

Kimco Realty - Where Should the Next Dollar Go?

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Decision scope: Relative priority for existing-center reinvestment, operating-property acquisitions, and a staged portfolio approach

Case convention: This is a hypothetical classroom strategy exercise, not a reconstruction of a disclosed board vote or private deliberation. Company disclosures and transactions are historical and attributed. Use only information available by the cutoff.

The decision

Kimco Realty owns interests in grocery-anchored open-air shopping centers and mixed-use properties. On August 4, 2026, it reported strong leasing and occupancy, alongside two active capital paths. Management anticipated \$125-175 million of capital commitments for redevelopment and re-tenanting during the remainder of 2026. Separately, it anticipated spending up to approximately \$300-500 million to acquire operating properties or additional interests in them. These estimates use different wording and scopes; they are not one combined discretionary budget. [1]

Assume Kimco's strategy team has been asked to recommend where to place the next increment of attention and capital as it executes its stated plans. Should it give priority to selective reinvestment in existing centers, pursue acquisitions and recycle assets, or use a staged hybrid that expands only when defined evidence gates are met? The public record does not establish that management faced this exact assignment. Your recommendation should distinguish disclosed company plans from your proposed decision process.

The choice is not simply whether shopping centers remain attractive. It is whether Kimco can create more value by changing the tenant mix and physical offering of properties it already knows, or by purchasing/additionally investing in operating properties with existing rent streams-and how much uncertainty it should accept before committing.

Operating evidence at the cutoff

Kimco reported 96.4% pro-rata leased occupancy for its portfolio at June 30, 2026, matching a company record; small-shop occupancy reached 92.9%, and anchor occupancy was 97.8%. During the second quarter, it executed 461 leases totaling 2.5 million square feet. Comparable-space cash rent spreads were 13.1% blended: 40.4% on new leases, 6.1% on renewals and 8.0% on options. Same-property NOI increased 3.5% year over year, while minimum rents increased 2.6%. Kimco reported 57 basis points of credit loss as a share of pro-rata rental revenue. These measures point to leasing momentum, but do not isolate the return on redevelopment or acquisitions. [2]

Leased occupancy exceeded economic occupancy by 400 basis points. Kimco described the gap as \$75 million in future rent from signed leases that had not commenced. That figure is not current rent collection: tenants still needed to open and begin paying. The conversion of signed leases into occupied, rent-paying space is therefore part of the strategy question, not a settled result. [2]

Kimco's CEO attributed the operating performance to disciplined execution, limited new shopping-center supply, continued consumer demand for everyday essentials and strong shopper traffic. Those are management explanations. Local demographics, center quality, lease mix and the timing of lease commencements may also explain results. The reported data do not separate these effects. [2]

Exhibit 1. Selected company-reported evidence

Measure	Q2 2026 / June 30, 2026
Portfolio leased occupancy, pro rata	96.4%
Small-shop leased occupancy, pro rata	92.9%
Anchor leased occupancy, pro rata	97.8%
Comparable-space cash rent spreads: new / renewal / option	40.4% / 6.1% / 8.0%
Same-property NOI growth	3.5% year over year
Leased less economic occupancy gap	400 basis points
Future rent attributed to signed leases not commenced	\$75 million

Source: Kimco August 4, 2026 Q2 results release, Exhibit 99.1. Occupancy and leasing statistics are company-reported pro-rata figures. Lease spreads are for comparable spaces. "Future rent" is not current revenue. [2]

Reinvesting in existing centers

Kimco said it selectively redevelops or re-tenants properties to maintain or enhance their competitive position. It reported \$109.7 million of redevelopment and renovation spending and \$64.0 million of tenant improvements and allowances for the six months ended June 30, 2026. Total improvements to operating real estate were \$173.6 million for that six-month period. It was actively pursuing redevelopment opportunities, including residential and mixed-use components, which management believed could increase property value by bringing in tenants and improving assets. [1]

For the remainder of 2026, Kimco estimated redevelopment and re-tenanting capital commitments of approximately \$125-175 million. It said these needs could be funded from operating cash flow, cash, property-disposition proceeds, or available credit and commercial paper. This is the 10-Q's remainder-year commitment estimate. The earnings release separately showed \$82 million of redevelopment capex year to date and an updated full-year capex outlook of \$125-150 million. The two disclosures are not presented as the same measure. Do not subtract or combine them without a definition that the public materials do not provide. [1, 2]

Reinvestment can exploit Kimco's property knowledge, leasing relationships and ability to tailor a center to local demand. Re-tenanting may improve a center whose physical location remains

attractive but whose current tenant set or space configuration limits performance. Residential or mixed-use elements may introduce new uses and potential foot traffic. The counterarguments are project duration, construction and entitlement uncertainty, tenant-improvement spending, disruption to current operations and the possibility that stronger leasing reflects demand that would arrive without the added investment.

Acquiring operating properties and recycling assets

The 10-Q said Kimco anticipated spending up to approximately \$300-500 million in the remainder of 2026 to acquire operating properties or additional interests in them. It expected to fund potential acquisitions from operating cash flow, cash, dispositions or credit availability. This is an “up to” estimate rather than guaranteed transaction volume. It is separate from the redevelopment commitment. [1]

The August 4 release also described transactions completed after the June 30 quarter end but before the release: Kimco sold four Costco-anchored assets for approximately \$127 million and acquired Pompano Marketplace, a Walmart-anchored center, for \$53 million, and Sunshine Plaza, a Publix-anchored center, for \$56 million, using 1031 exchange proceeds. Kimco said the sale reflected recycling capital from assets with lower contractual rent growth into higher-yielding investments. It also reported selling The Milton, a 253-unit multifamily property within Pentagon Centre, for \$142.3 million, calling it its first multifamily asset disposition. Management's explanation of the recycling strategy is not a complete comparison of the assets' risk-adjusted returns. The release did not provide the acquired properties' rent rolls, renovation needs or underwriting. [2]

Acquisitions may provide operating income sooner than a major redevelopment, and additional interests can increase Kimco's participation in centers it already knows. However, purchase prices, cap rates, future capital requirements, local growth, tenant concentration and integration needs determine whether an acquisition is attractive. Dispositions free capital but also surrender future rent growth and may change portfolio quality. The public transaction summary is not enough to compare individual properties with redevelopment projects.

What the academic evidence can-and cannot-say

A study of Dutch high-street shopping districts found a positive association between retail tenant mix and rents. The researchers used a diversity index based on sector categories and controlled for nearby retail competition. Their models also showed that the relationship could flatten at higher mix levels and that specification and competition controls mattered. [3]

The study offers a reason to ask whether tenant variety and nearby competition matter when Kimco reconfigures a center. It does not measure U.S. grocery-anchored centers, redevelopment returns, NOI, or the effect of Kimco's tenant decisions. Its estimates should not be applied to a Kimco property. Students should treat tenant mix as a hypothesis to investigate, alongside anchor strength, local demand, physical configuration and competing supply.

Decision assignment

Recommend how Kimco should prioritize its next increment of capital and management capacity across existing-center redevelopment/re-tenanting and acquisitions/additional interests, or propose a staged hybrid. Your recommendation should:

1. Explain what the Q2 operating evidence suggests and what it cannot establish.

2. Identify the asset-level facts needed to compare redevelopment with acquisition and recycling.
3. State which project or market evidence should unlock the next stage, and what would cause Kimco to pause, redesign or reject an investment.
4. Address competing uses of capital, including distributions, share repurchases, liquidity and balance-sheet flexibility.
5. Identify the strongest counterargument and the evidence that would change your view.

For a staged recommendation, specify the gates. Possible evidence includes lease-to-opening conversion, stabilized occupancy, incremental NOI net of all project costs, tenant retention and sales productivity, entitlement and construction milestones, acquisition underwriting, and downside sensitivity. Any thresholds, portfolio allocations, project returns, pilot scope or timing you propose are classroom assumptions, not company policy. The case supplies no asset-level project return data and no single option is established as correct.

Sources and conventions

[1] Kimco Realty Corporation and Kimco Realty OP, LLC, [Q2 2026 Form 10-Q](#), quarter ended June 30, 2026, filed August 4, 2026; MD&A, PDF pp. 39-49, especially pp. 44-45 for acquisition and improvement spending/plans.

[2] Kimco Realty Corporation and Kimco Realty OP, LLC, [“Kimco Realty Announces Second Quarter 2026 Results”](#), August 4, 2026, Exhibit 99.1 to Form 8-K; operating results and transactions, printed pp. i-iii.

[3] Song Zhang, Mark van Duijn, and Arno J. van der Vlist, [“Tenant Mix and Retail Rents in High Street Shopping Districts,”](#) *The Journal of Real Estate Finance and Economics* 67 (2023): 72-107. Full open-access text read; see [site/research/kimco-realty-corp/source-register.md](#) for method, tables and transfer limits.

The cutoff includes information in the August 4 release, including transactions that the company said occurred after quarter end and by the release date. No evidence after August 4, 2026 is used. Reported facts, management expectations, and classroom hypotheses are distinguished. This is a strategic case; no financial model or Excel analysis is provided.