



Kimco's Northeast Region: Highly desired by retailers and populated by a shrewd tenant base

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The Northeast region has long occupied a special place in Kimco's portfolio. It's a coveted and challenging market for commercial real estate because it's extremely competitive, highly desired by retailers, and populated by a shrewd tenant base. In our experience it has been fertile ground, and recent successes signify promise for continued growth.

The Northeast is Kimco's third largest region, but second only to our Western region in total revenue. Our current assets in the territory include 118 properties spanning some 13.5 million s/f. Nearly half the assets are situated in New York's metropolitan area; the balance is spread throughout New England with a strong concentration around metro Boston.

An attractive set of characteristics keeps demand high and properties at a premium here. Many parts of the I-95 corridor have high barriers to entry, and the core of Kimco's Northeast region follows the Interstate between New Jersey and New Hampshire where we consistently see above average rent growth and high occupancy rates. Located in this stretch are New York and Boston, where populations are dense and household incomes run above national averages. It's a mature market and it remains a target for acquisitions.

Retailers are also looking to expand or break into the Northeast. The Fresh Market targeted the area a few years ago too and has already expanded its footprint. In Wayne, New Jersey, we recently signed a lease with national retailer Floor & Decor for one of their first stores in the region. Other retailers opening here include European retailer Primark, Cost Plus World Market, Stein Mart, QuickChek, and many smaller franchise concepts and specialty/ethnic grocers.

Kimco's commitment to developing the region recently culminated in the purchase of a 24-property portfolio, primarily in the Boston Metro area. It features a tenant mix ideally suited to our focus on grocers, necessity-based retailers, and discount stores, and its 1.4 million s/f is nearly 100% occupied. The purchase has already exceeded our expectations. Shortly after the deal was closed, our talented leasing team was able to pick some low hanging fruit which increased the NOI, and thus added about 50 basis points to the portfolio's acquisition cap rate. We're continuing to increase value with renovations, expansions, and several planned mixed-use redevelopments.

As we explore new opportunities, we remain committed to aligning the entire Northeast portfolio with Kimco's broader vision. Our strategy is not simply to increase s/f but to increase value by emphasizing high-quality assets in supply constrained markets with growing long term NOI. The evolution of this region is a great example of that strategy in motion.

Not long ago, our presence in the Northeast was scattered and we had properties in locations that no longer fit our profile. We've since disposed of many of those assets and improved the overall quality of our portfolio by establishing a narrower focus along the I-95 corridor and a tighter concentration on retail product.

Concurrently, redevelopments are being planned and executed throughout the region. On Staten Island, we've begun redeveloping our center at Hylan Plaza which by 2017 will feature additional GLA in a dual-level retail format with high-end anchor tenants including grocery, outlet retail, and entertainment. We're renovating and adding additional GLA to several of our Long Island assets, and adding a grocery component to one of our New Jersey assets in North Brunswick. In Boston Metro, we're exploring high density, residential mixed-use developments at two properties. We're also exploring the addition of multi-story residential to our asset in Flushing, New York.

Adding residential is an intriguing concept that may be especially well suited to the Northeast. Economically, residences add density and thus additional income to a site. Plus, being able to live, work, and shop on the same property can be convenient for residents and a benefit for owners. There is a shift toward downsizing as consumers seek more urban lifestyles, and heavily populated areas around New York and Boston are ideally situated for mixed-use development.

In the future, we'll continue to advance the Northeast region's transformation; it's an exceptionally competitive region filled with a well-informed clientele. We'll spend a great deal of time nurturing existing and new relationships to source off-market deals for new acquisitions. Our leasing team will focus on leasing space to high-quality tenants as we manage our portfolio to reach its fullest potential. We will continue to operate a first-in-class portfolio, seeking to increase occupancy, and grow NOI as we move forward with this progressive, creative direction and add strength to our Northeast portfolio year after year.

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