THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

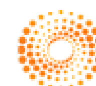
REG.OQ - Q2 2020 Regency Centers Corp Earnings Call

EVENT DATE/TIME: AUGUST 04, 2020 / 3:00PM GMT

OVERVIEW:

Co. reported 2Q20 results.

©2020 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

CORPORATE PARTICIPANTS

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

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

Laura Clark

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

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

CONFERENCE CALL PARTICIPANTS

Brian Michael Hawthorne *RBC Capital Markets, Research Division - Senior Associate*

Christine Mary McElroy Tulloch *Citigroup Inc., Research Division - Director & Senior Analyst*

Christopher Ronald Lucas *Capital One Securities, Inc., Research Division - Senior VP & Lead Equity Research Analyst*

Craig Richard Schmidt *BofA Merrill Lynch, Research Division - Director*

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

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

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

Ki Bin Kim *SunTrust Robinson Humphrey, Inc., Research Division - MD*

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

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

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

Ronald Kamdem *Morgan Stanley, Research Division - Research Associate*

PRESENTATION

Operator

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

I would now like to turn the conference over to your host, Ms. Laura Clark, Senior Vice President, Capital Markets for Regency Centers. Thank you. You may begin.

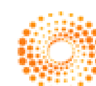
Laura Clark

Good morning, and welcome to Regency's Second 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. These are based on management's current expectations and are subject to risks and uncertainties. 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

©2020 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

Relations website. Please note that we have provided additional COVID-19 disclosure in this quarter's supplemental package, and have also posted a presentation on our website with additional information regarding COVID-19 business updates and impacts. Lisa?

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

Thank you, Laura. Good morning, everyone. I hope you're all doing as well as possible. First, I just want to open and acknowledge and thank the amazing Regency team. I'm extremely proud and grateful for the dedication and commitment our team has demonstrated during this incredibly challenging time. As we've continued to navigate through the last several months, the entire Regency team has prioritized the well-being of their fellow team members, our tenants and the people and the communities that our properties serve, while also making great progress in assisting tenants with successor openings, improved rent collections and rent deferral negotiations. A states and markets listed restrictions over these last few months, we've been encouraged by the success that our tenants have experienced. Our base rent collection for the second quarter, including executed deferral agreements, was 77% and nearly 80% in July. We've seen firsthand that as tenants have been able to reopen, consumers are eager to return to some sense of what was once normal, and that means resuming some of their prior shopping behaviors. Despite the progress Regency and our tenants have made, we are keenly aware that there's still a lot of uncertainty ahead. It is so difficult to predict the future, and we know that this situation will continue to evolve and may be more challenging as this disruption is even more prolonged.

We don't know for how long the virus will continue spread without an effective treatment or a vaccine. We can't predict how resilient consumers will be or how tenants will be able to adapt and innovate or if some tenants will need additional support in order to survive. But what we do know, as we look towards the future, we are certain of Regency's combination of unequaled strategic advantages that we have worked to build over time. This combination affords us the opportunity to withstand this difficult time, and I'm confident that we will emerge well positioned for future success. The quality of our geographically diverse portfolio comprised of necessity-based retailers has never been more important than it is today: our development program with a pipeline of exciting value-add projects is structured to provide timing and financial flexibility; our highly engaged team achieving great results while doing business the right way; and perhaps most importantly, today's environment, a balance sheet and liquidity position that was rock-solid entering the pandemic, enabling us to absorb the body blows that we've endured the past 4 months.

Given our strong balance sheet, and belief that our rent collections will continue to improve over time, our Board again declared payment of our quarterly dividend at the same level. Our ability to continue the dividend at the current level is an output of a strong starting position of a very low payout ratio combined with actual results that, while certainly not up to our historic performance levels appear to not only have stabilized, but to also be trending in a positive direction.

Working closely with our Board, we will monitor our financial metrics and projections in addition to economic and industry trends, and we will make future dividend decisions based on the facts and circumstances at that time.

Before handing over to Jim, I'd like to touch on Regency's continued commitment to corporate responsibility. In addition to our strategic business advantages, Regency has always had a strong set of core values that have guided our business strategy since we were founded over 50 years ago. Among those core values is a commitment to do what is right for the environment, our people, our communities and our company. By doing what is right in each of these areas, we are effectively managing risk and ensuring the success and sustainability of our business.

As I hope you saw in our recently published annual corporate responsibility report, implementation of these initiatives occurs across all departments at Regency and is ingrained in our culture. I'm confident that this commitment to do what is right, along with the combination of our unequaled strategic advantages, will continue to position Regency to be a leader in the shopping center sector going forward. Jim?

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

Thanks, Lisa, and good morning. As Lisa said, our top priority remains the well-being of our team, tenants and communities. As of the end of July, 95% of our tenants are open compared to 75% 2 months ago. The majority of tenants that have reopened experienced better-than-anticipated initial success and have been encouraged by consumer reception. Customers appreciate that retailers are taking extra precautions and measures to help them feel safe and welcomed in their stores. Regency is also working side-by-side with our tenants, including implementing increased

©2020 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

safety and cleanliness procedures and installing enhanced signage and wayfinding. We will continue to make additional modifications and adjustments to help our tenants and their customers feel safe and comfortable.

As highlighted in our business update posted on our website, as of the end of July, we have collected 77% of base rent for Q2, including executed deferrals. Looking beyond quarter end, we have collected 79% of July base rent on that same basis. We are encouraged that July collections have trended ahead of April, May and June, as of the same point in time for those respective months. We have purposely taken a very deliberate approach to negotiating rent deferrals with our tenants.

As tenants began opening or have visibilities -- visibility on when they would be able to open, we were in a better position to understand their financial needs to open and operate successfully. Just as important, Regency has been able to obtain certain nonmonetary concessions in our deferral agreements, including waiving co-tenancy clauses, lifting use restrictions, extending terms or requiring enhanced sales reporting. Even with tenants are still limited on how they can operate due to government orders, such as full-service dining and fitness categories, we are seeing that the better operators are able to adapt to the circumstances and are creative in how they successfully operate their businesses during this time. For example, we have many nail and hair salons that extended their normal operating hours in order to accommodate more clients, restaurants that are creatively using additional outdoor areas for seatings such as sidewalks and even parking spaces and fitness operators that are hosting outdoor classes and adding additional class times to accommodate customers' modified work-from-home schedules.

At the same time, in certain markets that had reopened, but restrictions have since been put back in place, many tenants are unfortunately experiencing a regression in the progress they have made over the last several months. Just as we did during the initial shutdowns and imposed restrictions in March, we will continue to work with these tenants to provide support and flexibility as they navigate the evolving environment. While our operations teams have been primarily focused on providing support to our 8,000 in-place tenants throughout the pandemic, we are also continuing to negotiate and execute new leases with retailers, including grocers, off-price, banks, home improvement, service users and restaurants. We signed over 120,000 square feet of new leases this quarter, including a new anchor lease with a home improvement retailer in a former K-Mart space in Florida with rent over -- rent growth over 55%.

Although our net leasing volumes were down this quarter due to limited new leasing activity, it's worthwhile to mention that we renewed nearly 1.2 million square feet of leases with positive rent spreads. While the more -- majority of new leases signed in Q2 were begun pre-COVID, we are seeing tenant interest falling and it terms similar to pre-COVID expectations. While there is no question our op team is keenly focused on collecting rents due and papering lease modifications, this hint of new lease interest is it energizing to me and certainly our leasing teams. Mike?

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

Thanks, Jim, and good morning, everyone. As we know, Q2 results were meaningfully impacted by rent collections that remain below pre pandemic level. To better understand this impact, we've enhanced our disclosure in our supplemental, and I strongly encourage you to reference those added pages, if you haven't already. I'm going to focus my comments on uncollected rent and specifically how those amounts are recognized in our results, both earnings and same priority NOI. And I'll finish with some comments on our balance sheet and liquidity position.

Given continued uncertainty, we will not be providing forward-looking guidance at this time. Uncollected pro rata rents and recoveries billed in the second quarter, totaled over $84 million. Following an extensive collectability review based on a multitude of factors, including credit rating, location and chain performance, tenant category, tenant communications and a host of other relevant inputs, we deemed nearly 50% of these rents, even if contractually deferred as likely to be uncollectible. To use a more common description, we're accounting for these receivables on a cash basis, meaning the income was not recognized in the quarter and will only be recognized as revenue when and if cash is received.

The balance of the unelected pro rata rents and recoveries billed in the second quarter, approximately $44 million, was from tenants with financial and operational attributes warranting being accrued as revenue and carried as a receivable at quarter end. Again, this includes rents that were contractually deferred. Importantly, when including accrued rent recoveries, together with collected billings, Regency has recognized revenue in the second quarter equating to 86% of total quarterly billings and other income. The uncollectible lease income charged this quarter, again, moving tenants to a cash basis of accounting, also resulted in a reversal of previously recorded straight-line rent. On a noncash basis, this negatively

©2020 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

impacted the second quarter by approximately $19 million. Together, current order uncollectible lease income charges are impacting NAREIT FFO by $0.35 per share.

Moving to the balance sheet. During the quarter, we took additional measures to enhance our already strong liquidity position by issuing $600 million of 10-year bonds and repaying the defensive draw we made on our line of credit in Q1, bringing our line capacity back to a full $1.2 billion. As of quarter end, we are carrying approximately $600 million of cash on hand. Together with our earnings announcement, we also noticed our intent to redeem the entirety of our $300 million of bonds maturing in 2022. The stronger-than-anticipated rent collection rates in the quarter, combined with the progress we are making on tenant negotiations, gives us confidence to use a material portion of our cash balances to retire this near-term debt and eliminate the added interest expense. We continue to have a $265 million term loan outstanding, maturing in 2022 and we'll monitor our progress in the evolving retail landscape over the next several months before deciding to retire any additional near-term obligations. With our line of credit fully available and our pro forma cash balances following the bond redemption, we remain very well positioned with over $1.5 billion of liquidity, more than covering development and redevelopment commitments and debt maturities through 2022.

Before we turn to your questions, there is one person deserving of a special mention this quarter. Laura Clark will be leaving Regency for an exceptional opportunity within [REIT Land], and we could not be happier for. Laura's contributions to Regency have been significant, as everyone on this call like knows, and while she will be missed, we are excited to watch your career continue to grow. Best of luck Laura and from your Regency team, thank you.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Christine McElroy with Citi.

Christine Mary McElroy Tulloch - *Citigroup Inc., Research Division - Director & Senior Analyst*

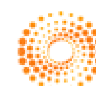
It looks like local tenants comprised 23% of your ABR, but only about 16% of the deferrals that you've agreed on. Can you sort of discuss your approach to dealing with those local tenants in attempting to collect rent, maybe specifically restaurants? There's been a lot of press reports about permanent restaurant closures. There's obviously a lot of concerns that nonpayment of rent potentially turns into vacancy. I'm just trying to get a sense for your strategy to both collect that rent, but also mitigate that potential occupancy loss within your own portfolio?

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

Sure. Christy, this is Mike. Let me start with a little bit on our disclosure, and then I'm going to pass it on to Jim to more directly, I think, answer your question. We did highlight our local exposure, and then we also highlighted our collection rates for local tenants, both for the quarter as well as into July. One -- and you see decline in rate of collection there. I'd like to note, however, that we have found that the local payers have been later than our national tenants. So measuring 1 month of local payment rates versus 3 months has been -- I just want to make that distinction that the local tenants have been paying a little bit later in this environment. In fact, if you were to look at our collection rates, in July at the same point in time as that of April, May and June by month, you'll see that, that local collection rates actually increased sequentially for all 4 months. And we feel like that momentum is pretty positive and consistent with the other directional changes that we're seeing in our portfolio.

With respect to the follow-up, I'll let Jim give you some color.

©2020 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

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

Yes. Christy, what I'd say is we've been very, very focused over the last 8, 10, 12 years in our proactive asset management of merchandising and really enhancing the quality of our side shop tenants. So as we look at that grew as a whole, they're really good entrepreneurs. The business is their livelihood. So they're very invested. They've got significant skin in the game. And they're important players within the merchandising and shopping center. So by and large, they're nimble. They've reacted well to the changing environment. Our -- as I said in the opening remarks, I think our teams are actively engaged in deferral plans to assist these folks to get back on their feet. We're clearly going to have some fallout at the end of the day. But by and large, these retailers were doing well pre-pandemic, and we want to do the best in everything we can do to help them survive and thrive post-pandemic.

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

If I may, just quickly address the restaurant closures. I mean I don't think that there's any doubt that we're going to see a lot of failures in the restaurant category. But I think that the numbers that you see in the news reports that you're reading really are looking at America as a whole, and I like where we're positioned, close to the neighborhoods, close to people's homes, and also from an exposure standpoint, we have a lot less in sort of that fine dining, if you will, which I think is going to be probably the hardest hit. But as more -- as people continue to work from home and perhaps moving forward as people continue to work from home even in a permanent state, I do believe that having those options for people close to their homes, the neighborhood community shopping center, we're still going to have restaurants as an important part of our merchandising mix at our really high-quality portfolio going forward.

Christine Mary McElroy Tulloch - *Citigroup Inc., Research Division - Director & Senior Analyst*

Okay. That's helpful. And then just thinking about the broader, including national and regional tenants. And Jim, you mentioned in your comments in the opening remarks, being thoughtful about future performance and thinking about future performance and doing those deferral deals. Have you done any rent abatements to date? And in terms of that, looking at that unresolved bucket overall, what is your desire to keep pushing for deferral agreements? So pushing that deferral percentage higher here versus going down the road of litigation eventually?

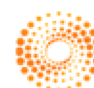
James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

Christy, that's a great question. And I'd like to answer that by kind of opening up our playbook on the whole deferral process and our approach to it. As I said last quarter, we started out being patient, deliberate. We didn't engage in the original onslaught of rent relief requests back in March and April, but rather preached to our tenants, we want them to get open and we'll address their needs when there's visibility. And now that we've moved from 59% of our retailers opened at the end of April to 95% today, I think we're now in a more rational environment, both tenant and landlord, we both have much better clarity and visibility as to needs. And we're finding good common ground for fair trade-offs between a retainment plan and nonmonetary concessions to create win-win for both of us. So as we kind of rewind, early on in the process, we initially prioritized our top 300 tenants, which represents about 70% of our ABR. And that was the first group we actively went out to work out agreements. But as of today, as we sit here, we're actively engaged with every one of our open retailers, open and operating retailers, crafting modifications where needed. And you can kind of see that priority strategy, evidenced in the 84% national and 16% local executed deferral agreements. So that mirrors exactly how we attack the situation.

Obviously, the categories that are hardest hit, theaters, entertainment, fitness uses, full-service restaurants, child related services, we continue to be very patient with this group as these uses in general are still closed or operating under limited levels of occupancy.

So again, just to reiterate, we've been very deliberate in the papering process as evidenced by the 4% executed deferral that you might see that stat in the investor slide deck that we sent. But the majority of uncollected rent is from tenants that we have ongoing relationship and dialogue with today, but have yet to pay for the agreements. We believe we'll continue to close the gap on this uncollected bucket. But each deal is individual in nature, and it will continue to take time to resolve.

©2020 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

I will add one thing, I think, it's important. While tracking these deferral agreements is important, you really can't lose sight that our existing leases are binding contracts, and the deferrals are just modifications outlining a payback program. The collectability of the outstanding receivable, is really the key to its success and really coming out the other side of the pandemic the way we want to see it.

Operator

Our next question comes from the line of Derek Johnston with Deutsche Bank.

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

When we look at the cadence of NOI going forward, it's fair to say that you are now operating and growing for a lower -- from a lower base. Should we expect a lag in occupancy declines as you possibly move tenants out? As it seems occupancy held up better than the NOI decline indicates. How should we think about that in our models?

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

Derek, I mean that's -- you're right, we have not been -- as Jim just described in terms of the negotiations with our tenants, we certainly haven't been evicting tenants, and there are going to be many that will fail. And we know that. Even Laura's last day, she would be giving me the eye that I'm not allowed to provide any future NOI guidance, so I'm going to refrain from that. But absolutely do expect that we are going to see occupancy decline. And the NOI is reflecting the reserves are reflecting some of that today.

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

Okay. Actually, that's helpful. And something a little more positive. Feeling omni-channel now post COVID is really emerging as the gold standard for navigating sales and wallet share for your tenants or retailers, how are you positioning Regency to capture increasing demand trends of the omni-channel efforts? And how are you facilitating bringing in tenants with this strategy and focus?

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

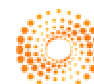
I think I -- we've been saying this for a long time now. What we like about our strategy, what we like about our portfolio is the fact that we really have -- we are close to the neighborhoods. We have a really high-quality portfolio. As most publicly and even -- and the private institutionally owned shopping centers are, there are 30,000 to 40,000 shopping centers in the U.S., and we are going to continue to see store closures, we know that. But a physical presence remains such a critical component in this omni-channel world. These retailers are going to keep those stores that are most productive that have highest quality that can touch the most people, and we're really well positioned to take advantage of that.

What this pandemic has done, has really just accelerated that trend. It's accelerated for the retailers because they've been forced to really innovate and move faster. And we're going to continue -- Jim even mentioned it in his prepared remarks, we're going to continue to do all that we can to facilitate for that retailer so that we can partner with them, and best enable them to satisfy their customers, which are our customers as well, our shoppers.

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

Okay, great. And lastly, how are you thinking about the development and redevelopment projects? When do you anticipate returning back to offense and moving value-enhancing projects forward at a more rapid rate?

©2020 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

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

Derek, this is Mac. We continue to evaluate these projects one at a time. Each one takes a lot of experience, a lot of discipline that we've always shown. And when we start a project is based on a lot of factors. Some of it's pre-leasing, some of it's the format, some of it is the location. It's really a risk-adjusted return at the end of the day. And so we're setting up projects that are ready to go and some that aren't ready to go, but we're continuing to advance the entitlement to put ourselves in a position to start. So that when we have this ability to a greenlight position, we'll be in a position to start. So it's tough to tell you exactly when each project is going to start today, but we have lots of experience in this, and we'll know on a case-by-case basis, when to start projects. And I think we'll be able to also take advantage of a decline in construction costs, which will help our yield as well.

And so we're setting ourselves up well, having this platform of offices throughout the country where we have local sharpshooters and local teams ready to go, I think, really gives us a distinct advantage. So we're excited about that, and the teams will be ready to start these projects when conditions present themselves.

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

Derek, this is Mike. Just want to follow-up on Max's comments because I think it is a balance as well as Mac and team are preparing at the property level and tenant demand, in fact, will probably drive much of that decision making, we're also thinking about funding, right? So we need to align both the opportunity with the development with the opportunity on the funding side.

And as you know, prior to the pandemic with free cash flow being our primary funding source of our development pipeline, that may change. But we have access to multiple sources of capital, whether that be property sales of lower growth assets or potentially even new capital in the form of debt or equity, we are preparing on that front as well.

Operator

Our next question comes from the line of Craig Schmidt with Bank of America.

Craig Richard Schmidt - *BofA Merrill Lynch, Research Division - Director*

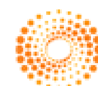
I had just some thoughts regarding your exposure by use. Do you see as you go through the process of maybe decreasing your exposure to fine dining, fitness and possibly personal services as some of those shake out and maybe you're not as quick to release to those uses again?

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

I'll start with a couple of comments, and I think Lisa or Jim will jump in as well. Number one, first on fine dining, we're only 1% exposed to the category. So although it's included in that line on our disclosure it's a very small component of our rent roll. And fitness being 4%. We actually are still in -- in the long run, we're still pretty bullish on the category. We think fitness -- personal fitness and health is certainly a secular trend. And I think this pandemic is probably even highlighting that even more. So we still like that idea going forward. Boutique fitness, we believe, will continue to be a use for our shopping centers.

On the personal services side, again, something that we still have a long view on in a positive fashion. So we think -- and we think our shopping centers provide that necessity to our consumers really well.

©2020 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

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

I mean I think Mike hit most of it. Just thinking and reminding about kind of our property type in that one thing that is certain is that it's always evolving for as long as we've -- I've been in the business for as long Jim's been in the business, you're continually seeing failures and then new concepts. And I imagine that we will see innovation and new concepts from miss disruption. And I don't know what those are yet, but I expect that our future leasing will probably include leasing to some of those new concepts, and we may have older concepts, if you will, that will fade away.

Craig Richard Schmidt - *BofA Merrill Lynch, Research Division - Director*

Okay. And then just given the site in California, Texas and Florida, I'm wondering if you're seeing a reduction in terms of discretionary goods spending in the last couple of weeks.

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

I think it's too early to really tell. What I will -- I mean as we probably all do -- gosh, I try to read everything I can, all the research reports, following mobility data and open table reservations, and we did see -- I think we did see a very temporary drop in those exact spots that you mentioned, Craig, but then recovered again pretty quickly. Whether there's any permanent kind of reduction in increased traffic, I think that's too early to tell. But the consumer really has -- they've been resilient, which has been really encouraging to us. Any data tool that we've used to track foot traffic has been honestly, positively surprising in some instances as to how much traffic has recovered.

Operator

Our next question comes from the line of Nick Yulico with Scotiabank.

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

This is Greg McGinniss on with Nick. Lisa, you mentioned that the reserve reflects some of the expected occupancy decline. We were wondering if you might be able to provide some more context on the expected short versus long-term impact of uncollectible Q2 rents. So basically, how much of that rent could we maybe strip out to create a run rate from what you know today? Or maybe said differently, how much of the uncollectible rent is effectively a Q2 rent abatement, but the tenant is still viable and we'll survive to pay rent in Q3?

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

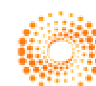
Okay. I'll let Mike address that.

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

Great. I appreciate the question. I think you'll appreciate the response. It's very difficult to give you some of those directions that you're looking for. Let me help you here. For the quarter, we -- at the end of the quarter, we effectively moved about 20% of our tenants to a cash basis of accounting. So that leaves 80% on accrual, right? Collection rates within that cash basis bucket, we're at 40%. And in fact, when you pull the same data in July, they have trended to 50% collection rates. So I think that is a good element for you to consider as you look forward in our portfolio, how to think about that reserved rent, effectively representing the 60% that was uncollected within that category.

From an accrual basis perspective, we collected 80% of that 80% of our exposure. But obviously, because of how we feel about those tenants from an operational perspective as well as a credit perspective, we're accruing that rent. And I think bottom line, what we felt like was most important is that for the quarter, we recognized revenue equal to about 86% of our total potential rent. And that's where our eyes are focused on. As Jim's

©2020 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

team continues to make progress with deferrals and bringing and modifying contracts, as he articulated, we feel good about the collectability of that 86% of our rents, either represented by actual cash collections or good visibility towards that.

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

Okay. Appreciate the clarity on the disclosure. And I'm just curious, how much -- you said that occupancy is still kind of trending down, you think. But I'm just curious how much of the uncollectible rent piece is actually due to tenant move-outs and bankruptcies at this point?

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

I say very little. I mean, we've had a couple of questions here about abatements, and there's been effectively 0 abatements to this point in time. But the reserve is there. Again, they're on a cash basis of accounting. They're only going to be recognized to the extent rents are received. Basis point is completely true. To the extent there is any fallout, it would be reflected by that reserve amount. It's just too early to tell to give any changes in any occupancy levels, not only for 2020, but certainly beyond.

Operator

Our next question comes from the line of Brian Hawthorne with RBC Capital Markets.

Brian Michael Hawthorne - *RBC Capital Markets, Research Division - Senior Associate*

So within the categories that you're signing leases, there are a couple that have only paid maybe like 2/3 to 3/4 of the rent. Are you negotiating leases with tenants that are not paying rent currently, like negotiating new leases?

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

No. This is Jim, Brian. No, we're not.

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

Good answer.

Brian Michael Hawthorne - *RBC Capital Markets, Research Division - Senior Associate*

Okay. And then have you guys seen demand change for certain locations within shopping center? I mean kind of looking at pads, is there a higher demand there?

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

I think the reality that the pandemic brought about was certainly drive-throughs -- everybody wants to drive through today. So a pad with a drive-through, I think for the future is going to be a must. It's going to be a very, very highly sought attribute. But other than that, I think the banks, the banks have been very active and they're pad type of users. So pads are always -- seem to be very resilient and the depth of tenant that like pads is generally pretty deep. So pads are pretty easy to work with.

©2020 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Operator

Our next question comes from the line of Richard Hill with Morgan Stanley.

Ronald Kamdem - *Morgan Stanley, Research Division - Research Associate*

You've got Ron Kamdem on for Richard Hill. Just two quick ones. Going back to the bad debt, and obviously, we're not asking for guidance, but I think we're all trying to figure out if there's another bad debt charge coming. So I guess the question really is, when I think about -- when we get to the end of 3Q, and we're looking at -- I think you reported your July uncollected at 21%. Are you going to have to go through sort of the same exercise to try to figure out what's uncollected and how much to reserve against it? And is there any reason to think that there's something about this mix that's either better or worse than it was in 2Q? So again, not asking for guidance, maybe just high-level color how we should think about that bad debt going forward a little bit?

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

Sure. Ron, first and foremost, you can't reserve for rent that hasn't been billed yet. So you're going -- to the extent you have cash basis tenants in your shopping centers that continue to occupy space and your billing rent and they haven't paid in the third quarter, by way of an example, you would have reserves.

So it will come down to your thoughts, our thoughts, anyone's individual thoughts around what percentage of that exposure will either start to pay rent or move out. To the extent they move out, you won't have bad debt expense, but you'll have no income. So the impact would be the same.

So I hope that's helpful and how we -- and how the idea that there will no longer be bad debt expense, I think, is misleading. It really is the idea around what -- how should we think about the performance of our cash basis tenants. So I hope the 80%, 20% be on cash basis is helpful. Again, 40% of those did collect rent, did pay rent in the second quarter, that is 50% as of July. I think that's a helpful statistic as well. Put in context of our opening percentages being materially higher than they were 3 months ago. At this point in time, that's about the best we can give from a forward-looking perspective.

Ronald Kamdem - *Morgan Stanley, Research Division - Research Associate*

Got it. That's helpful. And if I could just ask a follow-up on that. Just thinking about is it -- if I thought about your 21% uncollected and put a 50% ratio based on what you did in 2Q for bad debt, I guess what am I missing if I did that, right? Does that make sense?

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

It makes sense and that -- I mean, that can be an assumption. We can't comment on whether that's fair or unfair assumption.

Ronald Kamdem - *Morgan Stanley, Research Division - Research Associate*

Well, what we don't know is how many of those cash basis tenants that did not pay that we reserve for begin to pay. That's what you don't know. And that's what we don't know.

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

Right.

©2020 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Ronald Kamdem - *Morgan Stanley, Research Division - Research Associate*

Okay. That makes a lot of sense, and I appreciate navigating that. The other question was just on the straight-line rent charge that was reversed in 2Q is sort of a similar as the bad debt question. Is there -- should we be expecting sort of similar reversal? Or is there sort of an overlap, something that can mitigate that in 3Q? I guess how should we think about straight-line rents going forward without giving out?

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

This one is -- yes. No, that's a good question. It is different. So that is the onetime decision to move a tenant from accrual to cash basis for the standard that's a onetime reversal of the balance of the straight-line rent. So to the extent those tenants remain as is, if the 80-20 split remains as is, you would anticipate less by way of straight-line rent noise, so to speak, in future quarters. But that will be dependent on how we assess collect -- assess tenancy going forward. So there -- the 80-20 is not set in stone at this point in time. But I will say from a procedural perspective, we put a lot of time into this quarter in thinking about our tenants, thinking about the pretty high level from a standard perspective, a 75% probability or better that they will meet the demand of their contract. That's a pretty high bar.

And we -- so while I don't anticipate a material amount of change from this point forward, we're in a very unusual environment. A lot is changing month-to-month, quarter-over-quarter. So we will make that -- we'll make an assessment again at the end of the third.

Operator

Our next question comes from the line of Mike Mueller with JPMorgan.

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

I guess what does the Board see as the benefit of holding on to the dividend at the current level?

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

I'm going to -- I just want to remind you, one, that we intentionally strengthened the balance sheet to position ourselves to weather the next economic downturn. We never quite expected a storm quite like this one. So I think it's really important to remember that, that the strength of our balance sheet and financial position coming into this, really, it was a true differentiator for us. Our FFO payout ratio was in the low 60s. Our AFFO payout ratio was in the low 70s. That provided us with $150 million of free cash flow that Mike even alluded to earlier.

We pulled back capital spend early. So we deferred that essentially almost a like amount, that $150 million capital spend. And this really provided a really big cushion for us. So with that backdrop and the fact that we continue to see what we believe to be an improvement in rent collections going forward, it allowed us to declare our full dividend. Our future projections essentially cover our dividend payment, which is really what is the objective. And so that's why we have paid it. That's the fact.

The dividend is an output, it's not a decision just us to hold it, just to hold it. I'll reiterate that our future decisions are going to be really deliberate. The payment this quarter doesn't guarantee future payments. We have to continue to weigh all the facts and circumstances as they happen. But based on where we sit today, with the starting position and with what we are seeing with actual results, it makes sense to pay our dividend. As a REIT, part of total return is the income return, and that's an important part of our total return.

©2020 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

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

Got it. Okay. And then I was curious, the sequential small shop occupancy decline, was that fairly broad based? Or was it concentrated? Can you just give us a little bit of color on that?

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

Mike, yes, I think that was basically wrapped up in PK. We had -- gosh, I think we got 16 -- at this point in '20, we have 16 brands that have filed, of which we've got 150 individual store locations. And at that, we've got 40 that we expect either have rejected or will likely reject. So the decline is primarily BK at this point.

Operator

Our next question comes from the line of Floris Van Dijkum with Compass Point.

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

Question for me is on what you see is going on with cap rates and also as you think about your valuation, obviously, there are 2 things that are involved in valuing assets, it's the NOI and the cap rate. Do you see any movement in cap rates? Or -- and maybe comment on what you think is going on in the public markets? And your view in terms of where you think -- how sticky values are for your asset cost?

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

Floris, this is Mac. I'll take the first half of the question and then hand it back over to Mike. In terms of cap rates, you're not seeing for starters, a whole lot of the A quality properties, the types of properties that our portfolio is representative of. Owners of those properties I think, really recognize the long-term value, and they're not willing to sell them. There's really a scarcity of that product.

But for those sellers that are willing to sell them, there's high demand for grocery-anchored neighborhood centers. The ones that are holding up the best are a little bit smaller because of just the amount of capital that's in the marketplace. But we're seeing cap rates really hold tight. They're really quite strong. There's been -- buyers are trying to figure out how best to underwrite forward cash flows. And they're cautiously underwriting limited growth for the next couple of years. And then in year 3, typically, they're sort of back to historical norms. So we are -- we have some properties that we have put on the market, and we're seeing a lot of demand. There's also demand for debt that's allowing people to execute. 50% to 60% permanent loans are available at tremendous rates better than we've seen in a long, long time. So for our type of product, values are holding up really quite well. And I'll let Mike talk about how that relates to our NAV.

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

I'll actually jump in. I'll give Mike a break since I keep tossing all of the reserve questions, too. I think Mac said it well. And this is something that we've been talking about quite a bit. There's still -- I think that -- I said it in my prepared remarks as well, neighborhood community shopping centers and essential retail has never been more important than it is today. And I think that you're seeing that with how cap rates are responding.

So while there's not much change in the applied cap rate, what's really difficult to knows what is the NOI stream. And also the cash stream even to recapture more NOI as we re-lease. Because I do -- we do expect that there's going to be a significant amount of re-leasing that's going to happen in the future that's going to require TI spend. So from a valuation perspective, I mean, I can't -- we've provided all the information that we could provide. It really does come down to where does NOI settle, and we're not -- we don't know that yet. It's still -- there's still too much uncertainty. So where does that new kind of base settle. And then from there, I do expect that we'll have -- we will obviously have growth, as I pointed out earlier. We're starting at a lower base. We're going to continue to re-lease, and we'll see probably above-average same-property NOI growth in our

©2020 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

portfolio for a period of time. But it will take capital to do that. So I know that I didn't exactly answer your question, Floris. But everyone's estimates are going to be different. And we just need a little more clarity as to when this is really over, and then we can start to recover from there.

Operator

Our next question comes from the line of Michael Gorman with BTIG.

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

Lisa, if I could just go back to your comments earlier on omni-channel and maybe drill down a bit, especially on e-commerce grocery. Can you maybe talk a little bit about conversations you're having with tenants about their e-commerce trends on the grocery side? And maybe the rollout of newer technologies like MSCs? And maybe how they're thinking about your portfolio where they have much higher productivity? You have some of the top locations in each market and allocating space within those stores for MSCs? Or are they looking elsewhere and how they're kind of just approaching the e-commerce -- how they're approaching e-commerce strategy right now?

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

Sure. I would say, again, those conversations really haven't changed much. The better operators were already focused on how can they best serve their customers in the most profitable manner. And there -- while Kroger is focusing on the larger robotic automated warehouses, partnerships with Walgreens. Ahold, I think, and Albertsons, probably the most focused on the micro fulfillment centers all of them, and then we all know what Amazon is doing with Whole Foods and then Amazon Go and the rumored and real traditional grocery stores that they're opening. All of them are focused on how best to serve their customers in the most profitable way. And there's still no argument that the most profitable way today. Could that change in the future? Absolutely, never say never. But today, it's to bring the customer in the store.

So they're still all very focused on serving their customer in an omni-channel fashion, but to the extent possible, the most profitable way, which is incenting them to come into the store. With that said, again, you see that -- you do see all the better operators are investing more in technology, and spending more on the different means of that happening. And we continue to have the conversations. We continue to partner with them. We continue to help them where we can to facilitate that delivery of their goods. And I don't mean literally, I mean, within our shopping centers. It's going to continue to evolve. We're going to continue to see consolidation in the grocery. I think that scale matters. I think that having the cash flow and the money to invest to innovate and to invest in technology and invest in serving their customers, that's where the words will be.

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

That's helpful. And I guess, just clarify, I mean, when you speak to the grocers, does the high productivity of their stores in your portfolio make them more likely to kind of leave those intact and look elsewhere for technological solutions in the market? Or is that not playing a role?

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

Well, clearly, it plays a role when they think about their most profitable stores. It's about their profitability. And typically, the more productive stores are going to be more profitable. So that certainly plays a role as when they're thinking about their network of stores and fulfillment centers. They are going to be very reluctant to close something that is profitable. They could use that store as the core or the center of a little -- of a smaller network, if you will, and add micro-fulfillment around it to continue to service the customer even out of that particular store. So it absolutely is an input and a variable.

©2020 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Operator

Our next question comes from the line of Ki Bin Kim with Truist Financial.

Ki Bin Kim - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

So going back to the 14% of rent reserves, how much of these rents from tenants for decently healthy pre-COVID? And how is this impacting the way you thinking about helping these tenants? How?

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

I appreciate the question, Ki Bin then. I think -- let me answer it this way. So our cash basis, the percentage of our ABR that we had on a cash basis pre-COVID was only 3%. Now as I stated earlier, we've identified a collection of tenants that equates to about 20% of our rent roll, is now on a cash basis. So I think by extension -- and that 3% was primarily basically BK watch list tenants. So by extension, I would answer your question to say, the majority of them were healthy.

But as Jim kind of spent some time on earlier from a local tenant perspective, at least, this is a storm for them that is pretty challenging. And that -- it's the severity of the circumstances, the inability to operate at all in some cases, that has changed our perspective from a classification standpoint. But again, I can't reiterate that's not 40% of those tenants are still in rent currently, and that's actually 50% right now through July. I don't know if, Jim, if you wanted to add anything to that.

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

No. Thank you.

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

Got it.

Ki Bin Kim - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

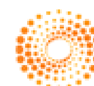
Okay. And I appreciate the fact that your deferral arrangements are only 4%. I mean basically, deferred range is not easy to give out, and in some cases, only worth the paper it was written on. I'm just putting myself in the perspective of tenants here for a second.

Some of these -- a lot of these local tenants are not built to pay lump sum rents, right, just deferring and paying it back in a year. And I would think maybe is a little bit of a ball on shackle to some of these local tenants. How are you thinking about that? And if deferrals even make sense to a lot of your tenant base?

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

Ki Bin, I would be -- as we talk to these tenants and really understand their situation, their outlook for the future, their credit capabilities, all that goes into play. And we just take them one at a time, and we'll make the best decision we can. It's -- part of it is if there are 15-year operators has always done exactly what they said and they're a great operator, I'm going bend over backwards and try to figure out how to make that tenant successful. We got a lot of tools in the toolkit. We'll employ as we see fit. But we want our -- we want to put our dollars where they can go the best to get the best result. That's really all I can say.

©2020 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

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

Yes, I'll say this for Jim because he's told me many, many, many times. We're not going to put a tenant into a deferral plan that puts them out of business, right. And I think, Ki Bin, that's the point we're making. So we'll be hit -- those tools. However -- whatever they are, either stretching the payments out or maybe sprinkling in a little bit of abatement, we're going to make the right decision for the right tenant and they're all snowflakes. And we have the long-term in mind in setting ourselves up and our portfolio up for success after we emerge into some sort of normally.

Operator

(Operator Instructions) Our next question comes from the line of Linda Tsai with Jefferies.

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

Of the 16 brands that have filed in the 40 states have been rejected or likely to be rejected, when's the earliest one might expect to get those spaces back? And any sense of whether you'd see more demand from the national brands or local tenants as backfill options?

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

Linda, this is Jim. We'll be getting -- I think some of those rejections probably the next 30 days or so. As far as demand, pre-COVID, we obviously had a lot of interest in, for instance, Pier 1s. We are in dialogue with several of those. I think there's still interest. I think the speed to market, if you will, of converting that interest into an executed document has slowed dramatically. And I expect the same.

At the end of the day, Lisa said it, we think we've got great real estate. The tenants within our portfolio have historically operated at very high levels. As we get space back, it's a supply and demand business. We think we're going to have good product in good centers. And if the market allows it, we're going to get more than our fair share of re-tenanting opportunities.

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

And then just one other. How are you thinking about dispositions in the post-COVID environment? How might parameters around low growth have changed pre versus post COVID?

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

Linda, I can take that to start with. When we consider properties that are being disposed, we do it like we have been historically. It's a ground-up basis. We look for properties that might be nonstrategic, certainly low growth, just noncore properties that we're not going to miss, so to speak. So in today's world, we'll take a second look to make sure that we accurately forecast growth going forward.

Will that change? Sure. Certainly, I would think of some properties. So we'll take it on a case by case, probably a little too soon to have a perfect assessment of forward growth compared to pre-COVID times. But we'll continue to look at that. But these are good properties, too as well. I don't want to dismiss them. I think the buyers of our properties have done quite well, and we wish them well. So I'll let others drop in as needed.

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

Thanks, Mac. It's Mike. I'll go back to kind of our funding plan. And one thing I'd like to make sure you hear is that we'll be very disciplined. To the extent property sales are a lever in our funding plan and most likely will be, we're going to be very disciplined on the valuation. And I think Mac is exactly right. We're going to have our own view of the forward NOI stream of these properties. And if the market is not giving us the value we believe we deserve, we're prepared to hold that asset, and we will choose to hold that asset, and we'll make appropriate other funding decisions

©2020 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

from that point. We have a big -- we have a large portfolio, a diverse portfolio. We have a lot of optionality within that portfolio to fund what we plan to have as a vibrant -- again, vibrant redevelopment and development opportunity set going forward.

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

We've always had a commitment to dispositions and well, absolutely, I believe that we have a really high-quality portfolio. Again, as I do -- as I believe most of the publicly owned companies do, everyone still has their lower quality and lower growth, even if we are in the top 10% of what's was owned in the U.S. And so we've always maintained that commitment to continually improve the quality of our portfolio and to continually fortify that future NOI growth rate. It's an important part of our strategy.

Operator

Our next question comes from the line of Chris Lucas with Capital One Securities.

Christopher Ronald Lucas - *Capital One Securities, Inc., Research Division - Senior VP & Lead Equity Research Analyst*

Just a couple of other ones. Just as it relates to, I guess, rent collection, particularly on the more challenged lines of business. Does geography play a role in that? And then I guess sort of on the same geography line of thought, when you guys are pursuing litigation, does geography drive that as well?

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

Chris, it's Jim. As far as impact on collection rates, I think certainly, there's really 3 things that come into play. You've got kind of the essential category mix, which will drive the recovery, obviously. Geography certainly comes into play. We've got -- as you're well aware, we've got areas within the country that have higher mandated closures still, so that will have a big impact. And then the local national mix, as I referred to earlier, in our strategy, that local group is kind of the last group that we're engaged with right now. So that will have impact on that same collection rate. Well, part 2 of the question was...

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

It's related to litigation and geographies.

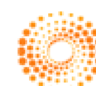
James D. Thompson - *Regency Centers Corporation - Executive VP & COO*

Litigation. Chris, where we are in that is, if warranted, we're taking legal acting as tenants that have, number one, have the ability to pay and have chosen not to, or nonresponsive or unreasonable tenants. In many cases, this approach of late has become pretty effective in bringing payments through the door or at least getting folks to the table for further discussion.

Christopher Ronald Lucas - *Capital One Securities, Inc., Research Division - Senior VP & Lead Equity Research Analyst*

Okay. And then, Mike, I'm just curious, have you collected rent in, I guess, third quarter that was applicable to second quarter? I'm just kind of curious how you're dealing with that.

©2020 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

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

Yes. I think what I call the crossover rent, it was about $8 million. So if you -- that we collected in July, that was owed on quarter 2. So if you want to think about our reserve as a percent of billings, that would move it from 47% to 52%, Chris.

Christopher Ronald Lucas - *Capital One Securities, Inc., Research Division - Senior VP & Lead Equity Research Analyst*

Okay. And then of the I guess, the $8 million, do you have a split between what was on a cash basis accounting?

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

I don't have that for. I'd have to follow-up with you on that one.

Operator

(Operator Instructions) Ladies and gentlemen, I'm sorry. I'll turn it back to -- Lisa.

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

I was just going to jump in. Yes. Thanks, Elissa. Thank you all for your time today. Your continued interest in Regency, your support. I do hope that you all stay safe. Wear a mask. And again, thank you to the Regency team. I really do appreciate this time that we're living in is really hard for all of us. So thank you to everyone, and good luck, Laura. Thank you.

Operator

This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2020, Thomson Reuters. All Rights Reserved.

©2020 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS