CEDAR REALTY TRUST, INC.
Form 10-Q
May 02, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
COMMISSION FILE NUMBER: 001-31817

CEDAR REALTY TRUST, INC.

(Exact name of registrant as specified in its charter)

Maryland	42-1241468
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

44 South Bayles Avenue, Port Washington, New York 11050-3765

(Address of principal executive offices) (Zip Code)

(516) 767-6492

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered	Trading Symbol(s)
Common Stock, $0.06 par value	New York Stock Exchange	CDR
7-1/4% Series B Cumulative Redeemable Preferred Stock, $25.00 Liquidation Value	New York Stock Exchange	CDRpB
6-1/2% Series C Cumulative Redeemable Preferred Stock, $25.00 Liquidation Value	New York Stock Exchange	CDRpC

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 every Interactive Data File required to be submitted 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 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, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

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.

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

At April 30, 2019, there were 89,024,507 shares of Common Stock, $0.06 par value, outstanding.

CEDAR REALTY TRUST, INC.

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Forward-Looking Statements

Certain statements made in this Form 10-Q or incorporated by reference herein are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and, as such, may involve known and unknown risks, uncertainties and other factors which may cause the Company’s actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements, which are based on certain assumptions and describe the Company’s future plans, strategies and expectations, are generally identifiable by use of the words “may”, “will”, “should”, “estimates”, “projects”, “anticipates”, “believes”, “expects” “future”, and words of similar import, or the negative thereof. Factors which could cause actual results to differ materially from current expectations include, but are not limited to: adverse general economic conditions in the United States and uncertainty in the credit and retail markets; financing risks, such as the inability to obtain new financing or refinancing on favorable terms as the result of market volatility or instability; risks related to the market for retail space generally, including reductions in consumer spending, variability in retailer demand for leased space, tenant bankruptcies, adverse impact of internet sales demand, ongoing consolidation in the retail sector and changes in economic conditions and consumer confidence; risks endemic to real estate and the real estate industry generally; the impact of the Company’s level of indebtedness on operating performance; inability of tenants to meet their rent and other lease obligations; adverse impact of new technology and e-commerce developments on the Company’s tenants; competitive risk; risks related to the geographic concentration of the Company’s properties in the Washington, D.C. to Boston corridor; the effects of natural and other disasters; the inability of the Company to realize anticipated returns from its redevelopment activities; and the risk factors discussed under Part I, Item 1A, “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

Except for ongoing obligations to disclose material information as required by the federal securities laws, the Company undertakes no obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. All of the above factors are difficult to predict, contain uncertainties that may materially affect the Company’s actual results and may be beyond the Company’s control. New factors emerge from time to time, and it is not possible for the Company’s management to predict all such factors or to assess the effects of each factor on the Company’s business. Accordingly, there can be no assurance that the Company’s current expectations will be realized.

CEDAR REALTY TRUST, INC.

CONSOLIDATED BALANCE SHEETS

(unaudited)

	March 31, 2019	December 31, 2018
ASSETS		
Real estate:		
Land	$291,869,000	$295,734,000
Buildings and improvements	1,209,739,000	1,212,948,000
	1,501,608,000	1,508,682,000
Less accumulated depreciation	(366,470,000)	(361,969,000)
Real estate, net	1,135,138,000	1,146,713,000
Real estate held for sale	13,151,000	11,592,000
Cash and cash equivalents	25,000	1,977,000
Receivables	23,322,000	21,977,000
Other assets and deferred charges, net	50,743,000	40,642,000
TOTAL ASSETS	$1,222,379,000	$1,222,901,000
LIABILITIES AND EQUITY		
Mortgage loan payable	$47,083,000	$47,315,000
Capital lease obligation	5,381,000	5,387,000
Unsecured revolving credit facility	102,000,000	100,000,000
Unsecured term loans	472,309,000	472,132,000
Accounts payable and accrued liabilities	40,551,000	26,142,000
Unamortized intangible lease liabilities	12,564,000	13,209,000
Total liabilities	679,888,000	664,185,000
Commitments and contingencies	-	-
Equity:		
Cedar Realty Trust, Inc. shareholders' equity:		
Preferred stock	159,541,000	159,541,000
Common stock ($.06 par value, 150,000,000 shares authorized, 89,037,000 and 90,436,000 shares, issued and outstanding, respectively)	5,342,000	5,426,000
Treasury stock (3,093,000 and 2,971,000 shares, respectively, at cost)	(16,550,000)	(16,572,000)
Additional paid-in capital	869,529,000	875,565,000
Cumulative distributions in excess of net income	(480,502,000)	(475,726,000)
Accumulated other comprehensive income	1,782,000	7,191,000
Total Cedar Realty Trust, Inc. shareholders' equity	539,142,000	555,425,000
Noncontrolling interests:		
Minority interests in consolidated joint ventures	(7,000)	(112,000)
Limited partners' OP Units	3,356,000	3,403,000
Total noncontrolling interests	3,349,000	3,291,000
Total equity	542,491,000	558,716,000
TOTAL LIABILITIES AND EQUITY	$1,222,379,000	$1,222,901,000

See accompanying notes to consolidated financial statements

CEDAR REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three months ended March 31,	
	2019	2018
REVENUES		
Rental revenues	$36,592,000	$37,447,000
Other	291,000	121,000
Total revenues	36,883,000	37,568,000
EXPENSES		
Operating, maintenance and management	7,967,000	7,794,000
Real estate and other property-related taxes	5,210,000	5,079,000
General and administrative	4,798,000	4,494,000
Depreciation and amortization	10,129,000	10,054,000
Total expenses	28,104,000	27,421,000
OTHER		
Gain on sale	101,000	-
Impairment charges	-	(21,396,000)
Total other	101,000	(21,396,000)
OPERATING INCOME (LOSS)	8,880,000	(11,249,000)
NON-OPERATING INCOME AND EXPENSES		
Interest expense	(5,891,000)	(5,371,000)
Total non-operating income and expenses	(5,891,000)	(5,371,000)
NET INCOME (LOSS)	2,989,000	(16,620,000)
Net (income) loss attributable to noncontrolling interests:		
Minority interests in consolidated joint ventures	(105,000)	(135,000)
Limited partners' interest in Operating Partnership	(2,000)	87,000
Total net (income) attributable to noncontrolling interests	(107,000)	(48,000)
NET INCOME (LOSS) ATTRIBUTABLE TO CEDAR REALTY TRUST, INC.	2,882,000	(16,668,000)
Preferred stock dividends	(2,688,000)	(2,799,000)
Preferred stock redemption costs	-	(3,507,000)
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	$194,000	$(22,974,000)
NET INCOME (LOSS) PER COMMON SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS (BASIC AND DILUTED)	$0.00	$(0.26)
Weighted average number of common shares - basic and diluted	86,580,000	87,623,000

See accompanying notes to consolidated financial statements

CEDAR REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three months ended March 31,	
	2019	2018
Net income (loss)	$2,989,000	$(16,620,000)
Other comprehensive income - unrealized (loss) gain on change in fair value of cash flow hedges	(5,442,000)	5,890,000
Comprehensive (loss)	(2,453,000)	(10,730,000)
Comprehensive (income) attributable to noncontrolling interests	(74,000)	(70,000)
Comprehensive (loss) attributable to Cedar Realty Trust, Inc.	$(2,527,000)	$(10,800,000)

See accompanying notes to consolidated financial statements

CEDAR REALTY TRUST, INC.

Consolidated Statement of Equity

Three months ended March 31, 2019

(unaudited)

	Cedar Realty Trust, Inc. Shareholders							
	Preferred stock		Common stock		Treasury stock,	Additional paid-in	Cumulative distributions in excess of	Accumulated other comprehensi
	Shares	Amount	Shares	Amount	at cost	capital	net income	income
ber 31,	6,450,000	$159,541,000	90,436,000	$5,426,000	$(16,572,000)	$875,565,000	$(475,726,000)	$7,191,000
stment - e accounting	—	—	—	—	—	—	(515,000)	—
ber 31,	6,450,000	159,541,000	90,436,000	5,426,000	(16,572,000)	875,565,000	(476,241,000)	7,191,000
	—	—	—	—	—	—	2,882,000	—
on change ash flow	—	—	—	—	—	—	—	(5,409,000
pensation,	—	—	650,000	39,000	22,000	692,000	—	—
ales, net of es	—	—	1,000	—	—	5,000	—	—
epurchases	—	—	(2,050,000)	(123,000)	—	(6,721,000)	—	—
ividends	—	—	—	—	—	—	(2,688,000)	—
common controlling	—	—	—	—	—	—	(4,455,000)	—
ustment of interest	—	—	—	—	—	(12,000)	—	—
31, 2019	6,450,000	$159,541,000	89,037,000	$5,342,000	$(16,550,000)	$869,529,000	$(480,502,000)	$1,782,000

	Noncontrolling Interests			
	Minority interest in consolidated joint ventures	Limited partners' interest in Operating Partnership	Total	Total Equity
ber 31,	$(112,000)	$3,403,000	$3,291,000	$558,716,000
stment - e accounting	—	—	—	(515,000)

ber 31,	(112,000)	3,403,000	3,291,000	558,201,000
	105,000	2,000	107,000	2,989,000
) on change ash flow	—	(33,000)	(33,000)	(5,442,000)
pensation,	—	—	—	753,000
ales, net of es	—	—	—	5,000
epurchases	—	—	—	(6,844,000)
lividends	—	—	—	(2,688,000)
common controlling	—	(28,000)	(28,000)	(4,483,000)
ustment of interest	—	12,000	12,000	—
31, 2019	$(7,000)	$3,356,000	$3,349,000	$542,491,000

See accompanying notes to consolidated financial statements

CEDAR REALTY TRUST, INC.

Consolidated Statement of Equity

Three months ended March 31, 2018

(unaudited)

	Cedar Realty Trust, Inc. Shareholders							
	Preferred stock		Common stock		Treasury stock,	Additional paid-in	Cumulative distributions in excess of	Accumulatec other comprehensi
	Shares	Amount	Shares	Amount	at cost	capital	net income	income
per 31,	8,450,000	$207,508,000	91,317,000	$5,479,000	$(18,463,000)	$875,062,000	$(446,944,000)	$5,694,000
e	—	—	—	—	—	—	(16,668,000)	—
on change ash flow	—	—	—	—	—	—	—	5,868,000
pensation,	—	—	393,000	24,000	5,000	222,000	—	—
Series B	(2,000,000)	(47,967,000)	—	—	—	1,458,000	(3,507,000)	—
ales, net of s	—	—	—	—	—	1,000	—	—
ividends	—	—	—	—	—	—	(2,799,000)	—
ommon controlling	—	—	—	—	—	—	(4,595,000)	—
stment of nterest	—	—	—	—	—	184,000	—	—
31, 2018	6,450,000	$159,541,000	91,710,000	$5,503,000	$(18,458,000)	$876,927,000	$(474,513,000)	$11,562,000

	Noncontrolling Interests			
	Minority interest in consolidated joint ventures	Limited partners' interest in Operating Partnership	Total	Total Equity
per 31,	$(609,000)	$2,384,000	$1,775,000	$630,111,000
e	135,000	(87,000)	48,000	(16,620,000)
on change ash flow	—	22,000	22,000	5,890,000
pensation,	—	—	—	251,000

Series B	—	—	—	(50,016,000)
ales, net of s			—	1,000
ividends	—	—	—	(2,799,000)
ommon controlling	—	(17,000)	(17,000)	(4,612,000)
stment of nterest	—	(184,000)	(184,000)	—
31, 2018	$(474,000)	$2,118,000	$1,644,000	$562,206,000

See accompanying notes to consolidated financial statements

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CEDAR REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Three months ended March 31, 2019	2018
OPERATING ACTIVITIES		
Net income (loss)	$2,989,000	$(16,620,000)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Gain on sale	(101,000)	—
Impairment charges	—	21,396,000
Straight-line rents and expenses, net	(166,000)	(245,000)
Provision for doubtful accounts	50,000	502,000
Depreciation and amortization	10,129,000	10,054,000
Amortization of intangible lease liabilities, net	(591,000)	(669,000)
Expense relating to share-based compensation, net	1,015,000	974,000
Amortization of premium on mortgage loan payable	—	(32,000)
Amortization of deferred financing costs	330,000	292,000
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Rents and other receivables	(1,573,000)	(2,831,000)
Prepaid expenses and other	(1,521,000)	(2,656,000)
Accounts payable and accrued liabilities	(1,394,000)	(97,000)
Net cash provided by operating activities	9,167,000	10,068,000
INVESTING ACTIVITIES		
Expenditures for real estate improvements	(8,768,000)	(6,277,000)
Net proceeds from sales of real estate	9,912,000	—
Net cash provided by / (used in) investing activities	1,144,000	(6,277,000)
FINANCING ACTIVITIES		
Repayments under revolving credit facility	(2,000,000)	(6,500,000)
Advances under revolving credit facility	4,000,000	61,000,000
Mortgage repayments	(253,000)	(753,000)
Noncontrolling interests:		
Distributions to limited partners	(28,000)	(17,000)
Redemptions of preferred stock	—	(50,016,000)
Common stock sales less issuance expenses, net	5,000	1,000
Common stock repurchases	(6,844,000)	—
Preferred stock dividends	(2,688,000)	(3,212,000)
Distributions to common shareholders	(4,455,000)	(4,595,000)
Net cash (used in) financing activities	(12,263,000)	(4,092,000)
Net (decrease) in cash, cash equivalents and restricted cash	(1,952,000)	(301,000)

Cash, cash equivalents and restricted cash at beginning of year	1,977,000	7,219,000
Cash, cash equivalents and restricted cash at end of period	$25,000	$6,918,000
Reconciliation to consolidated balance sheets:		
Cash and cash equivalents	$25,000	$3,004,000
Restricted cash	—	3,914,000
Cash, cash equivalents and restricted cash	$25,000	$6,918,000

See accompanying notes to consolidated financial statements

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Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

March 31, 2019

(unaudited)

Note 1. Business and Organization

Cedar Realty Trust, Inc. (the “Company”) is a real estate investment trust (“REIT”) that focuses primarily on ownership, operation and redevelopment of grocery-anchored shopping centers in high-density urban markets from Washington, D.C. to Boston. At March 31, 2019, the Company owned and managed a portfolio of 56 operating properties (excluding properties “held for sale”).

Cedar Realty Trust Partnership, L.P. (the “Operating Partnership”) is the entity through which the Company conducts substantially all of its business and owns (either directly or through subsidiaries) substantially all of its assets. At March 31, 2019, the Company owned a 99.4% general and limited partnership interest in, and was the sole general partner of, the Operating Partnership. The limited partners’ interest in the Operating Partnership (0.6% at March 31, 2019) is represented by Operating Partnership Units (“OP Units”). The carrying amount of such interest is adjusted at the end of each reporting period to an amount equal to the limited partners’ ownership percentage of the Operating Partnership’s net equity. The 553,000 OP Units outstanding at March 31, 2019 are economically equivalent to shares of the Company’s common stock. The holders of OP Units have the right to exchange their OP Units for the same number of shares of the Company’s common stock or, at the Company’s option, for cash. Unless specifically noted otherwise, all references to OP Units exclude limited partnership units held by the Company.

As used herein, the “Company” refers to Cedar Realty Trust, Inc. and its subsidiaries on a consolidated basis, including the Operating Partnership or, where the context so requires, Cedar Realty Trust, Inc. only.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation/Basis of Preparation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and include all of the information and disclosures required by U.S. Generally Accepted Accounting Principles (“GAAP”) for interim reporting. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statement disclosures. In the opinion of management, all adjustments necessary for fair presentation (including normal recurring accruals) have been included. The financial statements are prepared on the accrual basis in accordance with GAAP, which requires management to make estimates and assumptions that affect the disclosure of contingent assets and liabilities, the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the periods covered by the financial statements. Actual results could differ from these estimates. The unaudited consolidated financial statements in this Form 10-Q should be read in conjunction with the audited consolidated financial statements and related notes contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

The unaudited consolidated financial statements include the accounts and operations of the Company, the Operating Partnership, its subsidiaries, and certain joint venture partnerships in which it participates. The Company consolidates all variable interest entities for which it is the primary beneficiary.

Supplemental Consolidated Statements of Cash Flows Information

	Three months ended March 31,	
	2019	2018
Supplemental disclosure of cash activities:		
Cash paid for interest	$5,745,000	$5,303,000
Supplemental disclosure of non-cash activities:		
Capitalization of interest and financing costs	258,000	358,000

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

March 31, 2019

(unaudited)

Recently-Adopted Accounting Pronouncements

In February 2016, the FASB issued guidance amending the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. The guidance, effective for annual and interim reporting periods beginning on or after December 15, 2018, requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of their classification. Leases with a term of twelve months or less continue to be accounted for pursuant to existing guidance for operating leases. Based on the Company’s future obligations under its ground lease and executive office lease agreements for which the Company is the lessee, the newly adopted guidance resulted in the recognition of (1) right-of-use assets of $14.6 million included in other assets and deferred charges, net, and (2) right-of-use liabilities of $14.6 million included in accounts payable and accrued liabilities, on the Company’s consolidated balance sheet. Additionally, the guidance requires that lessees and lessors capitalize, as initial direct costs, only those costs that are incurred due to the execution of a lease. Under this guidance, allocated payroll costs and other costs that are incurred regardless of whether the lease is obtained will no longer be capitalized as initial direct costs and instead will be expensed as incurred. During the three months ended March 31, 2019, the Company expensed $0.7 million of leasing costs which would have previously been capitalized.

The FASB provided lessors with a practical expedient, elected by class of underlying asset, to account for lease and non-lease components as a single lease component if certain criteria are met. Lessors that make these elections are required to provide additional disclosures. The FASB provided an additional (and optional) transition method that allows entities to initially apply the guidance at the adoption date (January 1, 2019) and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company applied both these practical expedients upon adoption. The practical expedient allowed the Company to not separate expenses reimbursed by customers from the associated rental revenue if certain criteria were met. The Company assessed these criteria and concluded that the timing and pattern of transfer for rental revenue and the associated rental expense recoveries are the same and, as the leases qualify as operating leases, the Company accounted for and presented rents and expense recoveries as a single component under rental revenues in the consolidated statement of operations for the three months ended March 31, 2019. As a result of the adoption of this practical expedient, the Company also presented $28.2 million of rents and $9.3 million of expense recoveries as a single component in the consolidated statement of operations for the three months ended March 31, 2018 to conform to the new 2019 presentation.

In November 2018, the FASB clarified the existing accounting treatment relating to receivables arising from operating leases, stating that such receivables are not within the scope of the expected credit loss standard and that impairment of receivables arising from operating leases should be accounted for in accordance with the recently-adopted lease accounting standard. This required the Company to review its existing lease portfolio to determine if all future lease payments are probable of collection and, if the Company determined that all future lease payments are not probable of collection, the Company will account for these leases on a cash basis. This required that all amounts that were historically recorded as bad debt expense, and previously included in operating expenses in the Company’s consolidated statement of operations, now be recorded as a direct reduction of rental revenues. As permitted by the standard upon adoption, the Company recorded a $0.5 million prior-period adjustment to opening equity which the Company has reflected in the consolidated statement of equity for the three months ended March 31, 2019.

In addition, the Company is also the lessee under various ground lease arrangements. The Company is not required to reassess the classification of existing ground leases where it is the lessee and therefore these leases will continue to be accounted for as operating leases. The guidance, effective January 1, 2019, did not have a material effect in the accounting for the Company’s lease revenues as lessee. In the event the Company modifies existing ground leases or enters into new ground leases after adoption of the new standard, such leases may be classified as finance leases.

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

March 31, 2019

(unaudited)

Note 3. Real Estate

Disposition

On February 15, 2019, the Company sold Maxatawny Marketplace, located in Maxatawny, Pennsylvania. The sales price for the property was $10.3 million, which resulted in a gain on sale of $0.1 million, which has been included in continuing operations in the accompanying consolidated statement of operations.

Real Estate Held for Sale

As of March 31, 2019, Carll’s Corner, located in Bridgeton, New Jersey, Fort Washington Center, located in Fort Washington, Pennsylvania, and Suffolk Plaza, located in Suffolk, Virginia, have been classified as “real estate held for sale” on the accompanying consolidated balance sheet.

The Company, when applicable, conducts a continuing review of the values for all properties “held for sale” based on final sales prices and sales contracts entered into. Impairment charges/reversals, if applicable, are based on a comparison of the carrying values of the properties with either (1) actual sales prices less costs to sell for properties sold, or contract amounts for properties in the process of being sold, (2) estimated sales prices, less costs to sell, based on discounted cash flow or income capitalization analyses, if no contract amounts are being negotiated (see Note 4 - “Fair Value Measurements”), or (3) with respect to land parcels, estimated sales prices, less costs to sell, based on comparable sales completed in the selected market areas. Prior to the Company’s determination to dispose of properties, which are subsequently reclassified to “held for sale”, the Company performed recoverability analyses based on the estimated undiscounted cash flows that were expected to result from the real estate investments’ use and eventual disposal. The projected undiscounted cash flows of each property reflects that the carrying value of each real estate investment would be recovered. However, as a result of the properties’ meeting the “held for sale” criteria, such properties were written down to the lower of their carrying value and estimated fair values less costs to sell.

Note 4. Fair Value Measurements

The carrying amounts of cash and cash equivalents, restricted cash, rents and other receivables, certain other assets, accounts payable and accrued liabilities, and variable-rate debt approximate their fair value due to their terms and/or short-term nature. The fair value of the Company’s investments and liabilities related to share-based compensation were determined to be Level 1 within the valuation hierarchy, and were based on independent values provided by financial institutions.

The fair value of the Company’s fixed rate mortgage loan was estimated using available market information and discounted cash flow analyses based on borrowing rates the Company believes it could obtain with a similar term and maturity. As of March 31, 2019 and December 31, 2018, the fair value of the Company’s fixed rate mortgage loan payable, which was determined to be Level 3 within the valuation hierarchy, was $45.3 million and $44.4 million, respectively; the carrying value of such loan was $47.1 million and $47.3 million, respectively. As of March 31, 2019 and December 31, 2018, respectively, the aggregate fair values of the Company’s unsecured revolving credit facility and term loans approximated the carrying values. In addition, the fair value of the Company’s mortgage note receivable and capital lease obligation, which were determined to be Level 3 within the valuation hierarchy, approximated their carrying values as of March 31, 2019 and December 31, 2018, respectively.

The valuation of the assets and liabilities for the Company’s interest rate swaps, which are measured on a recurring basis, were determined to be Level 2 within the valuation hierarchy, and were based on independent values provided by financial institutions. Such valuations were determined using widely accepted valuation techniques, including discounted cash flow analyses, on the expected cash flows of each derivative. The analyses reflect the contractual terms of the swaps, including the period to maturity, and user-observable market-based inputs, including interest rate curves (“significant other observable inputs”). The fair value calculation also includes an amount for risk of non-performance using “significant unobservable inputs” such as estimates of current credit spreads to evaluate the likelihood of default. The Company has concluded that, as of March 31, 2019, the fair value associated with the “significant unobservable inputs” relating to the Company’s risk of non-performance was insignificant to the overall fair value of the interest rate swap agreements and, as a result, that the relevant inputs for purposes of calculating the fair value of the interest rate swap agreements, in their entirety, were based upon “significant other observable inputs”.

Nonfinancial assets and liabilities measured at fair value in the consolidated financial statements consist of real estate held for sale, which, if applicable, are measured on a nonrecurring basis, and have been determined to be (1) Level 2 within the valuation

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hierarchy, where applicable, based on the respective contracts of sale, adjusted for closing costs and expenses, or (2) Level 3 within the valuation hierarchy, where applicable, based on estimated sales prices, adjusted for closing costs and expenses, determined by discounted cash flow analyses, income capitalization analyses or a sales comparison approach if no contracts had been concluded. The discounted cash flow and income capitalization analyses include all estimated cash inflows and outflows over a specific holding period and, where applicable, any estimated debt premiums. These cash flows were composed of unobservable inputs which included forecasted rental revenues and expenses based upon existing in-place leases, market conditions and expectations for growth. Capitalization rates and discount rates utilized in these analyses were based upon observable rates that the Company believed to be within a reasonable range of current market rates for the respective properties. The sales comparison approach is utilized for certain land values and includes comparable sales that were completed in the selected market areas. The comparable sales utilized in these analyses were based upon observable per acre rates that the Company believes to be within a reasonable range of current market rates for the respective properties.

Valuations were prepared using internally-developed valuation models. These valuations are reviewed and approved, during each reporting period, by a diverse group of management, as deemed necessary, including personnel from the acquisition, accounting, finance, operations, development and leasing departments, and the valuations are updated as appropriate. In addition, the Company may engage third-party valuation experts to assist with the preparation of certain of its valuations.

The following tables show the hierarchy for those assets measured at fair value on a recurring basis as of March 31, 2019 and December 31, 2018, respectively:

	March 31, 2019			
Description	Level 1	Level 2	Level 3	Total
Investments related to deferred compensation liabilities (a)	$701,000	$—	$ —	$701,000
Deferred compensation liabilities (b)	$699,000	$—	$ —	$699,000
Interest rate swaps asset (a)	$—	$4,688,000	$ —	$4,688,000
Interest rate swaps liability (b)	$—	$2,853,000	$ —	$2,853,000

	December 31, 2018			
Description	Level 1	Level 2	Level 3	Total
Investments related to deferred compensation liabilities (a)	$616,000	$—	$ —	$616,000
Deferred compensation liabilities (b)	$610,000	$—	$ —	$610,000
Interest rate swaps asset (a)	$—	$8,871,000	$ —	$8,871,000

Interest rate swaps liability (b)	$—	$1,576,000	$ —	$1,576,000

(a) Included in other assets and deferred charges, net in the accompanying consolidated balance sheets.
(b) Included in accounts payable and accrued liabilities in the accompanying consolidated balance sheets.

As of March 31, 2019, one retail property, totaling $1.8 million, was determined to be Level 3 asset under the hierarchy, and was measured at fair value less cost to sell on a non-recurring basis using an income capitalization approach, consisting of a capitalization rate of 8.5%. In addition, real estate held for sale on the consolidated balance sheet as of March 31, 2019 includes the carrying values of two properties which were below their fair values.

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Note 5. Mortgage Loans Payable and Credit Facility

Debt and capital lease obligations are composed of the following at March 31, 2019:

		March 31, 2019	
Description	Maturity dates	Balance outstanding	Contractual interest rates weighted-average
Fixed-rate mortgage	Jun 2026	$47,429,000	3.9%
Capital lease obligation	Sep 2050	5,688,000	5.3%
Unsecured credit facilities (a):			
Variable-rate:			
Revolving credit facility	Sep 2021 (b)	102,000,000	3.8%
Term loan	Sep 2022	50,000,000	4.0%
Fixed-rate (c):			
Term loan	Feb 2021	75,000,000	3.6%
Term loan	Feb 2022	50,000,000	3.0%
Term loan	Sep 2022 (d)	50,000,000	2.8%
Term loan	Apr 2023	100,000,000	3.2%
Term loan	Sep 2024	75,000,000	3.7%
Term loan	Jul 2025	75,000,000	4.6%
		630,117,000	3.6%
Unamortized issuance costs		(3,344,000)	
		$626,773,000	

(a) Effective April 1, 2019, the weighted average interest rate for the Company's unsecured credit facilities increased 14 basis points ("bps") (ranging from an increase of 10 bps to 15 bps for each individual borrowing) as a result of a slight increase in the Company's leverage ratio.
(b) The revolving credit facility is subject to a one-year extension at the Company's option.
(c) The interest rates on these term loans consist of the London Interbank Offered Rate ("LIBOR") plus a credit spread based on the Company's leverage ratio, for which the Company has interest rate swap agreements which convert the LIBOR rates to fixed rates. Accordingly, these term loans are presented as fixed-rate debt.
(d) The current interest rate swap agreement expires in February 2020 at which time a new interest rate swap agreement will begin resulting in an effective interest ratio of 3.2%, based on the Company's leverage ratio at March 31, 2019.

Unsecured Revolving Credit Facility and Term Loans

As of March 31, 2019, the Company had $105.2 million available for additional borrowings under its revolving credit facility. The Company has a $300 million unsecured credit facility which, as amended and restated on September 8, 2017, consists of (1) a $250 million revolving credit facility, expiring on September 8, 2021, and (2) a $50 million term loan, expiring on September 8, 2022. The revolving credit facility may be extended, at the Company's option, for an additional one-year period, subject to customary conditions. Under an accordion feature, the facility can be increased to $750 million, subject to customary conditions and lending commitments. Interest on borrowings under the revolving credit facility component can range from LIBOR plus 135 bps to 195 bps (135 bps at March 31, 2019) and interest on borrowings under the term loan component can range from LIBOR plus 130 to 190 bps (130 bps at March 31, 2019), each based on the Company's leverage. Effective April 1, 2019, the weighted average interest rate for the Company's unsecured credit facilities increased 14 bps (ranging from an increase of 10 bps to 15 bps for each individual borrowing) as a result of a slight increase in the Company's leverage ratio.

The Company's unsecured credit facility and term loans contain financial covenants including, but not limited to, maximum debt leverage, maximum secured debt, minimum fixed charge coverage, and minimum net worth. In addition, the facility contains restrictions including, but not limited to, limits on indebtedness, certain investments and distributions. Although the credit facility is unsecured, borrowing availability is based on unencumbered property adjusted net operating income, as defined in the agreements. The Company's failure to comply with the covenants or the occurrence of an event of default under the facilities could result in the

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acceleration of the related debt and exercise of other lender remedies. As of March 31, 2019, the Company is in compliance with all financial covenants. Interest on borrowings under the unsecured credit facility and term loans are based on the Company's leverage ratio.

Derivative Financial Instruments

At March 31, 2019, the Company had $4.7 million included in other assets and deferred charges, net, in addition to $2.9 million included in accounts payable and accrued liabilities on the consolidated balance sheet relating to the fair value of the interest rate swaps applicable to the unsecured term loans discussed above. Charges and/or credits relating to the changes in the fair value of the interest rate swaps are made to accumulated other comprehensive income (loss), limited partners' interest, or operations (included in interest expense), as applicable. Over time, the unrealized gains and losses recorded in accumulated other comprehensive loss will be reclassified into earnings as an increase or reduction to interest expense in the same periods in which the hedged interest payments affect earnings. The Company estimates that approximately $1.7 million of accumulated other comprehensive loss will be reclassified as a charge to earnings within the next twelve months.

The following is a summary of the derivative financial instruments held by the Company at March 31, 2019 and December 31, 2018:

March 31, 2019

Designation/ Cash flow	Derivative	Count	Fair value	Maturity dates	Balance sheet location
Qualifying	Interest rate swaps	5	$4,688,000	2020-2024	Other assets and deferred charges, net
Qualifying	Interest rate swaps	3	$2,853,000	2021-2025	Accounts payable and accrued liabilities

December 31, 2018

Designation/ Cash flow	Derivative	Count	Fair value	Maturity dates	Balance sheet location
Qualifying	Interest rate swaps	7	$8,871,000	2019-2024	Other assets and deferred charges, net
Qualifying	Interest rate swaps	2	$1,576,000	2025	