

Retail REITs

4Q23 earnings recap: conservative '24 outlooks with room to beat and raise

Price Objective Change

4Q23: strong 4Q23 results offset by conservative guides

Retail REITs reported solid 4Q results due to strong leasing activity, limited supply and minimal store closings. Out of 14 Retail REITs, 7 beat and 7 met 4Q23 Street estimates. In terms of 2024 guidance, 8 introduced in line with the Street while 6 introduced below the Street. Guidance implies flat y/y FFO growth. Given comments that this is the strongest leasing backdrop seen in years, 2024 guidance disappointed. That said, when digging into core assumptions, we view guidance as extra conservative and expect a beat-and-raise year ahead. We also estimate stronger growth in '25 as redevelopment and signed but not yet open leases come online. Finally, the Retail sector trades at an implied cap rate of ~7% which screens attractive vs. current pricing (more below).

Retail REITs see 2-3% SS NOI in 2024 vs. ~4% in 2023

2024 SS NOI guidance ranges at the midpoint imply deceleration from 2023. Key drags to 2024 SS NOI which could also serve as sources of upside are signed-not-opened stores, tenant disruption and credit loss reserves. See Exhibit 3 inside for more.

More visibility on external growth opportunities in '24

Acquisition activity was minimal in 2023 but several REITs stated they are seeing more opportunities from sellers who are either highly motivated or more accepting of pricing. After zero activity in '23, ROIC guided to \$100-300m of net acquisitions, PECO expects \$200-300m, and FRT is seeing great opportunities. Based on commentary, cap rates have tightened by 50 bps and are trending in the 6-6.5% range for grocery anchored centers with select assets in the 5% range. SITC (not covered) is in discussions to sell another \$750m of assets, most of which are power centers, at a blended 7% cap rate.

Exhibit 1: 2024 FFO/sh guidance by Retail REIT

2024 FFO/sh guidance compared with Bloomberg consensus and 2023 results

| Retail REIT | 2024 guidance | 2024 Street | % Var. | 2023 Actual | vs. initial guidance |
|-------------|-----------------|-------------|--------|-------------|----------------------|
| AKR | \$1.24 - 1.32 | \$1.27 | 0.8% | \$1.29* | \$1.17 - 1.26 |
| BRX | \$2.06 - 2.10 | \$2.09 | -0.5% | \$2.04 | \$1.95 - 2.03 |
| FRT | \$6.65 - 6.87 | \$6.77 | -0.1% | \$6.55 | \$6.38 - 6.58 |
| IVT | \$1.69 - 1.75 | \$1.71 | 0.6% | \$1.70 | \$1.59 - 1.64 |
| KIM | \$1.54 - 1.58 | \$1.62 | -3.7% | \$1.57 | \$1.53 - 1.57 |
| KRG | \$2.00 - 2.06 | \$2.03 | 0.0% | \$2.03 | \$1.89 - 1.95 |
| PECO | \$2.34 - 2.41 | \$2.38 | 0.0% | \$2.25 | \$2.23 - 2.29 |
| REG | \$4.14 - 4.20 | \$4.20 | -0.7% | \$4.15 | \$4.03 - 4.11 |
| ROIC | \$1.03 - 1.09 | \$1.08 | -1.9% | \$1.06 | \$1.05 - 1.11 |
| SITC | not provided | NM | NM | \$1.18 | \$1.10 - 1.16 |
| UE | \$1.24 - 1.29 | \$1.27 | 0.0% | \$1.25 | \$1.11 - 1.17 |
| SKT | \$2.01 - 2.09 | \$2.04 | 0.5% | \$1.96 | \$1.81 - 1.89 |
| MAC | \$1.76 - 1.86 | \$1.80 | 0.6% | \$1.80 | \$1.75 - 1.85 |
| SPG | \$11.85 - 12.10 | \$12.20 | -1.9% | \$12.51 | \$12.15 - 12.25* |

Source: Company filings, Bloomberg.

*See footnotes at end of report.

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See inside for additional 4Q23 stats, updated POs and estimate changes.

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Key terms: See inside for a full list of acronyms, tickers, and full company names.

Note: BofA does not cover Site Centers (SITC) or Urban Edge (UE)

See page 7 for acronym definitions

2024 SS NOI guidance

Exhibit 2: 2024 SS NOI guidance

Most Retail REITs introduced 2024 SS NOI growth with a range below 2023 growth

| Strips | 2024 SS NOI guidance | vs. 2023 |
|--------|----------------------|----------|
| AKR | 5.0 - 6.0% | 5.8% |
| BRX | 2.5 - 3.5% | 4.0% |
| FRT* | 2.5 - 4.0% | 4.3% |
| IVT | 2.25 - 3.25% | 4.9% |
| KIM | 1.5 - 2.5% | 2.6% |
| KRG* | 1.0 - 2.0% | 4.8% |
| PECO | 3.25 - 4.25% | 4.2% |
| REG | 2.0 - 2.5% | 3.6% |
| ROIC | 1.0 - 2.0% | 3.7% |
| SITC | n.a | 2.6% |
| UE | 3.0 - 5.0% | 2.5% |

| Outlets/Malls | 2024 SS NOI guidance | vs. 2023 |
|---------------|----------------------|----------|
| SKT | 2.0 - 4.0% | 6.2% |
| MAC | 2.25 - 3.25% | 4.5% |
| SPG | above 3% | 4.8% |

Source: Company Reports, BofA Global Research.

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Exhibit 3: 2024 credit loss expectations

REITs' expectations for impact to SS NOI from revenues deemed uncollectible, bad debt, and tenant disruption in 2024

| Company | 2024 impact | Additional notes according to the company on 2024 assumptions |
|---------|-------------------|--|
| AKR | 150 bps | A vast majority of the 150bps reserves is related to unknown events. |
| BRX | 75-100 bps | In addition to 75-100bps of revenues deemed uncollectible, BRX also estimates a 100bps drag primarily from large tenant disruption (including Big Lots) in 2024. This compares to 45bps of revenues deemed uncollectible + 120bps of drag from bankruptcies in 2023. |
| FRT | 70 - 90 bps | 70-90 bps reserved for bad debt expense and unexpected vacancy rent relief is in line with their historical range. This compares to their 2023 initial guidance range of 75-100bps of revenues deemed uncollectible plus 25-60 bps drag from Bed Bath and Beyond. |
| IVT | 50-100 bps | About 40bps reserved for impact from JOANN and Rite Aid. The remainder of reserves is to unknown events. |
| KIM | 75-125 bps | KIM had a similar level of credit loss experience in 2023 |
| KRG | 100 bps | The 100bps headwind from bad debt includes impact from lower prior period collections and normal bad debt reserves (which includes known and unknown tenant disruption). This compares with their initial 2023 outlook of 125bps bad debt and an additional 75bps of assumed disruption for Bed Bath and Party City. |
| REG | 75-100 bps | Roughly half of the credit loss provision is bankruptcy related and the balance is roughly to traditional bad debt expense. |
| ROIC | \$3-5 million | \$3-5mn of bad debt budgeted in 2024 compares to \$3.6mn recognized in 2023. |
| PECO | 60-80 bps | The portfolio typically runs between 60 and 80 basis points over a long period of time, and that is what assumed for 2024. |
| SITC | did not quantify | Not disclosed. |
| UE | 75-100 bps | Guidance assumes that credit loss reverts to a more normalized level of 75 basis points to 100 basis points of gross revenues or approximately \$4mn. This compares to ~\$3mn received in 2023. |
| MAC | 150 bps | Bad debt is contributing to some headwind in same center of roughly 150 basis points. Expects bad debt to normalize a little bit more relative to 2023. "There is about a \$0.02 headwind in 2024 against our same center. I don't expect those to be significant in the fullness of time, but I do expect them to be a little bit larger than they were in '23, which frankly was a net reversal, and that was just a continuation of recovering some of those latent fully reserved receivables in '23" – MAC 4Q23 earnings call |
| SKT | "less than 50bps" | Management expects uncollectible rent as similar to the amount recognized in 2023 ("less than 50 bps to SS NOI") |
| SPG | did not quantify | Not disclosed. |

Source: Company filings. See following exhibit for footnotes on disclosures around credit loss

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4Q23 results: key stats

Exhibit 4: 4Q23 Earnings Review

7 Retail REITs met and 7 REITs beat Street estimates for 4Q23

| Strips | 4Q23 FFO/sh | 4Q23 Street | 4Q23 % Var. |
|--------|----------------|----------------|----------------|
| AKR | \$0.28 | \$0.28 | 0.0% |
| BRX | \$0.51 | \$0.50 | 2.0% |
| FRT | \$1.64 | \$1.64 | 0.0% |
| IVT* | \$0.41 | \$0.40 | 2.5% |
| KIM | \$0.39 | \$0.39 | 0.0% |
| KRG | \$0.50 | \$0.49 | 2.0% |
| PECO | \$0.56 | \$0.56 | 0.0% |
| REG | \$1.02 | \$1.02 | 0.0% |
| ROIC | \$0.27 | \$0.26 | 3.8% |
| SITC | \$0.26 | \$0.26 | 0.0% |
| UE | \$0.31 | \$0.30 | 3.3% |

| Outlets / Malls | 4Q23 FFO/sh* | 4Q23 Street | 3Q23 % Var. |
|--------------------|-----------------|----------------|----------------|
| SKT | \$0.52 | \$0.49 | 6.1% |
| MAC | \$0.56 | \$0.56 | 0% |
| SPG | \$3.67 | \$3.34 | 9.9% |

Company Reports, BofA Global Research.

*IVT's core FFO/sh estimate is reported to fairly compare with Bloomberg consensus

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 5: 4Q23 Leasing spreads and Occupancy

Leasing spreads and Quarter-end Occupancy (total and small shop) reported for 4Q23

| Strips | 4Q23 Leasing spread | Change Q/Q | Qtr. End Occupancy* | Occupancy Y/Y | Small shop Occupancy | Small shop Y/Y | Small shop Q/Q |
|--------|------------------------|---------------|------------------------|------------------|-------------------------|-------------------|-------------------|
| AKR | 13.0% | -1650 bps | 94.9% | -40 bps | 88.8% | +240 bps | +240 bps |
| BRX | 19.6% | -270 bps | 94.7% | +90 bps | 90.3% | +110 bps | +50 bps |
| FRT | 12.0% | +100 bps | 94.2% | -30 bps | 90.7% | +70 bps | 0 bps |
| IVT | 13.9% | +460 bps | 96.5% | 0 bps | 92.5% | +120 bps | +10 bps |
| KIM | 11.2% | -220 bps | 96.2% | +50 bps | 91.7% | +170 bps | +60 bps |
| KRG | 14.5% | +30 bps | 93.7% | -70 bps | 90.8% | +80 bps | +60 bps |
| PECO | 15.4% | -420 bps | 97.8% | +40 bps | 94.7% | +90 bps | -20 bps |
| REG | 11.7% | +240 bps | 95.7% | +60 bps | 93.4% | +150 bps | +20 bps |
| ROIC | 9.8% | -80 bps | 97.7% | -30 bps | n.a | n.a. | n.a. |
| SITC | 3.8% | -840 bps | 94.5% | -90 bps | 90.9% | +60 bps | -10 bps |
| UE | 18.1% | +560 bps | 96.0% | +100 bps | 87.7% | n.a | +230 bps |

| Malls | 4Q23 Leasing spread | Change Q/Q | Qtr. End Occupancy* | Occupancy Y/Y | Small shop Occupancy | Small shop Y/Y | Small shop Q/Q |
|-------|------------------------|---------------|------------------------|------------------|-------------------------|-------------------|-------------------|
| SKT | 13.3% | -120 bps | 97.3% | 30 bps | N/A | N/A | N/A |
| MAC | 17.2% | 660 bps | 93.5% | 90 bps | N/A | N/A | N/A |
| SPG | N/A | N/A | 95.8% | 90 bps | N/A | N/A | N/A |

Source: Company Reports, BofA Global Research.

*Leasing spread: blend of new and renewal rent spreads reported by Company

*Quarter end occupancy refers to same store portfolio leased occupancy rate reported at the end of the period

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Exhibit 6: 4Q23 SS performance

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

| Strips | SS rev | SS exp | SS NOI |
|---------------|--------|--------|--------|
| AKR | 3.4% | 1.8% | 4.2% |
| BRX | 3.7% | 5.3% | 3.1% |
| FRT | 2.5% | -0.4% | 4.4% |
| IVT | 1.3% | -8.6% | 6.4% |
| KIM | 2.1% | -0.6% | 3.5% |
| KRG | 0.3% | -7.1% | 2.8% |
| PECO | 3.8% | -4.2% | 3.6% |
| REG | 3.6% | 10.2% | 1.4% |
| ROIC | 3.0% | 2.4% | 3.3% |
| SITC | 1.7% | 4.7% | 0.6% |
| UE | -1.1% | 0.7% | -1.3% |
| Outlets/Malls | SS rev | SS exp | SS NOI |
| SKT | 3.8% | 0.4% | 5.4% |
| MAC | N/A | N/A | 3.0% |
| SPG | N/A | N/A | 7.3% |

Source: Company Reports, BofA Global Research.

*SPG: This refers to SPG's Domestic property NOI growth

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Exhibit 7: 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 Outlet | \$464 | \$450 | \$446 | \$445 | \$447 | \$443 | \$437 | \$433 |

Source: Company Reports.

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PO and estimate change summary

BRX (B-1-7): After updating our model for 4Q earnings, we are leaving our PO unchanged at \$26 but revising our estimates according to the table below. Our PO trades in line with our forward NAV estimate (unchanged). Our NAV assumes a cap rate of 7.0% (unchanged) applied to our updated NOI estimate based on our outlook for interest rates and current market / transaction comps.

FRT (B-1-7): After updating for 4Q earnings, we are raising our PO to \$118 from \$117. Our PO trades in line with our NAV estimate (unchanged). We derive our NAV estimate by applying a 5.9% cap rate (unchanged) to our forward NOI estimate based on our outlook for interest rates over the next year and current market/transaction comps.

KRG (B-1-7): After updating our model for 4Q earnings, we are maintaining our PO of \$27 but revising our estimates according to the table below. Our PO trades in line with our NAV estimate (unchanged). We derive our NAV estimate by applying a 7.2% cap rate to our forward NOI estimate based on our outlook for interest rates over the next year and current market/transaction comps.

MAC (C-2-8): After updating our model for 4Q earnings, we are raising our PO to \$20 from \$18. Our PO trades in line with our NAV estimate (vs. 5% before). We remove the 5% premium to NAV as we believe this is more reflective of current market conditions. We derive our NAV estimate by applying a 7.2% cap rate (vs. 6.9% prior) to our forward NOI estimate given our view of where current market / comparable assets for MAC are trading and our view of interest rates over the next year.

REG (B-1-7): After updating for 4Q earnings, we are maintaining our PO of \$70. Our PO trades at a 5% premium to NAV (unchanged). We derive our NAV estimate by applying a 5.8% cap rate (unchanged) to our forward NOI estimate based on our outlook for interest rates over the next year and current market/transaction comps.

Exhibit 8: Summary of PO Changes

Updated published price objectives after review of models

| Ticker | Old PO | New PO | QRQ |
|--------|----------|----------|-------|
| BRX | \$26.00 | \$26.00 | B-1-7 |
| FRT | \$117.00 | \$118.00 | B-1-7 |
| KRG | \$27.00 | \$27.00 | B-1-7 |
| MAC | \$18.00 | \$20.00 | C-2-8 |
| REG | \$70.00 | \$70.00 | B-1-7 |

Source: BofA Global Research

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Exhibit 9: Summary of estimate changes

Updated published estimates after review of models

| Ticker | 2023E | | 2024E | | 2025E | | 2026E | | 2027E | |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Old | New | Old | New | Old | New | Old | New | Old | New |
| BRX | \$2.03 | \$2.04 | \$2.09 | \$2.09 | \$2.24 | \$2.17 | \$2.45 | \$2.28 | \$2.61 | \$2.37 |
| FRT | \$6.55 | \$6.52 | \$6.75 | \$6.79 | \$7.08 | \$7.07 | \$7.31 | \$7.32 | \$7.84 | \$7.84 |
| KRG | \$2.01 | \$2.03 | \$2.02 | \$2.04 | \$2.08 | \$2.09 | \$2.14 | \$2.16 | \$2.22 | \$2.24 |
| MAC | \$1.79 | \$1.80 | \$1.83 | \$1.83 | \$1.92 | \$1.90 | \$2.11 | \$2.02 | \$2.24 | \$2.20 |
| REG | \$4.14 | \$4.15 | \$4.21 | \$4.20 | \$4.42 | \$4.38 | \$4.64 | \$4.53 | \$4.86 | \$4.71 |

Source: BofA Global Research estimates

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Footnotes to Exhibit 1:

SPG: 2023 initial guidance is noted as FFO/sh guidance provided during 3Q23 earnings as SPG's initial 2023 guidance was provided on a Comparable FFO/sh basis only. AKR's actual 2023 FFO/sh includes a 8c of a non-cash gain from terminating a below-market Bed Bath & Beyond lease.

Abbreviations:

Acadia Realty (AKR)

Brixmor (BRX)

Federal Realty (FRT)

InvenTrust (IVT)

Kimco (KIM)

Kite Realty (KRG)

Phillips Edison (PECO)

Regency (REG)

Retail Opportunity Investments Corp. (ROIC)

Site Centers (SITC; uncovered by BofA)

Simon Property Group (SPG)

Tanger Outlets (SKT)

Urban Edge (UE, uncovered by BofA)

Macerich Co. (MAC)



Exhibit 10: Companies mentioned

Companies mentioned in this report

| BofA Ticker | Bloomberg ticker | Company name | Price | Rating |
|--------------------|-------------------------|----------------------|--------------|---------------|
| AKR | AKR US | Acadia Realty | US\$ 16.85 | B-2-7 |
| BRX | BRX US | Brixmor | US\$ 23.13 | B-1-7 |
| FRT | FRT US | Federal Realty | US\$ 100.42 | B-1-7 |
| IVT | IVT US | InvenTrust | US\$ 25.64 | C-2-7 |
| KIM | KIM US | Kimco Realty | US\$ 19.63 | B-1-7 |
| KRG | KRG US | Kite Realty Group | US\$ 21.48 | B-1-7 |
| MAC | MAC US | Macerich | US\$ 17.22 | C-2-8 |
| PECO | PECO US | Phillips Edison | US\$ 34.55 | B-1-7 |
| REG | REG US | Regency | US\$ 60.81 | B-1-7 |
| ROIC | ROIC US | Retail Oppty Invest. | US\$ 12.82 | B-2-7 |
| SPG | SPG US | Simon Property | US\$ 149.96 | B-1-7 |
| SKT | SKT US | Tanger Factory | US\$ 28.64 | C-3-7 |

Source: BofA Global Research

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Price objective basis & risk**Acadia Realty Trust (AKR)**

Our \$18 price objective assumes the stock trades in line with our forward NAV estimate. We apply a 6.1% cap rate to our forward NOI estimate. We use a 6.1% cap rate for AKR based on our view of interest rates over the next year, current private market/transaction comps and the market exposure of AKR. The risks to AKR achieving our price objective are a significant downturn in retail sales, a rise in retailer bankruptcies, and a sharp increase in long-term interest rates. Upside risks to our price objective are a faster and stronger-than-expected macroeconomic recovery and higher acquisition volume than anticipated

Brixmor Property Group (BRX)

Our \$26 price objective assumes that the stock trades in line with our forward NAV. We apply a 7.0% cap rate to our forward NOI estimate. The cap rate for BRX is based on our view of interest rates over the next year, current private market/transaction comps, and the market exposure of BRX. Downside risks to BRX achieving our price objective are a significant downturn in retail sales, a rise in retailer bankruptcies, and a sharp increase in long-term interest rates. Upside risks to our price objective are a faster and stronger-than-expected macroeconomic recovery and a faster pace in upgrading the quality of the portfolio.

Federal Realty (FRT)

Our \$118 price objective assumes the stock trades in line with our forward NAV estimate. We apply a 5.9% cap rate to our forward NOI estimate. We use a 5.9% cap rate for FRT based on our view of interest rates over the next year, current private market/transaction comps, and the market exposure of FRT. The risks to FRT achieving our price objective are a significant downturn in retail sales, a rise in retailer bankruptcies, and a sharp increase in long-term interest rates. Upside risks to our price objective are a faster and stronger-than-expected macro-economic recovery and higher acquisition volume than anticipated.

InvenTrust Properties (IVT)

Our \$28 price objective assumes that the stock trades in line with our forward NAV estimate. We apply a 6.4% cap rate to our forward forward NOI estimate. Our cap rate for IVT is based on the current transaction market for grocery-anchored shopping centers, IVT's exposure to different markets, and our outlook on interest rates over the next year. Upside and downside risks to our PO are: ability to source accretive acquisitions, higher / lower interest rates, stronger / weaker operating conditions, stronger / weaker demographics of the Sun Belt and access to capital.

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.

Kite Realty Group (KRG)

Our \$27 PO assumes the stock trades in line with our forward NAV estimate. We apply a 7.2% cap rate to our forward NOI estimate. We use a 7.2% cap rate for KRG based on our view of interest rates over the next year, current private market/transaction comps, and the market exposure of KRG. Downside risks to KRG achieving our price objective are a significant downturn in retail sales, a rise in retailer bankruptcies, and a sharp increase in long-term interest rates. Upside risks to our price objective are a faster and stronger-than-expected recovery in the retail market and a faster pace in upgrading the quality of the portfolio recovery.

Macerich (MAC)

Our \$20 price objective assumes the stock trades in line with 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 7.2% cap rate to our forward NOI estimate. We use 7.2% 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.

Retail Opportunity Investments Corp. (ROIC)

Our \$16 PO trades at a -5% discount to our forward NAV estimate given store closings risk posed by Rite Aid. We apply a 6.4% cap rate to our forward NOI estimate based on our view of interest rates over the next year, current transaction comps, and the market exposure of ROIC.

Downside risks to ROIC achieving our price objective are a significant downturn in retail sales, a rise in retailer bankruptcies, and a sharp increase in long-term interest rates.



Upside risks to our price objective are a faster and stronger-than-expected recovery in the retail market and a faster pace in upgrading the quality of the portfolio recovery.

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.

Tanger Factory (SKT)

Our \$24 price objective for SKT assumes that the stock trades at a -5% discount to NAV estimate given our view of risks to SKT's growth from consumer pressures. We apply a 9.0% cap rate to our forward NOI estimate. We use a 9.0% cap rate for SKT based on our view of interest rates over the next year, current private market/transaction comps, and the market exposure of SKT. The downside risks to our price objective are a pullback in consumer spending, a sharp increase in long-term interest rates, and more store closings caused by tenant bankruptcies & restructuring. Upside risks to our price objective are a steady supply of development opportunities and higher tenant demand for outlet space.

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.

US - REITs Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|---------------------|---|-------------|------------------|-------------------|
| BUY | | | | |
| | Agree Realty Corp | ADC | ADC US | Joshua Dennerlein |
| | 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 |

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Important Disclosures

Equity Investment Rating Distribution: REITs (Real Estate Investment Trusts) Group (as of 31 Dec 2023)

| 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% |

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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| Investment rating | Total return expectation (within 12-month period of date of initial rating) | Ratings dispersion guidelines for coverage cluster ^{R2} |
|-------------------|---|--|
| Buy | ≥ 10% | ≤ 70% |
| Neutral | ≥ 0% | ≤ 30% |
| Underperform | N/A | ≥ 20% |

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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