. So with added starts, added spend, that's increasing our capitalization.

It's also helpful to share, that's -- it's topping out. The growth rate in that component of our P&L is topping out in '25. It should grow at a more reasonable rate from this point forward.

Operator

Michael Goldsmith, UBS.

Michael Goldsmith - UBS - Analyst

Good morning. Thanks a lot for taking my question. Can you walk through the thought process around the credit loss reserve of 75 to 100 basis points? And within that, can you quantify any pressure from tenants you felt in the fourth quarter? And anything you have visibility or are watching for in 2025?

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

Yes. Let me start with the guidance component and then Alan can talk about specifics.

So maybe just to reiterate how we think about credit loss, and we've been very clear about this. It's really a combination of two items, right? So it's uncollectible lease income, classic bad debt expense rolling through your P&L on that line item. Our historical average is about plus or minus 50 basis points. Actually, in '24, we did better than that. We ended the year at about 30 basis points. We are planning for a more historically average year going forward.

Then you add to that, the second component, which is lost base rent as a result of bankruptcy filings. Sorry, the -- so for that, that will fill out the balance of our range, so 25 to 50 basis points. This is where it's more speculative. And we do have some clarity, however, given what's all the filings that occurred over the holidays. And -- but we -- but timing is an input. We still have to learn what's going to happen through these bankruptcy filings, and Alan can color that up. But it's that combination is supporting our current range of 75 to 100 basis points.

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

Yes, Michael, I would just again reiterate, as I said in the remarks, too, that we do have very limited and manageable known exposure. And I think that, that certainly is a testament to our deliberate approach in terms of how we manage our assets and the durability of our occupancy.

But I would bring this back also to tenant health, where our ARs are low, sales and traffic do continue to trend up. Our pipeline remains strong. Supply is limited and many retailers are having a hard time meeting the growth objective. And so in that instance where we are going to get that space back, great retailers are anxious to secure great real estate, and we believe we have great real estate.

Operator

Dory Kesten, Wells Fargo.

Dory Keston - Wells Fargo - Analyst

Thanks. Good morning. The same store NOI range for the year was better than expected, but it's also slightly wider versus last year's guide. I know you've definitely like walked through the pieces a bit. But I guess I'm just wondering on the spread, I guess, what is driving it starting off wider?

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

Dory, thank you. Historically -- number one, your first comment, it is slightly better than our head -- I'm sorry. There is some feedback there. Okay. We're good.

Dory, 3.6% midpoint of our current guidance, that does compare to the outlook [head nod] we gave last quarter plus or minus 3.5%. So I feel like we're in line with that slightly positive given the great fourth quarter we had from a leasing perspective.

On the range, we've -- in our history, we've had various ranges in initial guidance as tight as 50 basis points, as wide as 100 basis points. This is 80. So I feel like it's kind of consistent with how we've handled it in the past. The biggest factor is going to be move-outs and credit loss, right? So where you end up in the year from a timing perspective on both -- and volumes on both of those is largely going to dictate where we finish.

Christy McElroy - Regency Centers Corp - Senior Vice President of Capital Markets

Great. Thank you.

Operator

Greg McGinniss, Scotiabank.

Greg McGinniss - Scotiabank - Analyst

Hey, good afternoon. Given ground-up development pipeline, could you just instead discuss your view on the transaction market and whether you're seeing any opportunities to acquire, how that compares to recent years and cap rates more broadly?

And if you could also disclose where you think the ground-up developments might trade after completion, so we can have some idea on value creation? That would be appreciated as well.

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

Before -- I know Nick is going to jump in and answer this. Before he does, I just -- a lot of the -- I just wanted to reiterate that our investment playbook hasn't changed. We saw a lot of notes overnight asking about kind of the increased focus on acquisitions, given our acquisition guidance. And as has been the case, development and redevelopment is our number one priority.

Nick's already addressed that and will more right now. But we've always acted on and we'll continue to act on compelling acquisition opportunities when it meets all of our objectives. And as we've always said, that could be single property, could be a portfolio, a small portfolio of properties or it could be M&A, which we've also done.

So I just want to make sure that there's nothing that's changed here. Our investments playbook is the same. Our strategy is to remain disciplined in investing our capital accretively. And I'll let Nick actually more directly answer your questions.

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

Absolutely, no. Thank you, Lisa. Thank you, Greg. There's no question investor appetite right now is extremely healthy for the centers we're pursuing, grocery, anchor neighborhood and community centers. And so as Lisa just said, first and foremost, we're funding our development and redevelopment program, and we feel really good about that. But we are still very active in the transaction market. And so, as we've said before, when we can find an opportunity that we believe is equal to our quality and our future growth profile and that we can fund accretively, we are going to lean in. And we've been successful in doing that.

As you can see in 2024, we had success. And now as we've given you guidance in '25, we feel good about some of those opportunities we're now pursuing. And again, the one in Nashville we'll talk in more detail next quarter after we announce it. But I feel really, really good about, again, checking those boxes, funding it accretively and feel really good about its future growth profile, given the mark-to-market opportunities.

And then to your question related to cap rates. Yes, as I mentioned on a previous question, we are solving on ground up to north of a 7% yield. And again, when you look at what we're buying and what the market is buying in terms of core grocery-anchored assets, we feel really good about getting our 150 basis point plus spread. And so you can solve to a mid 5.5% to 6% on the deals we're developing. And so feel really good about that value creation straight out of the gate. And so that's why we are prioritizing that capital.

Greg McGinniss - *Scotiabank - Analyst*

Thank you.

Operator

Floris Van Dijkum, Compass Point.

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

Good morning, guys. Thanks for taking my question. So on capital allocation, it appears like the development -- the ground up development you're doing is not necessarily in the first spring suburbs. Cheshire and Oakley are a little further away. But the redevelopment presumably is more where you're getting your really juicy returns is more in the infill first ring locations.

Could you touch on -- could you just talk about the -- how big of a shadow pipeline of redevelopment potentially do you have in that first ring suburb portfolio? And then maybe talk about your mixed-use entitlements if you're pursuing any of those? And presumably, you would be looking to offload those to third parties to actually develop mixed use on your assets. But maybe you can talk about some of the projects or the scope of accretive recycling that you potentially could do by offloading some of that mixed use to third parties.

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

Sure. So Floris, this is Nick again. I'll start with your first question, which is really about the development and redevelopment. And so I would tell you, we're active in all aspects of our geographic territory. And so as you've alluded, some of our redevelopments are infill, some are first or second ring suburbs. And so we are hyper-focused on continuing to pull that lever at all opportunities.

And so I wouldn't articulate redevelopments are more infill than our developments necessarily. We have some development opportunities. We are currently working on that. I think you'll see in the future, we announced those are very infill to some of our core markets. And so continue to feel good about our entire geographic territory related to developments and redevelopments.

And then in terms of your mixed-use question, as you are aware, we have been very loud and we are not focused on complicated mixed-use projects. Projects that we do think the highest and best use may be something different than retail. We will bring in a partner. But I would tell you, those are a small component. As you look at our redevelopment program moving forward, we're hyper focused on the core retail aspect of our business.

I would tell you the mixed use comes in to play a little bit more on the potential ground ups, where there may be some horizontal mixed-use components where we will bring in a partner, which is what we've done for years. So that's no different than how we've handled those large developments over the last decade or so.

Operator

Juan Sanabria, BMO Capital Markets.

Juan Sanabria - BMO - Analyst

Hi, good morning. Just a question on the build or economic occupancy and how much you'd expect to be able to capture in '25? And maybe if you could just comment what would be kind of the same-store versus the redevelopment potential there?

And then as a part B. There was a comment to -- I don't know if it was G&A, but I think it's something like the growth rate was topping out in 2025. So I just wanted to see if that was in reference to like the capitalized interest portion that was helping to offset some G&A pressures that would like inflationary pressures? Just wanted to clarify that.

To, offset some GNA pressures that would like inflationary pressures. Just wanted to clarify that. Thanks.

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

Juan, I think I'll take most of these. So from an occupancy kind of guidance perspective, we're at -- as we mentioned, we're hitting peak occupancy on the top line, right? So -- and to think about the likelihood of losing some tenants to credit loss and normal churn activity, I'm not going to guide to a higher level of overall percent leased, although we're all encouraging the team to continue to lease our space, and we have great centers with great demand.

Rent-paying occupancy, which is really the driver of both same-property growth and earnings growth, we are anticipating to make meaningful headway in 2025. We've been forecasting this year in subsequent -- in previous quarters on these calls. I think we have the opportunity to move rent-paying occupancy by 75 basis points, maybe even more, in 2025 on an average basis.

So think about that average basis. And in fact, I think we can get to that average number pretty quickly in the year and have the benefit of that higher run rate going forward. So that is a meaningful component of our growth outlook on a same-property basis going forward.

I will reiterate that the redevelopment impact to our same property growth rate is expected to be north of 100 basis points. We've been forecasting that for about a year now. And those developments have largely delivered, and there's really good visibility into that.

Lastly, kind of pivoting to your G&A question. Number one, interest expense isn't in G&A, but capitalized overhead is, and it is a component of that. So what I was trying to make clear is we've been benefiting pretty significantly, and you can see it in our results because we highlight capitalized overhead in our P&L of this growing development business that we've invested in for a long time.

And that pipeline has grown meaningfully over the last 2 to 3 years and that has resulted in increases in capitalized overhead. That -- those increases will continue more meaningfully into '25, and then we should top off. We're kind of topping off and hitting our -- from a growth rate perspective, we're hitting our limits, so to speak. And our team is operating at full capacity, and we are hopefully going to continue to deliver strategically targeted centers in the [\$250-plus million] range of starts. But we're kind of leveling off on all aspects of that.

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

I think -- let me just -- maybe the easy way to think about it is if we are able to continue to, which we expect that we will be, \$250 million of starts on a sustainable basis than the capitalized overhead growth rate will mirror our normal G&A growth rate because it's the people that are working within Regency that we're capitalizing. So that's probably the best way to think about it. It's not that it will stop growing. It will just grow along with a normal increase in G&A year-to-year.

Operator

Todd Thomas, KeyBanc Capital Markets.

Todd Thomas - *KeyBanc - Analyst*

Hi, thanks. Good morning. You touched on renewal spreads in the quarter and leasing spreads in general, which have been elevated. As you work through 2025 lease expirations and particularly with the portfolio's leased rate at 96.7%, do you see any material changes in spreads, either newer renewal spreads? And perhaps you can provide some color on how they might trend throughout the year relative to '24?

And then can you also talk about expectations around tenant retention in '25, whether you see any changes there?

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

Todd, thank you for the question. This is Alan. So I'll start with strong sales, coupled with limited supply certainly drives rent as we all know, and we are in an environment where we continue to see that positive momentum, both with spreads and with rent steps. And I mentioned in the opening remarks, new leasing spreads of 16%, which was a significant increase to prior quarters. But we've always said, let's bring that back to GAAP rent, which is what we really like to emphasize as a better measure of total rent growth.

And we had north of 30% in GAAP spreads for new transactions this quarter, which really is emphasizing that contribution to sustainable growth through the success the team is having both in the spreads and in the steps. So I feel really good about that and the momentum that stays behind that.

To your retention question, I wouldn't necessarily guide to a number per se, but I would say we are historically 70%, 75-ish percent from a retention perspective. And I'm very comfortable with that. At the end of the day, that gives us the opportunity to keep those retailers that are thriving within our portfolio, but also stay relevant. And intentionally, it's part of the deliberate strategy cycle through the deals that are important for us to replace.

Operator

Michael Gorman, BTIG.

Michael Gorman - *BTIG - Analyst*

Yeah, thanks. Good morning. Just wanted to turn back to the development side for a minute here and maybe ask about competition. We've heard some conversations about construction costs moderating a little bit. Obviously, retailer demand is still quite robust. And with institutional capital also looking at the space more aggressively now than in recent years, have you started to see maybe at the margins, any merchant developer activity come back into the space?

Obviously, you've got great tenant relationships that's driving the opportunities. But I'm just curious if even at the margin, there's more competition on these development opportunities that you're seeing? Thanks.

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

I appreciate the question, Michael. This is Nick. And a very astute question definitively. And so I'd say, look, first and foremost, some of our biggest competition is our customers. And so there's no question. H-E-B, Publix, Kroger, they continue to be very active in their own self-development program. And so the good news is we have very close and good working relationships to find opportunities to work with them and we'll continue to do that.

But on the margin, to your point, our real competition is we wake up day in and day out. And this isn't just unusual in the development, the operating side of the business as well is really, really astute and good local owners and operators and developers. And so they continue to be active, and we do a very thorough study every year of where developments happened, which ones we were involved with, which ones we weren't.

And year in and year out, there are a lot of very small local developers that have successfully done a project or 2 in their backyard. And I would tell you, over the last 6 or 9 months, they have gotten a little more [pep] in their step than they did 18 months ago. But they continue to have real challenges as you articulated.

You have to have the relationships, you have to have the expertise and you have to have the capital, and those are 3 puzzle pieces that are hard for even the locals to put together. So that's why we continue even with on the margin, the increase in competition locally, we feel really good about getting more than our fair share of that opportunity set moving forward.

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

Yes. Very well said, Nick. I think the -- when you think about our industry and our sector, it's really fragmented. And that's true for the operating -- as Nick said, that's true for the operating portfolio as well as for development. And it is why we feel really good about how well positioned we are because of our national platform because there are true real benefits of that scale that we're able to bring to both the operating portfolio as well as to the development program.

Michael Gorman - *BTIG - Analyst*

Great, thank you.

Operator

Wes Golladay, Baird.

Wes Golladay

I just want to stick to the development. I guess when we look at the size of the pipeline, it's been growing \$500 million, where could that go over the next 2 to 3 years? Is there a governor from a risk perspective from year-end? It seems like it's about 2.5% of enterprise value. Is it opportunity set driven? What's driving it from going higher?

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

I'll jump in, and Nick can color it up if he likes. At this -- we've been working really hard to continue focusing on our grocery-anchored bread-and-butter development program and building that to a sustainable \$250 million a year. And the team has done exceptional work in getting us to this point where we've now done it for the second consecutive year. And I expect to continue to see that for us to meet that objective going forward.

So -- and it's not easy, as Nick has said, it's taken a lot of work to do that. So at this point, I would say it has been -- the opportunity set has been the limiting factor. To the extent that we see the opportunity set grow significantly, then we have the balance sheet, and we have -- we are so well positioned to continue to capitalize on increasing that. And we can certainly work through the human capital resource challenge that, that would be.

So to this point, it's been opportunity set driven. And if that changes, trust me, you'll hear us talk about it.

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

I have nothing to add to that.

West Golladay - *Baird - Analyst*

I agree. Thanks, thank you both. That's a good answer, Lisa. Thank you both.

Operator

Steve Sakwa, Evercore ISI.

Unidentified Participant

This is Manas on for Steve. I just wanted to quickly circle back on the credit loss assumptions. I know you touched on this before with a question and also outlined that, call it, there's a 25 to 50 basis point allowance for loss base rent from bankruptcies included in that credit loss assumption. And I just wanted to get a better understanding how conservative or like what the base assumption is that's going into forming the specific number?

Are you -- can you share any color on what the assumption is in terms of how many stores you assume in the base case to get back that you have to backfill? Or just help us understand how much room there is just given the exposure you have? That would be super helpful. Thank you.

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

I'll do what I can. I don't know if it will be characterized as super helpful. But it's a ground-up assumption process. So we're taking a look at our rent roll. We're identifying where we see risk, where we know risk exists. And we're handicapping our -- the likelihood and potential of those sites to be rejected through bankruptcy court. And we're not assuming that all are necessarily rejected.

We're making space-by-space, tenant-by-tenant assumptions. We're capturing all the tenants that are very well known to everyone on this call in that analysis. And we're trying to put forth what we believe to be a practical outlook and reality of how we think we'll end the year. I hope we do better than that. But a lot of this component of the plan, frankly, is out of our control.

Unidentified Participant

I appreciate it. Thank you.

Operator

Ki Bin Kim, Truist Securities.

Ki Bin Kim - Truist - Analyst

Thank you. Good morning. So looking at your same-store operating expenses year-over-year for the full year, it only grew not even 1%. So I was just curious, is there a comp issue going on? Or maybe you can provide some details on if there's any initiatives that are -- that you're working on that are keeping a lid on some of your operating expenses? Thank you.

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

Yes. Ki Bin, I really appreciate your noticing that because -- and I know the team will be very appreciative of that. It's just good hard work by our operations team. Little bit of scale advantages, I will say that. We do have the benefit, to Lisa's point, from a contract negotiation perspective. But it's just good, hard diligent work in a rising price environment over the last several years to calibrate our levels of service at the property level to ensure that we're delivering high service to our tenants, to our end consumers while also managing the P&L. It's as simple as that.

Ki Bin Kim - Truist - Analyst

I'm sure your tenants appreciate it, too.

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

Thank you.

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

Thank you.

Operator

(Operator Instructions)

Paulina Rojas, Green Street.

Paulina Rojas - *Green Street Advisors - Analyst*

Good morning. My question is really big picture. Today, there is significant uncertainty around immigration policies and tariffs. So how sensitive do you see your business on the retail sector in general to the direction these policies take? And I'm not asking for a position -- a specific position on the topic, and we certainly don't have much clarity on what could finally be implemented. I'm more interested on your thoughts really around, one, how impactful it could be for Regency? And two, what variables do you think are more relevant to monitor? Whether it's construction cost, retailer profitability for a specific tenant category or any other factor?

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

I appreciate the question, Paulina. And I'm glad that you asked not for the position or for a prediction because if I could predict, I more than likely wouldn't be sitting in the seat that I'm sitting in today, I'd be doing something different.

But similar to past recessions and economic cycles, I think the way we think about it is we do not expect there to be a material impact to the Regency portfolio. And that is because we are so well positioned. If you take the trade areas in which we operate, so one, that the consumer in those trade areas is very resilient. And it has been able to -- even in the past, inflationary -- very high inflationary years, absorb price increases.

You think about the quality of our centers themselves and then therefore, the merchandising mix, the focus on necessity, service, value, those categories tend to perform better in inflationary environments through economic cycles. And because of the quality of our portfolio, we tend to have those operating units within larger scale portfolios of our tenants that are producing better sales. And if you're producing higher sales, you can afford to pay the rent and the consumers continue to come in.

So I will never say that we are immune to economic cycles, impacts from tariffs, neither will our tenants be. But I don't believe that at this time, with what we are looking forward to, that the impact would be material.

I think the other thing, too, is think about how resilient and adaptive and flexible our tenants have been. They have operated through some really difficult times and they've survived. Even if their margins are being squeezed, they continue to grow their sales and they continue to make money and they continue to pay rent. It's a win-win. If they grow sales, we collect rent, and we can grow that rent. So I do not expect for it to be that significant.

On the immigration side and the supply -- the labor supply potential impacts, anytime construction costs go up. Again, it's something that is a challenge for us, and it's something that we have dealt with. We've dealt with it for the past 4 years, and we've been very successful and still achieving our development goals and achieving our development returns. So again, could there be an impact? There could, and I expect we'll continue to have success.

Operator

Linda Tsai, Jefferies.

Linda Tsai - *Jefferies - Analyst*

On developments being north of a 7% yield and getting 150 bps plus spread over acquisitions, how stable is that yield or spread as you look out one to two years, just given the rising cost of labor and construction?

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

Linda, this is Nick. I appreciate the question. As Lisa just alluded to, we're hyper focused on doing our best to maintain those yields and even in environments when costs are a little more unpredictable. And so we take that into account in our underwriting on those transactions. And so I hope you don't see in the next couple of years what we saw looking over our shoulder over the last several years.

But as you can look at our end process pipeline and what the team has been able to deliver, more times than not on the margin, we've actually outperformed even in the face of those cost increases over the last several years, and that's because our team does a really, really thoughtful job project by project of, one, derisking these transactions as much as we can. So while we have controlled the real estate before we close, before we start construction, we spend significant time and effort and money on diligence and drawings and getting bids in hand.

And where there is inputs that we don't have perfect visibility to, we appropriately underwrite what we believe are acceptable cost increases going forward. And so as Lisa just said, we had to do that a lot over the last several years. We're likely going to have to do it going forward, and our teams have done a really nice job of delivering those results.

Operator

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

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

It looks like we have one more person in the queue, I think.

Operator

Mike Mueller, JPMorgan.

Michael Mueller - *J.P. Morgan - Analyst*

Just a quickie here. At 94.1% leased, can you squeeze any more occupancy out of the small shops? Or is that essentially full?

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

Can I just say yes? Go ahead, Alan.

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

I was going to crack a similar comment. I do appreciate the question. And we have said quarter after quarter after quarter, records are meant to be broken. So we stopped thinking about where that can go. Our teams are hyper focused. They are going to lease as much space as they can. They're going to continue to take advantage of the quality of the real estate and the quality of the environment that we're in. So we are going to keep pushing for our shareholders and for the portfolio.

Michael Goldsmith - *UBS - Analyst*

Okay, thank you.

Operator

There are no further questions at this time. Now I'd like to turn the call back over to Lisa Palmer for closing comments.

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

Thank you. And since Alan just ended with that comment, before I say thank you to all of you, I say thank you to the entire Regency team for these exceptional results and looking forward to an even better 2025. Thank you all for your time. I appreciate it. Thanks.

Operator

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

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