

WEINGARTEN REALTY INVESTORS /TX/
Form 10-Q
May 04, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
(Mark One)

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

For the quarter ended March 31, 2015

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 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 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 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

As of April 30, 2015, there were 123,904,939 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

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2015	2014
Revenues:		
Rentals, net	\$122,658	\$124,633
Other	2,941	2,959
Total	125,599	127,592
Expenses:		
Depreciation and amortization	36,151	40,624
Operating	22,585	24,615
Real estate taxes, net	14,627	14,649
General and administrative	7,372	5,913
Total	80,735	85,801
Operating Income	44,864	41,791
Interest Expense, net	(26,458)	(24,580)
Interest and Other Income, net	2,722	1,994
Gain on Sale and Acquisition of Real Estate Joint Venture and Partnership Interests	861	—
Equity in Earnings of Real Estate Joint Ventures and Partnerships, net	5,372	4,402
Provision for Income Taxes	(661)	(480)
Income from Continuing Operations	26,700	23,127
Operating Income from Discontinued Operations	—	279
Gain on Sale of Property from Discontinued Operations	—	41,212
Income from Discontinued Operations	—	41,491
Gain on Sale of Property	22,522	163
Net Income	49,222	64,781
Less: Net Income Attributable to Noncontrolling Interests	(1,575)	(1,478)
Net Income Adjusted for Noncontrolling Interests	47,647	63,303
Dividends on Preferred Shares	(2,710)	(2,710)
Net Income Attributable to Common Shareholders	\$44,937	\$60,593
Earnings Per Common Share - Basic:		
Income from continuing operations attributable to common shareholders	\$0.37	\$0.16
Income from discontinued operations	—	0.34
Net income attributable to common shareholders	\$0.37	\$0.50
Earnings Per Common Share - Diluted:		
Income from continuing operations attributable to common shareholders	\$0.36	\$0.15
Income from discontinued operations	—	0.34
Net income attributable to common shareholders	\$0.36	\$0.49
See Notes to Condensed Consolidated Financial Statements.		

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

	Three Months Ended March 31,	
	2015	2014
Net Income	\$49,222	\$64,781
Other Comprehensive (Loss) Income:		
Net unrealized gain on investments, net of taxes	79	57
Realized gain on investments	—	(38)
Net unrealized (loss) gain on derivatives	(1,350)	37
Amortization of loss on derivatives	388	473
Retirement liability adjustment	360	52
Total	(523)	581
Comprehensive Income	48,699	65,362
Comprehensive Income Attributable to Noncontrolling Interests	(1,575)	(1,478)
Comprehensive Income Adjusted for Noncontrolling Interests	\$47,124	\$63,884
See Notes to Condensed Consolidated Financial Statements.		

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CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share amounts)

	March 31, 2015	December 31, 2014
ASSETS		
Property	\$4,163,531	\$4,076,094
Accumulated Depreciation	(1,045,495)	(1,028,619)
Property Held for Sale, net	1,775	3,670
Property, net *	3,119,811	3,051,145
Investment in Real Estate Joint Ventures and Partnerships, net	255,890	257,156
Total	3,375,701	3,308,301
Unamortized Debt and Lease Costs, net	141,726	141,122
Accrued Rent and Accounts Receivable (net of allowance for doubtful accounts of \$6,519 in 2015 and \$7,680 in 2014) *	68,810	77,781
Cash and Cash Equivalents *	40,168	23,189
Restricted Deposits and Mortgage Escrows	28,641	79,998
Other, net	181,963	183,703
Total Assets	\$3,837,009	\$3,814,094
LIABILITIES AND EQUITY		
Debt, net *	\$1,940,897	\$1,938,188
Accounts Payable and Accrued Expenses	88,474	112,479
Other, net	132,110	124,484
Total Liabilities	2,161,481	2,175,151
Commitments and Contingencies	—	—
Equity:		
Shareholders' Equity:		
Preferred Shares of Beneficial Interest - par value, \$.03 per share; shares authorized: 10,000		
6.5% Series F cumulative redeemable preferred shares of beneficial interest; 140 shares issued; 60 shares outstanding in 2015 and 2014; liquidation preference \$150,000 in 2015 and 2014	2	2
Common Shares of Beneficial Interest - par value, \$.03 per share; shares authorized: 275,000; shares issued and outstanding: 123,585 in 2015 and 122,489 in 2014	3,733	3,700
Additional Paid-In Capital	1,741,804	1,706,880
Net Income Less Than Accumulated Dividends	(210,499)	(212,960)
Accumulated Other Comprehensive Loss	(12,959)	(12,436)
Total Shareholders' Equity	1,522,081	1,485,186
Noncontrolling Interests	153,447	153,757
Total Equity	1,675,528	1,638,943
Total Liabilities and Equity	\$3,837,009	\$3,814,094
* Consolidated variable interest entities' assets held as collateral and debt included in the above balances (see Note 15):		
Property, net	\$46,505	\$47,085
Accrued Rent and Accounts Receivable, net	1,781	2,576
Cash and Cash Equivalents	10,973	12,189
Debt, net	96,952	97,362

See Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Three Months Ended March 31,	
	2015	2014
Cash Flows from Operating Activities:		
Net Income	\$49,222	\$64,781
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36,151	40,884
Amortization of debt deferred costs and intangibles, net	656	243
Equity in earnings of real estate joint ventures and partnerships, net	(5,372)	(4,402)
Gain on sale and acquisition of real estate joint venture and partnership interests	(861)	—
Gain on sale of property	(22,522)	(41,375)
Distributions of income from real estate joint ventures and partnerships, net	1,024	261
Changes in accrued rent and accounts receivable, net	6,951	5,013
Changes in unamortized debt and lease costs and other assets, net	(1,994)	(885)
Changes in accounts payable, accrued expenses and other liabilities, net	(14,762)	(23,476)
Other, net	8,947	302
Net cash provided by operating activities	57,440	41,346
Cash Flows from Investing Activities:		
Acquisition of real estate and land	(91,487)	—
Development and capital improvements	(17,401)	(14,494)
Proceeds from sale of property and real estate equity investments, net	33,050	46,177
Change in restricted deposits and mortgage escrows	51,357	1,002
Notes receivable from real estate joint ventures and partnerships and other receivables	61	3,840
- Collections		
Real estate joint ventures and partnerships - Investments	(34)	(752)
Real estate joint ventures and partnerships - Distribution of capital	4,446	5,539
Proceeds from investments	500	50,038
Other, net	(535)	(10,713)
Net cash (used in) provided by investing activities	(20,043)	80,637
Cash Flows from Financing Activities:		
Proceeds from issuance of debt	200,000	—
Principal payments of debt	(112,236)	(319,812)
Changes in unsecured credit facilities	(85,000)	159,900
Proceeds from issuance of common shares of beneficial interest, net	30,863	229
Common and preferred dividends paid	(44,914)	(42,141)
Debt issuance and extinguishment costs paid	(7,402)	(204)
Distributions to noncontrolling interests	(1,660)	(2,351)
Other, net	(69)	19
Net cash used in financing activities	(20,418)	(204,360)
Net increase (decrease) in cash and cash equivalents	16,979	(82,377)
Cash and cash equivalents at January 1	23,189	91,576
Cash and cash equivalents at March 31	\$40,168	\$9,199
Interest paid during the period (net of amount capitalized of \$831 and \$660, respectively)	\$23,471	\$26,616

See Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

(In thousands, except per share amounts)

Insert Title Here

	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, 2014	\$2	\$3,683	\$1,679,229	\$ (300,537)	\$ (4,202)	\$ 309,803	\$1,687,978
Net income				63,303		1,478	64,781
Shares issued under benefit plans		7	5,623				5,630
Dividends paid – common shares ⁽¹⁾				(39,703)			(39,703)
Dividends paid – preferred shares ⁽²⁾				(2,438)			(2,438)
Distributions to noncontrolling interests						(2,351)	(2,351)
Acquisition of noncontrolling interests			10,932			(10,932)	—
Disposition of noncontrolling interests						(144,326)	(144,326)
Other comprehensive income					581		581
Other, net			51	(272)			(221)
Balance, March 31, 2014	\$2	\$3,690	\$1,695,835	\$ (279,647)	\$ (3,621)	\$ 153,672	\$1,569,931
Balance, January 1, 2015	\$2	\$3,700	\$1,706,880	\$ (212,960)	\$ (12,436)	\$ 153,757	\$1,638,943
Net income				47,647		1,575	49,222
Issuance of common shares, net		24	29,012				29,036
Shares issued under benefit plans, net		9	5,547				5,556
Shares issued in exchange for noncontrolling interests			111			(111)	—
Dividends paid – common shares ⁽¹⁾				(42,476)			(42,476)
Dividends paid – preferred shares ⁽²⁾				(2,438)			(2,438)
Distributions to noncontrolling interests						(1,660)	(1,660)
Other comprehensive loss					(523)		(523)
Other, net			254	(272)		(114)	(132)
Balance, March 31, 2015	\$2	\$3,733	\$1,741,804	\$ (210,499)	\$ (12,959)	\$ 153,447	\$1,675,528

(1) Common dividend per share was \$.345 and \$.325 for the three months ended March 31, 2015 and 2014, respectively.

(2) Series F preferred dividend per share was \$40.63 for both the three months ended March 31, 2015 and 2014.

See Notes to Condensed Consolidated Financial Statements.

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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 45.3 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 3.6% of base minimum rental revenue during the first three months of 2015. Total revenues less operating expenses and real estate taxes from continuing operations (“net operating income from continuing operations”) generated by our properties located in Houston and its surrounding areas was 18.4% of total net operating income from continuing operations for the three months ended March 31, 2015, and an additional 10.2% of net operating income from continuing operations was generated during this period 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, 2014 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, 2014.

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.

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, 2015	December 31, 2014
Restricted cash ⁽¹⁾	\$26,314	\$77,739
Mortgage escrows	2,327	2,259
Total	\$28,641	\$79,998

The decrease between the periods presented is primarily attributable to the use of funds from a qualified escrow (1) account of \$71.3 million, offset by \$19.8 million of funds placed in a qualified escrow account for the purpose of completing like-kind exchange transactions.

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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, 2014	\$(656	)	\$(3,416	)	\$16,508		\$12,436
Change excluding amounts reclassified from accumulated other comprehensive loss	(79	)	1,350				1,271
Amounts reclassified from accumulated other comprehensive loss			(388) ⁽²⁾	(360) ⁽³⁾	(748)
Net other comprehensive (income) loss	(79	)	962		(360	)	523
Balance, March 31, 2015	\$(735	)	\$(2,454	)	\$16,148		\$12,959
	Gain on Investments		Gain on Cash Flow Hedges		Defined Benefit Pension Plan		Total	
Balance, December 31, 2013	\$(340	)	\$(1,233	)	\$5,775		