



**Federal Realty Investment Trust**  
**First Quarter 2025 Earnings Conference Call**  
**May 8, 2025**

## C O R P O R A T E P A R T I C I P A N T S

**Jill Sawyer**, *Senior Vice President, Investor Relations*

**Donald Wood**, *Chief Executive Officer*

**Wendy Seher**, *Eastern Region President & Chief Operating Officer*

**Dan Guglielmone**, *Chief Financial Officer*

## C O N F E R E N C E C A L L P A R T I C I P A N T S

**Jeff Spector**, *Bank of America*

**Michael Goldsmith**, *UBS*

**Michael Griffin**, *Evercore ISI*

**Craig Mailman**, *Citi*

**Juan Sanabria**, *BMO Capital Markets*

**Connor Mitchell**, *Piper Sandler*

**Greg McGinniss**, *Scotiabank*

**Floris Van Dijkum**, *Compass Point*

**Paulina Rojas**, *Green Street*

**Michael Mueller**, *J.P. Morgan*

**Linda Tsai**, *Jefferies*

## P R E S E N T A T I O N

### Operator

Good afternoon, and welcome to the Federal Realty Investment Trust's First Quarter 2025 Earnings Conference Call.

All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key, followed by zero.

After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then one on your telephone keypad. To withdraw your question, please press star, then two.

Please note, this event is being recorded.

I would now like to turn the conference over to Jill Sawyer, Senior Vice President, Investor Relations. Please go ahead.

**Jill Sawyer**

Thank you, Amy.

Good evening. Thank you for joining us today for Federal Realty's first quarter 2025 earnings conference call.

Joining me on the call are Don Wood, Federal's Chief Executive Officer, Dan Guglielmo, Chief Financial Officer, Wendy Seher, Eastern Region President and Chief Operating Officer, and Jan Sweetnam, Chief Investment Officer, as well as other members of our executive team that are available to take your questions at the conclusion of our prepared remarks.

A reminder that certain matters discussed on this call may be deemed to be forward-looking statements. Forward-looking statements include any annualized or projected information, as well as statements referring to expected or anticipated events or results, including guidance.

Although Federal Realty believes the expectations reflected in such forward-looking statements are based on reasonable assumptions, Federal Realty's future operations and its actual performance may differ materially from the information in our forward-looking statements, and we can give no assurance that these expectations can be attained.

The earnings release and supplemental reporting package that we issued tonight, our annual report filed on Form 10-K, and our other financial disclosure documents provide a more in-depth discussion of risk factors that may affect our financial condition and operational results.

Given the number of participants on the call, we kindly ask that limit yourself to one question during the Q&A portion of our call. If you have additional questions, please re-queue.

With that, I will turn the call over to Don Wood.

**Donald Wood**

Thank you, Jill, and welcome to your first Federal Realty Conference call. We are excited that you're here.

At \$1.70 per share, the first quarter was another strong one for the Trust. It was ahead of our consensus, our internal expectations, and the prior year. This is probably a good time to remind everybody of the historical correlation between uncertain economic times and the performance of real estate surrounded by an affluent customer base and lots of density. More uncertain the economy, better we tend to do.

Wendy Seher, our President of the East Coast, along with Dan G., are going to go through the detail of those results this evening. It'll be her first foray into prepared remarks on the earnings call, so be kind. They'll center on operations, so mine will focus on the broader economic and capital allocation landscape that we're operating in since the new administration took over in January.

The headlines and the stock market performance seem to have settled down a bit over the past week or so, at least until today, up until an hour ago, in sharp contrast to the first few weeks of April, but we're clearly in a really unpredictable time.

The bottom line though, is that we have not seen any negative impact to our property leasing or consumer behavior as a result of the administration's actions and policies as we sit here on May 8. In fact, April saw year-over-year foot traffic at Federals properties and the Washington, D.C. MSA up 6% year-over-year, up 3% at Santana Row, up 11% at Federals properties in Boston.

Consumer and our markets, including Washington, D.C., have been remarkably resilient. Obviously, ongoing government layoff announcements combined with a whipsaw tariff policy can possibly be a good thing for business investment, consumer confidence, or will likely lead to broader inflationary pressure later this year and next, but we haven't seen or felt it yet. It's also why the high household incomes are so important for the future.

First of all, it has always been our job to insulate our Company as best we can against changing economic conditions and other disruptive forces. After all, this is, and always has been, a cyclical business.

The way we've done this is by having an extremely diverse tenant base. Our largest tenant by ADR is TJX, which makes up 2.6% of our base rent, and is considered a likely net beneficiary amid the economic uncertainty triggered by the tariffs. Our number two is grocer Ahold, who makes up another 1.9%. Don't underestimate how important tenant diversity is.

In addition, we've set ourselves up well by being very selective in choosing the best operator in each category with strong credit, whether that be restaurants, fashion, services, or other.

We get sales reporting from about 50% of our tenants, strong representative sample, and their overall cost of occupancy is about 9% of sales, only 10% when excluding grocers, making rent obligations affordable and with room to spare.

Tenants can, by and large, still pay the rent, continue to pursue further growth for the best real estate. We're here to partner with our retailers to help them grow, and as the landlord, strength of our leases and tenant quality and credit quality protect us on the downside.

Yes, perhaps most importantly, we've worked to insulate our Company by owning real estate that leans in heavily towards strong household income, a quality metric that is fundamental to our core as cycle after cycle favors affluence when considering the ability to power through.

Bottom line, we are well set up to continue to grow, even if the landscape continues to evolve unpredictably. We closely monitor the political and economic policy environment through the weekly—throughout the week, and sometimes daily changes, as well as to continually dialogue with our retail partners. In the meantime, continue to run our business aggressively and with purpose.

Before turning it over to Wendy, I also wanted to make a few comments about capital allocation choices and how we're considering them in this environment. In terms of transaction market, it should come as no surprise that the April 2 tariff announcements, including the changes made every week since, along with the related capital markets uncertainties, have had a profound effect on buyers' ability to underwrite and evaluate opportunities with the level of confidence that they've become accustomed to.

In our view, while the volatility of the last five weeks shouldn't, in and of themselves, kill deals that make

sense for the organization in the medium and long term, they do require underwriting and capital allocation decisions that take into account the different risk profile that reduced predictability brings.

Ten-year IRRs are disproportionately hit by disruptions in the first couple of years. As the year progresses, we'll continue to look for and aggressively pursue opportunities that fit that risk-adjusted criteria, I think we'll be successful in finding them.

While our clear bias is to grow our Company through the acquisition, development, and great retail real estate, buying back our own stock wins out when the spread between that investment and other alternatives gets too wide. It's important for our investors to know that we consider prudent capital allocation decisions to be at the very top of our list of responsibilities.

That's all I wanted to cover in prepared remarks this afternoon, so I'll turn it over to Wendy Seher for her prepared remarks on the quarter and expectations for the rest of the year. Wendy?

**Wendy Seher**

Thank you, Don.

As many of you know, I spend most of my time interacting with our retail partners, driving revenue for the Company focused on our day-to-day operating metrics, including asset management, leasing, tenant coordination, and redevelopment.

You've typically only heard prepared remarks from Don and Dan, but I wanted to take the opportunity to provide my observations on current market dynamics, and how I think our centers are positioned to perform for the year.

First, let's talk about Q1. We're off to a strong start this year, providing results that outperformed what we had expected for the quarter. Our comparable portfolio ended the quarter at 95.9% lease, 160 basis points higher than last year's first quarter results. In all, our comparable lease rate dropped only 20 basis points quarter-over-quarter, signaling higher retention and less move-outs than we expected.

With minimal or no exposure to some of the retail bankruptcy headlines of today, such as Joann's, Big Lots', Rite Aid, or Party City, our strong lease rate speaks to the strength of the real estate and the best-in-class retailers that occupy our centers.

From what I'm seeing at the property level today, we're well positioned with both in-place contracts and a strong pipeline to deliver higher occupancy in the second half of 2025.

We executed 91 retail leases representing 430,000 square feet for the quarter, including the Company's first Life Time Fitness deal at Santana Row. As expected, our leasing volume has normalized due to our high lease occupancy rates, while rent rollover was a modest 6% for the quarter. This rollover rate does not represent a trend, but is more driven by the mix of deals executed this quarter.

As I look both at our executed deals this second quarter plus our in-process pipeline, I would expect our rollover will be somewhere in the mid-teens for the next couple of quarters.

I remain encouraged with respect to the level of tenant demand, as we've seen no meaningful impact from the uncertain economic environment. In fact, our executed leases since quarter-end are well above our normal, historic pace, and we continue to see opportunities to push both small shop and anchor rents, including annual increases, as well as produce non-financial terms that can deliver meaningful value for the mid-term and long-term horizons.

Contractual bumps this quarter were 2.4%, blended both anchor and small shop, which is quite strong. Some of the momentum is certainly being driven by the limited inventory, but mostly the demand is being driven by our signature, amenitized location, surrounded by high household incomes.

A great example of this is the new Bloomie's small format concept that just opened at The Grove in affluent Shrewsbury, New Jersey. Bloomie's is outperforming even their own expectations, and this traffic and sales production has enabled us to push small shop rents well beyond what we underwrote. No sign of a weakening tenant—a weakening consumer, excuse me, in Shrewsbury. Strong household income really does matter.

There is so much conflicting information out there on consumer confidence and tenant performance. I really focus on three key metrics: well-located real estate, high income areas, and strong retail sales. This combination creates a solid foundation in any market climate.

I looked at a few of our tenants that report sales publicly, TJX, CAVA, Old Navy, Chipotle, and Anthropologie, and I compared their national sales on average with our average portfolio sales. Across the board, Federal Realty properties exceeded national averages anywhere from 15% to 40%. This doesn't even take into account the e-commerce halo effect of brick-and-mortar location.

Remember, higher sales disproportionately enhance store profitability. This measurement is not perfect, but it does signal the strength of the real estate and our ability to drive rents, which really is just a function of sales. A diversified retailer base is how I feel comfortable that we are prepared for the near term as well as the long term.

Lastly, I did want to talk about our current discussions with retailers and navigating the changing tariff landscape. As our retail partners have reminded me, sophisticated retailers have been diversifying their supply channels for over five years now and have been navigating tariffs for years beyond that.

I don't want to suggest it will be business as usual, of course not, but until there is some clarity on where tariffs land, the retailers that we have spoken to have not made any material changes to either their open-to-buy requirements or their capital expenditures. We will continue to monitor this and get feedback as we head into our Vegas Convention in a couple of weeks. Stay tuned.

Dan?

**Dan Guglielmono**

Thank you, Wendy.

Hello, everyone.

A reported NAREIT FFO per share for the first quarter of \$1.70 came in at the top end of our guidance range and represented almost 4% growth on a per share basis. Revenues were up 6% and POI was up almost 5% for the quarter on a year-over-year basis.

Primary drivers for the solid 1Q performance were, one, lower than expected credit reserve utilizations, which highlights our lack of any material exposure to bankrupt tenants. Two, higher rental revenue than we had forecast and lower G&A due to ongoing focus on cost controls. This was somewhat offset by higher-than-expected property expenses, primarily driven by snow.

Comparable POI growth, excluding prior-period rents and term fees, came in at 2.8% for the first quarter,

which is better than the mid-2% range we had forecasted in the February call. Comparable base rents were up 3%, and comparable total revenues up 4% for the quarter on a year-over-year basis.

A quick update on office leasing for the quarter, where we continue to see very, very positive momentum. A hundred and eighteen thousand square feet of total leases with signed new deals at Santana West for over 60,000 square feet during the quarter, with starting base rents north of \$50 per square foot. We remain optimistic that Santana West will be nearly fully leased by the end of the year.

We also added an additional 27,000 square feet of leases at 915 Meeting Street at Pike & Rose, also north of \$50, where we expect to be stabilized at 96% leased by the end of this quarter.

With respect to our in-place mixed-use office portfolio, occupancy, leased occupancy, now stands at 98%, with a weighted average lease term in excess of eight years.

Now to the balance sheet and an update on our liquidity position. In March, we refinanced our \$600 million term loan, effectively extending the final maturity out to March of 2030, while expanding the size of the loan to \$750 million. We increased the loan by \$150 million by adding a delayed draw feature, which we expect to take down by year-end, while also improving pricing on the loan by reducing the effective spread by 10 bps.

As a result, this has allowed us to improve our liquidity at quarter-end to roughly \$1.5 billion, with over \$1.2 billion available on our unsecured credit facility, over \$100 million of cash, and \$150 million available under the new term loan.

During the quarter, we took down our remaining forward common equity, totaling \$55 million of gross proceeds previously raised a share price north of \$115 per share. This was effectively utilized to fund a portion of the \$123.5 million purchase of Del Monte Shopping Center in Monterey, California.

During the quarter, as a result, our leverage metrics remained in line with our forecast. First quarter annualized net debt to EBITDA stands at 5.7 times, down from six times as reported on this call last year. We are targeting improving that metric over 2025 to be inside of our targeted 5.5 times level.

Fixed charge coverage now stands at 3.8 times, up from 3.5 times at this time last year. We expect this metric to continue to improve toward our four times target over the course of 2025.

We have made significant progress on our asset disposition efforts over the first quarter as well. We are actively in the market with over \$250 million of assets at various stages in the sale process. Currently, we have approximately \$150 million under a firm contract with a blended yield in the upper 5% cap rate range. We will report details on these transactions when completed.

From a capital flexibility perspective with roughly \$1.5 billion of capacity, plus the aforementioned asset sales and process, we are very well positioned and ready to take advantage of any market dislocation, whether it be in the acquisition market or with respect to repurchasing our stock, which currently trades north of the 7% implied cap rate.

To that end, on April 10, our Board authorized a \$300 million common share repurchase program given the significant volatility which has impacted the capital markets earlier in the quarter.

Now, on to guidance. Given a solid first quarter landing at the top end of our \$1.67 to \$1.70 range, we are raising our forecast for FFO per share to \$7.11 to \$7.23. This represents about 6% growth at the increased midpoint of \$7.17, and roughly 5% and 7% at the low and high end of the range, respectively.

We are affirming our forecast for 2025 comparable POI growth of 3% to 4% to 3.5% at the midpoint. We expect occupancy levels to be flat in Q2, but then grow from this current level in the second half of the year into the mid-94s by year-end 2025 on a comparable basis, given the deal signed to date and the robust pipeline of leasing activity in process.

Given limited exposure to bankrupt tenants in a better-than-forecasted first quarter for our utilization of our credit reserve, inside of 60 basis points, this positive start to the year sets us up to land in the bottom half of our 75 basis points to 100 basis points range.

We are also adjusting our forecast for G&A down slightly to \$45 million to \$47 million from the previously disclosed level of \$45 million to \$48 million.

All other assumptions to our 2025 guidance remain unchanged. Please see the updated summary of these guidance assumptions in our 8-K on Page 27.

With respect to quarterly FFO cadence for the balance of 2025, we are leaving our quarterly estimates essentially as is, with the second quarter at \$1.70 to \$1.74, the third quarter at \$1.89 to \$1.93, and the fourth quarter at \$1.82 to \$1.86.

Please note that we continue to expect the revenues from our new market tax credits to be recognized in the third quarter, but it is possible we may recognize those earlier, as early as the second quarter.

Cadence for comparable growth will build on the modestly stronger-than-expected first quarter results of 2.8% and move higher throughout the balance of the year.

With that, Operator, please open the line for questions.

**Operator**

Thank you. To ask a question, you may press star, then one on your telephone keypad. If you're using a speakerphone, please pick up your handset before pressing the key. To withdraw your question, please press star, then two. Please limit yourself to one question at a time. If you have further questions, you may reenter the question queue.

The first question comes from Jeff Spector of Bank of America.

**Jeffrey Spector**

Great. Thank you.

**Operator**

Please go ahead.

**Jeffrey Spector**

Great. Thank you. I wanted to see if Wendy could just clarify her comment around the mix of deals executed in the quarter, the 2% rate on the new lease rate. Wendy, I think you had some comments on your expectations, or role in the coming quarters. Was there anything particular around, again, what expired, let's say, in 1Q? Any more color you could add to that? Thank you.

**Wendy Seher**

Sure. Yes, it's mostly timing. We had some deals that hit right after the first quarter versus in the first quarter. It's not always perfect. It does cause a little noise, which I know probably makes Dan crazy. It's really just noise. The first quarter was a good, solid quarter, more normalized levels than we had last year, which was totally expected. Good categories between food, and sweet greens, and honey grow, and beauty is still very in favor. Grocery, furniture, apparel, both full price apparel and value. It was really a widespread of deals that got signed.

**Donald Wood**

Yes, Jeff. The only thing I would add to that is if the cutoff was April 10 instead of March 31, it would have seemed like a record quarter. It really is, for a company of our size and what we do, just a, it's a matter of timing. All good for the year.

**Operator**

The next question is from Michael Goldsmith at UBS.

**Michael Goldsmith**

Good afternoon. Thanks a lot for taking my question. Two point eight percent seems to outline NOI growth in the quarter. The guidance for the year is 3% to 4%. Can you walk through some of the factors that's going to drive the acceleration of same store NOI through the balance of the year to hit the guidance range? Thanks.

**Dan Guglielmone**

Yes, I think the biggest driver is going to be continued gains in occupancy over the course of the year. That would be our—the primary driver of getting us up into that 3% to 4% range. We had fully expected—actually expected a weaker first quarter, but occupancy is going to be the big driver there.

**Donald Wood**

Obviously, Michael, that is on leases that have already been done and will simply get open. That's not speculative.

**Operator**

The next question comes from Michael Griffin at Evercore ISI.

**Michael Griffin**

Great. Thanks. Maybe just some more color on the concessions that you saw in the quarter. If I look at the comparable leases of about \$370,000, the TIs recall it \$19, \$20, something like that, versus the total pool of \$430,000 leases signed where TIs were in the high 20s. On that non-comparable segment, can you give us a sense of maybe why those TIs are elevated? It sounds like some leases were signed and some of the office projects, maybe that contributed to it, but just what's the concessionary environment look like? Any color you can provide there would be helpful.

**Dan Guglielmone**

Yes, that's just driven by one deal with a tenant that we are giving a reasonable concession to. That

happens in the business, good strong deal with Life Time Fitness, and I feel really excited about having them join the ranks of Santana Row and bringing that category to really further enhance the offering there. I don't know if Don, you have anything you want to add?

**Donald Wood**

No, I just want to add that there's a deal there that we can't talk about completely. We could talk about the Life Time deal, but not effectively the other side of that deal and where it's going. I'm very excited to tell you about that when I can, which will be a month or two. Probably by the time Navy comes along. One of the best deals we've ever done. Certainly, there's a concession, if you will, in that particular deal, but it's for an entire building, and this makes all the economic sense in the world. Don't look at concessions as being a—TIs going up as being anything more than that particular deal. In fact, we're really proud of how we've been able to lever the supply-demand dynamic out there to be able to get TIs as low as they are. I think when you see that, see where we are, you'll see those numbers are lower than they've been in quite some time.

**Dan Guglielmono**

Yes, being inside of on the comparable pool, inside of \$20, and overall, at \$15, including everything, it's probably one of the best results we've had in a while.

**Operator**

Your next question comes from Craig Mailman at Citi.

**Craig Mailman**

Hi. Can I just clarify, the distance you have in the market, was it \$250 overall with \$150 under contract? Also, just use of proceeds there, is that—could that be earmarked for buybacks, or you guys have that earmarked for the development pipeline?

**Dan Guglielmono**

Yes, we currently have \$250 in the market; \$150 is under contract, you heard that correctly, are proceeds there and we'll see what gets done. We're optimistic on them, but we'll see. We also have a big, I think stable of properties we'd consider bringing to market further along in the year as well. I think we'll be opportunistic. I think we've demonstrated, in our history, a discipline in terms of deploying capital in a risk-adjusted way that is very beneficial to shareholders, beneficial to FFO per share in the first year and on a long-term basis, and I would not be surprised if the opportunity arose. We could look, I don't think we'd do it today, but at the right stock price, we would absolutely buy back shares through our buyback authorization.

**Donald Wood**

Yes. Just, of course, I have to add something to it if you don't mind. That is, look, we've gotten now our debt-to-EBITDA to a place I'm very comfortable with. Frankly, (inaudible) is very proud of where that is and how we've gotten to—that to that point. That means that proceeds from things like asset sales are available for capital allocation to the extent whatever capital allocation scenario makes the most sense. That certainly can be acquisitions. It certainly can be the right kind of development, although that's obviously the hardest to get to right now, or it could be shares. Look, there has to be a spread, if you will, that's decent between the share price and what an acquisition opportunity is. That's not a one-for-one thing. Our business is to grow this Company and we need to do that aggressively. When that gets too

wide, then that's our best investment. I hope that's helpful in terms of framing this.

**Operator**

The next question comes from Juan Sanabria at BMO Capital Markets.

**Juan Sanabria**

Good afternoon, and thanks for the time. I'm just hoping you could talk a little bit more about the performance in D.C. I recognize that foot traffic is up, but I believe there was some mention of sales and comping performance in the federal stores versus company-wide statistics. Is—are sales in the D.C. area holding firm, or have you seen basket sizes come down? If you have any thoughts or data you could share around restaurant performance in particular, that'd be super helpful. Thank you.

**Donald Wood**

Yes, Juan, let me give you a couple of things about this, and Wendy, obviously, feel free to jump in here. Look, we don't get sales reporting all that—on time, so I can't tell you what sales were last week, or last two weeks from that, two weeks ago or whatever. I can tell you that the wintertime was soft with bad weather. It was soft everywhere and did not see a discernible difference between D.C. Springtime came, boom. We see it in the form of traffic. I expect to see it in the form of sales once sales are reported also. I think that's good stuff. There's a broader comment that I—conversation I want to have with you here, though, and that is—headlines are one thing, don't short D.C. Don't short D.C. When I say that, I'm obviously referring to our particular portfolio, but I think, frankly, it's even broader than that. When you think about the long-term places to live, where there are great schools, where there is great infrastructure, this place beats most places in the country by a lot. It's not, although federal government is an important part of what's happening, this is not a one-industry town, any way you look at it, banking, finance, real estate, lawyers, I mean, lots of them, and they're all busy. There's a lot of commerce in this place that will fill any type of hit that we ultimately see. I'm pretty darn confident of that. I've now lived here 27 years, and it's a very dynamic marketplace. I hope that's helpful.

**Operator**

Next question is from Connor Mitchell of Piper Sandler.

**Connor Mitchell**

Hi. Thanks for taking my question. I guess, turning to acquisitions, and maybe just a big-picture question, you guys bought Del Monte in the quarter. It's a pretty good size. We've seen some other larger acquisitions in REIT land throughout the first quarter and earnings, etc. Just curious, was there anything that spurred this trend towards the larger centers? How long do you see this cycle maybe continuing as well?

**Donald Wood**

Connor, it's a great question in terms of how long do you see this cycle. I don't know, but I do know a bunch of things. First of all, we have always looked at larger centers. It's frankly core to what it is that we try to do because we view ourselves very much as real estate people with the ability to add density to centers. More of that can happen in a bigger center. There's more opportunities. We always are biased, if you will, to the larger size.

In terms of deals that are getting done and all that, just remember the lag in timing. Stuff that's getting

done now is stuff that's been in the works for six months, or eight months, or whatever it's been. I tried to say this in my remarks. I think this is really important to figure out. Obviously, I'm saying the sky is blue here. When there is a lack of predictability, how do you underwrite? There only one way to underwrite. When you do that and that's it, you put more cushion or a different situation. That is where we are today trying to figure out what IRRs you're actually going to receive if you close on a deal today. If I had my way, I'd try to get another 30 days, 60 days, 90 days of visibility with respect to that marketplace because it's all about time, trying to see where this all shakes out. If it shakes out great, then maybe there's an opportunity or two that got missed. The downside of that is very, very small, as opposed to if, obviously, this doesn't shake out as well as it should, the downside is bigger. I'm looking for time right now. I can't tell you how long, but I will tell you that I expect to see something different and have a different point of view, or a more informed point of view, on the second quarter call.

**Operator**

The next question comes from Haendel St. Juste at Mizuho.

**Male Speaker**

Hi there. This is Robbie Vandy on the line for Haendel. I hope you guys are doing well. Can you talk about your acquisition pipeline, and any other changes in the transaction markets? Are any deals falling through or getting retraded? I think there was an acquisition in Kansas that was mentioned and discussed. Are you seeing any changes in cap rates or risk premiums? Thank you.

**Donald Wood**

Yes, that's a fair question. I'm obviously not going to comment on any deals that we're in the middle of and that have not been resolved one way or the other that way. I can tell you that, and Jan is here to add to this, we're looking at a bunch of stuff. How best to underwrite it is the question. I think you're going to want us and other people, whoever's buying, to be careful with respect to the underwriting assumptions they're making. I have not seen deals—the deal flow in terms of what's available stop. Whether those deals actually happen or don't happen, time will tell. I suspect that's different for public buyers than it is for private buyers to some extent for some pretty obvious reasons. I don't have a lot more to say to that, Jan, in terms of the pipeline.

**Jan Sweetnam**

Well, I would say that the transaction market is still pretty strong. There are still deals that are happening. I think the flow of new deals coming out here since April 2 has slowed down a little bit. Don mentioned that he's looking for time, 30 days, 60 days, 90 days. I think that's probably the same thing for some sellers out there for sure, and that's putting a little bit of a new specter on the market itself. Cap rates feel like they're pretty solid. They perhaps have stopped going down and flattened out a little bit, and some sellers have reached down to buyer's expectations. Right now, it's a healthy market, but we'll see what happens. There's still plenty of opportunities out there. There's a great pipeline that we think is going to be coming. We're going to have a lot of dry powder and we're well-positioned to take advantage of it for sure.

**Operator**

The next question comes from Greg McGinniss with Scotiabank.

**Greg McGinniss**

Hi. Good evening. Wendy, I'm just trying to reconcile two comments from your opening remarks, one of

which was you're seeing more normalized leasing volume in Q1 given higher occupancy, but also that Q2 is seeing executed leases above the historical pace. What's the expectation for the year then?

**Wendy Seher**

I think with a leased rate of 95.9%, we're going to continue to see normalized leasing. I think leasing can be chunky, so you can have highs and lows and it all kind of measures out, but I think it'll be normalized and healthy. I just don't think you're going to see the—we were doing 30% more lease volume than we historically have ever done, but at almost 96% occupied, I think it's going to be very normal and healthy.

**Donald Wood**

Yes. What you should expect from us is, and what that means is, 400,000, 450,000 square feet a quarter on the comparable basis, more when you add in the office and the other stuff to that. What we've been doing is, as Wendy said, a bunch more than that. When you look at 370,000, that 370,000, again, if you made an April 10 deadline, you'd see that back up at over 450,000 square feet. That's the reconciliation, if you wouldn't mind, I think, if you get it in terms of what normalized is versus what happened in the quarter.

**Operator**

Next question comes from Ki Bin Kim at Truist.

**Ki Bin Kim**

Hi. Good afternoon. A little bit of a random question for you, Don, but do you think, perhaps managing a mall—owning and managing a mall requires a different skill set or a difference in corporate infrastructure than what you have today?

**Donald Wood**

Oh man, is that a loaded question? Holy smoke. Look, it's a different business. There is no doubt about that. It's certainly more fashion focused. It's certainly physically very different. It deals with certain different tenants than open air does. Yes, it's a different business. Whether it's better or worse, I leave that to you guys to assess. That's really all I have to say about that.

**Operator**

The next question comes from Floris Van Dijkum at Compass Point.

**Floris Van Dijkum**

Hi, guys. Thanks for taking my question. Getting back on the capital allocation topic, Don, maybe if you could talk about, I know you've got the buyback authority, you've got asset sales under contract, you've got more in the market, your stock is—your implied cap rate is 7%. As you deploy capital towards—as you're choosing between acquisitions and share buybacks, what is your hurdle rate? Shouldn't any acquisition yield more than 7%, and isn't buying back your stock your lowest risk investment that you could possibly make today? Or how should people think about that? How do you think about that today? Also, maybe talk about the delta between where you issued stock at in the first quarter and where your stock is trading today?

**Donald Wood**

Floris, you asked a very good question, and I don't think it's as simple as straight math. The way I look at it, there's a reason that we exist. We are here to put high quality retail-based products to work to create growth for our owners over the long term. That's what our business plan is. That's what we're darn good at doing. To the extent you can buy something at a 7% yield, but the stock is trading at a 7.1%, does that, in and of itself, say you should buy back stock? No, I don't believe it does. Because it's not just about that initial yield. It's about the long-term business plan, the IRR that you're going to create, etc. It's all matched together. Now, there is a point when that gets too wide. I can't quantify that exactly for you today, but I can tell you what, when we were trading in the mid-\$80 range and any acquisition had to be in the mid-\$60s, that's too wide. I'm hopeful that that is helpful for you. Beyond that, I don't want to do the math for you because it's more, as they say, than the math there. That should give you some parameters.

Gosh, what was the last part of Floris' question?

**Dan Guglielmone**

I think you covered it.

**Donald Wood**

You think I covered it?

**Dan Guglielmone**

I think you did.

**Donald Wood**

All right, Floris. Dan says I covered it. Thanks for the time.

**Operator**

The next question comes from Paulina Rojas at Green Street.

**Paulina Rojas**

Good afternoon. What pricing insights in terms of cap rates do you think are fair to draw from the transaction of Legacy West when evaluating your flagship mixed-use asset?

**Donald Wood**

All right. Dan's pointing at me, Paulina. Look, that's a great asset. I think particularly the structure with which they were able to complete that with the combination of private money and public money, I think that's a great deal for those guys. I wish them all the best luck. I love the structure with respect to that.

I think it does tell you that there are buyers out there that do appreciate how important the integration of uses are to the value of the entire piece of real estate. That really helps. As you and I have talked many times, it's one of the reasons that I believe that our mixed-use assets, in particular, are not trading the way they should be relative to the private value of those assets. Now, I don't know exactly what the cap rate was, I don't know exactly what the IRR would be with respect to that asset, but I can tell you that while that's a full price, I think that makes a lot of sense for that particular buyer group.

**Operator**

The next question comes from Michael Mueller, J.P. Morgan.

**Michael Mueller**

Yes. Hi. If the consumer really hits a wall, what segments of the portfolio do you think you see the impact first, either in terms of pullback in tenant demand or just tenant stress? Would it be dining or something else?

**Donald Wood**

It's a fair question to look for the segment. The problem is I don't think it works like that, Mike. I can tell you that our dining segment, our restaurant segment, was the best performance segment in the company after the GFC, and everybody was worried about that particular segment. Why? Because in the markets that we're at, with the operators, that's that, we had, with the occupancy ratios, that they were able to not only—had the room that they had those occupancy ratios. When you put all that together, that was not a segment that overall was at risk. It doesn't really come down, in my view, to the segments as it does to the health of the operator, the health of the occupancy ratio, and their ability to withstand what is always a cyclical business. I don't have a specific place for you. That's why we spend so much time trying to put the right tenants together, not only in terms of use, but the operators within the type of use that they are.

Also, the resilience of the consumers that we have in our markets. That's why we make the statement, and that's why we perform exceptionally well when the broader consumer has hit a wall, as you as you discussed. We perform better because we have stronger, higher degrees of affluence, discretionary income, discretionary network.

**Operator**

The next question comes from Linda Tsai at Jefferies.

**Linda Tsai**

Thanks for taking my question. Just on the lower bad debt, was that a function of tenants you didn't expect to pay, actually paying? Or was that just lower—from lower general bad debt reserve?

**Dan Guglielmone**

It was a combination of things. I think that we—one, we have a lower level of concern with bankrupt tenants and surprises because I think of the strength of our portfolio, the strength of the operators that Don just mentioned. I also think that just being able to keep tenants in longer and just performing better in terms of, I think, collecting rent and eking out better than we had underwritten. That utilization of our credit reserve was a reason for the out performance in the quarter.

**Jill Sawyer**

Amy? Operator?

**Donald Wood**

We done? Looks like maybe.

**Jill Sawyer**

There's one more question. Operator, are you there?

**Donald Wood**

We lost our Operator. Craig, are you there? Craig, we can give you a call after to follow up on your question.

**Craig Mailman**

Thank you. Hello?

**Donald Wood**

Oh, ask it.

**Craig Mailman**

Oh, great. Hi. Yes, for a follow-up, thank you very much for taking it. You talked about the changes in underwriting that you're having to do on acquisitions and how the environment has changed. I'm curious how that has impacted your view on redevelopments, or residential development that you talked about adding some projects to the pipeline over this year and next.

**Donald Wood**

Yes, Craig, it's a great question. There's a couple of things in there. The first is obviously when you're talking about adding residential developments to our existing assets, the question is, at what cost? The absence of understanding construction costs, given the tariffs right now, that's a problem. Certainly, that creates a lack of predictability there.

Now, we are—we have just started and moved forward with Hoboken, which is a residential over retail development that, frankly, we had gotten the cost locked in—or 90% of the cost locked in before April 2. That was important for us to go. That, by the way, is a concrete building. There's less of the volatility associated with that. You're talking about a stick-built building right now? Yes. That's harder to understand if you're getting your lumber from Canada and you're getting your appliances from China. Until there is better clarity on that so that we can lock in costs before we go, that's a harder thing for us to deal with than for anybody else to deal with, obviously.

In terms of acquisitions, the underwriting goes—you look at—you run a downward scenario. It's not just your particular scenario. You've got to look at an economy that, to the extent it gets weaker, what would that do to the rent roll, and you apply your particular—you put—apply your purchase price to that. Also, because IRRs, and IRRs are important to us, would be impacted most in a downward scenario by the next couple of years, those first few years in a 10-year IRR are disproportionately impactful. That needs to be considered at a time when you have less vision here.

**Operator**

This concludes our question-and-answer session.

I would like to turn the conference back over to Jill Sawyer for any closing remarks.

**Jill Sawyer**

I look forward to seeing many of you at the next few weeks in the upcoming conferences. Thank you for joining us today.

**Operator**

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.