February 10, 2022

Armada Hoffler Properties, Inc. (AHH)

Q4 2021 Earnings Call

Operator

Welcome to Armada Hoffler’s fourth quarter 2021 earnings conference call. At this time, all participants are in a listen-only mode. After management's prepared remarks, you'll be invited to participate in a question-and-answer session. At that time if you have a question, please press “star 1” on your telephone.

As a reminder, this conference call is being recorded today, Thursday, February 10, 2022.

I will now turn the conference call over to Michael O’Hara, Chief Financial Officer at Armada Hoffler.

Please go ahead.

Mike O’Hara

Good morning and thank you for joining Armada Hoffler’s fourth quarter and full year 2021 earnings conference call and webcast.

On the call this morning, in addition to myself, is Lou Haddad, CEO and Shawn Tibbets, COO.

The press release announcing our fourth quarter earnings along with our quarterly supplemental package and our 2022 guidance presentation were distributed this morning. A replay of this call will be available shortly after the conclusion of the call through March 10th, 2022. The numbers to access the replay are provided in the earnings press release.

For those who listen to the rebroadcast of this presentation, we remind you that the remarks made herein are as of today, February 10th, 2022, and will not be updated subsequent to this initial earnings call.

During this call, we will make forward-looking statements, including statements related to the future performance of our portfolio, our development pipeline, the impact of acquisitions and dispositions, our mezzanine program, our construction business, our liquidity position, our portfolio performance, and financing activities as well as comments on our guidance and outlook.

Listeners are cautioned that these statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond our control, particularly in light of the COVID-19 pandemic and any related economic uncertainty.

These risks and uncertainties can cause actual results to differ materially from our current expectations and we advise listeners to review the forward-looking statement disclosure in our press release that we distributed this morning and the risk factors disclosed in documents we have filed with, or furnished to, the SEC. We will also discuss certain non-GAAP financial measures, including but not limited to FFO and Normalized FFO. Definitions of these non-GAAP measures, as well as reconciliations to the most comparable GAAP measures, are included in the quarterly supplemental package, which is available on our website at armadahoffler.com.

Lou will start the call today by discussing our 2022 guidance. At this time, I’d like to draw your attention to our 2022 guidance presentation that we published this morning. I’ll now turn the call over to Lou.

Lou Haddad

Thanks Mike.

Good morning, everyone and thank you for joining us today. In addition to analysts and investors, there are many of the Armada Hoffler family on the call today, including joint venture partners. On behalf of our founder and chairman, Dan Hoffler, the board of directors, and executive management, we sincerely thank you for being a part of our team. Though the last two years have been challenging to say the least, your hard work, dedication, and expertise, have seen us through our fifth recession. As has been the case following the previous four, your efforts have us poised for significant growth and additional profitability. Similar to the 5 years preceding the pandemic, I feel certain that investors will soon recognize the trajectory of our company and reap the rewards of our growth. I'm proud to be associated with each one of you.

The primary focus of my comments today will be on our 2022 guidance deck released this morning. Later in the call, Mike will go over our fourth quarter and full year results. As you can see from our earnings release, and the other announcements we've made in recent weeks, our company has been extremely active. Over the last few months, we've acquired a $270 million trophy property, signed several new leases, and strengthened the balance sheet with noncore dispositions and capital market activity.

As we forecasted six months ago, all three of the asset classes in our stabilized portfolio are now over 95% leased. This activity combined with near-term development deliveries make us extremely bullish about 2022 and beyond.

A quick word about 2021: The 4th quarter was very strong with Normalized FFO of $0.27. The full year Normalized FFO of $1.07 represents a 7% increase from the midpoint of our original 2021 guidance. Record NOI from our multi-family properties combined with robust leasing in the office and retail sector as well as off-market acquisitions all played a role in this outstanding achievement.

As happy as we are about our recent performance, the true excitement in our company centers around the current quality of our NOI and the future trajectory that we expect will fuel the substantial growth in the net asset value of the company. As you may recall, our goal for 2021 was to substantially increase NAV through our leasing initiatives, improved quality of NOI, and exciting development starts. The continuation of this theme will become self-evident as we walk through the components of our guidance. Please see our guidance presentation that was released this morning.

Page 4 outlines the components of our earnings guidance. Compared to 2021 results of $1.07, our 2022 Normalized FFO guidance midpoint of $1.13 represents a solid 5.6% increase.

Now turning to page 5. 2022 is a year in which we will continue to focus on increasing the quality of portfolio NOI, accretive acquisitions, and multifamily development deliveries. In short, we anticipate that our activities over the course of 2022 will build a solid case for expansion of our multiple while we continue to ramp earnings and dividends over the next few years.

As you can see by the data at the top of the page, we expect a significant increase in 2022 NOI from 2021 levels. This increase is driven by the acquisition of the Exelon building, the lease-up of Wills Wharf, and the leasing activity at our retail properties, which are expected to yield a material increase in NOI. Even more important is the dramatic rise we anticipate in our future NOI once our current development projects stabilize. While all of our property segments are expected to exhibit healthy increases, the main driver is the 75% increase in multi-family NOI through development deliveries.

The majority of the funds necessary for these projects has already been secured, the remainder will be satisfied in the least dilutive manner possible. As the company's largest active equity holder, management remains committed to generating long-term value for all shareholders. Our primary goal is to increase NAV and turn a substantial amount of this growth into FFO.

Turning to page 6, you'll see the same NOI totals in bar-chart form with the overlay of our anticipated fee income. Notable here is our projection that third party construction fee income will remain near the top of its historical range for the foreseeable future. Our contract backlog for this division will soon be at an all-time high. And, as we have been stressing for several quarters, our lending program will continue to be de-emphasized as we deploy more of our capital on hard assets. Thus, the fee side of the business will soon become a single digit percentage in a pool of rapidly growing income. This was a conscious decision made in 2019 and one that sacrifices short term earnings but is on track to produce substantial increases in NAV.

Let's now take a closer look at the property segment composition of this NOI.

Starting with page 7. The multi-family segment performance has been nothing short of spectacular. Every 2021 metric listed here registered the highest increases in year over year results that we've experienced in our history. Perhaps the most important statistic shown is the future 55% growth in the number of units delivered through our development pipeline and the expected dramatic rise in NOI over the next few years. We believe that the current and increasing value of our Multifamily properties is under-appreciated by the market, and we hope that the true value of our multifamily portfolio will soon be recognized. These are recently built, best in class assets that we believe would receive sub-four cap rates on the open market.

Page 8 is a snapshot of our office segment. Again, showing very impressive occupancy, same-store NOI and releasing spreads. As we have said for a number of years, top-quality office buildings in mixed use environments outperform the general market over the long-term. Also noteworthy, we have very little in the way of lease expirations over the few years. Inclusive of the Exelon acquisition, a quick look at our top ten tenants will confirm that the vast majority of our office NOI is derived from investment grade tenants in trophy class buildings.

The next page details our retail assets. As we predicted, occupancy has fully recovered from the pandemic and same-store NOI and releasing spreads have been robust. As we have only a small amount of retail in the pipeline, we are anticipating reliable growth in this segment, primarily through continued rent increases and acquisitions.

Page 10 details our development projects. All projects are well underway, with the exception of the Harrisonburg apartments, which we expect to commence construction this spring. Our Chief Operating Officer, Shawn Tibbetts, is on the call if you have specific questions regarding any particular development. I'll call your attention to the bar chart to the right of the page. You'll see that we are anticipating the value creation to be larger than our traditional target of 20%. This increase is primarily due to the compression in multi-family cap rates. As I said earlier, apartments make-up the majority of the pipeline. We anticipate announcing at least two additional projects later this year.

Page 11 shows our recent acquisition activity. Over the past 14 months, we acquired 6 properties totaling over $500 million adding a total of $35 million in NOI. The acquisitions include 500,000 square feet of retail, 450,000 square feet of office and nearly 700 multifamily units. We intend to continue with these types of opportunistic acquisitions in 2022 and beyond.

While the total of over a half-billion dollars in recent acquisitions is impressive in and of itself, it's important to recognize that each of these purchases were off-market transactions. This approach requires patience and long-term relationships. We believe that we could sell each of these almost immediately at a meaningful profit. The full NOI impact of the assets listed here will be in place for virtually the entire year. In addition, our 2022 guidance includes additional purchases of $100 million in the second half of 2022 as we prepare to receive the proceeds from our partner's sale of the Interlock project in west mid-town Atlanta early next year.

On page 12, you can see that our core markets span from Baltimore to Atlanta with the highest concentration in Maryland and Virginia, the locations of our two master planned communities. On pages 14 to 17, you can see the magnitude of Baltimore's Harbor Point and the Town Center of Virginia Beach. Both of these master planned communities are multi-decade partnerships with municipalities and represent best in class mixed-use developments that continue to thrive and expand through multiple phases. Additionally, we are seeing a tremendous number of opportunities in our other markets of the Carolinas and Georgia and expect that we will continue to grow in those areas as well.

The remainder of the deck consists of a detailed description of the Exelon purchase which Mike will speak to and individual pages on each of our development projects.

Now I'll turn the call over to Mike.

Mike O'Hara

Thanks Lou.

In 2021, our stock rebounded from the lows of the pandemic, with a total return of 45%. In addition, the dividend was increased over 50% from $0.44 to $0.68 per share over the past 12 months.

For the fourth quarter, we reported FFO of $0.24 per share and Normalized FFO of $0.27 per share. For the full year, FFO was $1.05 and Normalized FFO was $1.07.

With the sale of Johns Hopkins Village and the two Charleston student housing properties under contract and being classified as held for sale, these properties are not included in any of the following performance metrics. Our stabilized operating portfolio occupancy for the fourth quarter was at 97%, with office at 97%, retail at 96%, and multifamily at 97%.

Same store NOI numbers continue to reflect the momentum of leasing and the strength of our properties, especially multifamily. Overall same store NOI for the quarter was positive 4.7% on a GAAP basis and 7.9% on a cash basis. Multifamily continues its amazing performance with same store positive 17% on a GAAP and cash basis. This is three quarters in a row of double digit increases of traditional multifamily same store NOI.

For the year 2021, same store NOI across the entire portfolio was positive 2.5% on GAAP and 6.3% on cash, with multifamily positive over 10%.
Releasing spreads on office and retail renewals for the quarter were positive 8.9% on a GAAP basis and 3.6% cash. For 2021, they were positive 9% GAAP and 4.9% on a cash basis.

Last month, we closed on the acquisition of the 90% economic interest in the Exelon mixed-use building. Our long-term partner, Beatty Development, continues to own the other 10%. The building consists of 444,000 square feet of office, 39,000 square feet of retail, 750 parking spaces, and 103 multifamily units. Fortune 500 energy company, Exelon Constellation leases the office and 500 of the parking spaces. Page 13 of the guidance deck illustrates additional information on this transaction. Our expected first year return is 7.4% on GAAP basis and 6.1% on a cash basis, which makes this acquisition immediately accretive. At closing, we refinanced the property with a 5-year, $175 million loan, with the interest rate of BSBY plus 150.

With the acquisition activity highlighted on page 11, we have been active raising capital over the past few months. These sources of capital were raising $86 million through a combination of ATM and our first common capital raise in over four years at an average price of $14.76. In addition, we are exiting the student housing business, which we believe is a source of low-cost capital. We sold the JHU student housing property in November, and the two Charleston student housing properties are under contract. The total expected sales price of the three properties is approximately $156 million.

As for 2022 debt maturities, there are only 2, both are shopping center loans totaling $20 million. We intend to pay off these loans and add the properties to the credit facility borrowing base.
We also unencumbered the Delray Beach Whole Foods center and are adding it borrowing base.

Now for an update on the mezzanine and preferred equity program. As we have discussed, we are in the process of reducing the overall size of the program. Going forward, we expect to invest in smaller or loan to own projects. This plan is well underway, with less capital committed to the program and lower projected interest income going forward, especially next year after the Interlock loan is paid off.

Our 2022 guidance for interest income includes an expected paydown of approximately $14 million on the Interlock loan this month. With the property's performance and related increase in value, the current lender is modifying the loan. We included a full year of interest income, as we expect the loan to be paid off in early 2023.

Recently, we closed on our fourth Terwilliger-Pappas project, Solis City Park, a $60 million project located in Charlotte, NC. Our preferred equity loan amount is $20 million, which we expect to start funding early next month.

Our 2022 full year normalized FFO per share earnings guidance is $1.11 to $1.15 per share. Please see page 4 of the guidance presentation for the details of our 2022 ranges and assumptions.

Now I'll turn the call back to Lou.

Lou Haddad

Thanks Mike.

I know this is a lot of information to digest in a short period of time. I hope you will take the time to review it at a more leisurely pace, please reach out to us if you have any questions. I believe you will come to realize the tremendous value we are generating at Armada Hoffler.
One final note: we expect that our board will be discussing the level of upcoming dividends and further governance enhancements at its late February meeting. Look for important announcements at that time.

Operator we would now like to start our question-and-answer session.

Q&A Session

Operator

[Operator Instructions]

The first question comes from the line of Dave Rodgers with Baird.

Dave Rodgers

Look at all the information today. It is a lot to digest. But I wanted to maybe first start with the sources and uses. You've got a lot of projects underway. You've got a lot more coming, which I think is great for the story, and clearly, you guys can execute. But $628 million in development, you talked about two more projects starting. Maybe give us a little more sense on kind of sources and uses as you kind of go through the year. You've got some assets that teed up. You've talked about acquisitions in the back half. Development starts in the back half. So maybe just kind of put the pieces together for us of what capital you've already secured and what's next in terms of maybe asset sales, et cetera.

Lou Haddad

Thanks, Dave. I'm going to let Mike answer that question specifically. We feel really good about our cash position and funding the remaining developments. Mike?

Mike O'Hara

So, the development projects that we already have out there and announced there's approximately $256 million to complete those projects, which includes the amount of capital that we need, approximately $60 million for the two JVs up in Baltimore. We expect construction loans to fund $180 million of that leaving cash requirements of $80 million to fund that. And certainly, we have a liquidity position at year-end that's more than adequate to take care of that. Going forward so in January, we closed on the Exelon transaction. The net cash requirement for that after the refinance was $90 million in January, we raised $59 million through the ATM and the equity raise that we did in January. And then other sources of funds coming in this year is the interlock paydown of $14 million and the expected proceeds of $39 million or so from the sale of the two Charleston student housing properties. In addition, if the market conditions are right, we'll continue to sell into the ATM. As we've talked about, we like the ATM for funding development because we can raise the capital as we put it out.

Dave Rodgers

That's helpful. And I appreciate that, Mike. As you guys look to the second half of the year and the two development starts, Lou, that you discussed, and I think upwards of $100 million of acquisitions at the high end of the guidance range. How do you anticipate funding that? Do you have asset bills that you would like to tee up and any thoughts around those in addition to what you've already discussed?

Lou Haddad

Yes. Dave, we still have a couple of non -- what we deem as noncore assets that we could pull the trigger on. I'm not sure that will be necessary. As you know, with development starts, the cash needs are exceedingly small for an extended period of time. So, we will be looking at well into 2023 before those have any really significant equity needs. And so, as we've alluded to, we're anticipating the payoff of the Interlock loan with some $70 million or so coming back into the house early in the year.

Dave Rodgers

Great. That's helpful. And then just one follow-up for me. On the same-store NOI for multifamily, I think 10% for the year. Can you maybe unpack that a little bit for us, if you could, between kind of rent growth maybe what the rehab and redevelopments contributed and then maybe some of the tailings, stabilization of any development that contributed to that, just to try to get a sense for the run rate for multifamily growth in your markets going forward.

Lou Haddad

There's a lot there, Dave. There really aren't any material contributions from development deliveries through the first half of 2022. Gainesville project is just starting to lease up and Chronicle Mill won't start lease-up until late summer. In terms of the retrofits and that was one project here at Cosmopolitan Apartments here in Virginia Beach. And those.

Mike O'Hara

Yes, Dave, on the Cosmo, just coupling on same store. It is not in the full year same-store number. It's only in the current quarter because when it came back online and it contributed about [$300,000] of that $800,000 of increased revenue in the fourth quarter.

Lou Haddad

So, our anticipation, David, is that these double-digit increases are going to start to moderate here through 2022. And I mean, as we all know, been in this business for a long time. You always return to the norm at some point with the amount of product that's coming online, we believe that by the end of the year, you'll be back into a much more traditional 2%, 3%, 4% increases on trade out and rents.

Operator

Thank you. The next question comes from the line of Rob Stevenson with Janney.

Robert Stevenson

Mike, any known or likely move-outs in the office retail portfolios over the next few years? I think Lou said that your rollover isn't particularly big.

Mike O'Hara

Yes. The only one that we're anticipating is in April '23 is the JHU Medical at the Thames Street Wharf office building. We've already been in contact with a couple of tenants that are expressing interest in that space. On the retail side, all the renewals happen well you saw we did quite a few renewals here in this past quarter.

Lou Haddad

We're really not anticipating anything on the retail side, anything of any materiality in terms of lease terminations.

Robert Stevenson

How big is the square footage and when does that office lease expire?

Lou Haddad

Yes, it's about 46,000 square feet. And I believe it's April of '23, Rob.

Robert Stevenson

Okay. And then, Mike, while I've got you, how much loan-to-own opportunities are there? You talked about focusing on that. I mean there's a number of REITs that do mezz portfolios or preferred however you want to classify it and pretty much all of them have found loan to own, extremely scarce these days. I know that you have a few people that you work closely with. But can you talk about what that opportunity set is these days? And what's happening to returns in that book as rates gyrate around here?

Mike O'Hara

Yes. As Lou discussed and seen a couple of opportunities there that maybe get going at the end of the year, one or two of those look like besides those, there's a couple more out there and a couple of them look like they could be multifamily loan to own, but you're right, the returns are thin and you have to do it in a manner so that you still have the right return when you acquire it. But what happens, who knows that we just leaving the possibility out there that they could come together.

Robert Stevenson

Okay. And then, Lou, any updates to the town center plan with those three parcels that you've been talking about for a while now? It's a near slide deck, there's the two redevelopments and then the surface parking. I mean, have you guys settled on anything yet? Is it still to be determined? Where is that stage wise.

Lou Haddad

Yes. We're still in preliminary stages there, Rob. But what I've said is our expectation is that we'll be announcing a new project here at Town Center Virginia Beach in 2022. That project will most probably be a high rise. It will have a multifamily component. And we're working through -- as I think you know, we're some-90% occupied office wise. We have a few tenants here that are looking to expand. So we need to zero-in on a program of how much office space to put into what we believe will be a mixed-use tower.

Robert Stevenson

And is that likely to be a block 2?

Lou Haddad

Yes.

Robert Stevenson

Okay. And then any other -- you've talked in the past about some of the redevelopment opportunities with a movie theater and adding some apartments and then some other stuff. Is there anything else that you guys are looking at beyond Town Center at this point redevelopment wise of size?

Lou Haddad

Not of any real size, Rob. We've got some refits we need to do and want to do in order to bump rents but not really anything of materiality that town center opportunity is a big one. Our expectation is that Regal is going to stay for the next few years. And then we get the Bed Bath parcel back in four years. And so, we'd be able to assemble a 10-acre parcel there for something really spectacular. So never say never, but the current thinking is we'll wait that period of time so that we could do something rather than trying to do something independent on the 3-acre Regal parcel combined the two and really have something to add. And then, of course, we're also working on the Harrisonburg Apartments that are in the book on the development side. Shawn can give us a quick update on where that project stands.

Shawn Tibbetts

Sure. Thanks, Lou. Yes, that's a 266-unit deal when 100% owned by us and kind of to answer your question there, we are in the throes of redeveloping that Regal site to include keeping the Regal in play, but also putting the multifamily community there. As a matter of fact, just on Tuesday night of this week, we received our entitlements from the city and past the fine color. So, we're excited about that as we enter into the kind of planning and more focused, strategic phase of that design for that project. So, we're really excited about that one.

Operator

The next question comes from the line of Peter Abramowitz with Jefferies.

Peter Abramowitz

I just wanted to ask about the pipeline for potential acquisitions, kind of what's the, what's the composition of asset types and, I guess, geographic mix of kind of what you're looking at when you talk about that $100 million in the second half of the year.

Lou Haddad

Yes. Thanks, Pete. You can -- we're creatures of habit. And so, what we're targeting is what's in our wheelhouse, and that is mixed-use facilities that we specialize in, if you will, and strong sales grocery-anchored shopping centers. Those have been good to us for 40 years, and we expect to continue expanding that model. As far as locations, again, we're looking for top quality locations within our existing markets. And as I alluded to earlier, our preference is to transact off-market and preferably with somebody that we already know. And even more importantly, perhaps more importantly, someone that's willing to invest in our company in the way of OP units.

Peter Abramowitz

Sure. That's helpful. And then I wanted to ask, in terms of pricing, are you sensing any sort of shift in behavior in the market for these deals, just given kind of the outlook for interest rates. I know certainly cap rates don't move overnight, but what are you hearing from your counterparties are seeing in the market? Or are you anticipating any kind of meaningful change in pricing this year?

Lou Haddad

Yes. Right now -- and we'll see what happens as the Fed starts to tighten. But I mean right now, cap rates continue to compress, particularly on multifamily properties, but even on high-volume credit retail cap rates have really come in very strong. Pete, as you know, you've been around this game for a long time, hard assets stand the test of time. And so, what I've seen over the last 40 years is that real estate does really well in a rising rate environment. Obviously, replacement costs are really going out very quickly and strongly. So, I don't expect -- and again, this is probably the fifth or sixth time we've seen a rising rate environment. And in the past, past several times haven't seen any meaningful repricing. You get a lot more repricing where with product types that go in and out of favor versus what's going on with interest rates.

Operator

The next question comes from the line of James Feldman with Bank of America.

James Feldman

I just wanted to go to your follow-up on your comment about student housing business, and it sounds like you won't be growing there. Is there something about the Harrisonburg project that's driving that? Or is that even considered student housing versus kind of more traditional apartments? I just want to kind of better understand where you're going to draw the line here, whether it's campus markets or out of those markets completely?

Lou Haddad

Sure, Jamie. No, we have a ground zero location in terms of the heart of Harrisonburg. Those will be traditional multifamily units our expectation would be that there will be some students, but not materially so. It's somewhat akin to our property that is close to Virginia Tech in Blacksburg. Again, traditional apartments rented in a traditional way. A lot of staff members, a lot of professors as well as students occupy that. But in Harrisonburg, the overall vacancy rate is less than 3% in that submarket. So, our expectation is that we are going to be at the top of the market with the newest product, and we're really excited about that.

James Feldman

Okay. But I guess, going forward, I mean, do you see yourself still developing in some of these college towns?

Lou Haddad

Sure. I don't think you would see us do a strict traditional student housing property. We [indiscernible] got best left to the specialist. But again, as you know, we do joint ventures with universities and as a diversified REIT, we answered the call to what they want that to be. But it certainly isn't a focus of the company. I mean we intended to exit that business. We are exiting the business, but never say never with future opportunities.

James Feldman

Okay. And then I mean we're not seeing a lot of office buying these days. I'm just curious, do you think this is going to be an opportunity for you to buy before others get in? Will we see more large-scale office acquisitions on your side?

Lou Haddad

It's a possibility, Jamie. I mean as you know, the market tends to paint everything with one brush. And so, office is out of favor. What we've seen in our markets, trophy class buildings stay in the test of time and will continue to stand the test of time. We see well-financed companies expanding their footprint, not shrinking. We're seeing that in conversations with the new CEO of Exelon Constellation. We're seeing it with T. Rowe Price. We're almost certain, well, we are certain that, that building that was originally programmed for 450,000 square feet will be bigger than that. Our expectation is by the end of the next quarter, end of this quarter, that program will have settle down. So yes, our intent is to take advantage of others painting everything with the same brush. And as you know, we're not going to shy away from mixed-use, which also eliminates potential competitors.

James Feldman

Okay. So, I mean what's your target type of office building here. Is it in your existing market footprint? Would you go outside of it?

Lou Haddad

For us to go outside of our footprint, it would have to be a heck of an opportunity. I mean there's so much opportunity within our footprint that there's really not much of a need to leave home. But again, I think we -- I think you have to be at the top of the market with investment-grade tenants. And again, take advantage of the fact that those aren't receiving a lot of love from the market.

James Feldman

Okay. And then you had commented you think your fee business will be kind of near all-time highs for the foreseeable future. What's in the pipeline that gives you conviction to say that has something changed in terms of just the appetite from customers? Or just you're willing to stay active in the business?

Lou Haddad

Again, I want to make sure we're clear. The fee business on the whole, including the big interest program, the loan program will shrink as an overall percentage. And like I said, we'll end up in the mid-single digits in terms of our overall income and NOI. But as far as the construction business itself, yes, backlog is headed to an all-time high. A big part of that is what's going on in Baltimore with T. Rowe Price and the adjacent building to it in the parking garage. But our third-party clients are extremely active, particularly on the multifamily front. And so, we're seeing backlog into early 2025 at this point.

Operator

The next question comes from the line of Bill Crow with Raymond James.

William Crow

Mike, if I can just circle back to Dave Rodgers line of question. Maybe you can help us fill in the blanks here. You're at 6.5x core debt to core EBITDA. Does that go up through the year? Or how much equity do you have in the model to maintain that $6.5 million.

Mike O'Hara

Yes, Bill. Yes, we -- as we've been kept our leverage for a number of years now is we -- the core to be in the 6x-something range and that's where we've been, and that's where we'll continue to manage the company to -- will tick up to the higher 6's in the next quarter or so, it may possibly as the new tenants getting in place in that paying rent. In total debt to EBITDA, we want below 8x and at the end of the fourth quarter, it was 7x. So, we're not going to let it get out of that range if it does, as we said in the past, it will be for a short period of time. We have modeled enough ATM to keep us in that range. And if things change and adapt like they always do, we don't expect to -- in a year from now to had the exact game plan that we're laying out today, we'll adapt. And if we need to sell noncore assets et cetera, we will do that.

William Crow

Okay. All right. You don't want to share how much you've got in the model though of ATM issuance?

Mike O'Hara

Because it's subject to change depending on the market conditions.

Operator

Thank you. Ladies and gentlemen, we have reached the end of question-and-answer session. And I would like to turn the call back to Louis Haddad, Chief Executive Officer, for closing remarks. Thank you.

Lou Haddad

Thanks, everyone, for your time and attention this morning. As I said, hopefully, you can take a little bit more time with our guidance deck. We're available for questions on that. And also, again, look for further announcements in the next couple of weeks. Thanks again. Have a great day.

Operator

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