



EARNINGS CALL TRANSCRIPT

Q4 2025



Southlake Town Square - Dallas / Fort Worth, TX MSA



Prestonwood Place - Dallas / Fort Worth, TX MSA



Kings Lake Square - Naples, FL MSA

CORPORATE PARTICIPANTS

Bryan McCarthy

*Senior Vice President-Corporate Marketing & Communications,
Kite Realty Group*

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group

Heath R. Fear

Chief Financial Officer & Executive Vice President, Kite Realty Group

Thomas K. McGowan

President & Chief Operating Officer, Kite Realty Group

OTHER PARTICIPANTS

Cooper Clark

Analyst, Wells Fargo Securities LLC

Andrew Reale

Analyst, BofA Securities, Inc.

Todd M. Thomas

Analyst, KeyBanc Capital Markets, Inc.

Craig Mailman

Analyst, Citigroup Global Markets, Inc.

Michael Goldsmith

Analyst, UBS Securities LLC

Floris van Dijkum

Analyst, Ladenburg Thalmann

Alexander Goldfarb

Analyst, Piper Sandler

RJ Milligan

Analyst, Raymond James & Associates, Inc.

Hongliang Zhang

Analyst, JPMorgan Securities LLC

Wesley Golladay

Analyst, Robert W. Baird & Co., Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good day and thank you for standing by. Welcome to the Kite Realty Group Fourth Quarter 2025 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Bryan McCarthy, Senior Vice President, Corporate Marketing and Communications. Please go ahead.

Bryan McCarthy

Senior Vice President-Corporate Marketing & Communications, Kite Realty Group Trust

Thank you and good morning, everyone. Welcome to Kite Realty Group's fourth quarter earnings call. Some of today's comments contain forward-looking statements that are based on assumptions of future events and are subject to inherent risks and uncertainties. Actual results may differ materially from these statements. For more information about the factors that can adversely affect the company's results, please see our SEC filings, including our most recent Form 10-K.

Today's remarks also include certain non-GAAP financial measures. Please refer to today's earnings press release available on our website for reconciliation of these non-GAAP performance measures to our GAAP financial results.

On the call with me today from Kite Realty Group are Chairman and Chief Executive Officer, John Kite; President and Chief Operating Officer, Tom McGowan; Executive Vice President and Chief Financial Officer, Heath Fear; and Senior Vice President, Capital Markets and Investor Relations, Tyler Henshaw. Given the number of participants on the call, we kindly ask that you limit yourself to one question and one follow-up. If you have additional questions, we ask that you please rejoin the queue.

I'll now turn the call over to John.

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

Okay. Thanks, Bryan, and thanks everyone for joining us today. The fourth quarter concluded a year of outstanding execution by the KRG team. The following highlights underscore the depth and impact of our operational and transactional accomplishments. We leased nearly 5 million square feet of space and our new leasing volume marked the highest annual volume in the company's history.

We leveraged the strong demand for space in our high-quality portfolio to improve our lease structures, embed higher rent escalators and optimize our merchandising mix. We entered into two joint ventures with GIC totaling approximately \$1 billion of gross asset value. We sold approximately \$622 million of non-core assets, which reduced our percentage of ABR coming from power centers by 400 basis points compared to last year and increased our exposure to neighborhood grocery lifestyle and mixed-use assets.

We allocated a portion of the proceeds of these sales to \$300 million of stock buybacks at a significant discount to our consensus NAV. Most importantly, our total activity in the year was accretive on an annualized basis and our

net debt to EBITDA remains below our long-term target range of 5 times to 5.5 times. We have a relentless team that will capitalize on this momentum and accomplish even more in 2026 and beyond.

Turning to our results. Our leased rate increased by 120 basis points sequentially, driven by continued demand for space across our portfolio, particularly with anchor tenants. We signed leases with nine anchor tenants in the fourth quarter and a total of 28 during 2025, representing approximately 645,000 square feet. The anchor lease in – the anchor leasing in 2025 was done at a 24% blended comparable cash spreads, 26% gross returns on capital and included names like Whole Foods, Trader Joe's, Crate & Barrel, Nordstrom Rack, Sierra, Homesense, Ulta and Barnes & Noble.

While our box inventory is being absorbed, the anchor demand remains unabated, which allows us to drive better lease terms such as reducing the number of fixed options, limiting use restrictions, and incorporating more favorable co-tenancy clauses.

Our small shop lease rate increased 50 basis points sequentially and 110 basis points year-over-year. We've been on a steady upward trajectory over the last five years, and over the course of 2026, we intend to drive our shop lease rate to new heights. Our focus continues to be on higher, long-term organic growth, an effort that will pay dividends long after our sizable signed-not-open pipeline normalizes.

The embedded rent bumps for the portfolio are 180 basis points, a nearly 25 basis point increase from the first quarter of 2024. By shedding lower growth assets and negotiating better annual bumps, we are well on our way to hitting our goal of 200 basis points of embedded escalators in the portfolio.

Turning to development, our activities at One Loudoun. It's important to appreciate that this is not a run-of-the-mill expansion project. We're adding 86,000 square feet of retail space, 33,000 square feet of highly amenitized office space, 169 full service hotel rooms and 429 additional luxury multi-family units to a premier mixed-use asset located in the wealthiest county in the country. The retail portion of the expansion is currently 65% leased to names like Arhaus, Williams Sonoma, Pottery Barn, Tatte and Alo Yoga.

In 2025, we took a series of critical steps to transform our portfolio and refine our investment thesis. Together with a world-class partner, we acquired a landmark property in Legacy West and contributed three larger format, well-located assets to a second joint venture. Legacy West has been outperforming our original underwriting, and since our acquisition last April, we've signed or opened names like Watches of Switzerland, Ralph Lauren, [ph] The Henry (00:06:37), Buck Mason, 7th Avenue and adidas.

As one of the elite open-air assets in the country, Legacy West has opened the door to a new tier of luxury tenant relationships, and we see a clear opportunity to replicate that success across the select – across select assets in our portfolio. We sold 13 properties and two land parcels in 2025 for approximately \$622 million. The disposition pool was primarily composed of larger format assets with embedded rent escalators significantly below our portfolio average. The sales also allowed us to shed a total of 21 watchlist anchor boxes, representing approximately 578,000 square feet of space.

At the beginning of 2025, we indicated there would be an acceleration in our capital recycling activities, and that's exactly what happened. In totality, we were a significant net seller in 2025. Based on where our stock is traded, we leaned into the capital allocation cues by selling larger format, lower growth assets into the private market at yields well inside of our implied cap rate. We redeployed the majority of the proceeds into \$300 million of share repurchases at a 9% core FFO yield.

In summary, we took advantage of a clear yield arbitrage opportunity, while at the same time derisking our cash flows and enhancing the growth rate of our portfolio.

Looking into 2026, the midpoint of our guidance has limited transaction activity that Heath will address in a moment. As for any transactional activity beyond that, we have previously discussed a possible second round of larger format non-core dispositions to further elevate the quality of our portfolio. Any such recycling would be pursued opportunistically, so long as it's minimally disruptive to earnings and otherwise consistent with the objective of last year's dispositions.

As always, I want to thank the KRG team for their continued dedication and considerable efforts to deliver strong results and execute on our strategy.

I'll now turn the call over to Heath to discuss the details of Q4 and 2026 guidance.

Heath R. Fear

Chief Financial Officer & Executive Vice President, Kite Realty Group Trust

Thank you and good morning. 2025 was an extremely productive year and we are taking that same drive and conviction straight into 2026. As a team, we are focused on converting momentum into results by further optimizing and derisking the portfolio, upgrading our operating platform, embracing technological change, and staying ahead of emerging trends.

Turning to our results. KRG earned \$0.52 of NAREIT FFO per share and \$0.51 of core FFO per share in the fourth quarter. For the full year, KRG earned \$2.10 of NAREIT FFO per share and \$2.06 of core FFO per share. Our core FFO per share grew 3.5% year-over-year. And as a reminder, core FFO focuses on the fundamental operating results and serves to eliminate the non-cash noise. For the full year, same property NOI growth was 2.9%. Take note that our full year 2025 same property NOI result is 115 basis points above our original guidance. And over the past four years, our same property NOI growth has averaged 4%.

When accounting for our disposition activity in the fourth quarter, our signed-not-open pipeline grew \$4 million sequentially to \$37 million of NOI, and the gap between leased and occupied space widened to 340 basis points. During the quarter, we executed 61 new leases that added approximately \$14 million of NOI, which more than offset the 61 tenant openings, representing approximately \$10 million of NOI. Importantly, about 70% of that signed-not-open NOI is expected to come online in 2026.

For 2026, we are establishing our NAREIT and core FFO per share guidance ranges between \$2.06 and \$2.12. Included at the midpoint of our guidance are the following assumptions: same property NOI growth of 2.75%, a bad debt reserve of 100 basis points of total revenues and interest expense net of interest income of \$121 million. The midpoint of our guidance also assumes approximately \$110 million of 1031 acquisitions in the first half of the year, offset by approximately \$115 million of non-core asset sales later in 2026.

I encourage all of you to review page 5 our investor presentation, which bridges 2025 NAREIT and core FFO results to the midpoint of our 2026 guidance.

Our same property NOI cadence for 2026 will be the opposite of 2025, and we anticipate lower growth in the first half, followed by acceleration in the back half of the year and into 2027. The cadence is primarily due to bankruptcy rents we collected in the first two quarters of 2025 and the impact of our signed-not-open pipeline in the second half of 2026. Interest expense will be roughly \$0.03 tailwind into 2026, driven by lower line of credit

balances following last year's transactional activity and higher capitalized interest as we accelerate development activities at One Loudoun.

Our recurring, but unpredictable items are serving as a \$0.04 headwind to 2026 guidance. Termination fees were a historical outlier in the first two quarters of 2025. Our philosophy with establishing guidance is always to set expectations based on things we have clear visibility to while maintaining a pathway to outperformance. While our 2025 allocation activity is expected to be accretive on a full year basis, the timing of dispositions and associated deployment of proceeds are acting as a \$0.02 headwind into 2026.

You will note that our NAREIT and core FFO per share guidance is the same for 2026. This reflects the continued wind down of non-cash items stemming from our 2021 merger, including straight-line rent, lease intangibles and debt [ph] marks (00:12:46), resulting in a more balanced non-cash profile for the year.

We've consistently emphasized that the strength of our balance sheet provides us with tremendous flexibility in how we allocate capital. The recent dispositions and share repurchase activity are clear examples of that flexibility in action. Our balance sheet remains one of the strongest in the sectors, with over \$1 billion in liquidity and a net debt to EBITDA of 4.9 times, giving us the capacity to pursue opportunities that enhance shareholder value while maintaining our financial discipline. We remain firmly committed to our long-term leverage target of low to mid 5 times net debt to EBITDA, which continues to position us well for both stability and growth.

Thank you to our team for their relentless effort to deliver strong results and create long-term value for all our stakeholders. We look forward to seeing many of you over the next several weeks in much warmer weather.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Cooper Clark with Wells Fargo. Your line is now open.

Cooper Clark

Analyst, Wells Fargo Securities LLC

Q

Great. Thanks for taking the questions. I just wanted to touch on some of the non-core dispositions assumed in guidance. Just curious if you could provide expectations on pricing there and whether or not it's fair to assume that's mostly comprised of power centers.

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

A

Yeah, I mean, I think you can assume that it's similar to what we've done in 2025 and we're – it's obviously hasn't happened yet, so we – we're not going to give too much color on where we assume the cap rates to be. But I think overall, the market continues to be very healthy and there's a strong demand for that type of product.

Cooper Clark

Analyst, Wells Fargo Securities LLC

Q

Great. Thanks. And then on the 1031 acquisitions, just curious what type of product you're looking at today and how we should be thinking about the buybacks on the different types of assets you're looking in the market.

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

A

Yeah, I think again, in general, in terms of what we're looking to execute on, we continue to want to execute on this idea of moving away from the larger format centers and into more of the neighborhood grocery and lifestyle mixed-use. Again with a focus on embedded rent growth. But also some of this activity is based on activity that we had at the end of 2025 relative to gains and losses, right. So we have to be focused on this idea of trying to harvest some losses to offset some gains. So it's not simply just about product type. There's a little bit of that going on as well.

But in general, the theme is that we want to continue to move the portfolio in a direction that will grow our embedded rent growth. And as you know, getting up to – growing it by 25 basis points a year up to almost 1.8%, we're closing in on this goal of 2% embedded rent growth. That's just a significant driver for us in the future. So it's kind of a combination of all those things. Heath, you got anything to add?

Heath R. Fear

Chief Financial Officer & Executive Vice President, Kite Realty Group Trust

A

Yeah, I would just add, Cooper, that the acquisitions and the dispositions are really – they're accomplishing the same thing. So the 1031 acquisitions are really just shielding gains from last year. And the \$115 million of assets, they have embedded losses. Again, achieving the same thing, which is managing through our taxes and also at the same time derisking the portfolio and improving the overall quality. So both – different sides of the same coin, so to speak.

Cooper Clark

Analyst, Wells Fargo Securities LLC

Q

Great. Thank you.

Operator: Thank...

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

A

Thanks.

Operator: Our next question comes from the line of Andrew Reale with Bank of America. Your line is now open.

Andrew Reale

Analyst, BofA Securities, Inc.

Q

Good morning. Thanks for taking my questions. First, just hoping maybe you could speak to some of the key swing factors that would drive you towards the higher or lower end of the guidance range. And then specifically for the SNO pipeline, how much of that timing is...

Heath R. Fear

Chief Financial Officer & Executive Vice President, Kite Realty Group Trust

A

So – oh, go ahead. Sorry, finish your question?

Andrew Reale

Analyst, BofA Securities, Inc.

Q

Sure. Just with the SNO pipeline, how much of that timing is within your control and what levers could you pull to potentially accelerate some of that commencement?

Heath R. Fear

Chief Financial Officer & Executive Vice President, Kite Realty Group Trust

A

So I'll answer the first question, which is what – what's going to put you at the high end and low end of your range? So listen, on the same-store side, it's the typical suspects. It's lower bad debt, RCDs, rent commencement dates, retention, higher overage. Those are typical same-store things that put you in the higher and lower end of your range.

And then below same-store, as we talked about, there's recurring and unpredictable items, term fees, land sales, fee income, et cetera. As we mentioned, that's a \$0.04 drag for this year, but we only put into guidance things that we have visibility on, so that number could grow over the course of the year. Timing of the transactional activity that we just mentioned could also impact the higher or lower end of the range. That's again the deployment of the sale proceeds, when we're going to get those 1031 acquisitions done, when do we sell the other \$115 million.

And finally, as John mentioned on the call, are we doing a second pot of dispositions? Again, that's TBD. But those are all sort of the main broad factors that really sort of bring us high or low on the range. And then, Tom, do you want to discuss what we can control on the RCDs?

Thomas K. McGowan

President & Chief Operating Officer, Kite Realty Group Trust

A

Yeah. From a – from an RCD standpoint, I think one of the most important factors are as once we're at a comfortable state of moving forward, getting drawing started, doing everything we can from a permitted standpoint where situations require multiple permits, we consolidate those to avoid delays. So we have four or five tools that we can take off on to improve those. And we're in the midst of really tackling those right now.

Andrew Reale

Analyst, BofA Securities, Inc.

Q

Okay. That's helpful. Thanks. And then if I could just follow up on the recurring, but unpredictable items. I know you mentioned the \$0.04 headwind this year, but could you just quantify what's currently baked into the assumption as it relates to term fees or any land sale gains or anything else?

Heath R. Fear

Chief Financial Officer & Executive Vice President, Kite Realty Group Trust

A

Yeah, just to put context, we had around \$21.5 million of recurring, but unpredictable last year, and we're just under \$13 million this year, and it's spread across typical suspects, term fees, land sale gains and development fees. So again, that's what we have purview into right now. And we've only put these in that we have really, really great visibility to. And to the extent we're able to get more of that over the course of the year, that will be a source of outperformance. I will observe, however, though, what we have in the model right now is pretty much a run rate. So if you look at between 2023, 2024 and 2025, it's running around \$13 million a year. So that's kind of a midpoint, I think. So we'll see. Again, it's a – a lot of time in front of us.

Andrew Reale

Analyst, BofA Securities, Inc.



Thank you.

Operator: Thank you. Our next question comes from the line of Todd Thomas with KeyBanc Capital Markets. Your line is now open. Todd Thomas, your line is open. Please check your mute button.

Todd M. Thomas

Analyst, KeyBanc Capital Markets, Inc.



Yeah, hi. Thanks. Sorry about that. I just wanted to follow up on capital recycling and some of the transaction commentary. Heath, in terms of the \$115 million of dispositions assumed in guidance and the 1031 investments you plan to make, is there any update on progress to dispose of City Center that you can discuss? And how should we think about deploying the balance of the cash and restricted cash on the balance sheet?

Heath R. Fear

Chief Financial Officer & Executive Vice President, Kite Realty Group Trust



Yeah. So great question, Todd. So on the \$115 million we're selling, all of it's in process. As you know, we were forced to remarket City Center as we were cleaning up some tenant issues. So that was still actively in the process. On the weighted average, transactional date for that group of assets is August, so [ph] it's something (00:20:53) later in the year.

And then in terms of how we're applying the proceeds, if you looked on our balance sheet, Todd, you'll see that we had \$440 million worth in restricted cash. That was all sitting in 1031 escrows, but that's obviously not all earmarked for 1031s. So going through it, we've paid about \$30 million for that special dividend at the beginning of the year. We got another \$50 million of stock back in January. We paid down \$85 million on the line of credit. So now the line of credit is sitting at zero. It was \$85 million at the end of the year. And then there's 1031 acquisitions. And then the balance of it's going to be a combination of debt reduction and share repurchases. So that's how we intend on deploying the full proceeds.

Todd M. Thomas

Analyst, KeyBanc Capital Markets, Inc.



Okay, that's helpful. And then maybe, John, can you just maybe speak to the broader acquisition environment today in terms of the product that you're seeing? We've seen a lot of activity pick up. And I'm curious how that sort of fits into the company's strategy for acquisitions just moving forward here and what your appetite is like for new investments as we think about 2026, 2027?

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust



Yeah. Todd, as you know, I mean, I think that the market is definitely active. There's a strong bid for kind of retail across the board. Each component of retail has a strong bid, actually. So it makes the job a little harder in terms of finding the things that we think match. That being said, we're actively underwriting deals right now. As Heath said, we do intend on executing on at least \$110 million of acquisitions. We have two or three, four opportunities that we are well on the way of underwriting and analyzing. So I think that we feel good about that execution.

I think we continue to want to find things that we think we can add value to and the things that have a better embedded rent growth profile, and also again, derisking exposure to certain large anchor tenants that we just

want to derisk our exposure to. So this is a – this isn't a one-year thing; it's a multiyear process that we're moving towards. And I think we've – we're off to a fabulous start. And I think – we think we can continue to do that. But we have to be smart and we have to be agile. We have to be looking all over the place. And we're doing that. We – we're in great markets. So we can add to the markets that we're already in, which is generally what we're looking at.

So I feel very good about it. But again, I mean, the more and more people that want to be in the space, the more difficult it is to try to make numbers work. But that's our job and that's what we'll do.

Todd M. Thomas

Analyst, KeyBanc Capital Markets, Inc.

Okay. Thank you.

Q

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

Thank you.

A

Operator: Our next question comes from the line of Craig Mailman with Citi. Your line is now open.

Craig Mailman

Analyst, Citigroup Global Markets, Inc.

Hey, good morning, guys. Just, Heath, on the 100 basis point of bad debt expectations, I know, John, I think you said with the dispos, you got rid of 21 watchlist spaces. I'm just kind of curious as you guys kind of sold off the non-core, how much of that 100 basis points is kind of earmarked versus just a cushion and kind of walk through maybe some of the watchlist tenants that may be on there?

Q

Heath R. Fear

Chief Financial Officer & Executive Vice President, Kite Realty Group Trust

Thanks for the question, Craig. So as you know, our typical run rate is somewhere between 75 basis points and 200 basis points of revenue. And also this year, we don't have a separate anchor reserve. So we decided that 100 basis points was an appropriate level, mostly probably due to the Container Store. So we'll see how that shakes out. But we're having that one. So we're starting at a little bit of a higher level. Last year, our general reserve was 85 basis points. So rather than separating it out, we just set a 100 basis points general reserve for 2026.

A

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

Yeah, Craig, I mean it's like every time at this time of year, I think we get this question every year at this call. It's just so early. There's so many variables. We feel like 100 basis points at the midpoint is a nice place to start. Let's see how we go through the year. There's multiple retailers that have lots of things going on. So this is the right way to go about it.

A

I do think overall, we are trending in a good direction as it relates to our portfolio in particular, but also just the overall landscape where I've seen people write about retailers that were previously on watchlists that are not on watchlists, and things like that. So I think we feel good about it. But this is a good place to start and I think it's prudent.

Craig Mailman

Analyst, Citigroup Global Markets, Inc.



That's helpful. And then just second, just on the asset recycling capital deployment side of things, you guys were very active. It seems like selling stuff is much easier than buying things these days given the transaction environment out there. But I'm just kind of curious. It just feels like there's diminishing returns on buybacks and you guys are in probably better shape than other REITs that have tried it given your leverage levels. But I'm just kind of curious. You guys have traded at a persistent discount to peers, and it feels like maybe the route is figure out a way to drive earnings growth that exceeds peers versus setting up the portfolio for longer term NAV.

So I'm just kind of curious, the appetite here. 5 times. You guys are below the low end of your debt to EBITDA range. But just pushing that leverage, and I'm not saying to go to 7 times, but maybe something a little bit more efficient from putting capital out the door and driving earnings rather than continue to run at low leverage and kind of putting yourself at a disadvantage relative to private peers who run at higher leverage. I don't know. Could that make it easier to buy things and drive earnings growth and differentiate yourselves that way versus kind of the shrink to grow down the road strategy that you're doing now?

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust



Yeah. I mean, I think there's a lot to unpack there, Craig. But bottom line, when we started the year in 2025, we were very clear about the strategy, right? And the strategy has a lot to do with not thinking about the next four or five quarters, but thinking about the next four or five years. Sometimes people don't like to hear that. We're in a great business that is going to get stronger and we're positioning the portfolio to take advantage of that, and actually in the future, be in a better growth profile. So that – that's kind of the work that we did and we were able to do that. I mean, we – if you look at what we did in the year, a lot of people talk about things that they might do or want to do, and they complain about where their stock price is and where assets trade [ph] at (00:28:22). But yet, they don't really act on it.

And I think the reality is we acted on something that was a very clear arbitrage. Buying back 6% of our stock at numbers that the source was provided at yields that were very attractive relative to the yields that – as we said, the core FFO yield of the stock was at 9% at those time – at that time. So bottom line, I think we feel very good about how we executed that.

Obviously, as we continue to move down the road, our goal is to grow. Our goal is to grow the portfolio, grow cash flow. And remember, we're growing cash flow per share. We're not – we're very focused on that. So I think over time, all – these things will come together, and there's still more work to be done and there's a lot of wood to be chopped, and we continue to do that. We're extremely happy that we were able to do a massive amount of transactional activity, and yet do – have a situation where all of it ultimately was accretive without the time associated with the redeployment.

So I think we – I understand what you're saying and I – and the idea of taking leverage up. We've been around a long time. We've seen a lot of different cycles. And running a business at lower leverage is a smart thing to do. Obviously, we're now at, as you said, below where we intend on running. And it also has a lot to do with where things can trade, where interest rates are. So over time, I think that will also come to us. I think it'll – I think there'll be a better situation for us to deploy capital more accretively just in straight-up acquisitions. But right now that's more challenging.

So I think we'll continue. That's a long way of saying we love running a company with low leverage that gives us opportunities to take advantage of that down the road, like we've done in the past. And so I think you'll see us take advantage of that great balance sheet, but right now we're positioning ourselves to do that.

Thomas K. McGowan

President & Chief Operating Officer, Kite Realty Group Trust

A

I'd also add, Craig...

Craig Mailman

Analyst, Citigroup Global Markets, Inc.

Q

That's helpful.

Thomas K. McGowan

President & Chief Operating Officer, Kite Realty Group Trust

A

...if you think about it on a relative basis, why did we underperform in terms of growth? Well, a lot of it was because of the credit watchlist thing and the credit losses. And so the exercise we're doing, we are addressing the fundamental building blocks of growth, which is derisking the cash flow, which means making sure that we don't have fallout in a disproportionate way, and also improving our embedded bumps by shedding assets that have lower bumps.

So while, yes, we could lever up and we could create growth that way, I think it's addressing the fundamental issue first and then getting the portfolio in a position where we can outperform growth. And like John said, it's not about this year or next year or – it's about the next five years. I mean, we're trying to make changes that are going to be sticky. Because at the end of the day, all the occupancy growth, at some point, everyone's going to stabilize. And we'd like to be in a position, as John said, that we have 200 basis points of embedded escalators. We're starting at a place ahead of many of our peers. So that's the whole point of the exercise. It is growth.

Craig Mailman

Analyst, Citigroup Global Markets, Inc.

Q

Great. Thank you.

Operator: Thank you. Our next question comes from the line of Michael Goldsmith with UBS. Your line is now open.

Michael Goldsmith

Analyst, UBS Securities LLC

Q

Good morning. Thanks a lot for taking my question. I – Heath, couple of questions just about the flow through from same property NOI to FFO growth. It seems like you're not getting that good flow through here and you're also getting a benefit of interest expense of \$0.03. So can you just walk through the factors that are limiting the flow through and does that get better in the out years? Thanks.

Heath R. Fear

Chief Financial Officer & Executive Vice President, Kite Realty Group Trust

A

Yeah. I think the two big items that are limiting the flow through are really the recurring, but unpredictable. Again, that's a \$0.04 headwind into this year. And as I mentioned before, we're starting with a number. That number we could grow over the course of the year.

And then the second thing – and good news about this one's really going to diminish is the \$0.035 of non-cash still that's that merger burn off of non-cash items. And illustrative is the fact that our core and our NAREIT FFO are on top of each other this year. It just shows you that that's now normalizing. So that's been a consistent theme over the last three years. In fact, a total of \$0.135 cumulatively over the past three years has really impacted our earnings growth. So those are the two drivers of why it's not flowing through to the FFO line.

Michael Goldsmith

Analyst, UBS Securities LLC

Q

Thanks. Thanks for that, Heath. And then just to follow up, you've been buying back stock at \$23 in the fourth quarter, and at the end of the quarter closer to \$24. Stock is now moving a bit higher. Like, how are you thinking about share repurchases? What's the right level and at what point do you move away from that into some other areas where there are other capital allocation options where there may be more accretive? Thanks.

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

A

Yeah. I mean, there's obviously a lot that goes into the analysis of the stock buybacks. We still believe even wherever we are, right, the second, we're clearly well below consensus NAV. A lot has to do with the – what is the source of that buyback in terms of the core yield on that, if there's more asset sales that would be funding that. As Heath said that we still have some deployment of the \$400 million plus that we had at the end of the year that needs to be deployed. So, I mean, we analyze it in multiple ways. And again, we're trying to do all this and maintain a really healthy balance sheet and not have any material issues relative to earnings.

So yeah, it's not a simple exercise, but I think we can execute on it. And again, we still trade at a significant discount even as we sit here today. So I think as we said, we want to take advantage of any arbitrage opportunities that we can to position the company to grow further in the future. So that's really what this is all about. It's not – so it's not a one-dimensional exercise. There's a lot going on here and we have a really strong belief, a real conviction that our portfolio will perform in the future.

Michael Goldsmith

Analyst, UBS Securities LLC

Q

Thank you very much. Good luck in 2026.

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

A

Thank you.

Operator: Our next question comes from the line of Floris van Dijkum with Ladenburg. Your line is now open.

Floris van Dijkum

Analyst, Ladenburg Thalmann

Q

Hey, morning, guys. I'm glad the capital allocation topic is being discussed widely. I'm just curious. I note that you – you sold a bunch of assets in the fourth quarter, yet your SNO pipeline hasn't really moved. Maybe if you can talk a little bit about where that SNO is located and how does that impact potential sales? Because presumably, you wouldn't want to sell assets until the rents are in place.

Heath R. Fear

Chief Financial Officer & Executive Vice President, Kite Realty Group Trust

A

Floris, so good questions. For the assets we sold, there was about \$1.6 million of signed-not-open NOI that we sold. And if you heard my remarks, I said that we actually increased it by \$4 million, once you take those dispositions into account. So it was a really healthy growth. And as we mentioned, we expect the SNO pipeline to remain elevated. We expect the gap between our leased and occupied rate to remain elevated throughout the course of the year as we continue to lease up.

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

A

Yeah. I think, Floris, in terms of this idea that would you not sell things that still had upside? I mean, we – you've got to analyze each individual deal, the quality of the asset. Do we want to spend the capital on a particular box deal and how do we – what are the returns on that deal versus the returns that we generate by selling? So those are the things you look at as it relates to that.

Floris van Dijkum

Analyst, Ladenburg Thalmann

Q

Thanks, John. But maybe I note that you haven't sold your two big land parcels yet, Carillon and Ontario. I know that Ontario was going through a – an entitlement process. Could you maybe update us on where that entitlement process stands today?

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

A

Sure. Tom, you want to hit that?

Thomas K. McGowan

President & Chief Operating Officer, Kite Realty Group Trust

A

Yeah. Excuse me. So the entitlement process is well underway. It is lengthy for us. It's a process that will take us into 2027. But all things are moving in the right direction. We seem to have a great backup from the county in the need for housing. So we're moving in the right direction, but it is a very timely process.

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

A

And then in terms of the – that's the California asset. Same thing in Carillon. We're pursuing the sale of that land. It's – it is what it is. I mean, we – these things take time. Obviously, there is no NOI associated with that. So we want to maximize the value as opposed to rush through it. But both of these things over time will happen. And they are large parcels of land that can generate some – a good source for us.

Floris van Dijkum

Analyst, Ladenburg Thalmann

Q

Thanks, John.

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

A

Lots of work to deal within the counties, for sure.

Floris van Dijkum

Analyst, Ladenburg Thalmann

Thanks, guys.

Q

Operator: Thank you.

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

Thank you.

A

Operator: Our next question comes from the line of Alexander Goldfarb with Piper Sandler. Your line is now open.

Alexander Goldfarb

Analyst, Piper Sandler

Hey, good morning. Good morning out there. John, when you were talking about the dispositions this year and presumably stock buybacks, and you mentioned you want to focus on minimizing earnings disruption, were those comments specifically on the actual earnings this year or you were talking more on an annualized effect?

Q

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

I mean, I think I'm referring to both. I mean, it's what we did in 2025 and it's what we're thinking about in 2026 as we look at what we might do in 2026, Alex. So we're always analyzing that. And our goal is to – as I said, is we want to have minimal disruption and then we want to have maximum future growth.

A

Alexander Goldfarb

Analyst, Piper Sandler

Okay. And then the...

Q

Heath R. Fear

Chief Financial Officer & Executive Vice President, Kite Realty Group Trust

And Alex, this is Heath. [ph] Also (00:39:15)...

A

Alexander Goldfarb

Analyst, Piper Sandler

Yeah.

Q

Heath R. Fear

Chief Financial Officer & Executive Vice President, Kite Realty Group Trust

One last thing, Alex. As John mentioned, on an annualized basis, all this stuff is accretive. But if you look at our bridge, you'll see that based on the timing of when we sold it and when we're deploying the proceeds, it was a \$0.02 drag into 2026. But that drag obviously will disappear in 2027 as the results are annualized.

A

Alexander Goldfarb

Analyst, Piper Sandler



Okay. No, that's helpful. And the second question is I understand your rationale for selling the larger format centers. You said you want to reduce some of the – certain anchor exposure. On the other hand, a number of your peers have been commenting that they've seen better acquisition opportunities in larger format.

So would you just say it's sort of the randomness, like the particular centers that you own that are on the larger side, those particular ones have issues that you want to sell, but you're still amenable to buying larger format? Or are you saying that, hey, we've owned a variety of different size centers, and ultimately we believe that the neighborhood and the lifestyle are the best? And even though others may be going for larger format through – for the Kite portfolio, you don't see the larger format? I'm trying to understand if it's the format or just the particular exposure of your tenancy that's driving the larger dispositions.

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust



I mean, I think it's more complicated than that. I think each individual company has their own goals and expectations. I think what we've said is we clearly want to reduce the total exposure to that larger power center portfolio. We didn't say we wanted to eliminate it. So we're just – we're reducing that percentage and growing the percentage in grocery, lifestyle, mixed-use. And it is paying dividends in terms of our cash flow growth for doing that.

It doesn't mean that a large format center can't be a great center. It all comes down to what your cost of capital is and what your yield is and what your credit risk is, because we discount the cash flow when we look at these things. So again, each company has their own independent goals and objectives. In our particular case, we're very focused in on this idea that if we get to 2% plus embedded rent growth in the portfolio, that is going to pay dividends for us in the future versus the assets that we sold, which were closer to 1.4% embedded growth, and are exposed to a portfolio of tenants that have a higher degree of credit risk.

That's it, Alex. It's really – it isn't – and as you know, you've been around us long enough, we're real estate people. Great real estate will overcome, right? Great real estate will overcome whatever potential mistake you've made on top of it. So it's really about us owning great real estate and pivoting a bit in that other direction of where we think we can get higher growth.

Alexander Goldfarb

Analyst, Piper Sandler



Perfect. Thank you, John.

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust



Thank you.

Operator: Our next question comes from the line of RJ Milligan with Raymond James. Your line is now open.

RJ Milligan

Analyst, Raymond James & Associates, Inc.



Hey, good morning, guys. One specific question, Heath. I was wondering if you could just sort of walk through the components of the timing of the net capital allocation activity of negative \$0.02. I guess my question is if you are – bought back stock early this year, you're going to be buying more assets earlier in the year or selling assets later in the year. I would think that that would have a positive impact.

Heath R. Fear

Chief Financial Officer & Executive Vice President, Kite Realty Group Trust

A

Well, so – yeah, we bought back \$300 million: \$250 million in 2025 and then \$50 million in 2026. But we also utilized the line in 2025, which added some interest expense, and also there's more proceeds to deploy. As we discussed, there's another \$110 million of 1031 acquisitions, which is not going to happen until the middle of the year.

When you put all that to the blender, RJ, timing wise, it's dilutive going into 2026. And if you think about it, we had the disposition NOI for almost all of 2025, but that's immediately being taken out. So it's not there at all for 2026. And so backfilling that is the accretion from the share buybacks. But we also have to get these 1031s done.

RJ Milligan

Analyst, Raymond James & Associates, Inc.

Q

Okay. And then just bigger picture, I wanted to follow up on, and I think within guidance, there's just over \$100 million of disposition activity. And it looks like, just from where we stand today, that the 2027 is shaping up to be a pretty good year for actual earnings growth. You're going to remove the non-cash headwinds. You'll probably have a more reasonable year-over-year comp for lease termination fee income.

I'm just curious if – is there a possibility – like one, what is the appetite to sell additional assets? Is there a possibility we get to the second half of the year and we see a larger transaction of dispositions that then would negatively impact earnings growth in 2027?

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

A

Sure, RJ. I mean, obviously, it's too early for us to indicate what we think 2027 is. That being said, I get your question. And we are going to have to see how the year plays out relative to the acquisition disposition kind of plans. There is – as we – as I mentioned in my prepared remarks, we have been clear that there's a possibility that we would look at another larger kind of transaction in terms of selling larger format centers at what we think are very attractive yields and redeploying that capital in a accretive or very minimally dilutive way, as we did this year. It would need to fall in those kind of – in that bucket.

And again, if we were to do something like that, it would be because we think that it is going to significantly increase our kind of cruising speed, as people like to say, relative to our embedded rent growth. Our desire is obviously to grow earnings and grow earnings with a better portfolio. And not necessarily just better, but one that is positioned to take advantage of the retail environment is a better way of saying that. So I think it's too early to say what 2027 looks like. But those are the components of what we're looking at.

RJ Milligan

Analyst, Raymond James & Associates, Inc.

Q

Great. I appreciate it. Thanks, guys.

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

Thank you.

A

Heath R. Fear

Chief Financial Officer & Executive Vice President, Kite Realty Group Trust

Thanks, RJ.

A

Operator: Our next question comes from the line of Hongliang Zhang with JPMorgan. Your line is now open.

Hongliang Zhang

Analyst, JPMorgan Securities LLC

Yeah. Hey, guys. I guess I just want to clarify. In the \$115 million of non-core assets you expect to sell later this year, does that include City Center? And if so, what's the – could you remind us what the rough dollar amount you expect to get from the disposition?

Q

Heath R. Fear

Chief Financial Officer & Executive Vice President, Kite Realty Group Trust

It does include City Center and it's mid-50s.

A

Hongliang Zhang

Analyst, JPMorgan Securities LLC

Mid-50s. Got it. And then I guess you talked about the potential of selling a second bucket of dispositions. Is there any color you could provide about just the magnitude compared to the dispositions you've already sold last year?

Q

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

No, I don't. I think that what we're saying is we're studying the potential of something similar that we did last year, not necessarily in magnitude of total size. More so in the type of product that we would be looking to sell. And again, as Heath said, we're still going through some of the tax kind of harvesting of losses that we want to get for – against what we've already done. So I think it's going to depend on how this plays out. But obviously, if the opportunity arises for us to do something similar in a similar fashion that can ultimately be accretive to the value of the business, then we'll look at that.

A

Heath R. Fear

Chief Financial Officer & Executive Vice President, Kite Realty Group Trust

I'll also add. If you think about it, our current FFO yield, even at the price where it is now, is still 8%, which is going to be wide of where we can sell assets. So if you're looking at the capital allocation cues, and John mentioned this in his comments, we're viewing this as an opportunity to upgrade the quality of the portfolio while doing minimal – either accretive or minimally dilutive to earnings. So it's almost incumbent upon us to consider this again this year. So again, we'll see how it pans out. But we'll let you know more as the year progresses.

A

Hongliang Zhang

Analyst, JPMorgan Securities LLC

Got it. Got it. Thank you.

Q

Operator: Thank you. Our next question comes from the line of Wesley Golladay with Baird. Your line is now open.

Wesley Golladay

Analyst, Robert W. Baird & Co., Inc.

Q

Hey, good morning, guys. I want to go back to the comment you had, John, about getting better terms on the anchor leasing, but you're also – [ph] with less (00:48:16) rate, but also you're getting no co-tenancy. And I'm just wondering if that's going to kick off any redevelopments for you on the retail side.

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

A

Yeah. Hey, Wes, I think what we're saying is overall, we're in a position of strength and we're doing everything we can to improve a myriad of different deal terms. You don't eliminate all these things overnight. For example, we didn't say we were eliminating co-tenancy. We're saying we're improving it. We're improving our rent growth. We're improving the terms in terms of obviously looking to limit future fixed options, which we've been doing.

But if you just look at what we did in one year relative to the peer group to grow our embedded rent growth to close to 1.8%, I think that tells the story for the future. And that's really what this is all about, the fact that we were able to do that and buy back 6% of our shares at a significant discount to value. We had a hell of a productive year. And we laid out a business plan in the beginning of last year, which we were very clear with the Street, and we executed on that plan. And that's what we intend to keep doing.

So I think – and again, the backdrop of the business is strong. So we – you have to take advantage of these things because things move around, things change. And when you have – and that's why you've got a balance sheet like ours so that you can ebb and flow with those changes. So we feel very good about that.

Thomas K. McGowan

President & Chief Operating Officer, Kite Realty Group Trust

A

And then one other...

Wesley Golladay

Analyst, Robert W. Baird & Co., Inc.

Q

Okay.

Thomas K. McGowan

President & Chief Operating Officer, Kite Realty Group Trust

A

...thing to add on better terms. This isn't occurring by sending a redraft of a lease to a company saying, hey, we would want this or this. What we're trying to do is take it directly to the companies and having open conversations about, hey, here's the direction that we have to move in. And that has been helping us because it needs to be a very blunt and candid conversation about here is what Kite needs and here is the best way for us to get it and make it also work for you.

Wesley Golladay

Analyst, Robert W. Baird & Co., Inc.

Q

Well, thanks for that. And then going back to the comment about improving the cruising speed, it looks like you added 24 basis points over the last two years. I imagine you touched about maybe half the leases. So would that be a good extrapolation for maybe increasing it another almost 25 bps the next two years?

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

A

I mean, I think we said we feel like we're very close to this, in the near term getting to 2%. If you just look – if you look at our investor presentation, you'll see that in the – on the small – for example, on the small shop side, 62% of our deals in 2025, 62% were at 4% or better. I have not heard that stat from anybody else anywhere near that. So I think yes, we continue to push that. It reflects the growing quality of the portfolio as well and the mixture of the portfolio that we're working towards. So I think, Wes, that that is absolutely in our sights and we'll continue to get there.

And then if you look at the others that are at 2% or better, I would tell you they trade at a significant multiple premium than we do. So that's part of this as well is that eventually as we pivot this portfolio into this direction, people will recognize that.

Wesley Golladay

Analyst, Robert W. Baird & Co., Inc.

Q

Great. Thanks for the time.

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

A

Thank you.

Operator: Thank you. And I'm currently showing no further questions at this time. I'd now like to hand the call back over to John Kite for closing remarks.

John A. Kite

Chairman & Chief Executive Officer, Kite Realty Group Trust

Well, great. Really appreciate the time spent today and the great questions. And we will probably be seeing a lot of you in the next couple of weeks. Thank you.

Operator: This concludes today's conference. Thank you for your participation. You may now disconnect.

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