RPT REALTY
Q4 2018 Earnings Call Transcript

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PRESENTATION

VINCENT H. CHAO
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Good morning and thank you for joining us for RPT's fourth quarter 2018 earnings conference call. At this time, management would like me to inform you that certain statements made during this conference call, which are not historical, may be deemed forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Additionally, statements made during the call are made as of the date of this call. Listeners to any replay should understand that the passage of time by itself will diminish the quality of the statements made. Although we believe that the expectations reflected in any forward-looking statements are based on reasonable assumptions, factors and risks that could cause actual results to differ from expectations are detailed in the fourth quarter press release.

I would now like to turn the call over to President and CEO, Brian Harper and CFO, Mike Fitzmaurice for their opening remarks, after which we'll open the call for questions.

BRIAN L. HARPER
President, CEO & Trustee

Good morning and thank you for joining RPT's fourth quarter 2018 earnings conference call. This morning, I would like to provide highlights from our fourth quarter results, recap our strategic initiatives and key accomplishments for 2018, and briefly touch on our 2019 expectations. After that I will turn the call over to our CFO, Mike Fitzmaurice who will provide more details regarding our fourth quarter operating and financial performance and provide color on our 2019 outlook provided in last night's earnings release.

To begin, we are very happy with our fourth quarter operational performance. Same property NOI growth with redevelopment was a strong 4.3% in the quarter. Our leased rate rose 10 basis points sequentially and 100 basis points year-over-year to 94.3%, while our small shop leased rate of 88.8% was up 70 basis points versus the third quarter, and 240 basis points year-over-year. In fact, since we started on June 15, our small shop leased rate has increased by 160 basis points, which is a sector-leading increase for this time period. During the quarter, we signed 58 leases representing over 200,000 square feet, with new comparable blended re-leasing spreads of 5.4% and annual contractual rent increases of 180 basis points.

Notable leasing activity in the fourth quarter included:

- Improving the merchandise mix at Providence Marketplace in suburban Nashville by adding J. Jill and Talbots. We have increased the leased occupancy of the small shop village area by 260 basis points to 96.0% since we started in mid-June

- Signing a lease with category-leading fitness concept Athleta to replace a low-volume Maurice's at Woodbury Lakes in the Minneapolis MSA; and

- Proactively replacing Pier 1 at The Shops on Lane Avenue in affluent Upper Arlington, Ohio, with three high-credit quality retailers that will provide a strong uplift in rent. We signed a new lease with Cycle Bar and are negotiating a lease with Athleta. We expect to generate close to a 50% spread on this space. We are also replacing an underperforming Pier 1 at Tel-Twelve in Southfield, Michigan with ULTA Beauty.

Our hands-on leasing approach reflects the urgency with which this company now operates and the emphasis we place on playing offense. As we move forward, we will continue to proactively identify and replace weaker-performing retailers with below market rents, with higher volume, industry-leading retailers that will drive traffic and sales.

Consistent with the urgency that we demonstrated with leasing, we have kept the same pace with our strategic portfolio, balance sheet, and platform objectives as we continue to take measured and decisive steps to position RPT for sustained growth over the long-term.

Let's start with dispositions. We closed on $123 million of non-core asset sales in the fourth quarter and late yesterday, closed on the sale of East Town Plaza in Madison, Wisconsin for $13.5 million. Our final disposition, The Shoppes at Fox River, is under contract to sell by the end of the first quarter 2019. With the closing of these assets, we will have completed our disposition program at expected pricing, and almost a year ahead of plan. To give you a sense of how these dispositions support our efforts to transform our portfolio, I'd like to quickly give you a profile on some of the properties we sold during the quarter:

- In Jackson, Michigan, we sold an enclosed regional mall and power center that were the worst performing properties in our portfolio and whose cumulative sales were significantly underwhelming in comparison to sales at nearby competitive locations. Furthermore, with roughly 300,000 square feet of retail space expected to come on line in the near-future in the thinly populated Jackson market, we are extremely fortunate to have sold when we did. This center had three significant vacant anchor locations, formerly occupied by Sears, Sports Authority and Toys.

- In Toledo, Ohio, we sold a center where the two anchor tenants were already closed or were on the verge of closing. A dark Giant Eagle was paying over $1 million in rent that was soon expiring, while a large home improvement tenant was not expected to renew.

- As it relates to East Town Plaza, we unloaded an asset that was only 83% occupied at time of closing, including Shopko, which announced last month it is shuttering its location at this property and triggers co-tenancy clauses. In addition, just 43% of small shop space is currently filled with several of the center's key existing tenants set to expire in the near-term that will likely lead to significant rent reductions or additional vacancies. East Towne Mall, which borders this asset, already has over 160,000, square feet of retail space available, not including Sears' 107,000 square feet, so with these headwinds, we are very satisfied with our return and feel strongly that we exited this market opportunistically.

- Given our view of limited retailer demand, pending and potential vacancies, and our capital spending expectations, we believe the sale of these assets was in the best interests of our shareholders.

Overall, we are quite pleased with the execution we achieved on our disposition program. The removal of these properties from our portfolio provides immediate and meaningful benefits to the quality of our cash flows and our growth outlook. Specifically, our same property NOI growth outlook without these assets is better by roughly 120 basis points annually over the next 3 years. We also have markedly improved portfolio quality, and our exposure to non-top 40 MSA's is now under 4% of NOI. Further, with household income of $72,000 and 3-mile populations of 54,000, these assets were a drag on our overall portfolio demographics. Additionally, with proceeds used to reduce leverage, our net debt to EBITDA is about half a turn less that it would have been absent the sales and we will avoid about $25 million of potential capital expenditures over the next few years. In addition, with this important step nearly behind us, our teams can now focus on executing on our strategies to drive long term growth and create value. Once we complete the disposition of The Shoppes at Fox River, our strategic disposition program will officially end, with future dispositions expected to be match funded with a like amount of new investment. We are very happy to be in this position given market pricing dynamics and cyclical concerns.

Turning to small shop leasing and our re-tenanting efforts. As we have noted previously, our portfolio has been undermanaged for the last several years, providing RPT meaningful upside on the leasing front. I am happy to report that, in the two quarters that we have been here, we have increased the small shop leased rate by 260 basis points to an all-time high of nearly 89%. Additionally, we ended 2018 with a small shop occupancy rate just under 85% giving us good visibility on future earnings upside as we strive towards a goal of 91-92% over the next 2-3 years. With the new decentralized leasing team now in place, we expect to accelerate our progress toward our longer-term goal. Regarding our re-tenanting efforts, after dissecting the portfolio with our new leasing team, we have identified plans to de-box and remerchandise approximately 20 spaces over the next couple of years where we can achieve double digit yields, creating meaningful value for our shareholders.

Of note, we have met with – or have plans to meet with roughly 100 retailers over the course of 2019, that are both current and prospective tenants. To add some context behind the importance of these meetings, many of these retailers have never had in-person visits with RPT before or haven't met with company officials in several years. We believe this direct engagement is critical and will pay immediate dividends by allowing us to fortify relationships and work towards our leasing goals, move forward with our redevelopment projects, and, most importantly, get back to driving earnings growth in 2020.

Now, I'd like to touch on the increasing role that redevelopment will play in our long-term growth strategy. On past calls and in our quarterly investor presentations, we have highlighted several projects that we see as the future of our redevelopment pipeline. One of our primary goals this year is for our investors to have a clear and quantifiable understanding regarding the value embedded in our pipeline, which is currently estimated to be over $200 million in total spend today and growing. Overall, we are targeting a goal of $30 - 40 million a year in strategic development spend that we expect to start in early 2020 with return on costs expected to be in the high single digits. During 2019, we expect to roll out a finite site plan and residential partner for our mixed-use opportunity at Rivertowne Square. This asset is in densely populated Deerfield Beach, Florida, a principal city of the Miami metropolitan area. Rivertowne offers excellent access to many of the region's major traffic arteries, including I-95, the Florida Turnpike and Sawgrass Expressway. Over 40,000 vehicles pass in front of the center each day and it is just three miles from the beach. While we are targeting the residential portion of the project to be around 560 units, we are working on a ground lease with a leading residential developer/owner to mitigate our development risk. We also are planning to build roughly 70,000 square feet of retail space that will be anchored by an urban grocer.

In addition, we also plan to share details regarding our multi-phased Webster Place project in the highly desirable Lincoln Park neighborhood of Chicago. This opportunity is adjacent to the massive Lincoln Yards project that was just approved by the Chicago Plan Commission and is directly across the street from C. H. Robinson's brand new 200,000 square foot Chicago headquarters. We are finalizing plans for Phase 1 of the development, which will consist of expanding a high-performing Regal theater on the second level and reconfiguring level one to accommodate high-volume fitness concepts and other retailers.

Turning to the balance sheet. Our leverage improved modestly in the quarter to 6.4x from 6.5x in the third quarter. We continue to target an on-going leverage range of around 6.0x and expect to move closer to our goal as we complete our disposition program, execute on our small shop initiatives, complete the wave of re-tenanting and begin to reap the benefits from our redevelopment spend.

On the organizational front, we have made great progress in a short period of time. We had an almost entirely new executive leadership team in place by the start of September and have since retooled both our leasing and development teams. We've also made strategic enhancements to internalize our marketing and some of our legal functions. All these additions were made with the singular goal of establishing a best in class team that embodies our culture of excellence, urgency, innovation, integrity, stewardship, sustainability, teamwork, passion and humility.

Touching on corporate governance. In addition to enhancing our team at the corporate level, we have made changes to our board of trustees to improve corporate governance by adding diversity and reducing board tenure. Since September, we have appointed two outstanding individuals to our board: Andrea Weiss, a specialty retail industry leader and Rick Federico, a leader in the restaurant and hospitality industry. Additionally, Dennis Gershenson, who is a trustee of the Board, will not stand for reelection when his current term expires. We are grateful to Dennis for his years of service and believe that Andrea and Rick will provide valuable counsel as we move ahead in today's changing retail environment.

The last point I want to make is on our rebranding, which was unveiled to the financial community with our third quarter results and our subsequent opening bell ringing at the New York Stock Exchange. We believe the rebranding was an important step in the evolution of the company and better reflects our vision for the future. Nowhere was this more evident than at the New York ICSC show in December, where our updated look was introduced fully to the retailer community. The positive response to our marketing efforts have been nothing short of phenomenal and I want to personally thank each employee for their help in making this happen on an abbreviated timeline AND on a limited budget. We expect the final phase of the rebranding to be completed in the coming weeks with the unveiling of our new website.

Before I turn the call over to Mike, I would like to provide some perspective on our 2019 outlook. Since joining RPT this summer, our primary objective has been to create shareholder value. We believe that adding and retaining key talent, improving small shop occupancy, re-tenanting struggling retailers, de-risking our cash flows by selling non-core assets, prudently deploying capital, and lowering leverage is the best path towards achieving this objective. As Mike will elaborate on in a few minutes, we expect our capital spend will be elevated over the next few years, but it's important to note that we will be earning attractive returns on this capital. In the near-term, we are looking for mid-teens returns on our proactive remerchandising, re-tenanting, and expansions to drive organic growth in 2019 and 2020. Longer-term, we expect high-single digit yields on our strategic development and redevelopment projects which are expected to contribute to earnings in 2020 and beyond. In summary, though our 2019 outlook reflects a trough in earnings, we are excited about the future and will use the coming year to tactically position RPT for sustainable FFO growth with an eye on maximizing long-term shareholder value.

MICHAEL P. FITZMAURICE
Executive Vice President, CFO & Secretary

Thanks Brian and good morning. In the 8 short months since Brian and I arrived, we have significantly improved the resiliency of our cash flow, strengthened our balance sheet, optimized liquidity and retooled our entire organizational platform. We believe these efforts will position us to focus on allocating capital towards our internal value creation initiatives and show the true growth potential of our portfolio in 2019 and beyond.

Now onto results. Operating FFO for the fourth quarter was $0.31 per share, flat with $0.31 per share in the same period in 2017. Same property NOI growth with redevelopment contributed $0.02 per share, while lower G&A expense added another $0.01 per share. These factors were offset by a decrease in NOI from other investment of $0.03 per share primarily related to our 2017 asset sales. Exclusions from operating FFO this quarter were relatively modest at about $351,000 in total with $465,000 of severance, reorganization, and debt retirement costs, partially offset by a small land sale gain of $114,000. Full year operating FFO was $1.35 per share. Importantly, our 2018 operating FFO guidance range of $1.35 – $1.37 did not consider disposition activity. However, and despite the earlier than expected execution on asset sales, our full year operating FFO of $1.35 per share was in line with our guided range.

Same property NOI growth with redevelopment was 4.3% for the fourth quarter, primarily driven by minimum rent. These results were ahead of our internal projection leading to outperformance relative to the high end of our full year guided range, with full year results coming in at 2.9%. The outperformance was driven by higher-than-expected minimum rent and lower-than-expected bad debt expense.

On the balance sheet front, we repaid $83 million of debt in the fourth quarter, with a weighted average interest rate of 3.5% and as a result, our net debt to annualized proforma adjusted EBITDA ratio ended the year at 6.4x. We expect our leverage to hover in the mid 6's given our near-term leasing spend and over the long term strive to operate closer to 6.0x's. At the end of the fourth quarter, we had total liquidity of $390 million, including approximately $40 million of cash-on-hand, and full capacity on our $350 million line of credit. In addition, we have zero debt maturing in 2019, eliminating all current refinancing risk. However, we expect to use the roughly $69 million of first quarter 2019 asset sales proceeds to pay off high interest floating rate debt of $28 million that has an interest rate of 5.8% and will be paid off without prepayment penalty. After this payoff, we will have zero floating rate risk, eliminating any near-term volatility in our interest expense. As we reviewed our capital plans with a long-term view of our strategy and growth objectives, we plan to retain the remaining $40 million in cash from our dispositions rather than pay off low interest, fixed rate term loan debt, allowing us to maintain a zero balance on our revolving line of credit. We think this is a prudent course of action considering a rising interest rate environment and the expected accretive capital spending for anchor re-tenanting, small shop lease-up and development in 2019 and 2020.

Before I share details on our outlook for this year, I would like to walk through geography changes within our income statement that will begin in 2019. Historically, the company has recorded certain property related employee compensation and benefits to G&A expense. Starting in 2019, we will record these expenses in NOI from other investments, which will move approximately three cents from G&A to NOI from other investments. For 2018, the impact was approximately the same. As we report our 2019 results under this methodology, we will align our 2018 results so that they are comparable. We are implementing these changes to align our income statement more closely with industry-wide classification practices, and these changes are in geography only. There is no impact on same-property NOI, EBITDA, net income, FFO, or Operating FFO.

I would now like to discuss our initial 2019 outlook. As noted in our earnings release last night, we expect 2019 operating FFO per share in the range of $1.03 to $1.07. I encourage you to read through the reconciliation that was outlined in last night's press release bridging our 2018 reported Operating FFO to our 2019 Operating FFO guidance range. Here are the high points. As previously disclosed, we have a six cent reduction from the one-time non-cash acceleration of lease intangibles that benefitted 2018 and the three cents from the lease accounting change that we discussed in prior quarters. Of note, the lease accounting change will be classified as NOI from other investments in 2019. In addition, the range contemplates the impact of significant back-end weighted disposition activity in 2018 and the front-end weighted disposition activity in 2019. Total reduction from this activity is $0.18 net of interest expense. As Brian touched on, it's important to note that in-place income for these dispositions was significantly different from what we expected would reoccur in 2019 due to pending and potential vacancies. As a result of the timely sales of these assets, we expect to generate solid same property NOI growth of 2 – 3% in 2019, which will contribute approximately four cents to Operating FFO. We expect G&A expense to be approximately $24.4 million at the midpoint, which is two cents higher than in 2018, but excludes three cents that will be recorded to NOI from other investments as I noted earlier in my commentary regarding geography changes. The total year over year change, including the reclassification to NOI from other investments, of four cents is primarily due to the full year impact of non-cash amortization from executive management sign on inducement awards granted in June 2018 and strategic investments in human capital and in our technology and data platforms. We also have an unfavorable year-over-year comparison, primarily as a result of a below target cash bonus payout in 2018.

On the leasing capital side, we project spending $40 million to $50 million, of which $25 - $35 million will be dedicated to our re-tenanting and small shop value creation initiatives. Also, embedded in our leasing capital spend for 2019 is carryover from deals signed in 2018, which totals roughly $6 million, contributing to our outsized leasing spend for the year. Our leasing capital spend this year and next underscores the importance of the steps we have taken to date in strengthening our balance sheet and optimizing our liquidity position. As we have noted in the past, we expect non-redevelopment capex spend to remain high in 2019 and 2020, but to moderate in 2021 as we complete our anchor re-tenanting projects and stabilize our small shop space.

Please note the following additional considerations with respect to our same property NOI guidance. Starting with 2019, we will provide guidance on same property NOI growth excluding our redevelopments, which we believe provides a better view of underlying performance of our core portfolio. As for more color on our same property NOI assumption, as of December 31, 2018, we had $318,000 of signed but not commenced leases that will add $4.8 million of ABR, which will be rent paying by the end of 2019. In addition, at this point in the year, we have nearly 75% of our new and renewal leasing plan already signed providing us great visibility and comfort on our same property NOI growth outlook. As you can see, our pace on proactive leasing is paying significant dividends. 2019 rent starts include CO Hatch at Shops on Lane, Aldi at Parkway Shops, At Home at Cypress Point, Ulta at Tel-Twelve, Athleta at Woodbury Lakes and Burlington Coat Factory and Five Below at Mt. Prospect, among others. Lastly, while unanticipated store closures could impact our outlook, we do take a surgical approach to our budgeting process and have assumed that some of our at-risk tenants will not renew in 2019. In addition, our model assumes bad debt of approximately 60 basis points of same property NOI, or $892,000 to capture a fall-out from unanticipated tenant closures. While store closures remain an uncertainty, we do not have any Sears or Kmarts in our portfolio and the bankruptcies of Gymboree, Mattress Firm and Charlotte Russe have had very little impact on our business. Regarding Payless, we have only 4 locations.

With that, operator, please open the line for questions.

QUESTION & ANSWER

OPERATOR

[Operator Instructions] Our first question comes from the line of Todd Thomas with KeyBanc.

TODD MICHAEL THOMAS
KeyBanc Capital Markets Inc., Research Division

Yes, hi, good morning. Just the first question, I wanted to ask about the dividend. It came up a couple of quarters ago. And with the '19 guidance coming in a little bit below expectations, and you talked about some of the investment spend that's going to begin to ramp up here in '19 and into 2020 and beyond with the de-boxing and some of the strategic redevelopments. The dividend had a 75% return to capital component in '18. So it seems like there is some room to right-size the dividend. Can you just provide an update on your thoughts around the distribution here?

BRIAN L. HARPER
President, CEO & Trustee

Hi, Todd, and good morning. Let me talk about the dividend and how we think about it as a management team, and obviously this is the Board’s decision. But everything we do as a management team and Board is to create value for shareholders. We came in, we got our arms around these assets extremely quickly, and we've come up with a very, very accretive plan to lease and redevelop a historically under-managed portfolio. As I outlined earlier, we have a significant opportunity on small shop to grow occupancy and earn double-digit returns on the remerchandising efforts and an annual spend opportunity from development of $30 million to $40 million. Given these 3 drivers in addition to our optimal liquidity position, zero credit line balance, $40 million cash in hand, and then the upcoming $60 million - $69 million in cash from asset proceeds, we feel confident based on the capital plans that we can support the dividend in today's environment. And with that said, the Board is obviously reviewing the distribution policy on a quarterly basis, but thus far feels comfortable maintaining the dividend based on the current environment and our strategic capital plan.

MICHAEL P. FITZMAURICE
Executive Vice President, & CFO

And Todd, this is Mike. The only thing I would add there is that the 75% return on capital that you noted in your question was a bit high in 2018 given some losses that we had on some of the asset sales in addition to outsized management reorganization and severance costs. So that should taper down in 2019.

TODD MICHAEL THOMAS
KeyBanc Capital Markets Inc., Research Division

Okay. Mike, can you run through the expected CapEx spend? I think I heard a couple different numbers as it pertains to sort of the longer-term trend for CapEx spend versus what you're expecting in 2019.

MICHAEL P. FITZMAURICE
Executive Vice President, & CFO

Yes, sure, Todd. Good question. So for 2019, I mentioned that we're going to spend about $40 million to $50 million. A lot of that is dedicated to our re-tenanting and small shop lease-up efforts, about $25 million to $35 million. And then the additional spend is the normal course, plug and play leasing spend that we have; so again, total of $40 million to $50 million. That will begin to taper down in 2020. And then starting in 2021, when we are very hopeful that we'll execute on our re-tenanting plans and the lease-up of our small shop space to 91% and 92%, we should have ordinary leasing CapEx spend, including building maintenance, of around $15 million to $20 million.

TODD MICHAEL THOMAS
KeyBanc Capital Markets Inc., Research Division

Okay, got it. And then, Brian, you mentioned the de-boxing initiative, so sounds like about 20 boxes. Are these spaces that you expect to get back at expiration or due to potential bankruptcies or something along those lines? Or are you looking to proactively negotiate the recapture of the space and begin to effectuate the de-boxing process?

BRIAN L. HARPER
President, CEO & Trustee

Great question. It's a little bit of both, Todd. I mean, some of these are -- we're very proactive in our leasing efforts here, and with that said, we are a leasing company. We're looking out to tenants two years in advance, especially the junior boxes, and understanding -- especially if there are no options coming up. So a lot of this is proactive, playing offense. Some of this is -- Pier 1 on The Shops on Lane who wanted to renew, and we felt it was prudent to invest capital and drive sales per square foot with higher credit tenants such as CycleBar, Athleta and another tenant at a 50% rent spread. So it's a little bit of some boxes getting down into -- breaking up boxes into 3, 4 different spaces or creating a box into 2 spaces. We have a 42% small shop ratio as a company today. We want to grow that to 50%.

OPERATOR

Our next question is from the line of Derek Johnston with Deutsche Bank.

DEREK JOHNSTON
Deutsche Bank AG, Research Division

Good morning, everyone. As redevelopment becomes a more important driver of growth going forward, have you added any additional key staff outside of the Board and management, maybe beefed up middle management a bit in development or leasing? Have there been any additional hires?

BRIAN L. HARPER
President, CEO & Trustee

Yeah. Thanks, Derek, for the question, and this is something I'm deeply passionate about that people are everything here and culture is a big foundation of who we are as a company. And we did -- from a leasing team, let's go through the departments. Leasing team, roughly 80% of the leasing team is new. I believe in a decentralized leasing team with boots on the ground. This is a local business, we're there driving footsteps and driving deals based on a regional locality. You can't understand the markets sitting in wherever the corporate office is and we're seeing great fruits from that. So 80% to 90% new team on leasing. We have a decentralized development team as well. One VP of development in Florida, one VP of development recently hired in Chicago, to really take on it and lead the shops at Webster. It's a municipality that requires a lot of handholding and through the entitlement process having someone on the ground there is very important. And then we have just some great teams from construction and development still in Detroit. Legal, we added a star on legal to bring in really our first-in-house counsel, which we felt was very important. That, coupled with an existing team of phenomenal paralegals, is what we added. And then the blue-chip team, we're done hiring. We're proud of what we assembled. And this is done, again -- this has only been 7, 8 months. So I'm really proud of the team and the assemblance that we had. And I think the retailer meetings is something that -- I'm personally going on these meetings with Tim -- I'm to be in 90% of those 100 meetings. We have hit the San Francisco's with the Gap and Athleta, Restoration Hardware and Ross, in Austin, with Whole Foods and a number of our key tenants and just that directives and just that relationship already is proving a lot as you've seen in the small shop uplift or even expansions of existing tenants to larger footprints or sometimes even shrinking them and giving us some potential space to drive further rent from small shop.

DEREK JOHNSTON
Deutsche Bank AG, Research Division

Okay, great. Can you also update us on the new key portfolio demographics and metrics post dispositions? I know you gave them for the properties that you disposed. How about the ongoing portfolio going forward?

BRIAN L. HARPER
President, CEO & Trustee

Yeah. We're up to nearly 100,000 household income which is a big -- that's a big mover, and obviously that's something where you're covering at low to mid 90s previously, but I think on that it's twofold. This is much denser markets where we're operating in and I think the thing where you look at some of the dispositions previously are, they were thin, and in the case of Jackson Crossing, which was a mall doing $200 a square foot, 300,000 square feet of vacancy coming online with another mall down the street. That is not something where we can drive rents. So I think as much as the quality of household income, we're looking at the density as we go forward as well.

MICHAEL P. FITZMAURICE
Executive Vice President, & CFO

Yeah, and the only thing I would add there is the growth profile of the business going forward for RPT. As Brian mentioned in the prepared remarks, the assets that we sold are detracting on average about 100 basis points or 125 basis points of growth over the next 3 years. So with those asset sales we're going to be at likely 2%, 3% over the long term, and I think that's the point I want to drive home.

OPERATOR

And our next question comes from the line of Michael Mueller with JPMorgan.

MICHAEL WILLIAM MUELLER
JP Morgan Chase & Co, Research Division

Hi, couple of questions here. First of all, I was wondering how much runway do you have to fund redevelopments, developments and/or acquisitions without either taking on more asset sales or issuing equity?

MICHAEL P. FITZMAURICE
Executive Vice President, & CFO

Yeah, sure, Mike. This is Mike. We ended the year with about $40 million in cash from our 2018 asset sale proceeds. As Brian mentioned in his prepared remarks, we have another $68 million or so coming from the 2019 asset sales as well. So just over -- just over $100 million. As I mentioned about our payback -- payoffs, the $28 million note that we have, that brings you down to roughly $70 million. That $70 million really will fund our leasing efforts with re-tenanting and small shop lease-up and some development in '19 and '20. And then in '21, when we begin to stabilize our portfolio in terms of occupancy, we'll begin to start retaining more cash.

MICHAEL WILLIAM MUELLER
JP Morgan Chase & Co, Research Division

Got it, got it. So basically '19 and '20, you're fine without more asset sales or equity issuance under the current plan.

MICHAEL P. FITZMAURICE
Executive Vice President, & CFO

Correct.

BRIAN L. HARPER
President, CEO & Trustee

Correct.

MICHAEL WILLIAM MUELLER
JP Morgan Chase & Co, Research Division

And then I guess the comment about returning to growth in 2020, I guess, how confident are you in that? And when you talk about returning to growth, is it earnings are not going down and you possibly flat line or do you think you'll start to turn the corner and have positive growth going forward? And what sort of CAGR do you think you can -- the model produces over, say, a 3 to 5 year period?

BRIAN L. HARPER
President, CEO & Trustee

This is Brian, and that's a good question, Michael. I'm not going to give '20 guidance. We're feeling very, feeling very good about it and I would say, up slightly from an earnings perspective and really going through this exercise we felt as a management team to get it done quick and to get back to 2020 and not to let this thing bleed, the dispositions to bleed further, I should say, and not sell 2 now and then sell another 2 in '20, we're done. And as I said in my previous comments, any dispositions that we'll be doing will be match-funded for acquisitions. So we are looking to have an Investor Day and we're very excited about the future here, but I think getting into future CAGRs, we'll save it for that, but we feel very good in the seats that we're sitting in today.

OPERATOR

And our next question comes from the line of Tayo Okusanya with Jefferies.

OMOTAYO TEJAMUDE OKUSANYA
Jefferies LLC, Research Division

Yes, good morning, everyone. Appreciate the comment just around guidance and the -- and just kind of walking us through all the moving parts between '18 and '19. But just wanted to figure out -- again, when I kind of think to some of the moving parts, I think a lot of it was already well-telegraphed to the Street, whether it's the asset sales and things of that nature. You guys, you do take a look at some of our models -- just curious where you think the Street may have gotten things wrong based on your internal budgets and kind of what you are seeing in our models -- again, I think I'm still somewhat struggling a little bit to reconcile consensus numbers versus where your actual guidance came out at.

MICHAEL P. FITZMAURICE
Executive Vice President, & CFO

Sure, sure. This is Mike, and I'll start and I'll hand the baton off to Brian. And thanks for your comment regarding the reconciliation, I'm glad it was helpful. Without knowing specifically what you're modeling, I can't say for sure what will be driving the difference to your model. But I'll point out a few items that might be causing the delta. Number one, though our open-air center sales came in within our target range of 8% to 9%. The average for all those sales was skewed higher as a result of the sale of our only remaining closed mall which is the Jackson Crossing, which we touched on in our prepared remarks and in Q&A here. These assets again were the 2 worst performing properties in our portfolio, projected negative IRRs with these properties and we felt, so even at a high cap rate, it was absolutely worth the risk mitigation. The second point I would point out is our decision to retain a portion of the proceeds from asset sales to support our pending capital needs versus paying down additional low fixed rate term debt of around 3% was probably a likely driver of some of the difference as well. While this is a change from what we communicated in prior quarters, as we scrubbed each and every lease as part of our 3-year planning process, we felt that the benefits of retaining capital outweigh the modest near term FFO lift -- uplift from repaying the low cost fixed rate debt. And then finally, if you saw the reconciliation last night that we provided, we did see a $0.04 higher G&A number on a like-for-like basis, stemming from the non-cash stock compensation, the investments in our data and technology platforms, investments in people and then the unfavorable year-over-year comparison stemming from the below-market target cash bonus payout in 2018. As far as the dispositions, I'll pass the baton off to Brian. He can talk a little more about that. So I think that might be one of the drivers relative to what we have versus your model.

BRIAN L. HARPER
President, CEO & Trustee

And again, not knowing what NOI is in your model -- I mean, we are an IRR driven company and for all of these assets -- for all of our assets in the Company -- as I saw the -- all the assets before I started the first week, we did 10-year cash flows. We went -- we had a hold/sell analysis. The average IRR for these assets sold was 3.5%. These assets, in particular Jackson, in particular Crossroads in Toledo, were a negative IRR. So what is that saying? That is saying -- NOI in 2018 is a lot different than NOI in 2019, right. So our pricing was outside of Jackson Crossing and the Jacksons, if you will, we were in the 8% to 9% range.

OMOTAYO TEJAMUDE OKUSANYA
Jefferies LLC, Research Division

All right. And that's a good initial start, but I'm sure I'll probably reach out to you guys just to try to understand some of the differences because the same-store NOI growth forecast is actually pretty good for 2019. So it's a little bit of a struggle why all that's not translating to better bottom line growth.

MICHAEL P. FITZMAURICE
Executive Vice President, & CFO

Yeah, again, I would just extend the point that Brian just made. 2018 in-place NOI for these properties is very different than what 2019 was going to be. At a few centers you had expected vacancies. You had 1 center where you had a Giant Eagle that was dark, that was expiring in '19 that was paying over $1 million rent. So I think that's what's really driving the difference and market convention is year 1 cap rate versus in-place.

OPERATOR

[Operator Instructions] Our next question comes from the line of Jim Lykins with D.A. Davidson.

JAMES O. LYKINS
D.A. Davidson & Co., Research Division

Good morning, guys. First of all, are you able to provide cap rates for the deal that closed yesterday and also Fox River?

BRIAN L. HARPER
President, CEO & Trustee

We're not going to --, Fox is under contract, so we're not going to disclose that, and typically we don't disclose cap rates. I would just say it's in the range of guidance and we are extremely happy in particular to get rid of East Town in Madison where -- that was an asset at 83% leased, 43% small shop leased, that was going to have massive co-tenancy leakage next to a C-Mall across the street that had 160,000 square feet of vacancy with 100,000 square foot Sears. So with that being said, little different profile I think for that asset than other assets in the country that are being sold.

JAMES O. LYKINS
D.A. Davidson & Co., Research Division

Okay. And also for the $4.8 million signed but not commenced ABR, any color on the timeline for when these tenants begin to pay?

MICHAEL P. FITZMAURICE
Executive Vice President, & CFO

Yeah, roughly -- it can be more heavily weighted towards the front end of the year than the back half. I would say 70% is likely going to happen in the first half and about 30% in the back half, Jim.

OPERATOR

Thank you. This concludes our question-and-answer session. I would like to turn the floor back to Brian Harper for closing comments.

BRIAN L. HARPER
President, CEO & Trustee

Before ending the call, I just wanted to express my sincere gratitude to our stakeholders as we usher in a new era for RPT. We have accomplished more than I could ever imagine in the short time we've been together. Now, though we have a lot of work to do ahead, we strive towards our ultimate goal of becoming a blue-chip REIT. I've total confidence that we have the right plan, the right assets now and most importantly, the right team to make it happen. Have a great rest of the day, and we look forward to seeing many of you at upcoming investor events and conferences.

OPERATOR

Thank you. This concludes today's teleconference. You may disconnect your lines at this time. And thank you for your participation.