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Kimco Realty Corp. (KIM)

Q2 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Kimco Realty Second Quarter 2025 Earnings Conference Call. All participants will be in a listen-only mode. After today's presentation, there will be an opportunity to ask questions. Please note this event is being recorded.

I would now like to turn the conference over to David Bujnicki, Senior Vice President of Investor Relations and Strategy. Please go ahead.

David F. Bujnicki

Senior Vice President, Investor Relations & Strategy, Kimco Realty Corp.

Good morning and thank you for joining Kimco's quarterly earnings call. The Kimco management team participating on the call today include Conor Flynn, Kimco's CEO; Ross Cooper, President and Chief Investment Officer; Glenn Cohen, our CFO; Dave Jamieson, Kimco's Chief Operating Officer, as well as other members of our executive team that are also available to answer questions during the call.

As a reminder, statements made during the course of this call may be deemed forward-looking, and it is important to note that the company's actual results could differ materially from those projected in such forward-looking statements due to a variety of risks, uncertainties and other factors. Please refer to the company's SEC filings that address such factors.

During this presentation, management may make reference to certain non-GAAP financial measures that we believe help investors better understand Kimco's operating results.

Reconciliations of these non-GAAP financial measures can be found in our quarterly supplemental financial information on the Kimco Investor Relations website. Also, in the event our call was to incur technical difficulties, we'll try to resolve as quickly as possible, and if the need arises, we'll post additional information to our IR website.

With that, I'll turn the call over to Conor.

Conor C. Flynn

Chief Executive Officer & Director, Kimco Realty Corp.

Thanks, Dave. Before we begin, I want to take a moment to acknowledge the tragic events that unfolded in New York this week and the lives that were senselessly lost. Among them was Wesley LePatner, a respected real estate executive at Blackstone and a fellow member of the Nareit Board of Governors.

Wesley was also a friend of mine from my time at Yale and someone I deeply respected both personally and professionally. Blackstone has been a long-standing joint venture partner of ours, and our hearts go out to Wesley's family, friends, and everyone at Blackstone during this incredibly difficult time. On behalf of the entire Kimco family, we extend our deepest condolences.

Now, I'll start with a summary of our stellar Q2 highlights, and I'll provide an update on our strategy going forward and address the macroeconomic environment. Ross will follow with an update on the transaction market. And as usual, Glenn will provide details on our financial metrics and guidance.

I'm pleased to report another quarter of consistent high-quality execution, one that reflects the strength of our portfolio, the discipline of our strategy, and the exceptional efforts of the Kimco team. Let's start with the key results.

In the second quarter, we delivered funds from operations of $0.44 per diluted share, representing a 7.3% increase year-over-year. We continue to see strong property level fundamentals with robust tenant demand translating into a blended pro-rata leasing spread of 15%, our highest in nearly eight years. We also achieved a new all-time high in small shop occupancy of 92.2%, a clear indicator of the ongoing demand for well-located, necessity-driven retail.

I also want to highlight the continued momentum in the RPT portfolio where small shop occupancy has climbed to 90.3%, up 190 basis points since the acquisition just last year and up 90 basis points sequentially.

These small shop leasing results reflect the strength of our leasing platform, driven by new prospecting tools, strong retailer relationships, national scale, and the targeted outreach we're doing through the portfolio review program.

In total, we executed 174 new leases for 916,000 square feet at an average spread of 34% and completed 332 renewals and options covering 1.8 million square feet at a 9.6% spread. Combined, these contributed to a blended spread of 15.2%, further reinforcing the pricing power and productivity of our centers. While overall pro rata occupancy dipped slightly to 95.4%, largely due to the anticipated lease rejections from JOANN and Party City, we had positive absorption that helped offset the impact of these vacates.

Importantly, our team is doing a great job of capturing pent -up demand by quickly backfilling space that comes back to us. Specifically with the Party City and JOANN spaces, our team responded with speed and precision as the majority of those locations are now either re-leased or under LOI, many at significantly higher rents.

This quarter, we also leveraged market dislocation to drive additional grocery-anchored conversion, advancing our long-term strategy. This is where Kimco excels, upgrading tenancy and enhancing portfolio strength. As a result, 86% of our annual base rent now comes from grocery-anchored shopping centers, an all-time high that underscores the essential and resilient nature of our portfolio. In addition to driving leasing velocity, we're focused on enhancing execution through innovation. We're deploying AI in targeted high-impact areas, reducing costs, increasing speed and supporting growth.

We've significantly accelerated lease abstraction, freeing up internal resources and improving accuracy. Our teams are also piloting AI tools to enhance small-shop tenant prospecting and streamlining early-stage redevelopment planning, both of which support leasing momentum and long-term value creation. These applications are already generating measurable returns and strengthening the foundation for future performance.

Further, we continue to build embedded growth that Glenn will speak to through our signed but not yet opened pipeline. This visibility into future rent commencements reinforces the value of our real estate and gives us confidence in our annual base rent trajectory, particularly in today's more dynamic environment.

Turning to capital allocation. We remain disciplined and strategic on how we deploy capital. This quarter, we continue to execute on our capital recycling strategy, monetizing low-growth assets and positioning the portfolio for stronger long-term performance. Private capital interest in our sector remains robust but we're underwriting carefully and maintaining a high bar for new acquisitions. Our Structured Investment Program continues to deliver attractive risk adjusted returns and serves as a pipeline for future fee-simple opportunities. Ross will elaborate on this.

On the balance sheet, we remain in a position of strength. We took proactive steps this quarter to enhance flexibility and position ourselves for growth, including a well-timed debt issuance and an opportunistic use of our share repurchase program.

Based on our strong first half performance and the lease up visibility we have ahead, we've increased our confidence in our full year outlook. Glenn will walk through the updated guidance in a moment, but the message is clear. We are executing ahead of plan and converting leasing momentum into durable cash flow that could grow FFO over 5% for the second consecutive year.

To wrap up, we're operating from a position of strength with three clear priorities guiding our continued success. First, continue to drive leasing velocity and accelerate rent commencements from our signed pipeline. Next, backfill return space with stronger, higher credit operators. And finally, allocate capital with discipline, while maintaining the strength and flexibility of our balance sheet.

With record demand, limited new supply and a robust pipeline of rent commencements on the horizon, we believe Kimco with our open-air, grocery-anchored shopping centers of well-located markets is positively positioned to deliver growth and value creation at the upper end of the shopping center sector. Thank you to our incredible team for their continued dedication and execution and to our shareholders for your continued support.

With that, I'll turn the call over to Ross for an update on the transaction market, followed by Glenn with our financial results and updated outlook.

Ross Cooper

President, Chief Investment Officer & Director, Kimco Realty Corp.

Thank you, Conor. I hope everyone is enjoying their summer. The second quarter was one marked with uncertainty and volatility. However, it also presented tremendous opportunities for Kimco, given our broad investment strategy along with a strong, well-capitalized balance sheet, great liquidity and extensive industry relationships.

As a result, we are benefiting from meaningful deal flow, a key differentiator for us that we are very excited about. Early in the quarter we saw several acquisitions that other groups had tied up get dropped amid the uncertainty. Lenders also acted cautiously due to the potential tariff impacts. This was a window of opportunity for us to lean into our conviction in open-air retail. We utilized our structured investment program to offer solutions to borrowers in need of capital.

We issued two senior mortgages on high-quality grocery-anchored and lifestyle assets with a right of first offer on both properties. A portion of the funding for these investments came from the repayment of a pair of mezzanine financing positions on former RPT assets. For the quarter, the net investment on the structured investment side was just under $20 million.

Additionally, during the quarter, we sold a long-term flat lease for $49.5 million on a Home Depot parcel in Santa Ana, California at a 5.7% cap rate. As we have indicated previously, we anticipate recycling capital from these flat leases and non-income-producing parcels into higher yielding, higher growth investments.

Our goal is to sell between $100 million to $150 million in the 5% to 6% cap rate range for these types of properties annually going forward, and this transaction puts us on a good path for 2025. Specific to the Home Depot parcel, we elected to designate this as a 1031 exchange to defer the gains on the sale and have already identified a grocery anchored property as a replacement.

The exchange property is expected to close in the third quarter with a compound annual growth rate of approximately 3%, which is significantly higher compared to the Home Depot that had a roughly 1% CAGR. Since the Vegas ICSC conference in late May, up through today, investor apprehension related to acquiring core assets has mostly subsided as concerns related to the tariffs have been tempered.

This has manifested with aggressively priced assets transacting supported by an extremely competitive landscape on the debt and equity side, an abundancy of private capital that is ready to come off the sidelines, as well as the anticipation of possible rate cuts in the second half of the year. These factors, along with our current cost of capital, have limited our ability to accretively acquire.

Despite this, we remain active in evaluating new acquisitions of shopping centers outright, and if we see a positive change in our cost of capital, we're positioned to go on offense. Regardless, we'll remain disciplined with our capital allocation. Furthermore, we have a healthy pipeline of new structured investment opportunities, which continue to provide a foothold into high quality real estate at attractive returns with a chance to acquire in the future.

As I mentioned, the capital markets are open with financing available for the right sponsors and better real estate. As a result, we anticipate a few of our existing structured investment borrowers are either evaluating sales or refinancings that may result in repayments to us in the second half of this year.

We remain very confident in our ability to structure deals creatively. This outside the box approach continues to provide us with unique access to a number of other exciting structured investment opportunities. And as I mentioned, we have a solid pipeline of new investments that we anticipate closing in the back half of the year to offset any potential repayments.

Overall, we remain disciplined in our approach to capital allocation, prioritizing the sale of low-growth, low-cap rate assets accretively into new investment opportunities with a higher growth profile. Between our existing pipeline and those that materialize during the rest of the year, we aim to remain a positive net acquirer as we were through the first half of 2025.

Now to Glenn for the financial results and updates to 2025 outlook.

Glenn Gary Cohen

Chief Financial Officer & Executive Vice President, Kimco Realty Corp.

Thanks, Ross, and good morning. The strength and durability of Kimco's open-air platform resulted in another quarter of solid performance. We again delivered strong per share FFO growth, broad-based leasing momentum and ended the quarter with over $2 billion of available liquidity. Let me walk you through the quarter.

FFO was $297.6 million, representing a per share increase of 7.3% to $0.44 per diluted share compared to $0.41 per diluted share in the second quarter of last year. This growth was driven primarily by a $20.8 million increase in pro rata NOI, which reflected higher minimum rents, stronger net recoveries, and a 21 basis point improvement in credit loss, which came in at 89 basis points for the quarter. Year-to-date, credit loss stands at 72 basis points, highlighting the durability of our tenant base.

We also saw a $4.8 million incremental contribution from our Structured Investment Program this quarter. Offsetting these positive was a $7.9 million increase in consolidated interest expense tied to our 2024 and 2025 refinancing activity.

Additionally, we recorded a onetime accounting benefit of $0.01 per share, primarily driven by $4.7 million in joint venture income from the conversion of a legacy JV structure to an LLC, as well as approximately $2 million from the recapture of below market rent on a vacated JOANN space. First half FFO totaled $599.5 million or $0.88 per diluted share, a 10% increase over the first half of 2024.

Turning to operations. As Conor mentioned, this was another strong quarter for leasing across the portfolio, with tenant demand translating into healthy spreads and record small shop occupancy. Same-site NOI increased 3.1%, driven by contractual rent growth, contributions from ancillary income and further improvement in credit loss. The signed but not yet opened pipeline remains a key growth driver.

We ended the quarter with a leased-to-economic occupancy gap of 310 basis points, representing approximately $66 million of ABR. We expect about 40% of that to commence in the second half of the year, which will contribute $7 million in incremental rent.

Including commencements from the first half, we anticipate collecting $30 million of ABR in 2025 from the SNO pipeline. The continued lease-up progress provides strong visibility into future earnings and reinforces the embedded growth across our portfolio.

Shifting to the balance sheet, we took proactive steps this quarter to strengthen our financial flexibility. We opportunistically repurchased 3 million shares in April at an average price of $19.61, reflecting an FFO yield of 9% and a 24% discount to consensus NAV.

We also completed a $500 million bond issuance in June, pricing a long 10-year note at 5.3%, reflective of a spread to treasuries of 92 basis points, our lowest issuance spread in many years. Proceeds were used to repay the $240.5 million Weingarten bond, pay down our revolver, and retain approximately $80 million for future accretive investment opportunities. We ended the quarter with consolidated net debt to EBITDA of 5.4 times and a look through leverage ratio of 5.6 times. Liquidity remains robust at over $2.2 billion, including $228 million of cash on hand.

Now, turning to guidance. Based on our strong first half results and improved visibility into lease-up and cash flow timing, we are raising our FFO per share range to $1.73 to $1.75, representing annual growth of 4.8% to 6.1% over 2024.

We're also raising our full-year same-site NOI growth outlook to 3% or better, 50 basis points above our prior guidance. This updated range incorporates the impacts of lease rejections we've already absorbed although the guidance assumptions remain unchanged.

In closing, I want to thank our associates for their outstanding execution. The embedded rent growth in our portfolio, combined with a conservative balance sheet and consistent performance, continue to position Kimco as a top tier REIT capable of delivering through a variety of market cycles.

And with that, we're happy to answer your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Michael Goldsmith with UBS. You may proceed.

Michael Goldsmith
Analyst, UBS Securities LLC

Q

Good morning. Thanks a lot for taking my questions. Really solid same-property NOI growth in the first half at 3.5%, second quarter at 3.1%. But the guidance implies trends decelerate in the second half to 2.5%. So can you help us understand the puts and takes for the outlook for the back half? And maybe within that, just talk about kind of the occupancy trajectory that's anticipated within that? Thanks.

Glenn Gary Cohen
Chief Financial Officer & Executive Vice President, Kimco Realty Corp.

A

Sure. Thanks. Good morning, Michael. Just so, so we increased our annual guide to 3% or better and that's coming off of 2% or better at the beginning of the year. It really – it's based on just the positive operating performance of the operating portfolio.

We think – we have seen quicker rent commencements from the SNO pipeline, which has added another $5 million since the original guidance. And we have now accounted really for the impact of Party City and JOANN bankruptcies, which will have a much more impact during the second half of the year as we'll be – we're down about $5 million per quarter from those vacancies through the bankruptcies.

But having said all that, we're very confident that we'll be able to achieve the 3% or better level for the full year. Again, same-site NOI it's a full year guide number and it takes into account any of the comps from last year.

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

And then from an occupancy standpoint, we definitely feel like Q2 was the trough as we look at the back half of the year with Q3 and Q4 already generating incredible momentum.

Obviously, when you look at the small shop occupancy up to 92.2%, a new record high for the company, it is incredible and impressive. And what's most impressive about that actually is that over the first half of this year, we've leased about 100,000 square feet of vacancy that's been vacant for over three years and I think it's just a further demonstration of the demand for quality product and retailers and operators really looking to enter and participate in a Kimco shopping center. So really pleased with sort of where we are today and our expectations for the back half of the year.

Operator: Thank you. Our next question comes from the line of Alexander Goldfarb with Piper Sandler. You may proceed.

Alexander Goldfarb
Analyst, Piper Sandler & Co.

Q

Thank you and good morning out there. Just a question on the structured finance book, the debt and preferred equity book. I think you said that you're expecting some repayments in the back half.

So two parts on this. One, presumably your guidance includes the impact of those repayments. And then two, some of the other REITs in REIT land are scaling back the debt and preferreds just because what they perceive as volatility. Sounds like you guys think there's ample runway on it.

So just want to get a sense of if you think that this business is sustainable at a run rate or if your view of this business is it's more a moment in time where there's an opportunity at one point, another point to get scaled back because the opportunities don't exist. Just trying to understand how this factors into your FFO going forward.

Ross Cooper
President, Chief Investment Officer & Director, Kimco Realty Corp.
A

Sure. Thanks, Alex. Yes. To answer the first part, our guidance absolutely incorporates any expectation of repayments and new capital that we put out. Now, we do think that this is a business that has viability through all parts of the cycle. We've seen tremendous opportunity. We continue to see the pipeline growing, and I think that it – whether interest rates are up or down, there's always going to be a need for this capital.

There are very few operators on the institutional side that are providing this capital. So we think it's a real differentiator for us. The way that we underwrite the deals, we look at it through the lens of an operator, through the lens of an acquirer. Not too dissimilar from the way that we underwrite when we're looking to acquire an asset outright.

So we're extremely disciplined with the real estate that we're willing to invest in. And to the extent that we continue to see opportunities in real estate that we like, the sponsors we like, and continue to get that foot in the door with the right of first offer, the right of first refusal, we do anticipate that we'll continue to scale the business.

That being said, there's going to be ins and outs quarter to quarter. But when you look at it through an annualized basis, we anticipate that we will be net sort of positive investors in this program on a go-forward basis.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.
A

The only thing I would add, Alex, is we're really being paid to wait because we're focused on that right of first refusal of a future acquisition pipeline. And it's a really nice offering for us to be able to identify assets we want to own, potentially assets that may come to market.

But it's a nice way to get our foot in the door on some generationally owned assets where they rarely trade and we get a last look at it if they do come to market, which in this competitive set but you know how competitive it is out there on the acquisition front, it's nice to be in a position where we get last look on a pretty significant pipeline of opportunities, which is a big differentiator for us.

Operator: Thank you. Your next question comes from Greg McGinniss with Scotiabank. You may proceed.

Greg McGinniss
Analyst, Scotiabank
Q

Hey. Good morning. Given the more aggressive pricing and institutional investor interest in grocery-anchored shopping centers, is there any desire to expand the JV platform to help fund the acquisitions that you're currently priced out of given the cost of capital? Or have your current partners talked about making additional investments in the relationships you already have?

Ross Cooper
President, Chief Investment Officer & Director, Kimco Realty Corp.

A

Yeah, it's a great question, and I think we like to think of it as a tool in our tool belt. We always have the opportunity with some really wonderful partners, some of which are looking to expand within retail, other new potential partners that have expressed interest in co-investing with us.

So we continue to have those conversations. Where we sit today, we think that we've taken an appropriate approach to capital allocation in terms of selling some lower growth, lower cap rate assets, and then redeploying that into higher growth opportunities, primarily with grocery-anchored.

So, as we indicated, we have identified a 10/31 exchange for the Home Depot sale that occurred in the second quarter and that will be something that we can acquire on our own, a grocery-anchored asset with a 3%-plus CAGR. But to the extent that we can recycle sort of internally into wholly owned assets, we'll continue to do that, but also have the optionality in the future of considering scaling the joint venture program.

Operator: Thank you. The next question comes from Samir Khanal with Bank of America. You may proceed.

Samir Khanal
Analyst, BofA Securities, Inc.

Q

Good morning, everybody. Hey, Conor. As part of guidance, I know the term fees went up, maybe elaborate kind of type of the tenants category that's driving this number higher. And maybe along the same lines, talk about sort of the watch list sort of into next year, especially given some of the – looks like some of the concerns around the tariffs have subsided. But maybe talk around that as well. Thank you.

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

I'll take the LTA question, Samir. So it's actually primarily driven by one LTA we receive that's associated with a large redevelopment that we're in the process of – we've already gone through the entitlements, so going through the permit process and documentation process right now.

So it was a big chunk that enabled us to get access to land to move forward with the program. So that was really the primary driver. A lot of other stuff, just regular course of business, smaller LTAs and we had that kind of backfills ready to go when a tenant wants to get out. So no real trend there of note.

As it relates to the outlook for 2026, we have a watch list tenancy. Obviously, it continues to narrow, I think, because of the second round of bankruptcies that have sort of flushed through the system over the last couple of years, as we've recently seen with Rite Aid being that the most recent adjustment to auction last week.

On a go-forward basis, there's a handful of tenants we continue to watch our exposure and 2026 is relatively limited on the rollover. We're already engaged with them, engaged with alternatives to backfill. So right now, we're feeling pretty good about the outcome.

The tariff, the tariff noise and concern from the first half of the year, I think, has more or less been muted at this point. As you can see through our deal flow over 175 new deals, which is incredible velocity in what we're seeing already in the July forecasted numbers for executed deals, retailers are really looking at the opportunity to expand their market share and use bankruptcy process as a means and a ways to do that.

You saw Ross last week really for the first time participate in a bankruptcy process. That's very interesting. Obviously, they want to grab some market share. You've seen other retailers starting to expand into new trade areas. You have Bob's Discount that's moving south into the Florida region for the first time. So it's a fairly robust, healthy retail environment.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

I think just my last in the add-on the watch list tendency. It's really the smallest it's ever been. And then when you dive into it a bit deeper, as Dave mentioned, there are some really strong individual operators in some of these categories where the weaker performers are losing market share.

And because of that lack of new supply, you're seeing some of the weaker, call it, fitness operators be gobbled up by some of the stronger operators when they are looking for growth. You see the same with, obviously, Michaels doing better since JOANN has filed. You've seen some of the soft goods players that are in the off price category continue to do quite well as they're taking market share from department stores.

So I think there's a real growing desire to grow their store fleet when they're healthy and operating at a high level. And we continue to see what the JOANN and the Party City boxes the diversity of demand that we have.

So whether it's the large anchor boxes, we've done a number of new deals and have a large pipeline with BJ's. You've got Dick's House of Sports, you've got Walmart, you've got Costco, Home Depot, Lowe's, you've got a number of big box players, including IKEA, doing deals with us. And then the junior box is very robust. That's where we see a tremendous amount of demand from not only the traditional off-price players, but grocers and others.

And then our small shops continue to tick up as well. We're seeing deal volume elevate quarter-over-quarter, meaning that we have continue momentum to push that all time high occupancy even higher. So our focus is continuing to obviously execute and that watch list tenancy is getting smaller and smaller and those leases are typically significantly below market. So those are opportunities for us.

Operator: Thank you. The next question comes from Ronald Kamdem with Morgan Stanley. You may proceed.

Ronald Kamdem
Analyst, Morgan Stanley & Co. LLC

Q

Hey. Just wanted to go back to the acquisition environment, just digging in a little bit more. Just can you talk about is there more product out there in the market, it's just competition is so fierce that it's hard to sort of win deals? And I guess when do you think that you would get to a point where Kimco starts to maybe land more of these – sort of more of these transactions and so forth? So more product and what Kimco needs to do to sort of land some of these deals. Thanks.

Ross Cooper
President, Chief Investment Officer & Director, Kimco Realty Corp.

A

Sure. Yeah, we definitely saw some pent-up demand, so to speak, after a bit of a slowdown in April and the early parts of May. So going into the ICSC in Vegas in May and through the last couple of months, we've seen an increase of product in the market and definitely the demand continuing to increase. So I think you've seen it from a lot of our public peers. You've seen it from the private institutions, a lot of very aggressively priced both single assets and portfolio in the market.

We've been very successful in terms of utilizing our ROFOs and our ROFRs, not just on the structured investment program but also even within our joint venture program. So when you think about the amount of product that we have the first and/or the last look on, we have about $2 billion of gross asset value in the structured book and then upwards of $6 billion of assets within our joint venture program. So while we're going to continue to be very selective and it comes in waves as to when those opportunities present themselves, we do have the inside track on a tremendous amount of real estate.

We do look at assets that are being offered by third parties. Occasionally, we bid and we're successful in winning those deals. But the nice part about being able to exercise a ROFO or a ROFR is these are assets that we're invested in. In many cases, we already manage and we're involved in the operations.

So when you acquire one of those assets, there's virtually no new surprises. We know exactly what we're investing in whereas when you buy a third party asset, there's going to be some good surprises, there's going to be some not-so-great surprises along the way. So we feel very comfortable acquiring from within assets that we're already involved. And then, selectively, we'll pick our spot where we want to buy from a third party.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

I think Ross puts it correctly where we're poised to go on offense. But again, it all ties back to cost of capital. And so, as you've seen us continue to be methodical and thoughtful about when to deploy capital accretively, it's really match funding recycling efforts we have to accretively grow from selling our flat, ground leases.

And if you give us a cost of capital advantage, I think Ross outlined the ability we have to really go on offense and grow externally. Right now, obviously, with where our stock is and where our cost of capital is, we continue to look internally and mine for recycling accretive opportunities.

Operator: Thank you. The next question is from Michael Griffin with Evercore ISI. You may proceed.

Michael Griffin
Analyst, Evercore ISI

Q

Great. Thanks. Maybe just going back to the leasing pipeline and specifically on kind of small shop tenant demand. Appreciate your comments there and the ability to kind of push on occupancy. But can we break that down a little bit? I know about a quarter of that comes from those national retailers that probably have a longer timeframe that they need to realize to expand their real estate footprint.

But for maybe some of those regional, local players, not necessarily mom-and-pops, but small businesses that might have more uncertainty, kind of projecting out their financials amid the tariff situation, are you still seeing good demand from that cohort as well or is it predominantly the national brands? Thank you.

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

Yeah. Great question. I think you're seeing a healthy demand across all categories as it relates to the financial strength from a corporate national to a regional to a local mom and pop.

Again, they're looking to open their business. They're looking to – this is their primary means in which to generate income, so they want to pick a great center, a great, good tenancy and partner with a landlord that has the funds and the means available to make sure and ensure that their business has the opportunity to thrive. So I think they continue to gravitate toward the Kimco Center and see that.

You see a lot on the service side. I mean, over 75% of our deals in the trailing four quarters have been service-related, and that's inclusive of restaurants, personal care, fitness, med. And so that is very much a combination of those that do franchises. Franchises is a very active, broad category that enables the operator to just focus on running the business while the franchisor helps develop and deliver the concept.

And then on the restaurant and QSR side, we've seen significant uptick from last year to this year, almost 30%, 40% higher. And you're seeing a lot of the trade out from the 1.0 to the 2.0-type QSR tenants the Cava's, the Shake Shack, Raising Cane's, In-N-Out expanding, Chick-fil-A obviously. So that's more on the national side. But, yeah, we're seeing that healthy balance across those three broad categories.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

This deal volume on the small shop side was 155 small shop deals. So when you think about the run rate typically for us, it's usually right around 115, call it. So it is elevated going – and continues to come from – these are obviously spaces that – because we're at all-time high occupancies, these are spaces that may have been dark for a while, may have been vacant for a while. So you're seeing the breadth and depth of the demand, the ability for us to continue to push on the small shops because it's really all about services that are just exploding into the shopping center.

Services we love because it gets you off the couch, in your car, to the shopping center and it has to be done in person, and it's very much an e-commerce-resistant-type use. So we continue to like how the shopping center has evolved, and the small shop use case continues to gravitate and attract really best-in-class operators that are looking to connect with consumers more conveniently and provide a value proposition.

Operator: Thank you. Our next question comes from Craig Mailman with Citi. You may proceed.

Sydney McEntee
Analyst, Citigroup Global Markets, Inc.

Q

Hi. This is Sydney McEntee on for Craig. So there's obviously been good progress on backfilling in the quarter. Just curious if there's any more color on the remaining Party Citys and JOANNs being marketed. Are you getting interest from single tenants on those or considering splitting boxes or anything that would be helpful there? Thank you.

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

Yeah, we're still getting really strong interest of the single-tenant backfill opportunities. Obviously, I mentioned a handful of tenants that are now expanding into some of the markets where these boxes reside. When you look at like the – when we say resolved between a signed, executed, at lease or at a healthy stage of LOI, it's over 90% for both. Just this week, actually, we signed three JOANN boxes, with two coming in late last night, both with TJX, and we actually signed those deals in under 10 days from when they approved it at REC committee to when we actually had a fully executed deal which is absolutely extraordinary.

Again, shows the demand but, more importantly, shows the relationship and the partnership between the two companies and the way we all work together with conforming leases, getting well ahead of the construction schedules and the work letters, and really, really approaching this as a true partnership. So we anticipate that to continue through the back half of the year, and it'll feel pretty good that most of this will be resolved and executed by the end of year.

Operator: Thank you. The next question is from Floris van Dijkum with Ladenburg. You may proceed.

Floris van Dijkum
Analyst, Ladenburg Thalmann & Co., Inc.

Q

Hey, guys. Thanks for taking my question. I had a – my question I guess is a little bit on the operations are pretty impressive and the demand is clearly there. Maybe if you could talk about some of the initiatives that you are working on to improve your expense recovery ratios and where do you think those will go? Presumably they will go higher as you lease more of the vacant space. But are you also doing some other things operationally that should lift your expense recovery on a going forward basis?

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

Yeah. It's a great question, Floris. Thanks. And you are right, as the occupancy increases and those tenants open the recovery ratio should increase as well.

Obviously, when you just think of like basic CAM and operating maintenance, we signed several recurring service contracts and we negotiate this heavily prior to the start of the year. And with multiyear contracts, it helps eliminate some of the noise in terms of inflationary effects and/or increases year to year.

So, you're able to get a good handle on your costs upfront and then plan accordingly to that. It's really, I think with the amount of data that we have today and the way that we can really dive into the micro level on the account level on a site-by-site basis and pairing it closely with the asset strategy and the intention you can just closely monitor the expenses that you're deploying out on a site that are essential, that are necessary to maintain a safe and healthy environment, while also pairing it with the activity on the leasing side.

So, I think it's just a more comprehensive approach that we've been taking. Obviously, we work very, very close with our vendors. We have scale. So we have intense – some leverage on the negotiating table. But we want to always partner with the best providers that provide the best service, the most reliable service, which is really, really important for our retail partners.

So it's really a combination of a number of things. Obviously, we're using AI and analytics fairly heavily now as well internally to get a better understanding of where there's opportunities to improve margin and ratio while not sacrificing, obviously, the quality and care at the center.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

Will, do you want to comment a little bit about our lease administration program as well and what we've done there?

Will Teichman
Senior Vice President-Strategic Operations, Kimco Realty Corp.

A

Sure. Thanks, Conor. This is Will Teichman. Good morning, everybody. We've successfully executed on two public-to-public M&A integrations over the last few years and exceeded synergy targets on both deals.

And really that effort has allowed us to build a playbook for scalable efficiency and developing greater advantages of scale and it's something that Conor talks about a lot with the management team and really drives the team on a day-to-day basis.

We're really working to apply that playbook now to identify and prioritize other strategic platform innovation and transformation projects. One of the projects of focus for this year is transforming our lease administration function, which really plays a critical role behind the scenes in instructing and managing lease data, doing the day-to-day billing and collections work with our retail partners.

So a lot of work under way. We're rethinking the organizational design, we're simplifying process, and we're deploying enabling technologies, including AI, to help enhance recovery rates and accelerate collection timelines. All of that really is focused on obviously being a best-in-class operator and maintaining a best-in-class G&A expense ratio in terms of how we operate.

Operator: Thank you. The next question comes from Juan Sanabria with BMO Capital Markets. You may proceed.

Juan C. Sanabria
Analyst, BMO Capital Markets Corp.

Q

Hi. Good morning. Just hoping you can talk a little bit about the resi and entitlements that you guys have available to either harness for a longer-term value and/or to monetize and kind of how you're thinking about that as part of the capital recycling. You talked about selling some of the flat leases, but just curious if resi and entitlements is part of it or if that's not the focus today.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

That is part of it. I think what we're trying to do is take each and every project and identify really the opportunity set that we have. And so some entitlements, we may look to monetize and take some chips off the table while some we may contribute as our land to a joint venture and ride that development with very little costs associated with the project other than just the land as our equity that we contributed into.

So we're focused on trying to unlock the value and harness that value, and we're trying to see how is the fastest way to do that. And right now, as you've seen through our activation program, we've really taken a capital-light approach where we've either ground leased the portion of the property that we own or we contribute the parking lot as land into the joint venture.

And I think as we look to the pipeline, we may look to see obviously where supply is and demand is across the country where these projects might sit and if it makes sense to activate a few more in the near term. So we're working towards that as well as looking to see which ones could potentially be monetized.

Operator: Thank you. Our next question comes from Rich Hightower with Barclays. You may proceed.

Richard Hightower
Analyst, Barclays Capital, Inc.

Q

Hi. Good morning, everybody. Thanks for taking the question here. Just back on to capital allocation. If you're able to repurchase stock at a 9% FFO yield with, call it, mid-single-digit growth on top of that, just where it is – maybe acceleration in that program fit in with the rest of the sort of meaningful capital priorities for the company?

Glenn Gary Cohen

Chief Financial Officer & Executive Vice President, Kimco Realty Corp.

A

Thanks, Richard. It's a great question. We have all the programs in place to deal with where the stock prices at any given point in time. As Conor mentioned, we're obviously very focused on really what our cost of capital is and how we use it. When the stock got down, as all the havoc was happening with the tariffs in the beginning of April, had a nine yield, we thought it made sense to kind of make that a line of demarcation for us to say, it makes sense to buy some stock back here.

So, we did that. Now, the stock has recovered somewhat, right, stocks up over 10% from that point. We also have an ATM program which, last November, we used that when the stock was above 25% where it made sense.

So, we're always watching. We try to have the tools in place to react. We built the balance sheet where we really can take advantage of ifs when they happen or be an issuer when it really makes sense.

Conor C. Flynn

Chief Executive Officer & Director, Kimco Realty Corp.

A

I think one of the things we continue to monitor is the disconnect between public and private pricing. And we see a very wide spread between our implied cap rate and where we think our portfolio would trade in the private market.

And so, there is a pretty wide disconnect there that we continue to monitor. That being said, we have a lot of leasing going on, a lot of capital required for that leasing. We have a lot of growth, obviously, coming out of the portfolio. But if and when we do see these massive dislocations, we typically are prepared to jump at it and take advantage of the dislocations.

Operator: Thank you. The next question comes from the line of Cooper Clark with Wells Fargo. You may proceed.

Cooper Clark

Analyst, Wells Fargo Securities LLC

Q

Thank you for taking the question. I just wanted to circle back on the transaction market. Curious what types of private buyers you're finding yourself competing with on new deals, and any comments you could share on their yield hurdles, their leverage profiles?

And then, also curious if you're seeing more attractive opportunities for larger portfolio deals versus one-off transactions on a cap rate basis, just given the scale and relationships you spoke to earlier on the call?

Ross Cooper

President, Chief Investment Officer & Director, Kimco Realty Corp.

A

Sure. Happy to. Yeah, a lot of capital on the private side and the public side. I mean, we're going up against pension funds, sovereigns, a whole bunch of groups that have been hanging around the retail sector for many years.

In some cases, even conversations we've had with groups on the joint venture side that are looking at putting out capital on their own account. So, there's just been a tremendous amount of competition and capital that we've gone up against.

We have been able to pick our spots, as you've seen, and again, leaning into the structured investments where we can be very flexible and create, I think, unique solutions for borrowers. I think interestingly, this quarter, on the couple of deals that we closed on we were the lender in the senior position. So, you've seen us be very flexible and adapt to the market depending on where those opportunities present themselves.

In terms of the larger portfolios, the pricing has been pretty consistent on some of the portfolio transactions that we've seen trade versus some of the one-offs. There's been various points in the cycle where bigger was better or bigger was not necessarily better, depending on your perspective as a buyer or seller.

Right now, I think that the portfolios are pricing as aggressively as the one-offs. So no real sort of opportunity in terms of an arbitrage to buy a larger versus single asset. You saw with our transaction with RPT at the beginning of 2024 that was a point in time where we felt that larger portfolios were trading at a significant discount and we took advantage of that. But at this current moment, we haven't seen that exactly occur right now.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.
A

There's a few aggressive buyers that I think are sort of unique. Some of them are fund structures where they need to get capital out where it's coming to the end of their fund life and they're betting – they're leaning into the space. Some are building platforms and needing scale and putting capital out aggressively to race to get that scale.

So those are obviously ones we take a step back and watch, but it's clear that there's a lot of capital and a lot of interest because if you look at the fundamental cash flow growth, it's very strong even relative to other sectors.

Ross Cooper
President, Chief Investment Officer & Director, Kimco Realty Corp.
A

And these are all primarily unlevered acquirers. So the debt cost isn't necessarily factoring into their yield. And I think for the most part, investors for core products are backing into mid to high-single-digit IRRs.

Operator: Thank you. Our next question comes from the line of Haendel St. Juste with Mizuho. You may proceed.

Haendel St. Juste
Analyst, Mizuho Securities USA LLC
Q

Hey, guys. So a lot's been covered but I was hoping you could go back and maybe give us an update on the back doors of the JOANNs and the Party City boxes, how many are left to fill? How many LOIs you might have outstanding, what the new rent spreads look like and how the CapEx spending is coming along? Thanks.

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.
A

Yeah, sure. Absolutely. So on the JOANN side, as I mentioned, we signed three leases this week, so we had six executed, one assigned, one's under contract as part of the center itself and then we have 14 LOIs remaining outstanding. On the Party City side, we have almost 36 executed and then the remainder are at LOI or at lease right now, so I'd say, those are effectively resolved with just a couple left outstanding.

I mentioned a couple of the opportunities was with TJX this week when we have really accelerated the deal flow there in under 10 days. When you look at the overall mark-to-markets [ph] on site (00:49:45) we're seeing around 20% overall. Obviously, it ebbs and flows [indiscernible] (00:49:51) Party City is just about 15% mark-to-market there. So, I feel very good about the momentum and closing out both these opportunities by the end of year.

Operator: Thank you. Our next question comes from the line of Alec Feygin with Baird. You may proceed.

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

Q

Hey, thank you for taking my question. When does KIM expect that redevelopment to flip into a tailwind for same-store NOI?

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

Redevelopment into a tailwind.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

So, the same-store NOI contribution was a drag this quarter versus a net positive. So, I think when you look at obviously some of the larger redevelopments that we have going, there's a lot of it, is expanding square footage in GLA and taking that box down and looking for grocery conversions, where we can add grocery.

As you noticed in the first quarter, we did a big portfolio deal with Sprouts. We've seen a lot of activity with Trader Joe's, a lot of activity with Aldi and Lidl, we just executed a big deal with BJ's, so there's a lot of grocery coming into this shopping center space in the portfolio. And that's really where we've been focused on to add to the redevelopment pipeline and you'll see that continue to deliver in the back half of this year where it becomes a positive.

Operator: Thank you. Our next question comes from Mike Mueller with JPMorgan. You may proceed.

Michael W. Mueller
Analyst, JPMorgan Securities LLC

Q

Yeah. Hi. Glenn, how much of the guidance increase was driven by the higher same-store outlook versus the onetime accounting item that you kind of referenced?

Glenn Gary Cohen
Chief Financial Officer & Executive Vice President, Kimco Realty Corp.

A

More than half of it is really related to how the portfolio is operating and our expectations for rent commencements coming from the SNO pipeline and the backfills that the team has been able to do on the JOANNs and the Party City boxes with them coming online. So the bulk of it is really operational.

Operator: Thank you. Our next question comes from Linda Tsai with Jefferies. You may proceed.

Linda Tsai
Analyst, Jefferies LLC
Q

Hi. Thank you. A question for Ross. How has cap rates changed since ICSC across different property types, and which regions or shopping center formats are you seeing better opportunities?

Ross Cooper
President, Chief Investment Officer & Director, Kimco Realty Corp.
A

Yeah, it's a good question because we've seen really aggressively priced and closed transactions with all sort of open-air formats. You've seen some really high-quality lifestyle that's been trading aggressively.

Obviously, core grocery continues to be kind of the number one in terms of investor demand. Unanchored strips continue to grow in terms of investor demand and capital that is chasing those deals. And we've also seen big box tower in the right location with the right tenancy trading aggressively. So I think everybody is sort of picking their spots and picking their lane.

The nice thing I think about Kimco and one other differentiator that we believe is our diversification in terms of format. We're very comfortable with all of those different formats. So we can sort of zig and zag and adjust, depending on opportunity that we see or if there is one format that at one point in time starts to trade off. That's something that we can be a little bit contrarian and lean into. But for the moment, we've seen all formats being really heavily pursued and priced aggressively.

Operator: Our next question comes from Michael Gorman with BTIG. You may proceed.

Michael Gorman
Analyst, BTIG LLC
Q

Yeah. Thanks. Good morning. Just stepping back for a second here. Obviously, you've done a lot of work on the portfolio in recent years. You've grown the grocer exposure 15 percentage points over the past 10 years.

When you talk about record small shop occupancy, I'm kind of wondering what you think the upper bound is for this newer portfolio that you've built over the past decade, and how much of that is pushing into your expectations for rent escalators as you sign these new small shop tenants? Are they more pushing towards the high end of that 3% to 5% range you talk about in the presentation and what that looks like going forward? Thanks.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.
A

Yeah, it's a good question, Michael. Obviously, we're in uncharted territory when you get to our small shop occupancy where it is today and what we can take it to. So, we're obviously optimistic that there's still a lot more room to run. There's no reason why we should cap out in the mid-92.5% occupancy range.

And to your point, the economics of small shop deals are a lot stronger because the annual escalators are typically in that 3% to 5% range. And you're seeing it in our stronger shopping centers, being able to push the upper end of that range. So, the momentum is there, as I mentioned. The second quarter small shop volume was significantly higher. And these are on spaces that have been vacant or have been sitting vacant for a while.

So, I think you're seeing just the breadth and depth of demand expand alongside us, transforming the portfolio to more of a grocery-anchored shopping center portfolio. So that combination, I think, is really working in our favor and we're doing a lot in terms of new tools for leasing.

I think I mentioned it earlier where there's really a lot going on behind the scenes that allows us to do portfolio-type deals with these small shop operators driving really good credit tenants into the shopping centers that we have, looking at all the different [indiscernible] (00:55:31) we have relationships and expanding people, not even in certain geographies, but taking them to new geographies as well. And I think that's the real benefit of Kimco and its scale and its advantages of scale, is showcasing that we can use our portfolio to take the best-in-class retailer from one geography and bring them to a new geography and do a lion's share of that market share new deals that they're going to do.

David Jamieson
Chief Operating Officer & Executive Vice President, Kimco Realty Corp.

A

And I think just to buoy on top of that, obviously the retention side too is so essential and critical in order for you to continue gaining occupancy trends as we have and – with the small shop side. And so, we're retaining over 90% of the rollover schedule on a recurring basis now, which is incredible. And again, that's just a testament to appreciate them – them appreciating that they're doing well in their business while in their location. We have a good partnership with them, they have with us. And so, there's a cost of relocating and they've opted not to take that relocation and continue to stay with us around their business.

Operator: Thank you. Our next question comes from Omotayo Okusanya with Deutsche Bank. Please proceed.

Omotayo Okusanya
Analyst, Deutsche Bank Securities, Inc.

Q

Hi. Yes. Good morning, everyone. Congrats on the quarter. Really good execution here. The broader question I have is just, again, you just take a look at the group in general on stock performance relative to the broader REIT sector. And it just kind of feels like investors are still pretty worried about the retail outlook and the implications for shopping centers going forward.

I just wanted to ask you guys, do you think that's valid? Do you think, again, 2026 when tariffs are kind of all settled and they're clearly going to be at higher rates, that that really becomes an issue? Or are people just – or investors just overly concerned, just kind of given the strong operating and demand trends that you and, in fact, several of your peers continue to see.

Conor C. Flynn
Chief Executive Officer & Director, Kimco Realty Corp.

A

Thanks for the question. I think a lot of what happened this year was there was a lot of noise to begin the year that questions the strength of the consumer, question the strength of the retailer demand, the operating margins on retailers. So there was obviously a lot out there to put a question mark on, on the strength of the underlying fundamentals.

And for Kimco, what we continue to focus on is to really be in that top quartile of FFO growth year in and year out. And that continues to be our North Star. And I think if we can continue to execute, we were one of only two companies last year to do over 5% FFO growth. The midpoint this year is now raised to over 5%. We feel like we have all the building blocks to put the numbers up to let the numbers speak for themselves.

I think there is a little bit of misperception going on. When you think about the negative news cycle and when retailers sort of hit the skids, typically that's a news story that that runs. But the underlying fundamentals and the strength of the demand that we see is not really covered in the news cycle.

The private markets see it, the private markets recognize the cash flow growth. Private markets have capital to deploy into whatever sector they so choose and they're clearly taking advantage and notice of what's going on in the underlying fundamentals of the sector. So we're cautiously optimistic we'll finish this year strong and have the building blocks to continue our momentum going forward.

Operator: Thank you, ladies and gentlemen. We currently have no further questions. I would like to pass the conference back over to speaker, David Bujnicki for any closing remarks.

David F. Bujnicki

Senior Vice President, Investor Relations & Strategy, Kimco Realty Corp.

I'd like to thank everybody that participated in today's call. If you do have some follow-up questions or any further clarification, please don't hesitate to reach out. Otherwise, I hope everybody enjoys their summer. Thanks so much.

Operator: That concludes the Kimco Realty second quarter 2025 earnings conference. Thank you for your participation. You may now disconnect your line.