RAMCO GERSHENSON PROPERTIES TRUST
Form 10-Q
August 03, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES ACT OF 1934

For the quarterly period ended June 30, 2017

Commission file number 1-10093

RAMCO-GERSHENSON PROPERTIES TRUST
(Exact name of registrant as specified in its charter)

MARYLAND	13-6908486
(State of other jurisdiction of incorporation or organization)	(I.R.S Employer Identification Numbers)

31500 Northwestern Highway, Suite 300 Farmington Hills, Michigan	48334
(Address of principal executive offices)	(Zip Code)

248-350-9900
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

Number of common shares of beneficial interest ($0.01 par value) of the registrant outstanding as of July 27, 2017: 79,362,081

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PART 1 – FINANCIAL INFORMATION
Item 1. Unaudited Condensed Consolidated Financial Statements
RAMCO-GERSHENSON PROPERTIES TRUST
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	June 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Income producing properties, at cost:		
Land	$415,694	$ 374,889
Buildings and improvements	1,853,221	1,757,781
Less accumulated depreciation and amortization	(368,292)	(345,204)
Income producing properties, net	1,900,623	1,787,466
Construction in progress and land available for development or sale	68,853	61,224
Real estate held for sale	13,837	8,776
Net real estate	1,983,313	1,857,466
Equity investments in unconsolidated joint ventures	2,798	3,150
Cash and cash equivalents	4,798	3,582
Restricted cash and escrows	31,819	11,144
Accounts receivable (net of allowance for doubtful accounts of $2,056 and $1,861 as of June 30, 2017 and December 31, 2016, respectively)	25,842	24,016
Acquired lease intangibles, net	76,328	72,424
Other assets, net	93,645	89,716
TOTAL ASSETS	$2,218,543	$ 2,061,498
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes payable, net	$ 1,197,414	$ 1,021,223
Capital lease obligation	1,066	1,066
Accounts payable and accrued expenses	53,982	57,357
Acquired lease intangibles, net	67,237	63,734
Other liabilities	6,294	6,800
Distributions payable	19,654	19,627
TOTAL LIABILITIES	1,345,647	1,169,807
Commitments and Contingencies		
Ramco-Gershenson Properties Trust ("RPT") Shareholders' Equity:		
Preferred shares, $0.01 par, 2,000 shares authorized: 7.25% Series D Cumulative Convertible Perpetual Preferred Shares, (stated at liquidation preference $50 per share), 1,849 shares issued and outstanding as of June 30, 2017 and December 31, 2016	92,427	92,427
Common shares of beneficial interest, $0.01 par, 120,000 shares authorized, 79,345 and 79,272 shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	793	793
Additional paid-in capital	1,159,197	1,158,430
Accumulated distributions in excess of net income	(401,179)	(381,912)
Accumulated other comprehensive income	1,074	985
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO RPT	852,312	870,723
Noncontrolling interest	20,584	20,968

TOTAL SHAREHOLDERS' EQUITY	872,896	891,691
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$2,218,543	$2,061,498

The accompanying notes are an integral part of these condensed consolidated financial statements.

RAMCO-GERSHENSON PROPERTIES TRUST
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
REVENUE				
Minimum rent	$50,797	$48,554	$100,234	$96,950
Percentage rent	225	138	463	440
Recovery income from tenants	14,841	16,032	31,732	32,778
Other property income	1,126	914	2,232	1,872
Management and other fee income	73	245	226	355
TOTAL REVENUE	67,062	65,883	134,887	132,395
EXPENSES				
Real estate taxes	10,730	11,132	21,723	21,441
Recoverable operating expense	6,431	6,672	14,039	14,751
Non-recoverable operating expense	1,242	564	2,390	1,957
Depreciation and amortization	23,335	22,714	46,152	46,561
Acquisition costs	—	4	—	63
General and administrative expense	6,372	5,683	12,823	11,288
Provision for impairment	820	—	6,537	—
TOTAL EXPENSES	48,930	46,769	103,664	96,061
OPERATING INCOME	18,132	19,114	31,223	36,334
OTHER INCOME AND EXPENSES				
Other (expense) income, net	(424)	198	(735)	(150)
Gain on sale of real estate	—	19,799	11,375	26,324
Earnings from unconsolidated joint ventures	55	109	141	218
Interest expense	(11,486)	(11,376)	(22,285)	(22,678)
Other gain on unconsolidated joint ventures	—	215	—	215
INCOME BEFORE TAX	6,277	28,059	19,719	40,263
Income tax provision	(25)	(39)	(53)	(101)
NET INCOME	6,252	28,020	19,666	40,162
Net income attributable to noncontrolling partner interest	(147)	(659)	(462)	(956)
NET INCOME ATTRIBUTABLE TO RPT	6,105	27,361	19,204	39,206
Preferred share dividends	(1,675)	(1,675)	(3,350)	(3,350)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	$4,430	$25,686	$15,854	$35,856
EARNINGS PER COMMON SHARE				
Basic	$0.05	$0.32	$0.20	$0.45
Diluted	$0.05	$0.32	$0.20	$0.45
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic	79,344	79,233	79,322	79,214
Diluted	79,529	86,027	79,525	79,413

Cash Dividend Declared per Common Share	$0.22	$0.21	$0.44	$0.42
OTHER COMPREHENSIVE INCOME				
Net income	$6,252	$28,020	$19,666	$40,162
Other comprehensive gain (loss):				
Gain (loss) gain on interest rate swaps	(632)	(2,221)	91	(6,997)
Comprehensive income	5,620	25,799	19,757	33,165
Comprehensive income attributable to noncontrolling interest	(139)	(606)	(464)	(787)
COMPREHENSIVE INCOME ATTRIBUTABLE TO RPT	$5,481	$25,193	$19,293	$32,378

The accompanying notes are an integral part of these condensed consolidated financial statements.

RAMCO-GERSHENSON PROPERTIES TRUST
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
For the Six Months Ended June 30, 2017
(In thousands)
(Unaudited)

	Shareholders' Equity of Ramco-Gershenson Properties Trust						
	Preferred Shares	Common Shares	Additional Paid-in Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total Shareholders' Equity
Balance, December 31, 2016	$92,427	$ 793	$1,158,430	$(381,912)	$ 985	$ 20,968	$ 891,691
Issuance of common shares, net of issuance costs	—	—	(24)	—	—	—	(24)
Redemption of OP unit holders	—	—	—	(1)	—	(4)	(5)
Share-based compensation and other expense, net of shares withheld for employee taxes	—	—	791	—	—	—	791
Dividends declared to common shareholders	—	—	—	(34,917)	—	—	(34,917)
Dividends declared to preferred shareholders	—	—	—	(3,350)	—	—	(3,350)
Distributions declared to noncontrolling interests	—	—	—	—	—	(844)	(844)
Dividends declared to deferred shares	—	—	—	(203)	—	—	(203)
Other comprehensive income adjustment	—	—	—	—	89	2	91
Net income	—	—	—	19,204	—	462	19,666
Balance, June 30, 2017	$92,427	$ 793	$1,159,197	$(401,179)	$ 1,074	$ 20,584	$ 872,896

The accompanying notes are an integral part of these condensed consolidated financial statements.

RAMCO GERSHENSON PROPERTIES TRUST
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2017	2016
OPERATING ACTIVITIES		
Net income	$19,666	$40,162
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	46,152	46,561
Amortization of deferred financing fees	692	754
Income tax provision	53	101
Earnings from unconsolidated joint ventures	(141)	(218)
Distributions received from operations of unconsolidated joint ventures	478	268
Provision for impairment	6,537	—
Other gain on unconsolidated joint ventures	—	(215)
Gain on sale of real estate	(11,375)	(26,324)
Amortization of premium on mortgages, net	(583)	(910)
Service-based restricted share expense	1,181	1,325
Long-term incentive cash and equity compensation expense	330	915
Changes in assets and liabilities:		
Accounts receivable, net	(1,826)	1,851
Acquired lease intangibles and other assets, net	(2,176)	(876)
Accounts payable, acquired lease intangibles and other liabilities	(6,867)	(9,475)
Net cash provided by operating activities	52,121	53,919
INVESTING ACTIVITIES		
Acquisition of real estate	(164,964)	—
Development and capital improvements	(25,286)	(30,872)
Net proceeds from sales of real estate	1,292	68,546
Distributions from sale of joint venture property	—	1,304
Change in restricted cash	1,455	923
Net cash (used in) provided by investing activities	(187,503)	39,901
FINANCING ACTIVITIES		
Repayments of mortgages and notes payable	(1,588)	(22,411)
Proceeds on revolving credit facility	202,000	(34,000)
Repayments on revolving credit facility	(24,000)	—
Payment of deferred financing costs	—	(386)
Proceeds, net of costs, from issuance of common stock	(24)	(155)
Redemption of operating partnership units for cash	(5)	(1,508)
Shares used for employee taxes upon vesting of awards	(498)	—
Dividends paid to preferred shareholders	(3,350)	(3,350)
Dividends paid to common shareholders and deferred shares	(35,093)	(33,462)
Distributions paid to operating partnership unit holders	(844)	(823)
Net cash provided by (used in) financing activities	136,598	(96,095)

Net change in cash and cash equivalents	1,216	(2,275)
Cash and cash equivalents at beginning of period	3,582	6,644
Cash and cash equivalents at end of period	$4,798	$4,369
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest (net of capitalized interest of $118 and $402 in 2017 and 2016, respectively)	$21,023	$23,216
Proceeds from dispositions held in escrow	$26,130	$—

The accompanying notes are an integral part of these condensed consolidated financial statements.

RAMCO-GERSHENSON PROPERTIES TRUST
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization and Basis of Presentations

Organization

Ramco-Gershenson Properties Trust, together with its subsidiaries (the “Company” or "RPT"), is a real estate investment trust (“REIT”) engaged in the business of owning, developing, redeveloping, acquiring, managing and leasing large multi-anchored shopping centers primarily in a number of the largest metropolitan markets in the central United States. As of June 30, 2017, our property portfolio consisted of 64 wholly owned shopping centers comprising approximately 15.0 million square feet. We also have ownership interests of 7%, 20% and 30%, respectively, in three joint ventures. Our joint ventures are reported using equity method accounting. We earn fees from the joint ventures for managing, leasing and redeveloping the shopping centers they own. In addition, we own interests in several land parcels that are available for development or sale. Most of our properties are anchored by supermarkets and/or national chain stores. Our credit risk, therefore, is concentrated in the retail industry.

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of the Company and our majority owned subsidiary, the Operating Partnership, Ramco-Gershenson Properties, L.P. (the "OP") (97.6% owned by the Company at June 30, 2017 and December 31, 2016, respectively), and all wholly-owned subsidiaries, including entities in which we have a controlling financial interest.

We have elected to be a REIT for federal income tax purposes. All intercompany balances and transactions have been eliminated in consolidation. The information furnished is unaudited and reflects all adjustments which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods presented, and all such adjustments are of a normal recurring nature. These condensed consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2016.

The preparation of our unaudited financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited financial statements and the reported amounts of revenues and expenses during the reporting period. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and reported amounts that are not readily apparent from other sources. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-01, "Clarifying the Definition of a Business" ("ASU 2017-01"). ASU 2017-01 changes the definition of a business to exclude acquisitions where substantially all of the fair value of the assets acquired are concentrated in a single identifiable asset or a group of similar identifiable assets. While there are various differences between the accounting for an asset acquisition and a business combination, the largest impact is certain transaction costs are capitalized for asset acquisitions rather than expensed when they are considered business combinations. ASU 2017-01 is effective January 1, 2019, however the Company early adopted this standard during the first quarter of 2017.

In March 2016, the FASB updated ASC Topic 718 "Compensation - Stock Compensation" with ASU 2016-09 "Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 simplifies several aspects of share-based payment award transactions, including tax consequences, classification of awards and the classification on the statement of cash flows. ASU 2016-09 is effective for annual periods (including interim periods within those periods) beginning after December 15, 2016. The adoption of this standard resulted in classifying cash paid by the Company to taxing authorities when directly withholding shares upon vesting as financing activities in the consolidated statements of cash flows.

Recent Accounting Pronouncements

In May 2017, the FASB issued ASU 2017-09 "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting" ("ASU 2017-09"). ASU 2017-09 clarifies guidance about what changes to the terms and conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. It is effective for annual periods, and interim periods within those annual periods, beginning after December 31, 2017. The adoption of this standard is not anticipated to have a material impact on the consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05 "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets" ("ASU 2017-05"). ASU 2017-05 clarifies that a financial asset is within the scope of Subtopic 610-20 if it meets the definition of an in substance nonfinancial asset. ASU 2017-05 also defines the term in substance nonfinancial asset. It is effective for annual periods beginning after December 15, 2017. The adoption of this standard is not anticipated to have a material impact on the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04 "Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). ASU 2017-04 simplifies the accounting for goodwill impairment by removing Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. ASU 2017-04 is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not anticipate the adoption of ASU 2017-04 will have a material impact on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15 "Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"), which clarifies the treatment of several cash flow categories. In addition, ASU 2016-15 clarifies that when cash receipts and cash payments have aspects of more than one class of cash flows and cannot be separated, classification will depend on the predominant source or use. This update is effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted, including adoption in an interim period. We are currently evaluating the guidance and have not determined the impact this standard may have on our consolidated financial statements.

In June 2016, the FASB updated Accounting Standards Codification ("ASC") Topic 326 "Financial Instruments - Credit Losses" with ASU 2016-13 “Measurement of Credit Losses on Financial Instruments” ("ASU 2016-13"). ASU 2016-13 enhances the methodology of measuring expected credit losses to include the use of forward-looking information to better inform credit loss estimates. ASU 2016-13 is effective for annual periods (including interim periods within those periods) beginning after December 15, 2019. We are currently evaluating the guidance and have not determined the impact this standard may have on our consolidated financial statements.

In February 2016, the FASB updated ASC Topic 842 "Leases" ("ASU 2016-02"). ASU 2016-02 requires lessees to record operating and financing leases as assets and liabilities on the balance sheet and lessors to expense costs that are not direct leasing costs. ASU 2016-02 is effective for periods beginning after December 15, 2018, with early adoption permitted upon issuance using a modified retrospective approach. The Company continues to evaluate the effect the adoption of ASU 2016-02 will have on our consolidated financial statements and related disclosures. However, we currently believe the adoption of ASU 2016-02 will not have a material impact for operating leases where we are a lessor and will continue to record revenues from rental properties for its operating leases on a straight-line basis. In addition, for leases where the Company is a lessee, primarily for the Company’s ground lease and administrative office lease, the Company believes it will record a lease liability and a right of use asset at fair value upon adoption related to these items. In addition, we are reviewing internal costs associated with our leasing staff and what changes will be required under the new guidance related to leasing costs.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing GAAP revenue recognition guidance as well as impact the existing GAAP guidance governing the sale of non-financial assets. The standard's core principle is that a company will recognize revenue when it satisfies performance obligations, by transferring promised goods or services to customers, in an amount that reflects the consideration to which the company expects to be entitled in exchange for fulfilling those performance obligations. In doing so, companies will need to exercise more judgment and make more estimates than under existing GAAP guidance. ASU 2014-09 will be effective for public entities for annual and interim reporting periods beginning after December 15, 2017 and early adoption is permitted in periods ending after December 15, 2016. We anticipate adopting ASU 2014-09 and the related updates subsequently issued by the FASB using the modified retrospective method. In addition, we are evaluating our revenue streams and the appropriate accounting literature each is governed under. Our current evaluation of the revenue streams indicates less than 20% of our consolidated revenues require evaluation under ASU 2014-09, however that process is on-going as we review and document selected arrangements. We are also reviewing the impact of additional disclosures required under ASU

2014-09. At this time we do not expect material changes to our accounting policies for these revenue streams, but as indicated our review of contractual arrangements and disclosures under ASU 2014-09 will continue through the remainder of 2017.

2. Real Estate

Included in our net real estate assets are income producing properties that are recorded at cost less accumulated depreciation and amortization, construction in process and land available for development or sale.

We review our investment in real estate, including any related intangible assets, for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying value of the property may not be recoverable. These changes in circumstances include, but are not limited to, changes in occupancy, rental rates, tenant sales, net operating income, geographic location, real estate values and expected holding period.

For the three months ended June 30, 2017 and six months ended June 30, 2017, we recorded impairment provisions totaling $0.8 million and $6.5 million, respectively on shopping centers classified as income producing. The adjustments were triggered by changes in the associated market price and expected hold period assumptions related to these shopping centers. To estimate fair value, we use discounted cash flow models that include assumptions of the discount rates that market participants would use in pricing an asset or market pricing from potential or comparable transactions.

Land available for development or sale includes real estate projects where vertical construction has yet to commence, but which have been identified by us and are available for future development when market conditions dictate the demand for a new shopping center. The viability of all projects under construction or development, including those owned by unconsolidated joint ventures, is regularly evaluated under applicable accounting requirements, including requirements relating to abandonment of assets or changes in use. Land available for development or sale was $37.0 million and $37.8 million at June 30, 2017 and December 31, 2016, respectively.

Construction in progress represents existing development, redevelopment and tenant build-out projects. When projects are substantially complete and ready for their intended use, balances are transferred to land or building and improvements as appropriate. Construction in progress was $31.9 million and $23.4 million at June 30, 2017 and December 31, 2016, respectively.

The increase in construction in progress from December 31, 2016 to June 30, 2017 was due primarily to ongoing redevelopment and expansion projects across the portfolio.

Pursuant to the criteria established under ASC Topic 360 we classify properties as held for sale when executed purchase and sales agreement contingencies have been satisfied thereby signifying that the sale is legally binding. As of June 30, 2017, we had one property and one parcel classified as held for sale with a net book value of $13.8 million. The purchase and sale agreement contingencies were satisfied on or prior to June 30, 2017 and we closed each transaction in July 2017. As of December 31, 2016, the Company had one property classified as held for sale with a net book value of $8.8 million which closed in February 2017.

3. Property Acquisitions and Dispositions

Acquisitions

The following table provides a summary of our acquisitions for the six months ended June 30, 2017:

Property Name	Location	GLA (in thousands)	Acreage	Date Acquired	Gross Purchase Price	Assumed Debt
					(In thousands)	
Providence Marketplace	Mt. Juliet, TN	632	N/A	02/17/17	$ 115,126	$ —
Webster Place	Chicago, IL	135	N/A	02/17/17	53,162	—
Total consolidated income producing acquisitions		767	—		$ 168,288	$ —
Troy Marketplace - Outparcel	Troy, MI	N/A	0.4	06/30/17	$ 201	$ —
Troy Marketplace - Outparcel	Troy, MI	N/A	0.5	01/17/17	475	—
Total consolidated land / outparcel acquisitions		—	0.9		$ 676	$ —
Total Acquisitions		767	0.9		$ 168,964	$ —

The aggregate fair value of our 2017 acquisitions through June 30, 2017, was allocated and is reflected in the following table.

	Allocated Fair Value (In thousands)
Land	$ 51,257
Buildings and improvements	107,156
Above market leases	409
Lease origination costs	12,885
Other assets	3,899
Below market leases	(6,642)
Net assets acquired	$ 168,964

Total revenue and net income for the 2017 acquisitions included in our condensed consolidated statement of operations for the three and six months ended June 30, 2017 were as follows:

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
	(In thousands)	

Total revenue from 2017 acquisitions	$3,864	$ 5,615
Net income from 2017 acquisitions	$527	$ 774

Unaudited Proforma Information

If the 2017 acquisitions had occurred on January 1, 2016, our consolidated revenues and net income for the three and six months ended June 30, 2017 and 2016 would have been as follows:

	Three Months ended June 30,		Six Months ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Consolidated revenue	$67,063	$71,137	$136,639	$139,401
Consolidated net income available to common shareholders	$4,430	$26,459	$16,094	$36,869

Dispositions

The following table provides a summary of our disposition activity for the six months ended June 30, 2017:

Property Name	Location	GLA	Acreage	Date Sold	Gross Sales Price	Gain on Sale
		(In thousands)			(In thousands)	
Auburn Mile	Auburn Hills, MI	91	N/A	03/17/17	$13,311	$7,005
Oak Brook Square	Flint, MI	152	N/A	02/10/17	14,200	4,185
Total income producing dispositions		243	—		$27,511	$11,190
Lakeland Park Center - Outparcel	Lakeland, FL	N/A	1.8	03/31/17	$1,305	$185
Total outparcel dispositions		—	1.8		$1,305	$185
Total consolidated dispositions		243	1.8		$28,816	$11,375

Approximately $26.1 million of the net proceeds related to the Auburn Mile and Oak Brook Square dispositions were placed into escrow at closing to complete an Internal Revenue Code Section 1031 exchange. Section 1031 of the Internal Revenue Code states the recognition rules for realized gains or losses that arise as a result of an exchange of like-kind property held for productive use in trade or business or for investment. A 1031 exchange may allow a taxpayer to manage tax liabilities that result from asset sales and in certain circumstances can cause a time delay in the use of sales proceeds until specific criteria are met. The escrowed proceeds are included in Restricted Cash and Escrows on the condensed consolidated balance sheet as of June 30, 2017.

4. Equity Investments in Unconsolidated Joint Ventures

We have three joint venture agreements whereby we own 7%, 20% and 30%, respectively, of the equity in each joint venture. We and the joint venture partners have joint approval rights for major decisions, including those regarding property operations. We cannot make significant decisions without our partner's approval. Accordingly, we account for our interest in the joint ventures using the equity method of accounting.

The combined condensed financial information for our unconsolidated joint ventures is summarized as follows:

Balance Sheets	June 30, 2017	December 31, 2016
	(In thousands)	
ASSETS		
Investment in real estate, net	$43,299	$ 43,995
Other assets	3,261	3,712
Total Assets	$46,560	$ 47,707
LIABILITIES AND OWNERS' EQUITY		
Other liabilities	$395	$ 219
Owners' equity	46,165	47,488
Total Liabilities and Owners' Equity	$46,560	$ 47,707
RPT's equity investments in unconsolidated joint ventures	$2,798	$ 3,150

Statements of Operations	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
	(In thousands)			
Total revenue	$1,130	$1,600	$2,293	$3,309
Total expenses	802	1,106	1,505	2,154
Income before other income and expense	328	494	788	1,155
Gain on sale of real estate	—	371	—	371
Net income	$328	$865	$788	$1,526
RPT's share of earnings from unconsolidated joint ventures	$55	$109	$141	$218

Acquisitions

There was no acquisition activity in the six months ended June 30, 2017 by any of our unconsolidated joint ventures.

Dispositions

There was no disposition activity in the six months ended June 30, 2017 by any of our unconsolidated joint ventures.

Joint Venture Management and Other Fee Income

We are engaged by our joint ventures to provide asset management, property management, leasing and investing services for such ventures' respective properties. We receive fees for our services, including a property management fee calculated as a percentage of gross revenues received, and recognize these fees as the services are rendered.

The following table provides information for our fees earned which are reported in our condensed consolidated statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Management fees	$63	$92	$137	$186
Leasing fees	10	68	89	83
Construction fees	—	39	—	40
Disposition fees	—	46	—	46
Total	$73	$245	$226	$355

5. Debt

The following table summarizes our mortgages and notes payable and capital lease obligation as of June 30, 2017 and December 31, 2016:

Notes Payable and Capital Lease Obligation	June 30, 2017	December 31, 2016
	(In thousands)	
Senior unsecured notes	$535,000	$535,000
Unsecured term loan facilities	210,000	210,000
Fixed rate mortgages	159,131	160,718
Unsecured revolving credit facility	264,000	86,000
Junior subordinated notes	28,125	28,125
	1,196,256	1,019,843
Unamortized premium	4,537	5,120
Unamortized deferred financing costs	(3,379)	(3,740)
Total notes payable	$1,197,414	$1,021,223
Capital lease obligation	$1,066	$1,066

Senior unsecured notes and unsecured term loans

Our $745.0 million of senior unsecured notes and unsecured term loans have interest rates ranging from 3.14% to 4.74% and are due at various maturity dates from May 2020 through November 2028.

Mortgages

Our $159.1 million of fixed rate mortgages have interest rates ranging from 2.86% to 7.38% and are due at various maturity dates from January 2018 through June 2026. The fixed rate mortgages are secured by properties that have an approximate net book value of $252.2 million as of June 30, 2017. It is our intent to repay the mortgages maturing in 2018 using cash, borrowings under our unsecured line of credit, or other sources of financing.

The mortgage loans encumbering our properties are generally nonrecourse, subject to certain exceptions for which we would be liable for any resulting losses incurred by the lender. These exceptions vary from loan to loan but generally include fraud or a material misrepresentation, misstatement or omission by the borrower, intentional or grossly negligent conduct by the borrower that harms the property or results in a loss to the lender, filing of a bankruptcy petition by the borrower, either directly or indirectly and certain environmental liabilities. In addition, upon the occurrence of certain events, such as fraud or filing of a bankruptcy petition by the borrower, we or our joint ventures would be liable for the entire outstanding balance of the loan, all interest accrued thereon and certain other costs, including penalties and expenses.

We have entered into mortgage loans which are secured by multiple properties and contain cross-collateralization and cross-default provisions. Cross-collateralization provisions allow a lender to foreclose on multiple properties in the event that we default under the loan. Cross-default provisions allow a lender to foreclose on the related property in the event a default is declared under another loan.

Revolving Credit Facility

As of June 30, 2017 we had $264.0 million outstanding under our revolving credit facility, an increase of $178.0 million from December 31, 2016, as a result of borrowings principally to fund acquisitions of properties. After adjusting for outstanding letters of credit issued under our revolving credit facility, not reflected in the accompanying condensed consolidated balance sheets, totaling $1.2 million, we had $84.8 million of availability under our revolving credit facility. The interest rate as of June 30, 2017 was 2.72%.

Junior Subordinated Notes

Our junior subordinated notes have a variable rate of LIBOR plus 3.30%. The maturity date is January 2038.

The following table presents scheduled principal payments on mortgages and notes payable as of June 30, 2017:

Year Ending December 31,	(In thousands)
2017	$1,616
2018 [1]	303,132
2019	5,859
2020	102,269
2021	114,508
Thereafter	668,872
Subtotal debt	1,196,256
Unamortized premium	4,537
Unamortized deferred financing costs	(3,379)
Total debt	$1,197,414

[1] Scheduled maturities in 2018 include the $264.0 million balance on the unsecured revolving credit facility drawn as of June 30, 2017. The unsecured revolving credit facility has a one-year extension available at the Company's option provided compliance with financial covenants is maintained.

Our unsecured revolving credit facility, senior unsecured notes, and unsecured term loan facilities contain financial covenants relating to total leverage, fixed charge coverage ratio, unencumbered assets, tangible net worth and various other calculations. As of June 30, 2017, we were in compliance with these covenants.

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6. Fair Value

We utilize fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Derivative instruments (interest rate swaps) are recorded at fair value on a recurring basis. Additionally, we, from time to time, may be required to record other assets at fair value on a nonrecurring basis. As a basis for considering market participant assumptions in fair value measurements, GAAP establishes three fair value levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The assessed inputs used in determining any fair value measurement could result in incorrect valuations that could be material to our condensed consolidated financial statements. These levels are:

Level 1 Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 Valuation is based upon prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the assets or liabilities.

The following is a description of valuation methodologies used for our assets and liabilities recorded at fair value.

Derivative Assets and Liabilities

All of our derivative instruments are interest rate swaps for which quoted market prices are not readily available. For those derivatives, we measure fair value on a recurring basis using valuation models that use primarily market observable inputs, such as yield curves. We classify these instruments as Level 2. Refer to Note 7 Derivative Financial Instruments of the notes to the condensed consolidated financial statements for additional information on our derivative financial instruments.

The table below presents the recorded amount of assets and liabilities measured at fair value on a recurring basis as of June 30, 2017 and December 31, 2016.

	Balance Sheet Location	Total Fair Value	Level 2
June 30, 2017		(In thousands)	
Derivative assets - interest rate swaps	Other assets	$1,708	$1,708
Derivative liabilities - interest rate swaps	Other liabilities	$(774)	$(774)
December 31, 2016			
Derivative assets - interest rate swaps	Other assets	$2,143	$2,143
Derivative liabilities - interest rate swaps	Other liabilities	$(1,300)	$(1,300)

The carrying values of cash and cash equivalents, restricted cash, receivables and accounts payable and accrued liabilities are reasonable estimates of their fair values because of the short maturity of these financial instruments.

We estimated the fair value of our debt based on our incremental borrowing rates for similar types of borrowing arrangements with the same remaining maturity and on the discounted estimated future cash payments to be made for

other debt. The discount rates used approximate current lending rates for loans or groups of loans with similar maturities and credit quality, assume the debt is outstanding through maturity and consider the debt's collateral (if applicable). Since such amounts are estimates that are based on limited available market information for similar transactions (Level 3), there can be no assurance that the disclosed value of any financial instrument could be realized by immediate settlement of the instrument.

Fixed rate debt (including variable rate debt swapped to fixed through derivatives) with carrying values of $904.1 million and $905.7 million as of June 30, 2017 and December 31, 2016, respectively, had fair values of approximately $885.7 million and $900.3 million, respectively. Variable rate debt's fair value is estimated to be the carrying values of $292.1 million and $114.1 million as of June 30, 2017 and December 31, 2016, respectively.

The following is a description of valuation methodologies used for our assets and liabilities recorded at fair value on a nonrecurring basis:

Net Real Estate

Our net investment in real estate, including any identifiable intangible assets, is subject to impairment testing on a nonrecurring basis. To estimate fair value, we use discounted cash flow models that include assumptions of the discount rates that market participants would use in pricing the asset or pricing from potential or comparable market transactions. To the extent impairment has occurred, we charge to expense the excess of the carrying value of the property over its estimated fair value. We classify impaired real estate assets as nonrecurring Level 3. During the six months ended June 30, 2017, certain income producing shopping centers with a fair value of approximately $69.9 million incurred an impairment charge of $6.5 million. We did not have any material liabilities that were required to be measured at fair value on a nonrecurring basis during the period.

7. Derivative Financial Instruments

We utilize interest rate swap agreements for risk management purposes to reduce the impact of changes in interest rates on our variable rate debt. We may also enter into forward starting swaps to set the effective interest rate on planned variable rate financing. On the date we enter into an interest rate swap, the derivative is designated as a hedge against the variability of cash flows that are to be paid in connection with a recognized liability. Subsequent changes in the fair value of a derivative designated as a cash flow hedge that is determined to be effective are recorded in other comprehensive income (“OCI”) until earnings are affected by the variability of cash flows of the hedged transaction. The differential between fixed and variable rates to be paid or received is accrued, as interest rates change, and recognized currently as interest expense in the condensed consolidated statements of operations. We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. Our cash flow hedges become ineffective, for example, if critical terms of the hedging instrument and the debt do not perfectly match such as notional amounts, settlement dates, reset dates and calculation period and LIBOR rate. Changes in the fair values are immediately included in other income and expenses. At June 30, 2017, all of our hedges were effective.

The following table summarizes the notional values and fair values of our derivative financial instruments as of June 30, 2017:

Underlying Debt	Hedge Type	Notional Value (In thousands)	Fixed Rate	Fair Value (In thousands)	Expiration Date
Derivative Assets					
Unsecured term loan	Cash Flow	$ 50,000	1.460%	$ 249	05/2020
Unsecured term loan	Cash Flow	20,000	1.498%	191	05/2021
Unsecured term loan	Cash Flow	15,000	1.490%	149	05/2021
Unsecured term loan	Cash Flow	40,000	1.480%	410	05/2021
		$ 125,000		$ 999	
Derivative Assets - Forward Swaps					
Unsecured term loan	Cash Flow	60,000	1.770%	709	03/2023
Total Derivative Assets		$ 185,000		$ 1,708	
Derivative Liabilities					
Unsecured term loan	Cash Flow	$ 30,000	2.048%	$ (242)	10/2018
Unsecured term loan	Cash Flow	25,000	1.850%	(139)	10/2018
Unsecured term loan	Cash Flow	5,000	1.840%	(27)	10/2018
Unsecured term loan	Cash Flow	15,000	2.150%	(220)	05/2020
Unsecured term loan	Cash Flow	10,000	2.150%	(146)	05/2020
Total Derivative Liabilities		$ 85,000		$ (774)	

The effect of derivative financial instruments on our condensed consolidated statements of operations for the three months ended June 30, 2017 and 2016 is summarized as follows:

Derivatives in Cash Flow Hedging Relationship	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) Three Months Ended June 30,		Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion) Three Months Ended June 30,	
	2017	2016		2017	2016
	(In thousands)			(In thousands)	
Interest rate contracts - assets	$(699)	$—	Interest Expense	$(104)	$—
Interest rate contracts - liabilities	428	(1,574)	Interest Expense	(257)	(646)
Total	$(271)	$(1,574)	Total	$(361)	$(646)

The effect of derivative financial instruments on our condensed consolidated statements of operations for the six months ended June 30, 2017 and 2016 is summarized as follows:

Derivatives in Cash Flow Hedging Relationship	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) Six Months Ended June 30,		Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion) Six Months Ended June 30,	
	2017	2016		2017	2016
	(In thousands)			(In thousands)	
Interest rate contracts - assets	$(177)	$(716)	Interest Expense	$(258)	$(74)
Interest rate contracts - liabilities	1,077	(7,529)	Interest Expense	(551)	(1,174)
Total	$900	$(8,245)	Total	$(809)	$(1,248)

8. Earnings Per Common Share

The following table sets forth the computation of basic and diluted earnings per share ("EPS"):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In thousands, except per share data)			
Net income	$6,252	$28,020	$19,666	$40,162
Net income attributable to noncontrolling interest	(147)	(659)	(462)	(956)
Allocation of income to restricted share awards	(78)	(120)	(168)	(198)
Income attributable to RPT	6,027	27,241	19,036	39,008
Preferred share dividends	(1,675)	(1,675)	(3,350)	(3,350)
Net income available to common shareholders	4,352	25,566	15,686	35,658
Add back preferred shares for dilution [1]	—	1,675	—	—
Net income available to common shareholders - Diluted	$4,352	$27,241	$15,686	$35,658
Weighted average shares outstanding, Basic	79,344	79,233	79,322	79,214
Restricted stock awards using the treasury method	185	206	203	199
Dilutive effect of securities [1]	—	6,588	—	—
Weighted average shares outstanding, Diluted	79,529	86,027	79,525	79,413
Income per common share, Basic	$0.05	$0.32	$0.20	$0.45
Income per common share, Diluted	$0.05	$0.32	$0.20	$0.45

[1] The assumed conversion of preferred shares is dilutive for the three months ended June 30, 2016 and anti-dilutive for all other periods presented and accordingly, have been excluded from the weighted average common shares used to compute diluted EPS for those periods.

We exclude certain securities from the computation of diluted earnings per share because the inclusion of these securities would have been anti-dilutive. The following table presents the outstanding securities that were excluded from the computation of diluted earnings per share and the number of common shares each was convertible into (amounts in thousands):

Three
Months
Ended
June 30,