

Retail REITs

4Q23 Retail REIT earnings recap: KIM, PECO, REG, MAC, and SPG

Price Objective Change

Strong Q but conservative '24 guides send mixed message

All 5 reported in-line or better than expected results due to strong core performance. Robust leasing & limited new supply led to strong leasing spreads. Bankruptcies & store closings are also minimal YTD. That said, 4 / 5 introduced '24 guidance below the Street implying muted SS NOI & earnings growth. Downtime from opening re-leased stores and higher interest expense is weighing on growth. While disappointed, we believe core assumptions are conservative and see a beat-and-raise year ahead. Importantly, we estimate stronger growth in '25 as redevs & signed but not yet open leases come online.

KIM: in-line and introduced '24 guidance below Street

KIM's 2024 FFO/sh guidance excl. merger costs implies 2% growth at the midpoint. We were disappointed KIM did not quantify the benefit from RPT on its initial '24 SS NOI outlook of 1.5-2.5%. There is likely more to share on upside from raising RPT's occupancy and ancillary income as the year progresses. Guidance also incorporates KIM's plans to dispose select RPT assets, most of which is expected to close in 1H24. Reiterate Buy.

PECO: in-line and revised '24 guidance above Street

PECO raised its '24 earnings outlook by 1c at the midpoint from the initial range provided at its Investor Day. The revision largely reflects PECO's expectations for lower interest impact from floating rates (+6c vs. prior) and the impact from issuing equity in 4Q23 (-4c). Guidance on SS NOI was reaffirmed. As a source of upside to SS NOI, PECO expects to grow in-line occupancy by 100-150bps over the next 18-24 months. Reiterate Buy.

REG: in-line and introduced '24 guidance below Street

2024 core earnings guidance implies +2.5% growth at the midpoint. 2024 SS NOI guidance of 2-2.5% factors in a -50bps y/y decline to commenced occupancy in 2024 due to move-outs related to bankruptcies and junior anchors. If included in REG's same store portfolio, UBA would add another 25bps to their 2024 SS NOI outlook. Maintain Buy.

MAC: in-line results & '24 guidance; new CEO starts 3/1

Earnings and '24 guidance, excluding one-time items, were in line with Street which was better than expected. 2024 guidance implies basically flat growth with interest expense as the most significant drag (-\$1.43 per share vs. guidance: \$1.76-1.86). MAC completed 8 property loan deals in 2023 & '24 YTD. No comments were shared around Jackson Hsieh's plans for MAC as he is set to start as the new CEO on March 1. Maintain Neutral.

SPG: strong core results; '24 guidance below Street

Despite the disappointing guide, we are positive on core results, outlook for monetizing other investments, & redevelopment. See our [published 4Q23 note](#). Positively, SPG announced a new \$2.0bn common stock program after reporting results, which replaces their program expiring May 16th, 2024. SPG continues to say they will prioritize share buybacks using any proceeds from monetizing other platform investments. Maintain Buy.

See inside stats, updated POs and estimate changes.

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Key terms:

OPI: Other Platform Investments

SS NOI: Same-store Net Operating Income

"redevs": redevelopments

See inside for more acronyms and key terms.

PO and estimate change summary

PECO (B-1-7): After updating our model for 4Q earnings, we are raising our PO from \$39 to \$41 and revising our estimates according to the table below. Our PO trades at a 5% premium to NAV (vs. 2.5% prior) based on greater earnings visibility into 2024 and beyond. We derive our NAV estimate by applying a 6.3% cap rate to our forward NOI estimate (6.0% prior) based on our outlook for interest rates over the next year and current market/transaction comps. Reiterate Buy.

KIM (B-1-7): After reviewing our model for 4Q earnings, we are maintaining our price objective of \$25. We updated our estimates according to the table below. Reiterate Buy.

Exhibit 1: Summary of PO Changes

Updated published estimates after review of models

Ticker	Old PO	New PO	QRQ
KIM	\$25.00	\$25.00	B-1-7
PECO	\$39.00	\$41.00	B-1-7

Source: BofA Global Research; priced as of 02/9/2024

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Exhibit 2: Summary of estimate changes

Updated published estimates after review of models

Ticker	2023E		2024E		2025E		2026E	
	Old	New	Old	New	Old	New	Old	New
KIM	\$1.56	\$1.56	\$1.64	\$1.58	\$1.73	\$1.70	\$1.86	\$1.78
PECO	\$2.33	\$2.38	\$2.41	\$2.44	\$2.51	\$2.54	\$2.56	\$2.66

Source: BofA Global Research estimates

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Q4 summary of results

Exhibit 3: 4Q23 Earnings Review - Retail REIT key stats

Retail REIT earnings are mostly in line.

Strips	4Q23 FFO/sh	4Q23 Street	3Q23 % Var.	2024 guidance	2024 Street	2023 prior guidance	2023 Actual
KIM	\$0.39	\$0.39	0.0%	\$1.54 - 1.58	\$1.62	\$1.56 - 1.57	\$1.56
PECO	\$0.56	\$0.56	0.0%	\$2.34 - 2.41	\$2.38	\$2.23 - 2.27	\$2.25
REG	\$1.02	\$1.02	0.0%	\$4.14 - 4.20	\$4.20	\$4.13 - 4.15	\$4.15

Outlets / Malls	4Q23 FFO/sh*	4Q23 Street	3Q23 % Var.	2024 guidance	2024 Street	2023 guidance	2023 Actual
MAC	\$0.56	\$0.56	0%	\$1.76 - 1.86	\$1.80	\$1.77 - 1.83	\$1.80
SPG	\$3.67	\$3.34	9.9%	\$11.85 - 12.10	\$12.20	\$12.15 - 12.25	\$12.51

Source: Company Reports, BofA Global Research.

KIM: FFO/sh includes 4c of merger costs from RPT within 2024 guidance. REG's FFO/sh includes 4c of merger transition costs from UBA. Street estimates sourced from Bloomberg and compares FFO/sh guidance with Street's mean estimate at time of earnings release

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Exhibit 4: 2024 SS NOI guidance

Same-store NOI growth outlooks introduced by Retail REITs imply lower growth vs. 2023.

Strips	SS NOI guidance
KIM	1.5 - 2.5%
PECO	3.25 - 4.25%
REG	2.0 - 2.5%

Outlets/Malls	SS NOI guidance
MAC	2.25 - 3.25%
SPG	above 3%

Source: Company Reports, BofA Global Research.

*SPG provides SS NOI 2023 outlook on its domestic portfolio only.

*Revised according to change in the midpoint of guidance

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Exhibit 5: 4Q23 SS performance

4Q23 SS revenue, expense, and NOI y/y growth reported by each Retail REIT

Strips	SS rev	SS exp	SS NOI
KIM	2.1%	-0.6%	3.5%
PECO	3.8%	-4.2%	3.6%
REG	3.6%	10.2%	1.4%
Outlets/Malls	SS rev	SS exp	SS NOI
MAC	N/A	N/A	3.0%
SPG	N/A	N/A	7.3%

Source: Company Reports, BofA Global Research

SPG: Domestic property NOI growth

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Exhibit 6: Mall / Outlet REIT tenant sales per sq. ft

Mall / Outlet tenant sales per sq. ft. continued to decline

Company	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Macerich Co.	\$843	\$860	\$877	\$869	\$866	\$853	\$847	\$836
Simon Property Group	NA	NA	NA	\$753	\$759	\$747	\$744	\$743
Tanger Factory Outlets	\$464	\$450	\$446	\$445	\$447	\$443	\$437	TBD

Source: Company Reports, BofA Global Research

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Abbreviations:

Phillips Edison (PECO)

RPT Realty (RPT)

Regency (REG)

Urstadt Biddle Properties (UBA)

Kimco Realty (KIM)

Simon Property Group (SPG)

Macerich Co. (MAC)

Exhibit 7: Stocks mentioned

Rating and price summary

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
KIM	KIM US	Kimco Realty	US\$ 20.08	B-1-7
MAC	MAC US	Macerich	US\$ 16.93	C-2-8
PECO	PECO US	Phillips Edison	US\$ 34.97	B-1-7
REG	REG US	Regency	US\$ 61.32	B-1-7
SPG	SPG US	Simon Property	US\$ 146.93	B-1-7

Source: BofA Global Research

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Price objective basis & risk**Kimco Realty (KIM)**

Our \$25 price objective assumes the stock trades at a 5% premium to our forward NAV estimate given KIM's scale, strong management team, and flexible balance sheet.. We apply a 6.1% cap rate to our forward NOI estimate. We use a 6.1% cap rate for KIM based on our view of interest rates over the next year, current private market/transaction comps, and the market exposure of KIM. The risks to KIM achieving our price objective are a significant slowdown in retail sales, a rise in retailer bankruptcies and a sharp increase in long-term interest rates. Upside risk to our price objective is a faster and stronger-than-expected macro-economic recovery.

Macerich (MAC)

Our \$18 price objective assumes the stock trades at a 5% premium to our forward NAV estimate based on our view of better balance sheet management given recent debt

deals. To get to our forward NAV we apply a 6.9% cap rate to our forward NOI estimate. We use 6.9% cap rate for MAC based on our view of interest rates over the next year, current private market/transaction comps, and the market exposure of MAC. The risks to MAC achieving our price objective are a significant slowdown in retail sales, a rise in retailer bankruptcies and a sharp increase in long-term interest rates. Upside risk to our price objective is a faster than expected macro-economy recovery.

Phillips Edison & Company (PECO)

Our \$41 price objective assumes that the stock trades at a 5.0% premium to our forward NAV estimate. We apply a 6.4% cap rate to our forward NAV estimate. Our cap rate for PECO is based on current private market / transactions comps, PECO's market exposure, and our view of interest rates over the next year. Upside and downside risks to our PO include: access to financing, lower/higher interest rates, better/worse than expected operating conditions, redevelopment yields above/below our expectations, and the pace and volume of acquisitions on grocery-anchored neighborhood shopping centers.

Regency (REG)

Our \$70 price objective for REG assumes the stock trades in line with our forward NAV estimate. We apply a 5.8% cap rate to our forward NOI estimate. We use a 5.8% cap rate for REG based on our view of interest rates over the next year, current private market/transaction comps, and the market exposure of REG. The downside risks to our price objective are: higher interest rates, a sharp downturn in consumer spending, an increase in retail bankruptcies, and a major dislocation in the grocery business, which impacts tenant demand. Upside risks to our price objective are a faster than expected economic recovery and a significant pick-up in lending to small businesses.

Simon Property (SPG)

Our \$167 price objective assumes the stock trades at a 10% premium to our forward NAV estimate based on our view of better balance sheet management and strong management. We apply a 7.0% cap rate to our forward NOI estimate. We use 7.0% for SPG based on our view of interest rates over the next year, current private market/transaction comps, and the market exposure of SPG. The risks to SPG achieving our price objective are a significant slowdown in retail sales, a rise in retailer bankruptcies and significantly higher long-term interest rates. Upside risk to our price objective is a faster- and stronger-than-expected macro-economic recovery.

Analyst Certification

I, Jeffrey Spector, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
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	Alexandria Real Estate Equities	ARE	ARE US	Joshua Dennerlein
	American Homes 4 Rent	AMH	AMH US	Jeffrey Spector
	Americold Realty Trust	COLD	COLD US	Joshua Dennerlein
	AvalonBay Communities Inc	AVB	AVB US	Joshua Dennerlein
	Boston Properties	BXP	BXP US	Jeffrey Spector
	Brixmor Property Group	BRX	BRX US	Jeffrey Spector
	COPT Defense Properties	CDP	CDP US	Camille Bonnel
	Cousins Properties Inc.	CUZ	CUZ US	Camille Bonnel
	EastGroup Properties	EGP	EGP US	Jeffrey Spector
	Empire State Realty Trust	ESRT	ESRT US	Camille Bonnel
	Equity Residential	EQR	EQR US	Jeffrey Spector
	Essential Properties	EPRT	EPRT US	Joshua Dennerlein
	Federal Realty	FRT	FRT US	Jeffrey Spector
	Invitation Homes Inc	INVH	INVH US	Joshua Dennerlein
	Kimco Realty	KIM	KIM US	Jeffrey Spector
	Kite Realty Group	KRG	KRG US	Jeffrey Spector
	Phillips Edison & Company	PECO	PECO US	Jeffrey Spector
	Prologis, Inc.	PLD	PLD US	Camille Bonnel
	Public Storage, Inc.	PSA	PSA US	Jeffrey Spector
	Regency	REG	REG US	Jeffrey Spector
	Rexford Industrial Realty	REXR	REXR US	Camille Bonnel
	Sabra Health Care	SBRA	SBRA US	Joshua Dennerlein
	Simon Property	SPG	SPG US	Jeffrey Spector
	Ventas, Inc.	VTR	VTR US	Jeffrey Spector
	Welltower	WELL	WELL US	Joshua Dennerlein
NEUTRAL				
	Acadia Realty Trust	AKR	AKR US	Jeffrey Spector
	CubeSmart	CUBE	CUBE US	Jeffrey Spector
	EPR Properties	EPR	EPR US	Joshua Dennerlein
	Equity LifeStyle Properties	ELS	ELS US	Jeffrey Spector
	Essex Property Trust, Inc.	ESS	ESS US	Joshua Dennerlein
	Extra Space Storage, Inc.	EXR	EXR US	Jeffrey Spector
	Getty Realty Corp.	GTY	GTY US	Joshua Dennerlein
	Highwoods Properties	HIW	HIW US	Camille Bonnel
	InvenTrust Properties	IVT	IVT US	Jeffrey Spector
	Kilroy Realty Corporation	KRC	KRC US	Camille Bonnel
	Macerich	MAC	MAC US	Jeffrey Spector
	OMEGA Healthcare	OHI	OHI US	Joshua Dennerlein
	Realty Income	O	O US	Jeffrey Spector
	Retail Opportunity Investments Corp.	ROIC	ROIC US	Jeffrey Spector
	SL Green Realty	SLG	SLG US	Camille Bonnel
	Sun Communities	SUI	SUI US	Joshua Dennerlein
	UDR, Inc.	UDR	UDR US	Joshua Dennerlein
	Veris Residential Inc	VRE	VRE US	Joshua Dennerlein
	Vornado Realty	VNO	VNO US	Camille Bonnel
UNDERPERFORM				
	American Assets Trust	AAT	AAT US	Camille Bonnel
	Armada Hoffer Properties	AHH	AHH US	Camille Bonnel
	Camden Property Trust	CPT	CPT US	Joshua Dennerlein
	Douglas Emmett	DEI	DEI US	Camille Bonnel
	Healthpeak Properties, Inc.	PEAK	PEAK US	Joshua Dennerlein
	Hudson Pacific Properties, Inc.	HPP	HPP US	Camille Bonnel
	Kennedy Wilson	KW	KW US	Joshua Dennerlein
	LXP Industrial Trust	LXP	LXP US	Camille Bonnel
	Medical Properties Trust, Inc.	MPW	MPW US	Joshua Dennerlein
	Mid-America Apartment Communities, Inc.	MAA	MAA US	Joshua Dennerlein
	National Storage Affiliates Trust	NSA	NSA US	Jeffrey Spector
	NetSTREIT	NTST	NTST US	Joshua Dennerlein
	NNN REIT Inc	NNN	NNN US	Joshua Dennerlein
	Paramount Group	PGRE	PGRE US	Camille Bonnel
	Peakstone Realty Trust	PKST	PKST US	Joshua Dennerlein
	STAG Industrial	STAG	STAG US	Camille Bonnel

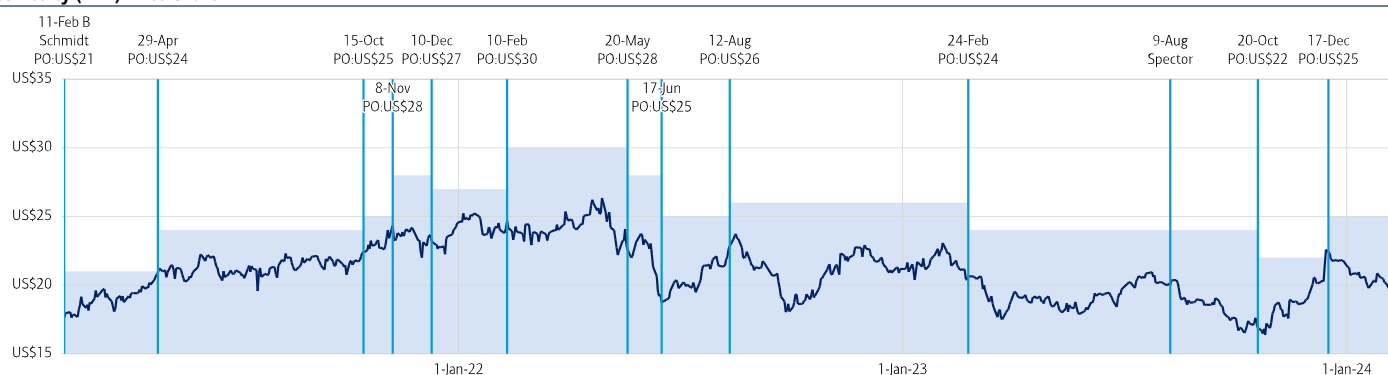
US - REITs Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Tanger Factory	SKT	SKT US	Jeffrey Spector
	WP Carey	WPC	WPC US	Joshua Dennerlein

Disclosures

Important Disclosures

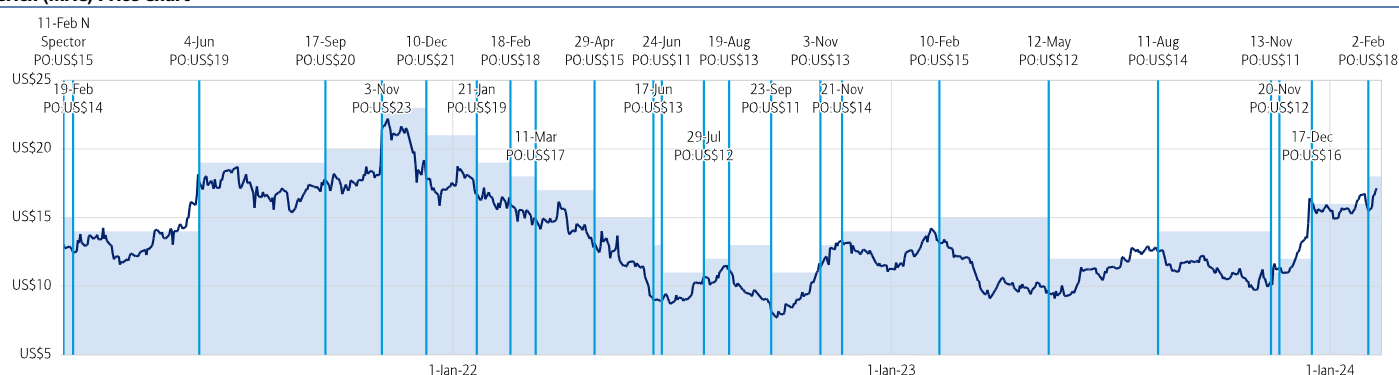
Kimco Realty (KIM) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

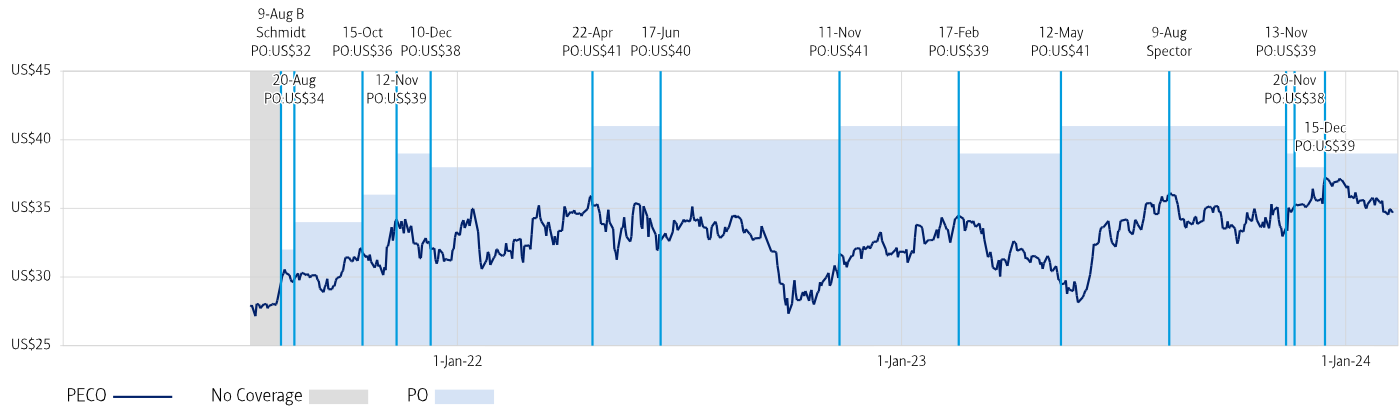
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Macerich (MAC) Price Chart



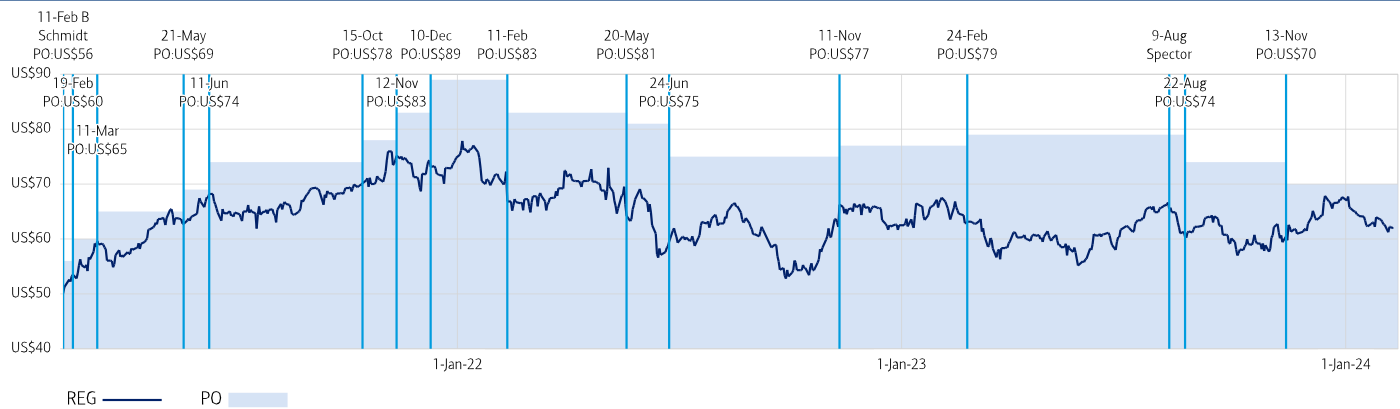
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Phillips Edison (PECO) Price Chart

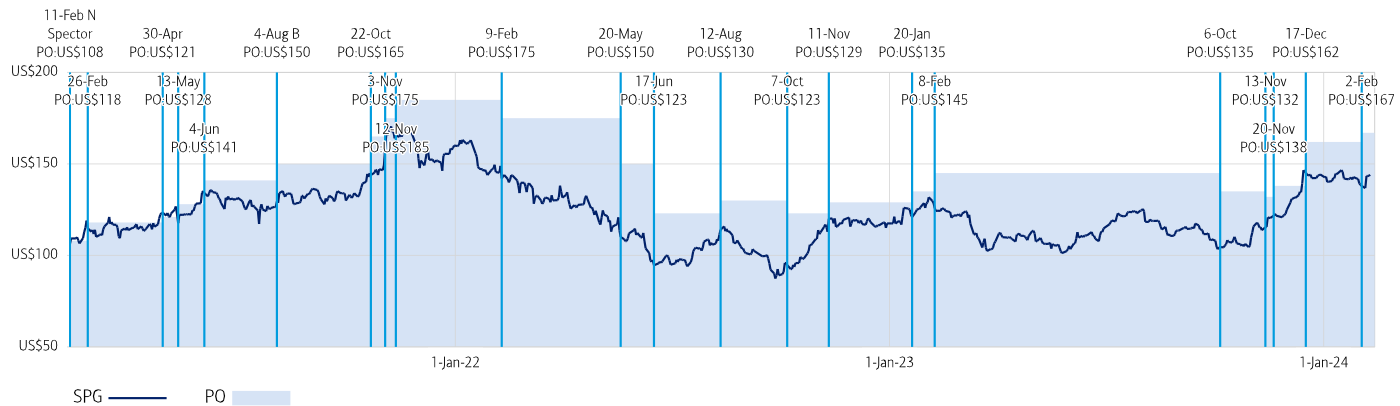
B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Regency (REG) Price Chart

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Simon Property (SPG) Price Chart

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	40	46.51%	Buy	33	82.50%
Hold	27	31.40%	Hold	21	77.78%
Sell	19	22.09%	Sell	16	84.21%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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