Nick Yulico: Hi everyone. Great. I'm Nick Yulico, I head up the UBS research team, and we are getting ready to start our session here with Weingarten Realty, which is one of the larger grocery-anchored shopping center REITs. At the end is Steve Richter, CFO, Drew Alexander, CEO, in the middle, and Michelle Wiggs, Investor Relations. So I think we'll start off with you guys giving a bit of an overview of the company and then we'll do some Q&A at the end.

Drew: Sounds good, thank you Nick.

Good afternoon everybody. Thank you for joining us.

As we mentioned, a little background on Weingarten Realty. So we became a WRI in 1985, about a $7 billion enterprise value. As mentioned we are principally supermarket-anchored centers and a lot of our other tenants are real value-oriented people. People like TJ Maxx and Ross.

About 75% of our rents come from centers that have a supermarket component to them. One of the things if you've known Weingarten for a long time or are rather new to it that I think you need to understand is the power of a big transformational effort that we started about five years ago.

We've sold over a billion and a half dollars of assets in that period, bought about five hundred million so obviously improved the balance sheet a lot, and focused on stronger demographics, stronger supermarket sales, and a really barrier to entry high quality portfolio.

Looking back a little bit into recent history, 2016 was a fabulous year for the company, increased FFO by 9%, bought about $550 million of assets, and disposed about $220 million of assets, been very active in our development and redevelopment efforts of late, have several exciting projects underway, including a great mixed-use project anchored by Harris Teeter in the Alexandria area, and then a second project also near Washington, DC, called Columbia, a very similar project also anchored by Harris Teeter. Both of them again in the Alexandria submarket of Virginia.

Also announced a very exciting addition to our River Oaks Center in Houston, Texas, where we're headquartered, which is probably the third oldest shopping center in the United States. We're adding a 30-story residential tower to that project, about a $150 million investment.

So looking at first quarter numbers, which we announced a couple of months ago, FFO was 61 cents, occupancy stood at 93.7%, which was better than we expected, better than our plan. Obviously we did have some tenant fallout but the bigger reason why our occupancy went down is some redevelopment work, some opportunistic buying we did, including buying a vacant 90,000 square foot building at one of our great centers in San Antonio.

Rent growth was quite good at 9.5%, same property NOI growth was fabulous at a 3.7% increase, and rent, which is the biggest I think most significant component of that was up 3.3%. So our guidance for core FFO is 237 to 243, our acquisition guidance is from 125 to 225 million, our disposition guidance about the same, 125 to 225.

I would say that we've talked about in several formats and I would reiterate today, it's pretty likely we'll do more in dispositions this year than we do in acquisitions. We really hadn't bought hardly anything this year, looked at a lot of things, but we find the pricing of good quality centers that we have an interest in to be very competitive and we find it's still possible to sell some of the properties that we want to sell, so it's my estimate that we end up selling more this year than we planned.

So as to current conditions, which I'm sure we'll talk more about in Q&A, let me just say that things are okay, no where near as bad as the media would have us believe. Just attended for the 40th consecutive year in a row in the spring, ICSC Convention in Las Vegas and the mood there particularly amongst our more value-oriented retailer was pretty good. People like TJ Maxx and Ross are still very interested in expanding.

If you look across various lists published by various firms about weak tenants, we have a little bit of exposure but certainly not very much. Again, most of our tenants, doing quite well.

I was the chairman of ICSC about 20 years ago and back then there was a lot of talk about how we're over retail, the death of the mall, et cetera. Again, there are some issues to work through, webs been around a long time, it wasn't created last fall, retail is always very competitive. Weingarten has a very diversified portfolio of strong centers with good names and I'm very confident we'll weather this storm and be fine at the end of the day, so with that, happy to answer any questions, you, Nick, or the audience have on any subject, I've got a microphone here and two very good colleagues, Steve and Michelle know all the numbers that I don't.

Nick Yulico: Sure, I could kick it off with a couple of questions.

Maybe we could start first with the health of the grocery store business. I mean, it's a significant piece of your centers are grocery anchored. There has been some issues with food deflation effecting grocery stores, discount concepts like Lidl starting to enter the market, some worries that Amazon is going to somehow impact the grocery store business. Maybe you could talk a little about thoughts about the health of grocers in your centers right now.

Drew: So there's 23 minutes and 43 seconds left, I'll try not to take it all.

A lot of things in there. It's interesting that Lidl, a humongous German company, sort of historically distantly related to Aldi, obviously didn't get the message about it's the end of retail and whatnot and they're committing a huge amount of capital to the United States.

They're offering a very basic concept, not really as elaborate as even the Walmart neighborhood centers, pretty similar to the Aldi. I think they'll take a part, but it's a pretty basic offering.

One of the things we looked at when we did the transformation several years ago was the different supermarkets and part of our thought process was selling some of the independent chains, and that's a big portion of why our supermarket tenants do so well at $630 a square foot, which is excellent volume in the supermarket business.

We think the supermarket industry is quite strong. You touched on the deflation point, which is a huge point that I think people need to keep in mind that if one can produce modest same-store sales in the supermarket world, modest increases or even hold ones own in a deflationary environment, that's actually quite good.

I think it remains a question of in how many markets if any can supermarket items be delivered for free that last mile to somebody's house. The supermarket margins range from low of about 14% at Costco to the low 30% for some of the more specialty chains. I think it costs every bit of $20-$25 to delivery groceries so unless it's a pretty big basket, it's hard to give that away for free.

We still think that supermarket is a great vehicle. You can definitely see Amazon opening up fulfillment centers. I think they're going to want to put them and do all the same kinds of things that we do in a shopping center. They're going to want to be in populated areas, good traffic streets, easy in-and-out, probably have some other shopping, and I think that's why you see the rumors that they may just buy a retail chain, which could happen. It would make some semblance of sense.

Nick Yulico: You talked about some of the strength from off-price retailers, TJ Maxx, et cetera. What are some other categories where you're seeing strength in tenant demand right now. You mentioned that ICSC was recently so were there any new types of concepts looking to expand into your types of centers.

Drew: There's not a huge amount new. TJ Maxx is opening up their HomeSense, they're testing it as I think they should in a small way, in the greater Boston or in the greater New England area, where they can watch it and incubate it.

We've worked our way through the vast majority of the Sports Authority boxes that we got back, we had seven and we're almost done with that. We're seeing demand from the specialty grocers, the off-price folks, home improvement is doing a lot better, fitness, medical, again there's very little new space being built. There's also some amount of construction price inflation that makes the existing space more valuable.

So things are pretty good supply and demand. As mentioned we are about 94% occupied that's bifurcated between our shops and our anchor space at roughly 90 and 8. In our shop leasing there is a slide, those of you grab a deck otherwise it's on the investor relations tab of the website.

It's a pie chart that talks about the kinds of tenants we do business with, it's slide 12 for those of you who have it or access to it, and it's a very simplistic snapshot just based upon a number of deals, but I think it does give some nice insight and you see that a lot of the apparel that we do there, which isn't very much, is more specialty large-size stores, a lot of service businesses, some of them standbys of H&R Blocks and insurance office, cell phone stores, a lot of different health, beauty, hair cutting, joint chiropractic, a lot of restaurants, a lot of quick service, or fast casual, than most of what we do in the more full service restaurant is very value oriented, very family-friendly Chinese buffets, pizza restaurants, very few white table cloth fancy restaurants in the portfolio.

Demand remains pretty good. We've weathered a lot of different things over the years. We were in Texas in the middle and late 80s when the bottom fell out of the oil market, RTC crisis in the 90s, various things in the early part of the 2000s, and then obviously the financial lockup in 2008/09. I'm very comfortable with the quality of the portfolio and the recession resilient nature of goods and service basic stuff, nature of the portfolio to weather this.

Nick Yulico: As you think about the reported bankruptcies and store closures this year, did they surprise you, were they bigger than expected, and maybe you can also talk about latest plans to address some of the vacancies you still have to deal with.

Drew: I have taught a class, just one class a day, for a bunch of years on the history of retail or the current state of retail, but getting into the history. If you think back over time that Woolworth building over there, there used to be a store called Woolworth, so you know retail has always been and will always be an extremely competitive business.

To answer your question, no. The tenants who are struggling are pretty well known and pretty established and one of the strengths of our company that is very much part of our strategic DNA is it's a very diversified portfolio. That our top 10 tenants, about 16% - 17%, so when we get down to the 10th tenant, we're around 1%, and it's generally speaking very good names that we're very comfortable with so yeah, we have some exposure, we have some Payless's, we have a few rue21's, we've got some things to work through, but it's very manageable and again very little new space being built.

Nick Yulico: Any questions in the room?

So turning to your Houston portfolio, you have sold some of the use and exposure in recent years, you're now more focused on the Super Zip areas of Houston. How has this insulated the company from what has been a down turn in the energy markets and how much growth do you think we could still expect to see in Houston versus the rest of your portfolio?

Drew: A couple of things there. I think the main thing to keep in mind is the history and the context. So for those of you who have access to the deck, the Houston information starts on slide 18, and I think presents a very powerful visual that the transformation of the portfolio was a no sacred cow event, that we love Houston, it's a great city for a lot of reasons that I'll get into a little bit here in a second, but as you see there, we sold an enormous number of properties in Houston.

In a lot of cases we sold a substantial interest, 85%, so we kept the management, et cetera, but as a practical matter, we took all the economics out of the deal. So as you mentioned, a very high percentage, call it 75% - 80% of our centers in the Houston area service the Super Zips, about 55% - 60%, I think, Michelle, come from within about 5 miles of the Houston Galleria. So it's a very well insulated portfolio that's got tremendous effective barriers to entrants because the land is too expensive.

Houston is our hometown. It's where the company was started back in the 80s when the bottom totally fell out of the energy market. Houston lost about 250,000 jobs. That's a problem; that's about 10% of the employment base. That left a mark as they say. This crisis we got through things and we still had positive job growth. That's a big difference. It hurts to go from creating 100,000 jobs a year to only creating 1,500 - 1,600 jobs. It was a heck of a lot better than losing 250,000.

Back in the 80s, over 70% of our NOI came from Houston and we still kept our occupancy over 90%, and we're about 16% today. There's also a chart on page 21 that shows the population growth, which if you think about it, over say a 10-year period, Houston was adding 80,000, 90,000, 100,000 jobs, and then went into a couple of years cycle of 15.

So if you take eight years of great and two years of blah and divide by 10, you'll still looking at job growth numbers that would be the envy of almost any city in the country. You're looking at adding a million people, and in that period of time, basically since the 2008/09 downturn, you have very little new space being built, almost all of it in the periphery, so we feel very good about Houston.

That said, when it comes to growth in Houston, I'm not real optimistic because we're so selective, and there are so many people, many of them friends of mine, who love Houston such that the competitive pressures for good quality property, one can look at the AmREIT deal, not that we bid on that or anything, but one could look at that.

We love Houston and would love to buy more there, but it proves very challenging with the screens that we have. That said, there's a couple of centers in Houston that we could sell and do something that would hopefully be pleasing to Wall Street even though our Texas exposure is lower to diversify more and increase that percentage that is within the gallery in Houston.

We'll always look at everything opportunistically, make what we think is the right long-term deal for shareholders, and who knows, there've been some years where we found great opportunities in Houston we could but if I had to guess there's too many people who love it even more than I do and with the debt they can put on have some pretty attractive cost of capital.

Nick Yulico: I think we have a question in the room.

Drew: Good ahead, I'll just repeat it if you want.

Speaker 3: You guys have been around a long time. You've been through all these cycles and so you talked about the current headlines of the bankruptcies and store closures, and whatnot, and the kinds of tenants that are now back filling some of that, but if you take your experience and look out further, like say five years or so, pick a time frame. What do you think we're going to be talking about five years from now in terms of where we were now and where we'll be then in terms of retail?

Drew: So I think it'll be an opportunity for people who can be contrarian that the stock prices and the discounts, NAVs that a lot of companies sell at, I think will make for some opportunities. My opinion is that the winner in all this is the Omnichannel model in that there will continue to be a convergence of so called bricks and clicks and that the internet makes good retail more valuable.

People still like experiential things, they still like to try some things on, there're incredible advantages from a cost perspective to having a retail store. The financial markets have subsidized things that it's really questionable if they can ever make any money. Returns is an excellent example. Free returns are very expensive and also a real missed opportunity because studies show that when something is returned to the store, the consumer, she typically spends about 130% of what she's returning, so that's a huge opportunity.

Between the logistics and cost of that last mile delivery, the internet, the ability, you're looking at this shirt, we can also do that in white, can I mail it to your house? That add-on sale, I think, makes good real estate better, whether that shakes out in five months, or five years, or longer, I don't know, but I do feel very confident having thought about it a lot that convergence Omnichannel's where it's at.

You can see that in terms of Amazon opening up facilities, a bunch of the other pure eCommerce places opening up facilities, Casper Mattress is doing a deal with Target. You can see it in the efforts of Walmart and many, many other retailers, that the click and collect model is very powerful. You go into a Home Depot, many, many stores today. It's more front and center, it's a great offering.

One of the other testaments to Houston is that two full-line Target stores are opening in the greater Houston area this year, which is a pretty high percentage of the new full-line stores they're doing, including out in the fall, their new prototype that'll have a lot of the click, collect, segregated parking, stronger food area. So again, I think the Omnichannel is what wins and I think that will be proven out over time.

Yes sir.

So the question is how important is mixed use?

I think it's something that we'll very much look at and I think as a percentage of our growth, it will be pretty significant. I talked about the two projects in Washington, DC, that we're underway on and the addition at River Oaks and we've talked to the street and still are of the opinion that on our balance sheet, we want to be very sensitive to how much, other than retail capacity, we have.

So we've talked about a $500 million investment limit, which was something that we suggested, that the board agreed with, and we're basically at that level with those three projects. We'll likely sell the residental portion of the two Virginia projects a year or so after those stabilize as to the residential tower at River Oaks. I'm not sure, that's such a special project for us that we might keep that one long term.

We're involved in other mixed-use projects, still working with a big group on the Walter Reed Army Medical Center in the northern part of the District of

Columbia, completing a project in the Seattle area, looking at a big redevelopment in San Jose where we will likely do the retail, and that one will be a little bit more componentized if you follow the jargon, which is to say the site will have all sorts of mixed uses on it, but the apartments will not be above the retail. So, that one lends itself very nicely to, we will sell off the other uses, and it looks like, it's early, we'll have hotels there, possibly senior living, some apartments, maybe some town homes, and then we'll do the retail part.

Involved with a lot of folks. It is something that, it's where the interest is, it's where the demand is, we'll be very judicious about it. I don't think it'll be a huge exposure for the company. I know it won't because I won't let it, but as a percentage of our growth it's where the tenants, and the cities, and where people want to be, so it'll be a big part of our growth with a number of different structures.

Nick Yulico: One of the other questions I think for the sector right now has been capital and the amount of capital that needs to go into portfolios, and whether you're having to offer more tenant improvement dollars when you're doing leasing or even on the redevelopment side, whether some of this redevelopment in the sector is just deferred maintenance capital, or are you really getting a return on it. I think there's some of the questions and skepticism on the sector right now. Maybe if you could just address that issue.

Drew: Sure. I think the strip center space is a little cleaner, and clearer, and easier to understand than some other spaces so roofs generally last about 18 years, they need to be replaced. A tenant's not going to pay me more rent because I fix their leaking roof. They sort of expect it.

There's a certain amount of striping of parking lots and other things that need to take place, but all that is really pretty manageable. So when we talk about redevelopments, we're generally talking about where we're adding square footage, which at often times is an expansion working with the tenants and the cities to build a multi-tenant building with some quick service restaurants, maybe a bank out front, and we can do $30-$50 million of that.

Then you get into a project like River Oaks or the San Jose project that are bigger. I think all of that is very good, very value add, a lot of the smaller redevelopments are very lucrative because conventions and the space, that we're really not counting land because the land is already there and it's already on the books, so the incremental returns are often into the double digits. People ask why don't you do more of that, including my board sometimes. It's a lot of work not just with the cities but also typically with six or eight anchor tenants to work on that.

We have a billion dollars easily of properties that we're working on because again, even at the River Oaks Center, I can see three or four other high rise towers over what I expect to be my lifetime, so that's a lot of money just there. So lots of different redevelopment.

When it comes to tenant improvements, not really significant changes. Our rent growth I thought in the first quarter was quite good, it almost double-digited. We talked about on a call one of the reasons it was lower is we did a deal with a tenant that doesn't take a big TI package, likes cheaper rent, and no tenant improvements.

There's been some inflation. Tenants generally want their stores turn key these days, so there's been some inflation, that's driving it up. We went through some periods of time in the 80s where tenants wanted a huge amount of money, they really wanted you to fund their inventory, their working capital, et cetera. You know we and other quality landlords just don't do that. Good tenants don't want that. I would say tenant improvement dollars are about the same with a modest adjustment for inflation.

Nick Yulico: We have time for one last question in the room if there are any.

Speaker 4: What impact will autonomous vehicles have on your business?

Drew: That will be huge. I think that's many years off for a whole lot of societal technological reasons, but again, I think we've got great sense of place locations that would let us harvest a lot of parking fields and add a lot more buildings in a world where some portion of the traffic is coming by totally autonomous vehicles, but you know, in order for truly autonomous to work, everybody has to be on it, and I think that's many years away. There's a lot of ethical societal questions. As I get older I hope it happens, but I think it's several years off at best.

So I've go another minute. I thank everybody.

Again, I think that Weingarten has been around for a long time, 60-something year old company, public as a real estate investment trust since '85, went to my first NAREIT meeting back in '84, been through a lot of cycles. I've got a very basic goods and services portfolio with a lot of good names that's very diversified in the major metropolitan areas in the Southern and Western United States from basically Seattle, Washington, to Washington, DC. Mostly coastal through California, Arizona, Texas, Florida, Georgia, up to Raleigh in Washington, then also in Las Vegas, which has been a very good market for us, and also Denver, Colorado.

I've got 10 seconds left so thank you all very much. Have a great afternoon.