Christy: Good morning, everyone. Welcome to the 8:50 a.m. session at Citi's 2017 Global Property CEO Conference. This session is for investing clients only and if media or other individuals are on the line, please disconnect now. Disclosures are available up here and on the webcast on the Disclosures tab.

For those in the room or on the webcast, you can sign on to Slido.com and enter the cost Citi17 to submit any questions if you don't want to raise your hand. You can ask the questions. You can also vote on other people's questions, a lot of fun, social media. The ones that get the most votes generally I'll ask throughout the Q&A. And just so you know, we are in Room Atlantic-3. So when you go, when you sign on online, just click Atlantic-3; you should be good to go.

So we're pleased to have with us Drew Alexander, President and CEO of Weingarten Realty. Drew, I'll turn it over to you to introduce your team and then provide some opening remarks and I will kick off the Q&A.

Drew: Sounds great. Thank you, Christy. Good morning, everybody. As mentioned, I'm Drew Alexander, CEO of Weingarten Realty. On my right, Michelle Wiggs, our Vice President of Investor Relations; on my left, Steve Richter, our Chief Financial officer; and on the other side of Steve, Alex Evans, one of our senior leasing people here in Florida who joined us for the conference.

So a little background on Weingarten real quick. We're a shopping center REIT, became a REIT in 1985 at a $7 billion enterprise value. We're in major markets in the southern and western United States, principally supermarkets and other basic goods and services. Largest tenants include Kroger, TJ Maxx, Ross. About 75 percent of our rents come from shopping centers with a supermarket component. Average supermarket sale is $630 a square foot, so they pull great traffic to our centers.

We started a major transformation about five years ago, sold over $1.5 billion of assets, bought $500 million, so very much improved our balance sheet. Looking backwards a little bit to 2016, fabulous year, FFO up 8.9 percent in Q4, 7.3 percent for the year. Same property NOI growth 3.8 percent. Rental rate increases 12.8. Dispositions last year $223 million. Acquisitions $515 with some great properties, two wonderful assets here in Florida, Palms at Town and Country and Deerfield, and great assets in Seattle, 2200 Westlake and Scottsdale Waterfront in the heart of Scottsdale. Great progress on new development. Finished a project in Nottingham near White Marsh Mall in Maryland, about $45 million and an 8 percent return, better than pro forma.

Looking to more current new developments, in the last couple of quarters we've announced a couple of new new developments. In October we announced Gateway, Alexandria, which will be a mixed use project in the Alexandria part of

DC, about $180 million total investment. The retail will be about 100,000 square feet anchored by a 62,000 square foot Harris Teeter which is Kroger. And in our last earnings call we announced Columbia Pike, which is also in Alexandria, $135 million, again residential over retail, 72,000 square feet of retail with about a 50,000 square foot Harris Teeter. Great locations. We really feel the Northern Virginia part of DC is especially fabulous, tremendous barriers to entry. These projects took years to entitle and should benefit from the expansion of the Pentagon and all the related contractors around the Pentagon. So very pleased with that. Do plan to sell the residential on those projects after they're fully stabilized.

Also at our last call, we announced adding a 30 story residential tower, luxury residential tower to our River Oaks Center in Houston. That's about a $150 million investment. Should be under construction in about a year, stabilized in 2021. River Oaks is the third oldest shopping center anywhere. We've owned it since the '70s, seem to be sort of constantly remodeling it. We've been looking at adding density to it for over 10 years and are very pleased to finally line things up.

Looking at 2017, our NAREIT FFO guidance is $2.36 to $2.42, acquisitions $125 to $225 million, dispositions about the same range, same property NOI from 2.5 to 3.5. We do see occupancy dropping a little bit in the first half of the year and then growing as we lease up boxes towards the end of the year.

Some headwinds in the space to be sure, but doing very well with those. We had six Sports Authority boxes vacant at the end of the year. Got one of those leases signed already and negotiating deals on all the others. Should get a little rent in '17 but more coming on in '18 pretty much as we expected. There is interest from tenants but they are more deliberate this year.

Acquisition-wise we did a lot last year. Don't expect as much this year. Open to buy if good centers but cap rates remain low for good quality opportunities so we want to do the right long-term thing.

So do feel very good about things. Company's been around a long time. Our transformed portfolio is in great shape and very much look forward to answering your questions.

Christy: Great. So keep the Slido questions coming, everyone. I didn't have any on my last, so don't disappoint.

So opening question, we're kicking off all the panels with this question. So what differentiates you from your property sector peers, so from your strip center peers that you expect will result in outperformance in your stock over the next year versus those peers?

Drew: It's really the transformed portfolio. We started it years ago and some people heard us talk about it but I don't think they fully appreciate the tremendous barriers to entry and density around the company. So that's where that, combined with our strong operating platform, gives us a lot of comfort that even with the headwinds we can do fine in '17.

Christy: So you talked a little bit about the headwinds in '17 and some of the risk. You have HHGregg, Payless, Gander Mountain, Eastern Outfitters, Kmart. Like there's a lot of retailers that could sort of add up to what we saw last year with Sports Authority or potentially even create more of a headwind. What do you think about occupancy? Because you're just now leasing up the space that you got back last year; that's going to start commencing later this year. Could we see double the impact from a lot of the retail tenants that could close stores this year?

Drew: So obviously it's a function of what exactly happens and there are certainly concerns. You cited many of them. Generally speaking, our exposure is pretty moderate. We do have some Payless stores but they're all small boxes and just like we went through with Blockbuster and other things, we'll work through that. We don't have any HHGregg stores so we'll obviously feel some impacts in terms of we could be working on a box and they turn around to one of those other boxes.

But again, it goes back to the transformation, the density around our centers, the fact that generally speaking there aren't a whole lot of choices. Retailers are still looking to expand, especially the basic goods and services folks, the Marshalls, the Rosses, the Burlington Coats, the Nordstrom Racks that we deal with. And very, very little new space is being built. There's also a lot of talk about inflation and interest rate rises, which have some plusses and minuses. But the plus is we could get back to a world with inflation, which means that especially anything new built is going to be really, really expensive. So, retail business is competitive but the strength of the locations and the lack of new space is what gives us a lot of comfort that we'll get through it.

Christy: It sounds like you don't have a lot of direct exposure to some of these retailers. But sure, there's community centers and other shopping centers that are around you that could potentially create some vacancy in the market that you'll obviously be competing with. How do you – and you talked a little bit about some of the demand that's out there. But is there enough open to buys in among anchor tenants, among junior anchor tenants in the market to really absorb some of the space that not necessarily you'll get back but sort of the markets that you're in could get back?

Drew: We think so. I mean the most, the simplest thing to maybe relate is the so-called shadow space, the Macy's, the other, Penney's boxes which are pretty well talked about. We've mapped all those out. We look at where those are competitive to us and we just don't see a tremendous amount of stress. A lot of those are more B oriented project in smaller towns. Went over this with our board in Houston and in the Macy's case in Houston all the stores are very much on the periphery where the population densities aren't as great, whereas we are in densely populated areas near the super-zips.

So retail is probably the most different from the other retail product types in that each retail intersection is totally different. So you talk about a market like Houston that is really 30 or 40 submarkets and really within that each intersection is different. So the fact that there may be a Macy's box five or six miles away from one of my centers in a much less populated area doesn't really impact me too terribly much and that's where with a lot of study, with our longstanding market research of where we see the competitive things it's some headwinds but it really doesn't worry us that much.

Christy: Have you actually lost any tenants to a mall?

Drew: I'm sure in the history of the company, yeah, there's a time.

Christy: Well, I mean really more in the last year or two years.

Drew: But not of any significance.

Christy: Yeah.

Drew: I was at a fire panel some years ago and I made the comment to one of my mall colleagues that your triple net charges are higher than my rent and it became sort of the laughter buzz of the conference. Malls are very different animals. They're going through lots of different things. There are examples in some places of TJ and Ross going into malls. But it's generally not what they do. It's all sorts of issues with entrances, especially in enclosed malls. So it's generally speaking not that significant a thing. And again, when you look at the stores that the Macy's and the Penney's are closing, they're not closing the highest of volume stores. So generally the stores they're closing are not all that close to us anyway.

Christy: And so do you feel comfortable at this point that looking out at '17 and your same store NOI guidance that you have enough sort of buffer built in there in terms of the potential fallout that we could see?

Drew: I think so. When we presented the business plan to the board, they were giving me a hard time we had a little too much cushion in there. I guess they're board members; that's what they do. So we think we have some. But again, it all depends what happens in terms of when tenants go and who goes. And one of the things that is concerning is debtor and possession financing is sort of available I would say. We certainly see more Chapter 7 liquidations than we used to ten years ago. Companies would 11. They'd close a third of their stores. So a lot of it depends who files when and we keep our fingers crossed. It's certainly better if they're 11 reorganizations as opposed to liquidations.

Christy: I want to talk a little bit about mixed use. So you recently announced a bunch of new products. You've got Gateway Alexandria, Columbia Pike. You talked about the redevelopment densification at River Oaks. So your pipeline has built up, so you're taking on a little bit more residential risk. Maybe you can talk about that a little bit and whether or not you feel like the investment community is comfortable with that and why now, why at this point in the cycle.

Drew: So why now is really because the deals lined up. We've been working on this and a number of other deals and like everything else with deals you work on 10 or 20 to get one. So the fact that we were able to get two in Alexandria, Virginia is a little bit of luck and I personally think very good luck. I think it's a fabulous market for a whole lot of reasons. And then obviously, when Trump wins the Presidency if anything it makes it even stronger in terms of the Pentagon and all the related defense contractors, etcetera, around that.

As I alluded to in my prepared remarks we've been working on densifying River Oaks for probably 10 or 15 years and were able to get in a position with some of the leases that we can go forward with it. Obviously, Houston's in the news a little bit with the oil situation. But again, this property is going to be commencing in 2021 so think that it makes sense there.

The people that we're using to build the River Oaks project is a company called Hanover. They happen to be headquartered in Houston but they're nationally renowned for building high rise product. They have several that they're recently done throughout the western part of Houston. So they understand how to do it. They know market rents. They know how to build it. They know what the unit sizes should be. So I think that mitigates the rent a lot. And then sort of same song in the Washington area, we're using a company called Orr(?). It's been in business since 1988, built many thousands of units, manages many thousands of units in the Washington area.

So it is something we also talked about in our call that we imposed on ourselves about a $500 million limit of residential at any one time. And given that these three projects came together, we are basically full on that bucket. We plan to sell the residential part of the two Washington projects after the projects are up and running and we understand how all the nuances and everything works with the receiving, especially with one of the things we're working through with Kroger on both of them is since the click pick is such a big part of their operations these days we have to have that flow through the garage very nicely. But we will sell those units.

River Oaks is a little different and I'm not, I'm frankly not sure what we'll do there. It's a very special project to us, something of the company's flagship. So we'll sort of look at that one separately.

So mixed use is a lot where it's at today. It's where the retailers and the restaurants want to be. It's where the barriers to entry are quite strong. I think you're building something of a franchise versus a greenfield. We've done more mixed use than is realized in terms of our project in Seattle, our involvement in Walter Reed, and I think it's something that we will continue to do because it's what the people want these days.

Christy: Who is your residential partner in DC? And maybe you can talk about sort of the risks that you're taking there and the economics of that JV.

Drew: So it's a company called Orr. As I mentioned it was founded in 1988, built many thousands of units in that market. I mentioned the $180 million at Gateway, $135 in Columbia. I mean the two deals are a little different but basically it's mostly our money. They have a bit of equity in it and if it does well they'll do better.

But Orr is very experienced and very active in the market managing lots of residential properties. And I was telling somebody earlier we actually used to be in the apartment business. It's actually where I started in real estate. But I will not be picking apartment colors or deciding whether it's Whirlpool or Frigidaires. We have local market expertise that'll be doing that and then managing the properties for us after they're up and running too.

Christy: So in looking at your presentation and you have a slide in there on longer term FFO growth, I think the contribution from new development is about $100 million a year of completions contributing about 75 to 125 basis points of FFO growth. But just given everything that you've got in the pipeline, I think you have about $350 million in process, not including River Oaks or Walter Reed. It seems like over the next few years at least it should be a little bit more additive than that. Is that sort of an average over time? Or just thinking about what your FFO growth should look like as some of these projects come on.

Drew: So you're referring to the future vision FFO slide?

Christy: Yeah, exactly.

Drew: Yeah. That's exactly that. Christy, that's a slide that we've had in there for several years that is sort of a typical average how we get to a model. And as you've said, we've got a number of unique really strong opportunities right now. Over a period of years I could see other high rise towers at River Oaks. There are a handful of other projects in the pipeline in the portfolio that I could see similar densifications occurring over a period of years. But when it comes to a runrate kind of basis, we won't be doing something like that every year. So it is lumpy and right now we have some great opportunities.

The other thing to bear in mind, since River Oaks is so much money on so little land, the returns at River Oaks are a lot lower than you normally would see in a redevelopment where you had a floater building and you're getting a 15 percent return. Orr, by the way, has been involved in 35 million square feet of construction, 1,000-plus residential units historically, 1,300 units under construction now, 2,500 units that they manage in a $500 million new development pipeline. I found my notes.

Christy: So we actually do have a question from Slido so I'm going to ask that one. It's on Houston shockingly. So do you think Houston as a market is starting to bottom out or is there more to go?

Drew: I think it depends upon the product type that you're in. In anchored retail that we're in, I think Houston's in fabulous shape and about 55 almost 60 percent of our rents in Houston come from within five miles of the Galleria. So we, about 75 percent or so of our centers are in or near the super set. So a lot of the new space built in retail in Houston is out on the periphery where the population growth is less and the competition is more. So retail in general is in very good shape, probably the best. Industrial is pretty good too. But retail is probably the best performing product type.

So retail is generally good. Our properties are very good. Johnny Hendrix went through all the numbers on our last call. But our Houston portfolio is 98 percent occupied as I remember, Michelle. The other product types are hurting a little bit, office especially. But it does appear the worst is behind us, that the oil layoffs are over and things are starting to crawl its way back. And if you look at Houston over say a 10-year period of time there are lots of years where we added 100,000 jobs. So we'll only add maybe 20 this year. So the average job growth has still been very, very good and I think the city's in very good shape. And you guys tell me but I think the city came off looking pretty good in the Super Bowl. It certainly was an exciting game. So that's nice publicity too.

Christy: There's been some new shopping center development projects announced in the Houston market. Where are those? Where is that supply growth relative to where your centers are?

Drew: So generally speaking, Houston is a multi-ringed city with four arterial bands, the Loop, the Belt, the Grand Parkway, and generally speaking the west side has better income than the east side. So generally speaking most of that new development is very out in the periphery of on the fourth outer beltway, which is called the Grand Parkway, which just because of geometry goes all the way around and it's something like 200-and – it's on Page 18 in the slide book if you have it handy. I think the Grand Parkway is 220 miles if you drove the whole thing, something like that. It's a lot of concrete.

Christy: Maybe switching to sort of capital allocation, I want to get a sense for where as you think about your development that you're doing and your redevelopment and your acquisitions, where does where we are in the cycle, where does – how does that impact how much money you're putting out and what you're acquiring and what you're developing and how much you're spending?

Drew: So the cycle's always an interesting thing to me. It is accurate that it's been a long time since we had our last recession. So statistically that means there may be another one. But to me it's really more about the particular deal and to the extent we can line up well anchored and low entitlement with good barriers to entry, we have great financial capability. It's not something that concerns me greatly.

Most really tough crashes have come from an excess of supply. The mortgage crisis in the 2008 period and then I was very active in working in Houston in the really bad oil problems in the middle-'80s where we had huge amounts of vacant, empty space. So we don't see that right now. So I tend to think whatever corrections we have will be more modest and I think well underwritten projects will weather through that. It's really that said, it's really hard to line up good projects and get the landowner, the city, the tenants, everything lined up and have something that makes economic sense.

Christy: And you talked about from an acquisitions standpoint expect less this year than last year. Why is that? Is there fewer opportunities that you're seeing on the market? Is it just that you acquired a few big properties last year that you just don't expect to hit that again? I mean what? So why the lower volume?

Drew: So you always kid me about long answers so I'll go with yes. I mean it is basically as you articulated, Christy. We got some really big, great projects last year. And as you said, we're not seeing as much. And then I would also add in we are sensitive to the broader macro. So as I said in my prepared remarks we're still open to buying but we're going to be very sensitive that things have good growth if we're going to buy something at a five cap(?) rate.

Christy: And are you looking for more sort of stabilized assets with good mark to market or those with more opportunistic redevelopment potential?

Drew: Anything we'd want to do, we would want to see a clear path to some good growth. So it could be from just a basic blocking, tackling, leasing up some vacant space, marking thing to market. But more likely it would have to have some amount of redevelopment to really move the needle.

Christy: And you own across the spectrum of strip centers in terms of different types, where have you seen values move the most and from a cap rate perspective in the last year?

Drew: So great quality stuff hasn't moved much at all and weaker quality stuff has widened 25 to maybe more basis points. So that's where, as I said, we sold $220 million last year, had some good buys and some good sells. Well, we'll have to see where the volumes end up this year. As I said, I don't – I think the volumes on both fronts if I had to guess will be lower because we don't need to, we don't have to sell anything and I'm not super optimistic that we'll find lots and lots of great things to buy because we're just not seeing that much. It's only two months into the year but it's also two months into the year.

Christy: Any questions from the audience before I go on? You've never really had a ton of exposure to the Northeast. Is that, as you think about, you've always talked about the smile states. I mean as you think about your future opportunities to expand, any thoughts on moving up there?

Drew: So the Northeast, it's a great market to be sure. But one of the things that we think really sets the company apart is our local expertise that if you look at Page 7 in the slide deck if you have it, you see the markets that we're in. So we run a very decentralized company where the decisions are made by good, strong local experts. The densities in the Northeast, the buying power is quite strong. But it's really very hard to crack in there. And we like a lot of the markets that we're in because we think they're very well-positioned from a job growth perspective, very well-positioned to benefit from immigration to the United States, migration within the United States. We're in many more of the pro-business, low tax states.

So if the right opportunity to buy a nice package came along in greater New York or Boston or something or other, we'd certainly take a serious look at it. So would everybody else and their brother's cousin. So it's something that we'd just have to see. But we like the growth prospects of the southern and western United States a lot and don't see that we have to be competing in those dog-eat-dog markets. My mother's from New York. She'd be thrilled if we'd buy.

Christy: There you go. You can visit more. I know Steve does visit the Northeast a lot.

Drew: Steve's got grandchildren in New York too.

Christy: Right, exactly.

Drew: So, yeah.

Steve: I vote yes.

Christy: How much of an NAV discount do you think you trade at today? What are you doing at this conference to try to improve your stock price? And maybe you can update us on your thoughts on share buybacks. I know you have a program in place, but what NAV discount does it make sense for you to start buying back your stock?

Drew: So we've typically talked about a 20 percent discount is when we would start thinking about a stock buyback and I don't think we're at that kind of a discount. So it isn't something that has come up. That's where what the exact discount is, everybody can make their own estimates. And then as to this conference and others, it's just laying through things and going through what the basic facts are that I think the numbers that the company produced in 2016 were fabulous across all metrics and I'm very comfortable that we can continue to produce sector leading kinds of results. So I don't personally think one fixes difficult problems in one meeting. So I think it's just a matter of continuing to articulate and execute, to look at the power of the transformation, where the properties are, where the tenants are. So to me it's the basic blocking and tackling of we've had great results. That's factual. We think we're going to have great results going forward and we'll continue to produce them.

Steve: I might just add a little bit onto that. I think when you look, Weingarten's been out there for a long time as a public REIT and I think people have perceived where we were historically and the extent of the transformation that Drew talked about on several occasions. I think we have – it's difficult to change the investors' perception of who we are and what our properties are today. And I think – five minutes – we've made good progress on that and I think if you look at our performance results over the last year or so I think that comes through. So we're patient. We think we've made some progress in terms of our valuation, but we clearly think we have some room to further improve on valuation.

Christy: Following the Regency Equity One deal, would you expect to see additional public-to-public M&A in the strip center sector, privatizations maybe? Are you open to M&A, whether it's on the buy side or the sell side?

Drew: So as to opened M&A, absolutely. And if any of you have your checkbooks we can talk after the meeting. Yeah, I think we'd always want to do the right thing for shareholders. As Steve mentioned, we've been publicly traded since 1985 and there's always been a lot more discussion and rumors of public-to-public than actual action. And it is something that we would be open, as I said, either way. When it comes to buying a company it has to compare nicely to what we can just do in terms of one-offs. And as I said, we did $500 million last year of great assets where we got to look at every one. So to think about paying some big premium or something, have to think long and hard about that.

And then on the other side, we're a public company. We're for sale every day. We always talk to anybody.

Christy: Great. On the grocery business, I think 4 of your top 10 tenants are grocers. What do you see as the biggest risk? I mean so you have Amazon Fresh entering the market. You've had a lot of expansion among different types of grocers, especially in different markets. Do you see risk with grocery exposure today with the grocer business?

Drew: I think all business has risk. I've been CEO for 16 years, coming to this conference for probably 20, and something has always been going to destroy the grocery business: The warehouse clubs, Wal-Mart, internet, etcetera. My family was in the grocery business for years and years. That's where Weingarten Realty came out of, a supermarket company. The grocery business is perfectly capable of competing very aggressively with itself. So a lot of what we do is very much, again, focused on good grocers with barriers to entry. And the fact that our supermarkets average $630 a square foot in sales means the occupancy costs are quite low. So I think we'll weather that very nicely.

But it's a very competitive business, about to get more so likely with other new entrants. But again, our centers are generally well-protected with good barriers to entry. You do have both with a lot of the internet and meal kit companies that are in that startup mode. So they don't have to make any money and that makes for very formidable competition when you can give things away. But I don't think it can last forever.

Christy: Do you think the meal kits don't make money?

Drew: Pardon?

Christy: Do you think the meal kits don't make money?

Drew: Correct.

Christy: What do you think about that business?

Drew: Yeah.

Christy: They just don’t make money. They’re not going to...

Drew: They don't seem to.

Christy: It’s not sustainable?

Drew: It’s not. It’s the classic. It’s not to say they can’t reach the scalability where they do. But everything I’ve read, there isn’t one that currently is.

Christy: Do you think they ultimately need like a brick and mortar partner or contact store?

Drew: It certainly makes a lot more sense, that it wouldn't surprise me if Amazon buys a retail company. You hear Amazon talking about wanting to have places where people can pick up packages. So you can sort of imagine them sitting around a room with their white board going you know, if we did it on the going home side of the street it’d be a lot more convenient for people to get it on their way home. And they’re like, oh, well maybe we could just buy this grocery company, this retail company. So I definitely believe that the omni-channel model is what wins, that the internet makes good real estate more valuable and the so called bricks and clicks or omni-channel is what survive because that last mile of delivery is very expensive and fraught with a lot of logistical problems and if you can pick it up, buy online, pick up in-store, the BOPS model, I think it – I think that’s the eventual winner. It’s a tough time of transition to get through it, but I think that’s what wins.

Christy: Great. Well, I’ll finish with the rapid fire questions. What will same store NOI growth be for the strip center sector overall in 2018?

Drew: Three percent.

Christy: How much higher or lower do you expect private market cap rates for the strip center sector in 12 months?

Drew: Up 25 BPS.

Christy: And rank the best real estate decisions to make today – buy, build, sell.

Drew: So I really think the best thing to do is to focus on operations and redevelopment. So that’s what I would really answer the question.

Christy: So build number one.

Drew: But I would say of those three, sell is what I would put ahead.

Christy: Sell number one, then build, then buy.

Drew: Yeah.

Christy: Great. Thank you so much.

Drew: Thank you.

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