WEINGARTEN REALTY INVESTORS /TX/
Form 10-Q
November 09, 2016
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarter ended September 30, 2016
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from [ ] to [ ]
Commission file number 1-9876
Weingarten Realty Investors
(Exact name of registrant as specified in its charter)

| TEXAS | 74-1464203 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 2600 Citadel Plaza Drive | |
| P.O. Box 924133 | |
| Houston, Texas | 77292-4133 |
| (Address of principal executive offices) | (Zip Code) |

(713) 866-6000
(Registrant's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

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. YESý NOo

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). YESý NO¨

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

| Large accelerated filer ý | Accelerated filer ¨ |
|---|---|
| Non-accelerated filer ¨ | Smaller reporting company ¨ |

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YESý NO¨

As of November 4, 2016, there were 128,065,243 common shares of beneficial interest of Weingarten Realty Investors, $.03 par value, outstanding.

Table of Contents

TABLE OF CONTENTS


| | | | Page Number |
|---|---|---|---|
| PART I. | | Financial Information: | |
| | Item 1. | Financial Statements (unaudited): | |
| | | Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2016 and 2015 | 3 |
| | | Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2016 and 2015 | 4 |
| | | Condensed Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015 | 5 |
| | | Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2016 and 2015 | 6 |
| | | Condensed Consolidated Statements of Equity for the Nine Months Ended September 30, 2016 and 2015 | 7 |
| | | Notes to Condensed Consolidated Financial Statements | 8 |
| | Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 29 |
| | Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 46 |
| | Item 4. | Controls and Procedures | 46 |
| PART II. | | Other Information: | |
| | Item 1. | Legal Proceedings | 46 |
| | Item 1A. | Risk Factors | 46 |
| | Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 46 |
| | Item 3. | Defaults Upon Senior Securities | 46 |
| | Item 4. | Mine Safety Disclosures | 46 |
| | Item 5. | Other Information | 46 |
| | Item 6. | Exhibits | 46 |
| Signatures | | | 47 |
| | | | 48 |

Exhibit
Index

2

Table of Contents

PART I-FINANCIAL INFORMATION
ITEM 1. Financial Statements
WEINGARTEN REALTY INVESTORS
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Revenues: | | | | |
| Rentals, net | $136,435 | $128,254 | $397,758 | $375,222 |
| Other | 2,164 | 2,533 | 8,934 | 7,968 |
| Total | 138,599 | 130,787 | 406,692 | 383,190 |
| Expenses: | | | | |
| Depreciation and amortization | 42,064 | 36,327 | 119,161 | 108,929 |
| Operating | 24,760 | 24,291 | 72,959 | 69,076 |
| Real estate taxes, net | 17,067 | 15,770 | 50,145 | 45,895 |
| Impairment loss | — | — | 43 | 153 |
| General and administrative | 7,187 | 6,188 | 20,073 | 20,021 |
| Total | 91,078 | 82,576 | 262,381 | 244,074 |
| Operating Income | 47,521 | 48,211 | 144,311 | 139,116 |
| Interest Expense, net | (21,843) | (20,607) | (61,292) | (67,357) |
| Interest and Other Income (Expense), net | 1,268 | (888) | 1,840 | 2,252 |
| Gain on Sale and Acquisition of Real Estate Joint Venture and Partnership Interests | 9,015 | — | 46,407 | 879 |
| Equity in Earnings of Real Estate Joint Ventures and Partnerships, net | 4,373 | 5,096 | 15,111 | 13,680 |
| (Provision) Benefit for Income Taxes | (1,105) | 144 | (7,020) | (291) |
| Income from Continuing Operations | 39,229 | 31,956 | 139,357 | 88,279 |
| Gain on Sale of Property | 22,108 | 13,232 | 68,298 | 43,917 |
| Net Income | 61,337 | 45,188 | 207,655 | 132,196 |
| Less: Net Income Attributable to Noncontrolling Interests | (9,436) | (1,787) | (12,864) | (5,119) |
| Net Income Adjusted for Noncontrolling Interests | 51,901 | 43,401 | 194,791 | 127,077 |
| Dividends on Preferred Shares | — | — | — | (3,830) |
| Redemption Costs of Preferred Shares | — | — | — | (9,687) |
| Net Income Attributable to Common Shareholders | $51,901 | $43,401 | $194,791 | $113,560 |
| Earnings Per Common Share - Basic: | | | | |
| Net income attributable to common shareholders | $.41 | $.35 | $1.55 | $.92 |
| Earnings Per Common Share - Diluted: | | | | |
| Net income attributable to common shareholders | $.40 | $.35 | $1.53 | $.91 |

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

WEINGARTEN REALTY INVESTORS
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Net Income | $61,337 | $45,188 | $207,655 | $132,196 |
| Other Comprehensive Income (Loss): | | | | |
| Net unrealized gain (loss) on investments, net of taxes | 197 | (396) | 295 | (320) |
| Realized (loss) gain on derivatives | (2,084) | — | (2,084) | 5,007 |
| Net unrealized gain (loss) on derivatives | 3,556 | (3,423) | (5,015) | (3,042) |
| Amortization of derivatives and designated hedges | 462 | (28) | 1,193 | 681 |
| Retirement liability adjustment | 251 | 361 | 1,004 | 1,081 |
| Total | 2,382 | (3,486) | (4,607) | 3,407 |
| Comprehensive Income | 63,719 | 41,702 | 203,048 | 135,603 |
| Comprehensive Income Attributable to Noncontrolling Interests | (9,436) | (1,787) | (12,864) | (5,119) |
| Comprehensive Income Adjusted for Noncontrolling Interests | $54,283 | $39,915 | $190,184 | $130,484 |

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

WEINGARTEN REALTY INVESTORS
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except per share amounts)

| | September 30, 2016 | December 31, 2015 |
|---|---|---|
| ASSETS | | |
| Property | $ 4,725,715 | $ 4,262,959 |
| Accumulated Depreciation | (1,164,852 ) | (1,087,642 ) |
| Property Held for Sale, net | 4,826 | 34,363 |
| Property, net * | 3,565,689 | 3,209,680 |
| Investment in Real Estate Joint Ventures and Partnerships, net * | 293,186 | 267,041 |
| Total | 3,858,875 | 3,476,721 |
| Unamortized Lease Costs, net | 212,992 | 137,609 |
| Accrued Rent and Accounts Receivable (net of allowance for doubtful accounts of $6,823 in 2016 and $6,072 in 2015) * | 86,623 | 84,782 |
| Cash and Cash Equivalents * | 9,766 | 22,168 |
| Restricted Deposits and Mortgage Escrows | 18,027 | 3,074 |
| Other, net | 196,505 | 177,591 |
| Total Assets | $ 4,382,788 | $ 3,901,945 |
| LIABILITIES AND EQUITY | | |
| Debt, net * | $ 2,320,847 | $ 2,113,277 |
| Accounts Payable and Accrued Expenses | 126,056 | 112,205 |
| Other, net | 194,040 | 131,453 |
| Total Liabilities | 2,640,943 | 2,356,935 |
| Commitments and Contingencies | — | — |
| Deferred Compensation Share Awards | 47,334 | — |
| Equity: | | |
| Shareholders’ Equity: | | |
| Common Shares of Beneficial Interest - par value, $.03 per share; shares authorized: 275,000; shares issued and outstanding: 128,066 in 2016 and 123,951 in 2015 | 3,885 | 3,744 |
| Additional Paid-In Capital | 1,719,526 | 1,616,242 |
| Net Income Less Than Accumulated Dividends | (178,809 ) | (222,880 ) |
| Accumulated Other Comprehensive Loss | (12,251 ) | (7,644 ) |
| Total Shareholders’ Equity | 1,532,351 | 1,389,462 |
| Noncontrolling Interests | 162,160 | 155,548 |
| Total Equity | 1,694,511 | 1,545,010 |
| Total Liabilities and Equity | $ 4,382,788 | $ 3,901,945 |
| * Consolidated variable interest entities' assets and debt included in the above balances (see Note 15): | | |
| Property, net | $ 485,458 | $ 240,689 |
| Investment in Real Estate Joint Ventures and Partnerships, net | 17,107 | 18,278 |
| Accrued Rent and Accounts Receivable, net | 9,704 | 9,245 |
| Cash and Cash Equivalents | 9,944 | 13,250 |
| Debt, net | 47,319 | 47,919 |

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

WEINGARTEN REALTY INVESTORS
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| Cash Flows from Operating Activities: | | |
| Net Income | $207,655 | $132,196 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 119,161 | 108,929 |
| Amortization of debt deferred costs and intangibles, net | 1,953 | 1,974 |
| Impairment loss | 43 | 153 |
| Equity in earnings of real estate joint ventures and partnerships, net | (15,111) | (13,680) |
| Gain on sale and acquisition of real estate joint venture and partnership interests | (46,407) | (879) |
| Gain on sale of property | (68,298) | (43,917) |
| Distributions of income from real estate joint ventures and partnerships | 868 | 2,834 |
| Changes in accrued rent and accounts receivable, net | (5,869) | (7,746) |
| Changes in unamortized lease costs and other assets, net | (12,852) | (11,794) |
| Changes in accounts payable, accrued expenses and other liabilities, net | 12,207 | 6,946 |
| Other, net | 669 | 10,717 |
| Net cash provided by operating activities | 194,019 | 185,733 |
| Cash Flows from Investing Activities: | | |
| Acquisition of real estate and land | (438,286) | (187,069) |
| Development and capital improvements | (78,675) | (59,791) |
| Proceeds from sale of property and real estate equity investments | 185,651 | 74,487 |
| Change in restricted deposits and mortgage escrows | (14,653) | 69,396 |
| Real estate joint ventures and partnerships - Investments | (49,877) | (30,053) |
| Real estate joint ventures and partnerships - Distribution of capital | 41,749 | 28,003 |
| Purchase of investments | (4,740) | — |
| Proceeds from investments | 1,250 | 1,000 |
| Other, net | 566 | (325) |
| Net cash used in investing activities | (357,015) | (104,352) |
| Cash Flows from Financing Activities: | | |
| Proceeds from issuance of debt | 249,999 | 448,083 |
| Principal payments of debt | (67,848) | (223,930) |
| Changes in unsecured credit facilities | (19,500) | (67,500) |
| Proceeds from issuance of common shares of beneficial interest, net | 137,487 | 42,420 |
| Redemption of preferred shares of beneficial interest | — | (150,000) |
| Common and preferred dividends paid | (138,354) | (131,866) |
| Debt issuance and extinguishment costs paid | (5,230) | (9,779) |
| Distributions to noncontrolling interests | (6,252) | (4,541) |
| Contributions from noncontrolling interests | — | 1,318 |
| Other, net | 292 | 3,492 |
| Net cash provided by (used in) financing activities | 150,594 | (92,303) |
| Net decrease in cash and cash equivalents | (12,402) | (10,922) |
| Cash and cash equivalents at January 1 | 22,168 | 23,189 |
| Cash and cash equivalents at September 30 | $9,766 | $12,267 |
| Interest paid during the period (net of amount capitalized of $1,762 and $2,517, respectively) | $60,379 | $59,333 |

| | | |
|---|---|---|
| Income taxes paid during the period | $930 | $1,534 |

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

WEINGARTEN REALTY INVESTORS
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)
(In thousands, except per share amounts)

| | Preferred Shares of Beneficial Interest | Common Shares of Beneficial Interest | Additional Paid-In Capital | Net Income Less Than Accumulated Dividends | Accumulated Other Comprehensive Loss | Noncontrolling Interests | Total |
|---|---|---|---|---|---|---|---|
| Balance, January 1, 2015 | $ 2 | $ 3,700 | $ 1,706,880 | $ (212,960) | $ (12,436) | $ 153,757 | $ 1,638,943 |
| Net income | | | | 127,077 | | 5,119 | 132,196 |
| Redemption of preferred shares | (2) | | (140,311) | (9,687) | | | (150,000) |
| Issuance of common shares, net | | 34 | 40,297 | | | | 40,331 |
| Shares issued under benefit plans, net | | 10 | 8,052 | | | | 8,062 |
| Shares issued in exchange for noncontrolling interests | | | 111 | | | (111) | — |
| Dividends paid – common shares (1) | | | | (127,993) | | | (127,993) |
| Dividends paid – preferred shares (2) | | | | (3,873) | | | (3,873) |
| Distributions to noncontrolling interests | | | | | | (4,541) | (4,541) |
| Contributions from noncontrolling interests | | | | | | 1,318 | 1,318 |
| Other comprehensive income | | | | | 3,407 | | 3,407 |
| Other, net | | | 279 | 43 | | (808) | (486) |
| Balance, September 30, 2015 | $ — | $ 3,744 | $ 1,615,308 | $ (227,393) | $ (9,029) | $ 154,734 | $ 1,537,364 |
| Balance, January 1, 2016 | $ — | $ 3,744 | $ 1,616,242 | $ (222,880) | $ (7,644) | $ 155,548 | $ 1,545,010 |
| Net income | | | | 194,791 | | 12,864 | 207,655 |
| Issuance of common shares, net | | 105 | 131,417 | | | | 131,522 |
| Shares issued under benefit plans, net | | 36 | 6,835 | | | | 6,871 |
| Change in classification of deferred compensation plan | | | (38,787) | | | | (38,787) |
| Change in redemption value of deferred compensation plan | | | | (12,366) | | | (12,366) |
| Diversification of share awards within deferred compensation plan | | | 3,819 | | | | 3,819 |
| Dividends paid – common shares (1) | | | | (138,354) | | | (138,354) |
| Distributions to noncontrolling interests | | | | | | (6,252) | (6,252) |
| Other comprehensive loss | | | | | (4,607) | | (4,607) |
| Balance, September 30, 2016 | $ — | $ 3,885 | $ 1,719,526 | $ (178,809) | $ (12,251) | $ 162,160 | $ 1,694,511 |

(1) Common dividend per share was $1.10 and $1.04 for the nine months ended September 30, 2016 and 2015, respectively.
(2) Series F preferred dividend per share was $64.55 for the nine months ended September 30, 2015.
See Notes to Condensed Consolidated Financial Statements.

7

Table of Contents

WEINGARTEN REALTY INVESTORS
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Summary of Significant Accounting Policies

Business

Weingarten Realty Investors is a real estate investment trust ("REIT") organized under the Texas Business Organizations Code. We currently operate, and intend to operate in the future, as a REIT.

We, and our predecessor entity, began the ownership and development of shopping centers and other commercial real estate in 1948. Our primary business is leasing space to tenants in the shopping centers we own or lease. We also provide property management services for which we charge fees to either joint ventures where we are partners or other outside owners.

We operate a portfolio of neighborhood and community shopping centers, totaling approximately 45.2 million square feet of gross leaseable area, that is either owned by us or others. We have a diversified tenant base, with our largest tenant comprising only 3.1% of base minimum rental revenue during the first nine months of 2016. Total revenues generated by our centers located in Houston and its surrounding areas was 21.0% of total revenue for the nine months ended September 30, 2016, and an additional 9.7% of total revenue was generated during this period from centers that are located in other parts of Texas.

Basis of Presentation

Our condensed consolidated financial statements include the accounts of our subsidiaries, certain partially owned real estate joint ventures or partnerships and variable interest entities ("VIEs") which meet the guidelines for consolidation. All intercompany balances and transactions have been eliminated.

The condensed consolidated financial statements included in this report are unaudited; however, amounts presented in the condensed consolidated balance sheet as of December 31, 2015 are derived from our audited financial statements at that date. In our opinion, all adjustments necessary for a fair presentation of such financial statements have been included. Such adjustments consisted of normal recurring items. Interim results are not necessarily indicative of results for a full year.

The condensed consolidated financial statements and notes are presented as permitted by Form 10-Q and certain information included in our annual financial statements and notes thereto has been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and related notes for the year ended December 31, 2015.

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Such statements require management 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Restricted Deposits and Mortgage Escrows

Restricted deposits and mortgage escrows consist of escrow deposits held by lenders primarily for property taxes, insurance and replacement reserves and restricted cash that is held for a specific use or in a qualified escrow account for the purposes of completing like-kind exchange transactions.

Our restricted deposits and mortgage escrows consist of the following (in thousands):

| | September 30, 2016 | December 31, 2015 |
|---|---|---|
| Restricted cash [(1)] | $ 16,340 | $ 1,952 |
| Mortgage escrows | 1,687 | 1,122 |
| Total | $ 18,027 | $ 3,074 |

---

(1) The increase between the periods presented is primarily attributable to $13.6 million of funds being placed in a qualified escrow account for the purpose of completing like-kind exchange transactions.

Table of Contents

Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss by component consists of the following (in thousands):

| | Gain on Investments | Gain on Cash Flow Hedges | Defined Benefit Pension Plan | Total |
|---|---|---|---|---|
| Balance, December 31, 2015 | $ (557) | $ (8,160) | $ 16,361 | $ 7,644 |
| Change excluding amounts reclassified from accumulated other comprehensive loss | (295) | 7,099 | | 6,804 |
| Amounts reclassified from accumulated other comprehensive loss | | (1,193) [1] | (1,004) [2] | (2,197) |
| Net other comprehensive (income) loss | (295) | 5,906 | (1,004) | 4,607 |
| Balance, September 30, 2016 | $ (852) | $ (2,254) | $ 15,357 | $ 12,251 |

| | Gain on Investments | Gain on Cash Flow Hedges | Defined Benefit Pension Plan | Total |
|---|---|---|---|---|
| Balance, December 31, 2014 | $ (656) | $ (3,416) | $ 16,508 | $ 12,436 |
| Change excluding amounts reclassified from accumulated other comprehensive loss | 320 | (1,965) | | (1,645) |
| Amounts reclassified from accumulated other comprehensive loss | | (681) [1] | (1,081) [2] | (1,762) |
| Net other comprehensive loss (income) | 320 | (2,646) | (1,081) | (3,407) |
| Balance, September 30, 2015 | $ (336) | $ (6,062) | $ 15,427 | $ 9,029 |

(1) This reclassification component is included in interest expense (see Note 6 for additional information).

(2) This reclassification component is included in the computation of net periodic benefit cost (see Note 12 for additional information).

Deferred Compensation Plan

Our deferred compensation plan was amended, effective April 1, 2016, to permit participants in this plan to diversify their holdings of our common shares of beneficial interest ("common shares") six months after vesting. Thus, as of April 1, 2016, the fully vested share awards and the proportionate share of nonvested share awards eligible for diversification was reclassified from additional paid-in capital to temporary equity in our Condensed Consolidated Balance Sheet. The outstanding share awards are adjusted to their redemption value each reporting period based upon the market value of our common shares at the end of such reporting period, and such change in value from the prior reporting period will be reported in net income less than accumulated dividends in our Condensed Consolidated Statement of Equity. The following table summarizes the eligible share award activity since the effective date through September 30, 2016 (in thousands):

| Value of share awards resulting from: | |
|---|---|
| Change in classification | $ 38,787 |
| Change in redemption value | 12,366 |
| Diversification of share awards | (3,819) |
| Balance at September 30, 2016 | $ 47,334 |

Retrospective Application of Accounting Standard Update

The retrospective application of adopting Accounting Standard Update No. 2015-02, "Amendments to the Consolidation Analysis" on prior years' condensed consolidated balance sheet and applicable notes to the consolidated financial statements was made to conform to the current year presentation. The impact of this change was on disclosures as described in Note 2.

9

Table of Contents

Note 2. Newly Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers." This ASU's core objective is for an entity to recognize revenue based on the consideration it expects to receive in exchange for goods or services. Additionally, this ASU requires entities to use a single model in accounting for revenues derived from contracts with customers. ASU No. 2014-09 replaces prior guidance regarding the recognition of revenue from sales of real estate, except for revenue from sales that are part of a sale-leaseback transaction. The provisions of ASU No. 2014-09, as amended in subsequently issued amendments, are effective for us on January 1, 2018, and are required to be applied either on a retrospective or a modified retrospective approach. We are currently assessing the impact, if any, that the adoption of this ASU will have on our consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU's core objective is that management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued or are available to be issued. The provisions of ASU No. 2014-15 are effective for us as of December 31, 2016, and early adoption is permitted. We early adopted this update effective January 1, 2016, and the adoption did not have any impact to our consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "Amendments to the Consolidation Analysis." This ASU amends the consolidation analysis required under GAAP and requires management to reevaluate all previous consolidation conclusions. ASU No. 2015-02 considers limited partnerships as VIEs, unless the limited partners have either substantive kick-out or participating rights. The presumption that a general partner should consolidate a limited partnership has also been eliminated. The ASU amends the effect that fees paid to a decision maker or service provider have on the consolidation analysis, as well as amends how variable interests held by a reporting entity's related parties affect the consolidation conclusion. The ASU also clarifies how to determine whether equity holders as a group have power over an entity. The provisions of ASU No. 2015-02 were effective for us as of January 1, 2016. Upon adoption of this update, we have reported 10 additional entities as VIEs, since the limited partners in these entities do not have either substantive kick-out or participating rights. The adoption expanded our VIE disclosures for these 10 entities, but had no impact to our condensed consolidated balance sheets or condensed consolidated statements of operations or cash flows as the consolidation status of these entities did not change. Retrospective disclosures associated with our VIEs were made to conform to the current year presentation.

In September 2015, the FASB issued ASU No. 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments." This ASU will allow measurement-period adjustments associated with business combinations recorded in the reporting period in which the adjustment amounts are determined, rather than retrospectively, as if the accounting for the business combination had been completed as of the acquisition date. The provisions of ASU No. 2015-16 were effective for us as of January 1, 2016. We have adopted this update, and the adoption did not have have any impact to our consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." This ASU will require equity investments, excluding those investments accounted for under the equity method of accounting or those that result in consolidation of the investee, to be measured at fair value with the changes in fair value recognized in net income; will simplify the impairment assessment of those investments; will eliminate the disclosure of the method(s) and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost and change the fair value calculation for those investments; will change the disclosure in other comprehensive income for financial liabilities that are measured at fair value in accordance with the fair value options for financial instruments; and will clarify that a deferred asset related to available-for-sale securities should be included in an entity's evaluation for a valuation allowance. The provisions of ASU No. 2016-01 are effective for us as of January 1, 2018. We are currently assessing the impact, if any, that the adoption of this ASU will have on our consolidated financial statements.

Table of Contents

In February 2016, the FASB issued ASU No. 2016-02, "Leases." The ASU sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The ASU requires lessees to adopt a right-of-use asset approach that will bring substantially all leases onto the balance sheet, with the exception of short-term leases. The subsequent accounting for this right-of-use asset will be based on a dual-model approach, under which the lease will be classified as either a finance or an operating lease. The lessor accounting model under this ASU is similar to current guidance, but certain underlying principles in the lessor model have been aligned with the new revenue recognition standard. The provisions of ASU No. 2016-02 are effective for us as of January 1, 2019, are required to be applied on a modified retrospective approach and early adoption is permitted. We are currently assessing the impact, if any, that the adoption of this ASU will have on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments." This ASU amends prior guidance on the impairment of financial instruments, and adds an impairment model that is based on expected losses rather than incurred losses with the recognition of an allowance based on an estimate of expected credit losses. The provisions of ASU No. 2016-13 are effective for us as of January 1, 2020, and early adoption is permitted for fiscal years beginning after December 15, 2018. We are currently assessing the impact, if any, that the adoption of this ASU will have on our consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments." This ASU amends guidance to either add or clarify the classification of certain cash receipts and payments in the statement of cash flows. Eight specific issues were identified for further clarification and include: debt prepayment or extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of company-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions and the classification of cash flows that have aspects of more than one class of cash flows. The provisions of ASU No. 2016-15 are effective for us as of January 1, 2018 on a retrospective basis, and early adoption is permitted. We are currently assessing the impact, if any, that the adoption of this ASU will have on our consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-17, "Interests Held through Related Parties That Are Under Common Control." This ASU amends the consolidation guidance on how a reporting entity that is a single decision maker of a VIE should treat indirect interests in the entity held through related parties that are under common control when determining whether it is the primary beneficiary of that VIE. The provisions of ASU No. 2016-17 are effective for us as of January 1, 2017 on a retrospective basis, and early adoption is permitted. We are currently assessing the impact, if any, that the adoption of this ASU will have on our consolidated financial statements.

Note 3. Property

Our property consists of the following (in thousands):

| | September 30, 2016 | December 31, 2015 |
|---|---|---|
| Land | $ 1,044,622 | $ 929,958 |
| Land held for development | 85,563 | 95,524 |
| Land under development | 13,776 | 17,367 |
| Buildings and improvements | 3,505,911 | 3,152,215 |
| Construction in-progress | 75,843 | 67,895 |
| Total | $ 4,725,715 | $ 4,262,959 |

During the nine months ended September 30, 2016, we sold seven centers and other property. Aggregate gross sales proceeds from these transactions approximated $181.6 million and generated gains of approximately $68.3 million. Also, during the nine months ended September 30, 2016, we acquired three centers and other property with an aggregate gross purchase price of approximately $443.7 million, which included the consolidation of a property from the acquisition of a partner's 50% interest in an unconsolidated tenancy-in-common arrangement, and we invested $19.6 million in new development projects. Also during 2016, property increased by $58.7 million as a result of a business combination (see Note 17 for additional information).

Table of Contents

At September 30, 2016, one center, totaling $9.1 million before accumulated depreciation, was classified as held for sale. This center did not qualify to be reported in discontinued operations and has been sold subsequent to September 30, 2016.

Note 4. Investment in Real Estate Joint Ventures and Partnerships

We own interests in real estate joint ventures or limited partnerships and have tenancy-in-common interests in which we exercise significant influence, but do not have financial and operating control. We account for these investments using the equity method, and our interests range from 20% to 75% for the periods presented. Combined condensed financial information of these ventures (at 100%) is summarized as follows (in thousands):

| | September 30, 2016 | December 31, 2015 |
|---|---|---|
| Combined Condensed Balance Sheets | | |
| ASSETS | | |
| Property | $ 1,211,468 | $ 1,290,784 |
| Accumulated depreciation | (255,352) | (293,474) |
| Property, net | 956,116 | 997,310 |
| Other assets, net | 109,647 | 130,251 |
| Total Assets | $ 1,065,763 | $ 1,127,561 |
| LIABILITIES AND EQUITY | | |
| Debt, net (primarily mortgages payable) | $ 314,251 | $ 345,186 |
| Amounts payable to Weingarten Realty Investors and Affiliates | 8,544 | 12,285 |
| Other liabilities, net | 30,675 | 29,509 |
| Total Liabilities | 353,470 | 386,980 |
| Equity | 712,293 | 740,581 |
| Total Liabilities and Equity | $ 1,065,763 | $ 1,127,561 |

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Combined Condensed Statements of Operations | | | | |
| Revenues, net | $33,875 | $37,549 | $103,943 | $111,254 |
| Expenses: | | | | |
| Depreciation and amortization | 9,079 | 9,369 | 29,065 | 27,952 |
| Interest, net | 3,300 | 4,199 | 12,930 | 12,851 |
| Operating | 5,922 | 6,338 | 19,883 | 19,574 |
| Real estate taxes, net | 4,223 | 4,678 | 13,209 | 13,935 |
| General and administrative | 233 | 124 | 688 | 659 |
| Provision for income taxes | 42 | 34 | 70 | 145 |
| Impairment loss | — | — | 1,303 | 7,487 |
| Total | 22,799 | 24,742 | 77,148 | 82,603 |
| Gain on sale of non-operating property | — | — | 373 | — |
| Gain on dispositions | 71 | — | 12,662 | 1,393 |
| Net income | $11,147 | $12,807 | $39,830 | $30,044 |

Our investment in real estate joint ventures and partnerships, as reported in our Condensed Consolidated Balance Sheets, differs from our proportionate share of the entities' underlying net assets due to basis differences, which arose upon the transfer of assets to the joint ventures. The net positive basis differences, which totaled $2.6 million and $4.9 million at September 30, 2016 and December 31, 2015, respectively, are generally amortized over the useful lives of the related assets.

Our real estate joint ventures and partnerships have determined from time to time that the carrying amount of certain centers was not recoverable and that the centers should be written down to fair value. For the nine months ended September 30, 2016, our unconsolidated real estate joint ventures and partnerships recorded an impairment charge of $1.3 million associated with a center that had been marketed and sold during the period. For the nine months ended September 30, 2015, there was a $7.5 million impairment charge realized on various centers that were marketed and sold during the period. There was no impairment charge for both the three months ended September 30, 2016 and 2015.

Fees earned by us for the management of these real estate joint ventures and partnerships totaled $1.2 million and $1.1 million for the three months ended September 30, 2016 and 2015, respectively, and $3.5 million and $3.4 million for the nine months ended September 30, 2016 and 2015, respectively.

For the nine months ended September 30, 2016, four centers and a land parcel were sold with aggregate gross sales proceeds of approximately $63.7 million, of which our share of the gain totaled $3.4 million. Additionally, one center with a gross purchase price of $73 million was acquired, of which our interest aggregated 69%. In September 2016, we acquired our partner's 50% interest in an unconsolidated tenancy-in-common arrangement for approximately $13.5 million that we had previously accounted for under the equity method. This transaction resulted in the consolidation of the property in our consolidated financial statements.

As of December 31, 2015, we held a combined 51% interest in an unconsolidated real estate joint venture that owned three centers in Colorado with total assets and debt of $43.7 million and $72.4 million, respectively. In February 2016, in exchange for our partners' aggregate 49% interest in this venture and $2.5 million in cash, we distributed one center to our partners. We have consolidated this venture as of the transaction date and re-measured our investment in this venture to its fair value (See Note 17 for additional information).

During 2015, we sold one center held in a 50% owned unconsolidated real estate joint venture for approximately $1.1 million, of which our share of the gain totaled $.6 million. Associated with this transaction, a gain of $.9 million on our investment of this real estate joint venture was realized. Additionally, we sold three centers and other property held in unconsolidated joint ventures for approximately $17.6 million, of which our share of the gain totaled $1.0 million. Also, a 51% owned unconsolidated real estate joint venture acquired real estate assets of approximately $54.1 million.

Note 5. Debt

Our debt consists of the following (in thousands):

| | September 30, 2016 | December 31, 2015 |
|---|---|---|
| Debt payable, net to 2038 [1] | $ 2,100,012 | $ 1,872,942 |
| Unsecured notes payable under credit facilities | 130,000 | 149,500 |
| Debt service guaranty liability | 69,835 | 69,835 |
| Obligations under capital leases | 21,000 | 21,000 |
| Total | $ 2,320,847 | $ 2,113,277 |

(1) At September 30, 2016, interest rates ranged from 1.7% to 8.6% at a weighted average rate of 4.0%. At December 31, 2015, interest rates ranged from 1.0% to 8.6% at a weighted average rate of 4.3%.

Table of Contents

The allocation of total debt between fixed and variable-rate as well as between secured and unsecured is summarized below (in thousands):

| | September 30, 2016 | December 31, 2015 |
|---|---|---|
| As to interest rate (including the effects of interest rate contracts): | | |
| Fixed-rate debt | $ 2,169,019 | $ 1,869,683 |
| Variable-rate debt | 151,828 | 243,594 |
| Total | $ 2,320,847 | $ 2,113,277 |
| As to collateralization: | | |
| Unsecured debt | $ 1,875,644 | $ 1,650,521 |
| Secured debt | 445,203 | 462,756 |
| Total | $ 2,320,847 | $ 2,113,277 |

We maintain a $500 million unsecured revolving credit facility, which was amended and extended on March 30, 2016. This facility expires in March 2020, provides for two consecutive six-month extensions upon our request and borrowing rates that float at a margin over LIBOR plus a facility fee. At September 30, 2016, the borrowing margin and facility fee, which are priced off a grid that is tied to our senior unsecured credit ratings, were 90 and 15 basis points, respectively. The facility also contains a competitive bid feature that allows us to request bids for up to $250 million. Additionally, an accordion feature allows us to increase the facility amount up to $850 million.

As of December 31, 2015, we had a $500 million unsecured revolving credit facility that had borrowing rates that floated at a margin over LIBOR plus a facility fee. At December 31, 2015, the borrowing margin and facility fee, which were priced off a grid that was tied to our senior unsecured credit ratings, were 105 and 15 basis points, respectively. The facility also contained a competitive bid feature that allowed us to request bids for up to $250 million. Additionally, an accordion feature allowed us to increase the facility amount up to $700 million.

Effective March 2015, we entered into an agreement with a bank for a short-term, unsecured facility totaling $20 million that we maintain for cash management purposes. We extended and amended this agreement to reduce the facility to $10 million on March 27, 2016. The facility, which matures in March 2017, provides for fixed interest rate loans at a 30-day LIBOR rate plus a borrowing margin, facility fee and an unused facility fee of 125, 10, and 10 basis points, respectively.

The following table discloses certain information regarding our unsecured notes payable under our credit facilities (in thousands, except percentages):

| | September 30, 2016 | December 31, 2015 |
|---|---|---|
| Unsecured revolving credit facility: | | |
| Balance outstanding | $ 128,000 | $ 140,000 |
| Available balance | 367,140 | 355,190 |
| Letters of credit outstanding under facility | 4,860 | 4,810 |
| Variable interest rate (excluding facility fee) | 1.4 % | 1.3 % |
| Unsecured short-term facility: | | |
| Balance outstanding | $ 2,000 | $ 9,500 |
| Variable interest rate (excluding facility fee) | 1.8 % | 1.7 % |
| Both facilities: | | |
| Maximum balance outstanding during the period | $ 372,000 | $ 244,500 |
| Weighted average balance | 133,738 | 100,506 |
| Year-to-date weighted average interest rate (excluding facility fee) | 1.4 % | 0.9 % |

Table of Contents

Related to a development project in Sheridan, Colorado, we have provided a guaranty for the payment of any debt service shortfalls until a coverage rate of 1.4x is met on tax increment revenue bonds issued in connection with the project. The bonds are to be repaid with incremental sales and property taxes and a public improvement fee ("PIF") to be assessed on current and future retail sales and, to the extent necessary, any amounts we may have to provide under a guaranty. The incremental taxes and PIF are to remain intact until the earlier of the date the bond liability has been paid in full or 2040. Therefore, a debt service guaranty liability equal to the fair value of the amounts funded under the bonds was recorded. As of both September 30, 2016 and December 31, 2015, we had $69.8 million outstanding for the debt service guaranty liability.

In August 2016, we issued $250 million of 3.25% senior unsecured notes maturing in 2026. The notes were issued at 99.16% of the principal amount with a yield to maturity of 3.35%. The net proceeds received of $246.3 million were used to reduce the amount outstanding under our $500 million unsecured revolving credit facility.

In July 2016, to provide additional liquidity, we entered into a credit agreement for a $200 million unsecured term loan facility, which would have matured in July 2017, subject to a one year extension at our option. The credit agreement provided for floating rates at a margin over LIBOR that were priced off a grid tied to our senior unsecured credit ratings. This agreement terminated in September 2016, as no funds were borrowed under this agreement.

In June 2016, we amended an existing $90 million secured note to extend the maturity to 2028 and reduce the interest rate from 7.5% to 4.5% per annum. In connection with this transaction, we have recorded a $2.0 million gain on extinguishment of debt that has been classified as net interest expense in our Condensed Consolidated Statements of Operations.

In May 2015, we issued $250 million of 3.85% senior unsecured notes maturing in 2025. The notes were issued at 99.23% of the principal amount with a yield to maturity of 3.94%. The net proceeds received of $246.5 million were used to reduce the amount outstanding under our $500 million unsecured revolving credit facility.

In March 2015, we entered into a $200 million unsecured term loan. We used the proceeds to pay down amounts outstanding under our $500 million unsecured revolving credit facility. The loan matures in March 2020, and we have the option to repay the loan without penalty at any time. Borrowing rates under the agreement float at a margin over LIBOR and are priced off a grid that is tied to our senior unsecured credit ratings, which is currently 97.5 basis points, but have been swapped to a fixed rate of 2.5%. Additionally, the loan contains an accordion feature which allows us to increase the loan amount up to an additional $100 million.

During 2015, we repaid $90 million of fixed-rate medium term notes upon maturity at a weighted average interest rate of 5.4%. Additionally, we amended an existing $66 million secured note to extend the maturity to 2025 and reduced the interest rate from 7.4% to 3.5% per annum. In connection with this transaction, we have recorded a $6.1 million loss on extinguishment of debt that has been classified as net interest expense in our Condensed Consolidated Statements of Operations.

Various leases and properties, and current and future rentals from those leases and properties, collateralize certain debt. At September 30, 2016 and December 31, 2015, the carrying value of such assets aggregated $.7 billion and $.8 billion, respectively.

Table of Contents

Scheduled principal payments on our debt (excluding $130.0 million unsecured notes payable under our credit facilities, $21.0 million of certain capital leases, $(6.3) million net premium/(discount) on debt, $(11.0) million of deferred debt costs, $5.3 million of non-cash debt-related items, and $69.8 million debt service guaranty liability) are due during the following years (in thousands):

| | |
|---|---|
| 2016 remaining | $76,939 |
| 2017 | 86,710 |
| 2018 | 80,427 |
| 2019 | 56,245 |
| 2020 | 237,779 |
| 2021 | 17,667 |
| 2022 | 307,858 |
| 2023 | 305,705 |
| 2024 | 255,965 |
| 2025 | 303,314 |
| Thereafter | 383,329 |
| Total | $2,111,938 |

Our various debt agreements contain restrictive covenants, including minimum interest and fixed charge coverage ratios, minimum unencumbered interest coverage ratios, minimum net worth requirements and maximum total debt levels. We are not aware of any non-compliance with our public debt and revolving credit facility covenants as of September 30, 2016.

Note 6. Derivatives and Hedging

The fair value of all our interest rate swap contracts was reported as follows (in thousands):

| Assets | Liabilities |
|---|---|
| Balance Sheet | |
| Locati | |