Federal Realty Investment Trust

First Quarter 2023 Earnings Conference Call

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CORPORATE PARTICIPANTS

Leah Brady, *Vice President, Investor Relations*

Donald C. Wood, *Chief Executive Officer*

Dan Guglielmone, *Executive Vice President, Chief Financial Officer and Treasurer*

Wendy Seher, *Executive Vice President, Eastern Region President*

Jeff Berkes, *President and Chief Operating Officer*

CONFERENCE CALL PARTICIPANTS

Juan Sanabria, *BMO Capital Markets*

Craig Schmidt, *Bank of America*

Steve Sakwa, *Evercore ISI*

Greg McGinniss, *Scotiabank*

Connor Mitchell, *Piper Sandler*

Hassan, *Citi Investment Research*

Floris Van Dijkum, *Compass Point*

Derek Johnston, *Deutsche Bank*

Michael Goldsmith, *UBS*

Ravi Vaidya, *Mizuho*

Hong Zhang, *JPMorgan*

Paulina Rojas-Schmidt, *Green Street Advisors*

Tayo Okusanya, *Credit Suisse*

Linda Tsai, *Jefferies*

Alexander Goldfarb, *Piper Sandler*

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PRESENTATION

Operator

Good day, and welcome to the Federal Realty Investment Trust First Quarter 2023 Earnings Conference Call.

All participants will be in a listen-only mode. (Operator Instructions) After today's presentation, there will be an opportunity to ask questions. (Operator Instructions) Please note this event is being recorded.

I would now like to turn the conference over to Leah Brady. Please go ahead.

Leah Brady

Good afternoon. Thank you for joining us today for Federal Realty's First Quarter 2023 Earnings Conference Call.

Joining me on the call are Don Wood, Dan G., Jeff Berkes, Wendy Seher, Jan Sweetnam, and Melissa Solis. They will be 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 within the meaning of the Private Securities Litigation Reform Act of 1995. 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 these 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 this afternoon, 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 results of operations.

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

With that, I will turn the call over to Don Wood to begin our discussion of our first quarter results. Don?

Donald C. Wood

Thanks, Leah, and good afternoon, everybody.

Strong start to 2023 here, with $1.59 first quarter FFO per share result, ahead of both consensus and internal expectations, and 6% growth over last year's first quarter. Also, it happens to be the best first quarter result we've ever posted, and here's the best part. We signed 101 comparable leases for more than half a million square feet at $34.72 a foot, 11% higher than the cash basis rent the previous tenant was paying in the final year of their lease, 24% on a straight-line basis. Demand was exceptional, with momentum encouragingly strong at the end of the quarter, late March.

As you know, I've been expecting the inevitable tail-off of leasing activity for months and months now, as the portfolio leases up. These activity levels exceed historical levels by 20% to 30%. We just plainly haven't seen that tail-off yet. The retail demand for the product that we offer is in lockstep with what today's consumers and retailers demand in these affluent first-ring suburbs of major metropolitan areas.

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One of the larger drivers of that leasing performance this quarter was the signing of four grocery deals, three new deals and one renewal. The renewal was at Dedham Plaza in the Boston suburb with Star Market, an Albertsons branch. The new deals include: a Giant Food replacing Shoppers Food Warehouse in Perring Plaza in suburban Baltimore; a grocer, that I'm not allowed to announce yet, replacing Michaels at Fresh Meadows in Queens; and ALDI replacing Barnes & Noble on Long Island. Together, these four deals turn $3.3 million in base rent, or $17.81 a foot, to $4.4 million in base rent, or $23.40 per foot; strong rents and rent growth in proven, productive centers in Northeast densely populated suburbs. The timing of them all getting done in the first quarter bodes well for the future.

The Bed Bath bankruptcy filing news, while not exactly welcome, was inevitable, and, frankly, better that the band-aid is being ripped off so that we can get on with creating incremental value in our shopping centers. There are many more productive retailers than this one that should be serving our customers. Deals are in the works for all of our Bed Bath boxes, and replacement rent should start to ramp up in late 2024. With average Bed Bath base rent at $15 a foot, rest assured that Federal's portfolio will be more valuable, not less, once these locations are re-tenanted. Dan will provide more detail on what we've assumed in our numbers.

The natural lease expiration of a large-format Bed Bath & Beyond store at Wynnewood Shopping Center in suburban Philly closed in January, as expected, and was the primary cause of a modest 20-basis-point drop in occupancy in the quarter. That closure, along with a Tuesday Morning in suburban Boston that also closed when the lease expired in January, barely overshadowed the many store openings elsewhere throughout the portfolio.

Meanwhile, small shop occupancy gains continued unabated during the quarter, and increased 50 basis points. That's a total increase in small shop occupancy of 270 basis points since Q1 2022. The quality of our shop tenants and the discerning way that we choose them at our properties is where we create a ton of value. All small shop tenancy is not created equal, and as much as I love the grocery deals I mentioned earlier, it's the retail side of the big four mixed-use communities that I find most impressive. Taken together, Assembly Row, Bethesda Row, Pike & Rose, and Santana Row are a real company differentiator for Federal, and more in demand than ever before. With retail lease occupancy at 98% and tenant sales well above 2019 levels, these properties are humming with estimated foot traffic in excess of 28 million shoppers in the trailing 12 months. That's a big number and comes from the database of Placer.ai. Roughly two-thirds of tenants report sales at the big four, so the numbers are representative. Overall sales per foot total $700, with total food and beverage sales per foot in excess of $1,000. In our estimation, this is the product and the markets that consumers in a post-COVID world want the most.

I know you've heard me say it many, many times before, but it bears repeating. Demographics matter, especially in times of economic pressure, and especially now that the $5.5 trillion of government stimulus that propped up the economy during the pandemic years is waning. Past cycles have convinced us that families simply have to have money to spend for retail real estate cash flow to grow. Sixty-eight thousand households with average annual household income of $150,000 sit within three miles of Federal Realty centers. That's $10.2 billion of family income generated within a three-mile radius, and more than half of those people have a four-year college degree or better. I know of no other significantly-sized retail portfolio that can say that.

It was a late quarter on the transaction front, where we sold a small grocery-anchored shopping center in the quarter for $13 million. Not coincidentally, that center, located in very suburban New Britain, Pennsylvania, had one of the lightest three-mile population demos in our portfolio, and was an obvious candidate for sale.

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More interesting was our acquisition of the fee interest in the anchor tenant leases at Huntington Square Shopping Center on Long Island from Seritage Realty Trust for $35.5 million. Back in 2010, we had purchased a leasehold interest in the shop tenants with the hopes of some day finding a way to consolidate the anchors and the fee. With this first quarter transaction, we now fully control this 18-acre parcel in affluent East North Fork Long Island, and as I mentioned earlier, we just replaced Barnes & Noble with an ALDI grocery store here, creating another grocery-anchored property in the portfolio. With a $5 million-plus annual income stream on our $56 million all-in investment, we've created a much more valuable property with an unlevered IRR in the low-teens and, arguably, $20 million-plus of immediate incremental value.

You might have also noticed that after the quarter's end, we refinanced our $275 million in bonds, coming due June 1, with a new five-year $350 million green bond at 5.375%. The offering was significantly oversubscribed, with demand helped by our LEED Gold, or better, investments. Next up will be the financing, or the refinancing of our $600 million bonds coming due next year. We would expect to be opportunistically in the market at 400 points in the second half of this year. For an additional source of growth in 2024 and beyond, you only need to look at the $600 million-plus of construction in process on the quarter-end balance sheet to identify a large source of future income on capital already invested, much of it leased, not yet reflected in the results.

What was reflected in the quarterly results was a $10 million property operating income contribution from the latest completed phases of some of our mixed-use operating properties; namely, Assembly Row Phase 3, 909 Rose at Pike & Rose, and a full quarter of stabilized CocoWalk, which contributed; and finally, our floor-by-floor buildout of Santana West seems to be attracting more interest in the marketplace, as inquiries and property tours have seen renewed life in the last 30 to 60 days. The tech sector in Silicon Valley is far from settled, but the increased activity is certainly welcome. We continue to see our fully amenitized office space at our mixed-use communities to be the product of choice in their respective markets.

Okay, that's about it for my prepared remarks,, and I'll turn it over to Dan, before opening it up to your questions.

Dan Guglielmone

Thank you, Don, and hello, everyone.

Our $1.59 per share of reported FFO was a first quarter record for Federal and solidly above our expectations and last year's $1.50 result, representing a 6% annual increase. That outperformance, again, was broad-based, as all facets of our business continued to contribute. Specific drivers which deserve mention; overage percentage rent continues to outpace expectations as tenant sales demonstrate strength and resiliency; parking revenues also saw gains above forecast, as customer traffic at our large mixed-use assets continues to drive higher. Small shop occupancy again showed gains; and we saw lower expenses both at the property and corporate level. This was offset modestly by higher collectability impact or bad debt expense than was forecast.

Our GAAP-based comparable POI growth metric was 3.6%, coming in in the upper end of the range of our 2% to 4% initial guidance. On a cash basis, comparable excluding prior period rent term fees is 5.2%. Cash basis comparable minimum rent grew by 4%. Term fees in the comparable pool this quarter were essentially flat to first quarter 2022, at $1.4 million in each period. Prior period rent this quarter was $1.3 million, versus $2.4 million in the first quarter last year.

Please note that we have added all of these figures to Pages 10 and 11 of our 8-K supplemental disclosure. You're welcome, Steve.

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Year-over-year occupancy results were also solid, with our overall occupied metric growing 140 basis points year-over-year, from 91.2% to 92.6%, and our lease percentage increasing 50 basis points, from 93.7% to 94.2%.

Sequentially, we took a small, but anticipated, step backward, given 1Q seasonality and two known anchor departures in January at lease expiration, which were reflected in our guidance. Our signed/not-occupied spread in the existing portfolio stands at 160 basis points, as we continue to show progress in getting tenants open and rent-paying. This spread represents roughly $18 million of incremental total rent. Our signed/not-occupied in our non-comparable pool stands at $18 million, as well, of total rent, bringing total signed/not-occupied to $36 million. This effectively brings our SNO percentage to a total of 3%. These executed leases will continue to drive bottom line results over the next two years, with roughly 65% coming online over the remainder of ’23, and the balance primarily in 2024. When you include new lease deals in our pipeline for currently unoccupied space, this increases the SNO figure even higher.

Rollover for the quarter was 11% on a cash basis and 24% on a straight-line basis, the second consecutive quarter to have the cash number in double digits and a straight-line number up into the low to mid-20s. I highlight the straight-line number, as it reflects sector-leading contractual annual rent increases embedded in our leases. Both anchor and small shop blended at roughly 2.25% across the portfolio. Year-to-date, small shop rent bumps have averaged about 3%.

Now, to the balance sheet.

We ended the first quarter with $1.3 billion of total available liquidity at quarter end, comprised of $1.2 billion available under our revolver and $100 million of cash. As many of you saw, we successfully accessed the unsecured market subsequent to quarter end with $350 million of a 5 and ⅜ green bond, and, as a result, no maturities until early '24. Also, keep in mind that for our term loan, whose initial maturity is also in 2024, we have two one-year extensions, at our option, taking that maturity into 2026.

With respect to our leverage metrics, our net debt-to-EBITDA ratio is roughly 6 times as adjusted, and we fully expect to be back to our targeted level in the mid-5 times in 2024. Additionally, we are targeting free cash flow after dividends and maintenance capital to return to pre-COVID levels by next year.

Our in-process pipeline of active redevelopments and expansions now stands at $740 million, with only $250 million remaining to spend against our $1.3 billion of available liquidity.

Now, on to guidance.

With initial guidance to start the year showing FFO growth of 2.5% at the midpoint and 4% at the top of the range, and a solid first quarter under our belts, we are affirming guidance for 2023 at $6.38 to $6.58 per share. While we continue to see strength and resiliency in our business, with three quarters left for the year, it is rare that we would modify guidance at this point in the year.

For the first time in almost two years, we are seeing tenant bankruptcies in retail, as selective businesses struggle to compete in a challenging economic environment of higher interest rates and diminished government subsidies from the pandemic. Despite the bankruptcies to date, where we have very manageable exposure, we still feel comfortable with our initial 100 to 135 basis points of total credit reserve, comprised of roughly a 75 basis points general reserve and a 25 to 60 basis points of specified Bed Bath reserve. Now, given where we started in May and the expected range of outcomes, this Bed Bath reserve has now been reduced to 20 to 45 basis points, given the cash rents we've already received on eight of our nine anchor boxes that have not yet been rejected, including May rent. That range will depend on the timing of the bankruptcy process and which leases are affirmed and/or assumed, if any.

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From a comparable growth perspective, given a solid first quarter metric, we are affirming the 2% to 4% range for comparable POI growth, as well as our 3% to 5% range on a cash basis, adjusting for prior period rent and term fees. Page 27 in our 8-K provides an updated summary of the key assumptions for our guidance.

Now, in addition to the expanded disclosure on term fees and prior period rent that I previously highlighted, you'll also notice several other additions to our 8-K relating to revenues, comparable POI growth, debt, occupancy and leasing metrics, demonstrating our commitment to continuing to expand our disclosure to provide the information we believe is most relevant for investors to analyze our business effectively and efficiently.

With that, Operator, you can open up the line for questions.

Operator

Thank you. We will now begin the question-and-answer session. (Operator Instructions) At this time, we will pause momentarily to assemble our roster.

Our first question comes from Juan Sanabria with BMO Capital Markets. Please go ahead.

Juan Sanabria

Hi. Thank you for the time. Just curious, on the renewals, those popped up in the fourth quarter if you look relative to the trailing 12, and you also had lower TIs. Is that a mix or is that kind of a new normal? I know you mentioned some anchor leasing. Just curious if you can comment on that. Thank you.

Donald C. Wood

Yes. It was essentially a mix with regards to just what got done during the quarter. One of them was the grocer renewal that we had up in Dedham, but also just a broader mix, and obviously the TIs, again, a mix of the leases that got done.

Operator

The next question comes from Craig Schmidt with Bank of America. Please go ahead.

Craig Schmidt

Yes, thank you. I kind of wanted to talk about mixed-use and added resi. I notice on your future development opportunity page; you've gone from six mixed-use projects that could add residential to now we have 14. What I'm wondering is—I've heard you say that a third of your properties or mixed-use now—where do you think you might be in five years' time? The second is will mixed-use assets grow faster in their rents than strictly retail ones, and what are retailers telling you about mixed-use and what are the resi people telling you about mixed-use?

Donald C. Wood

Boy, Craig, that's pretty funny. I love how we limit it to one question and you have a whole white paper in that question there. You're the best. So, a couple of things.

Craig Schmidt

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I apologize upfront.

Donald C. Wood

Don't at all, don't apologies at all. I'm just having a little fun. Listen, what you see in the 8-K is a continuation of what we believe, and that is the ability, wherever we can, to maximize the use of the real estate that we own, especially when we're talking about successful retail shopping centers with—and you know ours are on bigger pieces of land, and so the ability to add other uses is something that's just part of our DNA and something we'd like to be able to do. Now, you should not expect us to be running and putting shovels into the ground over the next 9-12 months at those projects, because the economics don't make any sense today. I do expect them to make some sense in the future, and that's what that is supposed to convey.

Now, with respect to the overall mixed-use properties, what we have clearly found is that the demand for lots of uses, for office, retail, resi, and hotel, frankly, at a well-done mixed-use property is a real differentiator. It's where people want to be. It's why in the comments I made, I'm talking about traffic counts that are enormous - there's a lot of visits there, a lot of sales. They also seem to have the ability to raise their prices in places like that more than at more value-oriented properties. That's to be expected because the Apple stores and lululemons of the world can raise prices and, as a result, we see the ability to charge higher rents there. Now, if we did that right on the ground floor, then we should also see outsized returns both in the form of occupancy and the rates that we're getting upstairs in the other uses. That's been our experience since COVID. I think it's even stronger than it was before COVID.

Operator

The next question comes from Steve Sakwa with Evercore ISI. Please go ahead.

Steve Sakwa

Yes, thanks. Don, or maybe Wendy, just on the leasing side, I mean, I know the strength has probably surprised you, Don, things have remained healthy, consumer spending has held up. I'm just wondering what you guys are hearing from tenants. You mentioned maybe bankruptcies picking up. I'm just wondering how you feel about the 75-basis-point general reserve, and might you not use all of that as you sit here today just as you survey the landscape?

Wendy Seher

Steve, let me just kind of add some color first before Dan talks about the numbers, but you're right, we're seeing great demand on the retail leasing side, specifically in the small shops. We have not seen a decline of anything considerable as it relates to people's ability to fund projects and make decisions. They're making decisions for the long term, and they're understanding that with these recession discussions, that these headwinds that we're facing, that the decisions that they're making are critical to their livelihood, especially for the mom-and-pops, so there's a flight to quality that continues to happen in our portfolio. So, I'm feeling very bullish about what I see in our pipeline. Again, honestly, I was expecting it to level off a little bit, and it has not. It is as robust as ever, so I'm very encouraged.

Donald C. Wood

I guess, Steve, I would only add that yes, there might be some room in the 75 basis points, but I'd like you to understandI read the same things in the newspapers that you do, and its May 5 or May 4 or whatever day it is. By the way, Steve, my 25th anniversary, at least, happy anniversary Don, right? It makes me

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laugh, though, because the power of the small shop tenants that Wendy mentioned. We don't do kind of first-time mom-and-pops, we don't have those type of businesses here. They are almost always adding a store or food use from strong cash flow at another location, whereby they're expanding into the third or the fourth or the fifth store. There is that flight to quality, that's a critical component. So, if this is anything like—whatever happens this year or next year is anything like prior recessions, this is going to be one of the strongest parts of our portfolio and the place that differentiates us.

Operator

The next question comes from Greg McGinniss with Scotiabank. Please go ahead.

Greg McGinniss

Hey, good evening. Happy 25th, Don.

Donald C. Wood

Thanks, Greg.

Greg McGinniss

Yes, you're welcome. To celebrate, let's talk about office demand. Can you just talk a little bit more about the interest you're seeing in Santana West? Does this feel like serious increase? Is it all tech, whole building, or by floor? Any additional color is helpful there. Then, we'd also appreciate updated info on 919 lease-up and initial rent contribution expectations. Thanks.

Jeff Berkes

Yes. hey, Greg, it's Jeff. Let me start off on the West Coast, obviously, and then Dan or Don can jump in on the second part of your question. The business decision we made late last year to allow the building to be leased floor-by-floor and to start building out the building, so we were a great alternative to the sublease space that's coming on the market, that I'm sure you've heard about, is working out for us. That, combined with a little bit more of a settling at least in the mid-sized tenant market as to what they're going to need in the way of the office space has caused tours to tick up and we have paper going back and forth with a couple of tenants. They're not full building tenants, but they're multi-floor tenants, and I don't know whether we'll get any of them done, of course, at this point, but there is activity, and I would call the activity very good. I'm happy when we made the decision that we made to start building the building out more floor-by-floor.

Donald C. Wood

Yes, and Greg, just to say the obvious, that is a difference, in feeling. I don't think we could have said that—in fact, we didn't say it—on the February call or last November. So, we're really happy about that decision at this point, too. Hopefully, it bears fruit. Time will tell.

With respect to 919, 919, it's really interesting. It's not 919?

Dan Guglielmone

Nine fifteen.

Donald C. Wood

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Nine fifteen. We haven't done 919 yet. On 915, we turned the building over—the floors over to Choice, then they are building out their space. We will have a contribution from them starting next year.

Dan Guglielmone

End of the year.

Donald C. Wood

End of this year?

Dan Guglielmone

Yes.

Donald C. Wood

Sodexo also, which, as you know, signed a lease. We're almost ready to turn the space over to them and it's going really well. That's the 60 some odd percent of the building that is completely leased. We have serious back-and-forths on a number of tenants for most of the rest of the building at this point. So, it's pretty interesting, at a time when, as you know there can't be a dirtier word than "office" in the country, it may be possible for a subcomponent of office toactually be undersupplied? That component could be mixed-use properties where you have a new building in a first ring-suburb, which is obviously all we have. So, I'm pretty encouraged by what we're seeing here at Pike & Rose. Certainly, the same up at Assembly Row, and with new activity at Santana West, I hope we have something tell to you.

Operator

The next question comes from Connor Mitchell with Piper Sandler. Please go ahead.

Connor Mitchell

Hey, thanks for taking my question. Now, now that you've entered Hoboken Phoenix, and I know you've mentioned you're not rushing to start digging any time soon, but as you deploy more capital, do you see more urban infill or population growth areas, and maybe just how you think about these two different market types?

Donald C. Wood

Yes, Connor, you know, it certainly wouldn't be areas with big population growths. The problem with big population growth means that there's usually room for a lot more supply to be added, and we want to be in supply-constrained areas. Nothing more supply-constrained than Washington Street in Hoboken. We love the investments that we've made there. We're just getting into the one redevelopment there, whether we can effectively make the numbers work, I'm very encouraged by that fact. I would not, again, expect to see us under construction in the next month or two, but that project is very likely to pencil and make some sense. To the extent we can find more and have it makes sense in markets where we already are like that, we'll look at it all day long. But that's the type of thing that's far more attractive to us than chasing headcount.

Operator

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The next question comes from Craig Mailman with Citi. Please go ahead.

Hassan

This is Hassan for Craig. The active mixed-use redevelopments all have 6% projected returns. How are you thinking about return thresholds for incremental project starts given the elevated cost of capital?

Donald C. Wood

It's a very good question. We need incremental returns or incremental returns on top of our cost of capital in terms of development of at least 150 basis points; from an IRR perspective, more like 200 basis points from an IRR perspective. The reason I keep saying "IRR perspective" is because the stuff that we do in those projects, we won't do unless they grow faster. Our experience has shown us that those projects allow us to increase rents faster, the residential component is important with respect to that, but incrementally, once we get comfortable with what our cost of capital is going to be, I'd like a little more clarity from the Fed, maybe we're getting there, getting a little bit closer that way on the debt side. On top of that, add 150 to 200, depending on the risk of the particular project from an IRR perspective. I hope that's helpful.

Operator

The next question comes from Floris Van Dijkum with Compass Point. Please go ahead.

Floris Van Dijkum

Hey, good evening. I guess, could I ask about your shop occupancy at 90% leased, what is the gap between occupied and leased, and how much more will that number—can you drive that over the next two years, and how much more do you think that will increase maybe even this year?

Dan Guglielmone

Yes, the occupied percentage of small shop is 88%, and we would expect to be able to drive both of those up higher. I think that's a real opportunity and up towards the occupied percentage above 90% and up towards north of 92% on the lease side. I think there's still more room to run on that in our portfolio.

Operator

The next question comes from Derek Johnston with Deutsche Bank. Please go ahead.

Derek Johnston

Hi, good afternoon, everybody. I wanted to touch on capital recycling, primarily because it's such an important growth tool for REITs, and, really, it's been hampered, as you know, especially this year, but Don, with the Fed striking a pause here and some calling for perhaps a first round of cuts in maybe Q1 '24, or somewhere around that timeframe, do you think there's visibility in rates, and somewhat of a stability in rates can condense or narrow what must be a wide bid/ask spread, so you can maybe do some accretive acquisitions and reignite that growth engine later the year?

Donald C. Wood

I do, and you said it yourself , Derek, there has to be some level of stability, there has to be predictability. Without that the bid/ask is very different. That will change. Now, it'll change over time, and there are other

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things than just Fed policy that dictate whether there is an acquisition market that makes sense or a disposition market that makes sense, but it's not going to stay the way it is. So, yes, I mean, we run this business and have for a long time and we'll continue to do that and during those cycles, there will be a reversion to some level of stability that allows us to get stuff done, no question.

Derek Johnston

Thank you.

Operator

The next question comes from Michael Goldsmith with UBS. Please go ahead.

Michael Goldsmith

Good evening, and thanks a lot for taking my question. Dan, you had a slight beat on FFO relative to the consensus. You're not touching guidance, because it's still earlier in the year. I guess, what are you looking for over the next three months, or when we next speak on an earnings call, that would give you more confidence that you can take the year's expectations higher, and then separately, what are you looking for which would maybe give you a little bit more caution in terms of the outlook for the year? Thanks.

Dan Guglielmone

I think the biggest driver would be just continued strong leasing volumes. Our pipeline is as strong as it is large, in terms of what's been executed to date this quarter and what's in the pipeline of executed LOIs, it's never been higher. If that continues, and we can see that continue. I think that, obviously, we'll have some confidence. On the flip side, the market has got some risk out there, particularly with regards to tenants and whether or not tenants will be able to weather this difficult economic environment. Whether or not we see a continued uptick in bankruptcies, and I think we've done very well balancing that. We've managed to have very little exposure on a relative basis, certainly, but just in terms of our exposure to those bankruptcies. We hope that continues.

Operator

The next question comes from Haendel St, Juste with Mizuho. Please go ahead.

Ravi Vaidya

Hi. This is Ravi Vaidya on the line for Handel. I hope you guys are doing well. I just wanted to comment and ask about the SNO spread. You currently are at 160 bps. Would you view this as a long-term steady state for what SNO could be?

Donald C. Wood

Look, we've done an exceptional job, I think, of bringing our SNO metric down from north of 300 basis points in our existing portfolio down to 160 basis points. We'd like to get that tighter. We'd like to get that down to 100 to 125 basis points. One of our differentiators, though, is that we have an SNO and space that is yet to be delivered from our large redevelopment and expansion pipeline that is equal to that size. We have $18 million in the existing portfolio, $18 million of total rent in our redevelopment and expansion pipeline, and that equates to over 300 basis points. I think that's pretty compelling and I don't think anybody has a redevelopment pipeline that has the pre-leasing that's been done where it's something

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that is a real differentiator, because we've got scale, and that truly, I think—the equivalent of what's in the existing portfolio and what's in the redevelopment portfolio is effectively 300 basis points or more.

Operator

The next question comes from Hong Zhang with JPMorgan. Please go ahead.

Hong Zhang

Yes, hey, guys. Just a quick question on occupancy. I think last quarter, you talked about potentially pushing economic occupancy above 93%, maybe in the mid-93s by year end. Just wondering if that's changed given the Bed Bath announcement and your views on near-term bankruptcy risk in general?

Donald C. Wood

It depends, so far, of our nine anchor boxes, we've only had one lease rejected. We'll see how it plays out. Obviously, if there's a full liquidation, then we're not going to be at 93% on an occupied percentage, we'll be probably closer to 92%. We'll see how that all plays out, what gets assumed, what leases get purchased in their liquidation. From that perspective, we would hope to have a clearer sense from that number as the bankruptcy unfolds.

Operator

The next question comes from Paulina Rojas Schmidt with Green Street. Please go ahead.

Paulina Rojas Schmidt

Hello. Don, you have talked about how you believe your portfolio outperformed peers in an economic downturn, and you have highlighted how affluency, good demographics are a key driver behind that, but an area perceived perhaps as vulnerability is your slightly higher exposure to more cyclical categories, restaurants and a little bit more full price apparel. Could you please provide a little bit of a history lesson on how these segments have performed historically in downturns in your portfolio to have a better understanding of how the overlap between high demographics and cyclical categories perform?

Donald C. Wood

I can, Paulina, and thanks for asking that. It’s why, in my prepared remarks, I wanted to make a distinction of how those mixed-use properties with generally higher-end tenants, how effectively they do business.What we’ve found is that the specific markets they’re operating in, both historically and currently, are increased sales. Importantly, in a period of inflation, those tenants have the ability to raise prices.

When I sit and I think about—and I don't know the answer to this, but I ask you to consider something like this. If you take aspirational tenants, the lululemons of the world, people like that, effectively, and imagine how much they've been able to increase prices over the last two years of inflation and compare that more to maybe the Big Lots of the world or something that is aiming for a lower demographic, it's harder to push price increases. That's a really important thing for us in all parts. That includes restaurants, etc.

Now, I don't know whether I've told you this before or not, I don't remember, but everybody was worried about Federal Realty going into the 2008 and 2009 great financial crisis because we had more restaurants, because we had more lifestyle, if you will. Everybody was worried about Federal, and it turned out those were the best-performing categories in the Company during that. When I look today at

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our Company and I look at the restaurant performance in the mixed-use properties, they are generating over $1,000 a foot of sales. Part of that is because they've been able to raise prices, part of that is because there's a huge amount of volume that goes through there, but that gives them the ability to certainly cover the rents that we are charging them, and more. When you think about that in those type of areas, we would expect that to continue to happen.

The conversations we have, and we are very tight—you know, we're a smaller company in terms of number of properties than our competitors. We have very close relationships with our tenants. We understand what it is that they are doing to be able to work through more difficult economic times. So, those things give me confidence, because we have been doing this a long time and there are cycles, and I expect it to behave similar to the way it's behaved historically. I hope that's helpful.

Operator

The next question comes from Tayo Okusanya with Credit Suisse. Please go ahead.

Tayo Okusanya

Hi, yes, good afternoon, everyone. Congrats on a solid quarter. Don, last quarter, when you kind of talked about dispositions, it sounded like there was a pipeline of kind of a little bit over $100 million or so you were working on. I think this quarter, you kind of announced $13 million of it done. Could you talk about the rest of the pipeline and what's kind of happening there, whether it's kind of taking a little bit longer to close deals because of the shakeout on the debt market, so just give us a sense of maybe what's kind of happening on that front?

Donald C. Wood

Yes. We have and continue to have a list of assets that we would recycle as a component of our business plan, and, frankly, we have that list in good times and bad times, you know, in terms of what it is. Those are not a lot of properties, but it's a few that we look at. That's what we talked about last quarter, last year, etc., and we got to get comfortable that we're going to get paid well. Going through that process, we couldn't get comfortable on as many of those assets as we thought we could. That doesn't mean they come off the table. That just means, pursuant to the question that was asked a little bit earlier, once there's some stability and some understanding of the general market conditions, you'll see a pickup in the disposition side of our business.

I don't know, Dan or Jeff, is there anything to add to that? I think that's it.

Operator

The next question comes from Linda Tsai with Jefferies. Please go ahead.

Linda Tsai

Hi. I'm not sure if you look at it this way, but I think one of your peers talked about the average rents in their SNO pipeline. I was just wondering if you had a number for that for yours.

Donald C. Wood

Probably on a total rent basis, in kind of the low to mid-40s, and probably in the upper 30s on a—mid to upper 30s on a base rent basis. We can come back to you with more precise numbers. I don't have them exactly here.

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Operator

Our next question comes from Alexander Goldfarb with Piper Sandler. Please go ahead.

Alexander Goldfarb

Oh, thank you. Good evening. Don, a number of years ago, you guys expanded into the Hispanic centers out in California, I'm just sort of looking for an update on that; and then also the Korean, like the H Marts of the world, seem to also be a pretty powerful anchor, and those shopping centers also seem to have that cult-type following. So, do you see expanding into more in the Asian, Hispanic centers, or is your experience so far with what you bought a number of years ago maybe not panned out the way you thought?

Donald C. Wood

Thanks, Alex. Oh, it has panned out the way we thought. In fact, probably better than we thought, given the fact that we didn't consider a global pandemic, and those properties performed exceptionally well during the pandemic. The answer to your question really depends on the right local partner. It really depends on the market, of course, that we need to be comfortable with, and a partner that we would need to be aligned with, with respect to our views and the way we can manage a property. Primestor has been that partner, it's been a very good partnership. We've had trouble adding more to it, we would have wanted to have added more to it, but those are individual deal-by-deals and they've got to make some sense, and we didn't find any that made sense. But those assets perform real well. I'll actually be out there on Monday of next week with Primestor. So, that part's worked out really well.

In terms of any other property type with a demographic that we're not as comfortable with, as I say, we need the right partner, because these are real estate decisions that have to be operated and have to be leased and have to be grown specific to a market, that if we're not familiar with, we'll get hurt. So we better have the right partner, and we've not found that at this time.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Leah Brady for any closing remarks.

Leah Brady

We look forward to seeing many of you in the coming weeks. Thanks for joining us today.

Operator

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

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