WEINGARTEN REALTY INVESTORS /TX/
Form 10-Q
May 02, 2018
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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, 2018
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, 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 ý	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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¨ NOý

As of April 27, 2018, there were 128,149,024 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,	
	2018	2017
Revenues:		
Rentals, net	$128,729	$140,818
Other	3,723	2,845
Total	132,452	143,663
Expenses:		
Depreciation and amortization	38,095	42,449
Operating	23,270	29,910
Real estate taxes, net	17,639	17,517
Impairment loss	—	14,986
General and administrative	5,595	7,384
Total	84,599	112,246
Operating Income	47,853	31,417
Interest Expense, net	(14,672)	(21,082)
Interest and Other Income / Expense	1,533	1,622
(Provision) Benefit for Income Taxes	(783)	3,359
Equity in Earnings of Real Estate Joint Ventures and Partnerships, net	5,993	5,317
Income from Continuing Operations	39,924	20,633
Gain on Sale of Property	109,045	15,763
Net Income	148,969	36,396
Less: Net Income Attributable to Noncontrolling Interests	(2,145)	(5,570)
Net Income Attributable to Common Shareholders	$146,824	$30,826
Earnings Per Common Share - Basic:		
Net income attributable to common shareholders	$1.15	$.24
Earnings Per Common Share - Diluted:		
Net income attributable to common shareholders	$1.13	$.24

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,	
	2018	2017
Net Income	$148,969	$36,396
Cumulative effect adjustment of new accounting standards (see Note 2)	(1,541)	—
Other Comprehensive (Loss) Income:		
Net unrealized gain on investments, net of taxes	—	298
Net unrealized gain on derivatives	1,379	389
Reclassification adjustment of derivatives and designated hedges into net income	(3,633)	139
Retirement liability adjustment	271	377
Total	(1,983)	1,203
Comprehensive Income	145,445	37,599
Comprehensive Income Attributable to Noncontrolling Interests	(2,145)	(5,570)
Comprehensive Income Adjusted for Noncontrolling Interests	$143,300	$32,029

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, 2018			December 31, 2017		
ASSETS						
Property	$	4,365,670		$	4,498,859	
Accumulated Depreciation	(1,140,653		)	(1,166,126		)
Property Held for Sale, net	—			54,792		
Property, net *	3,225,017			3,387,525		
Investment in Real Estate Joint Ventures and Partnerships, net	323,590			317,763		
Total	3,548,607			3,705,288		
Unamortized Lease Costs, net	172,852			181,047		
Accrued Rent, Accrued Contract Receivables and Accounts Receivable (net of allowance for doubtful accounts of $9,014 in 2018 and $7,516 in 2017) *	87,091			104,357		
Cash and Cash Equivalents *	88,238			13,219		
Restricted Deposits and Mortgage Escrows	7,395			8,115		
Other, net	204,983			184,613		
Total Assets	$	4,109,166		$	4,196,639	
LIABILITIES AND EQUITY						
Debt, net *	$	1,928,570		$	2,081,152	
Accounts Payable and Accrued Expenses	88,024			116,463		
Other, net	186,229			189,182		
Total Liabilities	2,202,823			2,386,797		
Commitments and Contingencies	—			—		
Equity:						
Shareholders' Equity:						
Common Shares of Beneficial Interest - par value, $.03 per share; shares authorized: 275,000; shares issued and outstanding:	3,895			3,897		

128,405 in 2018 and 128,447 in 2017					
Additional Paid-In Capital	1,769,306			1,772,066	
Net Income Less Than Accumulated Dividends	(35,580	)		(137,065	)
Accumulated Other Comprehensive Loss	(9,694	)		(6,170	)
Total Shareholders' Equity	1,727,927			1,632,728	
Noncontrolling Interests	178,416			177,114	
Total Equity	1,906,343			1,809,842	
Total Liabilities and Equity	$	4,109,166	$	4,196,639	

* Consolidated variable interest entities' assets and debt included in the above balances (see Note 15):

Property, net	$	205,484	$	207,969
Accrued Rent, Accrued Contract Receivables and Accounts Receivable, net	10,324		12,011	
Cash and Cash Equivalents	8,754		9,025	
Debt, net	46,030		46,253	

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, 2018	2017
Cash Flows from Operating Activities:		
Net Income	$148,969	$36,396
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	38,095	42,449
Amortization of debt deferred costs and intangibles, net	781	768
Impairment loss	—	14,986
Equity in earnings of real estate joint ventures and partnerships, net	(5,993)	(5,317)
Gain on sale of property	(109,045)	(15,763)
Distributions of income from real estate joint ventures and partnerships	4,115	3,253
Changes in accrued rent, accrued contract receivables and accounts receivable, net	13,821	2,716
Changes in unamortized lease costs and other assets, net	(2,469)	(6,154)
Changes in accounts payable, accrued expenses and other liabilities, net	(26,860)	(21,615)
Other, net	(2,042)	2,215
Net cash provided by operating activities	59,372	53,934
Cash Flows from Investing Activities:		
Acquisition of real estate and land	(1,265)	(610)
Development and capital improvements	(29,041)	(51,779)
Proceeds from sale of property and real estate equity investments	255,828	52,794
Real estate joint ventures and partnerships - Investments	(5,987)	(198)
Real estate joint ventures and partnerships - Distribution of capital	1,690	1,896
Purchase of investments	—	(2,491)
Proceeds from investments	250	3,500
Other, net	4,417	607
Net cash provided by investing activities	225,892	3,719
Cash Flows from Financing Activities:		
Principal payments of debt	(151,931)	(19,441)
Changes in unsecured credit facilities	—	(14,100)
Proceeds from issuance of common shares of beneficial interest, net	914	877
Repurchase of common shares of beneficial interest, net	(8,108)	—
Common share dividends paid	(50,836)	(49,404)
Debt issuance and extinguishment costs paid	(782)	(153)
Distributions to noncontrolling interests	(884)	(8,651)
Contributions from noncontrolling interests	41	—
Other, net	621	(1,146)
Net cash used in financing activities	(210,965)	(92,018)
Net increase (decrease) in cash, cash equivalents and restricted cash equivalents	74,299	(34,365)
Cash, cash equivalents and restricted cash equivalents at January 1	21,334	41,279
Cash, cash equivalents and restricted cash equivalents at March 31	$95,633	$6,914
Interest paid during the period (net of amount capitalized of $1,440 and $823, respectively)	$21,710	$24,138

See Notes to Condensed Consolidated Financial Statements.

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

	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, 2017	$ 3,885	$ 1,718,101	$ (177,647)	$ (9,161)	$ 181,718	$ 1,716,896
Net income			30,826		5,570	36,396
Shares issued under benefit plans, net	10	5,655				5,665
Change in classification of deferred compensation plan		45,377				45,377
Change in redemption value of deferred compensation plan			(619)			(619)
Dividends paid – common shares (1)			(49,404)			(49,404)
Distributions to noncontrolling interests					(8,651)	(8,651)
Other comprehensive income				1,203		1,203
Balance, March 31, 2017	$ 3,895	$ 1,769,133	$ (196,844)	$ (7,958)	$ 178,637	$ 1,746,863
Balance, January 1, 2018	$ 3,897	$ 1,772,066	$ (137,065)	$ (6,170)	$ 177,114	$ 1,809,842
Net income			146,824		2,145	148,969
Shares repurchased and cancelled	(9)	(8,099)				(8,108)
Shares issued under benefit plans, net	7	5,339				5,346
Cumulative effect adjustment of new accounting standards (see Note 2)			5,497	(1,541)		3,956
Dividends paid – common shares (1)			(50,836)			(50,836)
Distributions to noncontrolling interests					(884)	(884)
Contributions from noncontrolling interests					41	41
Other comprehensive loss				(1,983)		(1,983)
Balance, March 31, 2018	$ 3,895	$ 1,769,306	$ (35,580)	$ (9,694)	$ 178,416	$ 1,906,343

(1) Common dividend per share was $.395 and $.385 for the three months ended March 31, 2018 and 2017, respectively.

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 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 39.5 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 2.7% of base minimum rental revenues during the first three months of 2018. Total revenues generated by our centers located in Houston and its surrounding areas was 19.2% of total revenue for the three months ended March 31, 2018, and an additional 9.0% of total revenue was generated during this period from centers that are located in other parts of Texas. Also, in Florida and California, an additional 18.5% and 16.8%, respectively, of total revenue was generated in during the first three months of 2018.
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, 2017 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, 2017.
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. We have evaluated subsequent events for recognition or disclosure in our condensed consolidated financial statements.
Revenue Recognition
Rentals, net
Rental revenue is generally recognized on a straight-line basis over the term of the lease, which generally begins the date the tenant takes control of the space. Revenue from tenant reimbursements of taxes, maintenance expenses and insurance is subject to our interpretation of lease provisions and is recognized in the period the related expense is recognized. Both of these revenues have been recognized under Accounting Standards Codification No. 840, "Leases." Revenue based on a percentage of tenants' sales is recognized only after the tenant exceeds their sales breakpoint. In circumstances where we provide a tenant improvement allowance for improvements that are owned by the tenant, we recognize the allowance as a reduction of rental revenue on a straight-line basis over the term of the lease.
Other
Other revenue consists of both customer contract revenue and income from contractual agreements with third parties, tenants or partially owned real estate joint ventures or partnerships, which do not meet the definition of a lease or a customer contract. Revenues which do not meet the definition of a lease or customer contract are recognized as the

related services are performed under the respective agreements.

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We have identified primarily three types of customer contract revenue; (1) management contracts with partially-owned real estate joint ventures or partnerships or third parties, (2) licensing and occupancy agreements and (3) certain non-tenant contracts. At contract inception, we assess the services provided in these contracts and identify any performance obligations that are distinct. To identify the performance obligation, we consider all services whether explicitly stated or implied by customary business practices. We have identified the following substantive services, which may or may not be included in each contract type, that represent performance obligations:

Contract Type	Performance Obligation Description	Elements of Performance Obligations	Payment Timing
Management Agreements	• Management and asset management services • Construction and development services • Marketing fees	• Over time • Right to invoice • Long-term contracts	Typically monthly or quarterly
	• Leasing and legal preparation services • Sales commissions	• Point in time • Long-term contracts	
Licensing and Occupancy Agreements	• Rent of non-specific space	• Over time • Right to invoice • Short-term contracts	Typically monthly
	• Set-up services	• Point in time • Right to invoice	
Non-tenant Contracts	• Placement of miscellaneous items at our centers that do not qualify as a lease, i.e. advertisements, trash bins, etc.	• Point in time • Long-term contracts	Typically monthly
	• Set-up services	• Point in time • Right to invoice	

We also assess collectability of the customer contract revenue prior to recognition. None of these customer contracts include a significant financing component. Customer contract revenue for the three months ended March 31, 2018 does not include any amounts that were from obligations satisfied (or partially satisfied) in prior periods, or was a contract liability at January 1, 2018.

Accrued Rent, Accrued Contract Receivables and Accounts Receivable, net

Receivables include base rents, tenant reimbursements, amounts billed and currently due from customer contracts and receivables attributable to straight-line rental commitments. Accrued contract receivables includes amounts due from customers for contracts that do not qualify as a lease in which we earned the right to the consideration through the satisfaction of the performance obligation, but before the customer pays consideration or before payment is due. An allowance for the uncollectible portion of accrued rents and accounts receivable is determined based upon an analysis of balances outstanding, historical bad debt levels, tenant creditworthiness and current economic trends. Additionally, estimates of the expected recovery of pre-petition and post-petition claims with respect to tenants in bankruptcy are considered in assessing the collectability of the related receivables. Management's estimate of the collectability of accrued rents and accounts receivable is based on the best information available to management at the time of evaluation.

Sales of Real Estate

Sales of real estate include the sale of tracts of land within a shopping center development, property adjacent to shopping centers, operating properties, newly developed properties, investments in real estate joint ventures and partnerships and partial sales to real estate joint ventures and partnerships in which we participate.

These sales primarily fall under two types of contracts (1) sales of nonfinancial assets and (2) sales of investments in real estate joint ventures and partnerships. We review the sale contract to determine appropriate accounting guidance. Profits on sales of real estate are primarily not recognized until (a) a contract exists including: each party's rights are identifiable along with the payment terms, the contract has commercial substance and the collection of consideration is probable; and (b) the performance obligation to transfer control of the asset has occurred; including transfer to the buyer of the usual risks and rewards of ownership.

We recognize gains on the sale of real estate to joint ventures and partnerships in which we participate to the extent we receive cash from the joint venture or partnership, if it meets the sales criteria in accordance with GAAP.

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Impairment

Our property is reviewed for impairment if events or changes in circumstances indicate that the carrying amount of the property, including any capitalized costs and any identifiable intangible assets, may not be recoverable.

If such an event occurs, a comparison is made of the current and projected operating cash flows of each such property into the foreseeable future, with consideration of applicable holding periods, on an undiscounted basis to the carrying amount of such property. If we determine the carrying amount is not recoverable, our basis in the property is reduced to its estimated fair value to reflect impairment in the value of the asset. Fair values are determined by management utilizing cash flow models, market capitalization rates and market discount rates, or by obtaining third-party broker or appraisal estimates in accordance with our fair value measurements accounting policy.

We review economic considerations at each reporting period, including the effects of tenant bankruptcies, the suspension of tenant expansion plans for new development projects, declines in real estate values, and any changes to plans related to our new development properties including land held for development, to identify properties where we believe market values may be deteriorating. Determining whether a property is impaired and, if impaired, the amount of write-down to fair value requires a significant amount of judgment by management and is based on the best information available to management at the time of evaluation. If market conditions deteriorate or management’s plans for certain properties change, additional write-downs could be required in the future.

Our investment in partially owned real estate joint ventures and partnerships is reviewed for impairment each reporting period. The ultimate realization is dependent on a number of factors, including the performance of each investment and market conditions. We will record an impairment charge if we determine that a decline in the estimated fair value of an investment below its carrying amount is other than temporary. There is no certainty that impairments will not occur in the future if market conditions decline or if management’s plans for these investments change.

Our investments in tax increment revenue bonds are reviewed for impairment, including the evaluation of changes in events or circumstances that may indicate that the carrying amount of the investment may not be recoverable. Realization is dependent on a number of factors, including investment performance, market conditions and payment structure. We will record an impairment charge if we determine that a decline in the value of the investment below its carrying amount is other than temporary, recovery of its cost basis is uncertain, and/or it is uncertain if the investment will be held to maturity.

Accrued contract receivables are reviewed for impairment based on changes in events or circumstances effecting our customers that may indicate that the carrying value of the asset may not be recoverable. An impairment charge will be recorded if we determine that the decline in the asset value is other than temporary or recovery of the cost basis is uncertain. Factors to be considered include current economic trends such as bankruptcy and market conditions affecting our investments in partially owned real estate joint ventures and partnerships.

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 deposits that are 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, 2018	December 31, 2017
Restricted deposits	$ 6,474	$ 6,291
Mortgage escrows	921	1,824
Total	$ 7,395	$ 8,115

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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-Actuarial Loss	Total
Balance, December 31, 2017	$ (1,541)	$(7,424)	$ 15,135	$6,170
Cumulative effect adjustment of accounting standards (see Note 2)	1,541			1,541
Change excluding amounts reclassified from accumulated other comprehensive loss		(1,379)		(1,379)
Amounts reclassified from accumulated other comprehensive loss		3,633 [(1)]	(271) [(2)]	3,362
Net other comprehensive loss (income)	—	2,254	(271)	1,983
Balance, March 31, 2018	$ —	$(5,170)	$ 14,864	$9,694

	Gain on Investments	Gain on Cash Flow Hedges	Defined Benefit Pension Plan-Actuarial Loss	Total
Balance, December 31, 2016	$ (964)	$(6,403)	$ 16,528	$9,161
Change excluding amounts reclassified from accumulated other comprehensive loss	(298)	(389)		(687)
Amounts reclassified from accumulated other comprehensive loss		(139) [(1)]	(377) [(2)]	(516)
Net other comprehensive income	(298)	(528)	(377)	(1,203)
Balance, March 31, 2017	$ (1,262)	$(6,931)	$ 16,151	$7,958

(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).

Retrospective Application of Accounting Standard Update

The retrospective application of adopting Accounting Standard Update ("ASU") No. 2017-07, "Improving the Presentation of Net Periodic Pensions Cost and Net Periodic Postretirement Benefit Cost" on prior year's Condensed Consolidated Statements of Operations was made to conform to the current year presentation (see Note 2 for additional information). Also, the retrospective application of adopting ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments" and ASU No. 2016-18, "Restricted Cash" as of December 31, 2017 on prior year's Condensed Consolidated Statement of Cash Flows was made to conform to the current year presentation. The adoption of these ASUs in the Condensed Consolidated Statement of Cash Flow for the three months ended March 31, 2017, resulted in a retrospective reclassification of $2.7 million from cash flows from investing activities to cash flows from operating activities, and cash flows from investing activities no longer reflect the change in restricted deposits and mortgage escrows totaling $21.9 million.

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Note 2. Newly Issued Accounting Pronouncements

Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued 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, were effective for us on January 1, 2018. We adopted this guidance as of January 1, 2018 and applied it on a modified retrospective approach upon adoption.

The adoption resulted in the identification of primarily three types of customer contracts: (1) management contracts with partially owned real estate joint ventures or partnerships or third parties, (2) licensing and occupancy agreements and (3) certain non-tenant contracts. We will continue to recognize these fees as we currently do with the exception of the timing associated with the performance obligation in our management contracts related to leasing and lease preparation related services. Upon adoption, we recognized the cumulative effect for these fees which has increased retained earnings and accrued rent, accrued contract receivables and accounts receivable, net by $.3 million, respectively. In addition, we evaluated controls around the implementation of this ASU and have concluded there was no significant impact on our control structure. We have included our customer contract revenues under the caption Other revenues in the Condensed Consolidated Statements of Operations and have expanded our disclosures related to this ASU in Note 1.

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 were effective for us as of January 1, 2018 and are required to be applied on a modified retrospective approach. Upon adoption, we recognized the cumulative effect for the fair value of equity investments which has increased retained earnings and accumulated other comprehensive loss each by $1.5 million and includes the effects of ASU No. 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income."

In February 2017, the FASB issued ASU No. 2017-05, "Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets." The ASU clarifies that a financial asset is within the scope of Subtopic 610-20 if it meets the definition, as amended, of an in substance nonfinancial asset. If substantially all of the fair value of assets that are promised to a counterparty in a contract is concentrated in nonfinancial assets, then all of the financial assets promised to the counterparty are in substance nonfinancial assets within the scope of Subtopic 610-20, including a parent transferring control of a nonfinancial asset through a transfer of ownership interests of a consolidated subsidiary. The provisions of ASU No. 2017-05 were effective for us as of January 1, 2018 and depending on the contract type may be recorded on a retrospective or modified retrospective approach. As a result of our contract analysis under ASU 2014-09, the majority of our contracts relate to property sales to be accounted for under this ASU and could result in future gains being recognized sooner. Upon adoption, we applied the modified retrospective approach for all contract types and for contracts considered not completed. We recognized the cumulative effect for in substance nonfinancial assets in which gains would have been realized and have increased each of retained earnings and other assets by $3.6 million at January 1, 2018.

In March 2017, the FASB issued ASU No. 2017-07, "Improving the Presentation of Net Periodic Pensions Cost and Net Periodic Postretirement Benefit Cost." The ASU requires the service cost component to be reported as compensation costs arising from services rendered by pertinent employees during the period. The other components of net periodic benefit cost are required to be presented in the income statement separately from the service cost component and outside income from operations. Additionally, only the service cost component will be eligible for capitalization when applicable. The provisions of ASU No. 2017-07 were effective for us as of January 1, 2018 on a retrospective basis for the presentation within the income statement and prospectively for the capitalization of costs. The adoption of this ASU did not have a material impact to our consolidated financial statements. We have elected to use the practical expedient in determining estimates for applying the retrospective presentation requirements. For the three months ended March 31, 2017, net periodic benefit cost, excluding the service cost component, of $.1 million, was included in Interest and Other Income/Expense in our Condensed Consolidated Statements of Operations. For the year ended December 31, 2017, net periodic benefit cost, excluding the service cost component, was $.4 million.

In August 2017, the FASB issued ASU No. 2017-12, "Derivatives and Hedging - Targeted Improvements to Accounting for Hedging Activities." The ASU amends current hedge accounting recognition and presentation requirements. Items focused on include: alignment of an entity’s risk management activities and its financial reporting for hedging relationships, the use of hedge accounting for risk components in hedging relationships involving nonfinancial risk and interest rate risk, updates for designating fair value hedges of interest rate risk and measuring the related change in fair value of the hedged item, alignment of the recognition and presentation of the effects of the hedging instrument and the hedged item, and permits an entity to exclude certain amounts related to currency swaps. Lastly, the ASU also provides additional relief on effectiveness testing methods and disclosures. The provisions of ASU No. 2017-12 are effective for us as of January 1, 2019, and early adoption is permitted. We have adopted this ASU as of January 1, 2018, which required the modified retrospective transition method upon adoption. The adoption of this ASU did not have a material impact to our consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." ASU No. 2018-02 allows for the reclassification of the stranded tax effects resulting from the Tax Cuts and Jobs Act to retained earnings. The provisions of ASU No. 2018-02 are effective for us as of January 1, 2019, may be applied either at the beginning of the period of adoption or retrospectively, and early adoption is permitted. We adopted this ASU along with the adoption of ASU No. 2016-01 on January 1, 2018.

Not Yet Adopted

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. This ASU was further updated by ASU 2018-01, "Land Easement Practical Expedient for Transition for Topic 842." The provisions of these ASUs are effective for us as of January 1, 2019, are required to be applied on a modified retrospective approach and early adoption is permitted.

In January 2018, the FASB issued an exposure draft ("2018 Exposure Draft") which, if adopted as written, would allow lessors a practical expedient by class of underlying assets to account for lease and non-lease components as a single lease component if certain criteria are met. Also, the 2018 Exposure Draft indicates that companies may be permitted to recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption in lieu of the modified retrospective approach and provides other optional practical expedients.

We are in the process of evaluating the impact to our 5,200 lessor leases and other lessee leases, if any, that the adoption of this ASU will have on our consolidated financial statements. Within our lessor leases, we are entitled to receive tenant reimbursements for operating expenses such as real estate taxes, insurance and common area maintenance (“CAM”). Currently upon adoption of this ASU, CAM reimbursement revenue will be accounted for in accordance with Topic 606 (ASU No. 2014-09 as discussed above). We have currently identified some areas we believe may be impacted by this ASU. These include:

- The bifurcation of lease arrangements in which contractual amounts due are on a gross basis and the amount under contract is not allocated between rental and expense reimbursements, such as real estate taxes and insurance. This process would be based on the underlying fair values of these items.

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- We have ground lease agreements in which we are the lessee for land underneath all or a portion of 13 centers and three administrative office leases that we account for as operating leases. Rental expense associated with these operating leases for the three months ended March 31, 2018 and 2017 was $.7 million and $.8 million, respectively. We have one capital lease in which we are the lessee of two centers with a $21 million lease obligation. We will record any rights and obligations under these leases as an asset and liability at fair value in our consolidated balance sheets.
- Determination of costs to be capitalized associated with leases. This ASU will limit the capitalization associated with certain costs, primarily certain internally-generated leasing and legal costs, of which we capitalized internal costs of $2.5 million for the three months ended March 31, 2018, and $10.8 million for the year ended December 31, 2017. We believe we will be able to continue to capitalize internal leasing commissions that are a direct result of obtaining a lease.

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.

Note 3. Property

Our property consists of the following (in thousands):

	March 31, 2018	December 31, 2017
Land	$991,321	$ 1,068,022
Land held for development	66,949	69,205
Land under development	49,000	48,985
Buildings and improvements	3,151,367	3,232,074
Construction in-progress	107,033	80,573
Total	$4,365,670	$ 4,498,859

During the three months ended March 31, 2018, we sold six centers and other property. Aggregate gross sales proceeds from these transactions approximated $260.7 million and generated gains of approximately $109.0 million. Also, during the three months ended March 31, 2018, we invested $22.6 million in new development projects.

At March 31, 2018, no property was classified as held for sale. At December 31, 2017, three centers, totaling $78.7 million before accumulated depreciation, were classified as held for sale. None of these centers qualified to be reported in discontinued operations.

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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 ranged for the periods presented from 20% to 90% in 2018 and 2017.

Combined condensed financial information of these ventures (at 100%) is summarized as follows (in thousands):

	March 31, 2018	December 31, 2017
Combined Condensed Balance Sheets		
ASSETS		
Property	$1,244,419	$1,241,004
Accumulated depreciation	(290,227)	(285,033)
Property, net	954,192	955,971
Other assets, net	112,772	115,743
Total Assets	$1,066,964	$1,071,714
LIABILITIES AND EQUITY		
Debt, net (primarily mortgages payable)	$286,259	$298,124
Amounts payable to Weingarten Realty Investors and Affiliates	12,005	12,017
Other liabilities, net	23,320	24,759
Total Liabilities	321,584	334,900
Equity	745,380	736,814
Total Liabilities and Equity	$1,066,964	$1,071,714

	Three Months Ended March 31, 2018	2017
Combined Condensed Statements of Operations		
Revenues, net	$33,886	$34,738
Expenses:		
Depreciation and amortization	8,043	9,013
Interest, net	3,524	2,967
Operating	6,428	6,118
Real estate taxes, net	4,942	4,268
General and administrative	225	368
Provision for income taxes	36	7
Total	23,198	22,741
Gain on dispositions	3,533	—
Net income	$14,221	$11,997

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 $3.4 million and $2.2 million at March 31, 2018 and December 31, 2017, respectively, are generally amortized over the useful lives of the related assets.

Fees earned by us for the management of these real estate joint ventures and partnerships included in Other Revenue totaled $1.5 million for both the three months ended March 31, 2018 and 2017.

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For the three months ended March 31, 2018, there was a partial sale of a center for gross sales proceeds of approximately $11.7 million, of which our share of the gain, included in equity earnings in real estate joint ventures and partnerships, totaled $2.4 million.

During 2017, two centers were sold with aggregate gross sales proceeds of approximately $19.6 million, of which our share of the gain, included in equity earnings in real estate joint ventures and partnerships, totaled $6.2 million. In June 2017, a venture acquired land with a gross purchase price of $23.5 million for a mixed-use development project, and we simultaneously increased our ownership interest to 90% (See Note 15 for additional information).

Note 5. Debt

Our debt consists of the following (in thousands):

	March 31, 2018	December 31, 2017
Debt payable, net to 2038 [(1)]	$1,843,425	$ 1,996,007
Debt service guaranty liability	64,145	64,145
Obligations under capital leases	21,000	21,000
Total	$1,928,570	$ 2,081,152

(1) At March 31, 2018, interest rates ranged from 2.6% to 7.0% at a weighted average rate of 4.0%. At December 31, 2017, interest rates ranged from 2.6% to 7.9% at a weighted average rate of 4.0%.

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

	March 31, 2018	December 31, 2017
As to interest rate (including the effects of interest rate contracts):		
Fixed-rate debt	$1,910,741	$ 2,063,263
Variable-rate debt	17,829	17,889
Total	$1,928,570	$ 2,081,152
As to collateralization:		
Unsecured debt	$1,554,955	$ 1,667,462
Secured debt	373,615	413,690
Total	$1,928,570	$ 2,081,152

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 both March 31, 2018 and December 31, 2017, 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.

Additionally, we have a $10 million unsecured short-term facility, which was amended and extended on March 27, 2018, that we maintain for cash management purposes, which matures in March 2019. At both March 31, 2018 and December 31, 2017, the facility provided 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 5 basis points, respectively.

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

	March 31, 2018	December 31, 2017
Unsecured revolving credit facility:		
Balance outstanding	$ —	$ —
Available balance	497,946	493,610
Letters of credit outstanding under facility	2,054	6,390
Variable interest rate (excluding facility fee)	— %	— %
Unsecured short-term facility:		
Balance outstanding	$ —	$ —
Variable interest rate (excluding facility fee)	— %	— %
Both facilities:		
Maximum balance outstanding during the period	$ —	$ 245,000
Weighted average balance	—	133,386
Year-to-date weighted average interest rate (excluding facility fee)	— %	1.8 %

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 March 31, 2018 and December 31, 2017, we had $64.1 million outstanding for the debt service guaranty liability.

During March 2018, we prepaid $100 million of our $200 million unsecured variable-rate term loan, swapped to a fixed rate of 2.5%, and terminated the associated interest rate swap contracts (see Note 6 for additional information). Additionally during the three months ended March 31, 2018, we paid at par $50.3 million of outstanding debt. These transactions resulted in a net gain upon their extinguishment of $.4 million. Subsequent to March 31, 2018, we prepaid, without penalty, the remaining $100 million of our $200 million unsecured term loan and repurchased $.6 million in other outstanding debt.

Various leases and properties, and current and future rentals from those leases and properties, collateralize certain debt. At March 31, 2018 and December 31, 2017, the carrying value of such assets aggregated $.6 billion and $.7 billion, respectively. Additionally, investments of $4.5 million are held as collateral for letters of credit totaling $4.3 million.

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Scheduled principal payments on our debt (excluding $21.0 million of certain capital leases, $(5.2) million net premium/(discount) on debt, $(7.8) million of deferred debt costs, $2.0 million of non-cash debt-related items, and $64.1 million debt service guaranty liability) are due during the following years (in thousands):

2018 remaining	$ 110,270
2019	54,508
2020	104,450
2021	17,553
2022	307,314
2023	305,694
2024	252,154
2025	293,807
2026	277,291
2027	38,288
Thereafter	93,024
Total	$ 1,854,353

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 March 31, 2018.

Note 6. Derivatives and Hedging

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

	Assets Balance Sheet Location	Amount	Liabilities Balance Sheet Location	Amount
Designated Hedges:				
December 31, 2017	Other Assets, net	$ 2,035	Other Liabilities, net	$ —

The gross presentation, the effects of offsetting for derivatives with the right to offset under master netting agreements and the net presentation of our interest rate swap contracts is as follows (in thousands):

				Gross Amounts Not Offset in Balance Sheet		
	Gross Amounts Recognized	Gross Amounts Offset in Balance Sheet	Net Amounts Presented in Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amount
December 31, 2017						
Assets	$ 2,035	$ —	$ 2,035	$ —	$ —	$ 2,035

Cash Flow Hedges

As of March 31, 2018, we had no remaining active interest rate swap contracts. During the three months ended March 31, 2018, associated with the prepayment of an unsecured note, we terminated three interest rate swap contracts that had an aggregate notional amount of $200 million, and we recognized a $3.4 million gain due to the probability that the related hedged forecasted transactions would no longer occur.

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As of December 31, 2017, we had three interest rate swap contracts, maturing through March 1, 2020, with an aggregate notional amount of $200 million that were designated as cash flow hedges and fixed the LIBOR component of the interest rates at 1.5%.

As of March 31, 2018 and December 31, 2017, the net gain balance in accumulated other comprehensive loss relating to previously terminated cash flow interest rate swap contracts was $5.2 million and $7.4 million, respectively, which will be reclassified to net interest expense as interest payments are made on the originally hedged debt. Within the next 12 months, approximately $.9 million in accumulated other comprehensive loss is expected to be reclassified as a reduction to interest expense related to our interest rate contracts.

A summary of cash flow interest rate swap contract hedging activity is as follows (in thousands):

Derivatives in Cash Flow Hedging Relationships	Amount of (Gain) Loss Recognized in Other Comprehensive Income (Loss) on Derivative	Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income	Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income as a Result That a Forecasted Transaction is No Longer Probable of Occurring	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income as a Result That a Forecasted Transaction is No Longer Probable of Occurring	Total Amount of Interest Expense, net Presented in the Condensed Consolidated Statement of Operations
Three Months Ended March 31, 2018	$ (1,379)	Interest expense, net	$ 243	Interest expense, net	$ 3,390	(14,672)
Three Months Ended March 31, 2017	(389)	Interest expense, net	(139)	Interest expense, net	—	(21,082)

Note 7. Common Shares of Beneficial Interest

We have a $200 million share repurchase plan. Under this plan, we may repurchase common shares of beneficial interest ("common shares") from time-to-time in open-market or in privately negotiated purchases. The timing and amount of any shares repurchased will be determined by management based on its evaluation of market conditions and other factors. The repurchase plan may be suspended or discontinued at any time, and we have no obligations to repurchase any amount of our common shares under the plan.

During March 2018, we repurchased .3 million of our common shares at an average price of $27.37 per share, and at March 31, 2018, $191.9 million of common shares remained available to be repurchased under this plan. As of the date of this filing, $185.0 million of common shares remained available to be repurchased under the plan due to .3 million common shares being repurchased subsequent to March 31, 2018.

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Note 8. Impairment

The following impairment charges were recorded on the following assets based on the difference between the carrying amount of the assets and the estimated fair value (see Note 16 for additional fair value information) (in thousands):

	Three Months Ended March 31, 2017
Continuing operations:	
Properties held for sale, marketed for sale or sold [(1)]	$12,172
Land held for development and undeveloped land [(1)]	2,719
Other	95
Total impairment charges	14,986
Other financial statement captions impacted by impairment:	
Net income attributable to noncontrolling interests	36
Net impact of impairment charges	$15,022

(1) Amounts reported were based on changes in management's plans for the properties, third party offers, recent comparable market transactions and/or a change in market conditions.

Note 9. Supplemental Cash Flow Information

Cash, cash equivalents and restricted cash equivalents consists of the following (in thousands):

	March 31, 2018	March 31, 2017
Cash and cash equivalents	$88,238	$3,615
Restricted deposits and mortgage escrows (see Note 1)	7,395	3,299
Total	$95,633	$6,914

Non-cash investing and financing activities are summarized as follows (in thousands):

	Three Months Ended March 31,	
	2018	2017
Accrued property construction costs	$12,444	$7,854
Increase in equity associated with deferred compensation plan	—	44,758

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Note 10. Earnings Per Share

Earnings per common share – basic is computed using net income attributable to common shareholders and the weighted average number of shares outstanding – basic. Earnings per common share – diluted includes the effect of potentially dilutive securities. Income from continuing operations attributable to common shareholders includes gain on sale of property in accordance with Securities and Exchange Commission guidelines. Earnings per common share – basic and diluted components for the periods indicated are as follows (in thousands):

	Three Months Ended March 31,	
	2018	2017
Numerator:		
Income from continuing operations	$39,924	$20,633
Gain on sale of property	109,045	15,763
Net income attributable to noncontrolling interests	(2,145)	(5,570)
Net income attributable to common shareholders - basic	146,824	30,826
Income attributable to operating partnership units	528	—
Net income attributable to common shareholders - diluted	$147,352	$30,826
Denominator:		
Weighted average shares outstanding – basic	127,926	127,610
Effect of dilutive securities:		
Share options and awards	781	938
Operating partnership units	1,432	—
Weighted average shares outstanding – diluted	130,139	128,548

Anti-dilutive securities of our common shares, which are excluded from the calculation of earnings per common share – diluted, are as follows (in thousands):

	Three Months Ended March 31,	
	2018	2017
Operating partnership units	—	1,462

Note 11. Share Options and Awards

During 2018, we granted share awards incorporating both service-based and market-based measures to promote share ownership among the participants and to emphasize the importance of total shareholder return ("TSR"). The terms of each grant vary depending upon the participant's responsibilities and position within the Company. We categorize these share awards as either service-based share awards or market-based share awards. All awards were valued at the fair market value on the date of grant and earn dividends from the date of grant. Compensation expense is measured at the grant date and recognized over the vesting period. Generally, unvested share awards are forfeited upon the termination of the participant’s employment with us.

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The fair value of the market-based share awards was estimated on the date of grant using a Monte Carlo valuation model based on the following assumptions:

	Three Months Ended March 31, 2018	
	Minimum	Maximum
Dividend yield	0.0 %	5.5 %
Expected volatility (1)	18.5 %	20.4 %
Expected life (in years)	N/A	3
Risk-free interest rate	1.8 %	2.4 %

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(1) Includes the volatility of the FTSE NAREIT U.S. Shopping Center Index and Weingarten Realty Investors.

A summary of the status of unvested share awards for the three months ended March 31, 2018 is as follows:

	Unvested Share Awards	Weighted Average Grant Date Fair Value
Outstanding, January 1, 2018	619,606	$ 33.81
Granted:		
Service-based awards	132,693	28.12
Market-based awards relative to FTSE NAREIT U.S. Shopping Center Index	60,909	29.69
Market-based awards relative to three-year absolute TSR	60,908	13.68
Vested	(191,738)	34.65
Forfeited	(4,541)	33.15
Outstanding, March 31, 2018	677,837	$ 30.28

As of March 31, 2018 and December 31, 2017, there was approximately $3.2 million and $2.2 million, respectively, of total unrecognized compensation cost related to unvested share awards, which is expected to be amortized over a weighted average of 2.1 years and 1.7 years, respectively.

Note 12. Employee Benefit Plans

Defined Benefit Plan

We sponsor a noncontributory qualified retirement plan. The components of net periodic benefit cost for this plan are as follows (in thousands):

	Three Months Ended March 31,	
	2018	2017
Service cost	$333	$343
Interest cost	325	514
Expected return on plan assets	(492)	(759)
Amortization of net loss	271	377
Total	$437	$475

The components of net periodic benefit cost other than the service cost component are included in Interest and Other Income/Expense in the Condensed Consolidated Statements of Operations.

The expected contribution to be paid to the qualified retirement plan during 2018 is approximately $2.0 million. During 2017, we contributed $2.5 million to the qualified retirement plan.

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Defined Contribution Plans

Compensation expense related to our defined contribution plans was $.9 million and $1.2 million for the three months ended March 31, 2018 and 2017, respectively.

Note 13. Related Parties

Through our management activities and transactions with our real estate joint ventures and partnerships, we had net accounts receivable of $.4 million and $2.0 million outstanding as of March 31, 2018 and December 31, 2017, respectively. We also had accounts payable and accrued expenses of $.3 million and $.4 million outstanding as of March 31, 2018 and December 31, 2017, respectively. We recorded joint venture fee income of $1.5 million included in Other Revenue for both the three months ended March 31, 2018 and 2017.

Note 14. Commitments and Contingencies

Commitments and Contingencies

As of March 31, 2018 and December 31, 2017, we participated in two real estate ventures structured as DownREIT partnerships that have centers in Arkansas, North Carolina and Texas. We have operating and financial control over these ventures and consolidate them in our condensed consolidated financial statements. These ventures allow the outside limited partners to put their interest in the partnership to us, and we have the option to redeem the interest in cash or a fixed number of our common shares, at our discretion. We also participate in a real estate venture that has a property in Texas that allows its outside partner to put operating partnership units to us. We have the option to redeem these units in cash or a fixed number of our common shares, at our discretion. The aggregate redemption value of these interests was approximately $40 million and $47 million as of March 31, 2018 and December 31, 2017, respectively.

As of March 31, 2018, we have entered into commitments aggregating $229.6 million comprised principally of construction contracts which are generally due in 12 to 36 months. Included in these commitments is our commitment under a contractor agreement for construction costs signed during the three months ended March 31, 2018 of $115.4 million for the 30-story, high-rise residential tower at our River Oaks Shopping Center.

We issue letters of intent signifying a willingness to negotiate for acquisitions, dispositions or joint ventures, as well as other types of potential transactions, during the ordinary course of our business. Such letters of intent and other arrangements are non-binding to all parties unless and until a definitive contract is entered into by the parties. Even if definitive contracts relating to the acquisition or disposition of property are entered into, these contracts generally provide the purchaser a time period to evaluate the property and conduct due diligence. The purchaser, during this time, will have the ability to terminate a contract without penalty or forfeiture of any deposit or earnest money. No assurance can be provided that any definitive contracts will be entered into with respect to any matter covered by letters of intent, or that we will consummate any transaction contemplated by a definitive contract. Additionally, due diligence periods for property transactions are frequently extended as needed. An acquisition or disposition of property becomes probable at the time the due diligence period expires and the definitive contract has not been terminated. Our risk is then generally extended only to any earnest money deposits associated with property acquisition contracts, and our obligation to sell under a property sales contract.

We are subject to numerous federal, state and local environmental laws, ordinances and regulations in the areas where we own or operate properties. We are not aware of any contamination which may have been caused by us or any of our tenants that would have a material effect on our condensed consolidated financial statements.

As part of our risk management activities, we have applied and been accepted into state sponsored environmental programs which will limit our expenses if contaminants need to be remediated. We also have an environmental insurance policy that covers us against third party liabilities and remediation costs.

While we believe that we do not have any material exposure to environmental remediation costs, we cannot give absolute assurance that changes in the law or new discoveries of contamination will not result in additional liabilities to us.

Litigation

We are involved in various matters of litigation arising in the normal course of business. While we are unable to predict the amounts involved, our management and counsel are of the opinion that, when such litigation is resolved, any additional liability, if any, will not have a material effect on our condensed consolidated financial statements.

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Note 15. Variable Interest Entities

Consolidated VIEs:

At both March 31, 2018 and December 31, 2017, nine of our real estate joint ventures, whose activities primarily consisted of owning and operating 22 neighborhood/community shopping centers, were determined to be VIEs. Based on a financing agreement by one of our real estate joint ventures that has a bottom dollar guaranty, which is disproportionate to our ownership, we have determined that we are the primary beneficiary and have consolidated this joint venture. For the remaining real estate joint ventures, we concluded we are the primary beneficiary based primarily on our significant power to direct the entities' activities without any substantive kick-out or participating rights.

A summary of our consolidated VIEs is as follows (in thousands):

	March 31, 2018	December 31, 2017
Assets Held by VIEs	$ 231,333	$ 235,713
Assets Held as Collateral for Debt [1]	41,942	42,979
Maximum Risk of Loss [1]	29,784	29,784

(1) Represents the amount of debt and related assets held as collateral associated with the bottom dollar guaranty at one real estate joint venture.

Restrictions on the use of these assets can be significant because they may serve as collateral for debt. Further, we are generally required to obtain our partner's approval in accordance with the joint venture agreement for any major transactions. Transactions with these joint ventures on our condensed consolidated financial statements have primarily been positive as demonstrated by the generation of net income and operating cash flows, as well as the receipt of cash distributions. We and our partners are subject to the provisions of the joint venture agreements which include provisions for when additional contributions may be required to fund operating cash shortfalls, development expenditures and unplanned capital expenditures. For the three months ended March 31, 2018, $.1 million in additional contributions were made primarily to fund an operating shortfall, and no additional contributions are currently anticipated to be made during the remainder of 2018.

Unconsolidated VIEs:

At both March 31, 2018 and December 31, 2017, two unconsolidated real estate joint ventures were determined to be VIEs. We have determined that one entity was a VIE through the issuance of a secured loan, since the lender had the ability to make decisions that could have a significant impact on the success of the entity. Based on the associated agreements for the future development of a mixed-use project, we concluded that the other entity was a VIE, but we are not the primary beneficiary as the substantive participating rights associated with the entity are shared, and we do not have the power to direct the significant activities of the entity. Our analysis considered that all major decisions require unanimous member consent and those decisions include significant activities such as development, financing, leasing and operations of the entity.

A summary of our unconsolidated VIEs is as follows (in thousands):

	March 31, 2018	December 31, 2017
Investment in Real Estate Joint Ventures and Partnerships, net [1]	$ 42,533	$ 36,784
Other Liabilities, net [2]	5,701	5,799
Maximum Risk of Loss [3]	34,000	34,000

(1) The carrying amount of the investment represents our contributions to a real estate joint venture, net of any distributions made and our portion of the equity in earnings of the real estate joint venture. The increase between periods represents new development funding of a mixed-use project.

(2) Includes the carrying amount of an investment where distributions have exceeded our contributions and our portion of the equity in earnings for a real estate joint venture.

(3) The maximum risk of loss has been determined to be limited to our debt exposure for the real estate joint ventures.

We and our partners are subject to the provisions of the joint venture agreements that specify conditions, including operating shortfalls, development expenditures and unplanned capital expenditures, under which additional contributions may be required. With respect to our future development of a mixed-used project, we anticipate funding approximately $89 million through 2020.

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Note 16. Fair Value Measurements

Recurring Fair Value Measurements:

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2018 and December 31, 2017, aggregated by the level in the fair value hierarchy in which those measurements fall, are as follows (in thousands):

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at March 31, 2018
Assets:				
Cash equivalents, primarily money market funds [1]	$ 81,285			$81,285
Investments, mutual funds held in a grantor trust [1]	31,775			31,775
Investments, mutual funds [1]	7,154			7,154
Total	$ 120,214	$ —	$ —	$120,214
Liabilities:				
Deferred compensation plan obligations	$ 31,775			$31,775
Total	$ 31,775	$ —	$ —	$31,775

(1) For the three months ended March 31, 2018, a gain of $1.5 million was included in Interest and Other Income/Expense, of which $.4 million represented an unrealized gain.

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at December 31, 2017
Assets:				
Investments, mutual funds held in a grantor trust	$ 31,497			$ 31,497
Investments, mutual funds	7,206			7,206
Derivative instruments:				
Interest rate contracts		$ 2,035		2,035
Total	$ 38,703	$ 2,035	$ —	$ 40,738
Liabilities:				
Deferred compensation plan obligations	$ 31,497			$ 31,497
Total	$ 31,497	$ —	$ —	$ 31,497

Nonrecurring Fair Value Measurements:

Property and Property Held for Sale Impairments

Property is reviewed for impairment if events or changes in circumstances indicate that the carrying amount of the property, including any identifiable intangible assets, site costs and capitalized interest, may not be recoverable. In such an event, a comparison is made of the current and projected operating cash flows of each such property into the foreseeable future on an undiscounted basis to the carrying amount of such property. If we conclude that an impairment may have occurred, estimated fair values are determined by management utilizing cash flow models, market capitalization rates and market discount rates, or by obtaining third-party broker valuation estimates, appraisals, bona fide purchase offers or the expected sales price of an executed sales agreement in accordance with our fair value measurements accounting policy. Market capitalization rates and market discount rates are determined by reviewing current sales of similar properties and transactions, and utilizing management's knowledge and expertise in property marketing.

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No assets were measured at fair value on a nonrecurring basis at March 31, 2018. Assets measured at fair value on a nonrecurring basis at December 31, 2017 aggregated by the level in the fair value hierarchy in which those measurements fall, are as follows (in thousands):

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value	Total Gains (Losses) [1]
Property [2]		$ 12,901	$ 4,184	$17,085	$ (7,828)
Total	$ —	$ 12,901	$ 4,184	$17,085	$ (7,828)

(1) Total gains (losses) exclude impairments on disposed assets because they are no longer held by us.

(2) In accordance with our policy of evaluating and recording impairments on the disposal of long-lived assets, property with a carrying amount of $24.9 million was written down to a fair value of $17.1 million, resulting in a loss of $7.8 million, which was included in earnings for the first quarter of 2017. Management's estimate of fair value of these properties was determined using a bona fide purchase offer for the Level 2 inputs. See the quantitative information about the significant unobservable inputs used for our Level 3 fair value measurements table below.

Fair Value Disclosures:

Unless otherwise described below, short-term financial instruments and receivables are carried at amounts which approximate their fair values based on their highly-liquid nature, short-term maturities and/or expected interest rates for similar instruments.

Schedule of our fair value disclosures is as follows (in thousands):

	March 31, 2018			December 31, 2017		
	Carrying Value	Fair Value Using Significant Other Observable Inputs (Level 2)	Fair Value Using Significant Unobservable Inputs (Level 3)	Carrying Value	Fair Value Using Significant Other Observable Inputs (Level 2)	Fair Value Using Significant Unobservable Inputs (Level 3)
Other Assets:						
Tax increment revenue bonds [1]	$22,097		$ 25,000	$22,097		$ 25,000
Investments, held to maturity [2]	4,238	$ 4,225		4,489	$ 4,479	
Debt:						
Fixed-rate debt	1,910,741		1,927,511	2,063,263		2,109,658
Variable-rate debt	17,829		17,942	17,889		16,393

(1) At March 31, 2018 and December 31, 2017, the credit loss balance on our tax increment revenue bonds was $31.0 million.

(2) Investments held to maturity are recorded at cost. As of March 31, 2018 and December 31, 2017, a $13 thousand and a $10 thousand unrealized loss was recognized, respectively.

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The quantitative information about the significant unobservable inputs used for our Level 3 nonrecurring fair value measurements as of December 31, 2017 reported in the above table, is as follows:

Description	Fair Value at December 31, 2017 (in thousands)	Valuation Technique	Unobservable Inputs	Range Minimum 2017	Range Maximum 2017
Property	$ 4,184	Discounted cash flows	Discount rate	10.5 %	12.0 %
			Capitalization rate	8.8 %	10.0 %
			Holding period (years)	5	10
			Expected future inflation rate (1)		2.0 %
			Market rent growth rate (1)		3.0 %
			Expense growth rate (1)		2.0 %
			Vacancy rate (1)		20.0 %
			Renewal rate (1)		70.0 %
			Average market rent rate (1)	$ 11.00	$ 16.00
			Average leasing cost per square foot (1)	$ 10.00	$ 35.00

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(1) Only applies to one property valuation.

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This quarterly report on Form 10-Q, together with other statements and information publicly disseminated by us, contains certain 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. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate "project," or similar expressions. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect actual results, performances or achievements. As described in "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017, factors which may cause actual results to differ materially from current expectations include, but are not limited to, (i) disruptions in financial markets, (ii) general economic and local real estate conditions, (iii) the inability of major tenants to continue paying their rent obligations due to bankruptcy, insolvency or general downturn in their business, (iv) financing risks, such as the inability to obtain equity, debt, or other sources of financing on favorable terms and changes in LIBOR availability, (v) changes in governmental laws and regulations, (vi) the level and volatility of interest rates, (vii) the availability of suitable acquisition opportunities, (viii) the ability to dispose of properties, (ix) changes in expected development activity, (x) increases in operating costs, (xi) tax matters, including the effect of changes in tax laws and the failure to qualify as a real estate investment trust, and (xii) investments through real estate joint ventures and partnerships, which involve risks not present in investments in which we are the sole investor. Accordingly, there is no assurance that our expectations will be realized. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q.

The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto and the comparative summary of selected financial data appearing elsewhere in this report. Historical results and trends which might appear should not be taken as indicative of future operations. Our results of operations and financial condition, as reflected in the accompanying condensed consolidated financial statements and related footnotes, are subject to management's evaluation and interpretation of business conditions, retailer performance, changing capital market conditions and other factors which could affect the ongoing viability of our tenants.

Executive Overview

Weingarten Realty Investors is a REIT organized under the Texas Business Organizations Code. We, and our predecessor entity, began the ownership 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 rental properties, primarily neighborhood and community shopping centers, totaling approximately 39.5 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 2.7% of base minimum rental revenues during the first three months of 2018.

At March 31, 2018, we owned or operated under long-term leases, either directly or through our interest in real estate joint ventures or partnerships, a total of 196 properties, which are located in 17 states spanning the country from coast to coast.

We also owned interests in 25 parcels of land held for development that totaled approximately 17.6 million square feet at March 31, 2018.

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We had approximately 5,200 leases with 3,600 different tenants at March 31, 2018. Leases for our properties range from less than a year for smaller spaces to over 25 years for larger tenants. Rental revenues generally include minimum lease payments, which often increase over the lease term, reimbursements of property operating expenses, including real estate taxes, and additional rent payments based on a percentage of the tenants' sales. Our anchor tenants are supermarkets, value-oriented apparel/discount stores and other retailers or service providers who generally sell basic necessity-type goods and services. Although there is a broad shift in shopping patterns, including internet shopping that continues to affect our tenants, we believe our anchor tenants that drive foot traffic, combined with convenient locations, attractive and well-maintained properties, high quality retailers and a strong tenant mix, should lessen the effects of these conditions and maintain the viability of our portfolio.

Our goal is to remain a leader in owning and operating top-tier neighborhood and community shopping centers in certain markets of the United States. Our strategic initiatives include: (1) raising net asset value and cash flow through quality acquisitions, redevelopments and new developments, (2) maintaining a strong, flexible consolidated balance sheet and a well-managed debt maturity schedule, (3) growing net operating income from our existing portfolio by increasing occupancy and rental rates and (4) owning quality shopping centers in preferred locations that attract strong tenants. We believe these initiatives will keep our portfolio of properties among the strongest in our sector. Due to current capitalization rates in the market along with the uncertainty of the impact of increasing interest rates and various other market conditions, we intend to continue to be very prudent in our evaluation of all new investment opportunities. We believe the pricing of assets that no longer meet our ownership criteria remains reasonably stable while the price of our common shares has dropped well below our net asset value. Given these conditions, we have focused our dispositions of properties in the secondary and tertiary markets and utilized the proceeds to repurchase common shares, pay down our debt and fund both our new development and redevelopment projects. We intend to continue to opportunistically take advantage of the market conditions, and our disposition activities may increase.

As we discussed above, we continuously recycle non-core operating centers that no longer meet our ownership criteria and that will provide capital for growth opportunities. During the three months ended March 31, 2018, we disposed of real estate assets, which were owned by us either directly or through our interest in real estate joint ventures or partnerships, with our share of aggregate gross sales proceeds totaling $267.9 million. For 2018, we believe we will complete dispositions in amounts between $250 million to $450 million, and we have approximately $175 million of dispositions currently under contracts or letters of intent; however, there are no assurances that these transactions will close at such prices or at all.

We intend to continue to actively seek acquisition properties that meet our return hurdles and to actively evaluate other opportunities as they enter the market. For 2018, we expect to complete acquisition investments in a range from $50 million to $150 million; however, there are no assurances that this will actually occur.

We intend to continue to focus on identifying new development projects as another source of growth, as well as continue to look for redevelopment opportunities. Although we have recently begun the development of mixed-use projects, the opportunities for additional new development projects are limited at this time due to a lack of demand for new retail space. During the three months ended March 31, 2018, we invested $20.7 million in three mixed-use new development projects that are partially or wholly owned and a 30-story, high-rise residential tower at our River Oaks Shopping Center in Houston, Texas. Also during the three months ended March 31, 2018, we invested $6.7 million in 14 redevelopment projects that were partially or wholly owned. For 2018, we expect to invest in new development and redevelopments in the range of $125 million to $175 million, but we can give no assurances that this will actually occur.

We strive to maintain a strong, conservative capital structure which should provide ready access to a variety of attractive long and short-term capital sources. We carefully balance lower cost, short-term financing with long-term liabilities associated with acquired or developed long-term assets. We continue to look for transactions that will strengthen our consolidated balance sheet and further enhance our access to various sources of capital, while reducing our cost of capital. Due to the variability in the capital markets, there can be no assurance that favorable pricing and availability will be available in the future. During the first three months of 2018, we paid down debt totaling $150.3 million and repurchased $8.1 million of our common shares. These transactions were funded with proceeds from our disposition program to further strengthen our balance sheet. Subsequent to quarter-end, we further paid down an additional $100.6 million in debt and repurchased an additional $6.9 million of common shares.

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Operational Metrics

In assessing the performance of our centers, management carefully monitors various operating metrics of the portfolio. As a result of our strong leasing activity and low tenant fallout, the operating metrics of our portfolio remained strong through the first quarter of 2018 as we focused on increasing rental rates and same property net operating income ("SPNOI" and see Non-GAAP Financial Measures for additional information). Our portfolio delivered solid operating results with:

- occupancy of 94.8% at March 31, 2018;
- an increase of 2.0% in SPNOI including redevelopments for the three months ended March 31, 2018 over the same period of 2017; and
- rental rate increases of 4.9% for new leases and 5.9% for renewals during the three months ended March 31, 2018.

Below are performance metrics associated with our signed occupancy, SPNOI growth and leasing activity on a pro rata basis:

	March 31,	
	2018	2017
Anchor (space of 10,000 square feet or greater)	97.5%	95.7%
Non-Anchor	90.4%	90.5%
Total Occupancy	94.8%	93.7%

	Three Months Ended March 31, 2018
SPNOI Growth including Redevelopments [(1)]	2.0 %

(1) See Non-GAAP Financial Measures for a definition of the measurement of SPNOI and a reconciliation to operating income within this section of Item 2.

	Number of Leases	Square Feet ('000's)	Average New Rent per Square Foot ($)	Average Prior Rent per Square Foot ($)	Average Cost of Tenant Improvements per Square Foot ($)	Change in Base Rent on Cash Basis
Leasing Activity:						
Three Months Ended March 31, 2018						
New leases [(1)]	47	120	$ 24.87	$ 23.70	$ 39.86	4.9 %
Renewals	169	866	17.21	16.25	.07	5.9 %
Not comparable spaces	28	102				