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EDITED TRANSCRIPT

PECO.OQ - Q2 2025 Phillips Edison & Co Inc Earnings Call

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CORPORATE PARTICIPANTS

Kimberly Green *Phillips Edison & Co Inc - Head of Investor Relations*

Jeffrey Edison *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

Robert Myers *Phillips Edison & Co Inc - President*

John Caulfield *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

CONFERENCE CALL PARTICIPANTS

Caitlin Burrows *Goldman Sachs Group Inc - Analyst*

Samir Khanal *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Haendel St. Juste *Mizuho Securities USA LLC - Analyst*

Ronald Kamdem *Morgan Stanley & Co Ltd - Analyst*

Todd Thomas *KeyBanc Capital Markets Inc - Analyst*

Michael Mueller *JPMorgan Chase & Co - Analyst*

Paulina Rojas Rojas *Green Street - Analyst*

Juan Sanabria *Bank of Montreal - Analyst*

Richard Hightower *Barclays Services Corp - Equity Analyst*

Cooper Clark *Wells Fargo Securities LLC - Equity Analyst*

Ken Billingsley *Compass Point Research and Trading LLC - Analyst*

Floris Van Dijkum *Ladenburg Thalmann & Co Inc - Equity Analyst*

PRESENTATION

Operator

Good day, and welcome to Phillips Edison & Company's second quarter 2025 earnings call. Please note that this call is being recorded. I will now turn the call over to Kimberly Green, Head of Investor Relations. Kimberly, you may begin.

Kimberly Green - *Phillips Edison & Co Inc - Head of Investor Relations*

Thank you, operator. I'm joined on this call by our Chairman and Chief Executive Officer, Jeff Edison; President, Bob Myers; and Chief Financial Officer, John Caulfield. Once we conclude our prepared remarks, we will open the call to Q&A. After today's call, an archived version will be published on our website.

As a reminder, today's discussion may contain forward-looking statements about the company's view of future business and financial performance, including forward earnings guidance and future market conditions. These are based on management's current beliefs and expectations and are subject to various risks and uncertainties as described in our SEC filings, specifically in our most recent Form 10-K and 10-Q.

And our discussion today will reference certain non-GAAP financial measures. Information regarding our use of these measures and reconciliations of these measures to our GAAP results are available in our earnings press release and supplemental information packet, which have been posted on our website.

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Please note that we have also posted a presentation with additional information. Our caution on forward-looking statements also applies to these materials. Now I'd like to turn the call over to Jeff Edison, our Chief Executive Officer. Jeff?

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

Thank you, Kim, and thank you everyone for joining us today. The PECO team is pleased to deliver another quarter of solid growth. Same-center NOI increased 4.2% and Core FFO per share increased 8.5%. Given the continued strength of our business, we are pleased to increase our full-year 2025 earnings guidance for same-center NOI, Core FFO per share, and Nareit FFO per share.

I'd like to thank our PECO associates for their hard work in maintaining our unique competitive advantages and driving value at the property level. We believe PECO's growth record strategy and necessity-based focus have helped to create a resilient portfolio that also delivers steady growth.

We are driving strong rent spreads, increasing occupancy, and generating dependable, high-quality cash flows. This consistency in performance and growth is attributable to several factors. First and foremost, it takes an experienced and locally smart team to bring the best retailers to our centers. Our neighbors create positive community experiences built around our grocers.

Second, it takes decades to build strong grocer and national neighbor relationships that PECO enjoys. These relationships give us an advantage in working together to optimize our properties. These relationships also are critical to our acquisition strategy.

Third, it requires a portfolio focused on right-size neighborhood centers located in suburban trade areas with compelling demographic trends and continued macroeconomic tailwinds. Strong demand from national retailers continues to fill our pipeline of ground-up outparcel development and repositioning activity.

Fourth, it takes a dedicated team to acquire and curate a high-quality growth record portfolio that is expected to deliver 3% to 4% same-center NOI growth year after year. And lastly, it requires a strong balance sheet with great liquidity to invest in the properties and the portfolio.

Our long operating history and track record have built these strengths for PECO that give us both offensive and defensive advantages in the market. Because of these advantages, we believe PECO is able to deliver mid-to-high single-digit Core FFO per share growth annually on a long-term basis. The market continues to focus on tariffs and US economic stability.

As it relates to PECO's grocers and neighbors, we feel very good about our portfolio. As a reminder, 70% of our ABR comes from necessity-based goods and services. This provides predictable, high-quality cash flows and downside protection quarter after quarter. This also limits our exposure to discretionary goods, which are at risk of greater impact from tariffs. We estimate that approximately 85% of our neighbors based on ABR will experience limited impact from tariffs.

Supporting that estimate is the strength of our neighbor retention and leasing spreads in the second quarter, which Bob will speak about in a moment. Our neighbors are watching the consumer closely. They continue to benefit from their location in the neighborhood where our top grocers drive strong foot traffic to our centers. We continue to see leasing demand for our existing spaces along with the healthy development and redevelopment pipeline.

We are seeing strong demand from retailers who want to be located at PECO's grocery-anchored neighborhood shopping centers, especially from small shop retailers in categories like quick-service restaurants, health and beauty, medical retail, and personal services. These are the types of neighbors that perform well because they are part of people's everyday routines. And importantly, the PECO team continues to find smart, creative acquisitions that add long-term value to our portfolio.

Our active acquisitions activity is another differentiator in PECO's strategy. The PECO team is acquiring in the market through all cycles, carefully and deliberately acquiring centers that fit our growth strategy and right-size format, while also delivering long-term growth potential. This has been part of our DNA for over 30 years. We're not just maintaining a high-quality portfolio, we're building one.

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What sets PECO apart is that we know exactly what we're looking for. And we have one of the best operating platforms to act quickly and execute. And that puts PECO in a unique position to grow cash flows in a way that's both disciplined and opportunistic.

During the second quarter, we purchased $133 million of assets at PECO's total share. When you include assets acquired subsequent to quarter end, this brings our year-to-date gross acquisitions at PECO share to $287 million. Despite recent market volatility, we remain confident in our ability to acquire high-quality centers at attractive returns.

We are pleased to affirm our guidance range of $350 to $450 million in gross acquisitions this year. We continue to successfully find attractive acquisition opportunities below replacement costs with strong growth profiles that we believe will exceed our unlevered 9% IRR target. We will acquire more if attractive opportunities materialize, but we are comfortable with our current pace and IRR targets. We will continue to be disciplined buyers as we look forward.

In summary, we're very pleased with our results this quarter and our ability to raise guidance for the remainder of the year. While it is still early to understand the full impact tariffs could have on PECO or our neighbors, we continue to see a resilient consumer, and we believe our portfolio will outperform as retailer demand remains strong.

Our confidence is driven by the stability of our high-quality cash flows and the PECO team's ability to deliver solid growth and create value for our shareholders. Given our demonstrated track record through various cycles, we believe an investment in PECO provides shareholders with a favorable balance of defense and offense.

In summary, we believe the quality of our cash flows reduces our beta. And the strength of our growth increases our alpha. Less beta, more alpha. I will now turn the call over to Bob. Bob?

Robert Myers - *Phillips Edison & Co Inc - President*

Thank you, Jeff, and thank you for joining us. As Jeff said, PECO's grocery-anchored focus and necessity-based neighbor mix creates strong leasing momentum. That momentum is clear in our operating results again this quarter. Our long operating history has given us an informed measure of what drives quality and value at the shopping center level.

We continue to believe SOR provides important measures of quality, spreads, occupancy, advantages of the market, and retention. This is most evident in our continued high occupancy, strong rent spreads, and high retention.

In terms of leasing activity, we continue to capitalize on elevated renewal demand. The PECO team remains focused on maximizing opportunities to improve lease language at renewal and drive rents higher. In the second quarter, we delivered strong comparable renewal rent spreads of 19.1%.

Our inline renewal rent spreads remained high at 20.7% in the quarter. Comparable new leasing rent spreads for the second quarter were 34.6%, and our inline new rent spreads were 28.1% in the quarter. These spreads reflect the continued strength of the leasing and retention environment. We expect new and renewal spreads to continue to be strong throughout the balance of this year and into the foreseeable future.

Leasing deals we executed during the second quarter, both new and renewal, achieved average annual rent bumps of 2.7%, another important contributor to our long-term growth. Portfolio occupancy remained high and ended the quarter at 97.4% leased. Anchor occupancy remained strong at 98.9%, a sequential increase of 50 basis points.

During the quarter, Pico executed leases with Dollar Tree, Planet Fitness, Ace Hardware, and Southeast Pickleball. Inline occupancy ended the quarter at 94.8%, a sequential increase of 20 basis points. Small shop retailers added during the quarter included Coldstone, Firehouse Subs, H&R Block, and Pacific Dental Services, along with several other medtail neighbors and health and beauty retailers. Given our robust leasing pipeline, we expect inline occupancy to remain high throughout the year, which is very positive.

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As it relates to bad debt in the second quarter, we actively monitor the health of our neighbors. Bad debt in the quarter was up from a year ago, but in line on a year-to-date basis and well within our guidance range. We're not concerned about bad debt in the near term, particularly given the strong retailer demand. We continue to have a highly diversified mix with no meaningful rent concentration outside of our grocers.

A key advantage of PECO's suburban locations is that our centers are situated in markets where our top grocers are profitable. PECO's 3-mile trade area demographics include an average population of 68,000 people and an average median household income of 92,000. This is 15% above the US median.

These demographics are in line with the stored demographics of Kroger and Publix, which are PECO's top two neighbors. Our markets also benefit from low unemployment rates, which are below the shopping center peer average. We believe the necessity-based focus of our properties is important when demographics are considered.

When looking at our very limited exposure to distressed retailers, the top 10 neighbors currently on our watch list represent approximately 2% of AVR. This is not by accident. It is a product of many years of being locally smart and intentionally cultivating our portfolio of grocery anchored neighborhood centers located in lively trade areas with compelling demographic trends.

Our neighbor retention remained high at 94% in the second quarter while growing rents at attractive rates. High retention results in better economics with less downtime and dramatically lower tenant improvement costs. Lower capital spend results in better returns. In the second quarter, we spend only $0.49 per square foot on tenant improvements for renewals.

In addition to our strong rental growth and retention trends, we continue to expand our pipeline of ground up out parcel development and repositioning projects. At the end of the second quarter, we had 21 projects under active construction with an average estimated yield between 9% and 12%.

Year-to-date nine projects have been stabilized. This activity delivered over 180,000 square feet of space to our neighbors with incremental NOI of approximately $3.7 million annually.

The overall demand environment, the balance of PECO's defense and offense, the stability of our high-quality cash flows, and the capabilities of the PECO team give us continued confidence in our ability to deliver strong growth in 2025 and in the long term. I will now turn the call over to John. John?

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Thank you, Bob, and good morning and good afternoon, everyone. I'll start by highlighting second-quarter results, then provide an update on the balance sheet, and finally speak to our increased 2025 guidance.

Our second quarter results demonstrate what we built at PECO, a high-performing grocery-anchored and necessity-based portfolio that generates reliable, high-quality cash flows. Second quarter Nareit FFO increased to $86.0 million or $0.62 per diluted share, which reflects year-over-year per share growth of 8.8%.

Second quarter Core FFO increased to $88.2 million or $0.64 per diluted share, which reflects year-over-year per share growth of 8.5%. Our same-center NOI growth in the quarter was 4.2%.

Turning to the balance sheet, we have approximately $972 million of liquidity to support our acquisition plans and no meaningful maturities until 2027. Our net debt to trailing 12-month annualized adjusted EBITDAR was 5.4 times as of June 30, 2025. This was 5.3 times on a last-quarter annualized basis, which is also important to track in quarters with elevated acquisition volume.

Our debt had a weighted-average interest rate of 4.4% and a weighted-average maturity of 5.7 years, when including all extension options. At the end of the second quarter, 95% of PECO's total debt was fixed rate, which is in line with our target of 90%.

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During the quarter, PECO completed a bond offering of $350 million in aggregate principal of 5.25% senior notes due 2032. Proceeds from the offering were used to replenish the liquidity on our revolver, effectively match-funding the $287 million in properties acquired to date at PECO's share.

As Jeff mentioned, the PECO team is not just maintaining a high-quality portfolio, we're building one. We continue to have one of the best balance sheets in the sector, which has us well-positioned for continued external growth.

As Jeff mentioned, we are pleased to raise our 2025 guidance. Key drivers of our increased guidance include a continued strong operating environment, strong year-to-date acquisition activity, and our recent bond offering. We updated our guidance range for 2025 same-center NOI growth to 3.1% to 3.6%. As we continue to enhance our neighbor mix, our actions in 2024 to improve merchandising and capture market-to-market rent growth with new neighbors are still a slight headwind to 2025 growth.

As we have said previously, the PECO team is focused on the long term, and our actions to replace neighbors are intentional. Our updated guidance for 2025 Nareit FFO per share reflects a 6.3% increase over 2024 at the midpoint. And our updated guidance for 2025 Core FFO per share represents a 6.0% increase over 2024 at the midpoint. We also affirmed our 2025 full-year gross acquisition guidance.

We believe our low leverage gives us the financial capacity to meet our growth targets. We also have diverse sources of capital that we can use to grow and match-fund our investment activity. These sources include additional debt issuance, dispositions, and equity issuance. Match-funding our capital sources with our investments is an important component of our investment strategy. Please note that our guidance for the remainder of 2025 does not assume any equity issuance.

We continue to believe this portfolio, and this team are well-positioned to deliver mid- to high single-digit Core FFO per share growth on an annual basis. We also believe that our long-term AFFO growth can be higher as more of our leasing mix is weighted towards renewal activity. We believe our targets for growth in Core FFO and AFFO will allow PECO to outperform the growth of our shopping center peers on a long-term basis. With that, we will open the line for questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Caitlin Burrows, Goldman Sachs.

Caitlin Burrows - *Goldman Sachs Group Inc - Analyst*

Hi, good afternoon, everyone. I guess we hear the transaction market is competitive. But Jeff, like you went through, you did have a strong first half. So what do you think has allowed PECO to win these transactions? And it looks like shadow-anchored centers have been a focus this year? What is driving that?

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

Yeah. Thanks, Caitlin, for the question. Yeah, we had a really good first half. I think it -- it kind of goes back to the fact that we buy properties one at a time, market by market. And if you step back and you look at it, that's how we were able to actually get this volume.

It didn't come in a big chunk of buying feel great about the first quarter and excited about what we can do, hopefully, in the second half. It didn't come in, a big chunk of buying something. It came in like being active in a lot of markets. And we set up our acquisition team to be able to do that over a long period of time. And it, it's hard, but we've been able to put that in place. And I think that's how we've been able to get to those numbers.

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And, as you know, we're very focused on a very disciplined approach to our acquisitions and this is -- I think we feel really good about that. And we're actually really excited about the opportunities because if you look at the anchors that we were able to expand our exposure to like HEB, and Walmart, Target to a small amount. These are really good retailers that we we're sort of spreading out a little bit of our exposure to. So we feel great about the first quarter and excited about what we can do hopefully in the second half.

Caitlin Burrows - *Goldman Sachs Group Inc - Analyst*

Got it. And then also in the prepared remarks you guys mentioned how the kind of turnover of some tenants that you focused on 2024. And 2024 was still a headwind to growth in 2025. I guess as you guys think about tenant retention going forward and the decisions you made in 2024, when do you think those headwinds will be done?

And to what extent will be something that's kind of ongoing that tenant replacement versus kind of done for the moment?

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

Bob, do you want to talk a little bit about leasing activity and how we're sort of looking at that as opportunity and as well as headwind?

Robert Myers - *Phillips Edison & Co Inc - President*

Sure. Yeah. Thanks for the question. I guess I'll start a little bit on what I would call the junior anchor side. So when our occupancy dropped a little bit in the first quarter on the anchor side, there was just noise there from JOANN, Big Lots, Party City and some of those neighbors that we knew wasn't a surprise to us.

We've actually been able to backfill about 70% of those currently. So specifically, to answer your question, we only have probably 15 spaces over 10,000 feet that are vacant in our portfolio. So a lot of the backfilling and recapturing of some of those specific neighbors, as an example, the rent will come online in 2026. And it will probably be the second half of '26 and maybe some will dribble into '27.

The good news is the leasing demand continues to be -- remain very strong for those junior boxes and on the in line. And we continue to just see from the retailers that they're hungry for sites to open in '26, '27 and '28. And again, we just don't see any new supply coming on.

So we're in a very good spot. And you see that retailers are wanting to follow the number one, number two grocer because you can see it in our spreads with 35% new leasing spreads, 19% renewal spreads, and 94% retention is very, very strong.

So we're encouraged by the activity. We don't see anything slowing down. And we feel real good about selectively being locally smart and merchandising around those opportunities.

Caitlin Burrows - *Goldman Sachs Group Inc - Analyst*

Thank you.

Operator

Samir Khanal, Bank of America.

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Samir Khanal - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Thank you. Good afternoon, everyone. I guess, Jeff or John, can you talk about the deceleration in same-store NOI growth that you're expecting in the second half based on the guidance, sort of the puts and takes to get to the sort of the 2.7% on average after having close to 4% in the first half. Thanks.

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

Samir, I thought you were going to focus on how great it is that we had all that great growth in the first half. John, you want to cover the sort of what we're looking at for the second half on same-center growth?

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Certainly. Thanks for the question, definitely one that I was expecting. So first, for this reason, we don't provide quarterly guidance. As we look at our earnings on same-store NOI and FFO, we are projecting more consistent growth for the balance of the year.

Our same-center growth last year was weighted to the fourth quarter. The fourth quarter loan was over 6.5%, which skews the quarter-by-quarter growth numbers. So as we look at our Q3 and Q4 forecast, they're actually consistent and growing, improving sequentially from Q2 this year.

So I think it's more a function of 2024 than any real deceleration as we look at continued growth from where we stand today and that's for same-center NOI for Nareit FFO and for core FFO.

Samir Khanal - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Got it. Okay. No, that's helpful. And then on the -- just a follow-up to Caitlin's question on acquisitions. You've been doing a lot more of the shadow anchored properties over the last two quarters.

I know the market is competitive for the core product right now. So just talk about kind of what you're seeing for core versus maybe shadow and unanchored. And I'm wondering if pricing is sort of getting out of hand? Or just kind of are you getting priced out of some of the core product here.

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

Yes, thanks. So we -- in the -- through the first half of the year, we'll have bought three unanchored centers. That's 14% of the -- of what we bought. Seven shadow anchors, which is 50% of what we bought and four anchored centers with -- that represent 35% of what we bought.

It's really hard to look quarter-by-quarter and have a view of like a change. These were actually stores that we were very excited about getting and we -- so we saw these as great opportunities. I mean if you think about it, like the average sales of the shadow anchored centers, we did is over $1,000 a foot on the grocer. So we've got like the A quality grocer, these are all centers that are -- that the grocer actually owns their store in these stores, the shadows.

And so our small stores get the full benefit. We don't have that sort of flat part of our cash flow, which is the gross anchor. So we saw these as great opportunities for us to get increased growth and really stable, strong properties.

So it's -- I wouldn't say that this is caused by the market other than these are the properties that came on the market and that sort of fit with what we were trying to get, which is that number one or two growth are driving the customer to the center day in, day out because that's what allows us to really grow rents.

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Samir Khanal - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

No, I appreciate that. Thanks, yeah.

Operator

Hendel St. Juste, Mizuho.

Haendel St. Juste - *Mizuho Securities USA LLC - Analyst*

I was hoping you could add a bit more color on the transaction market broadly, the opportunities you're looking at, maybe there's anything under LOI at the moment, but looking at, kind of $280 million of acquisitions completed year-to-date, I guess I'm really curious, what's holding you back from, moving the guide up a bit here. It seems like you're pretty far along, and seems like the remaining delta is pretty achievable here.

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

Thanks for the question. Yeah, we are very excited about having put $290 million on the Board for the first half. And we are prepared to do more than guidance if we find the opportunities. I would say that our macro look at the market right now is that it's actually fairly stable.

There is more product on the market, and there are more buyers. And we are finding certain buyers that are getting very aggressive which is where we've got to keep our discipline and stay out of that competition or the desire to be in that and stay true to what we do.

And I think -- so I think we did that in the first half. If we can find the same amount in the second half, we'll do it. We're a little bit, I think, cautious there in terms of what the second half is going to look like. So that's why we maintained our guidance.

Haendel St. Juste - *Mizuho Securities USA LLC - Analyst*

Got appreciate that. And then one just on variable rate debt, pretty low today, 5%. I think there's some swaps expiring later this year, John. I know it's one of your favorite topics, but I'm curious on the outlook or the plan there and what you feel is a comfortable level of variable rate debt. Thanks.

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

John, you'll take that?

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Haendel. I saw your note, and I've been looking forward to this question. I know you love variable rate. I appreciate the question. So yes, currently, we're 95% fixed.

And so we continue to monitor and look at the markets, but we want to approach, the debt capital markets and the equity capital markets opportunistically. The key thing for us is making sure that we're in a position where we choose to move because we like the market and the opportunity, not because we have to.

That's kind of why we went in June, and we did 5.25% debt and extending our maturity ladder while also continuing our pattern and reputation in that unsecured bond market. So as I look to the swap market, the swaps that are expiring our debt profile. We want to continue to be a repeat issuer in that market. We feel we've been well received.

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Note that we continue to talk to the agencies were BBB flat. But notice that our balance sheet is very comparable to those of our peers that are either positive or even more highly rated than we are. So we continue to talk to them and think there's opportunity, and we want to use that.

So we're going to manage our variable rate exposure through additional maturities in that market. We're going to continue to buy assets and do what we've been doing in the last several years to do that. And we'll just keep extending from there.

So we don't have any plans to further put it more swaps in place unless it matches with things that we do in the term loan market. So we will manage it through issuance. And at the same time, are grateful for the deal we got done. And again, our long-term target is we target about 90% fixed. So we'll -- that's what are going to look at it on a sustained basis.

Haendel St. Juste - *Mizuho Securities USA LLC - Analyst*

Got it. I appreciate the color. And thanks.

Operator

Ronald Kamden with Morgan Stanley.

Ronald Kamdem - *Morgan Stanley & Co Ltd - Analyst*

Just two quick ones. So just one on the -- just remind us on the occupancy side. I'm looking at the anchor at 90% -- almost 99% in line, almost 95%. Just how do you guys think about sort of the structural ceiling there and the sort of the things that you're doing to maybe maximize either rent spreads or rent escalators? Just the interplay between what your peak occupancy you think it is and where you can get more pricing power?

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

Thanks, Ron. So before I turn it over to Bob, we're going to keep saying this, and I know some of you will buy some of you won't, but we truly believe that occupancy is the -- it's our stores making a decision about where they want to be. And if you have the highest occupancy, our view is we have the highest quality assets.

And we have consistently been able to do that because our -- the retailers are telling us with their leases we have the best properties. And so we're really happy about the getting to these occupancy levels, and we're very happy to be partnered with our neighbors to be able to get -- to achieve those goals.

So Bob, do you want to talk a little bit about occupancy and where we might be able to take it?

Robert Myers - *Phillips Edison & Co Inc - President*

Absolutely. Yeah, I appreciate the question. We've done really well in the first half of the year. We moved anchor occupancy up about 50 basis points and in line about 20 basis points. And that certainly comes as a result of the retailer demand.

I think we have another 100 to 150 basis points of in-line occupancy. So I really feel that we can get in the 96% up from the 94.8% I believe it is today. I think anchor occupancy will always be 99.2%, 99.3% we still have some work to do to get that. But I feel good about the leasing demands, the LOIs that we had out for signature.

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I think one real important strategy in our business, though, is that we run a parallel path of not only growing occupancy in our current portfolio, but also on the acquisition side. And I mentioned this over the last year or two, but in 2023, we bought a great portfolio combination of 14 to 16 assets that were around 87% occupied. And today, those are 98%.

In 2024, we acquired $300 million. That was at 93.1% that currently sits at 95% and we're already making good traction on the assets that we've acquired this year. The demand is as strong as we've seen it in years. And I just feel like we're going to continue to move occupancy up. And you see it through the retention.

When you're retaining 94% of your neighbors at spreads of 20% and you're only spending $0.49 of foot and tenant improvements to execute that, that is money well spent. So I feel really good about the current environment, our occupancy. And that's a long-winded answer to your question. But yes, I do feel like we still have room in occupancy.

Ronald Kamdem - *Morgan Stanley & Co Ltd - Analyst*

Super helpful. Look, my second question is on tariffs, right? I mean you guys have put out some data on your -- what you think your tariff risk is. Clearly, you reiterated sort of the credit loss and raise the same store. So nothing in your portfolio.

But I guess, as you're sort of taking a step back and talking to tenants, I'm curious about sort of the categories that are most impacted, and where do you think -- like what's happening on the ground? Who's eating that incremental cost on tariff that we know people are paying? Is it the tenants? Is it the consumer? I'm just curious how that's playing out on your grounds and what you're hearing from your tenants.

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

Thanks. Yeah. We're probably not the best ones to ask about it because the necessity-based side, which is where we are, just -- we don't have a ton of exposure to tariffs. But I will -- like our views have been that for that small part, the 15% that we think will have some impact. Their -- the story they've told us today is that they have been able to pass that on to the supplier, the majority of it.

And if it stays in that low-teens kind of a percentage that they feel pretty comfortable that they will be able to absorb that between a combination of them taking a little bit of a hit on their profits, but the majority coming from the supplier and then moderate impact on the buyer.

So if you -- and so that -- I think that's our view on where that impact is going to happen. How long it's going to take and how -- where we're going to see it. I mean, as Bob pointed out, I mean we're certainly not seeing it on the ground on a leasing basis.

So that part, we still don't see any cracks from that. So we're -- I mean, we as I say, we're very -- we're cautious. Probably more cautious, but still have a little bit optimism there that this is not going to have the kind of impact that we thought it would just three months ago.

Ronald Kamdem - *Morgan Stanley & Co Ltd - Analyst*

Helpful, thanks so much.

Operator

Todd Thomas, KeyBanc Capital Markets.

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Todd Thomas - *KeyBanc Capital Markets Inc - Analyst*

Hi, thanks. Just first question, I wanted to follow up on Samir's question around the same-store growth and growth outlook. Bob, you talked about some of the that you've completed on recent acquisitions and certainly some upside on some of those more recent deals. Just curious, the methodology for your quarterly pool, is that different than the full year pool the way that you calculate that?

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

I'll jump in on this one. It is the same. So we disclosed the quarter and the year on the same basis. So the same-store pool was calculated as all assets acquired before 1/1 of 2025.

Todd Thomas - *KeyBanc Capital Markets Inc - Analyst*

Okay. Before '25 or 2024?

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

1/1/24. That's 1/1/24. So the assets acquired last year and the assets acquired this year are not in the same center pool.

Todd Thomas - *KeyBanc Capital Markets Inc - Analyst*

Right. Okay. That's helpful. And then, John, just sticking with you. So you talked about some of the funding sources for acquisitions going forward?

Obviously, you have a lot of options, equity debt. You've talked about retained earnings and free cash flow. Does the stock price where it is today and the company's cost of equity, does that limit the amount of acquisition volume that you can achieve? And how did this positions factor into the equation today?

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Sure. So thank you for the recap there. Yes, we actually are very happy with the amount of liquidity that we have and the ability that we have to participate in the transaction market. I wouldn't say that the equity issuance is limiting where we are or see the equity price isn't where is limiting us today. I mean, we do believe that the stock is at a discount relative to private market values relative to our peers that are in the same business we are, which is grocery-anchored shopping centers.

And so I think the key thing for us that you've heard us talk about previously is match funding. And so we're being opportunistic and want to find those acquisitions that make the most sense. I do think that -- I mentioned in the prepared remarks that we don't have any equity issuance planned in our guide for 2025 and are very happy that we can execute on our growth plans without needing to go to the equity markets. The pieces that I would say is we are very committed to our mid 5 times on a leverage basis.

So we're going to stay in this area. I do think that we're looking at it if it's a great transaction market and there's competition out there. It also means it's a good disposition market as well. I think you will see us go through and capture some of the gains that we've realized over a year. So we'll look to sell some of that in the back half of the year. But to Jeff's earlier comment, if the acquisitions present themselves, we will look forward to taking our share of that.

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Todd Thomas - *KeyBanc Capital Markets Inc - Analyst*

Okay. What's the pricing? I realize you're underwriting to a 9% levered IRR target on new deals, but what's the -- how should we think about the cap rate spread between what you're buying and what you might look to sell?

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Sure. So we haven't been really -- I talked about this in the first quarter or year-end. We talked about -- we hadn't been selling as much as we wanted to. So some of the things that we're selling to start will be closer to the 7, 7.5 range, I would say, as we look forward on a weighted basis. But still capturing great returns for PECO. And then that's relative to kind of the range of what we've been buying at.

So the difference isn't very great. But then we will -- we are taking opportunities to monetize other assets that are meaningfully lower than that. So I think that probably gives you some guidelines. And all of that would be captured in the guidance numbers we've provided.

Todd Thomas - *KeyBanc Capital Markets Inc - Analyst*

Okay. Helpful. Thank you.

Operator

Mike Mueller, JPMorgan.

Michael Mueller - *JPMorgan Chase & Co - Analyst*

Yeah, hi. I guess is there a max percentage of the portfolio that you'd want to have in shadow anchored or unanchored centers?

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

Mike, thanks for the question. So I think if you look at the unanchored, we've kind of -- 10% is probably the number that we're thinking there. The shadow anchored, we see as very interchangeable with our core anchored stuff. I mean, it's -- I mean, these are the exact same projects, you just own a little different piece of it, and you own the small store space, which gives us more upside.

It's 7% of our portfolio today. So not worth spending a ton of time talking about in terms of impact. But we see it as a really great opportunity to be able to buy some of these centers that have, in our mind, a lot of upside because of the strength of the grocery and the dominance it has in the marketplace.

So we're -- I would say that I'm hopeful that we'll be well above -- and the 7% includes what we bought in the first half of the year. So I'm hopeful that we can get that number higher than that, but it will be driven by sort of what opportunities come in the marketplace.

Michael Mueller - *JPMorgan Chase & Co - Analyst*

And maybe just one quick follow-up to that. If you're looking at, as you mentioned, the -- just part of the center, it's interchangeable. So if you're looking at a traditional shopping center that you would own that's grocery anchored where you own the grocer, what do you think is a cap rate differential for that center that comes with a grocer versus one that's shadow-anchored? How different is it?

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Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

So the -- that's a very complicated question and obviously has -- I mean, we're making a number of generalizations to come up with what that is because they -- each property varies a lot in terms of like risk, what the tenant makeup is, and then occupancy, and the rest.

But I think generally, our look is -- we think we can get about 100 basis points -- 50 to 100 basis points wider unlevered IRR from our shadow anchor than we can from our core grocery. And so I think that's a way of looking at it. From a pricing standpoint, on a cap rate basis, it's more complicated. But let's just say that it would be 50 basis points to 75 basis points difference between a shadow and own.

Operator

Paulina Rojas, Green Street.

Paulina Rojas Rojas - *Green Street - Analyst*

Good morning. Some metrics suggest the consumer that is very pessimistic and a lot of caution, while others point to a more constructive outlook. From your perspective, how are consumers that shop in our center is behaving today? Are you seeing any trend in terms of them trading down, changes in business frequency or other shifts that are worth highlighting?

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

Yeah. Great. Thanks, Paulina. Thanks for the question. Yeah, it's -- there's this dichotomy in the market that's really weird, which is on pulling all the consumer sentiment, all that stuff is negative and yet sales continue to grow.

So the consumer is sort of saying one thing and then doing another. And our views and our -- from the place information and other information, we continue to see really strong foot traffic at our centers. And that is as current as within the last 15 to 20 days. So we're -- what -- there is a sort of sentiment. And our view is look at employment.

And if we actually just did a study on our properties. And I think, our properties were -- had a 30% lower unemployment rate than the nation. And I think employment is what drives consumer behavior more than what they think about what's happening in Washington, DC or what's going to happen to the different things that are changing. The job is a driver there.

And continue to see really strong employment numbers from a historical standpoint. So until we see a major change in that, we think the consumer is going to stay the same. And our retailers are telling us the same thing with their the time they've been with us, their renewal pace, the rents at which they're willing to move to, they're all telling us that they believe the consumer is strong.

Paulina Rojas Rojas - *Green Street - Analyst*

And then a second question, we saw that Kroger simply announced the use of store closures. So first question is, are you aware of any locations within your portfolio that may be impacted? And then on parties. We're also seeing a number of grocers pursuing expansion strategy. So I mean trade, which grocers are you seeing most actively expanding in your markets?

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

So I want to make sure I got your question right. One question was which grocers are expanding in our markets. And the other is what impact Kroger's announcement of closing 60 stores as -- are those -- did I get that right?

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Paulina Rojas Rojas - *Green Street - Analyst*

Yes, exactly right.

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

Bob, you want to talk about the Kroger exposure, and then we can talk a little bit about the grocers that are expanding?

Robert Myers - *Phillips Edison & Co Inc - President*

Yeah. Thanks, Jeff. So in terms of the Kroger announcement in the 60 stores, we had one on the list. So that's our exposure. And it wasn't a surprise.

We've been working with Kroger on that particular location now for about five years. The good news is we expect them to close this month in that site. But we already have another grocer that's going to backfill it. So it's still a good grocer location.

So we just haven't -- that's what we know currently in terms of what Kroger shared with us. We had a meeting at their corporate headquarters last week. And right at this point, it's -- they had all their store closings on hold as they were trying to do the merger with Albertsons over the last three years. So it's not a surprise that the announcement came out. And it wasn't a surprise for us, Paulina to have the one.

The answer to the second question in terms of our markets and grocers that are expanding and they are, they're very selective about it. But it's Sprouts, it's Kroger, it's Publix, it's Whole Foods and Walmart. Those seem to be the grocers that are active in either -- they're all committing money to remodels. And Publix is still very motivated on their teardown rebuild concepts.

Kroger is looking to expand in some new markets. And again, since we're Kroger's number one landlord and Publix's number two landlord, we're working alongside them to see if we can assist in any way.

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

Yeah. The only thing I would add to that, Paulina, is these are not massive changes. These are small -- I mean like in the scheme of things, they're it's a very small amount of space that's happening. And the only two I would add to Bob's list would be HEB and ALDI, both sort of playing a growth strategy.

And I mean, in all honesty, ALDI doesn't have a very big impact in our business, but they probably have the most aggressive expansion plan of any of the grocers. It's just they just don't have that much impact because their sales per store are just not that big.

It's almost like having a dollar store go in versus grocer. But they've been doing well, and we'll continue to follow.

Paulina Rojas Rojas - *Green Street - Analyst*

Thank you so much.

Operator

Juan Sanabria, BMO Capital.

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Juan Sanabria - *Bank of Montreal - Analyst*

Hi, thanks for your time. Just wanted to follow up on the prior line of questioning around same-store NOI. The guidance implies like was mentioned before, a second half slowdown. I noticed expenses year-to-date on the same-store side are running very, very low.

So just curious if the implied decel is in part related to maybe timing on expenses? And if you could just elaborate on kind of what the range of expectations are there for same-store NOI or if there's just the level of conservatism assumed.

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

Great. Thanks, Juan. John, do you want to take that?

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Sure, I will. So thanks for the question. As I mentioned before, I think as we look at same-store NOI. And if I think about it in an absolute dollar rather than a relative from last year, we see growth from Q2 to Q3 to Q4. I would again point out that last year, it was the timing of expensing and the spend and the recoveries associated with that that moved that to the fourth quarter. And so I think we see a bit smoother this year just related to some of our spend in the mix that I had referenced last year.

I would say that from an expense standpoint, there may be some more expenses. But overall, we see NOI growth in the portfolio sequentially from here. And again, it's tough to provide quarterly guidance because of some of these factors. But that's the part I would say is if we just focus on this year forward, we do see growth. And last year at 6.5% in the fourth quarter was more timing related.

Juan Sanabria - *Bank of Montreal - Analyst*

And then just on the dispositions that you mentioned. So what's the kind of the numbers, dollar values we're talking about for dispositions that are assumed in guidance, just to think of as an offset versus the gross acquisition guidance?

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

So we aren't giving guidance on that, but I would say that we're -- we kind of see $50 million to $100 million of disposed for the year as kind of fairway almost a year in, year out that we will continue to have those opportunities, assuming we can get the pricing in the market.

But I think the key there is you just have to be as disciplined on your dispos as you are on your acquisitions. I mean the they're just -- they're the same thing just on the different side and where we can manage our portfolio. And from a growth standpoint and from a risk standpoint, we're going to be more active, I think, than we have been in the last three years, probably less -- a little bit less active than we've been over the last 10. But we will continue to push that.

Operator

Rich Hightower, Barclays.

Richard Hightower - *Barclays Services Corp - Equity Analyst*

Hey, good afternoon guys. Thanks for taking the question. Forgive the ignorance, but back to the Kroger question for a second. Are there any -- in a situation like that, are there any co-tenancy issues that crop up that need to be dealt with? Just how should we think about those situations in general, to the extent that kind of happened periodically? And then I've got one follow-up after that.

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Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

Bob, you want to take that one?

Robert Myers - *Phillips Edison & Co Inc - President*

Yeah, sure. So in this particular example in this site that they're closing, there's no co-tenancies. I think when you get into co-tenancies you're typically in the power space. So you think about Ross, you typically have co-tenancy language with two or three other junior boxes or possibly an anchor. We just don't see that in our portfolio with our grocery-anchored focus.

Our grocers are the anchor. So typically, it's going to be the co-tenants that would want that to make sure that Kroger is going to stay there. And our example, we're absolutely fine. We just don't see it much in our space. That is really more of a different strategy, which I would -- I see a lot in the power space.

Richard Hightower - *Barclays Services Corp - Equity Analyst*

Okay. That's very helpful. And then just quickly on the modeling side. I know guidance does not foresee equity issuance. But is there any incremental debt issuance baked into the guide? Or is that not the case?

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

John, do you want to take that?

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Sure. So from an incremental debt issuance, I would say that we talked about the sources and uses. We don't explicitly have another bond offering planned this year. But as we look ahead in addressing indels variable rate interest, it's a possibility.

I think the key piece that I would highlight from my previous answer is we want to access the market opportunistically and very thoughtfully. So we will look to manage the maturity calendar as well as any debt that we are getting related to acquisitions to match fund the acquisitions and then turn that out. So I think I'll stay with that.

Juan Sanabria - *Bank of Montreal - Analyst*

All right. Great. Thank you.

Operator

Cooper Clark, Wells Fargo.

Cooper Clark - *Wells Fargo Securities LLC - Equity Analyst*

Hi, thanks for taking the question. Just wanted to touch on the updated bad debt guidance held at the midpoint but tightened the range. Just wondering if there's any more visibility into the back half of the year and what outcomes could get you to the high or low end? Anything to call out there?

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Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

I think John gets to get that one. That's fine.

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Thanks for the question, Cooper. So look, I think for us, it's pretty consistent. As we look at the second quarter, it was consistent with the first quarter, 25%. And if you look at it six months to 25, it's pretty consistent with '24. Overall, we're not concerned with the level that we've got and give us the confidence to tighten the range.

When we're looking at the strong leasing demand and the leasing spreads that Bob talked about, we're achieving 35% on new leases and 19% of renewal spreads, and we were still able to deliver 4% same-store NOI growth. So as we look at the remainder of the year, I mean, we have great conversations and relationships with our retailers.

I would say, we think it's probably consistent where we are. We intentionally set the range wider at the beginning of the year and are pleased with the portfolio performance so far that allow us to tighten it up.

So I guess, the other piece is that the nature of our neighborhood grocery-anchored shopping centers is that it's small pieces. So each neighbor is a small component. So we don't -- we're not impacted by -- as greatly impacted as the large anchor bankruptcies. And so I think you're going to see kind of this incremental here and there, but we really feel good about our centers over the long run.

Cooper Clark - *Wells Fargo Securities LLC - Equity Analyst*

Great. And just a quick follow-up. Anything specifically that led you to tighten it on the low end or really just kind of tightening the range more generally?

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

I think for us, it was just tightening the range more generally consistent with what we've been experiencing.

Cooper Clark - *Wells Fargo Securities LLC - Equity Analyst*

Great. Thank you.

Operator

Ken Billingsley, Compass Point Research & Trading.

Ken Billingsley - *Compass Point Research and Trading LLC - Analyst*

I have a question that's a little more granular, it's about option leases. For the second quarter, it was 7.1%. And looking on it on an annual basis, it was 4.8%. Anything that's unique about the second quarter? I know last year, it was a little bit higher than the rest of the quarters. Anything unique about the second quarter that drives that?

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Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

So how can -- help me with that again? What was the -- you said the option leases?

Ken Billingsley - *Compass Point Research and Trading LLC - Analyst*

The rent spread. Page 40 of the supplement. Option leases rent spread was 7.1%, totals 4.8. I'm just curious, is there anything unique about why the second quarter tends to roll that way? It's higher than last year, but seems to be elevated in prior years as well.

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

John, do you want to you want to cover that?

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

So Ken, I wish I had a better answer for you, but it kind of depends on whether or not it's grocers that are rolling or other leases in the case because as grocers roll, those tend to be lower if we have options with other neighbors that can tend to be higher. So unfortunately, doing 40 options in the quarter, it's just unfortunately mix.

Ken Billingsley - *Compass Point Research and Trading LLC - Analyst*

Mix. Okay. And the other question I have, and this is getting back to a question about your cap rate spread between what you're buying and selling. On the -- what was the spread on the acquisition -- the cap rate on the acquisitions for the quarter and maybe for year-to-date?

John Caulfield - *Phillips Edison & Co Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Sure. So I'll take that one. No, go ahead, Jeff.

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

Are you saying -- are you asking the cap rate of what we -- year-to-date, what the cap rate is, is that --

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Ken Billingsley - *Compass Point Research and Trading LLC - Analyst*

What you're acquiring? I know you get a range of 7% to 7.5% is what you're targeting. But -- what is it -- what do you have like specific? And if you said it earlier, I may have missed it.

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

Well, the -- I mean year-to-date, it's 6.3% cap rate is what we bought stuff at. And -- we -- so that's based on the sort of the full market of what we -- market value of what we bought.

Ken Billingsley - *Compass Point Research and Trading LLC - Analyst*

Great, I appreciate it. Thank you for taking my questions.

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Operator

Floris Van Dijkum, Ladenburg Thalman.

Floris Van Dijkum - *Ladenburg Thalmann & Co Inc - Equity Analyst*

Hey, thanks guys for taking my question. Jeff, you mentioned something really interesting. You said that if I recall correctly in answering one of the previous questions, about 10% of your total acquisition volume is likely going to be in these unanchored centers.

Could you maybe elaborate a little bit on the cap rates and the rationale behind buying some of those assets? Are they -- where is their location? What's the strategic rationale, et cetera?

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

Yeah. Well, thank you for the question. I dig in and Bob, you join in with me. The -- this is a new initiative we've been talking about and implementing over -- really over the last 1.5 years. And basically is taking the view that at centers that we own and in markets where we are really locally smart and have a very strong presence in the markets, there are select unanchored centers that we find really intriguing in terms of both initial yield, but also our ability to grow the rents in them.

And because we have boots on the ground in these markets, we actually have a really good insight into them. And so we've started to gradually buy a few of these as we've gone to make sure that we're testing them from a risk perspective, from a return perspective, from our ability to really grow rents at these centers.

And we've had very -- I mean, our results have been very positive. So we continue to see this as an opportunity for us to grow. And it's -- it will probably be in that 10% -- maybe it could get to 15%, but I would say it probably would remain below 10% of our total portfolio.

But I do believe it will add incremental growth to what we do with the risk profile that, again, we feel really good about because these are in really strong markets, strong locations, great traffic. They tend to be closer to -- very close to a grocery that's driving traffic to the area. So they create, we think, really good retail locations that we can buy at yields that will give us a return at least 100 basis points wide of what we can get on the grocery-anchored centers.

So that's why we're excited about it. I don't know, Bob, if you have any things you want to add to there, but we're excited about that opportunity.

Robert Myers - *Phillips Edison & Co Inc - President*

Yeah, The only thing I would add, Jeff, is that we've acquired 11, all right? So it's about 3.5% of our entire portfolio. It's a small part of our business, markets like Minneapolis, Chicago, Houston, Dallas, Atlanta, South Florida, Denver, as an example. It's early indications, early days, but I'm super excited about the opportunity set.

We have a very strict criteria in terms of how we operate, can we get consistent spreads. Can we still get 20% renewal spreads, 30% new leasing spreads? And when I went through all the numbers on the activity so far, our new leasing spreads on our unanchored piece is right around 43%, and our renewal spreads were in the mid-30s with CAGRs above 3%.

So again, as Jeff mentioned, we're going to be very opportunistic about the space. It is a natural complement to what we do well day in and day out. So early indications are very positive. And if we can be selective over the next two or three years and continue to acquire this type of product type, I think we'll do very well. These assets have a CAGR of about 5.5%. So a great complement to growing same-center NOI.

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Floris Van Dijkum - *Ladenburg Thalmann & Co Inc - Equity Analyst*

And maybe just a follow-up, just because I noticed the one asset that you listed unanchored, it's 84% leased. How quickly are you able to ramp up occupancy in those assets as well?

Robert Myers - *Phillips Edison & Co Inc - President*

Yeah. So a great example is the assets that we bought in Denver. And I believe that one trying to see what the occupancy. It was in the low 80s, and we've already leased 13,000 feet. So we're in the upper 90%s on that within two months of acquiring the asset.

So that's not uncommon. As I mentioned, when we acquired in 2023, a portfolio that was 87% occupied. Within a year, we were 98%. So we're already seeing one of the assets in Houston, we've already completed six new leases in a period of a year. So we're seeing, again, retailer demand as long as you're buying with the right criteria in mind, it happens quickly.

Floris Van Dijkum - *Ladenburg Thalmann & Co Inc - Equity Analyst*

Thanks Bob. Maybe my follow-up is related, I guess, on the acquisitions for JVs. You do have a couple of JV partnerships. How do you feed those? And how do you -- is there more demand from your JV partners to acquire more assets in this kind of environment? And have their return expectations changed over the last 12 to 18 months?

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

Yeah. So the -- we have two JVs that we are currently buying into. And what we've done is we basically set a target for each of the funds that is outside of PECO's balance sheet. And we now have bought, I think, I believe it's four properties between the two. And we'll -- I think we'll make even better progress in the second half of this year on those. But the -- I mean, the way we look at it is we own four centers today that we wouldn't own without these JVs.

And we think we're going to be able to make very strong returns on our equity investment as well as the fees in doing that on these properties. So we see it as another growth opportunity.

And in terms of whether we're going to buy more or less, that again, is going to be really driven by the what's in the market and how well it fits with both of these funds. But we do anticipate having one of them fully placed by the end of this year. It's a smaller fund. And the second one will continue for some period of time.

Operator

So this concludes our question-and-answer session. And I will now turn the conference back to Jeff Edison for some closing remarks. Jeff?

Jeffrey Edison - *Phillips Edison & Co Inc - Chairman of the Board, Chief Executive Officer*

Yeah. Great. Thank you, everyone, for being on today. We appreciate it, and thank you, operator, for helping us. In closing, the PECO team continued our solid performance in the second quarter. Given our strong leasing momentum, year-to-date acquisitions activity and recent bond offering, we're pleased to increase our full year 2025 earnings guidance for same-center NOI at NAREIT FFO per share and core FFO per share.

The balance of PECO's defense and offense, the stability of our high-quality cash flows, and the capabilities of the PECO team give us continued confidence in our ability to deliver strong growth in 2025 and over the long term. Because of our unique format and competitive advantages, we

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believe PECO is able to deliver mid- to high single-digit core FFO per share growth annually on a long-term basis. The PECO team remains focused on delivering on this expectation and driving value at the property level.

Given our demonstrated track record through various cycles, we believe an investment in PECO provides shareholders with a favorable balance of quality cash flows, mitigation of downside risk, and strong internal and external growth.

In summary, and I think you've heard this before, we believe the quality of our cash flows reduces our beta and the strength of our growth increases our alpha. Less beta, more alpha. On behalf of the management team, I'd like to thank our shareholders, PECO associates, and our neighbors for their continued support. And thank you all for being on the call today. Have a great weekend.

Operator

This concludes today's conference call. Thank you for your participation, and you may now disconnect.

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