



Kite Realty Group: Q2 2025 Earnings Call Transcript

July 31, 2025

CORPORATE SPEAKERS:

- Bryan McCarthy; Kite Realty Group; Senior Vice President, Corporate Marketing & Communications
- John Kite; Kite Realty Group; Chairman & Chief Executive Officer
- Heath Fear; Kite Realty Group; Executive Vice President & Chief Financial Officer
- Thomas McGowan; Kite Realty Group; President & Chief Operating Officer

CONFERENCE CALL PARTICIPANTS:

- Craig Mailman; Citi; Analyst
- Todd Thomas; KeyBanc Capital Markets; Analyst
- Andrew Reale; Bank of America; Analyst
- Paulina Rojas; Green Street; Analyst
- Alexander Goldfarb; Piper Sandler; Analyst
- Michael Goldsmith; UBS; Analyst
- Cooper Clark; Wells Fargo; Analyst
- Floris Van Dijkum; Ladenburg; Analyst
- Hongliang Zhang; J.P. Morgan; Analyst
- Alec Feygin; Baird; Analyst
- Ken Billingsley; Compass Point Research; Analyst
- Zachary Light; BTIG; Analyst

PRESENTATION

Operator

Good day. And welcome to the Second Quarter 2025 Kite Realty Group Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker, Mr. Bryan McCarthy, Senior Vice President of Corporate Communications. Please go ahead.

Bryan McCarthy

(Event Instructions) I'll now turn the call over to John.

John Kite – Chairman & Chief Executive Officer

Thanks, Bryan. And thanks everyone for joining today. The KRG Team delivered another strong quarter highlighted by our sound operational performance and excellent execution on the transactional front. Demand for space in our high-quality centers remains healthy, evidenced by our consistently solid leasing results. Blended cash leasing spreads in the second quarter were 17%, which is our highest quarterly blended spread in the past five years.

Our ability to grow rents organically demonstrates the mark-to-market potential embedded within our portfolio. Leasing spreads for non-option renewals were almost 20% in the second quarter and 16% over the last 12

months. New leasing volume more than doubled sequentially, largely driven by 11 new anchor leases executed in the second quarter. Our anchor leasing activity included two new grocery leases with Whole Foods and Trader Joe's, alongside new leases with apparel, home furnishing, and fitness tenants. While our leased rate declined sequentially due to the impact from recent bankruptcies, based on the depth of demand in our leasing pipeline, we will gladly trade the short-term earnings disruption for the opportunity to upgrade our tenancy and bolster the durability of our cash flows.

We continue to make great progress in backfilling space with well capitalized retailers and to date over 80% of the boxes that we recaptured as a result of the recent bankruptcies, are leased or in active negotiations.

Our small shop leased rate increased 30 basis points sequentially and 80 basis points year over year. In addition to pushing occupancy, we continue to have success elevating our long-term growth profile. Embedded escalators on our new and non-option renewal small shop leases were 3.4% for the first half of 2025. Activity this quarter included leases with Alo Yoga, Lilly Pulitzer, Buck Mason, Sweetgreen, and Shake Shack. The consistent gains in our small shop leased rate are a result of our Team's disciplined approach that prioritizes credit quality, strong starting rents, and higher embedded escalators, and most importantly a compelling merchandising mix.

At the midpoint we are increasing our NAREIT and Core FFO per share guidance by a \$0.01 and our same store NOI assumption by 25 basis points. Our Core FFO per share guidance now implies a 2.5% year-over-year growth despite the temporary disruption from anchor bankruptcies. At the midpoint of our 2025 guidance our post-merger core FFO CAGR since 2022 stands at 4.1%. Our business is strong and will continue to improve as we lease space at attractive returns and enhance our long-term embedded growth profile.

In recent quarters we've alluded to an uptick in our capital recycling efforts to reshape the composition of our portfolio and reduce exposure to at-risk tenants. Through the first half of 2025 we've taken significant steps in executing our long-term portfolio vision. In a joint venture with GIC, we acquired Legacy West, an iconic asset that further solidifies our position as a prominent owner of lifestyle and mixed-use assets, and expands our relationship with high-caliber retail brands.

Subsequently, we expanded our strategic partnership with GIC by contributing three assets to a second joint venture which includes three larger-format community and power centers in Port Saint Lucie, Florida, and the Dallas MSA. Our strategic partnerships with GIC now comprise over a \$1 billion of gross asset value with the potential to grow the relationship as additional opportunities arise.

In addition to the JVs, we've sold three non-core assets year to date – Stoney Creek Commons, in the Indianapolis MSA; an LA Fitness anchored center; Fullerton Metrocenter in the Los Angeles MSA, an asset that presented an opportunity to monetize our limited exposure to California at attractive pricing and relocate the proceeds into target markets. And Humblewood Shopping Center in the Houston MSA where the adjacent owner made an unsolicited offer and the sale reduced our exposure to at-risk tenants. These transactions immediately improve the quality of our portfolio, are accretive to earnings, and have a modest impact on our net debt to EBITDA.

As we move forward we will remain active in refining our portfolio by reducing exposure to at-risk tenants while increasing our focus on smaller-format, grocery-anchored centers and select lifestyle and mixed-use assets.

Our second quarter results inclusive of the highest-blended spreads in five years, growing our strategic partnership with GIC to over a billion, three noncore asset sales, and an opportunistic bond issuance are the product of a dedicated team focused on executing our strategic initiatives. As always we strive to produce strong results and deliver long-term value for all our stakeholders.

Before turning the call to Heath, I wanted to thank our tenants and team members at Eastgate Crossing in Chapel Hill, North Carolina, for their continued partnership as we work toward quickly reopening the shopping center. Eastgate suffered flooding as a result of a historic amount of rainfall caused by Tropical Storm Chantal. Fortunately the Company has comprehensive flood insurance with coverage that's well in excess of estimated damages. So now I'll turn the call over to Heath, to discuss Q2 results.

Heath Fear – Chief Financial Officer, Executive Vice President

Thank you. And good morning. I want to commend the KRG team on an incredibly productive quarter. I'm encouraged by the significant leasing momentum against the backdrop of a portfolio that has tremendous occupancy upside. I'm equally encouraged by the sheer velocity of transaction activity that showcases our allocation acumen and ability to seamlessly execute across our capital stack.

Turning to our results, KRG earned \$0.51 of NAREIT FFO per share and \$0.50 of Core FFO per share. Same property NOI grew 3.3% driven by a 250 basis point contribution from higher minimum rents, a 50 basis point improvement in net recoveries, and a 30 basis point improvement in overage rent.

We are increasing the midpoints of our 2025 NAREIT and Core FFO per share guidance by \$0.01 each. This \$0.01 increase is primarily attributable to lower-than-anticipated bad debt and higher-than-anticipated overage rent. Accordingly, we are increasing the midpoint of our same property NOI assumption by 25 basis points and lowering our full-year credit disruption to 185 basis points of total revenues with 95 basis points reserved for the general bad debt bucket, and 90 basis points earmarked for the credit disruption associated with recent tenant bankruptcies.

The 95 basis point general reserve is a function of combining the 84 basis points of actual bad debt we experienced with the first half of the year with a continuing bad debt assumption of 100 basis points for the balance of this year. As for the 90 basis point bankrupt anchor reserve, it's important to note that we realized 30 basis points in the first half of the year and expect to experience the remaining 60 basis points in the back half of 2025. This back half weighted disruption, together with the extremely strong same-store results in the third and fourth quarters of 2024 are responsible for the same-store deceleration in the back half of 2025.

Finally, the sequential increase in our net interest expense assumption is driven by transactional timing causing the balances on our revolver to remain longer than anticipated.

Our Investments and Capital Markets teams have been tireless. We sold three non-core assets, and completed two joint ventures involving four assets with a world-class institutional partner. That represents over \$1 billion of gross transactional activity. With investment-grade credit spreads at historic lows we opportunistically returned to the public debt market by issuing a seven-year, \$300 million bond, at a coupon of 5.2%. We also reduced the credit spread on our \$1.1 billion revolver and two term loans representing \$550 million.

When all the dust settles our net debt to EBITDA stands at 5.1 times which is among the lowest in our peer set. As John mentioned, we have consistently telegraphed our desire to accelerate the transformation of the portfolio within the confines of prudent balance sheet management. This past quarter is an excellent blueprint for what lies ahead. We are laser focused on delivering strong results, exceeding expectations, and creating long-term value.

Again, thank you to our Team. And we look forward to seeing many of you over the next couple of weeks.

Operator, this concludes our prepared remarks. Please open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question will come from the line of Craig Mailman, with Citi. Your line is open.

Craig Mailman – Citi

Craig Mailman^ Thanks. It's Craig. I guess just on the leasing side, have you seen any changes in lease gestation periods, an increase in willingness from tenants to sign leases, just as we get more clarity around tariffs?

John Kite – Chairman & Chief Executive Officer

No. I don't think we have. In fact, if you see the activity we had in the second quarter you would say it's picked up substantially. So perhaps in the beginning of the year maybe there was a little more indecisiveness, but at this point in time it feels as though there is significant demand and it's really all across the board. We mentioned how much we did in the in the anchor business but we also improved our shop occupancy with a very diverse, high-quality group of tenants. So from my personal perspective it's quite strong right now. Tom, you want to add anything?

Thomas McGowan – President, Chief Operating Officer

Yes. I think -- I think both sides are really trying to work together to find ways to improve scheduling, how to get drawings done earlier, how to -- how to sort out permits collectively to make sure they're done properly. So I'm -- I'm actually seeing more cooperation between the two sides to open stores as quickly as possible.

Craig Mailman – Citi

That's very helpful. Then just on the -- on the actual negotiations, then what's the take for higher embedded escalators, what are you hearing from prospective tenants as you look to do that?

John Kite – Chairman & Chief Executive Officer

Well, I think the proof's in the pudding. When you look at our results it's clearly been successful in our ability to generate higher growth. Certainly, it's -- it's still a challenge at times with the Anchor tenants but we're -- we're -- we're quite a bit better than we were a few years ago. When you look at our Anchor tenants I think the average is like 1.5%. And it used to be like right around 1% a couple of years ago. So we've made strong strides there. And with 3.4% embedded growth in the overall portfolio in the first half of the year, I'd say we're leading the pack in that regard.

Craig Mailman – Citi

Thank you.

Operator

Thank you. (Operator Instructions) And that will come from the line of Todd Thomas, with KeyBanc Capital Markets. Your line is open.

Todd Thomas – KeyBanc Capital Markets

Todd Thomas^ Hi. I just wanted to stick with leasing and new lease volume in particular which John, you highlighted, Heath too. I wanted to ask about the forward leasing pipeline. If you can comment on July activity,

and your visibility to get additional anchor lease deals signed in the near term with some of the inventory that you recaptured, and also if you have any insight on re-tenanting spreads as you move ahead --

John Kite – Chairman & Chief Executive Officer

Sure.

Todd Thomas – KeyBanc Capital Markets

-- relative to this quarter.

John Kite – Chairman & Chief Executive Officer

Yes. Todd, I think -- we feel very good about the way it's picked up in the last couple of months. And I would say that where we sit here today that, if anything, it's continuing to accelerate. We have a very good portfolio of opportunities for retailers and there's a limited number of those spaces in good locations. So generally speaking, when we're looking at one of these deals we have a couple different opportunities per available space.

And that was part of the point we wanted to make is that we're very -- we're very focused on not how fast it happens but rather how good the outcome is. And it's probably why the first quarter we only did a couple deals and the second quarter we did 11 right, on the anchor side. So I think -- I think the demand is strong. It's really more about us making smart decisions about what's the right merchandising mix, who has the best credit in terms of the tenants that we're looking at. And then also the growth that we talked about. We're very focused on that. But overall it's strong. Tom, you want to add some color?

Thomas McGowan – President, Chief Operating Officer

Yes. I would -- Todd I'd just look at the -- look at the 11 boxes that we've executed in the quarter. Cash spreads were 36.6%. You have returns close to 25%. So if you -- when you include the first and second quarter, say you're at 13, we're going to see that volume of new box inventory getting signed increase significantly. And we're in the process of making sure that happens. But we know we have the inventory out there to transact on. Now we just got to hit our key points that John talked about, making sure that the credit's there, the quality, the merchandising, and I think we're going to be successful with that.

Todd Thomas – KeyBanc Capital Markets

That's helpful. You mentioned, John, that you would gladly trade the short-term disruption for the mark-to-market and all the tenant-merchandising decisions that you're making. And Tom, it sounded like -- in response to an earlier question, the permitting and planning processes are getting a little bit more efficient. But does the anchor demand give you negotiating power over shortening that rent commencement timeframe, and that disruption seems to be a little bit of a challenge in how the cash flow and NOI growth trends. Is there anything that is under consideration or anything that you can do to sort of shorten that rent commencement period in general?

Thomas McGowan – President, Chief Operating Officer

Yes. I mean I think Todd, the biggest thing we can do is work with the tenant, get their layouts done, and then get drawings started. And we're -- we're not afraid to get drawings started early. We'll work out a reasonable arrangement in terms of a reimbursement if the deal doesn't move forward. But if we can get those drawings started, we can get the permitting started early; you start putting yourself in a in a positive 90-day position in terms of a normal delivery.

And then we're also putting tremendous pressure on the tenant, saying, look if you want this deal, here are the terms and the parameters you need to work with us in to get open as quickly as possible. And that then gives you a leg up on other tenants that we're talking to. So we're trying to pull as many levers as possible, Todd.

Todd Thomas – KeyBanc Capital Markets

All right. Thank you.

John Kite – Chairman & Chief Executive Officer

Thanks.

Operator

(Operator Instructions) And that will come from the line of Andrew Reale, with Bank of America. Your line is open.

Andrew Reale – Bank of America Securities

Hi good morning. Thanks for taking my questions. First, what's the latest on the sale of City Center?

John Kite – Chairman & Chief Executive Officer

City Center, we still are marketing the property for sale. In the last quarter -- well recently -- we had a buyer that was identified that is no longer capable of moving forward. So we're continuing to market the property. Meanwhile the good news is at the property we have some good new leasing activity. So probably just helps us quite frankly. But we continue to market for sale.

Andrew Reale – Bank of America Securities

Okay. Does the Humblewood sale satisfy the asset sale proceeds to fund Legacy West are is there still more dispositions if City Center is delayed?

Heath Fear – Chief Financial Officer, Executive Vice President

Yes. Let me -- listen -- all cash is fungible, right so to the extent that Humblewood is a replacement for City Center, I'll tell you that Humblewood traded at -- traded at a better cap rate than we anticipate City Center will trade. So to the extent we're using Humblewood and a potential other sale, to sort of complete that circle we had last quarter, it's only going to make the accretion more.

Andrew Reale – Bank of America Securities

Okay. Thanks. And I guess just one more. If I can just think long term, what's a realistic ceiling for small shop occupancy?

John Kite – Chairman & Chief Executive Officer

Well, I mean hard to say. We don't put a cap on it, right. I mean we were -- our -- I think our occupancy in 2019 was 92.5%. And so we're obviously getting closer to that. I would think we could exceed that. And -- I mean I know we can exceed it. I wouldn't think we can. I know we can exceed that. So the goal is to continue to push it. But again no different than any of our strategies. We're always looking for the best outcome not the fastest outcome. So but it happens to have a lot of momentum right now so we feel very good about continuing to grow it.

Andrew Reale – Bank of America Securities

Okay. Thank you.

Operator

(Operator Instructions) And that will come from the line of Paulina Rojas with Green Street. Your line is open.

Paulina Rojas – Green Street

Good morning. You mentioned the efforts to reduce exposure to at-risk tenants and progress on that front already. But more broadly how are you seeing investor interest in these larger I assume community centers or more power center-like type of assets, and are there any particular retailers that the market is showing more hesitation to absorb – sharing your concerns?

John Kite – Chairman & Chief Executive Officer

To the first part of the question in terms of how – I think the demand is quite strong in that category, Paulina, in the larger format. Obviously when you look at the yield dispersion between the different property types it can be very attractive to an investor and there's leverage available as well. So -- and in fact when we transacted in our second joint venture with GIC that was -- that was -- that's a good indication of very sophisticated investor with an interest in the product type. And I think that carries through to a lot of other assets that we would consider.

In terms of -- I think this the second part of that about investors I believe having issues with certain retailers. I mean generally speaking when you're buying a center, especially when we're talking about the larger format centers, they're large enough that not one or two tenants is really going to change the view of the value. It's really more important to us on the back side of that just to -- over time change the makeup of our cash flow. So it's really more about us and less about what some other investor would think about a particular property.

Paulina Rojas – Green Street

And then my other question is -- so you're starting from a lower occupancy than your peers, impacted by these recent bankruptcies, and to what degree do you believe that sets the stage for above-peer group growth in '26 and '27, and is this dynamic something we should expect, this outperformance, and to what degree do you feel comfortable being held accountable for an expectation like that?

John Kite – Chairman & Chief Executive Officer

Well, that's a -- that's a multi-part question you got there. But I'll say this that, yes, when you look at where we are from a leased percentage, and an occupancy percentage, and where we've been and you look at the activity that is brewing and that we just delivered in the second quarter I would say we feel very optimistic that the leased percentage will gain significantly in the next three, four quarters.

Obviously as Tom pointed out, when -- a big part of this disruption was obviously in the anchor space, and the anchor space turning on rent takes time. So -- and we've always said that if you look at the deliveries that we've had, and the rent commencement dates that we've had over the last few years, that generally is somewhere between 12 and 18 months to turn on rent after lease execution. So pick the -- pick the middle, say it's 14, 15 months, obviously leases that we sign in Q3 would be lucky to begin -- we'd probably begin turning on rent in late '26. And then leases we sign in Q4 would obviously be turning on in '27 based on those timelines.

Now the flip side of that, is, we're doing everything possible to accelerate that. In fact if you look at some of the leases that we signed this year, we are having -- we have three or four tenants that are opening within the

calendar year, anchor tenants. So it can be done. And that's what Tom and his team are very focused on. This can be done.

So that's -- I would say that when you look at the next couple of years of growth, you look out over the next two, three years, we are positioned extremely well. And I think it's not reflected in the stock. And I think whether you own the stock today or you're thinking about investing in it, I guarantee you, you won't be able to buy it for this price over -- in the next couple of years. So I think we have a tremendous upside in front of us. And we're -- we're totally comfortable with pressure.

That was the third part of your question. That's what we're -- that's what we're here for, is to deliver. Obviously we took a hit on these bankruptcies. We were -- we were more exposed. When you look at the last major bankruptcies, we were more exposed. And that's part of our strategy to move away from some of that and boost our cash growth. So I actually think this is a great time for us and a great time to get into the stock.

Paulina Rojas – Green Street

Thank you for answering my multi-part question.

John Kite – Chairman & Chief Executive Officer

Always, always. We appreciate it. Thank you.

Operator

(Operator Instructions) And that will come from the line of Alexander Goldfarb, with Piper Sandler. Your line is open.

Alexander Goldfarb – Piper Sandler

Hey. Good morning out there. And John, I like that money-back guarantee on where the stock will be in a few years. So gives --

John Kite – Chairman & Chief Executive Officer

There you go. There you go.

Alexander Goldfarb – Piper Sandler

-- gives Tom and the Team a bunch to work on. So two questions here. The first one is on tariffs. Based on what you guys have reported and your peers, it doesn't seem like there was any impact in leasing activity, demand, anything from the retailers. So in your view were the tariffs sort of a non-issue from a retailer perspective either because one, all the weaker tenants were sorted out a few years ago or two, lack of supply, or why do you think that there was just no consequence despite the stock market turmoil, the talking-head turmoil, but it doesn't sound like from a retailer perspective there was any slowdown at all?

John Kite – Chairman & Chief Executive Officer

Well, I think -- obviously there's a big difference between the stock market which is trading all-day long. Consistently, headline -- headlines are moving around. The retailers are looking out over a much longer period of time, Alex, obviously when especially the national retailers who sign 10-year leases. A lot of the -- as we've all said, a lot of the retailers pivoted during COVID to diversify their distribution channels and their supply channels.

Now to say it's irrelevant. It's not irrelevant. It's still a factor in the sense of stability. And we've just gotten a lot more stable as these deals have been announced over the last few weeks. There's -- there's obviously still a few major trading partners that need to be buttoned up. But I would think that it's pretty clear that we're moving to a place of stability. And that's been a big part of it. But bottom line is that it kind of goes back to the supply-demand equation that we always talk about. There is very limited supply in our space. And so when you have an opportunity to get a new space, and you're a retailer looking to grow, you want to move on that.

We've obviously taken a disruption in the last few months in this kind of really strange set of events, with bankruptcies, and then how people felt about all this. But now it seems to be very -- and we're in a much better place today.

Alexander Goldfarb – Piper Sandler

Yes. It's interesting. I mean it just shows the resilience of their supply chains, that they can pivot --

John Kite – Chairman & Chief Executive Officer

Right.

Alexander Goldfarb – Piper Sandler

-- adjust to price accordingly. Second question, Heath, can you just remind us on RPAI -- I know you're not in '26 guidance but still on RPAI specifically, what is the non-cash burn off that we should be thinking about as we're updating our '26?

Heath Fear – Chief Financial Officer, Executive Vice President

Sure. So going in, from '24 to '25, you will recall it was about \$0.05. The good news is it's about half of that going in from '25 into '26. And that'll be split between marks on the debt and marks on the leases.

Alexander Goldfarb – Piper Sandler

Okay. So about \$0.025.

Heath Fear – Chief Financial Officer, Executive Vice President

About \$0.025. Correct.

Alexander Goldfarb – Piper Sandler

Okay. Thank you.

John Kite – Chairman & Chief Executive Officer

Thank you.

Operator

(Operator Instructions) And that will come from the line of Michael Goldsmith with UBS. Your line is open.

Michael Goldsmith – UBS

Good morning. Thanks a lot for taking my questions. Given your strategic transformation and capital recycling, you probably have some of the most unique insight into the raised-buyer interest in the retail real estate space. So what have you learned about the buyers, what are they looking for specifically in the centers, and how are they thinking about cap rates, and then just -- I know this is kind of a lot but right like given that you had a buyer back out of City Center, do you think that is going to be more frequent just given the raised interest in the buyer pool going forward? Thanks.

John Kite – Chairman & Chief Executive Officer

To take the last part. No. I think that's kind of an aberration with one particular group. And those things happen. And it's why you have a pool if you go back to the pool. But as it relates to overall, I just think that there is very strong institutional demand for open-air retail. It was a kind of a product type that some investors did not invest in for the last five -- five-plus years. And as the, as the ground has got a lot firmer and returns have improved you've seen a lot of people move into the space.

I just think it's a great kind of risk-adjusted return for investors when you compare it to other product types. Certainly from a going-in cap rate perspective but more importantly from an IRR perspective. And so I think that you're just seeing a catch up. There's -- there's people that weren't in the space that now are very actively trying to rebalance their portfolios. Obviously if you look at the typical institutional investor, they were probably overweighted to office. And now they're probably pivoting to other things including retail.

And when you look at the IRRs that can be generated -- this is -- if you ask me it's still undervalued. I mean, I would say that's going to change. And so you can't put one specific cap rate on it because of the different product types within the retail genre, so to speak but it's -- demand is strong, and I think we continue to transact on both sides.

Heath Fear – Chief Financial Officer, Executive Vice President

I would say we're seeing some themes in product-type, Michael. Obviously core grocery, that demand has remained steady. You're seeing a pickup in demand for larger format; that's a lot due to the just the capital formation that's happening and the return hurdles that these guys need to make. So you're seeing, again, a better bid for larger format because of the ingoing yield.

And you're also seeing sort of lifestyle/mixed-use also increase in the buyer pools. Also the sellers as well; Legacy West for example, Scottsdale Quarter, Birkdale Village, you're starting to see more of these sort of generational lifestyle assets trading and pricing accordingly. So it's been really interesting. We're seeing broad demand across the entire spectrum of the asset class.

Michael Goldsmith – UBS

Thank you for that. Super helpful. And as a follow up, you noted earlier over 80% of the boxes that you recaptured, as a result of the recent bankruptcies are leased or in active negotiations. For the remaining 20% or so, are those in lesser locations, and maybe more difficult to lease or is that just kind of the result of timing and competition and whatnot, just trying to get a sense of the first 80% came pretty quickly, you know does the next 20% take a little bit longer to get done just due to like they're just -- they're not as in demand? Thanks.

John Kite – Chairman & Chief Executive Officer

Yes. No. I don't think it's necessarily about that. And I don't think you can paint a broad brush when you're talking about 20% of these vacant boxes. I mean if you go back in time, I think we peaked at like 98% occupancy

in our -- in our box inventory. So I mean you're always going to have some that are more difficult than others and for various reasons.

But also I think it goes to the way that we negotiate and the objectives that we have. We -- I can't overemphasize the fact that this is not a race to fill space. This is -- this is more about creating value for our stakeholders over the long term not the short term. And frankly if we wanted to fill space in a race, we would have done some deals that we don't want to do, that just aren't good for the long-term value of the shopping center. So I think it's all going to come together over time. And we're just not counting quarters. We're thinking about the next two, three, four, five years.

Michael Goldsmith – UBS

Thank you very much. Good luck in the back half.

John Kite – Chairman & Chief Executive Officer

Thank you.

Operator

(Operator Instructions) And that will come from the line of Cooper Clark with Wells Fargo. Your line is open.

Cooper Clark – Wells Fargo

Hey thank you for taking the question. I wanted to ask about the JVs with GIC and comments earlier on continuing to grow the relationship. Could you provide any color on the current pipeline of deals you're underwriting with them on the acquisition side, and how we should think about the JV portfolio with GIC growing longer term as you execute on some of those strategic goals?

John Kite – Chairman & Chief Executive Officer

Yes. I mean look, in terms of our relationship with GIC, of course we couldn't be more happy to partner with one of the world's most active and sophisticated investors. I don't think we want to comment on specifics on underwriting with them but bottom line is, as Heath mentioned, there are more and more opportunities for larger-scale deals that we could look to JV. We both have an understanding of what each other is interested in. So we will go about that one at a time. But yes -- we're super happy with the relationship. And we want to go do a great job for them as a partner. Heath, do you want to comment?

Heath Fear – Chief Financial Officer, Executive Vice President

Yes. I would just mention that neither party has a specific mandate. We don't have to be exclusive with each other, to the extent that we're looking at something that they find interesting, that's where the opportunities will arise. So we don't have to partner with them, and neither them with us. So again, it's been a great partnership. It's over \$1 billion in value. And certainly it's repeatable.

John Kite – Chairman & Chief Executive Officer

Yes. Let's just say it went from zero to 1 billion pretty quickly.

Cooper Clark – Wells Fargo

Great. Thank you.

John Kite – Chairman & Chief Executive Officer

Thank you.

Operator

(Operator Instructions) And that will come from the line of Floris Van Dijkum with Ladenburg. Your line is open.

Floris Van Dijkum – Ladenburg

Hey guys. Thanks -- thanks for taking my question. So going back on Legacy and returns. I think you talked about a 6.5% return that you're getting from that investment. How does that compare to the latest power center deals that you just disposed, and then maybe also talk about the purchase accounting because I think the your prior 6.5% cap was a cash yield, the gap yield, how does that differ and what is that mark -- the retail market -- retail rents to market at. If you can give some more details please?

Heath Fear – Chief Financial Officer, Executive Vice President

Sure. So I'll first start with the yields, Floris. And you're correct. And you're remembering correctly, which I think is a really elegant part of this joint venture transaction, is our effective yield, taking into account the management fees on Legacy West is right around 6.5%.

Conversely, the 48% that we contributed into the partnership, the sell yield on that is also 6.5%. So in essence what we're doing is, we took portions from our power centers and we used it to buy a portion of Legacy West, at the same exact yield, which we think again is extremely elegant.

In terms of the purchase price accounting. Floris, it is going to be on a non-cash basis, minimally accretive. So basically we're saying is that the mark to market, on the below-market leases is greater than the mark to market on the below-market debt. So again, slightly accretive, nothing material but net-net positive.

Floris Van Dijkum – Ladenburg

Great. And then I guess my follow up, more I guess -- maybe for Tom or John but your recovery ratio I believe is the highest in the -- in the sector, around 92%. And it went up even though your occupancy went down this past quarter. I'm curious, what are the initiatives that you are doing to keep improving that recovery ratio, and how much higher can that go, is there a ceiling there?

John Kite – Chairman & Chief Executive Officer

Well I don't -- I mean first of all as you said we are -- we are -- if not the highest, one of the highest recovery ratios. I think -- I think the first thing to look at is that we have probably the most fixed CAM in our portfolio as compare -- as compared to peers. And that -- that's taken years to develop. So you can't just start it and think that it's going to make a big impact in a year. We've been working on this probably for seven years, converting to fixed CAM; 94% of the deals, I think or maybe 95% of the deals we've done so far this year, have been fixed. CAM.

So we know what we're doing in that space. And again it's not just a simple transition. You have to kind of understand how do you run these portfolios, when you set a budget, and you need to hit that budget.

I think we're very, very aggressive about how we operate. You know how we do that. You've seen how we do that, Floris, on the ground. And that flows through the whole organization that everyone is very laser focused on efficiency but yet presenting a Class A product which obviously we have. And you've seen that too.

So I think it's -- it's -- that I would -- I would turn to that and then just overall expense control, you know how we control expenses at the property, how we control expenses in terms of passthrough. So it's not just one silver bullet, it's -- it's a -- it's a way of way of living. It's a way of operating. Tom, you want --

Thomas McGowan – President, Chief Operating Officer

Yes. I mean this is really where the team earns their keep. And this is where the grinding occurs in terms of making sure we're bidding out these contracts every year, getting efficiencies, doing the things that we need to do, while keeping the balance, that John said, of delivering a first-class center. But I think we're even more proud of not just the components of fixed CAM but that below the belt, just really digging into the numbers. And we'll continue to do that.

Floris Van Dijkum – Ladenburg

Thanks guys.

John Kite – Chairman & Chief Executive Officer

Thank you, Floris.

Heath Fear – Chief Financial Officer, Executive Vice President

Floris, congratulations on your new shop. Great news.

Floris Van Dijkum – Ladenburg

Thanks, Heath.

Operator

(Operator Instructions) And that will come from the line of Hongliang Zhang, with J.P. Morgan. Your line is open.

Hongliang Zhang – JPMorgan

Yes. Hey guys. Two questions. I guess the first question with the -- with the fact that you have two JVs with GIC, could you provide some guideposts to how we should think about how the equity in JV line should trend for the rest of the year?

John Kite – Chairman & Chief Executive Officer

You mean from an accounting perspective?

Hongliang Zhang – JPMorgan

Yes. For -- what's in the income statement.

Heath Fear – Chief Financial Officer, Executive Vice President

Okay. So geography wise, on the balance sheet, you're going to see it -- all netted out in unconsolidated subsidiaries. And then you also see -- you'll see the NOI, the depreciation, and the interest expense all netted out again in the -- in the income statement under the unconsolidated line. However we've done -- in the new presentation in the supplemental, you'll see we've consolidated it all, so we've given you all those pieces individually. And that's for all of our unconsolidated JV. So take a look in the supplemental and you'll see that information in there.

Hongliang Zhang – JPMorgan

Got it. And I guess my second question. Your non-cash rents bounced around a little bit so far this year. I was just wondering if there's anything, one-time in the current quarter's numbers tied to the bankruptcies?

Heath Fear – Chief Financial Officer, Executive Vice President

I don't think there's anything -- there's just natural lumpiness in that sometimes. So there's nothing in there that's -- other -- we had a, with a Big Lots bankruptcy, we did have a -- have a one-time acceleration. So other than that it shouldn't be too bouncy.

Hongliang Zhang – JPMorgan

Okay. Thank you.

John Kite – Chairman & Chief Executive Officer

Thank you.

Operator

(Operator Instructions) And that will come from the line of Alec Feygin, with Baird. Your line is open.

Alec Feygin - Baird

Hey. Thank you for taking our questions. I guess one for me is what is the appetite for share buybacks today?

John Kite – Chairman & Chief Executive Officer

I mean, I think like we always say, we know we have -- we concurrently have a buyback plan in place and an ATM plan in place. And we always want to be thinking about that from an opportunistic perspective. Also what we've been clear about is that we're spending a lot of capital right now and getting really high returns on the backfilling of the space. And we still are growing our dividend, and we still generate free cash flow.

So bottom line is, I think we're always looking at that and always thinking about it. Certainly as we move forward over the next several quarters, and continue to backfill, and continue to generate new cash flow, that probably becomes more of a opportunity to look at. But you never know. I mean we're always we're always analyzing the best place to invest.

Alec Feygin - Baird

Got it. That's it for me. Thank you.

John Kite – Chairman & Chief Executive Officer

Thank you.

Operator

(Operator Instructions) And that will come from the line of Ken Billingsley, with Compass Point Research. Your line is open.

Ken Billingsley – Compass Point

Hi good morning. I wanted to follow up, just on the anchors, you had discussed and it was in the press release about -- on the new anchor cash lease spread of 36%. And just looking at the supplement, that looked like that was about 40% of anchor signings in the quarter. What were -- what were you getting on the, on the other piece?

John Kite – Chairman & Chief Executive Officer

I'm not sure we understand. Can you --

Heath Fear – Chief Financial Officer, Executive Vice President

Ken, is that -- are you trying to ask what's the comparable versus the non-comparable anchors or what -- again, could you repeat the question?

Ken Billingsley – Compass Point

Well, yes, you said -- the new anchor leases look like it was 207,000 feet but it looks like you did 557,000. So I was just curious what you were getting on the other 350,000. What was the leased spread on those anchors?

Heath Fear – Chief Financial Officer, Executive Vice President

Yes. I believe those are probably close to 25%.

Ken Billingsley – Compass Point

And as we look -- as we look into the remainder of the year, the expiring ABR, I think is \$20.11 that jumped up. It's a very small sample, less than 200,000 square feet. Are -- is there any reason that that's significantly higher, is there something unique about those tenants or are we likely to still see over 20% cash leased spreads through the remainder of this year even on that group?

Heath Fear – Chief Financial Officer, Executive Vice President

Yes. I would say that that composition of that pool is shop -- is more shop heavy which is why you're seeing a higher number. So there's nothing really happening there other than just the mix of leases that are left to get done.

Ken Billingsley – Compass Point

So nothing unique about those anchor tenants themselves --

Heath Fear – Chief Financial Officer, Executive Vice President

No.

Ken Billingsley – Compass Point

Okay. Thank you.

John Kite – Chairman & Chief Executive Officer

Thank you.

Operator

(Operator Instructions) And that will come from the line of Zachary Light, with BTIG. Your line is open.

Zachary Light – BTIG

Hi. Yes. This is Zach Light on for Mike Gorman. Thanks for taking my question. Can you expand more on the strategic gateway market exposure, specifically Seattle and the other non-Sunbelt markets in the wake of the Fullerton sale? Mainly asking are you seeing any differentiation in performance, and are there additional opportunities to maybe rotate out of some of those markets and back into the Sunbelt as the transaction market starts to loosen?

John Kite – Chairman & Chief Executive Officer

No. I think in terms of performance, I think when we look at our markets it's pretty broad based in terms of -- I think it's pretty tightly packed together in terms of how these markets are performing. We continue to be happy with the composition of our portfolio.

I think we have made it pretty clear that in terms of California, that our representation there just was not big enough for us to continue to want to be there quite frankly. And look, the reality is there are some difficult things about doing business there. And -- but we only had three properties in California. We've sold one; one of them is going through a rezoning which we will then sell. And then the third one likely would be probably a candidate to sell as well.

But as it relates to the rest of the -- those markets like Seattle and New York and Chicago which we would consider gateway markets, we feel very good about our positions in those markets.

That being said we're always thinking about it. We're always thinking about what's the best place for us to operate, where do we generate the highest return. We compare margins. We look at demand in the pipeline but right now that demand is pretty strong across the board. And I think if you look at where we're doing deals, we're doing deals across the board and all those markets, that you mentioned.

So we'll see how it evolves. We're very happy -- by the way, we have 40% of our revenue comes from Texas, and Florida. We still think that that's pretty smart. And then the balance in the Southeast has become, is strong too. So we'll continue to always monitor it but we're happy where we are right now.

Zachary Light – BTIG

Got it. Okay great. Thanks for the time.

John Kite – Chairman & Chief Executive Officer

Thank you.

Operator

Thank you. I'm showing no further questions in the queue at this time. I would now like to turn the call back over to, Mr. John Kite, for any closing remarks.

John Kite – Chairman & Chief Executive Officer

Well, I just want to say, again, thank you all for taking the time, to be on the call with us today. And we look forward to seeing you soon.

Operator

This concludes today's program. Thank you all for participating. You may now disconnect.