WEINGARTEN REALTY INVESTORS /TX/
Form 10-Q
May 07, 2013
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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 March 31, 2013
OR
¨ 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. YES ý NO¨

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 ý 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). YES ¨ NO ý

As of April 30, 2013, there were 121,813,812 common shares of beneficial interest of Weingarten Realty Investors, $.03 par value, outstanding.

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

	Three Months Ended March 31, 2013	2012
Revenues:		
Rentals, net	$129,023	$116,103
Other	2,658	2,699
Total	131,681	118,802
Expenses:		
Depreciation and amortization	39,719	33,231
Operating	25,356	22,419
Real estate taxes, net	15,202	13,810
Impairment loss	56	6,852
General and administrative	6,667	8,307
Total	87,000	84,619
Operating Income	44,681	34,183
Interest Expense, net	(17,952)	(31,297)
Interest and Other Income, net	1,826	2,386
Gain on Sale of Real Estate Joint Venture and Partnership Interests	11,509	5,562
Equity in Earnings of Real Estate Joint Ventures and Partnerships, net	4,613	4,075
Benefit for Income Taxes	153	22
Income from Continuing Operations	44,830	14,931
Operating (Loss) Income from Discontinued Operations	(155)	3,633
Gain on Sale of Property from Discontinued Operations	—	3,634
(Loss) Income from Discontinued Operations	(155)	7,267
Gain on Sale of Property	142	440
Net Income	44,817	22,638
Less: Net Income Attributable to Noncontrolling Interests	(1,467)	(1,441)
Net Income Adjusted for Noncontrolling Interests	43,350	21,197
Dividends on Preferred Shares	(7,440)	(8,869)
Redemption Costs of Preferred Shares	(2,242)	—
Net Income Attributable to Common Shareholders	$33,668	$12,328
Earnings Per Common Share - Basic:		
Income from continuing operations attributable to common shareholders	$0.28	$0.04
(Loss) income from discontinued operations	—	0.06
Net income attributable to common shareholders	$0.28	$0.10
Earnings Per Common Share - Diluted:		
Income from continuing operations attributable to common shareholders	$0.28	$0.04
(Loss) income from discontinued operations	—	0.06
Net income attributable to common shareholders	$0.28	$0.10
Comprehensive Income:		
Net Income	$44,817	$22,638
Other Comprehensive Income (Loss):		
Net unrealized (loss) gain on derivatives	(2,107)	16

Amortization of loss on derivatives	656	659
Retirement liability adjustment	365	—
Total	(1,086)	675
Comprehensive Income	43,731	23,313
Comprehensive Income Attributable to Noncontrolling Interests	(1,467)	(1,441)
Comprehensive Income Adjusted for Noncontrolling Interests	$42,264	$21,872

See Notes to Condensed Consolidated Financial Statements.

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

	March 31, 2013	December 31, 2012
ASSETS		
Property	$4,425,127	$4,399,850
Accumulated Depreciation	(1,073,361)	(1,040,839)
Property, net *	3,351,766	3,359,011
Investment in Real Estate Joint Ventures and Partnerships, net	279,384	289,049
Total	3,631,150	3,648,060
Notes Receivable from Real Estate Joint Ventures and Partnerships	89,013	89,776
Unamortized Debt and Lease Costs, net	137,646	135,783
Accrued Rent and Accounts Receivable (net of allowance for doubtful accounts of $11,904 in 2013 and $12,127 in 2012) *	70,428	79,540
Cash and Cash Equivalents *	54,800	19,604
Restricted Deposits and Mortgage Escrows	43,535	44,096
Other, net	164,396	167,925
Total Assets	$4,190,968	$4,184,784
LIABILITIES AND EQUITY		
Debt, net *	$2,323,620	$2,204,030
Accounts Payable and Accrued Expenses	87,947	119,699
Other, net	111,661	120,900
Total Liabilities	2,523,228	2,444,629
Commitments and Contingencies	—	—
Equity:		
Shareholders’ Equity:		
Preferred Shares of Beneficial Interest - par value, $.03 per share; shares authorized: 10,000		
6.75% Series D cumulative redeemable preferred shares of beneficial interest; 100 shares issued; no shares outstanding in 2013 and 100 shares outstanding in 2012; liquidation preference $75,000 in 2012	—	3
6.5% Series F cumulative redeemable preferred shares of beneficial interest; 140 shares issued and outstanding in 2013 and 2012; liquidation preference $350,000	4	4
Common Shares of Beneficial Interest - par value, $.03 per share; shares authorized: 275,000; shares issued and outstanding: 121,758 in 2013 and 121,505 in 2012	3,671	3,663
Additional Paid-In Capital	1,868,215	1,934,183
Net Income Less Than Accumulated Dividends	(339,439)	(335,980)
Accumulated Other Comprehensive Loss	(25,829)	(24,743)
Total Shareholders’ Equity	1,506,622	1,577,130
Noncontrolling Interests	161,118	163,025
Total Equity	1,667,740	1,740,155
Total Liabilities and Equity	$4,190,968	$4,184,784
* Consolidated Variable Interest Entities' Assets and Liabilities included in the above balances (See Note 17):		
Property, net	$224,982	$226,685
Accrued Rent and Accounts Receivable, net	6,504	8,095

Cash and Cash Equivalents	10,317	11,706
Debt, net	275,671	276,420

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31, 2013	2012
Cash Flows from Operating Activities:		
Net Income	$44,817	$22,638
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,731	38,850
Amortization of deferred financing costs, net	(9,300)	264
Impairment loss	292	10,023
Equity in earnings of real estate joint ventures and partnerships, net	(4,613)	(4,075)
Gain on sale of real estate joint venture and partnership interests	(11,509)	(5,562)
Gain on sale of property	(142)	(4,074)
Distributions of income from real estate joint ventures and partnerships, net	976	601
Changes in accrued rent and accounts receivable, net	8,256	16,703
Changes in other assets, net	(3,234)	(5,503)
Changes in accounts payable, accrued expenses and other liabilities, net	(30,232)	(27,524)
Other, net	2,599	2,771
Net cash provided by operating activities	37,641	45,112
Cash Flows from Investing Activities:		
Acquisition of real estate and land	(18,880)	(20,135)
Development and capital improvements	(14,101)	(18,633)
Proceeds from sale of property and real estate equity investments, net	3,914	13,629
Change in restricted deposits and mortgage escrows	561	1,106
Notes receivable from real estate joint ventures and partnerships and other receivables:		
Advances	—	(79)
Collections	3,937	59,897
Real estate joint ventures and partnerships:		
Investments	(240)	(5,518)
Distributions of capital	14,393	3,347
Net cash (used in) provided by investing activities	(10,416)	33,614
Cash Flows from Financing Activities:		
Proceeds from issuance of debt	298,584	—
Principal payments of debt	(101,643)	(31,204)
Changes in unsecured credit facilities	(66,000)	3,500
Proceeds from issuance of common shares of beneficial interest, net	1,887	458
Repurchase of preferred shares of beneficial interest	(75,000)	—
Common and preferred dividends paid	(44,122)	(43,333)
Debt issuance costs paid	(2,100)	(70)
Distributions to noncontrolling interests	(3,858)	(3,756)
Other, net	223	61
Net cash provided by (used in) financing activities	7,971	(74,344)
Net increase in cash and cash equivalents	35,196	4,382
Cash and cash equivalents at January 1	19,604	13,642
Cash and cash equivalents at March 31	$54,800	$18,024

Interest paid during the period (net of amount capitalized of $569 and $783, respectively)	$35,794	$40,836
Income taxes paid during the period	$—	$—

See Notes to Condensed Consolidated Financial Statements.

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, 2012	$8	$3,641	$1,983,978	$ (304,504)	$ (27,743)	$ 168,202	$1,823,582
Net income				21,197		1,441	22,638
Shares issued under benefit plans		8	4,707				4,715
Dividends declared – common shares (1)				(35,120)			(35,120)
Dividends declared – preferred shares (2)				(8,213)			(8,213)
Distributions to noncontrolling interests						(3,756)	(3,756)
Other comprehensive income					675		675
Other, net			513	(656)		(119)	(262)
Balance , March 31, 2012	$8	$3,649	$1,989,198	$ (327,296)	$ (27,068)	$ 165,768	$1,804,259
Balance, January 1, 2013	$7	$3,663	$1,934,183	$ (335,980)	$ (24,743)	$ 163,025	$1,740,155
Net income				43,350		1,467	44,817
Redemption of Series D preferred shares	(3)		(72,755)	(2,242)			(75,000)
Shares issued under benefit plans		8	6,400				6,408
Dividends declared – common shares (1)				(37,127)			(37,127)
Dividends declared – preferred shares (2)				(6,995)			(6,995)
Distributions to noncontrolling interests						(3,858)	(3,858)
Other comprehensive loss					(1,086)		(1,086)
Other, net			387	(445)		484	426
Balance, March 31, 2013	$4	$3,671	$1,868,215	$ (339,439)	$ (25,829)	$ 161,118	$1,667,740

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(1) Common dividend per share was $.305 and $.290 for the three months ended March 31, 2013 and 2012, respectively.

(2) Series D preferred dividend per share was $13.08 and $12.66 for the three months ended March 31, 2013 and 2012, respectively. Series E preferred dividend per share was $43.44 for the three months ended March 31, 2012. Series F preferred dividend per share was $40.63 for both the three months ended March 31, 2013 and 2012.

See Notes to Condensed Consolidated Financial Statements.

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 for either joint ventures where we are partners or for other outside owners.
We operate a portfolio of neighborhood and community shopping centers, totaling approximately 53.0 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 total rental revenues during the first three months of 2013. Net operating income from continuing operations generated by our properties located in Houston and its surrounding areas was 21.4% of total net operating income from continuing operations for the three months ended March 31, 2013, and an additional 7.6% of net operating income from continuing operations is generated from properties that are located in other parts of Texas.
Basis of Presentation
Our 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, 2012 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 Annual Report on Form 10-K for the year ended December 31, 2012.
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 on our consolidated financial statements. Actual results could differ from these estimates. We have evaluated subsequent events for recognition or disclosure in our consolidated financial statements.
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):

	March 31, 2013	December 31, 2012
Restricted cash	$37,902	$36,944
Mortgage escrows	5,633	7,152
Total	$43,535	$44,096

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Accumulated Other Comprehensive Loss

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

	Gain and Losses on Cash Flow Hedges		Defined Benefit Pension Plan		Total
Balance, December 31, 2012	$7,489		$17,254		$24,743
Amounts reclassified from other comprehensive loss (income)	1,451	(1)	(365	) (2)	1,086
Net other comprehensive loss (income)	1,451		(365	)	1,086
Balance, March 31, 2013	$8,940		$16,889		$25,829

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(1) This reclassification component is included in interest expense and other liabilities (see Note 7 for additional information).

(2) This reclassification component is included in the computation of net periodic benefit cost (see Note 14 for additional information).

Reclassifications

The reclassification of prior years' operating results for certain properties classified as discontinued operations was made to conform to the current year presentation (see Note 10 for additional information). These items had no impact on previously reported net income, earnings per share, the consolidated balance sheet or cash flows.

Note 2. Newly Issued Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-11, "Disclosures about Offsetting Assets and Liabilities," which requires entities to provide new disclosures about offsetting and related arrangements for financial instruments and derivatives. The provisions of ASU No. 2011-11 are effective for us on January 1, 2013, and are required to be applied retrospectively. The adoption of this ASU did not materially impact our consolidated financial statements, but required additional disclosures.

In January 2013, the FASB issued ASU No. 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities," which amends the scope of ASU No. 2011-11 to apply only to entities with derivatives accounted for in accordance with Accounting Standard Code 815. The provisions of ASU No. 2013-01 are effective for us on January 1, 2013, and are required to be applied retrospectively. The adoption of this ASU did not materially impact our consolidated financial statements.

In February 2013, the FASB issued ASU No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," which requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present significant amounts reclassified out of accumulated other comprehensive income by respective line items of net income if it is required to be reclassified to net income in its entirety. For other reclassified amounts, an entity is required cross-reference to other disclosures that provide additional detail about those amounts. The provisions of ASU No. 2013-02 are effective for us on January 1, 2013, and are to be applied prospectively. The adoption of this ASU did not materially impact our consolidated financial statements, but required additional disclosures.

In February 2013, the FASB issued ASU No. 2013-04, "Obligations resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date." This ASU requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date, as the sum of (1) the amount the reporting entity has agreed to pay in accordance to the arrangement and (2) any additional amounts the reporting entity expects to pay on behalf of its co-obligors. Additional disclosures on the nature and amounts of the obligation will also be required. The provisions of ASU No. 2013-04 are effective for us on January 1, 2014, and are required to be applied retrospectively. We do not expect the adoption of this update to have a material impact on our consolidated financial statements.

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Note 3. Property

Our property consists of the following (in thousands):

	March 31, 2013	December 31, 2012
Land	$891,897	$881,156
Land held for development	121,504	121,294
Land under development	5,527	6,155
Buildings and improvements	3,348,093	3,325,793
Construction in-progress	58,106	65,452
Total	$4,425,127	$4,399,850

The following carrying charges were capitalized (in thousands):

	Three Months Ended March 31,	
	2013	2012
Interest	$569	$783
Real estate taxes		