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REG.OQ - Q3 2025 Regency Centers Corp Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

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

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

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

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

As a reminder, today's discussion may contain forward-looking statements about the company's views of future business and financial performance, including forward earnings guidance and future market conditions. These are based on 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.

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

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

Thank you, Christy. Good morning, everyone. We're proud to share another quarter of outstanding results, highlighted by strong same-property NOI growth and earnings growth. These results reflect the continued success of our team in leasing space, commencing our SNO pipeline, and driving rents higher amid robust operating fundamentals and strong demand at our shopping centers. Our tenants remain healthy, which is evident in sustained sales strength and historically low bad debt.

Our earnings growth is further amplified by the successful execution of our capital allocation strategy this year. Our investments team has accretively deployed more than \$750 million of capital into high-quality opportunities, including acquisitions, ground-up development, and redevelopment. By year-end, we expect to have started around \$300 million of projects, bringing total starts to an impressive \$800 million over the past three years. I am so proud of our team for this accomplishment. I'll let Nick talk in just a few minutes about the specific development projects we started in the third quarter, but I want to emphasize again how ground-up development is truly a key differentiator for Regency.

We are the only national developer of grocery-anchored shopping centers at scale in an environment of otherwise limited new supply. We are building the types of assets that we would acquire, and we're doing so accretively and with manageable risk, creating meaningful net asset value with yields well ahead of market cap rates. Given our exceptional results and a continued strong fundamental backdrop, we are raising our full-year earnings growth outlook and reflecting that strong performance, increasing our dividend by more than 7%. Our strong and consistent track record of dividend increases over time is very important to us in driving total shareholder returns while also maintaining a substantial level of free cash flow.

Before turning it over to Alan, I want to say again how proud I am of our team's performance this year. And as we look ahead, we believe our competitive advantages position us well to drive sustainable cash flow growth from our essential grocery-anchored shopping centers in suburban trade areas with strong demographics to our leading national development platform, strong balance sheet, and the best team in the business.

Alan?

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

Thank you, Lisa, and good morning, everyone. Our team did an incredible job producing another quarter of outstanding results, growing same-property NOI by nearly 5% with strong base rent growth as the primary contributor at 4.7%. This outperformance is a culmination of a record amount of new leasing in recent years and accelerating rent commencement from our SNO pipeline, combined with favorable bankruptcy outcomes and historically low levels of bad debt. Our tenant base is healthy. And across our portfolio, we continue to experience significant demand from nearly all retailer categories and for both anchor and shop spaces.

Our same-property percent leased rate sits at 96.4%, and we remain confident that we can exceed prior peak levels in this favorable retail environment with limited new supply and sustained strong demand for our high-quality space. Looking ahead, our leasing pipeline is robust, fueled by interest from vibrant restaurants, leading health and wellness brands, off-price retailers and, of course, our best-in-class grocers. In fact, we signed three new grocer leases in the third quarter alone, unlocking exceptional redevelopments that will drive enhanced merchandising and better foot traffic to these assets, all at highly accretive returns. Our same-property commenced rate increased by 40 basis points in the quarter to 94.4%, with eight anchors rent commencing, including several key openings at redevelopment projects. At our hub at Norwalk asset located in Fairfield County, Connecticut, the long-awaited Target opened in the quarter to strong crowds.

We also opened a brand-new Publix at our Cambridge Square asset in Atlanta and a Nordstrom Rack at our Pine Ridge Square Center in South Florida. All of these retailers reported exceptional openings, and we couldn't be more pleased with the upgraded merchandising and success we've seen at each of these projects. While we've made meaningful progress converting our SNO pipeline into lease commencements, we are also actively backfilling our pipeline with newly executed leases. Our 200 basis points of pre-leasing now represents approximately \$36 million of signed incremental base rent. Additionally, we have another 1 million square feet of leases in negotiation, representing visibility to continued strong leasing activity.

We also continue to have great success driving higher rent growth. Cash re-leasing spreads were strong at 13% in Q3, while GAAP rent spreads were near record high levels at 23%, demonstrating our ability to achieve strong mark-to-market rent growth while also embedding meaningful annual rent steps into our leases. Importantly, we are also being prudent with our leasing capital investment.

In closing, I am so proud of our team's great work. Strength in retailer demand, leasing fundamentals, and tenant health indicators remain favorable, and we have great visibility into continued above-trend same-property NOI growth in 2026.

Nick?

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

Thank you, Alan, and good morning, everyone. As Lisa mentioned, this was another very active quarter for accretive investment activity. We're seeing great momentum in starting new development and redevelopment projects, executing on our in-process pipeline as planned, and continuing to successfully source acquisition opportunities. Since our last update a quarter ago, our most significant progress has been in growing our development and redevelopment pipeline. We started over \$170 million of projects during the third quarter, bringing our year-to-date total to more than \$220 million.

Our starts in the quarter included two exciting new ground-up projects. Ellis Village will be a 50,000 square foot Sprouts anchored center located in the Bay Area at the front door of a thriving master plan community. The Village at 7 Pines will be a 240,000 square foot public-anchored center in the heart of Jacksonville's well-established retail node. The property will serve as the commercial hub of an iconic master plan community that will also include over 1,600 homes. Given our success in bringing projects to fruition, we now expect approximately \$300 million of starts in 2025. As the only active national developer of high-quality neighborhood shopping centers, leading grocers remain engaged with us on new projects across our platform.

Our team continues to execute well on our in-process development and redevelopment projects, which now totals more than \$650 million, with strong leasing activity and blended returns exceeding 9%. On the transaction side, we had another active quarter as well. As mentioned on our last call, we acquired the five-property \$350 million RMV portfolio in South Orange County at the beginning of the quarter. As a reminder, this was an off-market OP unit deal, with the value proposition of owning Regency stock playing a meaningful role in seller motivation. We've already fully integrated these centers into our platform and are seeing them perform very well.

We also purchased our JV partner's interest in three grocery-anchored centers during the quarter, including two in Houston and one in Northern New Jersey. We welcome these opportunities to convert to full ownership of high-performing centers and strong markets.

In closing, our team is actively working to source attractive opportunities and further build our future investment pipeline. While the opportunity set for new development projects remains limited, our flywheel effect is real, and our ongoing success uniquely positioned us to take advantage of future opportunities to create value.

Mike?

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

Thank you, Nick. As you've heard this morning, the Regency team delivered another outstanding quarter of results, driven largely by the strength of our leasing efforts, the health of our tenant base, and the value we're creating from capital allocation. This is reflected in earnings and same property NOI growth that again exceeded our expectations. As a result, we now anticipate same-property NOI growth of 5.25% to 5.5% and with the increase driven by lower credit loss and higher recommencement from our SNO pipeline. Notably, within that expectation, we have decreased our credit loss guidance range to 50 to 75 basis points.

This higher organic growth is driving our increased full-year outlook for earnings per share with our new ranges now calling for growth of mid-7% for NAREIT FFO and mid-6% for core operating earnings. And as Lisa mentioned, we also raised our dividend by more than 7% this quarter. Our balance sheet remains strong with leverage squarely within our target range of 5 to 5.5 times. We are generating significant free cash flow to continue funding external growth, and we have nearly full availability on our \$1.5 billion credit facility. You'll recall that late last year, we issued \$100 million of forward equity.

To update you on timing, please note that we settled \$50 million in August and will settle the balance by the end of October. Looking ahead to 2026, we plan to provide detailed guidance when we report Q4 results in February, but I want to offer some early thoughts on our current expectations for growth as we work to finalize our plan. We expect same-property NOI growth in the mid-3% area including a credit loss environment similar to 2025. We expect total NOI growth in the mid-6% area which includes our expectation of delivering approximately \$10 million of incremental NOI from ground-up development projects currently in process. As Lisa and Nick discussed, Development is an important differentiator for Regency as you consider our external growth prospects, and we are gratified to realize a more significant impact from these successful projects as they lease towards stabilization.

NAREIT FFO growth is expected to be in the mid-4% area, representing continued solid growth after taking into account the impact of current year and planned 2026 debt refinancing activity which collectively is expected to have an impact on growth of approximately 100 to 150 basis points. Organic same-property NOI growth of 5.25% to 5.5%. And an internally funded and growing development and redevelopment pipeline, evidencing Regency's unique competitive advantage, an A-rated balance sheet prepared to weather all seasons and an outlook for continued growth even through the realities of today's higher rate environment. It's clear that Regency's best-in-class team is operating on all cylinders.

We are happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Greg McGinniss, Scotiabank.

Viktor Fediv - Scotiabank GBM - Senior Associate

This is Viktor Fediv on for Greg McGuinness. Can you provide some color on this 11 asset distribution transaction with your JV partner? What options do this transaction open actually for Regency?

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

Sure. Absolutely. This is Nick. Appreciate the question. Regarding GRI, I would start with the fact that they've been a very, very good and long-term partner of ours, and our interests have been aligned for many, many years.

And that portfolio aligns completely with our strategy, and we like every asset we own with them. The only challenge sometimes with these long-term partnerships is there's not a perfect way to capital recycle. And so this allowed us to do a mini DIK in order for them to own 6 assets. They now have full control over and we now own five assets at 100% that we are excited about owning and anticipate owning long-term and excited about the partnership on a go-forward basis, again, because they've been great partners. We expect them to continue to be aligned with our interest on the portfolio we continue to own together.

Operator

Michael Goldsmith, UBS.

Michael Goldsmith - *UBS AG - Analyst*

Mike, I appreciate the early parameters for 2026, if you will, you pointed to the same property NOI growth in the mid-3%, what's changing from the environment that you're seeing there? Or can you help bridge to get there? And then also, you mentioned you expected credit loss environment similar to 2025. Does that mean like your expectations at the start of 2025 or this historically a little bad debt that Lisa mentioned at the beginning of the call, is that applied for next year?

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

Sure, Michael. Let me start with the second, and I'll just clear that before I move to the first on the bridge. We're expecting next year's credit loss provision to look a lot like '25 ended. So we're -- I would call that a continuation of really on both fronts, whether it's bankruptcy losses or on flexible lease income, better than historical averages. So our tenant -- the roster of our tenants is as healthy as it's ever been.

With respect to the bridge, I think you have to start with an understanding of 2025 before you can appreciate that our outlook as we sit here today, and by the way, as we continue to refine our plans, we feel pretty proud with. But I think if you really think about '25 and think about the components of this year's growth, which are culminating in today's targeted area of 5.25% to 5.5%. A large -- this is about as much commenced occupancy as we have absorbed in this company in our history. And kudos to the team for building that SNO pipeline through 2024, kudos to the team for delivering that SNO pipeline into 2025, and they've continued expectations of that delivery. And we are quickly -- we've quickly absorbed space, and we're approaching levels of NOI that are -- levels of occupancy that are what we would call peak levels.

Together with that, we have benefited from an extreme uptick in our recovery rate. All of that recovery rate benefit in 2025 is about 100 basis points. So if you -- reflecting on 2025, as I think about a mid-3% area same-property growth next year, all of which -- nearly all of which is coming from base rent, I think that's pretty darn good growth on top of really good growth in 2025. So we still feel really confident with our outlook.

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

Yeah. And I would just like to emphasize that. I think Mike said it really well. But mid-3% same property NOI growth a year after what we're doing this year. And then adding on top of that, the contributions that we're getting from development was a 6% NOI growth we feel really good about how well positioned we are for our future growth.

Operator

Cooper Clark, Wells Fargo.

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

I appreciate the early '26 thoughts, I guess how should we be thinking about the potential on development and redevelopment starts into next year considering an increasingly competitive transaction market and strong leasing. And then I would also appreciate any color on the mix between ground-up and redevelopment as you think about starts moving forward?

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

Yes, Cooper. I appreciate the question. This is Nick. So I think there's a couple of pieces to that. So let me just actually step back for your benefit and others.

It wasn't that many years ago, we were talking about starting between our development and redevelopment program, \$1 billion over the next five years. And now fast forward, and as we look over our shoulder here as we round third base in 2025, we will have started \$800 million just in the last three years. And so as we've been articulating, we continue to feel really good about finding more than our fair share of investment opportunities in our development and redevelopment program. And so I would say, as we look forward, we would expect to continue to find more than our fair share in that run rate, we feel good about as we move into 2026 and the team is working every day to find even more opportunities and where we find those, we'll take advantage of those. And then in terms of the divide between development and redevelopment, look, wherever we can invest our capital accretively, we're going to lean into.

But because of the success we've been having on the development program. As you can see, the split is starting to lean into the ground-up development. And so I expect that to continue. If you look at our in process today, this is the first quarter in quite some time are in process developments out number from an investment standpoint or redevelopments. And so we have now flipped the script where the developments are outweighing redevelopments.

And as I look more near term into 2026, I would expect that to be the case as well.

Operator

Samir Khanal, Bank of America.

Samir Khanal - *Bank of America - Analyst*

Mike, just looking at your net effective rent page. When I looked at the new leases, just curious, there seems to be a little bit more leasing being done on -- the new leasing being done on the anchor side. versus shops, which you go back the last several quarters, it's been -- the mix has been primarily shop space. So just can you provide a bit more color? Was there something like did you get boxes back?

Is this related to some of the development side? Just trying to understand why the mix has gone up for anchors here?

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

Samir, this is Alan. I appreciate the question. So no, it's just an anomaly for the quarter. We happen to do more anchor transactions. It's not development-driven per se in the quarter.

And again, I'd say 10 anchor transactions came in. That's what's also skewing, I think, with the lower rent that you're seeing. But importantly, that I'd slide you over and go look at the cash rent spreads and the GAAP rent spreads that happened for the quarter. So nothing more than coincidental timing that a lot of anchor transactions happen to come through the Q in quarter 3.

Operator

Ronald Kamdem, Morgan Stanley.

Ronald Kamdem - *Morgan Stanley - Analyst*

I just want to touch on acquisitions because we definitely appreciate the early '26 thoughts on same-store. But on the acquisition front, just number one, just on just cap rates or IRRs, just what are you guys seeing in the market and how that's trended? And we also noticed a lot of the JV transactions in the quarter, I guess, you still have over 100 assets in those JVs. Is there more incremental willingness to sort of sell or buy those assets out?

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

Appreciate the question, Ronald. Let me start with your second question first, which is the joint venture side. The short answer is yes. I mean the assets we own, whether we have 100% or we on with partners, we're excited about owning them. And so where there's an opportunity with our partners to buy out their interest, we're constantly having those conversations and where the stars align, we plan on taking advantage of that.

We are obviously set up to transact quickly, and we're having those conversations on a very regular basis. So excited about the ones we were able to execute on last quarter. We can't perfectly predict when our partners want to exit the future. But again, we expect that to continue to be a pipeline on a go-forward basis. And then in terms of cap rates, I'll just reiterate the good news for us, given the development program we just spoke about based on Cooper's question is, I would just reiterate, we don't have to acquire assets to grow.

But where we can find the opportunities to lean in, where they match our quality, match our future growth profile, and we could fund accretively, we're leaning in. And as you can see, that's led to over \$0.5 billion of acquisitions this year. But that's becoming more difficult in this environment because there is capital flowing into our sector, no question about that. And so I would have told you last quarter, we'd probably be talking cap rates 5.5% to 6% on most core assets. Now from what we're seeing in the market, I would say it's more of the minus side on 5.5%.

There's a lot of capital chasing these opportunities. And so we're going to continue to be true to our business plan, make sure we're investing our capital wisely but also excited to see so many people finally waking up to understand how defensive and quality our NOI streams are.

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

Really quickly, I would just like to add, I'm going to reiterate, I think with Nick's answer to one of the first questions. We really value our long-term partners and continue to do that. And it was not that long ago that Oregon committed even additional capital to us, and you've seen us continue to acquire assets with them into that partnership. So that's one that we're growing, for example.

So again, we value our long-term partners, and we often are the best buyer if there's a reason that the partner wants to exit, and that's when we have those opportunities.

Operator

Sydney Rohme, Barclays Bank.

Sydney Rohme - *Barclays Services Corp - Analyst*

I was wondering if you could give a little bit of color on what your expectations are for rent spreads and if you expect them to continue to be around this percentage or what?

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

Sydney, thank you for the question. Look, I'm really proud of the trajectory we have been on and how committed the team is to ensuring not just these elevated levels of rent spreads, but even more importantly, the gap spreads that we always talk about and the continued embedded rent steps. So I don't necessarily have a target on it per se. But what I would say is I look back at Q3 new shop leasing, 85% of our shop transactions had 3% or higher in terms of embedded rent steps. And 25% of our new shops had 4% or higher.

So the teams are really embracing that long-term sustainable approach with these embedded rent steps, while on top of that, getting that 13% rent spread that you have seen. I will take as much as they are willing to give, and I just believe in this sort of supply constrained environment. We have an opportunity to continue to lean in.

Operator

Todd Thomas, KeyBanc Capital Markets.

Todd Thomas - *KeyBanc Capital Markets Inc - Analyst*

I just wanted to revisit the mid-3% same property NOI comments. You said that that's the base rent component primarily. So contractual rent steps and cash releasing spreads. Do you expect a further contribution from the SNO pipeline in 2026? And can you also speak to what sort of contribution you might anticipate from redevelopment in 2016?

Is that going to be sort of a neutral impact year-over-year? Or do you still expect there to be some additional growth on top of that from redevelopment?

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

Sure. Thanks, Todd. And I'm happy to dig in a little bit deeper here. But I'm going to leave some of that detail to our full plan, which we'll provide to everybody in February.

Yes, so to get to mid-3s, it's going to take some occupancy climb. And we still see an opportunity and we have some slides in our investor materials that articulate that, there remains opportunity in our commenced occupancy percentage to close that gap. We're sitting at 200 basis points wide right now. The historical average is in the 175, 180 area. And we are confident that we will continue to make headway towards closing that gap into '26, which will drive some of that base rent growth that I articulated.

We do -- that includes delivering on redevelopments. So in 2025, we had a year where we contributed to growth from redevelopments north of 100 basis points. I actually think that, that's going to repeat itself into 2026. Those are overlapping concepts in some way. It's really about absorbing space and driving commenced occupancy.

And then the balance is going to come from rent growth. And I thought Alan did a really nice job of articulating our position in that marketplace, both driving contractual steps as well as cash releasing spreads. I hope that helps. And again, we'll give some more color on this outlook in February.

Operator

Craig Malman, Citi.

Craig Mailman - Citi - Analyst

Maybe just a two-parter here. As we think about the bread problems you laid out for next year for same-store and implicitly total NOI growth and maybe even FFO. Just looking at your same-store occupancy, you guys kind of ticked a little lower than where you peaked out at. Is there room to push that lease rate higher? Or are we going to close the gap to the historical spread by just commencing and you kind of are the frictional level for that leased occupancy.

And then just the second piece for Mike, I know you said 100 to 150 basis point drag from refinancing. Are you guys giving any consideration to putting some term loan debt in the stack, which is, from what I'm hearing from some of your peers pricing the mid-4s, which would kind of compress that headwind a bit.

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

Craig, it's Alan. I'll take the first part and let Mike color up the second part. I do believe that we can pierce through the occupancy of where we are. That 20 basis point drop this quarter really was attributable to the Rite Aid bankruptcy and us getting 10 Rite Aid spaces back in the quarter. But as we look at, again, as I think I said on one of the prior questions, strong demand, limited supply.

I think there's certainly upside there. And I think we'll probably see that come from largely is on the anchor front. We're at 98% leased. And as we look back at peak levels there and I look at the pipeline of deals that is in process right now for those anchor transactions, there's real opportunity there. And with this even further encouraging to me is when we look at kind of who those tenants are and Five Below, Barnes & Noble, Home Goods, J. Crew also, there's just a whole lot of them that are out there that are materially engaged and just great operators that will be really fantastic adds to our portfolio.

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

So hard to the balance sheet, and I appreciate the question. Yes. We consider all forms of capital as we think about refinancing our obligations. And the 150 basis point impact on refinancing is pretty wide range that we're sharing today largely because we're still considering what options we may take for 2026. The 2025 financing activity has already been executed. So we know what that impact is next year that the balance of our expectation will be driven on the solution we choose.

Term loans, converts, vanilla bond offerings, all of those are always considered by Regency. We will make the best decision at that point in time depending on the market conditions. Let me lastly say that with the credit position that we're in from an A-rated balance sheet and the extreme pricing we can achieve on just the vanilla bond offering with a 10-year term, I do think you squeeze out a lot of that potential opportunity that others may have as they consider their alternatives.

Operator

Juan Sanabria, BMO Capital Markets.

Juan Sanabria - Bank of Montreal - Analyst

I guess a two-part question. One, you mentioned \$1 million -- or 1 million square foot pipeline in your prepared remarks. So just curious if you could contextualize that historically is that being skewed by some of these anchor opportunities you've kind of noted. And then the second part would

just be anything unusual on bad debt this quarter that was actually a contributor to growth and is there any of that assumed seemingly in 2026, given you expect bad debt to kind of be similar next year versus this year?

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

Juan, I appreciate that question. That 1 million square feet is pretty consistent with multiple prior quarters, again, I think speaking to the strength of the environment that we're in right now. It is -- there is no disproportion of anchors versus shops on a relative basis in terms of how we look back. And again, it's a full of great retailers. And I rattled off a few junior box players that we're engaged with, but we're also doing multiple transactions in that pipeline as full with the Warby Parkers and the Jersey Mikes and the Mendocino Farms and the Joe and the Juice and just a whole host of great operators that were sprinkling in across the country.

So again, we always say qualify the right operators and merchandising is very important to us. We don't just lease to anybody. And so while I'm proud of the 1 million square feet in terms of the numbers that are in there in the pipeline, equally, if not more proud of the quality of those retailers that are here.

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

On the bad debt question, and I think you're referencing our uncollectible lease income line item. Interesting this quarter -- so again, this is a line item that is reflecting the collection rate on our cash basis tenants, right? So that pool of property -- we just had higher collections from that pool of property, the pool of tenants, I should say, this quarter. In fact, interestingly, we've been collecting this quarter on some receivables from tenants who had previously moved out, and we had long written off ago. And kudos to the team, they both operations and legal for continuing to pursue those owed receivables, and we've collected on those this quarter.

So that's what drove the positive anomaly. On a year-to-date basis, we're running in the 20 to 25 basis point area on ULI, that's as a percent of total revenues. You've heard us talk about our historical averages before, which are in the 40 to 50 basis point area. So for a couple of years now, we've been operating at historical lows. Again, the tenant base that we have today is extraordinarily healthy, doing very well.

And that comment I'm making at the end, we believe will continue into next year. So we are anticipating that we'll continue to be lower than our long-term historical averages on lease income in 2026.

Operator

Michael Griffin, Evercore.

Michael Griffin - *Evercore ISI - Analyst*

On the developments, I'm curious if you can give us a sense of where you're underwriting rents both for anchor and small shop versus where current rents are in the market? And then maybe stepping back more broadly, we've heard about this dearth of new supply in strip land. And clearly, Regency is a differentiator on the development side. I mean, I realize you don't want to give away all the secrets, but how are you all able to make the math pencil? Is it the land basis?

Is it the proximity to population areas like these master planned communities. It just seems like you're able to make this work, whereas others out there in the market aren't able to.

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

Appreciate the question, Michael. This is Nick. I'll start with your second part, which is, yes, there's no secret sauce. I'll tell you that. It's a lot of really, really hard work over years and years that build up to put us in the position we're in.

And it comes back to, again, starting with the relationships. We have the best relationships across the country with the best grocers. If you look at our end process. I mean we're building for Whole Foods. We're building for HEB, Safeway Public, Sprouts doing a major redevelopment with Kroger.

And so those relationships have been forged over decades of work. Capital, there's no question. We have the capital. It's where we're allocating it as we keep talking about. And so we are blessed to be in a position with our free cash flow and our balance sheet to be able to lean in and take advantage of these opportunities.

And that really matters to a seller to know that we are committed and we have the capital ready to go. And then last but not least, it's just expertise, really, really hard work to grind into every aspect of our pro forma. And again, years of experience, the best professionals in the business, no doubt working on our construction costs, working on our underwriting and sharpening every aspect of that pro forma to make these things pencil. And so again, no secret sauce, but we're really, really proud about what we've done here recently and what the future looks like for us. But it's not zero competition.

There's -- we are the only active one nationally, but we're competing with local developers in these markets. And there's some quality local developers that are forcing us to up our game and sharpen our pencil every day. And so we're excited about the ones that we're winning for the reasons I just articulated and continue to believe we'll get more than our fair share. And in terms of rents, you're absolutely right. I mean, two aspects to every pro forma, what's the cost, which we're really smart about and understand really well, which is why you've seen our in process perform the way they have.

But the other side is the income. Given the operating portfolio we have, the platform we have there as well as our leasing agents on the ground looking at our ground-up developments, really proud of the team's ability to forecast the income side of these developments and redevelopments as well. And so if you were on our internal calls, you'd hear us say, we don't want to underperform, but we also don't expect to outperform. We expect our teams to really understand both sides of the pro forma, and you'll see on the margin, we're outperforming more than underperforming based on the team's great work.

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

I really appreciate Nick's answer, but I'm going to -- because he's so more intimately involved I think he just described the secret sauce. And I wouldn't underestimate what that is because it's our team and it's the decades of experience and track record that have built those relationships. And Nick is a part of that. So it's not something that's easily replicated.

Operator

Handel St. Juste, Mizuho.

Ravi Vaidya - Mizuho Securities USA LLC - Equity Analyst

I'm Ravi Vaidya on the line for Handel today. I wanted to ask about capital recycling. Can you offer more commentary on the decision to sell the asset in Miami. What was the competitive process like? Are there a number of bids?

And was there anything in particular about the asset or the market itself that led to this decision?

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

I appreciate the question. I'll start again, just high level. Again, given where we're at from a capital standpoint, we don't have to sell anything, and we really like our portfolio. So I always start answering disposition questions with that. Now that being said, we're always looking at assets that we believe are nonstrategic.

And they may be nonstrategic from a format perspective, which you've seen some of these smaller assets we sell at or nonstrategic from a future IRR perspective. We obviously have a future view of capital and income on these assets. And so the Miami asset would fit into that second bucket where our view of the future IRR didn't align from a strategic standpoint. Based on what we believe the market would pay for that asset because that market is in such high demand. And so yes, there was a deep pool of bidders that did allow us to drive pricing we thought was appropriate to transact and recycle that capital.

And then I would just say, again, when you look at high level, we're selling just over \$100 million of assets this year, just over a 5.5% cap rate. but we're buying over \$500 million at a 6%. And so our capital recycling right now is accretive, not dilutive, and we're proud about that because we own such a great portfolio, we can take advantage where we feel like those stars align to exit an asset that we're not in love with from a future IRR and reinvest that capital in assets we think have high single-digit, if not double-digit IRRs.

Operator

Wes Golladay, Baird.

Wesley Golladay - *Robert W. Baird & Co Inc - Analyst*

I just want to go back to the development. You're doing a lot more like this quarter with master plan communities or next to master planned communities. Are the grocers leading you there? Or are you putting more emphasis on being next to those projects? And then for development start, are you still targeting around a 50% prelease level?

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

Appreciate the questions, Wes. So all of the above. And so we are targeting master plan communities, our grocers are targeting master plan communities. And to be quite frank, master plan developers are reaching out to us. And it really goes back to the question I answered before, which is if you're a master plan developer, the most -- one of the most important aspects of many of these projects is having a great community grocery acre shopping center to be an amenity to your project.

And not only is it important that you can count on your retail partner to build a world-class project, but you also want to know that they're going to own it and operate it in perpetuity. And so we love the opportunity to sit down with master plan developers to create a really, really win-win partnership on both sides. And you've seen, in many cases, we've done multiple transactions with the same master plan developer. And so for all of those reasons, I think that will continue when you look at our go-forward pipeline, as you've indicated, led to success this quarter. And so -- I forgot the second part of the question.

Wesley Golladay - *Robert W. Baird & Co Inc - Analyst*

(inaudible) prelease.

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

Oh, the prelease. Absolutely. Again, and when you talk about derisking, that's what we're also excited about in our development program is we really do derisk these assets. And so they're fully entitled. They're designed their bid.

We have a real understanding of the visibility on the cost side. And to your point, they're tremendously pre-leased. And so the anchor is always in place. And so depending on the size of the anchor compared to the overall project, it's not always right at 50%, but it's a large portion of that NOI is guaranteed. But again, if you look at our in-process pipeline, the team is just doing a phenomenal job.

I'll point to two projects where our anchors aren't even open, shops at Donebridge, our Whole Foods-anchored project in Connecticut and Jordan Ranch, our HEB-anchored project in Houston. Neither of those anchors are open yet and both of those projects are already over 90% leased. And so it just gives you, again, the sense of the demand in the market for these new projects we're building.

Operator

Linda Tsai, Jefferies.

Linda Tsai - *Jefferies LLC - Analyst*

A two-parter regarding your snow pipeline. The 1 million square feet of leases in negotiation, any initial thoughts on how much that could further contribute to your snow pipeline. And then with your snow pipeline having compressed in 3Q is the expectation that it continues to compress in '26.

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

I'm happy to take it for Alan, you can color up the pipeline. I would -- so we're sitting at 200 basis points spread today. For my comments earlier, I do think we are -- we have to set up to continue to compress that snow pipeline into '26. That being said, and the comments that Alan has shared about our prospects for setting new levels of percent lease. There is a scenario during which we also -- we maintain or potentially expand that snow pipeline.

So I hope that's helpful, Linda. I think as we normalize or stabilize our occupancy, I think your -- I think the comments around snow pipelines will start to dissipate and this will just become regular leasing activity, where we're replacing a lot of the GLA every year just from natural attrition, some of which is decided by the tenants themselves, a lot of which is decided by our leasing teams who are looking to upgrade the tenancy in our shopping centers.

Operator

Mike Mueller, JPMorgan.

Michael Mueller - *JPMorgan Chase & Co - Analyst*

I guess, Mike, what's prompting you to talk about '26 this early? Is it something looks off with the '26 estimates that are out there where you just want people to have sticker shock with the 3% to 3.5% same-store number after this year's great print? Or is it something else?

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

Mike, maybe a little bit surprised by the question. I feel like we've had a track record of sharing an outlook at this point in time, every year. And you got to take the COVID area out of it. Maybe that's what's some of our memories are missing is during COVID, all the rules were off. But we're prideful in our ability to provide some transparency on a forward basis sometime in this period -- in this quarter, in the fourth quarter of the year.

Long time ago and the way back machine we used to do December Investor Days, and we would put out forward-looking guidance. Today, we're doing that together with Q3 results. And we've done that for a year or two at this point. So nothing more than that practice. I hope it's helpful.

I know we want more details behind the headlines that we've provided. We look forward to providing those details later. And I'll just leave it at that.

Operator

Floris Van Dijkum, Ladenburg Thalman.

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

My question is sort of related to the occupancy. Obviously, you're 10 basis points off your peak in both leased and commenced. You've got a big pipeline coming up, there's not a whole lot more you can push in terms of your anchors. I mean, you did allude to the fact that 98% and your peak is probably closer to 99%. My question is partly related to your most valuable space, your shop space, how much more can you push occupancy in your shop?

And maybe also talk about your renewal percentage today? And where do you see that trending going forward? It sounds like you think there might be more churn going forward as you keep raising rents. But curious to hear your comments.

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

Floris, thank you for the two-part question. I don't know maybe it's a trend here for us to always answer the second one first, just from a memory perspective. But the renewal retention, we've always hovered around 75%-ish. And I am very comfortable with that number. It's an opportunity to retain exceptional retailers, and it's an opportunity to also use additional higher-quality merchandising and higher rents into the portfolio.

So on the edges, sometimes it's 70%, sometimes it's 85%. But typically, we're in that 75%, and I'm really, really comfortable with that in terms of active and engaging leasing. And so you'll also find that from a new leasing perspective, we are leasing occupied space. We have a few tenants on our watch list that for some time, we've been thinking we are getting space back. We have leases sitting there executed waiting to get some of those spaces back.

And so again, that's the proactive mindset. I'm not going to guide to a percentage per se in terms of where we ultimately can go but we're going to continue to be creative. And one example I would give you is the fact that we are invoking some relocation provisions and leases to relocate a successful tenant that the community knows is there that's doing really well, such that they can occupy a perhaps more challenging space to us to lease on the market which then unlocks the ability to lease their space, right? And so the team is out there, I think, really creatively doing everything they can to continue to still grow occupancy and pierce through that. And again, in this environment, I feel really comfortable and confident, coupled with the quality of our assets to continue to be able to do that.

Operator

Paulina Rojas, Green Street Advisors.

Paulina Rojas - *Green Street Advisors - Analyst*

So as it has been mentioned a few times, your commence occupancy is near peak levels. When I look at your presentation, the last time your occupancy levels were this high was around 2014, 2018. When commenced occupancy actually stayed elevated for a long period. So I'm curious how does retailer sentiment today compared to that period. what similarities or difference are you seeing between then and now?

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

I believe I heard the consumer sentiment, is that -- the retailer sentiment. I think that, Paulina, the way I would address that is there's a lot has kind of changed over that period of time in that retail is always evolving. We've seen that. So coming out of the GFC, there was a lot of demand for new store growth and then we saw a little bit of a dip when we all saw the headlines of this retail apocalypse and how is e-commerce going to affect our business. And then COVID hit.

And when -- what the pandemic did, and we've said this a lot, is it really generated a renewed appreciation from our retailers for the importance of a physical location. So while they may have been dialing back in that '17, '18, '19 timeframe of new store expansion coming out of the pandemic they realize the importance of having that location, the last mile close to their consumer. At the same time, renewed appreciation from the consumer for shopping for not just buying online, but actually enjoying what we at Regency offer with regards to our fresh load connecting placemaking and having a curation of great merchants at our shopping centers. Over that period of time from 2014 to today, there's been really limited supply. So we've had the tailwinds coming out of the pandemic.

We've had the retailers understanding and really appreciating the need for and importance of a physical location. And we are -- again, it gives me another opportunity to say, we have been the only national development platform at scale for a period of time. So with that limited supply, it's -- the supply demand is in our favor. So as Alan has said repeatedly today, he believes that we will have the ability to push that percent commenced for all of those reasons. And I have the utmost confidence in the team to be able to do that.

Operator

We have reached the end of the question-and-answer session. I'd now like to turn the call back over to your host, Lisa Palmer.

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

Thank you all for your time with us today. And once again, I just want to give a shout out to the Regency team. Really proud of our results year-to-date. Thank you all.

Operator

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

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