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EDITED TRANSCRIPT

REG.OQ - Q3 2026 Regency Centers Corp Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Greetings, and welcome to Regency Centers Corporation third quarter 2026 earnings call. (Operator Instructions). As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Kathryn McKie, Vice President, Investor Relations. Thank you. Please go ahead.

Kathryn McKie - *Regency Centers Corp - Vice President, Investor Relations*

Good morning, and welcome to Regency Centers' third quarter 2026 earnings conference call. Joining me today are Lisa Palmer, President and Chief Executive Officer; Mike Mas, Chief Financial Officer; Alan Roth, Chief Operating Officer; and Nick Wibbenmeyer, Chief Investment Officer.

As a reminder, today's discussion may contain forward-looking statements about the company's views of future business and financial performance, including forward earnings guidance and future market conditions.

These are based on the current beliefs and expectations of management and are subject to various risks and uncertainties. It is possible that actual results may differ materially from those suggested by these forward-looking statements we may make.

Factors and risks that could cause actual results to differ materially from these statements may be included in our presentation today and are described in more detail in our filings with the SEC, specifically in our most recent Form 10-K and 10-Q filings.

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In our discussion today, we will also reference certain non-GAAP financial measures. The comparable GAAP financial measures are included in this quarter's earnings materials, which are posted on our Investor Relations website. Please note that we have also posted a presentation on our website with additional information, including disclosures related to forward earnings guidance.

Our caution on forward-looking statements also applies to these presentation materials. As a reminder, given the number of participants we have on the call today, we respectfully ask that you limit your questions to one.

Please rejoin the queue if you have any additional follow-up questions. Lisa?

Lisa Palmer - *Regency Centers Corp - President, Chief Executive Officer, Director*

Thank you, Kathryn. Good morning, everyone, and thank you for joining us. Our team delivered another great quarter. We generated strong same-property NOI and FFO growth, driven by solid operating fundamentals and accretive capital allocation. Demand for space remains robust and our tenant base is strong, supported by the resiliency of consumers in the communities surrounding our centers.

Our ground up development platform remains a key differentiator for Regency. We have been expanding our pipeline for years and our team continues to build on that momentum, sourcing high-quality projects across the country. We remain disciplined in the current higher interest rate environment focused on investments that create meaningful earnings growth and long-term value for our shareholders.

Our sector-leading national development platform provides us with a visible source of investment opportunities outside of the transaction markets. Our strong growth so far this year has allowed us to once again increase our full year outlook. We raised our dividend this quarter by 6% and a meaningful increase that extends our long track record of dividend growth, reflecting our performance and the confidence we have and the durability of our cash flows.

Looking more broadly and ahead to 2027 and beyond, the fundamentals of our business remain strong. The performance of our portfolio continues to demonstrate sustained strength in tenant demand.

Our neighborhood and community centers anchored by top grocers and focused on necessity, service, convenience and value are well positioned to continue thriving. Our development platform remains the driving force behind our external growth. And we are investing in and leveraging new technologies across our organization, making our team more productive and effective and allowing us to make better, faster decisions.

As I close, what sets Regency part hasn't changed, a high-quality portfolio in strong suburban trade areas, a leading national development platform, a fortress balance sheet and the best team in the business. We are executing on our strategy and have confidence in our ability to drive growth and sustained long-term value for our shareholders in 2027 and beyond. Alan?

Alan Roth - *Regency Centers Corp - East Region President and Chief Operating Officer*

Thank you, Lisa, and good morning, everyone. The strength of our results in the third quarter and throughout 2026 reflects the hard work of our team and robust operating fundamentals across our portfolio. Same-property NOI increased 5.1% in the third quarter and 4.4% year-to-date, supported by continued occupancy gains, strong rent growth and disciplined execution.

Our same property portfolio reached a new historic high of 97% leased with shop occupancy also reaching a record 94.6%, driven by broad-based tenant demand. Equally encouraging, commenced occupancy increased to 95.1%, yet another historic high as we continue converting our SNO pipeline into rent-paying tenants.

The combination of strong retailer demand as well as ongoing scarcity of both high-quality space and new supply continues to bolster our negotiating position across our portfolio. Cash rent spreads were 12% in the quarter, including negotiated renewal spreads at 15%, while

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GAAP rent spreads reached 22%. Nearly all of our new shop leases now include annual rent steps of 3% or higher, strengthening our contractual rent growth well into the future.

And importantly, we are capturing this rent growth while remaining disciplined with our leasing capital spend. Overall, our tenants remain healthy, and the underlying indicators remain encouraging. Collections are strong, receivables remain below historic levels.

Bankruptcy impacts have been minimal this year, and both foot traffic and tenant sales performance remains solid. And while we have continued visibility to the benefit of commenced occupancy into 2027, growth opportunities extend well beyond the remaining vacancy in our portfolio. We're leasing space earlier, often while it's still occupied, reducing downtime between tenants and accelerating rent commencement.

We're capitalizing on mark-to-market opportunities as leases roll taking advantage of supply-demand dynamics through negotiated renewals and embedding strong contractual rent steps into our leases. And we will continue to unlock redevelopment opportunities that improve merchandising, strengthen the competitive positioning of our centers and create value.

Our team continues to deliver, and I'm excited about the runway we have to keep driving NOI growth. With that, I'll hand it over to Nick.

Nicholas Wibbenmeyer - *Regency Centers Corp - West Region President and Chief Investment Officer*

Thank you, Alan, and good morning, everyone. We continue to see significant positive momentum across our investment platform. During the third quarter, we started several new development and redevelopment projects made great progress executing on our in-process pipeline, source new opportunities and acquire high-quality properties.

Year-to-date through October, we started more than $280 million of projects including more than $100 million in the third quarter alone, and we continue to expect starts to approach $400 million by year-end. Our ground up starts in the quarter included a Whole Foods-anchored project in Southern California, and shortly after quarter end, we broke ground on a Sprouts-anchored project in Northern California.

Each of these developments payers a leading grocer with a premier suburban location, which are exactly the types of projects our platform is designed to deliver.

Our in-process pipeline currently stands at approximately $680 million with expected blended return of 9%. We continue to have great momentum leasing up these projects, which is allowing us to bring project NOI online and driving the significant total NOI growth we've seen this year.

This success can be seen in the $158 million of projects we've completed so far this year, including the shops at SunVet on Long Island in the third quarter. This whole foods-anchored center has been met with tremendous enthusiasm from both retailers and the community with a merchandising mix that includes Nordstrom Rack, Sephora, Shake Shack, and Warby Parker, among others.

On the transaction side, we acquired more than $100 million of properties in the third quarter, bringing our year-to-date total through October to over $170 million. These included a Stop & Shop anchored center in Northern New Jersey, and a market basket anchored property in suburban Boston. We funded several of these acquisitions with joint venture capital alongside a long-standing partner with whom we have additional capacity to invest.

We continue to source attractive acquisition opportunities, but it remains a competitive transaction market and today's rising interest rate environment creates additional challenges. That said, because we don't exclusively rely on acquisitions to drive our external growth, we can remain patient and selective, pursuing only the opportunities that truly meet our standards for quality and accretion.

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In closing, I'm confident in our ability to keep building and delivering accretive developments and sourcing high-quality acquisitions that create meaningful growth and value for our shareholders. Based on our deep grocer relationships, a proven track record, ample access to capital as well as sustained strong demand. Mike?

Michael Mas - *Regency Centers Corp - Chief Financial Officer, Executive Vice President*

Thank you, Nick, and good morning, everyone. As you've heard from the team, Regency delivered exceptional results in the third quarter, reflecting the continued fundamental strength of our portfolio and the accretive impact of differentiated capital allocation.

Year-to-date, same-property NOI growth is 4.4%, driven by continued growth in occupancy robust new and renewal leasing, high tenant retention and strong tenant health. Beyond the same property pool, year-to-date total NOI growth is 7.6% and with this metric capturing NOI from our ground-up development projects.

The strength of our operating results and our ability to accelerate development NOI allows us to once again raise our current year guidance. We've increased the midpoint of our same-property NOI growth rate to 4.25% or higher, and we've also raised the midpoint of core operating earnings per share, which now calls for full year growth of 5.7% at the midpoint.

Looking ahead to next year, while we'll hold full guidance for our fourth quarter call, I do want to share a couple of early indications. Following two outstanding years of same property NOI growth, we expect 2027 to be another great year for internal growth as our portfolio is well positioned to benefit from continued strong fundamental trends.

As we sit here today, we anticipate next year's same property NOI growth to be in the mid-3% area, reflecting continued high levels of occupancy, strong rent growth benefiting from our pricing power, steady tenant health and positive contribution from redevelopment. With respect to our long-term target earnings growth rate, we anticipate the refinancing of our maturing debt early next year will have an impact of somewhere in the area of 150 to 200 basis points.

Rates have certainly shown some volatility recently. But given where borrowing costs are today, our bias would be towards the lower end of this range. Again, much more to come on 2027 earnings with our full suite of guidance in February.

Moving to our capital and liquidity position. In an environment where balance sheet strength matters more we are comforted to be in a position of financial strength. Our total leverage currently stands just below our target range, and we have a ratings from both Moody's and S&P.

We have substantial availability on our $1.5 billion credit facility and continued to generate strong free cash flow, allowing us to fund our growing external growth pipeline without the need to issue equity or sell properties. We also benefit from additional investment capacity available to us through our long-tenured joint venture partner relationships. This flexibility allows Regency to continue investing accretively and remain opportunistic.

In summary, we have had an exceptional year. Our operating fundamentals are very strong, evidenced by our same-property NOI growth rate. Our development pipeline is providing new, sustained total NOI growth and our balance sheet supports the flexibility to continue investing accretively even through a more uncertain rate environment.

We look ahead with confidence in the underlying strength of Regency's portfolio and in our team's ability to deliver attractive, durable growth over the long term. With that, we'd be happy to take your questions.

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QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Michael Goldsmith, UBS.

Michael Goldsmith - *UBS AG - Analyst*

I appreciate the early indication of the 2027 growth numbers. Right now, you just took your '26 same-property NOI growth to more than 4.25%. And for next year, you're pointing at the mid-3s.

So is there -- are there any factors that are in play that would suggest that same property NOI would decelerate. Maybe you can talk through the puts and takes on the same property NOI for next year.

Michael Mas - *Regency Centers Corp - Chief Financial Officer, Executive Vice President*

Sure. Michael, I appreciate the question. So I think I'll start with occupancy, which is where you should start any time you're talking about the direction of our same property growth. As I mentioned on the call in my prepared remarks, we will continue to expect to maintain this very high level of occupancy that we've delivered so far this year.

But the increases will be moderating. It's just kind of natural to expect that to occur just as a real brief reminder. And I think to congratulate the Regency team, 2025, we've moved our average commenced occupancy by about 150 basis points.

We moved it again this year, and we expect to move it by about 80 basis points. And I would say that leaves about, I don't know, somewhere in the area of 40 to 50 basis points to move it next year. More to come on the details of that. But that is kind of a natural occurrence of our portfolio as you reach these historical highs that we find ourselves in. Together with that, you benefit from expense recoveries.

So we have been benefiting from higher levels of expense recovery rates in '25 and now on to '26, and we'll continue to have some of that up in 2017 as well. we are calling for an 87% or 88% recovery rate going forward, which is, again, kind of matching our historical highs.

And then the only other kind of on the downside, I would highlight is -- we are about 25 basis points on bad debt expense this year, incredibly low. In the third quarter, we had a very low bad debt expense rate. I would say, as we sit here today and it's early, I would plan for something more in the historical averages, which is something approximated or approaching 50 basis points. So that would be incorporated into that 3.5% area that I identified for next year.

Operator

Jamie Feldman, Wells Fargo.

Unidentified Participant

This is Connor on with Jamie. Maybe on ground-up development, can you talk about yields in the next wave of opportunities relative to the 7% plus on the recently announced projects? Are stronger rents and faster leasing, creating room for yields to improve or are higher land costs kind of absorbing that upside?

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Nicholas Wibbenmeyer - *Regency Centers Corp - West Region President and Chief Investment Officer*

Yeah. Good morning, Yes. Connor, I appreciate the question. This is Nick. You're absolutely right. I mean, let's just start with the tremendous work our team has been doing over the last several years building this just unbelievable development pipeline that we're now seeing come online and build our in process to now approaching $700 million.

And so as you articulated, are in process or 7% plus on our ground-up developments. And our teams have been pushing hard to try to get towards the higher end of that 7% plus and they're continuing to push. Do I think we're going to see the gap out at 8% plus? No. I think the 7% to 8% range is where they're landing because to your point, there's a lot of inputs, including land cost.

But at 7% plus, we still feel really good with that spread compared to, one, our cost of capital to create real accretion and two, compared to what those assets would be worth in the private market from an NAV standpoint.

So feel really good about those assets. I also feel really good about how we derisk those. I just want to remind everybody, we have a lot of pre-leasing done on those assets before we close were fully entitled and we have construction bids in hand.

And so as you've seen us bring these projects online, our teams have done an amazing job holding those yields and improving on the margin in many cases compared to what we thought when we closed on those transactions.

Lisa Palmer - *Regency Centers Corp - President, Chief Executive Officer, Director*

I'd love to just come over the top. And as Mike complemented the operating team to complement our development team. Our conviction in development is as strong as it's been. It remains a key differentiator for us, and it is an important part and driver of long-term growth. And Nick hit on that in terms of the spreads over market cap rates.

And we are mindful of our cost of capital. Our head is not in the sand on that, and we'll remain disciplined in what we pursue. But the fundamentals supporting development today are still really constructive, as Nick said.

Operator

Samir Khanal, Bank of America.

Samir Khanal - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

I guess maybe, Mike, if you can provide an update, expand a little bit on your comments about the transaction market, kind of what are you seeing broadly given the volatility in rates where our unlevered IRRs today? And any comments on pricing or cap rates would be helpful.

Nicholas Wibbenmeyer - *Regency Centers Corp - West Region President and Chief Investment Officer*

Yes, Samir, this is Nick. As Mike alluded to in his opening comments, it's volatile out there. There's no question about that. And so we're still in the early innings of what is that going to mean for the transaction market. As you can appreciate, many deals that are closing now were priced 60, 90 days ago.

But early indications are, and this is what you always see in volatility, quality matters. And so early indications are really core grocery-anchored assets with good growth profiles continue to have a lot of demand as there is fund flow into our asset class.

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And it does appear those assets that did have a little bit more challenges potentially, we're going to have a little bit more leverage. Those may be getting retreated in the market from a pricing standpoint. But again, early innings and all indications are our asset classes are still very much in high demand.

And so but more to come over the next 90 days as assets reprice here.

Operator

Todd Thomas, KeyBanc Capital Markets.

Todd Thomas - *Keybanc Capital Markets Inc - Analyst*

I just wanted to follow up on your comments around the early indication for 2027 same property NOI growth in the 3.5% range. Base rank contribution continues to improve. That was up 4% from 3.7% last quarter. And you talked about the runway from converting the SNO pipeline to rent paying tenants. So are you anticipating any known vacates or occupancy pressure in '27?

And then related to your comments on bad debt, is the assumption simply a normalization from current levels? Or is there anything specific? Any specific tenant issues or anything like that, that you're contemplating?

Michael Mas - *Regency Centers Corp - Chief Financial Officer, Executive Vice President*

Todd, I appreciate the follow-up. I would characterize the plan as we sit here today again as being kind of occupancy neutral. We have done an incredible job, and I congratulate the team again on raising our eye level on where occupancy can be in this portfolio.

which, by the way, also includes delivering now an incredible amount of redevelopment activity. And I would characterize next year as being kind of occupancy neutral, but opportunity to continue to compress that SNO spreads, right? So I do think we can continue to move commenced occupancy closer to percent leased. I would characterize the ULI change as a normalization.

I don't -- we are not seeing any evidence of tenant health concerns at all. I just can't help but look over my shoulder at a historical average and compare that to where we are today and think -- and not at least think that it could normalize back to historical levels.

The teams are doing an incredible job on the leasing front. Pushing rate, using their leverage where we have it, and we have a lot of it today given the tailwinds in the marketplace given the lack of availability in high-quality centers. And that could evidence itself in a little bit of pressure on bad debt expense.

And we'll just be prudent to plan for that. But to this point, haven't seen a rapid impairment of tenant.

Operator

Ronald Kamden, Morgan Stanley.

Ronald Kamden - *Morgan Stanley - Analyst*

Great. Just following up on that, but going more into the portfolio. Just wondering if you could talk a little bit about just what you're seeing in terms of foot traffic and then some of the categories that are outperforming and updated thoughts on categories that you're reducing exposure to at this point?

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Alan Roth - *Regency Centers Corp - East Region President and Chief Operating Officer*

Ronald, thank you for the question. It's Alan. So when I look back at the quarter, there are some really great retailers that we signed multiple leases with. And I think, as you know, the food category tends to be sort of the leader in transactions quarter-over-quarter, but Cava, Paris Baguette, Chipotle, just to sort of name a few on that front.

Health and wellness is a key sort of sector that we've been talking a lot about for the last number of years. And we continue to lean into that with 13% of our ABR combined on fitness and medical. And so when you look back at that quarter again, where were there multiple transactions signed, sweat house, IVX Health. Jet Set plates all really just great small shop retailers that are filling the portfolio.

And then from a milestone perspective, we signed our 75th lease with TJX again, another phenomenal retailer. So there's just a lot of really great operators that are out there. As Mike had mentioned, we are leasing a lot of occupied space right now.

The pipeline is deep, it's healthy. And at these occupancy levels, that is another certainly key focus that we continue to drive rents on some of that occupied space.

Operator

Michael Griffin, Evercore ISI.

Michael Griffin - *Evercore Inc. - Analyst*

So I saw that Kroger announced plans to expand their store fleet pretty notably over the next couple of years. And a key partner of theirs. I'm wondering how Regency could stand to benefit from this? Could this be incremental ground-up developments, redevelopments of existing stores? And then as you look at kind of the grocery landscape broadly, I realize that being with the right grocer in the right market is really paramount.

But does the environment feel better for openings there into the next few years? And then how can Regency benefit as a result?

Lisa Palmer - *Regency Centers Corp - President, Chief Executive Officer, Director*

Nick, I'll just take -- I'm going to address the latter and then let you finish with the beginning of the question. I appreciate you answering the question yourself and your question. We certainly always pay attention to the grocers. They're an important part of our business. And as many of you know, because you probably did see it on social media. I've been with the company for 30 years now.

And for all of those 30 years, the grocery business is extremely competitive and that environment just becomes more and more so. And the traditional grocers are facing more competition from the specialty grocers from different means of customers getting their groceries delivered to them as well.

So the competitive pressures are not being reduced in any way, and we never minimize that. But I think it's really important because it's something that we always talk about to really distinguish between the performance of the grocer chain and the underlying value of their best-performing stores.

And our strategy is to focus on to own, to develop the stores that will be the best performing stores in their portfolio. And we continue to believe and grocers continue to believe that a physical presence is important for them to be successful across all delivery across all delivery of their goods to the consumers, whether they walk in the store, order online and pick up, or have it delivered.

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Nicholas Wibbenmeyer - *Regency Centers Corp - West Region President and Chief Investment Officer*

Yes, Michael, I'll just add to that. The specifics regarding Kroger, without a doubt look, we love when important relationships we have doubled down on what Lisa just said. And reinforce that net new stores and brick-and-mortar is important to them. We believe that as well as just Lisa articulated. And so you think about Kroger, yes, we've had a long-standing relationship and a lot of development and redevelopments with Kroger.

And so any incremental demand they have is a benefit for Regency. And you could look -- as we talk right now, we just reopened a teardown rebuild store in Westchester, Ohio with Kroger, phenomenal redevelopment. We're building a King Soopers, which is a Kroger brand in Colorado, new development in Lone Tree, Colorado. And so we are very engaged with Kroger. We're excited to see them ramp back up their store program.

And I think incrementally, again, if you just look over our shoulder, look, we started just over $250 million of developments and redevelopments in '24. In '25, we started over $300 million. We've given a head not this year, it should be in the $400 million range.

And so incrementally, as these grocers lean back into store programs, it is beneficial to our development and redevelopment program. So we're appreciative of those relationships. They're very important to us, and that's why I'm excited about our future investment program.

Operator

Greg McGinniss, Scotiabank.

Greg McGinniss - *Scotiabank GBM - Equity Analyst*

I wanted to keep on the grocers, the strength in Kroger, but that's kind of offset potentially a bit by Albertsons talking about reviewing its real estate. Just curious if you can touch on how your banners with them are performing, whether you see that as any risk or not, just given the quality of your assets?

Alan Roth - *Regency Centers Corp - East Region President and Chief Operating Officer*

Greg, thank you for the question. I think Lisa did a really nice job articulating the fact that our stores, when we look at their performance, are trending above with the banners average volumes are. And again, I think that's a testament to the markets that we're operating in, how we deliberately think about merchandising and operating these assets.

And we feel really, really good about the overall health of our supermarkets. Some of them, as we talked about Albertsons came out and said they're working to improve their stores, recognizing that grocery competition is, in fact, fierce. But again, we would bring it back to the overall quality of our real estate.

It's great. They, too, are also an important relationship, not just Kroger. Certainly, Whole Foods, Publix, there's a whole [host of them] sprouts, et cetera. And we're staying close to all of them as we do with all of our key retailers, not just the grocers. So we certainly remain very encouraged by the locations and performance of those stores.

Operator

Juan Sanabria, BMO Capital Markets.

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Juan Sanabria - *Bank of Montreal - Analyst*

Just hoping to maybe shift gears a bit. Thinking about some of the trends across retail real estate more broadly, it does seem that landlords just trying to take advantage of eyeballs and foot traffic across their platforms.

So just curious on your latest initiatives on media or advertising opportunities that I think would be pretty unique, given daily and weekly traffic to your centers.

Alan Roth - *Regency Centers Corp - East Region President and Chief Operating Officer*

Juan, thank you for the question. I think I love the media advertising capabilities because I know Eric Davidson, our group would love to have the shout out to his White Box Series that I think has got over 1 million YouTube views on it.

But Look, there is certainly an environment of landlord leverage in today's environment at 97%, we are leaning in, and there's a lot of things that certainly, we're doing. There's a transition more to fair market value options. There's a transition to no options in many instances.

A lot of nonmonetary provisions that there's an opportunity to certainly improve that gives more flexibility for leasing decisions and redevelopment decisions in our assets. But again, I think one important thing that CCC has always done is we're very deliberate in how we think about merchandising our assets how we think about place making, connecting with the community.

And in today's environment -- again, we try to hone in on everything that can really make that asset sustainable in the long term. And so we continue to feel really good about how the teams are focused on various things. And I think that's evidenced in the results. I appreciate the question.

Operator

Haendel St. Juste, Mizuho Securities

Unidentified Participant

This is Ravi Vaidya on the line for Haendel. I hope you guys are doing well. I wanted to ask about your capital deployment optionality with leverage below your long-term range of 5% to 5.5%. And what appears to be a disconnect from private market cap rates of maybe 100, 150 bps. Why not buy back stock here?

How should we think about your capital deployment optionality, particularly for larger portfolio deals with your peers doing some larger deals such as the Summit and Slate?

Lisa Palmer - *Regency Centers Corp - President, Chief Executive Officer, Director*

Appreciate the question. We have leveraged free cash flow that, as Nick said, still have really great opportunities to put into our development pipeline and it's our in-process development as well as redevelopments.

And those returns are still greater than the returns we would receive buying back stock. Stock buybacks have been and will always continue to be a tool in our toolbox and when we do have the availability of capital to use it and when the returns are more attractive than what they would be versus our developments and/or acquisitions, we will utilize it. That's not the case today.

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Operator

Sydnie Rohme, Barclays.

Sydnie Rohme - *Barclays - Analyst*

I've got kind of a bigger picture one on supply. For a developer that's starting from scratch today and buying land and building at current costs, what rent does a new center needs to make sense versus the roughly $38 per foot you're getting on new leases? And how long does that gap sort of keep new supply out in your opinion?

Nicholas Wibbenmeyer - *Regency Centers Corp - West Region President and Chief Investment Officer*

I appreciate the question. This is Nick. I hope you can appreciate it. It's difficult to answer because it's so market-specific and site-specific. And so it is our job as our teams do a tremendous job around the country sourcing these land deals.

Our job is to put all the inputs into the pro forma to make sure it's a risk-adjusted return we're comfortable with. And so certain markets have higher land costs, as you can appreciate, higher construction cost. And so there is no unfortunate easy button to hit of what the rent needed to make those deals pencil. It really is market by market.

But as you can see, we -- I'm comfortable saying both are true. We are getting more than our fair share of development opportunities. Our teams are doing a tremendous job putting all those inputs into the pro forma, making sure we're getting a risk-adjusted return of north of 7%, which we articulated, we're very comfortable with in this environment.

But at the same time, we also know how extremely difficult. Those opportunities are to find and to make pencil. And that is why even with all of our relationships, even with all of our knowledge, we do believe we are the best in the business at it.

We know how difficult it is and so we don't see a massive amount of supply coming online. I do think there's a pretty material delta from those economics making sense for a massive amount of supply to come online. And so we're confident on both ends.

We're confident on our ability to grow our development pipeline like we have been, and we're confident on the operating side that we're going to continue to have leverage given the limited amount of overall supply coming into the market.

Operator

Michael Mueller, JPMorgan.

Unidentified Participant

This is Jacob on for Mike. Keeping on the development theme, some of your recent activity has been tied to master plan communities. Can you tell us of working with these developers gives you more visibility into starts three to five years out? And does it give you any more visibility in the shadow pipeline as well?

Nicholas Wibbenmeyer - *Regency Centers Corp - West Region President and Chief Investment Officer*

Yes, I really appreciate the question, Jacob. You're absolutely right. We've had a tremendous amount of success working with master plan developers just for the reason you articulated. Number one is they are planning years in advance which works to our benefit to work with

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them as a partner to plan. arguably their most important amenity and many of these projects is what is the retail center going to be and as you're well aware, new homeowners really want to know where they're going to grocery shop is an important part of our everyday lives.

And so being able to work with what they see as best-in-class developer, grocer-anchored tender is an important attribute that they are selling to their future homebuyers. And so -- also, given the previous question, Sydnie asked, they're a little less concerned about the specific land value on that one parcel of land when they're working with thousands of acres.

And so they are a little more realistic on land value to make sure they're bringing in the absolute best-in-class grocery operator. So it's a win-win scenario from our perspective. They know we're going to bring the best operator possible to their development. They know we're going to develop it all cash and they know we're going to own it and care about it long term.

And so if you're a master plan developer, I say it all the time, I don't know how you wouldn't pick us to be your retail partner. So very important part of our development program. We take those relationships very, very serious. And to your point, it gives us the confidence as we are working on our shadow pipeline that we're going to be able to continue to have our development starts to be in the same ZIP code that we're seeing this year.

Operator

Craig Mailman, Citi.

Craig Mailman - *Citi Infrastructure Investments LLC - Analyst*

I just want to go back to the comments just on the solar demand pipe even for spaces that are leased. Just kind of want to see if there's any takeaways that you could give on where spreads are trending? Are they strengthening or kind of stay the same?

And then just kind of longer term, I know we've chatted a little bit on this call about just the vertical makeup in the portfolio. Like long term, are there any changes that you would like to see from a remerchandising standpoint to just bolster the sustainability of cash flows or break down bad debt long term as you look to replace some of these tenants who are maybe struggling or just overall strength in the center.

Alan Roth - *Regency Centers Corp - East Region President and Chief Operating Officer*

Craig, good morning, it's Alan. I appreciate the question. So from a forward demand perspective, look, our pipeline remains very strong. And merchandising, as I said, has always been a deliberate strategy. I think what I would look to maybe a bit first is the retention rate.

Again, and this sort of ties into the supply-demand dynamic that we're in right now. But we were at 84%, and that's a peak. And we do not manage to a number on a retention basis. It's really more of just an outcome. And I would say that I'm very comfortable and it is healthy to take some space back and we do that intentionally via this sort of proactive leasing some occupied space.

And I don't want to make this such a huge prevalent theme, but it's an important one in that we have $2 million of incremental signed snow pipeline that is on space that is occupied right now. And so that ties directly into your point of why are we doing it?

We're doing it because we believe we can get a better operator that should drive better foot traffic, which will drive higher sales, look to drive higher rent for the rest of the asset. And it's an accretive transaction, hence, the incremental add to our ABR. So it's a key focus. It's something we've done in the past, and we will certainly continue to do in the future, particularly at 97% leased, where we'll take advantage of that tailwind of driving revenue.

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Operator

(Operator Instructions)

Linda Tsai, Truist.

Linda Yu Tsai - *Truist - Analyst*

Hi. Thanks for the time. Do you feel pricing power is more concentrated in the starting front or higher contractual escalators?

Alan Roth - *Regency Centers Corp - East Region President and Chief Operating Officer*

Linda, no, I appreciate that question. It's all about GAAP rent from my perspective. And I think, look, it is an art, not a science. There are instances where you're driving a higher initial rent spread. But at the end of the day, on a collective basis, we're focused on both.

And I think when you look at our new deals for the quarter, we were at, what, just north of 30% in terms of GAAP rent spreads. When you look at our shop embedded rent steps, 100% of our new shop deals did include rent steps. And we're at that point where 90% of them are over 3%. 20% of them were over 4%. And so the teams are really clicking on all cylinders in terms of the combined long-term sustainable growth in both spreads and steps.

Operator

Thank you. At this time, I'd like to turn the floor back over to Ms. Lisa Palmer for closing comments.

Lisa Palmer - *Regency Centers Corp - President, Chief Executive Officer, Director*

Yes, we thought that maybe perhaps someone else was trying to ask.

Operator

I did somebody come in, but they removed themselves.

Lisa Palmer - *Regency Centers Corp - President, Chief Executive Officer, Director*

Okay. Perfect. Thank you so much. I appreciate everyone's time today. Have a -- well we'll see many at Nareit in just a couple of weeks, and enjoy the weekend. Thank you.

Operator

Ladies and gentlemen, this concludes today's event. You may disconnect your lines or log off the webcast at this time, and enjoy the rest of your day.

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