

SKT Earnings Call Transcript

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Ashley Curtis: Good morning. I'm Ashley Curtis, Assistant Vice President of Investor Relations, and I would like to welcome you to Tanger Inc.'s Third Quarter 2025 Conference Call. Yesterday evening, we issued our earnings release as well as our supplemental information package and investor presentation. This information is available on our IR website, investors.tanger.com. Please note that this call may contain forward-looking statements that are subject to numerous risks and uncertainties, and actual results could differ materially from those projected. We direct you to our filings with the Securities and Exchange Commission for a detailed discussion of these risks and uncertainties. During the call, we will also discuss non-GAAP financial measures as defined by SEC Regulation G. Reconciliations of these non-GAAP measures to the most directly comparable GAAP financial measures are included in our earnings release and in our supplemental information. This call is being recorded for rebroadcast for a period of time in the future. As such, it is important to note that management's comments include time-sensitive information that may be only accurate as of today's date, November 5, 2025. At this time all participants are in listen-only mode. Following managements prepared comments, the call will be opened for your questions. We request that everyone ask only one question and one follow-up question. If time permits we are happy for you to re-queue for additional questions. On the call today will be Stephen Yalof, President and Chief Executive Officer; and Michael Bilerman, Chief Financial Officer and Chief Investment Officer. In addition, other members of our leadership team will be available for Q&A.; I will now turn the call over to Stephen Yalof. Please go ahead.

Stephen Yalof: Thank you, Ashley, and good morning, everyone. I'm pleased to report another quarter of strong financial and operating results, contributing to an increase in our full year guidance. Our third quarter results reflect robust execution across all aspects of our business, with our best-in-class leasing, marketing and operations platform, combined with accretive and strategic external growth, driving strong financial performance and positioning us for the future. Core FFO was \$0.60 per share, which represents an 11% increase over the prior year period, driven by solid same-center NOI growth of 4%. We achieved record leasing volume with more than 600 transactions, totaling 2.9 million square feet over the trailing 12 months. This contributed to our quarter end occupancy of 97.4%, an 80 basis point sequential increase. Our portfolio reached sales productivity at an all-time high of \$475 per square foot. We posted blended rent spreads of over 10%, our 15th consecutive quarter of positive rent spreads, while increasing our lease term durations for both renewals and new deals. We have seen a 50% increase in re-tenanting activity over the trailing 12 months ended September 30 compared to the prior year period. Limited retail development nationally has contributed to a robust leasing environment for our open-air outlet and lifestyle centers, providing a strategic opportunity to replace underperforming tenants, right-size larger stores, diversify merchandise assortments, and encourage reinvestment from existing tenants. These initiatives are allowing us to add more productive stores plus new uses and categories that create variety and vibrancy, which in turn drive more frequent shopping trips, longer stays and ultimately, bigger spend. We are largely complete with our 2025 lease roll, which is aligned with our leasing strategy of increased re-tenanting activity and renewals targeted around 80%. We are already actively working on our 2026 lease roll and see continued opportunities to drive rent, elevate and diversify our centers' merchandise mix. Our shopping centers have evolved into 7-day a week

destinations due to substantial changes in demographics and the outward population migration from urban to suburban markets. This has contributed to strong traffic creation in our markets, where residential growth continues at unprecedented levels. This dynamic has fueled the need for more service, F&B; and entertainment uses in our centers. And as we continue to deliver these new uses, the shoppers are responding. We are providing a well-rounded high-quality shopping, dining, and entertainment experience that is attracting new retailers and new shoppers alike, contributing to the record sales results we posted this quarter. Our third quarter performance was further bolstered by our early back-to-school and summer of savings campaigns that targeted new shoppers, younger consumers, and our Tanger Club loyalty members with digital, social, and SMS messaging. Tanger team members, influencers and crowd-sourced content creators reached millions of shoppers and created hundreds of millions of impressions through TikTok, Instagram, and Facebook, calling out our new store openings, sharing our best deals and their latest halls. Over the summer, Tanger deal days featured our early back-to-school promotions, and shoppers with concerns over tariff impact on product pricing and availability were encouraged to shop early and were incented to do so with great offers from our participating retailers. This momentum continued through the summer and the rest of the third quarter, and we have already kicked off our holiday selling season, anniversarying our successful 'Every Day is Black Friday' campaign, which started November 1. Across our business, we continue to leverage AI technology to optimize customer service, enhance our data and analytics predictive functionality, and enable more efficient use of resources across our enterprise. We advanced our external growth strategy during the quarter with the acquisition of Legends Outlets, an open-air outlet center in Kansas City, Kansas. This acquisition demonstrates our commitment to disciplined external growth as we have added 6 open-air centers over the past 2 years, including 3 outlets. Legends Outlets has been rebranded Tanger Kansas City at Legends, and aligns with our strategy to acquire well-located retail centers supported by strong residential and economic market fundamentals along with dominant entertainment destinations. Tanger, Kansas City is the only outlet center in Kansas, and it anchors the state's premier entertainment district. Is surrounded by numerous traffic-driving attractions, including the Kansas Speedway, Great Wolf Lodge, a new Margaritaville Hotel, Nebraska Furniture Mart, Major League Soccer and Minor League Baseball stadiums, a large youth sports complex and a professional soccer training facility. The area continues to grow rapidly with Topgolf and the state's first Buc-ee's under development as well as additional hospitality, entertainment and residential projects. We are excited to enhance the center's productivity through our proven leasing, operating and marketing platforms, and to further leverage the area's expanding traffic drivers. Kansas City is one of our many markets where sports is a key traffic driver, and we continue to harness the growing momentum of this category in our marketing initiatives. In that connection, we're excited to announce this quarter our new partnership with Unrivaled Sports, the nation's leader in youth sports experiences to be their exclusive shopping center partner in our shared markets. This partnership offers exceptional cross-promotional opportunities and will put our centers on the itinerary for thousands of young athletes and their families when they travel to these markets for experiences and tournaments hosted by Unrivaled Sports. This is just the latest example of how we are pursuing the strategy of creating compelling partnerships to drive traffic and sales and deepen local engagement in our communities. In today's dynamic retail environment, Tanger's value proposition continues to resonate strongly with both shoppers and retailers. Our record results demonstrate the strength of our platform, while our strategic evolution continues to create new growth opportunities. The strength of our balance sheet with conservative leverage and ample liquidity provides us the flexibility to continue to pursue selective external growth opportunities while investing in our existing portfolio. We remain confident in our approach and in our ability to deliver compelling results for all stakeholders. I want to thank our dedicated Tanger team members, retail partners, shoppers and shareholders for your continued support. I'll now turn the call over to Michael to discuss our financial results and updated guidance in more detail.

Michael Bilerman: Thank you, Steve. For the third quarter, we delivered core FFO of \$0.60 per share, representing an 11% increase compared to the \$0.54 per share in the prior year period. This strong performance was driven by solid same-center NOI growth of 4%, reflecting the success of our leasing and operational strategies across the portfolio and the contributions from our external growth activity.

Reflecting the tenant demand that we're seeing, we continue to drive our total rents, reflecting both higher base rents and higher tenant reimbursements, and locking in percentage rent on renewals. We are also seeing growth in our other revenue businesses, successfully selling our assets as marketing mediums and creating additional sources of revenues at each of our assets. We also continue to seek and achieve operating efficiencies, driving our overall NOI growth. Our balance sheet remains strong with conservative leverage metrics that provide us with significant financial flexibility to support both our operational needs and strategic growth initiatives, including selective acquisition opportunities, like the recent Kansas City acquisition. We acquired Legends Outlets in Kansas City for \$130 million using available liquidity and the assumption of \$115 million CMBS loan that matures in November 2027. In conjunction with the closing of the acquisition, we settled approximately \$70 million of previously issued forward equity using those proceeds to pay down our line and hold some cash in escrow for the Kansas City loan assumption. We estimate that the center will deliver an 8% return during the first year with potential for additional investment and growth over time. At the end of the third quarter, our net debt to adjusted EBITDA was at 5x, benefiting from the strong EBITDA growth and the retention of free cash flow after dividends, while our growing dividend only represents 58% of our funds available for distribution. Pro forma for the recent transaction activity, we estimate that our leverage would be approximately 4.7x at quarter end. From a liquidity perspective, we had approximately \$581 million of total liquidity at quarter end, including \$21 million in cash and \$560 million available on our lines of credit. At quarter end, 97% of our debt was at fixed rates, inclusive of our swaps, and our weighted average interest rate stands at 4.1%, with a weighted average term to maturity of 3.1 years. The next significant debt maturity will be our unsecured bonds next September 2026. Based on our strong performance year-to-date and our positive outlook for the remainder of the year, we are raising our full year guidance, and we now expect core FFO per share of \$2.28 to \$2.32 a share, and this represents core FFO growth of 7% to 9%. We've lifted same-center NOI growth to 3.5% to 4.25%, which is up from 2.5% to 4% previously. We've also incorporated the modest 2025 accretion from the acquisition of Legends, which raised interest expense, as well as raising our weighted average shares outstanding from the settlement of our forward equity. Our guidance does not assume any additional acquisitions, dispositions or financing activities. For additional information and assumptions, please see our release issued last night. The strength of our financial metrics, combined with the operational improvements that Steve outlined, reinforces our confidence in our strategic direction and our ability to generate long-term value for stakeholders. Our focus remains on maintaining this momentum while prudently managing our capital to support both our current operations and our future growth opportunities. We are pleased to welcome analysts and investors to Kansas City last month, showcasing our recent acquisition and how our external growth, leasing, marketing and operating platform creates value for all stakeholders. We look forward to seeing many of you in Dallas in December for Nareit, homes at Tanger Outlets Fort Worth, as well as in Miami for the Jefferies Real Estate Conference in a few weeks. With that, operator, we can now open the line for questions.

Operator: [Operator instructions]. Our first question is from Craig Mailman with Citi.

Craig Mailman: Just as we look, occupancy was up 80 bps in the total portfolio. You guys are now at 97.4%. You guys are getting pretty close to -- I don't know where you would assume frictional vacancy is. But can you just talk about the opportunities from maybe shifting the temp space? I know you guys are about 10%, would have liked to keep some of that in there for strategic reasons. But just walk us through kind of from 97.4%, where you think the portfolio could go from here and what the earnings power may be if we start to think about that 10% moving subtly towards that 5% historic average?

Stephen Yalof: As we look at temp tenancy, it's really very strategic in our portfolio. I mean you go back to the historic 5% pre-COVID temp number. And at that time, this organization had 1 or 2 people working on temp tenancy. The way we're structured currently, every one of the general managers in our shopping centers, our leasing representatives as part of their core responsibility and owning the P&L; of their shopping center, they're responsible to make sure that any space that becomes vacant gets tenanted with a short-term lease while we're waiting for that appropriate long-term lease to come in and take that space. So we've basically gone from 2 leasing representatives in short-term leasing to 40 representatives in short-term leasing. So of course, that is going to be a more significant part of our business. In many instances, we bring in retailers that may have never been introduced to our platform

before, that become really important part of not only the shopping center where they open, but part of our growth strategy. And in fact, our full-term leasing team has a representative on that team whose job it is to take the best short-term tenants and make sure that we can bring them throughout our portfolio in the form of longer-term leases. So we think the short-term tenancy is very strategic. Now in this leasing environment, where we continue to grow occupancy, where we continue to add more -- better long-term tenants. We've talked about a lot of those great retailers that have just joined our portfolio that are producing higher sales per square foot volumes, that are signing long-term leases; we're going to be very strategic how we add them. And we're also equally strategically replacing some of these retailers who have lost some market share or in some instances, have declining sales productivity. We're downsizing retailers that creates a lot of that frictional vacancy. So I think the important metric is our ability to continue to grow our net operating income. Our ability to continue to grow our business to continue to drive our sales performance on a per square foot basis and using that short term or that temp tenancy as a lever to introduce new people to the platform, bringing great seasonal retailers as we need to for different holidays, whether it's Halloween or Christmas, but also fill that vacancy because we've said before, most of our customers don't know the difference between a short-term tenant and a full-term tenant, but everybody knows the difference between a closed store and an open store. We want to keep lights on. We want to keep the properties cash flowing, and we want to set ourselves up for the great new brands of the future.

Craig Mailman: Great. And just pivoting, you guys have done a good job sourcing acquisitions here, with Legends being the most recent. And just with what's going on in the debt market with term loans in sort of the -- in the mid-4% at this point, I mean, what does the pipeline look like of deals? And how do you view using some of that term debt, if available, to kind of finance it to get premium spreads versus your peers given where you guys are going on initial yields?

Stephen Yalof: Thanks, Craig, for the question. Our acquisition strategy is not programmatic. We are very focused on what value we can bring to the table. And so, the market remains active. There's a lot of product. The capital markets, as you mentioned, whether it's debt or equity, are supportive. But at our size, we really want to lean in where we can add value. And I think you look at the 5 acquisitions that we've done is how can we bring our operating, our leasing, and our marketing platform to bear to be able to drive value for stakeholders. From a leverage perspective, we're at low leverage today. And I think there is a wide variety of sources of capital that would allow us an ability to accretively deploy.

Operator: Our next question is from Jeff Spector with Bank of America.

Jeffrey Spector: Steve, can you talk a little bit more about -- you mentioned more trips, longer stays, higher traffic. You talked about the early back-to-school, and then the Black Friday campaign. And it all ties to, I know your platform initiatives and marketing, and maybe some of your data initiatives. I guess, can you just talk a little bit more about that and how that's progressing and maybe anything new coming in '26?

Stephen Yalof: Yes, sure. And thanks for asking that question, because I think it's a really important part of our business. I remind you that in the outlet space, marketing is critically important because most of our retail partners are driving customers to their full-price assets, and it really becomes incumbent on us as landlord to drive the customer to the shopping center in that space. And because of that, traffic generation is a huge part of our business plan. In fact, it's one of the 3 pillars of our operating platform and one that we lean extraordinarily heavily into, I probably think more than most in our space. Because of that, we have to take a look at the current environment. We have to look at the macroeconomic environment, and we have to make decisions in advance that are going to lead to traffic-generating opportunity. So in the case of tariffs being announced as early as April, we felt that our customer -- our core customer is going to be concerned about whether or not product was going to be on the shelf in the third quarter of this year, whether or not pricing was going to meet their pricing expectations and they were going to be able to afford the things that they needed for that back-to-school sales season, which is the second biggest shopping holiday of the year. So our marketing team came up with the unique idea of early back-to-school shopping, making sure that, that customer was aware that with participating retailer partners, we were able to offer special benefits, deeper discounts, and doorbuster opportunity for those who took advantage of that early back-to-school selling period. And what happened was we saw our traffic continue to build as early as

June 1, into July and August, for the customers that were taking advantage of that opportunity. Smart retailers that participated with us used the strategy of bounce back, where they got that customer in as early as June and then used the opportunity through further discounts, particularly in the outlet channel to bounce them back later in the year. So we saw the same customer coming back. We saw them building bigger baskets, and we were really excited about the prospects of setting up that strategy to have that early back-to-school. And I think that's going to be a perennial plan that we're going to add in '26 and beyond. All levered off of that last year, there was big macroeconomic headwinds going into the holiday selling season. And we brought Black Friday forward last year to November 1. Halloween is a very big holiday in this country these days and also in our shopping centers. Halloween decor is critically important, kids trick-or-treat in what they consider to be a really safe environment. The shopping center, the brands are participating, and we had some great traffic generation with Halloween being on Friday this year. But on that Saturday, the Halloween decor comes down, the Christmas holiday decor goes up. And the Christmas music starts playing, and we start to promote every day of November is Black Friday. It worked great for us, traffic build during the course of that November. We anticipate similar build in this November going into December, and we're looking forward to add -- keeping that as a perennial program for us in the years to come as well.

Jeffrey Spector: Great. Then my second question is on the retenanting. I know when you established this goal and plan, you mentioned earlier, 80% was a target for retenanting and then the other 20% upgrading tenants, and you've had a lot of success evidenced by the increase in sales per square foot. Are you evaluating that 80% and maybe even decreasing it? Or like what are your thoughts heading into next year on that?

Stephen Yalof: Yes. First of all, the 80% is the renewal. And so, that leaves the rest of that space for retenanting and for new tenants. We have up 150% of our retenanting activity. So the strategy is working. I think that 80% to 85% is probably a pretty good number, especially since we've done a really good job of sort of clearing out some of the retailers that may or may not have been performing over the past few years. The fact that there's not a lot of new retail space being added to the market gives us the opportunity to really be more selective. We're looking at department store contraction. We're looking at -- and in that regard, we feel that our real estate is worth more every single day. And because of it, we're being real strategic with it. Now when you own the shopping center, you're responsible for merchandising that center and making sure that you bring the best retailers into your property that isn't always the one that's going to pay you the last dollar in rent. But in some instances, it's the one that's going to draw the most amount of customers or it's going to draw the most amount of other retailers who see some of those great retailers as barriers that will break through to get new retailers to come into our shopping centers. And we saw that with our -- with the supportive deals that we've made. We recently made a number of deals with Marc Jacobs. There's a lot of other luxury brands that are now paying attention to our portfolio in a way that they hadn't in the past. We're delivering the sales. These brands are excited about coming into our markets -- our mid-tier markets where they need to continue to grow their business. And because of that, we're going to make real strategic decisions on who gets renewed and who gets replaced. But as long as that queue of new retailers who are interested in our environments are paying attention and want to be in our shopping centers, we're going to make sure that they get a really good look. So I'll go back to the fact that our job is to drive traffic. Our job is to continue to drive sales. Those 2 metrics inform that sales performance that we've shown you over the past couple of years as it continues to build. And a lot of our base rents are based on our ability to continue to drive that traffic. So I think that flywheel creates our opportunity to continue to grow long-term sustained NOI over time.

Operator: Our next question is from Greg McGinniss with Scotiabank.

Viktor Fediv: This is Viktor Fediv on with Greg McGinnis. Probably building on previous question, but more specifically looking into 2026 expiration, it appears that the average rent on expiring leases is just slightly above the portfolio average. So are there any notable potential non-renewals you're aware of at this point? And overall, what spreads do you expect to achieve given the expiring and respective market rents?

Stephen Yalof: From a rent perspective, we look at our leasing volume up at 2.9 million square feet. So we still have a significant amount of velocity. When you look at the average base rents, part of it is

going to be a mix of what assets, what tenants are rolling. So I wouldn't read too much into sort of that level. And we want to be able to continue to drive total NOI growth, which is not only the role, but what vacancy or what temp we may be leasing and then what are we remerchandising and what are renewing and in totality, driving positive growth on that balance.

Viktor Fediv: As a quick follow-up on your watch list overall. Do you anticipate any Carter's store closures, given that they are planning to close 150 stores?

Justin Stein: Viktor, it's Justin. Listen, Carter's and Oshkosh have positive trends in our portfolio, both over the rolling 12 months and the rolling 3. So we're encouraged, and they're very productive in our portfolio. We've gotten out in front of this, just like we get out in front of all of our brands where we've been replacing some underperforming stores over the past 12 to 24 months. So where we probably see some downward pressure throughout the country, not just in the Tanger portfolio is probably more on the Oshkosh side of the business, where they have multiple stores with landlords in a center. Like I said, we've gotten out in front of that. We've already replaced a handful of them. We only have a handful left, very little exposure. So we're going to continue to work with them. They're great partners with us, and we're going to work to consolidate those brands in our centers and replace those stores at higher rents and more productive tenants.

Operator: Our next question is from Michael Griffin with Evercore ISI.

Michael Griffin: Steve, I know you talked a lot about investing in both data analytics and as well as enhancing the F&B; component at a number of your centers. Can you maybe quantify whether its dwell time, customer spend that you've seen at centers where you've unlocked that F&B; value? And then maybe give us a sense of the ROI that comes from that F&B; component as it relates to maybe future improvement in retailer sales. Anything there would be great.

Stephen Yalof: Yes. What I can share with you right now is mostly anecdotal. I think a lot of the data comes with our analytics team now using dwell time is a real important metric to determine how long folks are staying when they come and shop at our centers. And we're using that baseline that we're currently creating to inform later years, so we can come back and actually share the metric. So we understand what levers we can pull in order to drive that longer stay with the customers. However, anecdotally, we have operating folks on every one of our properties. And those people have been there for a number of years. We know when the parking lots are full. We know when the customer is carrying certain shopping bags. We see the lineups and the wait times at the restaurants on the property. So we can tell you anecdotally that restaurants and better food and beverage offer, particularly in our outlet shopping centers is really adding to creating a new destination for that traffic, but as importantly, making sure that the folks that are there that might shop the morning and then leave get them to stay. We've got places for them that are a little bit more upscale than the offering that we've had in the past. We're seeing them stay and we're seeing them stay for that afternoon shopping experience as well. We talked about Unrivaled Sports and that partnership. It's critically important that we've got places for those families in between tournaments and games and things that they're doing with that Unrivaled Sports partnership, where we can bring them to our shopping centers. And that's not just for shopping. That's for the entertainment, that's for the amenities. And as importantly, it's for the food and beverage service. As our shopping centers become more 7-day a week destinations because of that outward migration of folks moving from the cities into those mid-tier markets, where most of our shopping centers presently reside, we're seeing that day population grow. We're seeing more people shop during the week than we have in traditional outlet shopping centers in years past. And because of it, it's supporting a lot of these new businesses that we're putting into the marketplace. I can't share currently an ROI. The data points are -- we're in the early innings of creating a real analytical messaging as it relates to why we make these decisions and why it's more prudent to make certain investments rather than others. And we're looking forward to sharing that information with you in the coming quarters and years.

Michael Griffin: Great. Then maybe one for Michael, just on the acquisition opportunity set. Are you seeing more institutional capital interested in these deals? I realize that your centers are pretty operationally intensive from an asset management perspective. But my sense is that if you get a going-in yield in the 8% range, stabilizing above that could attract more capital to be interested in these kind of centers. So just maybe talk about the competitive set against and what you're up against relative

to competition out there.

Michael Bilerman: Thanks, Griffin. I think it's a good sign for retail overall that you're seeing that institutional interest in the asset class. Steve talked about the low supply environment, and you're clearly seeing retail fundamentals across all the retail asset classes perform really well. And so I think institutional capital, whether they own existing assets today or they're looking to deploy, presents an opportunity as well for us; because as you said, we are an operating platform. And we believe that where we want to be able to lean in is where can we bring that platform to bear to create value and being able to tap into different capital sources helps in that regard when we can bring more than just money. We know our balance sheet is in great shape to be able to finance our external growth, but it really comes down to our operating our leasing and our marketing platforms to create that value. You were with us in Kansas City, you saw our team that just descended on that acquisition and is already having an impact as we bring resources from our company to bear to add that value.

Operator: Our next question is from Juan Sanabria with BMO Capital Markets.

Juan Sanabria: Just on 2026, just curious initial thoughts on the bad debt or watch list of tenancies. And curious how far you are along at this point versus last year in handling or taking off lease expirations.

Stephen Yalof: Thanks, Juan. Our watch list remains at manageable levels. I think as we progress through the next few months, when we'll come out in February with our guidance, we'll be able to articulate some of that. Things have been relatively stable as of late, but it is a very operationally intensive business from a retailer perspective. In terms of lease roll, we have already begun our '26 and even looking at some further in those discussions. And you can see in the sub that we -- the role already came down, I think, about 100 basis points since last quarter, and we'll continue to make progress as we move the next few months.

Juan Sanabria: Great. Then maybe just, Michael, a follow-up. Anything you'd want to flag in terms of '26 considerations as we think about earnings and some of the moving pieces and timing of stuff that happened this year versus full year impacts next year?

Michael Bilerman: I give guidance in February. And so, we'll be able to lay everything out. I think our trends this year have been positive. I think you mentioned the credit side, which is always something that you have to think about in the year in terms of a range of outcomes. The other aspect is going to be our capital. And our bonds next year come due late in the year. But how we finance that, when we finance that could have some range to it relative to this year.

Juan Sanabria: Glad to hear Mariah Carey's defrosting as planned.

Operator: Our next question is from Rich Hightower with Barclays.

Richard Hightower: So maybe just to go back to the prior conversation about institutional capital flows into the asset class. I mean, maybe just to turn it on its head for a second. I believe you guys haven't sold too much since 2019 in terms of the magnitude of sales. And so, are there reasons why maybe as we think about the bottom tier, of the portfolio, which is very helpfully broken out in the supplemental. Are there reasons why we wouldn't think about recycling some of that? Is it for tax reasons? Is it for de-scaling the company reasons? Or are there other reasons why that might not maybe pick up in future years?

Stephen Yalof: If you look back over the history, we've actually sold a number of assets pre-COVID and coming out of COVID. We sold an asset in Howell earlier this year. And all of our assets are cash flowing. And what's really important is the same way that we talk about buying outlets and bringing them into our platform and the value that we can create we have that ability to create that on all the assets that we own, and that's really important. We'll always look at our portfolio for areas. And if we see significant change or not consistent, we would look to exit certain assets. But our goal is to continue to leverage this platform and grow.

Richard Hightower: Then I know you mentioned 'Every Day is Black Friday' started November 1. So we're not too far into that. But just give us a sense of what you are -- what you might be seeing so far in that campaign and just maybe help us understand how much of a window holiday sales over the next couple of months might be for -- what does that mean for the outlook for leasing and the business as we get into next year?

Leslie Swanson: It's Leslie Swanson. We're very excited about getting into launching Black Friday every day just this week. We see a lot of opportunity in the future. One of the best opportunities for us is

the partnerships we're seeing from our retailers as far as bringing additional value to the Tanger shoppers. So we're working with them on a weekly basis to continue to layer in more and more value opportunities. We have good inventory in our stores. We've got lots of great things happening from an eventing perspective, our annual tree lightings. We're bringing the local choirs in from the schools in our communities and really doing as much outreach as we can to bring additional traffic to the shopping centers across the holiday season.

Richard Hightower: I'd love to be a part of that and attend one of those. Any sort of broad commentary on maybe what that might mean for leasing next year as you kind of see how the campaign is performing over the next couple of months?

Stephen Yalof: Yes, Rich, the campaign last year was wildly successful, and our retailers recognized it. And they want to partner with us on the marketing side and get more in depth with our loyalty program, with our marketing team. So we anticipate this to be as successful as it was last year and just like the back-to-school program was for us. So we're very encouraged by the results and our retailers and our consumers are excited as well.

Operator: Our next question is from Floris Van Dijkum with Ladenburg Thalmann.

Floris Gerbrand Van Dijkum: So Michael, a question for you in terms of -- I know people have been asking about rent roll, et cetera. But talk about operating margins maybe and some of your initiatives on fixed CAM, where do you see your expense recovery and operating margins trending?

Michael Bilerman: Thanks, Floris. We have been fortunate that we've been able to grow our margins really through both the top line as well as the bottom line. And so, on the revenue side, we continue to drive total NOI. That's through both our renewal and re-tenanting. But also when you look at our leasing, we have a substantial amount of non-comp leasing. And so, all of that taken together is what's driving our revenue. And as we talked about, when we are negotiating with our tenants, we're somewhat agnostic to lease structure, whether it was a gross lease or whether it's base and CAM because at the end of the day, we're just driving a total rent number. We have been pursuing a greater share of CAM in that total rent, and that's what you're seeing move up. Then on the operating expense side, we constantly look for ways that we can become more efficient. And some of that is just rebidding our general contracts, whether that's security or our insurance. We're trying to get better on our property taxes and all of the elements that we have to run our properties, run them as efficiently as we can to grow that margin. And so, I think we'll continue to see upward trajectory as we move into 2026.

Floris Gerbrand Van Dijkum: Maybe my follow-up question, this might be more for Steve. But when we toured Kansas City, I think I was impressed by the billboard opportunity at that particular asset. You've got some existing billboards, obviously, you can upgrade them. Maybe can you talk about maybe not specific to Kansas City, but also the other opportunities you see within the portfolio to increase the billboard revenue and really boost your other revenue line going forward?

Stephen Yalof: Yes. Look, that marketing partnership business is a really important one for us. And it really started at almost nothing when we joined the company sort of just post-COVID. And under Leslie's leadership, we've grown to a very substantial business. We think there's a great opportunity on our shopping centers to monetize existing eyeballs. There -- most of the properties are situated on interstates that have great visibility in 2 directions that see over 100,000 cars a day, and we see that opportunity as well to really grow revenue from that off-site billboard program. But for us, I think that the real important piece of our marketing partnership business and the one that has the greatest amount of future revenue opportunity is working with our existing retailers to grow their on-site presentation. We mentioned earlier that it's our responsibility to drive traffic to these shopping centers, which we have a machine that executes. Once that customer gets there, it's worth it to a lot of our retailers to invest in the opportunity to make sure that the -- that everybody who visits our centers knows their store is there. And in that connection, we take certain holidays, whether it's an accessories brand during Valentine's Day to do a full shopping center takeover to make sure every customer knows that they're there. We're doing a lot of that. We're working with a lot of these partnerships. We're monetizing these holidays, and we're turning them into a real revenue opportunity for us. I also want to go back to the Unrivaled Sports partnership that we recently signed. Partnerships like this give us the opportunity to off-site drive traffic to our shopping centers on site. And the more footsteps that we can bring, the more cars we put in the parking lot, the more footsteps we can bring on center makes our product far more valuable every day.

We're going to continue to grow this business. We think we're in the early innings of growing this business. And as we acquire additional shopping centers, and you saw it in Kansas City, we've got great opportunities for these brands to present their product to the customer in real unique ways in very creative ways, makes for a real entertaining experience for the customer as well because there's a lot of great creativity that these retailers bring to those initiatives.

Operator: Our next question is from Hong Zhang with JPMorgan.

Hong Zhang: Two questions from me. I guess first question, would you be able to quantify any seasonal impacts either on the revenue or the expense side as we move from the third quarter to the fourth quarter? Because I think normally, your expenses go up, and I'm not sure if there's any pull forward of revenue from back-to-school in the third quarter this year.

Stephen Yalof: Sure, Hong. We've talked previously where a lot of our recovery income is effectively straight line throughout the year. but the expense trajectory is often volatile and especially going into the fourth quarter, we tend to see more traffic. It requires more janitorial, more security. The marketing is typically heavier. So we would expect to see a little bit lower recovery rate in the fourth quarter. And we do also tend to see higher overage rent in the fourth quarter and potentially some volatility in that number.

Hong Zhang: Then I guess just on the recoveries, I think you previously indicated that you expect to be around like 87% for the year. Is that still the case just because it would imply a pretty substantial drop in the fourth quarter? And how do you expect -- how much further upside do you see in recoveries in 2026?

Stephen Yalof: It will probably be a little bit higher 80s. The third quarter was a little stronger than we had expected. There was just a very modest amount of out-of-period expense recoveries that came in the third quarter. So that skewed it slightly higher. But I would think a high-80s number is probably good for the full year run rate there on expense recoveries.

Michael Bilerman: Hong, the other part about the expense recovery is lease structure. And so, part of what we estimated if we had just a gross lease, if we end up doing a lease where they're paying us space in CAM, it's the same rent that we're getting the same NOI. It's just showing up in a different line item. So part of that is what's growing that expense recovery rate as well as keeping our expenses low.

Operator: Our next question is from Harrison Slater with Goldman Sachs.

Harrison Alexander Slater: On the acquisition side, congrats again on the Kansas City deal. Can you go through how the deal was sourced, the upside opportunity and when some of that could be realized?

Stephen Yalof: This was an off-market deal between the seller and us. This asset is one that we know well from its original development, and we work just in partnership with the owner, similar to how the Asheville deal came about. And we're able to successfully transact. We see both near-term as well as long-term upside from this asset as we bring our platform to bear. The asset today is 93% occupied. We think that there's opportunity to grow that occupancy over time. The asset also came with some peripheral land, a parcel that sits right in front of the Minor League Baseball Stadium as well as another parcel around. So there's opportunities over time to intensify the real estate. And then as we bring this asset into our operating platform, we think there's a lot of opportunities to increase marketing from our marketing platform. Floris has talked about the signage that we feel we can improve, and we think there's a lot of opportunities to bring the best of the Tanger tenant portfolio to Kansas City.

Operator: Our next question is from Naishal Shah with Green Street.

Unknown Analyst: This is Naishal on for Vince. I was wondering if you could touch on co-tenancy clauses tied to the off-price stores from traditional mall anchors. Given the recent headlines surrounding Neiman Marcus and Saks, I'm curious if they were to close some other outlet locations, would the resulting NOI impact be limited to just their box? Or would it also affect some of the other in-line tenants as well?

Stephen Yalof: Yes. Great question. In the outlet channel, we have very limited exposure to co-tenancy. Our tenants trust us with our merchandising strategies, and there's very little impact or exposure from that standpoint on the outlet side of the business.

Operator: Our next question is from Todd Thomas with KeyBanc Capital Markets.

Todd Thomas: I wanted to go back to some of the trends that you're seeing specifically around occupancy. So in the first quarter of this year, you experienced a little bit more occupancy loss than in

prior years, and it weighed on same-store growth. As you've clawed back that occupancy now, I was just hoping you could provide some insight on early expectations around the sequential change we might anticipate sort of post holidays into the first quarter of next year, whether you think you can maintain higher year-over-year occupancy heading into '26, or if the temp tenant strategy and merchandising strategy results in just a little bit more seasonality around the holidays and post-holiday period than you've seen sort of historically?

Michael Bilerman: So the first thing is just in terms of the first quarter and the occupancy decline, there was no impact really on same center from that. And the reason for that is that excess occupancy decline was really the result of 2 boxes in our portfolio, which I know we've talked about this a bit, but our average portfolio is 16 million square feet, 3,500 stores, average store size of under 5,000 square feet. In the first quarter, we had 2 boxes that totaled almost 80,000 square feet, one at our asset here in Deer Park, which was an old Christmas tree shops that was temp with a Wayfair for over a year at temp rent, and we re-leased that space to Main Event, who's taken over possession and will open next year. But that vacancy effectively in the first quarter wasn't that meaningful from a revenue perspective given the prior tenant was a temp. The other piece was a 30,000 square foot box that was bought vacant in Huntsville that we had a Spirit Halloween at the end of the year. And again, temp rent, not a big amount, but it was 30,000 square feet. And that, too, we've re-leased LL Bean will be coming to Huntsville in half of the box, and then we have some plans for the other side. So that occupancy decline when you back out those 2 tenants at 150 basis points was exactly in line with our 20-year historical average going from 4Q to 1Q because in our channel and in our strategies, occupancy troughs in the first quarter where you come out of the holidays and you have your highest amount of lease roll and then we build sequentially each quarter, ending the year at the highest occupancy, as Steve talked about earlier in the call, we want to fill our assets and have open, vibrant options for the consumers who come shop with us. And so, you tend to get that seasonal lift as you move through the year. The rent on that space is not as much as it is on a permanent basis. And that's why in a big part, that occupancy decline in the first quarter didn't have any effect on us where we reiterated the guidance and then have been able to lift it throughout the year. Is that -- was there a second part that I missed in the question?

Todd Thomas: Yes. No, that's sort of helpful context and kind of a reminder of the early year impact. I guess it sounds like with those box recaptures in '25, assuming that does not replicate that you might expect to have sort of a higher occupancy rate starting point for the year relative to last year. So that's helpful. If I could shift over then, Steve, you talked about the revenue opportunity for marketing and some of the partnership opportunities here. I understand the increase in foot traffic and how that benefits tenants and Tanger broadly. But is there a more significant revenue opportunity separate from what we see today in the financials that we should consider as we think about the earnings potential for the company?

Stephen Yalof: The only thing I can say is as we continue to add new properties to our portfolio, one of the great opportunities that we see across the new additions is our ability to grow that business in those markets. So I would say Kansas City is probably a good example of a shopping center where we will put a tremendous amount of focus on that sort of marketing and partnership business that we call it. I'm not going to sort of guide to how big they can be. We certainly don't want to overcrowd our shopping centers with marketing and messaging. We want to be artful. We want to be elegant. We want to be smart, but we think we're still in the relative early innings with regard to our long-term ability to grow that business and grow sustained rent revenue over time.

Todd Thomas: I guess, Michael, if there is any additional revenue that begins to flow through as a result of some of these programs or initiatives, that would fall in the management leasing and other services line on the P&L.; Is that where we would start to see that reflected?

Michael Bilerman: No, it's in the other revenues. So if you look at the breakdown of our revenues that appears on Page 15 in the supplemental, you'll see there's that rental revenue. And then on the face of the income statement on Page 14, you'll see the other revenues listed there, it's 3% to 4% of our total revenue base, but it's been growing at an above-average pace, which has led to enhanced revenue and same-center growth. And so that's where a lot of those activities fall.

Operator: Thank you. There are no further questions at this time. This concludes today's conference call. We thank you again for your participation. You may now disconnect your lines.

