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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Greetings and welcome to Regency Centers Corporation's second-quarter 2024 earnings conference call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Christy McElroy. Thank you. You may begin.

Christy McElroy - *Regency Centers Corp - SVP, Capital Markets*

Good morning, and welcome to Regency Centers' second-quarter 2024 earnings conference call. Joining me today are Lisa Palmer, President and Chief Executive Officer; Mike Mas, Chief Financial Officer; Alan Roth, East Region President and Chief Operating Officer; and Nick Wibbenmeyer, West Region President and 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 management's current beliefs and expectations and are subject to various risks and uncertainties. It's 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.

In our discussion today, we will also reference certain non-GAAP financial measures. 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.

Finally, given the number of participants we have on the call today, we timely and respectfully ask that you limit your questions to one, and then rejoin the queue if you have any additional follow-up questions. This will allow everyone who would like to ask a question an opportunity to do so. Lisa?

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

Thank you, Christy. And good morning, everyone. We had another great quarter driven by continued strong operating fundamentals and active and prudent capital allocation. While we recognize that the macroenvironment remains uncertain with mixed economic signals and inflationary pressures on consumers, our business continues to show strength.

Consumers may be shopping with a new level of price awareness, but that can be a benefit to our high-quality centers and our high-quality tenants, given a focus on necessity, service, convenience, and value. Sales and traffic trends remain steady, and leasing demand continues to be strong.

We are taking advantage of this solid and consistent tenant demand to drive rent growth and leasing activity with strong new and existing tenants. This is evidenced in our record shop lease rate and our sizable SNO pipeline. This will provide momentum and lease commencement into 2025.

Our continued leasing success is a testament to the strength of Regency's high-quality grocery-anchored centers and strong suburban trade areas with limited new and available supply. Our value creation pipeline, also supported by the strong tenant demand and focus on high-quality assets and demographically compelling areas, is one of the most exciting aspects of our business today and one that truly sets Regency apart.

Our team continues to make meaningful progress, sourcing new projects with another $250 million of expected starts in 2024, as well as executing on and delivering our existing pipeline. The strength of Regency's platform and ability to self-fund our program with free cash flow have enabled our long track record of success.

We also continue to acquire shopping centers when able to that are accretive to our quality, growth, and earnings. As previously disclosed, we acquired Compo Shopping Center in Westport, Connecticut in May, and we are currently under contract to purchase an additional asset in the Northeast.

I can't stress enough the importance of our balance sheet strength and liquidity position in providing us with an ability to be opportunistic across the spectrum of capital allocation strategies, which is why in addition to sourcing select high-quality, high-growth acquisition opportunities at upper single digit IRRs, we were also able to take advantage of the meaningful disconnect in public and private market values this past quarter with the execution of a $200 million share repurchase.

As many of you are well aware, along with our standards of quality and balance sheet strength, corporate responsibility is also a foundational strategy for Regency. This past quarter, we published our annual corporate responsibility report highlighting our 2023 achievements, as well as our future goals and strategy.

Our best-in-class program is evident in the progress we've made toward our goals but also in the recognition we received from third parties, including ranking sixth overall and first in the real estate industry for Newsweek's most responsible companies list and our continued recognition by GRESB for sustainability and disclosure leadership in our sector. I appreciate the efforts of all Regency team members in helping us achieve these important accomplishments.

In closing, now that we are more than halfway through the year, with the strength in leasing activity and results that we've seen thus far, we are raising our eye level and our full-year guidance range.

Mike will go into more detail, but we've been able to move the needle on several fronts, including same-property NOI, development activity, and accretive capital allocation. I want to reiterate the importance of Regency's strategic competitive advantages, which position us favorably to continue to outperform over the long term as we have historically.

These advantages include our high-quality assets and strong trade areas with favorable demographics, the strength of our operating platform and experience and talent of our people, a value creation pipeline that gives us more levers to drive growth, and the balance sheet strength that allows us to opportunistically allocate capital, which we did very strategically in the second quarter. Alan?

Alan Roth - *Regency Centers Corp - East Region President & COO*

Thank you, Lisa. And good morning, everyone. We continue to have great leasing and operating success, reflecting the positive tenant demand environment for high-quality shopping centers in strong trade areas. We're seeing this robust demand from both new and existing tenants in a wide array of categories, including grocers, restaurants, health and wellness, off-price, and personal services.

Our success is evident in the continued depth and momentum in our leasing pipeline, as well as in our ability to drive rent and occupancy higher and improve our expense recovery rate, all while still maintaining judicious capital spend.

During the quarter, we held our same-property percent lease at 95.8% while increasing our same-property percent commenced by 10 basis points to 92.3%. Our SNO pipeline sits at 350 basis points and represents approximately $49 million of incremental base rent. As we've discussed previously, the timing and commencement of this pipeline will largely impact the fourth quarter of 2024 and into 2025.

Notably, beyond our signed pipeline of exciting retailers, we have another 1.3 million square feet of leases in negotiation. In the quarter, we were also able to drive strong blended cash rent spreads of more than 9%. GAAP and net effective rent spreads were in the upper teens, demonstrating our ability not only to drive strong mark-to-market increases but also continued success, negotiated embedded contractual rent steps in nearly 100% of our leases.

Our average rent steps on all leasing activity in the quarter was 2%, but importantly, we achieved a record high of 2.7% rent steps in new lease transactions. Collectively, these efforts drove same-property NOI growth of 3.3% in the second quarter, excluding term fees in COVID period reserve collections, while our base rent growth contribution remained very healthy at 2.9%.

Before turning the call over to Nick, I wanted to address the recent Kroger and Albertsons announcement regarding the 579 stores they intend to divest to C&S Wholesale Grocers if a merger occurs. Regency has 11 owned locations on the C&S list out of the 104 combined Kroger and Albertsons locations in our portfolio.

Further detail will be provided as we learn more, but regardless of the outcome of the proposed merger, we are very comfortable with the underlying lease obligations, and we continue to feel great about the quality of our real estate for all of these locations.

In closing, as our portfolio occupancy approaches prior peak levels, combined with limited new high-quality supply and the strong trade areas in which we operate, our space is becoming more valuable. The strength in our leasing pipeline remains unabated, driven by continued appetite from retailers to expand. Our leasing and operating teams are firing on all cylinders, leveraging the current environment to deliver what we believe will be long-term sustainable performance in the years ahead. Nick?

Nick Wibbenmeyer - *Regency Centers Corp - West Region President & Chief Investment Officer*

Thank you, Alan. Good morning, everyone. We remain very active, growing and executing on our value creation pipeline, starting $40 million of new redevelopment projects in the second quarter at yields exceeding 10%.

Additionally, subsequent to quarter end, we started an exciting new ground-up development project in Houston called the Jordan Ranch. This 160,000-square-foot HEB-anchored center will serve as the retail component within a thriving master plan community. We are developing the center in a joint venture with the master plan developer, with Regency's investment being approximately $23 million, bringing our year-to-date starts to more than $140 million.

As we've discussed on prior calls, master plan developers continue to appreciate the value and benefits of bringing Regency, an experienced developer, owner, and operator of high-quality retail centers, into their project. At the same time, we and our tenants recognize the benefits of developing our grocery and shopping centers directly adjacent to new, high-quality suburban residential communities.

We also continue to make great progress executing on our in-process pipeline, which now totals nearly $580 million. Leasing activity remains robust, with projects currently more than 90% leased at blended returns exceeding 9%.

Turning to transactions, we have seen a recent pickup in activity in the private markets as well as deeper bidding pools. Our teams are actively underwriting opportunities that fit our investment strategy as well as return, growth, and accretion requirements.

In May, we closed on the purchase of Compo Shopping Center in Westport, Connecticut, which is adjacent to our Trader Joe's-anchored Compo Acres Center. We also currently have a grocery-anchored center in the Northeast region under contract, which you'll note we've included in our updated acquisition guidance and on which we look forward to sharing more details post-closing.

While cap rates have remained relatively low for high-quality centers, and compelling opportunities with high single-digit IRRs are a limited opportunity set in today's market, we have been able to source these select assets where we believe we can drive accretion, both to earnings as well as to our long-term growth rate.

Looking ahead, our teams remain focused on continuing to source high-quality incremental investment opportunities, including accretive acquisitions like these, as well as further building our value creation pipeline. It's true that it is difficult to find and execute new ground-up development opportunities at accretive returns, but this is where we believe our ability to create value is a meaningful differentiator for Regency.

Our national platform and deep relationships, combined with our low cost of capital, liquidity, and balance sheet strength, enable us to be one of the only developers right now who can fund projects and execute at scale.

You've heard us talk about our objective of starting more than $1 billion of development and redevelopment projects over the next five years. With $250 million of projects started in 2023 and another $250 million planned to start in 2024, we are confident in our visibility to achieving this goal. Mike?

Mike Mas - *Regency Centers Corp - CFO & EVP*

Thank you, Nick. And good morning, everyone. For the second quarter, we reported NAREIT FFO of $1.06 per share, core operating earnings of $1.02 per share, and same-property NOI growth, excluding term fees and COVID period reserve collections of 3.3%.

During the quarter, recognizing the meaningful disconnect between public and private market pricing, we executed on the opportunity to repurchase approximately 3.3 million shares for $200 million, representing an average price of just over $60 per share.

We bought our shares at an implied cap rate of roughly 7%, compared to where we are seeing private market values today for high-quality grocery-anchored centers in the 5.5% to 6.5% range, sometimes even in the low fives.

This opportunistic investment was accreted to earnings and was afforded to us by our strong balance sheet and liquidity position. Importantly, we remain well within our strategic leverage range with an expectation to the end of the year around the midpoint of our 5x to 5.5x net debt and preferred to EBITDA target.

We also maintain flexibility to continue sourcing new accretive investment opportunities, including redevelopments, new ground-up developments, and acquisitions. Turning to our forward guidance, I'll refer you to the details on slides 5 through 6 in our earnings presentation and highlight some key changes.

We increased our core operating earnings midpoint by $0.03 per share, which now implies close to 4% growth this year at the midpoint, excluding the COVID period reserve collections in 2023.

As we show on slide 6 in the presentation, this increase is driven in effectively equal parts by a 25-basis-point increase in our same-property NOI growth range, now at 2.25% to 2.75%; an increase in expectations of non-same property NOI, largely related to accelerated contributions from ground-up developments; and the positive impact of capital allocation activity, net of financing, including the share repurchases I've discussed previously.

We also increased our NAREIT FFO range by $0.05 per share at the midpoint or an incremental $0.02 above our core operating earnings revision, matching the increase in our guidance for non-cash items.

As a reminder, for modeling purposes, as you think about the mechanics of our interest expense and interest income for the balance of the year, recall that much of the proceeds from our January bond offering were parked in similar-yielding deposit accounts as we awaited the $250 million June maturity date. Therefore, the impact of refinancing this debt at a higher rate will come through earnings in the second half of this year.

Looking beyond year end, we continue to point to the embedded growth elements we see over the next 18 to 24 months, coming from our leasing and redevelopment progress. As Alan mentioned, our SNO pipeline sits at 350 basis points, representing approximately $49 million of annual base rent, of which about 65% is scheduled to commence by the end of this year.

As these lease commencements are weighted to the fourth quarter, the resulting NOI growth will largely occur next year. And part of this commencement is within our redevelopment pipeline, where we continue to expect an outsized benefit same-property NOI growth in 2025 from delivering completed projects with a positive contribution likely to exceed 100 basis points, which is double what we would have experienced in past normal years.

Finally, we continue to be very proud of our sector-leading balance sheet and liquidity position, which provides Regency with a cost of capital advantage and the ability to invest opportunistically. Our debt is nearly all fixed rate, our weighted average maturity is close to seven years, we remain within our targeted leverage range of 5x to 5.5x net debt and preferred EBITDA, and we expect to continue generating free cash flow of more than $160 million annually.

Supported by our financial position, we often reference the available options within our capital allocation toolbox that we utilize for various reasons and at different times. And in the second quarter, we had a unique opportunity to purposefully employ nearly all of these tools successfully and accretively.

From leasing, to operations, to investments, to capital allocation and balance sheet management, wrapped together with an increased outlook on current-year earnings, Regency's unequaled strategic advantages were on full display. With that, we look forward to taking your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Michael Goldsmith, UBS.

Michael Goldsmith - *UBS Investment Bank - Analyst*

Good morning. Thanks a lot for taking my question. From a capital allocation perspective, you did it all in the past quarter. You bought, you sold, you repurchased stock, and you started to ground up developments.

Can you talk a little bit about your capital allocation priorities and maybe just touch about what the cap rates are in the acquisition market for Regency-type centers versus kind of how you were looking at the implied cap rate of where your stock was trading and cause you to buy back shares? Thanks.

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

Great. Thanks, Michael, appreciate the question. And I appreciate the recognition that we basically used really every kind of tool, if you will, in the toolbox for capital allocation. Our goal, our objective is to create value for our shareholders. And we remain very consistent in our belief that the best use of our capital is to our development and redevelopment program. And we absolutely believe that.

We are in the position, very intentionally, that we had the capacity, the balance sheet strength, the liquidity to do it all this quarter. And we've been talking about that for quite some time now, how we've been on the -- we are on the offensive. And we were able to execute that. And as we mentioned in our prepared remarks, in my history with -- in the sector with the company, all the stars need to align to successfully execute on a share repurchase program. And they did for us.

So we bought back our shares at an implied cap rate of 7%. And this disconnect between public and private market pricing has been much more permanent than we ever imagined. And so we were able to lean into our balance sheet strength because while we are very active in the acquisition market as well, and I can have Nick just touch on that a little bit as to the cap rates we're seeing, you can see that we've been active as well.

We are seeing assets, shopping centers, grocery anchored of the quality that we would like to invest in, in the [5.5x] to -- if you are lucky, Nick likes to say it a lot, the needle in a haystack, bring in those that are [6.5x], but those are rare. We are seeing a lot more and had a lot more conviction that are trading in the mid-5 cap rate range. And that made the share repurchase an excellent use of our capital. And I would love for Nick to touch a little more on the transaction market and what we are seeing.

Nick Wibbenmeyer - *Regency Centers Corp - West Region President & Chief Investment Officer*

Absolutely. Thank you, Lisa. Appreciate the question, Michael. As Lisa alluded to, we're seeing the bid pools are much deeper than they were a quarter ago. So things that are on market now have very deep bidding pools. And we're staying very disciplined to what we've always articulated, which is the opportunities that we're going to pull the trigger on have to be equal or accretive to our quality and our growth profile. And we have to fund accretively.

And so the opportunities that we've disclosed so far this year, you can see those in-going yields there in the mid-sixes. We're very comfortable. They check all those boxes. But there have been a lot of opportunities on the market that have traded that are well below that cap rate and did not check all those boxes, and we stayed disciplined to making sure we are ultimately driving the accretion. And so we've seen things trade in the low fives even.

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

Thanks again, Michael.

Christy McElroy - *Regency Centers Corp - SVP, Capital Markets*

Next question?

Operator

Jeff Spector, Bank of America.

Jeff Spector - *BofA Securities, Inc. - Analyst*

Great, thank you. I do have a question on markets, but I know it's one question. Can I just confirm on the repurchase program to clarify the $250 million that's still left?

Mike Mas - *Regency Centers Corp - CFO & EVP*

No, Jeff. So Jeff, we as a practice like to just -- and our Board likes to have an open repurchase program authorized by the Board at about a level of $250 million. So our activity in the quarter exhausted the previous authorization, so we've simply refreshed the authorization for another two years at $250 million capacity.

Operator

Juan Sanabria, BMO Capital Markets.

Juan Sanabria - *BMO Capital Markets - Analyst*

Hi, good morning and thanks for the time. I noticed the small shop occupancy ticked down a little bit sequentially. I'm just curious for some color behind that. Is there any signs of stress that you're seeing on the small shop side in particular with the local mom-and-pops or is that still relatively healthy?

Alan Roth - *Regency Centers Corp - East Region President & COO*

Juan, good morning -- let's say good afternoon. It's Alan. I appreciate the question. The short answer is no. There is no concern over the underlying fundamentals. We feel great about where we are in terms of the health of those regions, both national and local mom-and-pops.

I would point you to how we're thinking about foot traffic being up 6%, year over year, year to date. Sales are remaining healthy, again, both in the national and local level. Retention rates are also above 80%, which is slightly above what our historical trends have been.

So as we put all of that together, we feel very comfortable that where we sit today, the portfolio is certainly healthy, and I think that's largely a testament to how our teams go through a very rigorous qualification process for durability of occupancy.

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

When we think about it, it's interesting. It seems like it shouldn't be this way. But when we're in the position of strength that we are in, we are much more comfortable getting space back and because we're able to release it at higher rents and with better merchandising. So when a lease comes up for renewal, if the tenant isn't necessarily going to pay what we want them to pay, we are happy to move on.

Operator

Greg McGinniss, Scotiabank.

Viktor Fediv - *Scotiabank Global Banking and Markets - Analyst*

Hello, this is Viktor Fediv on for Greg McGinnis. I just wanted to ask on the credit side, so we have now $300 million on revolver. Are you on the market now for new debt issuance to cover that? Because we've seen it; 20 bps declined today, and more than 50 bps declined within the last month. So just curious what's your thoughts on that.

Mike Mas - *Regency Centers Corp - CFO & EVP*

I appreciate the question. First, I'd say we're very comfortable with our liquidity today. We recently recast a revolver, so we have $1.5 billion of capacity. You're correct. We are at $300 million drawn on that facility. That's largely attributed to the active investment -- investments we made in the second quarter, largely also stemming from our repurchases.

We're monitoring the capital markets, as you would expect us to. We do have a bias towards public unsecured financing on a long-term basis at a fixed rate and we'll continue to monitor those markets.

It is -- I mean, the past 48 hours have been somewhat choppy, and we have seen a pretty significant rally in base treasury rates. But as you would expect, oftentimes, with that type of movement, you start to see a little bit of weakness from a credit spread perspective. So just expect us to be highly attentive and attuned to where the market is going, and we will turn out that facility when we think it's appropriate.

Operator

Craig Mailman, Citigroup.

Craig Mailman - *Citigroup Inc. - Analyst*

Hey, apologies if someone asked this. I got dropped off the call. But just on the development side, you guys have been in a pretty good position here, having the liquidity to start projects. And clearly, higher interest rates made it difficult for peers.

But given the pullback in the tenure here and potentially lower rates going forward, do you feel it gets harder for you guys to source or at least a more competitive environment as maybe construction financing becomes an option for others going forward?

Nick Wibbenmeyer - *Regency Centers Corp - West Region President & Chief Investment Officer*

Hey, Craig. This is Nick. I appreciate the question. Yes, look, as we've talked about a lot, there's a lot that goes into finding these development opportunities and executing on them. And you've heard me say it time and time again, capital is one of those key components. And so if capital does become available, that does open up some opportunities for others. But let's not forget the other two needed ingredients, which is relationships and expertise to find and execute on these opportunities.

And so, we continue to have the best relationships in the business with not only the key tenants that are expanding, but also the brokers and landowners in those markets that we're looking to expand in. And clearly, our team has the expertise coast to coast. And so regardless of capital markets, we feel really good about our ability to get more than our fair share of these opportunities as we look forward. And our shadow pipeline continues to grow as we're getting arms around these opportunities.

Operator

Samir Khanal, Evercore.

Samir Khanal - *Evercore ISI - Analyst*

Hey. Good morning, everybody. I guess, Mike or Lisa, can you expand on the opportunities that exist on the shop space? I'm just trying to understand how much more you can push on occupancy when you clearly will have one of the best growths in the strip sector next year, right? And I'm just trying to see from a -- whether it's first start bid or just trying to see how much more incremental growth there could be versus kind of what you've already put out for '25 at this point. Thanks.

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

I think the team might be petrified if I answer this question because I'll just keep pushing and pushing and pushing. So I'll let Mike answer it.

Mike Mas - *Regency Centers Corp - CFO & EVP*

Let me start, and Alan, you can color my comments up. But just kind of fundamentally, Samir, page 7 in our quarterly investment materials is really helpful. And I think that's what gets us so excited about our near-term prospects for growth. And I would point you to the percent commenced bullet on that line. And what we're indicating is that compared to our historical prior peak, we have 220 basis points of commence occupancy opportunity.

That dovetails very nicely to the $50 million of SNO pipeline that the team has built and that we know we're going to deliver starting in the fourth quarter of this year and largely into 2025. And there's runway beyond that.

As I look at that chart and think about the post-GE recovery period, you can see significant increases in percent commence achieved over about a two- to three-year period. And all else being equal, as I think about the quality of our portfolio, the quality of our leasing team, and the demand we're seeing, we don't see that there's any reason why we can't replicate that process going forward over the near term.

It's going to be -- it will take longer than one year to make 220 basis points of GAAP differential, right? You're still going to have churn. You're still going to have move-outs. As Lisa said, we're going to be very differentiating with our tenant selection. So it will take more than a year's worth of time, but very excited and bullish about our growth prospects from here.

Operator

Dori Kesten, Wells Fargo.

Dori Kesten - *Wells Fargo Securities, LLC - Analyst*

Thanks. Good morning. Your tenant watchlist exposure is quite low versus peers. Can you hit on the highlights of the process you go through in evaluating tenant credit pre-signing and just any refinements you've added to the process over the last year?

Alan Roth - *Regency Centers Corp - East Region President & COO*

Hi, Dori, yes. This is Alan. I appreciate the question. It's very rigorous. We do not just lease for occupancy. We're very thoughtful and deliberate in our approach to how we think about our retailers. I would say that our watchlist is comprised of roughly 150 basis points of ABR.

But if you think about what the industry has experienced this quarter, cons, filing for bankruptcy, we have zero. Eastern Mountain Sports, we had one. Rue21, we had one. Big Lots announced store closures, although not yet filed for bankruptcy. Again, we have one.

And so I sort of look at that and go, this is exactly what we have asked of our leasing teams on how to think about not just doing transactions but being very thoughtful in aligning with the right retailers. And I feel great about where we stand on that front.

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

I go back to how I think I started the first question's answer is that our objective in every part of the business is to create value for our shareholders. And we can also create -- we also do create it by applying those principles and concepts to our leasing program and ensuring that we are merchandising for the long term, not just for the short term

Operator

Haendel St. Juste, Mizuho.

Ravi Vaidya - *Mizuho Securities USA LLC - Analyst*

Hi, good morning. This is Ravi Vaidya on the line for Haendel. Hope you guys are doing well. Just wanted to touch on the CapEx and the TI. For new leases this quarter, it was a bit elevated versus previous quarters. Is there anything one time in there, and how do you expect this to go -- how to you expect this to trend going forward? Thanks.

Alan Roth - *Regency Centers Corp - East Region President & COO*

Ravi, I appreciate that question. The answer is we feel very good about the approach of how we are prudently managing capitals. I would just bring us back to net effective rent as a percent of GAAP rent, and we're in that 80% to 85% range that we're very comfortable with.

I would also say, when you look at total comparable capitals for the quarter, it is lower than our trailing 12 months, so the team is prudently managing it. We're growing rents appropriately. We're focused not just on rent spreads but the embedded rent steps as well. And I don't see any shift in underlying fundamentals or trends to your question.

Operator

Ki Bin Kim, Truist Securities.

Ki Bin Kim Bin Kim - *Truist Securities Inc. - Analyst*

Thank you. Good morning. So -- I mean, it looks like you're setting up for a pretty good growth year in '25. If you look at the SNO pipeline, a 5% upside. And of course, there's some upside from contractual rent step-ups of 140 basis points. And then if you add on lease spreads, so you can get to a pretty big number.

Obviously, not everyone renews. But can you just talk about some of the factors that might bring down some of those positive growth factors and if you have any large known tenant move-outs that might occur in the foreseeable future? Thank you.

Mike Mas - *Regency Centers Corp - CFO & EVP*

Hey, Ki Bin. Number one, I appreciate you articulating our wheel of growth very well. We spent a lot of time communicating that, so thank you. And we have spoken to the plus 100 basis points of same-property growth attributed to the activation of our redevelopment pipeline that we anticipate next year, which is about double what we would expect in a historical average year.

We are set up for growth. I talked a lot about the SNO pipeline. I talked about where we stand from a percent commence perspective. I appreciate the direction that you're indicating. I'm going to stop short of providing any guidance for next year, and there's more to come on that front as we dig into our plan, effectively as soon as this call is over, as we get back to work.

But some headwinds -- there's always going to be move-outs. You're not retaining everybody. I think we do an awesome job of selecting who we want. Bankruptcies are always going to play a role. Historically speaking, that could range anywhere from 30 to 60 basis points on a look-back basis, depending on who files and when. Timing is a big factor in that.

But I don't know that I would anticipate our credit loss provision being wildly different than what we're experiencing now. So more to come is where I'll end it, but we are very -- we're looking at 2025 the same way we did last quarter. We have a lot of positive momentum building into next year.

Operator

Ron Kamdem, Morgan Stanley.

Ron Kamdem - *Morgan Stanley & Co. LLC - Analyst*

Hey, just a quick two-parter. Just on -- obviously, this earnings season, we've seen a lot of institutional capital since you're looking at the open shopping center space. Just -- if you could comment on either on the acquisition front or just in general as you're seeing institutional capital, private equity, and so on and so forth coming more into the space.

And then the second part is I had sort of a follow up on that occupancy gain slides on the peak commence where you have 220 basis points. Any way to double-click whether it's market or assets? Can we get a second layer of where that upside is really concentrated in? Thanks.

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

That was a sneaky way to ask two questions. I think Nick really did already address, I believe, the transactions market. But maybe if Nick can just touch on -- because he mentioned that the pools were deeper. So just maybe, Nick, the composition of the kind of the bids that we're seeing, if it's any different, if it's changed at all?

Nick Wibbenmeyer - *Regency Centers Corp - West Region President & Chief Investment Officer*

Absolutely, Ron. Appreciate the question. Good morning. No question, the bidding pools are much deeper for assets that we're pursuing and looking at and evaluating. And so where maybe before there were three to five bids, now there's 15 to 20 bids on assets. And so we're definitely watching funds flow into our asset class for all the reasons we're bullish on them that Mike just articulated in.

As you would appreciate, a lot of those bidders are institutional, whether it be pension funds, whether it be private equity backed, et cetera. So no questions seeing a lot of institutional capital pursuing assets right now.

Mike Mas - *Regency Centers Corp - CFO & EVP*

Hey, Ron, take a look at page 8 of our investor presentation for the quarter, and I think you'll get good composition with respect to our existing SNO pipeline. And there, you'll see that it's roughly 60% shops, 40% anchors. And from a timing perspective, we also detail that only about 15% of that income is going to be recognized in 2024. Up to 90% of that income will be recognized next year, speaking through our bullish posture on '25.

I would say though that as we think about moving the needle on occupancy, we have some room to run on the anchor front and we've got some really exciting opportunities that the team is working on. And I thought -- I know Alan may want to color up some of that activity.

Alan Roth - *Regency Centers Corp - East Region President & COO*

Yes, I mean -- I guess, Ron, the only thing I would add to that to put definitive occupancy to it is we're at 97.2% and our historic peaks are 98.5%. So there is certainly runway there. There's been a couple of -- I'll call them stubborn deals that have been out there that are really right at the goal line right now.

So I feel great about the trajectory of where we are. I look at that SNO pipeline, and I'd say the top six that are sitting there are grocery stores that were really excited to get online. And that will also provide for some ancillary center of gravity and synergistic merchandising to go with it. So the future is looking great there.

Ron Kamdem - *Morgan Stanley & Co. LLC - Analyst*

Thanks.

Operator

Floris Van Dijkum, Compass Point.

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

Hey. Good morning, guys. Lisa, I wanted to ask you questions -- more of a bigger picture question, perhaps. But I think you're probably uniquely positioned to be able to answer something like this. Obviously, there's the news that Blackstone is looking at one of your peers, there's the private formations, the fact that interest rates are likely coming down in September.

You talked a little bit about your implied cap rates at being at 7%, back when you bought back the stock. Obviously, your stock price is more than 10% higher, so it's gone down a little bit.

But I'm curious to get your sense, I mean, from -- where are cap rates in the shopping center sector headed in your view? And do you think that we could see some of the cap rate expansion retrace itself over the next 12 to 18 months as capital comes in, as interest rates come down, and frankly as growth and IRR from assets still appear pretty interesting?

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

Floris, thanks for the question. I would go back to the conviction that we had with regards to the -- what we believe a meaningful discount to private market values. We would not have executed the share repurchase. So I don't believe that cap rates are rising in the future.

And with cost of financing potentially going down, if we see that, I think that our product type, grocery-anchored higher-quality shopping centers, we've seen it throughout what we thought should be a time when cap rates would rise that cap rates were really sticky.

And that's because our product type offers that sustainability and stability of cash flows. So we have convictions that cap rates are going to stay where they are, and as anything -- and that's in the private market. Perhaps with more capital coming into the sector, I think the scenario you described would say cap rates should go down, not up.

Operator

Linda Tsai, Jefferies.

Linda Tsai - *Jefferies Financial Group Inc. - Analyst*

Hi. On the 100 basis points of positive contribution from redevs coming online in 2025 being 2x the average, could you just expand on some of the underlying drivers? Does it have to do with underwriting higher than expected rents?

Mike Mas - *Regency Centers Corp - CFO & EVP*

No, Linda, it's really project specific. Going back a little bit in time, recall our development-redevelopment pipeline, which we talk about in totality, over the last several years have been more balanced to redevelopments. And if you go back several years, that's us kind of working through much of the opportunity that we acquired in the Equity One merger, frankly.

So these projects are now largely well on their way. They've been constructed, they've been leased, and we're delivering that income into the same property pool. So it's more a function of the quantum of the projects than it is the rates on the rents, which, by the way, adds to our transparency and visibility. We feel really good about delivering new centers.

Operator

(Operator Instructions) Tayo Okusanya, Deutsche Bank.

Tayo Okusanya - *Deutsche Bank AG - Analyst*

Yes. Good afternoon, everyone. Congrats on the quarter. In regard to commenced occupancy, curious if you could help us think about what that could look like going into 2025. Again, occupancy is already pretty high. You have a very large, smooth pipeline, but you're also going through very strong leasing as well. So just kind of curious where you think that could end up going over the course of the next 12 months and what SNO could look like over the next 12 months.

Mike Mas - *Regency Centers Corp - CFO & EVP*

Hey, Tayo. I appreciate the question, and I promise we'll get much more visibility in 2025 on a granular level when it's the right time. But again, I'll point you to that page 7, that 220 basis points. I'll reflect you to our historical commence occupancy changes. And in really good years, we can move that number by about 100 basis points.

And if you recall, it's in our investor materials, but every 10 basis points of percent commence increase can contribute up to 15 basis points of same-property growth. So that's where we get comfortable indicating that the contribution of redevelopment, which is moving commence occupancy, would be in 100 basis points.

100 basis points through the 15 bps would give us about 150 basis points of potential growth. Again, timing matters here, so I don't want to get too into the weeds in 2025. But I think that should help. You understand and appreciate the opportunity set in front of us. And I would just encourage you to spend some time on that page 7 in our investor materials.

Operator

Alec Feygin, Baird.

Alec Feygin - *Robert W. Baird & Co. Inc. - Analyst*

Hi, good morning and thanks for taking my question. Kind of curious about the competition that Regency's seeing in the Northeast, and is there anything specific to the region to explain what's driving the increased activity there?

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

I'm not sure we understand the question. Increased transaction activity?

Alec Feygin - *Robert W. Baird & Co. Inc. - Analyst*

Yes, sorry, the increased transaction activity.

Nick Wibbenmeyer - *Regency Centers Corp - West Region President & Chief Investment Officer*

Yes, I would just tell you a couple things. This is Nick. Appreciate the question, Alec. So a couple things. Obviously, the acquisition of UBP has kept our team up there very, very active and has increased our presence throughout that market. But a lot of it's also just timing.

And so although this quarter we were very active in the Northeast and very happy with the opportunities that have been presented, we're seeing a lot of activity across the country. And so as we move into future quarters, I think you'll see that activity be geographically dispersed more than it was this past quarter. So continued opportunities are presenting themselves in each of our markets at this point.

Operator

Mike Mueller, JPMorgan.

Mike Mueller - *JPMorgan Securities LLC - Analyst*

Yes, hi. I guess between [Erstad], the Westport acquisition, and the Northeast Center you have under contract, it seems like you put a lot of capital to work up here recently. When you're looking at the broader pipeline that you see today, are the opportunities more geographically diverse or still kind of concentrated?

Nick Wibbenmeyer - *Regency Centers Corp - West Region President & Chief Investment Officer*

Mike, yes, we're definitely seeing opportunities coast to coast. And so it is just timing related this quarter as it relates to the Northeast. And our team up there is doing a great job continuing to find opportunities. But I know the Southeast region, the West region, the Central region is anxiously awaiting for some announcements on opportunities they're working on as well. And so we feel good about the opportunities we're seeing all around the country at the moment.

Operator

We have reached the end of the question-and-answer session. I'd now like to turn the call back over to Lisa Palmer for closing comments.

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

I want to thank all of you for spending the last hour with us. We appreciate your interest in Regency. Have a great weekend, all. Thank you.

Operator

This concludes today's conference. You may disconnect your lines at this time, and we thank you for your participation.

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