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PECO.OQ - Q4 2023 Phillips Edison & Co Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 09, 2024 / 5:00PM GMT

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PRESENTATION

Operator

Good day, and welcome to Phillips Edison & Company's Fourth Quarter and Full-Year 2023 earnings conference call. Please note that this call is being recorded.

I will now turn the conference over to Kimberly Green, Head of Investor Relations. Kimberly, you may begin.

Kimberly Green - *Phillips Edison & Company, Inc. - IR*

Thank you, operator. I'm joined on this call by our Chairman and Chief Executive Officer, Jeff Edison; our President, Bob Myers; our Chief Financial Officer, John Caulfield; and our Managing Director of Investment Management, Devin Murphy. 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After today's call, an archived version will be published on our website.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. In our discussion today, we'll 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 to our website. 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?

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Thank you, Kim, and thank you, everyone, for joining us today. The PECO team in 2023 continued our track record of delivering strong growth. Same center NOI increased 4.2%, the Nareit FFO increased 6.7% and core FFO increased 5.2%. The continued strong performance of our portfolio is driven by our high occupancy, strong leasing spreads, high retention, and the many advantages of the suburban markets where we operate our neighborhood shopping centers. The operating environment remains strong with a resilient consumer. Retailers want to be located in our centers, where our grocers drive consistent and recurring foot traffic.

PECO continues to benefit from several positive macroeconomic trends that create demand for space and tailwinds for NOI growth. The transaction market also improved for us in the latter part of 2023, allowing us to exceed the midpoint of our original guidance for acquisitions. The capital markets have improved. Interest rates have meaningfully changed from when we provided preliminary 2024 guidance during our Investor Day in early December. These factors allow us to increase our 2024 guidance.

We accomplished a great deal in 2023 and have a lot to be proud of. At the macroeconomic level, the year presented many challenges with high inflation, volatile and rising interest rates, and global conflict. However, the consistency of our growth is a testament to our differentiated and focused strategy of exclusively owning right-sized, gross-rankered neighborhood shopping centers, anchored by the number one or two grocer by sales in a market. Our results at the property level are driven by our integrated operating platform and our experienced and cycle-tested team. We could not have accomplished our 2023 results without the hard work of our PECO associates. I'd like to thank the entire PECO team for all of their efforts.

PECO has always been a growth company and we are well-positioned to continue to grow. The fourth quarter was no exception with $186 million in acquisitions. For the full year 2023, we acquired 11 shopping centers, two outparcels, and one land parcel for net acquisitions totaling $272 million at a weighted average cap rate of 6.6%. We are particularly excited to add two more Trader Joe's anchored centers and another H-E-B anchored center to our portfolio. The transaction market was tight in 2023, as the bid-ask spreads were very wide.

Our team has proven its ability to navigate and successfully execute through these tough markets. This result is due to our scale, our ability to buy in many markets across the country, our reputation as a sophisticated all-cash buyer, and our strong relationships. We're confident in our ability to continue to acquire high-quality centers as the transaction market opens up further.

While it's early, we continue to successfully find attractive acquisition opportunities. Activity in the first quarter remains strong. Our ability to predict acquisition volume for the rest of the year is less clear. As such, we are reaffirming our guidance for $200 million to $300 million of net acquisitions. We have the capabilities and leverage capacity to acquire much more if attractive opportunities materialize.

We continue to target an unlevered IRR of 9% or greater for our acquisitions. The acquisitions that we completed in the second half of 2023 underwrote to over 9.5% on levered IRR. We will maintain our disciplined approach and focus on accretively growing our portfolio.

We are hopeful that volumes will increase through the year. It is times like this in an evolving market that we have historically found some of our best opportunities. With the target market of 5,800 identified centers across the U.S., we have a long runway for external growth.

Looking beyond 2024 and assuming a more stable interest rate environment and acquisition market, we believe our portfolio can deliver mid-to-high-single-digit core FFO per share growth on a long-term basis. This will be driven by both internal and external growth. We are confident in our ability to sustain growth in the near term despite interest expense headwinds.

We anticipate long-term AFFO will be higher than core FFO growth as high occupancy and strong retention should require lower capital expenditures to support growth in the future. Our low leverage gives us the financial capacity to meet our long-term growth objectives. We expect to generate approximately $100 million in free cash flow after dividend distributions in 2024.

This level of free cash flow combined with our low levered balance sheet, allows us to acquire $250 million a year with -- while maintaining our targeted leverage ratio without raising any additional equity. PECO continues to be well-positioned to drive strong earnings growth and achieve our capital deployment goals in the years ahead. We remain committed to successfully executing our growth strategies, both internal and external.

PECO generates more alpha with less beta given our focused and differentiated strategy. As previously announced by Kroger and Albertsons, the estimated closing date for the proposed merger was recently pushed back. We do remain cautiously optimistic about the impact of this merger on PECO. We continue to believe it is ultimately a positive for PECO, for our centers and for the communities that our centers serve.

While the market still gives the merger a low probability of occurring, should it close, and 413 stores are sold to C&S, we believe the impact on PECO is a net positive. Our Albertson stores will be operated by Kroger, which we invest regularly in their stores and produces higher sales volumes. If the merger does not occur, our Albertsons' anchored centers will continue the strong performance that they have produced to date.

With that, I'll now turn the call over to our new President, Bob Myers, to provide more color on the operating environment. Bob?

Bob Myers - *Phillips Edison & Company, Inc. - President*

Thank you, Jeff, good afternoon, everyone, and thank you for joining us. We continue to see strong retailer demand with no current signs of slowing. PECO's leasing team continues to convert this demand into higher rents at our centers. Portfolio occupancy remained strong and ended the year at 97.4% leased. Anchor occupancy remained high at 98.9%. Inline occupancy ended the year at 94.7%, an increase of 90 basis points year-over-year. We believe that we can still push inline occupancy another 100 basis points to 150 basis points given continued strong retailer demand.

Our acquisitions in the fourth quarter were 84% leased at closing and provide significant leasing opportunities. Buying centers with some vacancy will continue to allow us to drive growth. In terms of new lease activity, we continue to have success in driving meaningfully higher rents. Comparable new rent spreads for the fourth quarter were 21.9%.

We continue to capitalize on strong renewal demand and are making the most of the opportunity to strengthen key lease terms at renewal and drive rents higher. In the fourth quarter, we achieved a 14.2% increase in comparable renewal rent spreads. This increase in renewal spreads is consistent with the 14.6% increase we achieved in 2022 and reflects the continued strength of the leasing environment.

Our inline renewal spreads remained high at 17.4% in the fourth quarter, which compares to our trailing 12-month average of 17.7%. We expect leasing spreads will continue to be strong throughout the balance of this year and into the foreseeable future. We continue to have great success retaining our neighbors while growing rents at attractive rates. PECO's retention rate remains strong this quarter at 93%.

An important benefit of high retention rates is that we have much lower TI spend on renewals and in the fourth quarter we spent $1.17 per square foot on tenant improvements for renewals. We also remain successful at driving higher contractual rent increases. Our new and renewal inline leases executed in 2023 had an average annual contractual rent bumps of 2% and 3%, respectively, another important contributor to our long-term growth.

The leasing spreads that we are achieving combined with our strong retention rates create pricing power and are clear evidence of the continued high demand for space in our grocery-anchored neighborhood shopping centers. PECO's pricing power is a reflection of the strength of our focus strategy and the quality of our portfolio. PECO continues to benefit from a number of positive macroeconomic trends that create strong tailwinds and drive strong neighbor demand.

These trends include a resilient consumer, hybrid work, migration to the sunbelt, population shifts that favor suburban neighborhoods, and the importance of physical locations in the last-mile delivery. The impact of these demand factors are further amplified due to the limited new supply over the last tenures, and going forward, given the current economic returns do not justify new construction.

We continue to see the many benefits of our grocery-anchored portfolio with a healthy mix of national, regional, and local retailers. 70% of our rents come from neighbors offering necessity-based goods and services, and our top grocers continue to drive strong reoccurring foot traffic to our centers. PECO's 3-Mile trade area demographics include an average population of 66,000 people and an average median household income of $80,000, which is higher than the U.S. median.

These demographics are in line with store demographics of Kroger and Publix, which are PECO's top two neighbors. Our centers are situated in trade areas where our top grocers are profitable and our neighbors are successful. We also enjoy a well-diversified neighbor base. Our top neighbor list is comprised of the best grocers in the country.

Our largest non-grocer neighbor makes up only 1.3% of our rents and that neighbor is T.J. Maxx. All other non-grocer neighbors are below 1% of ABR. To put a finer point on neighbor mix, PECO has no exposure to luxury retail and very limited exposure to distressed retailers. The top 10 neighbors currently on our watch list represent just 2.3% of ABR. 27% of our ABR is derived from local neighbors.

The majority of local neighbor rents come from retailers offering necessity-based goods and services. If you think about your favorite restaurant in your neighborhood, your physical therapist, chiropractor or dentist, and your preferred hair salon or barber, there is a high likelihood that they are a local retailer.

Our local neighbors are successful businesses run by hardworking entrepreneurs. They have healthy credit and are less susceptible to corporate bankruptcy caused by weaker-performing locations. Local neighbors offer favorable economic returns. A typical local retailer receives less capital at the beginning of their lease, accepts more PECO-friendly lease terms, has high retention rates, and achieves renewal spreads similar to nationals.

PECO retained 85% of local neighbors in the fourth quarter, and for inline local neighbors, renewal rent spreads remained strong at 17% in the fourth quarter. Importantly, local retailers meaningfully differentiate the merchandise mix that our neighborhood centers offer our customers. Our local neighbors are resilient and have been in our shopping centers for 9.4 years on average.

In addition to our strong rental growth trends, we continue to expand our pipeline of ground-up outparcel development and repositioning projects. In 2023, we stabilized 13 projects and delivered over 230,000 square feet of space to our neighbors. These projects add incremental NOI of approximately $3.4 million annually. These projects provide superior risk-adjusted returns and have a meaningful impact on our long-term NOI growth.

We continue to expect to invest $40 million to $50 million annually in ground-up development and repositioning opportunities with a weighted average cash-on-cash yields between 9% and 12%. This activity remains a great use of free cash flow and produces attractive returns with less risk. We continue to make great progress on these properties and our team is working hard on growing this pipeline.

In summary, the PECO team remains optimistic about the current strong operating environment and the continued positive momentum we are experiencing across leasing, redevelopment, and development. In addition, our healthy neighbor mix and grocery-anchored strategy positions PECO well for continued steady growth. The overall demand environment, the strength of our centers, the strength of our grocers, and the capabilities of our team give us confidence in our ability to continue to deliver strong operating results.

I will now turn the call over to John. John?

John Caulfield - *Phillips Edison & Company, Inc. - CFO*

Thank you, Bob, and good morning and good afternoon, everyone. I'll start by addressing the fourth quarter results, then provide an update on the balance sheet, and finally speak to our increased 2024 guidance. Fourth quarter 2023 Nareit FFO increased 6% to $74.8 million or $0.56 per diluted share, driven by an increase in rental income from our strong property operations.

Results were partially impacted by higher year-over-year interest expense of $4.3 million. Fourth quarter core FFO increased 4.9% to $77.9 million or $0.58 per diluted share, driven by increased revenue at our properties, from higher occupancy levels, and strong leasing spreads, partially offset by the aforementioned higher interest expense.

Our same-center NOI growth in the quarter was 3.6%, driven by minimum rent growth of 3.8% year-over-year. Our reserves for uncollectability were slightly elevated in the quarter at 97 basis points. However, they were below the fourth quarter of 2022. We do see an upward trend in reserves in the fourth quarter each year. We monitor the health of our neighbors closely and are not concerned about bad debt in the near term, particularly given the strong retailer demand that shows no signs of slowing.

During the fourth quarter, we acquired six grocery-anchored shopping centers and two outparcels for a total of $186.4 million. We had no dispositions during the quarter. In the fourth quarter, PECO issued 2.2 million shares under our ATM facility, which resulted in net proceeds of $77.5 million at a weighted average gross price of $35.92 per share.

For the full year, PECO generated net proceeds of $147.6 million through the issuance of 4.2 million common shares at a weighted average gross price of $35.76 per share. Assets acquired in 2023 and currently in our pipeline are accretive to earnings per share at these levels. We were intentional in match funding our acquisitions with equity at a time when our access to the equity market was favorable while keeping our leverage low. We will continue to evaluate future equity issuance based on a combination of favorable market conditions, acquisition opportunities, and identifying uses of proceeds that are earnings accretive.

Turning to the balance sheet, we have approximately $615 million of liquidity to support our acquisition plans with no meaningful maturities until late 2025. Our net debt to adjusted EBITDAre was at 5.1 times as of December 31, 2023. Our debt had a weighted average interest rate of 4.2% and a weighted average maturity of 4.1 years when including all extension options.

Subsequent to quarter end, we entered into an interest rate swap agreement totaling $150 million, the new instrument swap SOFR to approximately 3.45% effective September 25, 2024, and matures December 31, 2025. This swap will help us manage our floating rate exposure as we have swaps that expire in September and October of 2024. With the execution of this swap and a decrease in the forward rate curve for SOFR, we are revising our 2024 interest expense estimate lower and our FFO estimates higher.

In January, S&P revised its ratings outlook for PECO to positive from stable. While favorable, we continue to believe we are an underrated credit at BBB- Baa3 and remain focused on achieving a ratings upgrade. We continue to meet with the agencies as we believe our financial strategies are commensurate with at least a BBB flat or Baa2 rating. Although we cannot specify when an upgrade will occur, we continue to target leverage levels to achieve this goal, which we believe to be approximately 5.5 times. We ended the year at 78% fixed rate debt with 22% floating.

Several of our peers accessed the unsecured bond market in January. We continue to monitor this market and look to access it opportunistically. Although we have no meaningful maturities until November 2025, we will consider opportunities to enhance our liquidity and extend our debt maturity profile. Between the significant free cash flow generated by our portfolio and the capacity available on a revolver, we can be strategic in our timing when accessing the debt market.

That leads me to our guidance for 2024 and our ability to increase it from the preliminary guidance shared at our Investment Community Day in early December. Our updated net income per share range for 2024 is $0.53 to $0.58 per share. Our increased range for Nareit FFO per share is $2.34 to $2.41, which is a 6% increase over 2023 at the midpoint of the range. Our increased range for core FFO per share is $2.37 to $2.45, which is a 3% increase over 2023 at the midpoint.

We are reaffirming our range for same-center NOI growth of 3.25% to 4.25% given the continued strong operating environment. Included in our guidance is the negative impact of normalizing our anticipated uncollectible reserves to historical levels of 60 basis points to 80 basis points of revenue. We are reaffirming the range previously provided given the continued strong health of our neighbors. As of February 8, we have several acquisitions in our pipeline, either under contract or in contract negotiation. This activity provides a strong start for the year.

As Jeff mentioned, it is still early so we are reaffirming our acquisition guidance and expect net volume to be in a range of $200 million to $300 million. If the transaction and capital markets improve, we are hopeful and have the capacity to meaningfully increase this number, but we are comfortable with this guidance range in the current environment.

As we outlined at our Investment Community Day, we believe the internal and external growth opportunities for PECO give us a long-term growth outlook in the mid-to-high-single-digits for core FFO per share growth.

We expect a comparable or faster growth rate for AFFO per share because there should be less tenant improvement dollars required as occupancy stabilizes. In the near term, we are impacted by interest rate increases as all borrowers are, which is limiting our earnings growth. However, we are pleased to guide to positive per share growth.

For 2024, we are updating the range of interest rate expense to $95 million to $105 million. Our decreased guidance range is primarily due to PECO having a lower revolver balance at the end of the year, which was driven by our equity issuance in December combined with a lower projection for the SOFR curve. While not eliminated, these revisions do lessen the earnings headwind for interest expense, we estimate that higher interest rates could be a headwind of $0.04 to $0.10 for the year.

If we add it back, the per share impact of interest rate variance to our updated 2024 guidance, this would be 6% Core FFO growth at the midpoint. 2023 presented many challenges with high inflation, volatile and rising interest rates, and global conflict, however, we were able to exceed our 2023 earnings guidance due to the focus and commitment of PECO's experienced team and the strength of our integrated operating platform. We are excited for the growth opportunities ahead in 2024, both internal and through acquisitions.

With that, we will open the line for questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Caitlin Burrows, Goldman Sachs.

Caitlin Burrows - *Goldman Sachs - Analyst*

Hi, I guess, good afternoon, everyone. In the earnings release as it relates to guidance, you guys pretty clearly show the assumptions driving guidance, and like John, you just mentioned, the interest expense was brought down, which I think on a per share basis would be like $0.06, but the midpoint of guidance only increased by $0.01, so I was wondering if you could talk a little bit about what may have made you only increase the midpoint of the core FFO range by $0.01 rather than $0.06. Thanks.

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Thanks, Caitlin. John, do you want to take that?

John Caulfield - *Phillips Edison & Company, Inc. - CFO*

Sure. Thanks, Caitlin. So, yes, if you look at the interest rate expense component of our guidance, at the midpoint it decreased $0.06, but $0.04 of that was because of the equity issuance that we did in the fourth quarter. So the net is actually -- the interest expense benefit to guidance would be $0.02 and we were happy to increase our guidance range by a penny at the midpoint. And so I think you could also look at it and say it's early in the year, but there's opportunity for future growth in our earnings than what's presented.

Caitlin Burrows - *Goldman Sachs - Analyst*

So, are you saying that part of it is related to, like the underlying leverage and share count assumption then too?

John Caulfield - *Phillips Edison & Company, Inc. - CFO*

That's correct. So the interest expense went down because we had a lower revolver balance at the end of the year, because of the equities -- because there's more share count. And so the net between -- interest is lower, but the share count would be higher. So it's about $0.06 and it's about $0.04 as the impact from the additional shares, so that leaves the $0.02.

Caitlin Burrows - *Goldman Sachs - Analyst*

Okay, got it. And then, you guys laid out in the Investor Day how you could achieve 3% to 4% same-store NOI growth even without further occupancy growth. I guess to take the other side of that, with occupancy so high, what do you think is the risk that occupancy declines, I guess, this year or in the future? And I guess, yes, how likely is it, and what would the impact be?

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Caitlin, the -- one thing that I don't think we really mentioned at Investor Day is that -- one of the things that we've been doing on the acquisition side is to look for opportunities where there's less occupancy than what we have in our core portfolio and to lease that space up to give additional growth. And if you look at, from a quarter basis, it gets complicated based upon when we buy what and what kind of occupancy, because we're at such a high level of occupancy across the portfolio. So I do think that if you look at, I mean -- I think it was 84% occupied, the projects that we bought, that's going to consistently be a drag separate from what the same store portfolio occupancy would be. And Bob, I don't know if you have anything to add to that.

Bob Myers - *Phillips Edison & Company, Inc. - President*

Yes, Jeff, the only thing I would add to that is when you look at how we come up with 3% to 4% same-center NOI growth, we said at the Investor Day, we'd have 100 basis points to 125 basis points coming from new and renewal spreads, 75 basis points to 100 basis points in contractual rent bumps, 75 basis points to 125 basis points coming from Redev and our development projects, but we acquired net $272 million, and overall, we -- 14 assets totaled 87% occupied, and in the fourth quarter it was 84%. So that's going to allow us to continue to drive future growth. So we're excited with those projects.

Caitlin Burrows - *Goldman Sachs - Analyst*

Yes, no, that definitely makes sense in being able to lease up the acquisition properties. I guess, as you think about those pieces of the same-store NOI growth, I guess occupancy up or down isn't assumed, so I'm wondering, what's the risk occupancy in the same-store portfolio comes down?

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

I feel right now that we still have another 100 basis points to 150 basis points of occupancy left in our inline spaces. I believe right now we're at 94.7%, so we still feel like there's another 150 basis points in our existing portfolio on the same-center basis of occupancy movement. And we continue to see significant demand for the spaces that we have.

Caitlin Burrows - *Goldman Sachs - Analyst*

Okay, so it sounds like you would think there's more upside potential versus downside?

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

For sure, absolutely

Caitlin Burrows - *Goldman Sachs - Analyst*

Okay. Thank you.

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Thanks, Caitlin.

Operator

Tayo Okusanya, Deutsche Bank.

Tayo Okusanya - *Deutsche Bank - Analyst*

Hello?

Operator

Yes, we can hear you. Please go ahead.

Tayo Okusanya - *Deutsche Bank - Analyst*

Perfect. On the acquisition front and with the acquisition guidance, could you give us a sense if it's going to be more front-weighted, back-weighted even throughout the year, and give us kind of a general sense of what kind of cap rates you're expecting on transactions?

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Sure. Tayo, thanks for the question. As you know, acquisitions are bumpy. Last year was probably a difficult year on the acquisition side as we've had and probably bumpier than any previous year that we had. I would assume it will be bumpy this year too. And I think we've got good belief that we're going to get into our guidance in terms of when we do have decent activity for the first quarter. But I would -- again, it's hard to say exactly when that will happen. To be conservative, I would say it's going be -- there'll be more in the back end, but we've had a couple of good weeks of new acquisition opportunities coming in, so that could be a little less back-ended.

Certainly, we hope it'll be less back-ended than last year. But I -- as we've said, we feel good about our guidance. We're cautious about timing and how that will fall out. And in terms of cap rates, as you know, we're IRR buyers and we continue to underwrite to nine plus unlevered IRR. In the -- last year, that translated into like a 6.6 cap rate. I would assume similar visibility into this year. Again, trying to create additional growth opportunity through some of the properties we buy and our ability to expand them and expand the cash flow from them.

Tayo Okusanya - *Deutsche Bank - Analyst*

Got it. Thank you.

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Yes, thanks, Tayo.

Operator

Lizzie Doykin, Bank of America.

Lizzie Doykin - *Bank of America - Analyst*

Hi, thanks. Maybe like a similar question, but just on redevelopment, just curious if there's more clarity on the timing of spend there throughout 2024 as I know that tends to be lumpy.

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Yes. Thanks for the question, Lizzy. Bob, do you want to take sort of that and maybe John as well?

Bob Myers - *Phillips Edison & Company, Inc. - President*

Sure, John, I'll go ahead and start. I think when I look at the pipeline this year, we are still thinking that we'll do between $40 million and $50 million, and a lot of those projects, just to remind everybody, I mean, these are smaller projects that are $2 million, $3 million in size. They are 4,000 to 5,000, 6,000 square feet in our parking lots and all our existing shopping centers. So we'll end up doing somewhere between 12 and 15 projects with targeted returns between nine and 12.

Timing is tricky, and as Jeff mentioned with the acquisitions, the same is true, especially when you're doing tear down rebuilds. We're currently doing two tear down rebuilds with Publix and a lot of that has to do with their timing. So it's always going to be a bit in flux. So it's kind of hard to navigate quarter by quarter. But as I look at it on an annual basis, I would feel comfortable that our guidance of $40 million to $50 million is in range that we can hit.

Lizzie Doykin - *Bank of America - Analyst*

Okay, great.

John Caulfield - *Phillips Edison & Company, Inc. - CFO*

I was going to say, Lizzy, to add to that, our assumptions as we look at it, it is fairly -- even with a slight weighting towards the second half of the year, but as Bob said, it's pretty even throughout, but if I had to nudge, it'd be a little bit more on the back.

Lizzie Doykin - *Bank of America - Analyst*

Understand. Thanks. And then, maybe following up on Caitlin's question from before, just on occupancy as it relates to same-store NOI, it really sounds like that there's no downside scenario to occupancy being factored in. And I'm just curious if maybe you could help us understand the areas of uncertainty that there may be to same-store NOI or that if this past year and this year is a function of just a really strong environment. If you could provide more color on, maybe it's the nature of your portfolio, limited exposure to big box, or if it's the geography kind of explaining the characteristics there would be helpful.

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Well, let me take a first step then, Bob, you can jump in as well. Lizzie, as you know, we have a very differentiated strategy in terms of what we do. And the way I look at it is there continues to be really strong demand for our properties. If that were to change, that would be the biggest risk. We don't think it's going to change in any kind of a shorter time frame with regard to new development where there's a lot of excess supply, that just is not happening, and we don't see that happening for some extended period of time. And I think what the advantage of being necessity-based and close to people's homes is the retailers are --they see that as the place they want to be.

And if you come into a market that we're in, and you're a national tenant or a regional or local, and you want to be where the activity of necessity retail is, you're going to want to be near the number one or two grocer, and with that property, we are the preferred location for a lot of the necessity-based retailers. And because of that, this demand that is driving our results and our occupancy seems to be -- to have legs and we don't see it slowing down. And we do have pretty good visibility into the next six months of leasing and it continues to be strong. Bob, any other add-ons there for Lizzy?

Bob Myers - *Phillips Edison & Company, Inc. - President*

No. I think the biggest part of our strategy is by having the number one or two grocer in the market. Average footprint of our shopping centers are around 115,000 square feet. Our average inline space is 2,500 square feet. We just don't have the box exposure. Occupancy is at all-time highs. And to Jeff's point earlier, staying focused on a disciplined merchandising strategy, where 70% of your neighbors are necessity-based is key. As Jeff mentioned, demand is there. We still see a resilient consumer. If we were going to see signs of something happen, you would see it in your retention and your spreads. And our retention is the highest it's been in the history of the company. Our spreads are still in the mid to upper teens. We're just not seeing any slowdown in that, and we're in a very, very healthy operational environment today.

Lizzie Doykin - *Bank of America - Analyst*

That's helpful. Thank you.

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Thanks, Lizzy.

Operator

Todd Thomas, KeyBanc.

Todd Thomas - *KeyBanc*

Hi. Thanks. Good morning. John, just wanted to follow up on the guidance and the adjustments there. The $0.04 offset to the interest expense savings that you mentioned, does that include future equity issuance throughout the year? I guess -- I'm not sure I'm following on the $0.04 specifically, just given where the company's cost of equity is relative to where pricing was on the revolver and the balance that you paid down and also the cap rates that you're transacting at.

John Caulfield - *Phillips Edison & Company, Inc. - CFO*

Sure. So the $0.04, really when you look at the equity that we issued in the fourth quarter, it did tend to be weighted more toward the issuance was higher later in the quarter, but that does not have an assumption with regards to any additional equity issuance in 2024. And so it's not so much that it was dilution, it was more of an offset. So again, we kept leverage low. I should point out again that we're 5.1 times levered. We have the opportunity to buy a lot and we think the key part of our strategy that we're trying to do is match it with our acquisitions and the acquisitions that we closed on and those that we're looking at is accretive at those levels of equity issuance.

But when you look at it, so rather than thinking about it's a headwind, but it really was replacing interest expense. And so ultimately, it's the $0.02 that is -- the $0.02 that's left. We've increased guidance by a penny, and then you kind of get into rounding on the last penny, but we wanted to open the year in a position that we've got opportunity for growth in the future.

Todd Thomas - *KeyBanc*

Okay. And then, within the $200 million to $300 million of net investment guidance that you maintained, it sounds like you have better visibility early in the year relative to what the back half of the year might look like, I'm just curious on the disposition side, how we should think about dispositions and how they sort of factor into the mix and that sort of 13% or I think 14% of the port portfolio that's not currently anchored by a number one or number two gross in the market?

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Yes. Todd, we have our plan to do that and we will put product on the market. The $200 million to $300 million is a net number. So we will be balancing dispositions with acquisitions to get to that number. And we continue to look at the market and if we have the opportunity to get pricing that we find favorable and we're disciplined -- as we've said, we're as disciplined on the disposal side as we are on the acquisition side and that creates a balancing act between pricing returns and what pace we go with the disposition plan. So, we -- I think, John -- we disclosed what we anticipate being the dispo amount for this year or not?

John Caulfield - *Phillips Edison & Company, Inc. - CFO*

We haven't because of the flexibility that you're looking for there. I mean, ultimately, we're looking to solve for a total and we're feeling very confident about the portfolio that we have. And we look at things strategically, and so that's where -- if we're looking at it, it'll be opportunistic. We look at risk management, but we only sold $6 million last year, and if we felt that there was a greater need, we would have done more. So we're just guiding to kind of a net total number.

Todd Thomas - *KeyBanc*

Okay. All right, thank you.

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Thanks, Todd.

Operator

Ronald Camden, Morgan Stanley.

Adam Kramer - *Morgan Stanley - Analyst*

Thanks for your time here.

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Hi, Ronald. Yes, please go ahead.

Adam Kramer - *Morgan Stanley - Analyst*

Kramer here on for Ron. Just want to ask an apology, one more about the guide. So if I just look at kind of the full year core FFO number for 2023, I think it was $2.34, makes it a $0.07 increase to the midpoint or to the new midpoint of the guide. Maybe just if you could walk us through how much of that $0.07 is from kind of the same-store NOI and the same-store portfolio versus how much of it is, I guess, from other stuff, right? And I really want to kind of understand -- you did kind of a good amount of acquisitions very late in the year, presumably it's not in your kind of $2.34 run rate, so just trying to think through if there's any upside for maybe the kind of late in the year acquisition activity, any upside to kind of 2024 numbers.

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

John, do you want to take that?

John Caulfield - *Phillips Edison & Company, Inc. - CFO*

Sure. Adam, thanks for the question. So we got into 3.25% to 4.25% on the same-store, which is adding growth to the portfolio on an FFO basis, and our acquisitions while accretive, again, the market was in a position where the spread of -- where the cost of capital it certainly improved in the latter half of the year and even relative to '22. But the private market cap rates didn't move to the same extent that the public market cost of capital, whether that be on the debt side or the equity side, moved. So the spread between that cost and those acquisitions is closer than it would historically be. So we do have benefit and accretion, but it's going to -- we needed to deliver the growth in these assets and so there is some, but it is not as much.

And again, on those acquisitions, one, we look at them and we're buying assets that are accretive out of the gate, but also to the point that Jeff has made, we're focusing on a 9% unlevered return and the continued growth in the portfolio. So that's another piece. I will say that going against that in the other direction is that, I spoke to the interest rate headwind that persists. So ultimately, even though right around our Investment Community Day and kind of forward, there has been an improvement in the debt cost of capital. It's still the rate piece. It's still a $0.07 headwind at the midpoint of what we're estimating in that. So it's a combination of those pieces. I think the acquisitions will continue to deliver and position us very well to deliver growth and support our growth progress for the future, but they add less early.

Adam Kramer - *Morgan Stanley - Analyst*

And just maybe switching gears, I wanted to ask a little bit about kind of small shop local tenant health, but also what kind of demand for those types of those, those those types of formats kind of given some of the credit card data, some of the other kind of economic data we've seen of late and so maybe just kind of walk us through just kind of the kind of demand for those types of businesses right now?

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Sure. Bob, you want to take that?

Bob Myers - *Phillips Edison & Company, Inc. - President*

Yes, for sure. So appreciate the question. Right now, when we look at our portfolio and specific to our inline spaces, 27% of our ABR comes from local tenants. We think local tenants are great. One, they're strong, they have good credit. Two, they're economically friendly for the landlord, doesn't cost us as much money to put in. They're sticky. They're honestly true entrepreneurs. You think about your chiropractor, your dentist office, your local hair salon as examples, their average tenure has been 9.4 years in our portfolio. Again, I want a direct correlation to our overall merchandising strategy about being around necessity-based goods and services.

So I'm very focused on not only the grocery store but also quick service restaurants, health and beauty, Medtail, and service providers. And I mean, our healthy neighbor Bix has never been stronger. And there's a lot of demand for our size shopping centers and having the grocer there that drives the foot traffic, they're just getting the benefit of that, and it's very, very strong. I think our local renewal spreads in the fourth quarter were 17.2%. So again, very, very healthy, very, very strong, so very important piece to our overall merchandising.

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Adam, I would just add that when -- if -- there's always questions about the consumer and where they're going. The retailer, when they're looking at staying in one of our centers and how much rent -- increase in rent they're going to give us, that's a real decision that's really -- I think the leading indicator of what's going on. And when you have sort of record retention and record spreads, it's a great indicator that the retailers are not seeing the consumer pulling back. There may be some credit card issues, but they are not or they wouldn't be renewing at this rate. You'd start to see some reduction in those, in both the spreads and in the amount of retention. And as we look very closely, we are not seeing that at this point in time.

Operator

Juan Sanabria, BMO Capital Markets.

Juan Sanabria - *BMO Capital Markets - Analyst*

Hi, thanks for the time. Just a question on the funds management initiative noted or opportunity noted at the Investor Day. Just curious on latest thoughts or comments there. And is any of the enthusiasm on recent acquisition opportunities, is that related to funds opportunities or more on balance sheet?

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Devin, do you want to take that?

Devin Murphy - *Phillips Edison & Company, Inc. - MD of Investment Management*

Sure. Juan, thanks for the question. As we mentioned at the Investor Day, the Investment Management business is a business that we've been in since the company's founding. We have this platform because it allows us to access incremental capital. It expands our acquisition opportunity set and it generates attractive ROIs for us. The ROIs in this business for us are in the high-teens to high 20s, depending upon the strategy that we're executing. We did mention at the Investor Day two new initiatives.

One is the core partnership. The other is a social impact fund targeting gross rankered centers in majority, minority communities. The capital in both of these ventures has been committed by our partners, and our partners have requested that we do not disclose any additional information until we invest in a center in each venture. We are currently pursuing acquisition opportunities for each venture, and our hope and expectation is that we will be able to give additional detail about these ventures in the first half of the year as we mentioned in December.

And so our enthusiasm for the acquisition volume translates into opportunities for both of these ventures, but for also are on balance sheet acquisition opportunities, because, as we've said, we expect to generate acquisition volume comparable to what we've done over the last number of years on balance sheet and then the acquisition volume that we do in these new ventures is incremental to what we do on balance sheet.

Juan Sanabria - *BMO Capital Markets - Analyst*

Thank you. And good to hear from you. Just a follow-up question on the acquisitions and how it relates to occupancy. So, what would have the same-store occupancy been? The reported company-wide decrease quarter-over-quarter, I'm assuming there was some modest impact from buying assets that weren't fully occupied. So maybe if you could just give the same-store occupancy delta sequentially. And just as a follow-up on that, are the acquisition yields that are quoted, are those going in or are those assuming some sort of stabilization in the occupancy, if in fact, they're kind of below-stabilized levels?

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Yes, I'll answer the first one, and then, John, you can step in on the occupancy. It is the in-place income that we're talking about when we talk about cap rate on what we acquired. John, do you want to take this?

John Caulfield - *Phillips Edison & Company, Inc. - CFO*

Yes. And on occupancy, Juan, it was our third quarter, it was consistent, was 97.8 to 97.8.

Juan Sanabria - *BMO Capital Markets - Analyst*

Thank you very much.

Operator

Haendel St. Juste with Mizuho.

Haendel St. Juste - *Mizuho - Analyst*

Hey, guys, good afternoon I think. So, you mentioned the top 10 neighbors in your watch list, which represent, I think, 2.7% of ABR, can you talk a bit more about who or what categories on this list and what's embedded in your guide this year for credit loss and what you actually realized for full year '23? Thanks.

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

John, I think maybe that probably best if you can cover that. Thanks, Haendel.

Haendel St. Juste - *Mizuho - Analyst*

Absolutely.

John Caulfield - *Phillips Edison & Company, Inc. - CFO*

And I'll say good afternoon to you, sir. The watch list that we have, I mean, we ultimately have watch list at every center. But the watch list that we're referring to here are really from a national standpoint, and I'll clarify, it was 2.3%. I think you said 2.7%. So it's 2.3% and it's not -- they're not named. So included in there would be someone like a Joan or a big lot. It's things like that where we don't think there's anything imminent, but it is something that we are watching. And this is where the diversification of our portfolio is really beneficial.

So, I mean, even the names that I'm talking about there are 20 basis points and -- 50 basis points individually, assuming that they all went. And so we feel very good about our locations and everything. So in terms of the guidance and what we're looking at in '24, this portfolio has been between 60 and 80 basis points over a long period of time, and that is what we have assumed. We feel good about our locations that we have. And, we -- our strategy specifically is that format drives results. So we are intentionally limiting our exposure to some of these larger non-grocery anchors.

Haendel St. Juste - *Mizuho - Analyst*

That's very helpful. Could you actually mention what the actual credit loss was for last year?

John Caulfield - *Phillips Edison & Company, Inc. - CFO*

Yes. Okay. Sure. So for the year it was -- for total year '23, it was 62 basis points.

Haendel St. Juste - *Mizuho - Analyst*

Great. Thanks. And just to follow-up on I think your comments early on redevelopment, you talked about the $40 million to $50 million of capital spend this year and healthy 9% plus returns. I guess I'm curious what is keeping that pipeline so small. I know you're working on smaller projects, but I'm curious if perhaps there's a greater opportunity to expand that where that pipeline could grow to over time and how we should think about that. Thanks.

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Well, Bob, you want to walk through sort of -- I mean, Haendel, the answer is it's really hard to get the volume that we would like to. I mean, we'd love to do twice that amount. This is sort of hand-to-hand combat of taking -- buying specific pieces of land, getting the zoning and the other entitlements, getting the store built and leased, and doing that in $1 million to $5 million chunks, it's a difficult process and that's why the stuff we're working on today is two, three years out and keeping the pipeline full and going. That's how we think about it.

But the returns are really good, and therefore, it's an important part of what we're trying to do with our centers and in terms of being able to find additional growth opportunities for them. And if you can help us figure out how to get more volume, we're all for it. We're working really hard to get the volume that we are. And I think we feel good about being able to continue that. But it's not an easy process getting those out of the ground and going through the full process, it takes time. We're lucky that all of them that we've done are full basically at this point. So we've done a really good job with them. It's just -- it's hard to do a lot more volume than what we've been able to put on the board.

Bob Myers - *Phillips Edison & Company, Inc. - President*

I'll just add a couple of things too, Jeff, because not only do we think the portfolio can generate the $40 million to $50 million per year, and you touched on, I mean, we're doing a lot of Starbucks, Chipotle. Chipotle, we're repositioning some of the boxes with EoS Fitness, Ross, Five Below as an example, but one thing that we're very focused on is finding development opportunities or redevelopment opportunities as part of our acquisition strategy.

And as we mentioned earlier, we've closed on 14 assets in 2023, eight of those 14 assets had some sort of development or redevelopment capability, which is also why you see the 87% occupancy level, is that we're very intentional about wanting to continue to drive this portion of our business and we are getting really good returns, to Jeff's point, between 9 and 12. So you'll see that we're going to run a parallel path between the existing portfolio and our acquisition strategy.

Haendel St. Juste - *Mizuho - Analyst*

Got it. That's helpful. That makes sense. I was also trying to ascertain, really if there's anything different about your portfolio than perhaps your peers. A lot of your peers have pipelines that are far larger, but it sounds like as part of the opportunities on the acquisition side that you're sourcing today, that could lead to perhaps more redevelopment opportunities overall in the portfolio. Okay, guys, I think that was it for me. Appreciate the time.

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Thanks, Haendel.

Operator

Dori Castaigne, Wells Fargo.

Dori Kesten - *Wells Fargo*

Hi. Thank you. I apologize if I missed this, John, but did you say what your intentions were regarding the swap maturing later in '24? And is that assumed in guidance now?

John Caulfield - *Phillips Edison & Company, Inc. - CFO*

Hi, Dori. No, actually didn't speak to that, so thank you for that. So, look, we are focused on flexibility. We did after quarter end, we did execute a forward starting swap for $150 million, locking in the SOFR curve at 3.45%. We still are above or have more floating rate debt than we would like. We've mentioned that we want a target of 90% fixed. And as we look at those maturities, and part of it is going to be whether it be fixing SOFR or ultimately, we want to be a long-term issuer in the unsecured bond market, and so if we're able to opportunistically issue in that market, that'll also improve that.

So I will say this with regards to our fixing activity, there are refinancing or financing around fixing and other things in our guidance for '24 already assumed. The one clarifying piece going back to the question, I think it was from Todd, was, we do not have incremental equity issuance in our guidance, but we do have activity related to our interest in our debt, in our guidance.

Dori Kesten - *Wells Fargo*

Where do you think that you would price today in the unsecured market?

John Caulfield - *Phillips Edison & Company, Inc. - CFO*

Sure. So, we do watch that debt market very closely. The most important thing we did was manage our maturity ladder last year. We don't have pressing maturities in '24, and we do have meaningful liquidity to pursue the acquisition strategy we've been talking about. So one of our goals is

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to become a long-term seasoned issuer in that unsecured bond market. And so it is a little tough to specifically pinpoint because it's going to be dependent upon where the tenure is at the time. We believe that it would be in the five and three quarters to 6% range.

We think our reception will be similar to that of our peers because we believe we have a better business model lower leveraged. Ultimately, just this, in the month of January, we received a positive outlook from S&P, which is a step in the right direction, but we continue to believe we're an underrated credit. So we will look to access that market opportunistically.

Dori Kesten - *Wells Fargo*

Okay. And congratulations on that outlook. One last question. If your net acquisitions did exceed $250 million this year, within your IRR expectations, would you feel comfortable issuing equity where you're trading today?

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Today? You mean like today or today in terms of generally where we've been trading over the last several months? Today, no, I don't feel great about that. But generally, to me -- for us, where we would look to use the ATM is when we have an acquisition volume that we know what this specific uses will be and we feel comfortable that it's very accretive at the stock price that we're at and at the debt costs that we're at. So that you're match funding those two pieces as we grow and trying to take a longer-term growth perspective to the properties and matching them while at the same time keeping -- I mean, we're certainly a market-leading balance sheet today, and we would like to continue to have a strong balance sheet and find -- have the ability to grow faster if the opportunities arise. Does that answer your question, Dori?

Dori Kesten - *Wells Fargo*

Yes, it does. Thanks.

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Okay.

Operator

Hong Zhang, J.P. Morgan.

Hong Zhang - *J.P. Morgan - Analyst*

Yes, hey, I had a quick question about your Riverpark and Apache Shoppes acquisitions, I guess, are those representative of the acquisitions of a lease-up nature you were talking about? And what are your expectations on timing to lease them up to your average portfolio rate?

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

That's a great question. They are examples of, I think, strong grocer centers with opportunity. And we -- I mean, I believe that we will see progress in both of those over the next 12 to 18 months, but they will take -- I mean, it won't happen tomorrow. One of the beauties of our small store portfolio is that things can happen much more quickly. These two have some bigger box -- two bigger box issues along with a lot of small-store opportunity. So I would say we'll see the small-store opportunity in 12 months -- within 12 months and maybe slightly longer on the box opportunity. So that's the way we kind of look at those. But when we look at H-E-B and Trader Joe's, the two -- we performed very strongly in our centers that have them as anchors, and we anticipate doing the same with those two acquisitions.

Bob, I don't know if you have anything else that you want to add.

Bob Myers - *Phillips Edison & Company, Inc. - President*

No, I would already say that since we've acquired the assets, we're already working letters of intent on Riverpark as an example. And to your point, we usually will strike on our small shop spaces within the first six months, and then the chunkier-sized boxes that are a little bit larger could take, to Jeff's point earlier, 12 to 18 months. But when you have two of the dominant, number one, number two grocers in these markets doing the type of sales volumes they're doing, H-E-B is doing over $1,000 a foot. Trader Joe's is doing over $2,200 a foot. They just are significant traffic drivers to lease up the redevelopment opportunity. So I'm encouraged by the activity we've seen so far, and we just recently acquired these in the fourth quarter, so, good.

Hong Zhang - *J.P. Morgan - Analyst*

Got it. If I could ask a follow-up question. I guess, as you look at the potential pool of acquisitions today, how many of these -- how many of those potential acquisitions are properties with sub 80% leased rate versus, I guess, more stabilized occupancies?

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Yes, we wish we had more of the 80%. I would say that -- I think, I would say, we're targeting probably 90%, is probably where the market will end up. In terms of the total acquisitions, we'll probably be closer to 90% than sort of mid-80%s. But we'd love to match what we did in the fourth quarter, and it'll be really based upon the opportunities that arise during the year. But we love those projects, and we think our team has been able to execute on them really well. So if those opportunities arise, we'll be there, but I would guess that it's more likely to be in the 90% occupied range, and that's total occupancy for the center.

Hong Zhang - *J.P. Morgan - Analyst*

Thank you.

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Yes, thanks.

Operator

Paulina Rojas, Green Street.

Paulina Rojas - *Green Street - Analyst*

Hello, everyone.

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Hey, Paulina.

Paulina Rojas - *Green Street - Analyst*

I have two short questions. One is about one of the assets that you acquired, Glenbrook Marketplace, I see it's not anchored by a grocer, and it's mostly small shop with a shadow Walgreens I think. So it's a little bit of a departure to the traditional center that you would acquire. And I'm intrigued by how much you -- I don't know if you would do more of this and if you have a limit for how much these type of assets could represent in the context of your entire portfolio.

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Yes, Paulina, great question. And one that I'm glad you asked. That particular project is directly across the street from one of the largest -- one of the most productive jewels in the Chicago -- in Chicagoland, and we have a strong presence in Chicago with a good concentration, and this was an opportunity we saw where we could actually use the machine that we have built across the country, but particularly in this market, to get outside returns and very strong growth.

So in those opportunities, we are looking for those and will -- it'll continue to be a small part of our portfolio, but we believe that there are specific opportunities where we can take advantage of the team that we have and the boots we have on the ground, as well as having the traffic generators in the immediate vicinity that will allow these centers to be long-term successful. But as we underwrite them, we believe we need a bigger return on those projects than we do on our traditional gross rankers.

So if you would think of those, those would be 10%, 10.5% on levered IRRs versus where we are at 9% on our traditional gross-rankered center. So it's a small part of our portfolio and will continue to be a small part of our portfolio. But we do believe that there are select opportunities where this could be a good growth area for the company.

Paulina Rojas - *Green Street - Analyst*

Thank you. And then the last one is, I'm curious to where you think asset-level financing is for the type of grocery-anchored centers that you are acquiring. And I'm asking from an industry perspective, not necessarily you, I know you have issued equity, you have free cash flow, and other sources of capital.

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Yes. Paulina, we're just not the best people to give you -- to tell you that. We can give you what our banks are talking with us about, but we're not actively borrowing in the secured market right now. So I would be -- we would be inferring versus specific, but maybe, Devin, you want to talk a little bit about what we're doing on the fund side and where we're seeing that capital?

Devin Murphy - *Phillips Edison & Company, Inc. - MD of Investment Management*

Sure. Paulina, the perspective we have on the secured financing is from our venture activity because those assets will be financed in that market. And what we're hearing right now is 50% to 55% LTV at 180 over. So just inside of 6% today, Paulina, given where the treasury is.

Paulina Rojas - *Green Street - Analyst*

Thank you very much.

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Yes.

Operator

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

Jeff Edison - *Phillips Edison & Company, Inc. - Chairman & CEO*

Great. Thank you, operator. In closing, we're extremely proud of what the PECO team accomplished in 2023. Our differentiated and focused strategy and our talented team combined to create a market leader in the shopping center business. We're confident that the PECO team will continue to deliver market-leading results in 2024. We still have one of the lowest-levered balance sheets in the shopping center space, and with a fortress balance sheet and ample liquidity, we remain prepared for the challenges and opportunities that may arise this year. PECO is positioned to continue to successfully grow as we look forward. We believe we will provide our investors with more alpha and less beta. On behalf of the management team, I'd like to thank our shareholders, PECO associates, and our neighbors for their continued support. Thank you all for your time today and have a great weekend.

Operator

This concludes today's conference. You may now disconnect.