Regency Centers Corporation (REG)

Updated February 18th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	$72	**5 Year CAGR Estimate:**	5.8%	**Market Cap:**	$13.2 B
Fair Value Price:	$66	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	03/12/2025
% Fair Value:	110%	**5 Year Valuation Multiple Estimate:**	-1.8%	**Dividend Payment Date:**	04/02/2025
Dividend Yield:	3.9%	**5 Year Price Target**	$80	**Years Of Dividend Growth:**	12
Dividend Risk Score:	F	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

Regency Centers Corporation is a fully integrated real estate investment trust specializing in retail locations whose tenants include highly productive grocers, restaurants, service providers, and various other best-in-class retailers. The trust has full or partial ownership interests in 482 retail properties primarily anchored by market-leading grocery stores. Its properties are principally located in affluent and infill trade areas across the United States and contain about 57.3 million square feet of gross leasable area. The trust generates about $1.50 billion in revenues and is based in Jacksonville, Florida.

On November 7th, 2024, Regency Centers raised its dividend by 5.2% to a quarterly rate of $0.705.

On February 6th, 2025, Regency Centers reported its Q4 results for the period ending December 30th, 2024. Revenues rose by 3.3% to $364.6 million. Higher revenues were primarily due to higher leasing and occupancy rates.

Regency's same-property portfolio was 96.7% leased, up 60 bps sequentially or up 100 bps compared to last year. Nareit FFO grew 5.0% to $199.5 million year-over-year. On a per-share basis, FFO landed at $1.09, up seven cents compared to last year, as a higher share count offset the growth in aggregate FFO. For the year, FFO per share climbed to $4.30.

Management introduced its outlook for fiscal 2025. They expect same-property net operating income growth, excluding termination fees or collection of 2020/2021 reserves, to be between 3.2% and 4.0%. Also, Nareit FFO/share is expected to be between $4.52 and $4.58. We have employed the midpoint of the updated range in our estimates.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
FFO/shr	$2.92	$2.74	$3.10	$3.84	$3.90	$2.95	$4.02	$4.10	$4.15	$4.30	***$4.55***	***$5.54***
DPS	$1.94	$2.00	$2.10	$2.22	$2.34	$2.38	$2.41	$2.53	$2.62	$2.72	***$2.82***	***$3.35***
Shares[1]	94.4	100.9	159.5	169.7	167.5	170.2	171.5	172.5	177.3	184.1	***184.1***	***195.0***

Regency has achieved a solid track record of modest but gradually higher FFO/share over time. The 10-year and 5-year FFO/share CAGRs stand at 4.8% and 8.0%, respectively. In recent years, the trust has excelled despite the challenges faced by retail locations due to the growing prominence of e-commerce, a trend that was further accentuated during the COVID-19 pandemic. Regency's major tenants, including Publix (2.9% of annualized rent), Albertsons Companies (2.8%), and TJX (2.7%), are not at risk of going out of business anytime soon. Regency's growth prospects may seem somewhat limited, but there are noteworthy factors to consider. These include rising leasing rates, portfolio value enhancement within its development pipeline, and the pursuit of additional accretive investment opportunities, exemplified by the acquisition of Urstadt Biddle. Along with taking into account higher interest rates, we anticipate a 4% growth in FFO/share through 2030.

Regency slashed its dividend during the Great Recession and resumed its DPS growth in 2014. Since then, dividends have grown annually. We expect DPS growth of around 3.5% in the medium-term, which underlying FFOs could sustain.

[1] Share count is in millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/FFO	23.6	31.4	20.6	17.2	17.2	13.5	16.6	10.7	14.4	15.1	***15.9***	***14.5***
Avg. Yld.	2.8%	2.3%	3.3%	3.4%	3.5%	6.0%	3.5%	5.8%	4.6%	4.2%	***3.9%***	***4.2%***

Regency has traded a P/FFO of 14.1 over the past five years. We believe that today's multiple of 15.9 slightly overvalues the stock. This is due to the current interest rate environment and Regency's modest growth prospects. A P/FFO of 14.5 should better suit the stock, as it takes account of these elements, along with the trust's qualities, including tenant diversification and high occupancy rates. Regency is currently offering a yield of 3.9%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

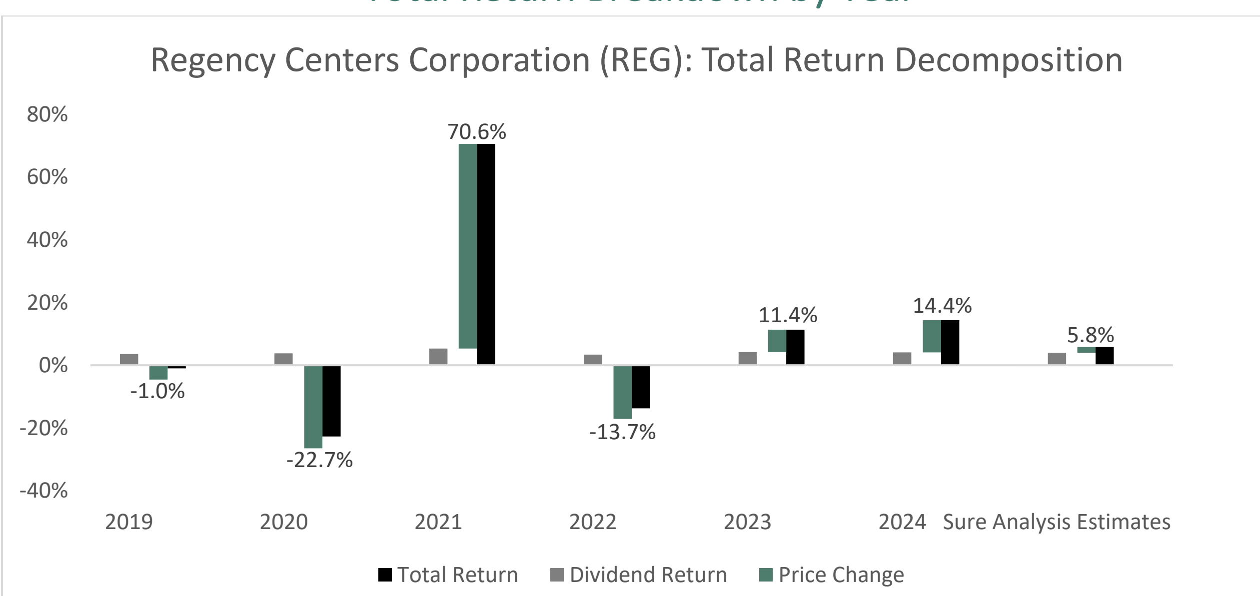
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	66%	73%	68%	58%	60%	81%	60%	62%	63%	63%	***62%***	***61%***

While Regency did cut its dividend back during the Great Financial Crisis, we don't expect a dividend cut due to the resiliency shown during the pandemic combined with the relatively comfortable 62% payout ratio based on this year's expected FFO/share. That being said, if the trust's financials were to be under pressure again, a cut is not unlikely either. Overall, Regency enjoys some decent qualities, including a quality tenant base of blue-chip companies, with no tenant accounting for more than 2.9% of annualized base rent (Publix). It also maintains a strong balance sheet with a BBB+ credit rating from S&P, has ample liquidity with $1.4 billion available on its unsecured line of credit, and features a net debt to EBITDA ratio of 5.2, which is somewhat tolerable. Still, a recession is likely to adversely impact the trust's financials and lead to a dividend cut.

Final Thoughts & Recommendation

Regency Centers has demonstrated a strong track record of FFO generation, sustaining solid financial health even during the pandemic despite considerable challenges. In addition, management's guidance suggests another year of relatively stable performance ahead, despite interest rates remaining high. We project annualized total returns of 5.9% through 2030, driven by 4% FFO/share growth and a 3.9% dividend yield, partially offset by a 1.8% annual valuation decline. Given these projected returns, we maintain a hold rating on the stock.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	538	570	614	984	1,121	1,133	1,016	1,166	1,224	1,322
Gross Profit	401	425	453	731	815	827	703	839	878	928
Gross Margin	74.6%	74.6%	73.7%	74.2%	72.7%	73.0%	69.2%	72.0%	71.7%	70.2%
SG&A Exp.	60	66	65	68	65	75	75	78	80	98
D&A Exp.	148	147	162	334	360	374	346	303	299	323
Operating Profit	185	205	211	240	380	370	270	452	472	468
Operating Margin	34.3%	35.9%	34.4%	24.3%	33.9%	32.6%	26.5%	38.8%	38.6%	35.4%
Net Profit	187	150	165	176	249	239	45	361	483	365
Net Margin	34.8%	26.3%	26.8%	17.9%	22.2%	21.1%	4.4%	31.0%	39.5%	27.6%
Free Cash Flow	278	286	297	470	610	621	499	659	656	720
Income Tax	(1)	---	---	(10)	---	---	---	---	---	---

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	4,197	4,183	4,489	11146	10945	11132	10937	10790	10,860	12,430
Cash & Equivalents	114	37	13	45	45	113	376	93	66	85
Accounts Receivable	66	78	85	114	126	143	126	131	160	173
Goodwill & Int. Ass.	52	105	119	811	701	550	363	380	365	450
Total Liabilities	2,261	2,100	1,864	4,413	4,494	4,842	4,879	4,683	4,682	5,235
Accounts Payable	181	165	139	234	225	214	302	322	317	359
Long-Term Debt	2,021	1,864	1,642	3,595	3,715	3,920	3,923	3,719	3,727	4,154
Shareholder's Equity	1,582	1,729	2,266	6,692	6,398	6,213	5,985	6,037	6,097	6,808
LTD/E Ratio	1.06	0.91	0.63	0.54	0.58	0.63	0.66	0.62	0.61	0.59

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	4.6%	3.6%	3.8%	2.3%	2.3%	2.2%	0.4%	3.3%	4.5%	3.1%
Return on Equity	12.1%	9.1%	8.3%	3.9%	3.8%	3.8%	0.7%	6.0%	8.0%	5.5%
ROIC	4.9%	3.8%	4.0%	2.4%	2.4%	2.4%	0.4%	3.7%	4.9%	3.4%
Shares Out.	92.4	94.4	100.9	159.5	169.7	167.5	169.2	170.7	172	176
Revenue/Share	5.82	6.01	6.07	6.15	6.59	6.75	6.00	6.83	7.13	7.50
FCF/Share	3.01	3.01	2.93	2.94	3.59	3.70	2.95	3.86	3.82	4.08

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.