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Weingarten Realty Investors (WRI)

Q4 2016 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Weingarten Realty Investors Fourth Quarter 2016 Earnings Call. My name is Brandon and I'll be your operator for today. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. Please note, this conference is being recorded.

And I will now turn it over to Michelle Wiggs. Michelle, you may begin.

Michelle Wiggs
Vice President-Investor Relations, Weingarten Realty Investors

Good morning, and welcome to our fourth quarter 2016 conference call. Joining me today is Drew Alexander, President and CEO; Stanford Alexander, Chairman; Johnny Hendrix, Executive Vice President and COO; Steve Richter, Executive Vice President and CFO; and Joe Shafer, Senior Vice President and CAO.

As a reminder, certain statements made during the course of this call are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results could differ materially from those projected in such forward-looking statements due to a variety of factors. More information about these factors is contained in the Company's SEC filings.

Also during this conference call, management may make reference to certain non-GAAP financial measures such as funds from operations or FFO, both core and NAREIT, which we believe help analysts and investors to better

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understand Weingarten's operating results. Reconciliation to these non-GAAP financial measures is available in our supplemental information package located under the Investor Relations tab of our website.

I will now turn the call over to Drew Alexander.

Andrew M. Alexander

President & Chief Executive Officer, Weingarten Realty Investors

Thank you, Michelle, and thanks to all of you for joining us. I'm pleased to announce yet another great quarter, a fitting close to a very successful year. Our operations remain very strong in spite of headwinds from the Sports Authority and other tenant failures, with solid same property results and outstanding rental rate increases.

We completed our best year for acquisitions. The quantity of our purchases, about $515 million, combined with the unquestionable quality of these real estate, 2200 Westlake in Seattle, Deerfield and the Palms in South Florida and Scottsdale Waterfront had a measurably positive impact on the overall quality of our portfolio. Over 220 million of dispositions further improved our portfolio quality. We continue to redevelop, and we completed two of our new development properties, Wake Forest and Nottingham during 2016. We've also backfilled the new development and redevelopment pipelines with some really nice projects. So, 2016 was a great year.

Now, let me be a little more specific with respect to our new development activities. As I mentioned, we completed Wake Forest and Nottingham. I want to thank our team as Nottingham especially is a very successful project with us exceeding our pro forma returns rather markedly due to higher-than-anticipated rental rates stabilizing at a return of 8%.

The Whittaker in West Seattle is a six-storey mixed-use project being co-developed with Lennar who anticipates delivering to us the retail portion of this project shortly. Our Walter Reed development in the DC area continues to move forward, with the closing on a portion of the land expected to occur early next year. Development of the majority of the retail component is projected to commence in 2018.

Last quarter, I mentioned our new development opportunity in the DC area, The Gateway Alexandria. Gateway is a mixed-use project with 282 residential units and 100,000 square feet of retail anchored by a 62,000 square foot Harris Teeter, a division of Kroger. There's also an office pad that we will sell at a later day. This is a high-barrier, infill site with impressive demographics that has taken seven years to entitle. This site is served by an extensive bus system, near major employment centers and metro rail stations, most notably The Pentagon.

Our total net investment is estimated at around $180 million. We've hired a prominent DC firm to handle the residential for us, and after completion, we anticipate that we will sell the residential component, which is about three-quarters of the investment. We feel the barriers to entry in DC make for great real estate. And we're excited to announce that in December, we executed a partnership agreement with the same developer we're using on Gateway, for the development of another project in DC, Columbia Pike, a premier, mixed-use project in Arlington, Virginia will include 365 multi-family units and 72,000 square feet of retail anchored by 50,000 square foot Harris Teeter Supermarket.

The Company's net investment upon completion is estimated at $135 million before the sale of the residential component. We expect to purchase the land and commence development in April of 2017. More detail on these strong locations are on our website.

We also wanted to announce an exciting redevelopment projects at our prominent River Oaks Shopping Center here in Houston. We'll be developing a 30-storey luxury high-rise with around 10,000 square feet of ground floor

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retail. The tower will include over 300 residential units, and the total project cost will be approximately $150 million. This is an incredible infill location adjacent to the premier residential community in Houston, with easy access to downtown, The Galleria, and all other parts of the city. This addition to our property will clearly benefit all of the merchants and greatly enhance the value of this already outstanding asset. We've engaged the Hanover Company, a nationally renowned residential developer, and expect to start construction in the first quarter of 2018, with stabilization estimated in 2021.

It's important to understand the residential business will not be a material part of our portfolio. For the two new DC projects, it made the most sense for us to control all aspects of the development. This allows us to ensure that the retail component will be properly integrated to maximize the ultimate value and success of the project. We've planned to sell the non-retail components after stabilization.

In the case of River Oaks tower, this unique asset has been our flagship property for some time. It's the third oldest shopping center in the United States, and we consider it quite special. We strongly believe these projects allow us to create value in outstanding markets that are strategically important to our future growth.

We're clearly sensitive to the risks associated with these projects, and accordingly have adopted a self-imposed limit of $500 million of investments in residential properties. We look forward to discussing these exciting opportunities with each of you at future meetings and conferences. Great progress on new development, a terrific quarter and a terrific year.

Steve, the financials?

Stephen C. Richter

Chief Financial Officer & Executive Vice President, Weingarten Realty Investors

Thanks, Drew, and good morning to everyone. I'm pleased to once again report strong earnings results. Core FFO for the quarter ended December 31, 2016 was $79.4 million or $0.61 per share, an increase of 8.9%.

The increase in core FFO over the prior year was primarily due to increases in net operating income from our existing portfolio, incremental income from our new developments and redevelopments, our highly successful acquisition program, and reduced interest expense from favorable debt refinancings.

These increases were partially offset by the impact of our disposition program and dilution from additional common shares outstanding. For the full year, core FFO was $300.9 million or $2.34 per share for 2016, an increase of 7.3%. A reconciliation of net income to NAREIT FFO and core FFO is included in our press release.

We remain committed to a strong capital structure, which was enhanced by the issuance of $133 million of common shares under our ATM program during 2016 and the completion of our $250 million 3.25% bond deal in the third quarter. At year end, our Net Debt to EBITDA was 5.88 times and our Debt to Total Market Cap was 33.7%, supported by a well-laddered maturity schedule.

And finally, guidance for 2017. We expect that NAREIT FFO will be in the range of $2.36 to $2.42 per share and Core FFO will be in the range of $2.37 to $2.43 per diluted share. This assumes that both acquisitions and dispositions will be in a range of $125 million to $225 million, and that new development and redevelopment investment will be in the range of $135 million to $235 million. Same property NOI is expected to grow in the range of 2.5% to 3.5% in 2017. All of the details of our guidance are included on page 9 of our supplemental.

Johnny?

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Johnny L. Hendrix

Chief Operating Officer & Executive Vice President, Weingarten Realty Investors

Thanks, Steve. Our operating environment remains very similar to the last several years. We see very limited new supply, relatively low fallout, a modest retailer demand and an expanding shadow supply. We've all read headlines of store closings for Macy's, Sears, Kmart and several other mall-oriented retailers. These have not impacted us yet. Most of our tenants, supermarkets and discount clothing operators continue to grow and prosper. Today, our supermarkets average $630 per square foot, driving over 1 million customers through our shopping centers every year. The portfolio is well-positioned to continue to deliver excellent results. We're in densely-populated, high-income trade areas. Houston is a good example. Even with the challenges of low oil prices, our Houston properties continue to show great resiliency.

At quarter end, our same property pool in Houston was 98% leased. For the total Houston portfolio, rent growth for the quarter was over 15%, and was over 23% for all of 2016. Remerchandising of the Sports Authority boxes is going much as we have anticipated. We had six vacant at the end of the fourth quarter. We leased one of those to Stein Mart, and are negotiating leases and letters of intent for the others now. I expect one or two of these spaces will be commenced late in 2017, but most will commence in 2018.

We were quite pleased with the occupancy gain we produced during the fourth quarter. In December, we purchased a vacant 96,000 square foot building that was formerly owned by Target. The building is part of our Fiesta Trail Shopping Center in San Antonio, Texas and is a great redevelopment opportunity. That building is now included in the occupancy calculation. So, adding 96,000 square feet of vacant space while still increasing occupancy to 94.3% is a nice accomplishment.

Also significant is our shop occupancy which rose during the quarter to 90.6%. Regionally, our Atlanta and Raleigh properties continue to excel with occupancy at 97%. During the quarter, we generated good activity in California, leasing a couple of key vacancies that brought our occupancy up to 95%. As we look at occupancy during 2017, we anticipate a modest drop in the first half of the year, building back up to the range of 94% to 95% by year end. We continue to aggressively recapture spaces where we can produce long-term improvement in the tenant quality and NOI growth. Some of these will be seen in our remodel schedule, while others will not.

Let me give you a couple of examples. We anticipate terminating a supermarket in San Jose, California. The current tenant has over 20 years of control. Our regaining possession will increase the rents more than $15 a square foot and increase the overall sales in the shopping center. We will not tear down any walls or add any square footage, so we'll not be in the redevelopment schedule, but it's great upside. We're also close to signing a new lease on a fitness facility for a 53,000 square foot space we recaptured in February in the Pacific Northwest. Here, we anticipate doubling the rent and securing a great new tenant.

Nationally, we continue to see demand for discount clothing retailers like Marshalls, Stein Mart, Nordstrom Rack, Burlington and T.J. Maxx. Other active box tenants include pet supplies, sporting goods, new supermarkets, fitness and home furnishings. On the shop side, we're leasing to casual dining, quick service restaurants and service tenants from categories like health, beauty, medical and financial services.

Rent growth has been very strong. During the fourth quarter, we increased rents for new leases by 22% and renewals were up 11%. For the entire year, we produced a combined rent growth of 13%. We believe 2017 will continue to produce good rent growth.

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Same property NOI continues to highlight the quality of our properties. Even with Sports Authority headwinds, we produced growth of 3.8% for the quarter and 3.3% for 2016. I've always thought base minimum rent was the most significant component of same property NOI. It doesn't have all the noise associated with bad debt or timing of reimbursements.

Our BMR was up 3.4% during 2016, a good indicator of high quality growth. As Steve mentioned, we're anticipating same property NOI growth for 2017 in the 2.5% to 3.5% range. Much like occupancy, we expect more moderate growth in the first half of the year as we feel the impact of several terminations we discussed, then increasing as new tenants open throughout 2017. This is some short-term paying for long-term gain. The Company's redevelopment program continues to provide great value. We completed seven redevelopments in 2016, and currently have nine active projects.

The total investment for these 16 assets is $94 million, generating an 11% return. We anticipate increasing the active projects by 10 to 12 centers in 2017. The most significant new add during the year will be our Winter Park shopping center in Orlando. We're in the process now of terminating four tenants, about 50,000 square feet. We should have the building cleared out by the middle of 2017, and we'll start construction sometime after that. This will be an exciting redevelopment, repositioning the center for a fresh supermarket component in the most attractive neighborhood in Orlando. We will continue our aggressive approach of improving our assets for the long-term benefit of our shareholders.

2016 was a very productive year acquiring new properties. During the year, we invested $515 million in high quality assets that we believe will produce over 3.5% compound annual NOI growth. Our success during the year was really highlighted by three acquisitions. We invested $51 million at 2200 Westlake anchored by Whole Foods. This asset is in a mixed-use development in the heart of the tech boom in the Westlake Union section of Seattle.

Also, we purchased two great assets in South Florida that we believe are already ripe to remerchandise and redevelop. Deerfield Plaza is anchored by very successful 30-year old Publix store. We invested $92 million here; and over time, we believe we will add more density to the project and remerchandise the in-line tenants.

Finally, we purchased the Palms at Town & Country for $285 million. It's a 664,000 square foot shopping center with significant long-term redevelopment opportunities in a trade area with very strong barriers to entry. The project is anchored by Publix, Marshalls, Nordstrom Rack, Dick's, Total Wine, CVS, Forever 21, and Kohl's. We're excited. These opportunities will provide excellent value for our shareholders.

As interest rates have been edging higher, we've been cautious pursuing additional acquisitions. During the last 90 days, we've definitely seen a growing gap between pricing of high quality core assets and lesser quality properties. So far, there hasn't been evidence of higher cap rates for better assets. These are still trading for cap rates in a range of 4.25% to 5.25% in coastal markets and 4.5% to 6% in non-coastal markets. Cap rates for B-quality assets seem to have moved to a range of 7% to 8%. We will continue to remain cautious, looking for high quality assets where we can generate above average NOI growth.

So, overall, 2016 was a very productive year, and all our Weingarten Associates are excited about meeting the challenges ahead in 2017.

Drew?

Andrew M. Alexander

President & Chief Executive Officer, Weingarten Realty Investors

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Thanks, Johnny. Another great quarter, another great year. Outstanding capital recycling with great acquisitions and strategic dispositions. Looking forward, we believe that high quality acquisitions will remain highly competitive, and we'll be very selective in what we buy and what we sell. I'm very excited about our new development and redevelopment opportunities, and confident our transformed portfolio will continue to post robust results in spite of some of the headwinds we're encountering. We remain very bullish on our ability to create value for our shareholders. Great people, great properties, and a great platform equals great results.

I thank all of you for joining the call today, and for your continued interest in Weingarten.

Brandon, we'd be happy to take questions.

QUESTION AND ANSWER SECTION

Operator: Thanks, Drew. And we'll now begin the question-and-answer session. [Operator Instructions] And from Citi, Christy McElroy. Please go ahead.

Christy McElroy
Analyst, Citigroup Global Markets, Inc.

Q

Hi. Good morning, everyone. Just regarding the two new DC mixed-use development, given that they're larger, just wondering if you could break out the expected returns by project, both before and after the assumed sales of the non-retail component. I'm assuming that the returns that averaged into the 6% on page 12 of the supplemental are based on the economics before the sale of the resi and office components. Just wondering if you could break that out before and after. And then also if you – did you say the expected return on the River Oaks residential tower?

Andrew M. Alexander
President & Chief Executive Officer, Weingarten Realty Investors

A

Good morning, Christy. It's Drew. The expected return on River Oaks is around 6%. It's a little challenging to look at a property of this vintage in terms of the land, but given the amount of new capital that's in that 6% range. As to the two DC projects, it's sort of similar numbers that when we are done and we sell off the multi-family, which we'd anticipate being below a 5% cap rate, that creates a lot of property and increases our returns pretty nicely on the remainder, getting it up to the comfortably into the 6s, and if things go well maybe as much as 7.

Christy McElroy
Analyst, Citigroup Global Markets, Inc.

Q

Okay. Great. And then, how are you thinking about funding development and redevelopment fund over the next couple of years given the addition of the two large DC projects, the River Oaks resi tower and then I think you talked about another 10 to 12 redevelopment projects to be added to the pipeline this year? Just wondering if there is a need to raise equity to maintain the current leverage level.

Andrew M. Alexander
President & Chief Executive Officer, Weingarten Realty Investors

A

I don't think there is a major need since we're looking at a lot of multi-years and, as was mentioned, we're going to be pretty selective on adding anything huge to the new development pipeline. Likewise, we're not seeing a lot that meets our criteria, acquisition wise, but hope to do some, as well as disposition wise. So, we've got very limited

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maturities, and I think plenty of time to figure it out and really, as I said in my prepared remarks, we're going to remain disciplined, so we are very pleased to announce these three projects, but these three projects are not like any sort of run rate kind of thing. We have completed a lot of the things that we're working on, and the pipeline is not real extensive at this point in terms of things that meet our criteria. So, the good news part of that is, I think, the funding part for Mr. Richter's is pretty simple.

Christy McElroy
Analyst, Citigroup Global Markets, Inc.

Q

Okay. Thank you so much.

Operator: From UBS, we have Jeremy Metz. Please go ahead.

Jeremy Metz
Analyst, UBS

Q

Hey, guys. Good morning. In terms of the acquisitions and dispositions, the yield spread was about 200 basis points in 2016. I'm just wondering how we should think about the activity that you potentially could do in 2017. Will you be selling slightly better quality at this stage and therefore we should think about that spread narrowing? Or just how we should think about that relative spread given some of your comments about B cap rates widening out here in the last, call it, 90 days?

Andrew M. Alexander
President & Chief Executive Officer, Weingarten Realty Investors

A

Good morning, Jeremy. It's Drew. I would say basically, as best we can forecast, those two things probably cancel each other out. It will be about the same. I think we are not selling as much of the weaker quality but, as we said and you observed, the weaker quality stuff cap rates have moved up. So, I think it's a – on a longer-term basis, it's a pretty good estimate. As I said before, in any given quarter, the mix of what we sell can vary dramatically. We've also got some unimproved land working, which if you add that into the mix, it helps the corporate dilution numbers, even though we appreciate it's not indicative of a cap rate. So, it's probably a pretty good estimate, but it stays about the same.

Jeremy Metz
Analyst, UBS

Q

Okay. Appreciate that. And then, John, in your opening remarks you talked about some expanding shadow supply. Meanwhile, some of the mall operators have talked about increasing and are looking to take traditional shopping center tenants such as grocers and discounters. So, just wondering how are you thinking about this potential risk demand going forward as we – as you guys weigh taking on additional development, especially some of the larger scale projects as we move later into the cycle here.

Johnny L. Hendrix
Chief Operating Officer & Executive Vice President, Weingarten Realty Investors

A

Yeah. Good morning, Jeremy. It's something that is weighing on our mind. It's kind of like a dark cloud that seems to be staying away from us. We're not really impacted by much of it today. I do think, over time, we will be. And I think real estate is very local, and we'll have to look at the opportunities that the mall developers [indiscernible] (24:40) has to compete with us.

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Over time, I think our assets have a lot of what our customers want and that is convenience, a little bit lower pricing. But we certainly are anticipating it will impact us in the future, I just don't have a way to gauge that for you or give you any specific valuations.

Jeremy Metz
Analyst, UBS
Q

Okay. Appreciate the color. Thanks.

Operator: From Bank of America, we have Craig Schmidt on line. Please go ahead.

Craig Richard Schmidt
Analyst, Bank of America Merrill Lynch
Q

Yeah. Thank you. I'm just wondering, given the competition for land, are we going to see more mixed-use projects in your ground-up development arena, particularly on either coast?

Andrew M. Alexander
President & Chief Executive Officer, Weingarten Realty Investors
A

Good morning, Craig. It's Drew. I think the short answer to that is yes, tempered by the fact, as I said in my prepared remarks, that we discussed and we initiated with our board a limit on how much residential we want to be actively involved in our balance sheet, and with the three projects that we talked about earlier, many of which we talked about at other conferences, and River Oaks, pretty widely known here in the Houston real estate circles.

Those three projects basically fill up that limit, so future mixed-use projects that we get involved in would have to be structured different, more like we're working on at Walter Reed where we're just doing the retail or like we structured in Seattle where we own the condo interest.

But, the interest from tenants today in new construction that you can afford is in densely populated urban areas, which requires a mixed-use component and requires structured parking because you can't afford the land. Even in a place like Houston, land costs, we're downtown Galleria area, $75, $100 a square foot, you can't build a great level of shopping center on that. So, as I said before, we really don't see adding tremendously to our new development pipeline in the three projects that we've announced here in the last couple of months, so the results is years of work just have to come together at the same time.

We will be open to new opportunities, but we don't see anything like this kind of level, but what we do see will be more mixed-use. This also bodes well for the existing portfolio because the rents that are necessary for successful completion of a mixed-used project are quite high, relative to our in-place rent. So, I think things are generally very good, but I do want to be as clear as I can that these are great projects, there is plenty of information on our website, years of work, but we don't see announcing projects like these as a routine event.

Craig Richard Schmidt
Analyst, Bank of America Merrill Lynch
Q

And just, on the lower level of acquisitions in 2017 relative to 2016, is there anything other than the changing transaction market that's guiding you to a lower level?

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Andrew M. Alexander
President & Chief Executive Officer, Weingarten Realty Investors

A

So, I'll maybe take a shot at this and then Johnny can amplify. It's a combination of things, Craig. As Johnny said in his prepared remarks, we have not seen any movement in cap rates for major quality properties. So, looking at the possible interest rate moves out there, inflation signs, et cetera, while we would still look at good things, we're being very sensitive to tenant quality, rents relative to market, and the opportunity to increase rents, either through redevelopment or just being below the market. So, it makes it tighter and tighter.

We feel 2016 was a fabulous year. We're still in little bit of disbelief that we did so well, even though we did it a long time ago. So, I think those are the things that factor into the fact that we are not expecting a huge amount in 2017 because we're going to be very disciplined.

Johnny L. Hendrix
Chief Operating Officer & Executive Vice President, Weingarten Realty Investors

A

Hey, Craig, this is Johnny. Like Drew said, we would love to repeat 2016. The truth of the matter is, when we're looking over the landscape of available assets today, we just don't see a whole lot that we're real excited about where we can apply our platform and grow the NOI at a 3.5%, 4% rate. We love to invest some more money, but we just haven't seen that product coming out into the market so far this year. So, I guess it will be a wait and see.

Craig Richard Schmidt
Analyst, Bank of America Merrill Lynch

Q

Okay. Thank you.

Operator: [Operator Instructions] And from Jefferies, we have George Hoglund. Please go ahead.

George Andrew Hoglund
Analyst, Jefferies LLC

Q

Yeah. Thanks. Most of my questions have been answered, but just in terms of you know the retailer outlook and potentially watch list, any other tenants you're kind of worried about?

Andrew M. Alexander
President & Chief Executive Officer, Weingarten Realty Investors

A

Hi. Good morning, George. It's pretty much the same list of tenants that we've been looking at for the last several years. We certainly are concerned about electronics. The recent news for our friends at Payless has been pretty negative. We have 25 stores with them, about half of those are joint ventures. So, it's about $1.5 million in annualized BMR, not super concerned that that's going to be a huge mover for us, certainly not in 2017. But, again, the office guys, I don't anticipate any sort of bankruptcy there, but I do think there is pressure from their perspective to reduce store count, and that will be part of the shadow supply that we're looking at, and then I think we'll be looking at some pressure to shrink those stores. But it's pretty much the same list that we've been looking at for the last 24 months.

George Andrew Hoglund
Analyst, Jefferies LLC

Q

Okay. Thanks.

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Operator: From Boenning, we have Floris van Dijkum. Please go ahead.

Floris van Dijkum
Analyst, Boenning & Scattergood, Inc.

Q

Great. Thank you. Drew, I wanted to get your view on JVs. I noticed that you sold a couple of your JVs. How do you think the Company is positioned towards JVs, and how do you see that developing over the next couple of years?

Andrew M. Alexander
President & Chief Executive Officer, Weingarten Realty Investors

A

Good morning, Floris. So, every JV is different. In the history of the Company, we've done many, many, going back to the 1950s, with all sorts of different entities, public universities, pension funds, wealthy individuals, et cetera. Great reputation with lots of our partners. So, the particular assets that were sold was just one of those ventures that had reached the time where they wanted to harvest things. So, we sold some of those. Those are principally older, smaller assets, a lot of them going back to before our IPO.

As you may recall, one of our big acquisitions last year was the 2200 Westlake property in Seattle that Johnny spoke about, which is an incredible property with great Whole Foods, right by Amazon's world headquarter. And we did that with one of our pension fund contacts. And we have a great relationship with big Dutch pension fund that we own some other centers with. And in the right circumstances, we'd certainly do more.

So, the industry's feelings about joint ventures have sort of ebbed and flowed over the years. Our position has always been pretty consistent that if we can get paid fairly for our platform, it's something that we're certainly open to. But we believe that the quality that we bring to a center doesn't come cheaply and it has to make sense for both parties. So, I don't think there'll be a huge expansion in joint ventures in the near-term, but it is certainly something that we would look at. I hear from capital sources that there's a lot of folks, lot of big money, again, the sovereign wealth in foreign pension funds, that would love to get substantial assets invested in our business, but in the typical shopping center size that we have, it's harder for them. So, it could be something down the road, but longer term, yes; short-term, maybe not as much.

Floris van Dijkum
Analyst, Boenning & Scattergood, Inc.

Q

Great. Thanks. One more question. As you think about sort of the risks to your business for 2017 and 2018, how would you rank them and stacking up e-commerce, sort of tenant bankruptcies, rates, et cetera, the rising rates? What do you think are – what are the things that keep you wake at night?

Andrew M. Alexander
President & Chief Executive Officer, Weingarten Realty Investors

A

Floris, I think one of the strengths of this company is that we worry about everything. We are thought of as very good operators, in a lot of cases, even by the people who don't think well of us. So, we pay attention to everything you spoke about, tenant quality, who – operational quality, physical facility. Steve and his team did a great job on the balance sheet and the maturities. The diversity of our tenant base is good. So, we really feel very good about things and sleep very well at night. I used to say what keeps me up is my teenage kids, but they're grown now, but I still worry about them. So, again, it's a very diversified portfolio with a lot of necessity based, lot of service tenants that are very protected from any e-commerce threat, so we feel really very good about it, but we monitor everything.

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Floris van Dijkum
Analyst, Boenning & Scattergood, Inc.

Q

Great. Thanks, Drew.

Andrew M. Alexander
President & Chief Executive Officer, Weingarten Realty Investors

A

Thank you.

Operator: From JP Morgan, we have Michael Mueller. Please go ahead.

Michael W. Mueller
Analyst, JPMorgan Securities LLC

Q

Yeah. Hi. I got on the call a little late. I apologize if I missed this, but for the two Virginia developments, when do you anticipate selling the residential components? Is it after it's completed or substantially leased or once you start getting some traction going? How do we think about that?

Andrew M. Alexander
President & Chief Executive Officer, Weingarten Realty Investors

A

Yes, Michael. It will be after they have stabilized, and we further are comfortable that we have the operational issues basically figured out. As you can possibly imagine, in this part of Northern Virginia, as we talked about, it took seven years for the entitlements. The cities are very involved, and a lot of what the cities are trying to do is bolster the mass transit, so they actually restrict the amount of parking that we can do, trying to keep it lower.

So, we are also working with our experience and expertise and our friends at Kroger Harris Teeter to make sure that they can do all the receiving of the merchandise that they need so they can have high volume stores. Obviously, the [ph] click pick (36:42) is important for them too. So, we have to deal with the drive lane so people can come through and pick up everything.

So, long story short, both of the projects are expected to be done in around 2020. And it might be a little bit after that that we put them on the market for sale because we want to make sure we have all those nitty-gritty details of receiving and trash pick-up and [ph] click pick-up (37:08) worked out because we think those are integral and important to the long-term viability and success of the project.

Michael W. Mueller
Analyst, JPMorgan Securities LLC

Q

Got it. Okay. That's all I have. Thank you.

Operator: And we have no further questions at the moment. I will turn it back to Drew for closing remarks.

Andrew M. Alexander
President & Chief Executive Officer, Weingarten Realty Investors

Well, Brandon, thank you, and thanks to everybody on the call. Good quarter, great year. Confident we'll do well in 2017. We've got a couple of conferences coming up that we'll be represented and look forward to seeing many of you. And we'll be around today if there is further questions. Thanks so much for your interest in Weingarten. Appreciate it very much.

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Operator: Thank you. Ladies and gentlemen, this concludes today's conference. Thank you for joining. You may now disconnect.

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