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EDITED TRANSCRIPT

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PRESENTATION

Operator

Greetings, and welcome to Regency Centers Corporation Fourth Quarter 2020 Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Christy McElroy.

Christy McElroy - *Regency Centers Corporation - SVP of Capital Markets*

Good afternoon, and welcome to Regency Centers' Fourth Quarter 2020 Earnings Conference Call. Joining me today are Lisa Palmer, President and Chief Executive Officer; Mike Mas, Chief Financial Officer; Mac Chandler, Chief Investment Officer; Jim Thompson, Chief Operating Officer; and Chris Leavitt, SVP and Treasurer.

As a reminder, today's discussion contains forward-looking statements about the company's future business and financial performance as well as future market conditions. These are based on management's current beliefs and expectations and are subject to various risks and uncertainties. It is possible actual results may differ materially from those suggested by the forward-looking statements we may make. Factors and risks that could cause actual results to differ materially from these statements are included in our presentation today and in our filings with the SEC.

The discussion today also contains non-GAAP financial measures. The comparable GAAP financial measures are included in this quarter's earnings materials, all of which are posted on our Investor Relations website. Please note that we have again provided additional disclosures in this quarter's

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supplemental package related to COVID-19 and its impact on the company's business and have also posted a presentation on our website with additional information. Lisa?

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

Thank you, Christy. Good afternoon, everyone, and morning for those of you out on the West Coast. First, I'd like to begin our call by again thanking the Regency team. It's hard to believe that almost a year has passed since this pandemic started to meaningfully impact our daily lives. Collectively and individually, we are presented with challenges, and we continue to be that I don't think any of us could have ever imagined. And in the face of that, I'm so proud of how our team has navigated this very different environment with a revised and even more demanding set of expectations.

We have worked harder than ever during this time to serve our tenants our customers, our communities and our shareholders. And while Regency does enjoy the advantages of our size, scale and national presence, it's the people in our 22 offices across the country, that have been the keys to our resiliency. Our local presence provides us close proximity to our properties, which enables us to act small and to take a personalized relationship-driven approach with our tenants. So once again, thank you all.

In the fourth quarter, despite a rise in cases in most markets and increased restrictions in some, we have been encouraged by continued improvement in our operating results. And this is driven by further meaningful progress on rent collections. The hardest hit categories, however, especially in the more restricted markets are still lagging. Many entertainment, fitness, sit-down restaurants and personal service tenants are still either not allowed to open or are operating with severe capacity restrictions. This has had the greatest impact on our local small shop operators. But even in these categories and markets, we've still seen improvement in collection rates compared to where we were 3 months ago.

We also remain encouraged by momentum in our leasing efforts as execution volumes picked up in the fourth quarter, and our pipelines continue to grow. This is a testament not only to a greater willingness among tenants to do new deals, but also to the strength of our locations, our tenant relationships and our experience team.

So despite the setback we saw in the health crisis in certain markets in the fourth quarter, Regency still moved forward. And we see green shoots as well. The vaccines helped to at least provide some light at the end of the tunnel, an additional federal stimulus could help to support our local tenants and consumers at the margin.

The worst of the restrictions are hopefully behind us, knock on wood, as we've seen some of the most restrictive states like California start to ease up a bit. But with that said, we still have reasons to be cautious, given the meaningful uncertainty that remains. While many businesses may technically be open, the inability to operate at full capacity can be a major obstacle. The vaccines are definitely a positive, but distribution will take time. And the presence of additional variance is certainly a wildcard. The ultimate impact of this on the consumer and, in turn, the resulting impact on tenant fallout remains unknown. And our 2021 outlook reflects that uncertainty. In fact, we've chosen to use a scenario approach rather than a traditional guidance framework, and Mike will discuss that in more detail in just a bit.

In light of the current environment, we firmly believe that being careful and transparent as we always are, is the most prudent approach to setting expectations. While we do have a greater sense of optimism, and that is inherent in our continued improvement scenario, it is still too early in the year to eliminate our reverse-course scenario. As we do move through the year, we will have a lot more clarity and visibility, and we will refine our expectations accordingly.

Today, our team in the field continues to aggressively but thoughtfully pursue recovery of cash flows. As I've discussed previously, we've taken a targeted strategic approach with our tenants throughout the pandemic, especially for our local tenants. Waiting until they're able to reopen and then working with them on a plan for the future. We believe that this approach will help to ensure the long-term success of our tenants, which should, in turn, put Regency in the best position for recovery.

The quality and locations of our assets have allowed us to choose our tenants over time to fill our portfolio with great operators. We've already vetted these merchants, and we still want most of them in our centers when this is all over.

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At the same time, we're not afraid to get space back. We have great space, and we will release it. This is what we do, and we do it really well. But in many cases, when factoring in the economics of re-tenanting, making this conscious decision to work through it with a proven business operator is often the wisest choice. We always have to keep in perspective that these are people just like us that we're working with.

And importantly, I also want to reemphasize the strength of our balance sheet. This has provided us with the financial flexibility to maintain our quarterly dividend throughout the pandemic, which we are really proud of, given our long-term commitment to driving total shareholder returns. It has also enabled us to continue committing capital to new investments as well as in operating and maintaining our existing centers. While we know that we still have a long road ahead of us, the substantial progress that we've made to recovery thus far really has provided renewed energy among our team members.

As I reflect back on the last year, my confidence in the longer-term trajectory for Regency has only solidified. We are on the right side of a structural growth trend in strong suburban markets. Our high-quality, well-located, geographically diverse portfolio of grocery-anchored open-air centers is well positioned to continue serving the essential needs of our communities. Jim?

James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

Thanks, Lisa, and good afternoon all. I would like to echo Lisa's comments and thank the Regency team. Our people have worked tirelessly over the last year to maintain lines of communication with our tenants. We are doing everything we can to enable them to open and operate safely and successfully. I'm proud of what we've accomplished during a very tough year and of how far we've come since last spring.

As of the end of January, the vast majority of our tenants are open and operating, and that hasn't changed much from a quarter ago. But a subset of our tenants are still operating under government-mandated capacity restrictions and those restrictions increased in certain categories and markets during the fourth quarter given the rise in COVID cases. Despite this, our cash collections continued to show improvement, reaching 92% in the fourth quarter and 89% in January as of Monday. We're still receiving rent payments for January, and the collection trajectory is tracking in line with prior months. In fact, as of today, it's already up to 90%.

Even in our West Coast markets, despite the greater restrictions during the fourth quarter, we still improved our collection rates from a quarter ago. They still meaningfully lag our other regions, but we are encouraged that California appears to be easing some of these restrictions, which should help narrow that gap. As we've seen in markets that are more open and less restrictive, consumers have returned to engaging with our retailers. This is encouraging and is an opportunity for continued improvement.

Lisa discussed our strategic approach with our tenants, and we've designed deferral plans that are realistic. We expect the majority of our deferred rent to be collected in 2021. Beyond those with deferral agreements, tenants that are still uncollected generally fall into 3 categories: there are those we believe in, but are still waiting to engage, predominantly in the West Coast markets operating under closure or capacity restrictions; there are those we are aggressively pursuing for rent; and there are those who were struggling pre-pandemic that we see as closure risk.

We continued to see impact from tenant fallout in the fourth quarter and expect 2021 will likely remain challenged from a tenant fallout perspective. The seasonal dip that we typically see in the first quarter could be more meaningful as a result. Elevated tenant failures are factored into our guidance with the uncertainty around move-outs contributing to the wider range.

I want to provide some added color on our leasing activity in the fourth quarter. We are encouraged by the strength in our leasing volumes, which had continued to show improvement throughout the year. The demand is real, and the retailers are active. We are seeing the greatest new leasing activity in the markets that are more open with the least restriction. Our future deal pipeline is also strong with categories, including grocery, off-price, banks, medical, auto parts and service users, but also and most encouragingly, fitness and restaurants. So where our tenants can operate, leasing feels closer to normal.

Total rent growth for the quarter was slightly positive, weighed down by renewal activity. For our renewal deals, volumes have remained consistent throughout the pandemic. But in the fourth quarter, we did see some pressure on our renewal leasing spreads. 1/3 of our renewal leases signed during the quarter averaged 18 months in duration. And these deals had negative spreads averaging more than 5%.

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Our longer-term renewal deals had positive spreads of over 2%. Some of the short-term deals are rent relief negotiations with tenants in bankruptcy, as well as others that have been significantly impacted by the pandemic. And those deals primarily consist of shop tenants because, conversely, we saw positive spreads of nearly 7% for anchor renewal deals in the quarter.

Importantly, our teams are managing this space in the right way. We're being thoughtful when making leasing decisions with an eye towards the longer term. We believe that rents for much of this space will rightsize at higher levels post-pandemic and by signing shorter-term deals, we'll have another bite at the apple in the near future.

To sum up, we remain impressed by the resiliency and creativity of our tenants in this environment and the willingness of consumers to adapt to the new normal and reengage with our merchants. Most importantly, we are encouraged by the improving operating trends as we continue to see a flight to quality and believe our portfolio is well positioned to benefit from this. Mac?

Dan M. Chandler - *Regency Centers Corporation - Executive VP & CIO*

Thanks, Jim, and good afternoon. Throughout 2020, we performed an in-depth review of our in process development and redevelopment projects as well as our extensive future pipeline of value-add opportunities. This evaluation included potential impacts to scope, timing, tenancy and return on investment in order to determine the best direction for each project to align with our long-term growth objectives.

Following this process, which we've largely completed, we made the decision not to pursue certain projects or components of projects as they no longer meet our return thresholds. As a result, we wrote off development pursuit costs above our historic average in the fourth quarter. The largest write-off was at Serramonte Center as we reduced our scope. Though the broader multiphase project is proceeding forward, and we added it back into the in-process pipeline in the fourth quarter. This roughly $55 million project will include several stand-alone restaurant pads, a new hotel on a ground lease, the completion of the mall interior renovation and the re-leasing of the former JCPenney box.

While we have trimmed some of our activity due to COVID, we continue to maintain a healthy pipeline of value add projects. And in fact, this process has given us renewed confidence in the $300 million of developments and redevelopments in process at the end of 2020. In addition to restarting construction at Serramonte, we also commenced construction on a ground-up publix anchor development in the Jacksonville market.

In the fourth quarter, successfully completed The Village at Hunter's Lake, a Sprouts anchored development in Tampa, Florida that opened at 100% leased in the middle of a pandemic. Hunter's is generating an 8% return on our $21 million investment. We continue to invest in our other large scale, high-value redevelopment projects that we expect to start in the near term. For example, entitlements are finalized at Westbard Square in Bethesda, Maryland, and we plan to commence with the first phase in 2021. We remain confident in the long-term value creation opportunities available in our pipeline.

Moving to dispositions. During the fourth quarter, we sold 5 shopping centers for a combined gross sales price of nearly $78 million, bringing our total dispositions for 2020 to $191 million at a 5.7% cap rate. Additionally, we sold over $18 million of non-income-producing land and out parcels in 2020. Our disposition activity is consistent with our strategy to opportunistically sell nonstrategic low-growth assets to improve portfolio quality and maintain balance sheet strength.

For 2021, we anticipate dispositions of approximately $150 million at an average cap rate of 5.5% to 6%. This includes the sale of 2 assets that closed subsequent to year-end. We look forward to providing updates throughout 2021 on the progress of our development projects and our disposition plans. Mike?

Michael J. Mas - *Regency Centers Corporation - Executive VP & CFO*

Thank you, Mac. Happy Friday, everyone. I appreciate you joining us on what we know has been a very busy week. I'll start by addressing fourth quarter results and our balance sheet position before moving to our framework for helping everyone understand what this new year may bring.

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Fourth quarter NAREIT FFO of $0.76 per share includes a few onetime charges that were communicated several weeks ago and were detailed again in our release last night. These charges are in addition to a write-off of straight-line rent receivables of nearly $8 million or $0.04 per share and uncollectible lease income of approximately $18 million or $0.10 per share recognized in the fourth quarter. Uncollectible lease income remains the primary driver of the decline in same-property NOI in the quarter.

As evidenced by the additional straight-line rent write-off in the fourth quarter, we did move some additional tenants to cash basis accounting. This was predominantly the result of increased levels of operating restrictions imposed late last year and this bucket of tenants was concentrated in our West Coast markets, as well as across the more impacted tenant categories, including restaurants, personal service providers and fitness operators. However, at the same time, we continue to see improved collections in our cash basis tenant pool. This is clearly a gratifying trend.

In the fourth quarter, we recognized revenue equating to 94% of our pro rata billings. That is up from 90% in the third quarter and 86% in the second. We ask that you refer to our updated COVID-19 disclosures in the fourth quarter supplemental, which provide a reconciliation to pro rata billings.

Just a few comments on our balance sheet, where we remain extremely well positioned. Shortly after year-end, we repaid our $265 million term loan, which we indicated we would do if positive trends continued, which they have. With this move, we have completely redeployed the proceeds from our bond issuance last May, and you'll notice this impact in our guidance for interest expense. With ample access to low-cost debt capital, we no longer feel the need to maintain an outsized cash balance out of an abundance of caution, which was dilutive to our earnings in 2020. We now have no significant debt maturities until 2024.

In addition, earlier this week, we closed on the recast of our $1.25 billion revolving credit facility through which we have full availability at terms and pricing consistent with pre-COVID levels. We are very proud of this execution, reflecting the continued strong support of our lenders in this challenging environment.

Turning to 2021. We provided an initial NAREIT FFO range of $2.96 to $3.14 per share, a much wider range than we've historically offered, reflecting continued uncertainty. We encourage you to refer to our guidance disclosure in our press release and on Page 34 of the supplemental as well as our guidance roll forward on Page 18 of our earnings slide deck. The roll forward should prove to be especially helpful.

As you would expect, the widest per share variance is in our projection for net operating income. Given that much more of our NOI is potentially variable amid the uncertainty that remains in the environment, especially as it relates to uncollectible lease income and potential move out activity. We believe a wide range is prudent. We also feel that it's important for us to communicate a framework for how we are thinking about the different scenarios that could play out this year and what our earnings could look like under those scenarios.

So different from past years, our initial 2021 guidance is not driven off of simple deviations from a base-case scenario. Instead, the low end of today's range is representative of what we think our results could look like under a set of circumstances that is distinctly different from the assumptions supporting the high end of the range. Each of these guideposts represent a unique set of potential outcomes. We actually thought about not even calling it guidance. And instead calling it scenario analysis. Because for now, and until we have a bit more clarity on the impacts of the evolving pandemic, this is how we are thinking about this framework internally.

From a big picture perspective, the low end, what we call our reverse course scenario, is an environment in which the U.S. experiences elevated infection rates and in turn, sees more shutdowns and increased restrictions. In this scenario, we could potentially backtrack on rent collections and full year 2021 could look a lot more like 2020. Under this scenario, we see same-property NOI declining another 100 basis points year-over-year in 2021.

The midpoint of our range represents a status quo scenario where 2021 reflects a continuation of our fourth quarter results. In this scenario, same-property NOI growth is slightly positive year-over-year despite the tougher comp in the first quarter. The high end represents what we've named our continued improvement scenario. This is an environment with continued progress in vaccine rollout, further listing a state and local mandated restrictions on operators and added federal stimulus that helps support local businesses and consumers.

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Under this scenario, we would experience a positive trajectory from Q4 results as we continue to increase rent paying occupancy as we have through the back half of 2020. In this scenario, same-property NOI growth could increase by up to 250 basis points year-over-year in 2021. We recognize the challenge that such a wide range of outcomes presents, but at this point in time, there is simply too much uncertainty to rule out the downside. At the same time, we also appreciate how difficult it can be to develop expectations without the benefit of a company's outlook.

We sincerely hope that this approach and added transparency is helpful in allowing the market to consider its own views of where we stand in the pandemic and then apply those assumptions to our scenarios. We also expect that with another quarter under our belts, added clarity will allow us to refine our scenarios and tighten our expectations.

I'll touch on a couple of the major drivers of the earnings changes in 2021, using the midpoint scenario as referenced. But we've given a lot of detail on the roll forward, and much of it speaks for itself. One item to note is lease termination income. This is net of expenses, and first quarter 2021 will be impacted by a onetime lease termination expense of close to $2 million associated with the buyout of an anchor lease at Pleasanton Plaza. And secondly, we expect higher net G&A in 2021, assuming hiring activity and business travel starts to return to more normal levels this year.

As I spoke about on the last call, we are no longer assuming as much of an offset from development overhead capitalization as we had in 2019, given the delays and changes in our pipelines. In closing, we are very much encouraged by the progress that we've made and by where we stand today. But if there's anything we've learned in the last year, aside from confirming how critically important it is to maintain a fortress balance sheet, just how quickly and materially things can change. As such, we remain careful with our expectations.

With that, we'd be happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Katy McConnell with Citi.

Mary Kathleen McConnell - *Citigroup Inc. Exchange Research - Research Analyst*

So within your same-store NOI guidance, can you provide some context around what you're expecting for 1Q in terms of the magnitude of occupancy fallout or bad debt just to give us a sense for how steep the recovery could be in the back half of 2021?

Operator

One moment, guys. One moment, Katy.

Dan M. Chandler - *Regency Centers Corporation - Executive VP & CIO*

Katy, this is Mac in L.A. They're having a little bit of technical difficulties. Just give us a moment here, from Jacksonville. They'll get it fixed.

Mary Kathleen McConnell - *Citigroup Inc. Exchange Research - Research Analyst*

Yes. No problem.

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Dan M. Chandler - *Regency Centers Corporation - Executive VP & CIO*

Katy, it looks like the Jacksonville team is going to switch conference rooms. So it'll be just a moment or 2. But appreciate your time.

Michael J. Mas - *Regency Centers Corporation - Executive VP & CFO*

Katy, can you hear me?

Mary Kathleen McConnell - *Citigroup Inc. Exchange Research - Research Analyst*

I can, yes.

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

We apologize everyone. Can everyone hear us now?

Mary Kathleen McConnell - *Citigroup Inc. Exchange Research - Research Analyst*

Yes. I can hear you.

Michael J. Mas - *Regency Centers Corporation - Executive VP & CFO*

Hey, Katy.

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

You missed -- I don't know if you heard Mike at all, but he actually started to answer your question with we're having some difficulties here. So hopefully, we solved...

Mary Kathleen McConnell - *Citigroup Inc. Exchange Research - Research Analyst*

Yes. I didn't actually hear any of the answer.

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

Okay. So hopefully, we solved it with relocating and we will not get cut off again. Go ahead.

Michael J. Mas - *Regency Centers Corporation - Executive VP & CFO*

So hey, Katy, this is Mike. I'm going to go ahead -- I did get your question before we got cut off. I will I think you were asking about the kind of cadence of NOI going into '21, given our guidance. Obviously -- let me limit my comments to maybe our status quo scenario. And then we'll talk about the other scenarios off of that.

Obviously, Q1 is going to be a difficult comp for us and a status quo scenario, which, as you recall, would be our fourth quarter, in effect, replicating itself. Through for the full year of '21. So that would mean we still have a pretty tough comp expectations in that area would be similar to the growth numbers we've been putting up in the back half of 2020. And then if you think about the -- what could occur in the other scenarios, should they

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present themselves, obviously, that would, in a reverse course, that would amplify that to the negative and obviously, the other way within a continued improvement scenario.

Mary Kathleen McConnell - *Citigroup Inc. Exchange Research - Research Analyst*

All right. Great. And then just a second question. Can you update us on where the cash basis tenant pool stands today as a percentage of total ABR? And what have the collection rates been like so far?

Michael J. Mas - *Regency Centers Corporation - Executive VP & CFO*

Sure. So we are -- we did add some tenants to the cash basis pool, as I indicated. We're up to 29% of our ABR is on a cash basis. However, there are some really positive signs there. Our collection rate, as I mentioned, 75% of our -- of that -- of those tenants are paying their rent. And so we -- and that's up from 64%, if you recall from the third quarter earnings call. So really good momentum in that area. And that -- those numbers would then be reflected in both our status quo is that, that number would have remained constant through '21 and then continued improvement with -- that's where you're going to see the continued improvement, right? It's going to come from our cash basis tenants. And their ability to grow that rent paying percentage.

Mary Kathleen McConnell - *Citigroup Inc. Exchange Research - Research Analyst*

Right. Okay. Makes sense.

Michael J. Mas - *Regency Centers Corporation - Executive VP & CFO*

Thank you.

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

Thank you. Sorry for the delay.

Mary Kathleen McConnell - *Citigroup Inc. Exchange Research - Research Analyst*

No worries. We can hear you perfect now.

Operator

And our next question is from Derek Johnston with Deutsche Bank.

Derek Charles Johnston - *Deutsche Bank AG, Research Division - Research Analyst*

Just sticking on small shop here for a second. How do you envision remerchandising small shop vacancies with new relevant retailers? Are there any categories that stand out, maybe more of a focus on more essential or hybrid versus entertainment, health or beauty or fitness? How are you contemplating the mix going forward as you look to re-let some of these spaces?

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James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

Derek, this is Jim. I'll take that. I think our philosophy is consistent with how we've always dealt with vacancy and merchandising. Obviously, I think there is a skew towards healthy lifestyle. So wellness is a great category that we're seeing growth in. Certainly a lot of the existing categories, the better retailers are growing within the footprint that we have today. I'd also like to think as an emerging category, what I call emerging category or some of the typical mall-type folks. We mentioned, I think in our last call that we're seeing some of those people, the Sephoras, West Elm, lululemon, the Gap concepts, that are interested in the open-air center from the standpoint of pricing as well as access, visibility and merchandising mix.

So a little bit business-as-usual from a mix standpoint, but there are some categories that I just mentioned that I think we've got a particular eye towards.

Derek Charles Johnston - *Deutsche Bank AG, Research Division - Research Analyst*

Okay. Okay. Great. And then I guess I would ask, what have you learned about traffic and demand, specifically at centers within states that have less mandated restrictions? Are there some inspiring read-throughs or positive takeaways from those states versus ones with tighter restrictions in California that you can pinpoint and would possibly lead to your high-end continued improvement or, frankly, bull case guidance?

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

Thanks, Derek. I'll jump in on that one. I mean, absolutely. We continue, and I know that we talked about this even in our prepared remarks, continue to see really strong correlations with restrictions being lifted and foot traffic and then foot traffic with collections. And so absolutely, we do -- we have the data that actually tracks that foot traffic. And in the markets where we've essentially fully recovered foot traffic, the collections are the highest. And so expect, as we continue, and we did see some restrictions lift in California in the very recent past few weeks. And absolutely believe that, that should translate to more foot traffic into our centers, which should translate to upside in our collection numbers out in that market.

Operator

And our next question is from Juan Sanabria with BMO Capital Markets.

Juan Carlos Sanabria - *BMO Capital Markets Equity Research - Senior Analyst*

Just following up on Derek's question. Could you give us any sense of where the rent collections are maybe comparing California to a Florida, kind of the 2 opposites maybe?

Michael J. Mas - *Regency Centers Corporation - Executive VP & CFO*

Yes, absolutely, Juan. Actually, I'll point you to -- I'm looking for -- if you look at our -- at the business update deck we put out last night, it's on Page 11. And we did enhance this disclosure this quarter. And I think it's really -- it shows the trend exactly as Lisa described it. You'll see quarter-over-quarter trends in collection rates by region at Regency. And you'll see that the southeast from the second quarter at 84%, as an example, to the fourth at 96%. And that's indicative of the foot traffic and that trend that Lisa is identifying together with the relaxed restrictions.

The Pacific Coast or our West Coast portfolio, although we have improved our collection rate there, the pace of that improvement from -- it has not been as great. And there's a little bit of a sticky, small shop, restaurant, nonessential categories that continue to just have a hard time performing. And when you have these heavy restrictions and sometimes locks on your door, it's a challenge, and that's evidencing itself in our collection rates.

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We take a lot of comfort in what we're seeing in other markets in the country. And that replicating eventually in our great shopping centers in these great markets on the Pacific Coast. So we look forward to that post-pandemic. But that's just the point of our guidance. It's uncertain when that will happen. And so that's why we've taken this approach as we have with our guidance ranges.

Juan Carlos Sanabria - *BMO Capital Markets Equity Research - Senior Analyst*

That's fantastic. And apologies for not catching that earlier.

Michael J. Mas - *Regency Centers Corporation - Executive VP & CFO*

No worries.

Juan Carlos Sanabria - *BMO Capital Markets Equity Research - Senior Analyst*

And just one follow-up on the balance sheet. You guys currently have that as a position of strength, and you talked about maybe feeling less cautious and willing to not carry so much cash. So how do you think leverage looks from here, either from a net debt-to-EBITDA perspective or otherwise where -- can that increase from here? Or are you kind of happy keeping kind of the current run rate in place, just given your historical defensiveness with regards to the balance sheet?

Michael J. Mas - *Regency Centers Corporation - Executive VP & CFO*

Yes. We're not getting off of our -- a key tenant, a key strategy here is to protect that balance sheet and to operate in the low 5x area. That's where we started in 2019. And we -- as we define recovery, that is a key portion of that definition. We'd like to return to those levels. We're at 6x at year-end, with that much disruption, I think that's a very enviable position, I would imagine. But we're not satisfied with that. So we will continue to look to -- through, primarily, EBITDA growth, organically, just converting these spaces and these tenants back to rent paying. We'll handle much of that.

If you think about our status quo scenario, again, just to baseline us and you go through Q1 towards the question that Katy asked, we could top out on a leverage ratio range in the 6.25x plus or minus range is what we would see in that scenario. And then obviously, amplify that up or down depending on which scenario actually presents itself very comfortable at those levels from a security standpoint. That's why we took down the term loan. That's why we continue to pay our dividend. And we do have a lot of confidence that our recovery will get us back to that low 5x ratio in due time.

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

And I mean, I just want to add because we're really proud of it. We obviously built the balance sheet intentionally to weather future storms. We've always talked about it. And with maintaining our dividend, we still generated free cash flow north of $50 million in 2020. And we're really proud of that.

Operator

And our next question is from Craig Schmidt with Bank of America.

Craig Richard Schmidt - *BofA Securities, Research Division - Director*

It's clear through your business update that your portfolio is most impacted by the Pacific Coast assets. I was wondering, what are you hearing from state and local regarding restrictions? It seems like it's more restrictions now than actual mandated closings. And I was wondering, having

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these restrictions, does that also impact new leasing, as retailers drag their feet to open stores in markets they may appreciate from a longer-term basis?

James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

Craig, I think you're exactly right. It's more of a -- it's not so much a closure now as it is just basically capacity. We're seeing, in L.A., they've reopened restaurants. And we're hearing there's a pretty solid pent-up demand for folks to get back out in the outdoor setting anyway. Certainly, categories that have been most restricted are going to be the least perceptive at this point, I believe, to engage in new leasing. The folks that have been open, are engaging, are doing new leases. I think when you look at our -- or I look at our pipeline of activity as well as executed deals in the last quarter, we're seeing, across the country, a similar demand as well as executable deals.

So I don't want to beat up on the West Coast too bad. They certainly -- there are categories that really got -- were hurt badly by, I think, these mandated closures and capacity restrictions. But the folks that were open are continuing to do business and grow their business out there as well.

Craig Richard Schmidt - *BofA Securities, Research Division - Director*

Great. And then I know that you have an 18% exposure to restaurants, I guess, 12% in kind of fast food and 6% in fine and casual. I know that you have said that, that's where you'd like the exposure to be. Perhaps you can comment what you're thinking, and I guess it's longer-term thinking about sticking close to that 18% exposure.

James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

Yes. I feel like that ballpark numbers is the right ratio. And mix for restaurants. I think restaurants are certainly -- as they continue to morph and react to what consumer demands are, there's always going to be a place for restaurants. The QSRs have done very well. The fast food folks have done very well. And even the full-service restaurants in markets that were more open, adapted very well during this pandemic to not have to curbside pickup delivery. And basically, they added a leg to their sales program. Are we still on?

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

Can you still hear us?

James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

Craig?

Craig Richard Schmidt - *BofA Securities, Research Division - Director*

Yes. I can hear you.

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

Sorry. We had somebody run in and say that they couldn't hear us. Sorry about that.

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James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

Sorry about that. So yes, I believe that the restaurants in that range are -- that's the right number. They will morph, they will change as retail changes, but we're comfortable there.

Craig Richard Schmidt - *BofA Securities, Research Division - Director*

I mean isn't it a factor of sort of competing against e-commerce? I mean, you want -- you physically need to either pick up the food or you dine in the restaurant that brings traffic to the center. I'm wondering if that enters into like in the long term, why you want to keep that 18%.

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

I think -- I mean, just generally, just generally thinking about the neighborhood centers. And for the most part, right, were grocery-anchored neighborhood centers. I actually believe that restaurants are a -- they're a driver, just as much as your gross visit or anchors are. And that this trend to even more remote work and people spending more time at home, is going to play to our favor. As people are spending more time at home and not necessarily in the downtown CBDs or urban core, they're still going to want to leave their homes. And whether it is to pick up and go or if it's to dine in. I think that we're going to -- we will benefit from that increased traffic at our shopping centers.

Operator

And our next question is from Rich Hill with Morgan Stanley.

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

It's blurs day. So I can't even get my days right, never mind my time. First of all, thank you for what I think is best-in-class guidance. Your reconciliation across your 3 scenarios was really, really well done.

I did want to talk about those 3 scenarios, not necessarily about your guidance. But maybe if you could just frame a little bit how the retailers are thinking about the outlook for 2021. What are they telling you about rent negotiations? Are deferrals coming back or abatements coming back? Are they looking for lower rents? Are they looking for percentage rents? I know that's a lot there, but I'm just really trying to frame the discussions you're having with retailers within those 3 frameworks that you provided.

James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

I think the discussion with the retailers is, for the most part, pre-pandemic kind of conversations. We're not seeing wholesale change on term negotiation or big divergence on historical rents and those kind of things. I think the folks that have done well and are doing well, are continuing to try to grow their business as there's opportunity in the marketplace today. They're going to take advantage of that.

We're seeing tenants that are more local in nature. They are finding opportunity in this environment to relocate and fortunately, we are seeing and being the beneficiary of some of that relocation within a marketplace. Under the scenarios, I think the scenarios would be probably more on the low end, the reversal end would be more of the wait and see kind of attitude. Things got shut down, you're going to have more of that, I'm not sure what the future looks like, so I'm not sure I can commit. So you're going to be in that no man's land, where we, quite frankly, we're at some of our categories in California are no man's land.

And our program has been once we can see light at the end of the tunnel, then we engage and we structure programs that are win-wins for our retailer and for us. So I think that would be the -- probably the biggest change is if we go backwards, it will probably stymie some of those categories that have been, again, the most impacted today.

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Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

And I do think that based on the volumes that we have already executed and on our pipeline, you can see that there's some optimism and positivity amongst our retailers and in all of our tenants to continue to grow, and there's a flight to quality. And we're positioned really well to take advantage of that.

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

Yes. Lisa, I want to just follow-up on that because you made a really important comment about free cash flow and how you were able to be really nicely positive in 2020 despite all the uncertainty that the world threw at us. So as we think about your cash flow going forward and the FFO you created in 2020 and the free cash flow you've created, it seems to me that that's a super high-quality cash flow stream. And in fact, maybe it's -- I'll use my words, and you can push back on it, but it's been derisked. My view is that if you were able to generate that NOI and that free cash flow. That's a pretty high-quality cash flow, if it continues to be created in a pandemic.

What am I wrong on that? And how would you respond to that?

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

I think that you said it perfectly. I don't know that I have anything to add. Absolutely, it's...

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

Christy didn't tell me to ask that question for what it's worth.

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

Absolutely, which is his why I'll say it again. But we're really proud of that. And really proud of the fact that we were able to generate that much cash flow in the middle of the pandemic.

Operator

And our next question is from Greg McGinniss with Scotiabank.

Greg Michael McGinniss - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Mike, I appreciate the context around the guidance scenarios you laid out. I just want to kind of confirm that the base case is maybe essentially assuming that you're continuing to recognize like 94% of rent. And then what does that mean on the upside from that rent recognition standpoint?

Michael J. Mas - *Regency Centers Corporation - Executive VP & CFO*

Yes. You have the assumption right. Again, the easiest way to think about this is status quo. And I wouldn't -- I don't want to call that our base case, but our status quo scenario, which is tied to the one of our range, is a Q4 replicating scenario through 2021. And then, obviously, that -- and it continues -- should we see continued improvement, that would accelerate from there.

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If you kind of think about where we are at Q4, which again is, I think, is important to growing those sales. And if you were to look through uncollectible lease income and just think about it as effective rent paying occupancy, which is what we talk a lot about internally, we're at 86 plus-or-minus-percent. So that is what we're carrying through in the status quo scenario through that midpoint range at [3 21].

Let me -- and we'll go ahead and say this. What we see today and what Jim's articulated from a leasing activity perspective and a little bit to Rich's question around what we're hearing and seeing from the retailers and the other -- and the service providers and interpreting how they -- what scenario they may be behaving under. Our eyes are focused today on the status quo scenario to the continued improvement scenario.

However, we've presented this reverse course scenario because it is -- it's February, it is early. The vaccine is just beginning to roll out. There's these variants. We just can't rule out a reverse course scenario. It's just too soon to do that. But I think it is important for you to hear that where our eyes are focused. It's on the status quo and/or the continued improvement scenario.

Greg Michael McGinniss - *Scotiabank Global Banking and Markets, Research Division - Analyst*

All right. That's fair. And then on the leasing, so CapEx costs on new leases look like they trended a bit higher in Q4 as a percent of the rent per square foot. Is it starting to cost more to bring in tenants? Or are there some -- maybe some onetime items in there that can explain the increase?

James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

Yes, Greg, Jim again. Exactly right. We had 2 new anchor deals with outsized TIs associated with those. And if you netted those out, we were right back at that $20 a square foot, which put us right in line with historicals. One was a Burlington backfill of a 30-year-old office depot space that finally termed out. So we had some excessive work on that one and then a national grocer backfilled a vacant box in Southern Cal. So both of those were a little higher than normal TI cost, but excellent, excellent replacement merchandising for those 2 centers.

Greg Michael McGinniss - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Okay. So purely a function of tenant when and where versus -- sorry, hello?

James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

Yes. Yes, at the end of the day, I don't expect -- I don't see a change into -- from where our historical averages have been.

Michael J. Mas - *Regency Centers Corporation - Executive VP & CFO*

And let me just add to that, Greg, for your benefit. We did, I think, post an 8% of NOI, kind of all in CapEx ratio for 2020. That's low. That was intentionally low. When the pandemic hit, we made some moves to preserve some capital, push some CapEx projects beyond 2020 into '21. We do anticipate returning to more normalized levels. So as we recover -- and more normalized levels would be that 10% to 11% of NOI range, maybe even leaning on the upper end of that because we're going to have -- we will have more space to lease.

Greg Michael McGinniss - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Is that -- and just to clarify, is that 10% to 11% inclusive of development? Or you just mean in terms of kind of regular maintenance CapEx and leasing CapEx?

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Michael J. Mas - *Regency Centers Corporation - Executive VP & CFO*

Maintenance and leasing CapEx only.

Operator

And our next question is from Mike Mueller with JPMorgan.

Michael William Mueller - *JPMorgan Chase & Co, Research Division - Senior Analyst*

You talked about 3 buckets for your uncollectible revenues. I think it was tenants you really believe in those that were challenged beforehand and then in the middle. What's the split that you see between those 3 buckets?

James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

I would think the ones we believe in is by far the majority. And I think if you looked at the West Coast, that's where the majority of that bucket resides. Again, as I mentioned, when there's clarity, we'll clean that up. The folks that pre-pandemic were struggling, that's a very, very small group of folks, and that'll clean itself up in the course of business.

Michael William Mueller - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Got it. And then one other question on this pipe -- oh, go ahead, sorry.

James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

I was going to say on the other one was pushing for rent, that too is a very, very small group of people at this point that just to flame the game...

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

Trying to take advantage of that situation.

James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

Take advantage of the situation, and we'll -- that will resolve itself relatively quickly, I believe.

Michael William Mueller - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Got it. And then just a quick one. The 5.5% to 6% disposition cap rate for this year. Is -- would those cap rates have been similar pre-pandemic?

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

Go ahead, Mac.

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Dan M. Chandler - *Regency Centers Corporation - Executive VP & CIO*

Yes, Mike. Definitely, they would have been similar. That's what we're seeing. We're seeing really solid pricing in the types of assets we're selling. And the strongest part of that market is small grocery-anchored centers, particularly in the open states where there's more transactions.

Certainly, triple net assets, there's tremendous pricing power there. And we've been very pleased at being able to transact. There's buyers out there. They have capital, and they're typically local private buyers who have a lot of experience and know the trade areas in the markets.

Operator

And our next question comes from Floris Van Dijkum with Compass Point.

Floris Gerbrand Hendrik Van Dijkum - *Compass Point Research & Trading, LLC, Research Division - Analyst*

Wanted to -- by the way, love the fact that you -- I know it's not an official guidance, but in your scenario analysis, the midpoint shows positive comp NOI. But if you could walk us through what kind of reserves have you baked into that? And maybe if you can talk about, Mike, if you can compare that to 2019 levels of reserves?

Michael J. Mas - *Regency Centers Corporation - Executive VP & CFO*

Oh, gosh, there is no comparison. So if you think -- again, let me comment on the status quo scenario, just to center ourselves on that status quo midpoint level. Again, going back to Q4. So $17 million, $18 million net charge in the quarter for reserves. That's down sequentially certainly from Q2 and then into Q3. I think we're 40% down from Q3. And then that level, we would anticipate replicating itself through the year, as I've kind of repeated today.

That's a very healthy level for us when you consider what our experience was in 2019 and before that when bad debt charges kind of historically are in the 50-plus or 50 basis points, plus or minus, was normal and you're maxing out at the 100 basis point level. So it's just a completely different universe, really.

Floris Gerbrand Hendrik Van Dijkum - *Compass Point Research & Trading, LLC, Research Division - Analyst*

Right. So I was trying to -- because one of the things which is interesting to think about, and you sort of alluded to some of your comments here about your 96% cash-paying occupancy. What is the potential here? And pre-pandemic, you were probably at 94% on those levels or something along those lines. So it suggests there's -- you're going to have not just 1 year, but a couple of years of pretty decent-sized earnings growth, if I'm not mistaken.

Michael J. Mas - *Regency Centers Corporation - Executive VP & CFO*

Yes. Let me -- I want to refine some of those numbers. So...

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

But first, correct it. It's 86% of...

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Michael J. Mas - *Regency Centers Corporation - Executive VP & CFO*

86% effective revenue and occupancy after giving effect to uncollectible lease income. At the end of Q4 2020. And I think your point is this, if you compare that to February, pre-pandemic, that's about a 700 basis point decline in effective rent paying occupancy, that we believe, through our recovery, will return.

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

Again, well said, Floris, we expect -- we do expect that we will continue to have continued growth, not just as you pointed out, in the status quo scenario positive in 2021, if we hit that, but also for the next several years, knock on wood.

Floris Gerbrand Hendrik Van Dijkum - *Compass Point Research & Trading, LLC, Research Division - Analyst*

That's exactly what I was -- yes, knock on wood.

Operator

And our next question is from Michael Gorman with BTIG.

Michael Patrick Gorman - *BTIG, LLC, Research Division - MD & REIT Analyst*

I just wanted to spend a little bit on the development pipeline and the review process you went through and just kind of reconcile what sounds like a lot of positive demand trends in your market with some of the review process and maybe understand with the majority of projects that were impacted, is this mostly derisking the CapEx budget because of COVID 19? Or were these projects that had different retail trends that made them no longer work or kind of any common themes that impacted this pipeline kind of in the context of what sounds like an improving leasing environment?

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

Mac?

Dan M. Chandler - *Regency Centers Corporation - Executive VP & CIO*

Sure. Yes, absolutely. I guess a couple of themes there. We did take our time to go through our projects, as we mentioned in our prepared remarks, really it only caused us to cease moving forward on a couple of projects. One was a project that we had under contract. And unfortunately, with the pandemic, the leasing did evolve as we thought, and we dropped the contract. So we had to write-off some pursuit costs, typical A&E type cost, as you can imagine.

But in the larger context of looking at our pipeline, really, the biggest impact is time. Some of these projects have taken us longer to put together. I'll give you an example of that. Town and Country is a project that's been in our pipeline. That project has been delayed by about a year. We've had trouble getting our EIR released by the city of Los Angeles because they're impacted by COVID. Just so happens this actual week, it was finally released. So it's taken us some time. The scope of the project really is very similar to how we planned it, but we've had to push it out a year for that reason alone.

But when we look at our other projects, they're in locations that we very much believe in. We really believe in the scope. Of course, we're going to challenge ourself to make sure that what we're proposing is still relevant in a post-COVID world. So I would say we've made some minor changes to them, but not significant wholesale changes to them. Because these projects were pretty conservatively scoped to begin with. So we need to

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make sure we have the right amount of shops, convenience, parking, outdoor dining and the right amount of non-retail uses in those cases where we have it. And we believe that, that's still the case.

So it was very important for us to do that early in the pandemic. We were in a more of a capital preservation mode. The other things look more clear. We are getting ourselves prepared to start some of these projects, including our Bethesda project, which has now been entitled, and I'll give you one more. Our Costa Verde project, which we've been working on for many years, was finally entitled. They got approved in December without any appeal period, and that probably took an extra year longer than what we thought.

But we've made some really good progress and gives us a lot of confidence going forward to get these projects started when all the little ingredients come together. But the big ingredients are there.

Michael Patrick Gorman - *BTIG, LLC, Research Division - MD & REIT Analyst*

No, that's helpful. And then, Mike, maybe just one last technical one on the guidance side of things. I know you talked a bit about it in your prepared remarks, but can you spend another minute talking about the G&A, the 20% rise that's implied in guidance, just kind of what are the biggest drivers there?

Michael J. Mas - *Regency Centers Corporation - Executive VP & CFO*

I appreciate the question, Mike. It does deserve at least another minute. What we need -- what I'd ask everyone to do is really kind of break down G&A by years and then let's talk about it gross than net.

So first, I think it's important to go back to 2019, walk through '20 and then into '21. And what you'll see is that the top line gross revenues, '19 to '20, came down. In the pandemic, there were material savings to the company. Those savings came in the form of T&E, reduced travel expenditures across our entire platform, conference attendance, so on and so forth. We also benefited -- I guess, we benefited from a financial perspective by having fewer seats filled as it was more challenging to hire in that type of environment.

And then variable compensation, other compensation, all went in line with that. So -- but what's happened in '20 is those savings have been masked or covered up by our development overhead capitalization. And I spoke about this last quarter, probably my fault, I probably should have spent a little bit more time on it. That change in our development pipeline that Mac just articulated, did result in changes to our overhead capitalization as a result. Those changes are masking the savings in '20.

So now fast forward to '21 and in our guidance range, what you're seeing there is a return on the top line, so those savings in '20 should the economy continue to reopen as we hope and suspect it will in a status quo/continued improvement scenario, you'll see those savings start to reverse, and that will put pressure on the top line.

And then overhead capitalization, however, will take longer to recover with the development pipeline, that is a longer lead time. We have the same phenomenon occur with us in the GFC coming out of that downturn as well. Last point on G&A on the top line. Then if you come back and just think about top line gross G&A, '19 versus '21, it's essentially the same. '21, slightly higher, and that's because we are spending a little bit more money on third-party legal as we work through our tenant negotiations. This is more activity than we've ever had to do in a year. But I think it's good to see that, that top line is relatively consistent.

Operator

And our next question is from Ki Bin Kim with Truist.

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Ki Bin Kim - *Truist Securities, Inc., Research Division - MD*

Just wanted to ask a couple of quick questions on your lease spreads. So this quarter, it was roughly flat. Obviously, the most important part is that you're doing leases and there was a good volume of it. But my question was the 0.5% of positive cash lease spreads, do those still have the traditional rent step-ups that you've had in the past, so like the 1.25% or 1.5% rent step-ups?

James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

Ki Bin, I appreciate you asking that. The answer -- the short answer is yes. We're running about -- on our local shops, we're about averaging 2% on, say, 80% of our local deals still have the annual embedded rent steps. And when you blend the anchors in as well, it's about 1.5% on 80% of the deal. So yes, we are -- we're kind of proud of that. We've been -- that program has been in place for a long time. And over time, it's a very nice extra bump, if you will, to long-term NOI growth.

Ki Bin Kim - *Truist Securities, Inc., Research Division - MD*

Okay. And that's good to hear because getting those bumps or not, it really changes the perception of what rent spreads are. My next question is, what are some of the things -- when you talk to tenants, that you think might have -- might permanently change going forward in terms of like what they're looking for? I mean, it's a pretty broad question, but maybe the types of assets or the store size or how they do business, anything that you think will have kind of permanent lasting changes? And where that might pull you towards in terms of your business?

James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

I would say lessons learned from the pandemic are -- certainly, the curb side pickup, the -- that last-mile delivery, I think all retailers are struggling with this fulfillment issue. And as that morphs, that's something we're certainly to try to keep our finger on the pulse and make sure that we can react and create the environment that helps support our tenants as their business morphs.

But those kind of things, I think, are the biggest long-term changes that I see in the business are lessons learned from the pandemic. I think drive-throughs, how critical they were, the ability for a lot of these restaurants for that outdoor space, that's here to stay. The ability to have easy access to -- for the Starbucks of the world, where they can -- people can get in, get out because it's more pickup than it is sit and stay for a while.

So that whole shift in the business, I think, is something that we need to continue to morph and modify we're able -- where we're able, our centers to accomplish and accommodate some of those new changes.

Operator

(Operator Instructions) And our next question is from Linda Tsai with Jefferies.

Linda Tsai - *Jefferies LLC, Research Division - Equity Analyst*

Can you hear me?

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

Yes.

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Linda Tsai - *Jefferies LLC, Research Division - Equity Analyst*

Okay. Great. Are you actively tracking the spread of retailer micro-fulfillment across your properties? I guess, as a follow-up to Ki Bin's question. Just wondering if it creates pricing power down the road for centers that offer this. Or is it more the case that at some point, all centers will have micro-fulfillment?

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

If you can answer that question, Linda, you -- I bet you, there are a lot of people that would pay for your services. It is certainly something that we talk about every day. And Jim just mentioned it, but we -- how do we strategically position ourselves to really capitalize on and profit from the need for this micro-fulfillment and last mile because we do -- I mean, we own 400-plus shopping centers close to the consumers. And absolutely believe that the future is the inventory, if you will, of goods needs to be close to the customer, and we are well positioned to play a part in that.

And we talk with our retailers. We talked with other experts in the field, and we continue to do the things necessary to position ourselves for the future. But again, where that goes and how quickly it goes? No one really knows. But I like where we are in the overall kind of universe, if you will, of the fulfillment of goods to customers.

Linda Tsai - *Jefferies LLC, Research Division - Equity Analyst*

And sorry if I missed this, but just given some of the migration patterns to lower cost markets that were starting pre-COVID, which accelerated during the pandemic. Does this change your view of which markets you'd want more or less exposure to?

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

We -- I mean, we really like the markets that we are in. We are already pretty geographically diverse and a national portfolio. And there is even micro-migration patterns in some of the higher cost markets, if you will. And we believe that we're going to be able -- we will benefit from that as well. Where you're seeing perhaps some migration from the urban core to the suburbs, the first-ring suburbs where we are well positioned.

So we will continue -- we, again, like the canvas. And we will continue to expand, whether it's looking for opportunistic acquisitions or development in the markets that we are in.

Operator

Ladies and gentlemen, we have reached the end of the question-and-answer session. And I would like to turn the call back over to President and CEO, Lisa Palmer, for closing remarks.

Lisa Palmer - *Regency Centers Corporation - President, CEO & Director*

Thank you all, on at 1:15 Eastern time on a Friday, I know it's been a really long week. I apologize for the technical issues. And have a great weekend. Go visit your local neighborhood shopping center and buy a Valentine's Day gift. Thanks, all.

Operator

This concludes tonight's conference. You may disconnect your lines at this time. Thank you for your participation, and have a great day.

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