WEINGARTEN REALTY INVESTORS /TX/
Form 10-Q
October 31, 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 September 30, 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 October 26, 2018, there were 128,324,766 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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Rentals, net	$125,261	$141,064	$392,510	$424,845
Other	3,529	3,046	10,818	8,951
Total	128,790	144,110	403,328	433,796
Expenses:				
Depreciation and amortization	38,042	41,509	126,558	126,115
Operating	22,555	27,813	69,929	83,944
Real estate taxes, net	17,601	18,634	52,706	57,783
Impairment loss	2,398	—	2,398	15,012
General and administrative	5,971	6,450	17,715	20,252
Total	86,567	94,406	269,306	303,106
Operating Income	42,223	49,704	134,022	130,690
Interest Expense, net	(15,996)	(19,850)	(47,685)	(61,405)
Interest and Other Income (Expense)	1,847	1,398	4,735	4,210
Benefit (Provision) for Income Taxes	99	(577)	(1,368)	2,035
Equity in Earnings of Real Estate Joint Ventures and Partnerships, net	8,022	5,219	19,333	17,966
Income from Continuing Operations	36,195	35,894	109,037	93,496
Gain on Sale of Property	17,079	38,579	173,077	86,566
Net Income	53,274	74,473	282,114	180,062
Less: Net Income Attributable to Noncontrolling Interests	(10,293)	(1,844)	(14,020)	(12,755)
Net Income Attributable to Common Shareholders	$42,981	$72,629	$268,094	$167,307
Earnings Per Common Share - Basic:				
Net income attributable to common shareholders	$.34	$.57	$2.10	$1.31
Earnings Per Common Share - Diluted:				
Net income attributable to common shareholders	$.34	$.56	$2.08	$1.30

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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net Income	$53,274	$74,473	$282,114	$180,062
Cumulative effect adjustment of new accounting standards (see Note 2)	—	—	(1,541)	—
Other Comprehensive Income (Loss):				
Net unrealized gain on investments, net of taxes	—	222	—	678
Net unrealized gain (loss) on derivatives	—	77	1,379	(29)
Reclassification adjustment of derivatives and designated hedges into net income	(224)	(90)	(4,078)	74
Retirement liability adjustment	325	365	903	1,111
Total	101	574	(1,796)	1,834
Comprehensive Income	53,375	75,047	278,777	181,896
Comprehensive Income Attributable to Noncontrolling Interests	(10,293)	(1,844)	(14,020)	(12,755)
Comprehensive Income Adjusted for Noncontrolling Interests	$43,082	$73,203	$264,757	$169,141

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)

	September 30, 2018	December 31, 2017
ASSETS		
Property	$ 4,245,514	$ 4,498,859
Accumulated Depreciation	(1,137,548)	(1,166,126)
Property Held for Sale, net	81,224	54,792
Property, net *	3,189,190	3,387,525
Investment in Real Estate Joint Ventures and Partnerships, net	344,024	317,763
Total	3,533,214	3,705,288
Unamortized Lease Costs, net	151,165	181,047
Accrued Rent, Accrued Contract Receivables and Accounts Receivable (net of allowance for doubtful accounts of $6,354 in 2018 and $7,516 in 2017) *	94,807	104,357
Cash and Cash Equivalents *	24,412	13,219
Restricted Deposits and Mortgage Escrows	22,369	8,115
Other, net	171,160	184,613
Total Assets	$ 3,997,127	$ 4,196,639
LIABILITIES AND EQUITY		
Debt, net *	$ 1,793,128	$ 2,081,152
Accounts Payable and Accrued Expenses	111,691	116,463
Other, net	169,587	189,182
Total Liabilities	2,074,406	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:	3,893	3,897

128,325 in 2018 and 128,447 in 2017					
Additional Paid-In Capital	1,766,528			1,772,066	
Net Income Less Than Accumulated Dividends	(15,584	)		(137,065	)
Accumulated Other Comprehensive Loss	(9,507	)		(6,170	)
Total Shareholders' Equity	1,745,330			1,632,728	
Noncontrolling Interests	177,391			177,114	
Total Equity	1,922,721			1,809,842	
Total Liabilities and Equity	$	3,997,127		$	4,196,639

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

Property, net	$	200,276	$	207,969
Accrued Rent, Accrued Contract Receivables and Accounts Receivable, net	11,239		12,011	
Cash and Cash Equivalents	8,989		9,025	
Debt, net	45,964		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)

	Nine Months Ended September 30,	
	2018	2017
Cash Flows from Operating Activities:		
Net Income	$282,114	$180,062
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	126,558	126,115
Amortization of debt deferred costs and intangibles, net	2,354	2,105
Impairment loss	2,398	15,012
Equity in earnings of real estate joint ventures and partnerships, net	(19,333)	(17,966)
Gain on sale of property	(173,077)	(86,566)
Distributions of income from real estate joint ventures and partnerships	12,817	12,683
Changes in accrued rent, accrued contract receivables and accounts receivable, net	3,459	(10,142)
Changes in unamortized lease costs and other assets, net	(10,697)	(15,237)
Changes in accounts payable, accrued expenses and other liabilities, net	(1,858)	10,664
Other, net	(10,133)	4,529
Net cash provided by operating activities	214,602	221,259
Cash Flows from Investing Activities:		
Acquisition of real estate and land	(1,265)	(1,902)
Development and capital improvements	(112,927)	(101,438)
Proceeds from sale of property and real estate equity investments, net	372,439	216,343
Real estate joint ventures and partnerships - Investments	(25,731)	(31,053)
Real estate joint ventures and partnerships - Distribution of capital	4,487	5,759
Purchase of investments	—	(4,241)
Proceeds from investments	1,500	4,250
Other, net	5,180	3,734
Net cash provided by investing activities	243,683	91,452
Cash Flows from Financing Activities:		
Proceeds from issuance of debt	638	—
Principal payments of debt	(255,472)	(23,217)
Changes in unsecured credit facilities	—	(120,000)
Proceeds from issuance of common shares of beneficial interest, net	6,729	1,115
Repurchase of common shares of beneficial interest, net	(18,564)	—
Common share dividends paid	(152,110)	(148,286)
Debt issuance and extinguishment costs paid	(1,189)	(395)
Distributions to noncontrolling interests	(15,063)	(16,752)
Contributions from noncontrolling interests	1,324	—
Other, net	869	(2,236)
Net cash used in financing activities	(432,838)	(309,771)
Net increase (decrease) in cash, cash equivalents and restricted cash equivalents	25,447	2,940
Cash, cash equivalents and restricted cash equivalents at January 1	21,334	41,279
Cash, cash equivalents and restricted cash equivalents at September 30	$46,781	$44,219
Interest paid during the period (net of amount capitalized of $5,387 and $3,314, respectively)	$53,890	$63,564
Income taxes paid during the period	$1,515	$1,009

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			167,307		12,755	180,062
Shares issued under benefit plans, net	11	7,767				7,778
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)			(148,286)			(148,286)
Distributions to noncontrolling interests					(16,752)	(16,752)
Other comprehensive income				1,834		1,834
Other, net		(228)			(703)	(931)
Balance, September 30, 2017	$ 3,896	$ 1,771,017	$ (159,245)	$ (7,327)	$ 177,018	$ 1,785,359
Balance, January 1, 2018	$ 3,897	$ 1,772,066	$ (137,065)	$ (6,170)	$ 177,114	$ 1,809,842
Net income			268,094		14,020	282,114
Shares repurchased and cancelled	(20)	(18,544)				(18,564)
Shares issued under benefit plans, net	16	13,006				13,022
Cumulative effect adjustment of new accounting standards (see Note 2)			5,497	(1,541)		3,956
Dividends paid – common shares (1)			(152,110)			(152,110)
Distributions to noncontrolling interests					(15,063)	(15,063)
Contributions from noncontrolling interests					1,324	1,324
Other comprehensive loss				(1,796)		(1,796)
Other, net					(4)	(4)
Balance, September 30, 2018	$ 3,893	$ 1,766,528	$ (15,584)	$ (9,507)	$ 177,391	$ 1,922,721

(1) Common dividend per share was $1.19 and $1.16 for the nine months ended September 30, 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 37.4 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 2.6% of base minimum rental revenues during the first nine months of 2018. Total revenues generated by our centers located in Houston and its surrounding areas was 18.8% of total revenue for the nine months ended September 30, 2018, and an additional 8.6% 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 20.8% and 16.9%, respectively, of total revenue was generated during the first nine 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.

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 • Leasing and legal preparation services • Sales commissions	• Over time • Right to invoice • Long-term contracts • Point in time • Long-term contracts	Typically monthly or quarterly
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 nine months ended September 30, 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):

	September 30, 2018	December 31, 2017
Restricted deposits [(1)]	$ 21,909	$ 6,291
Mortgage escrows	460	1,824
Total	$ 22,369	$ 8,115

(1) The increase between the periods presented is primarily attributable to $12.4 million placed in a qualified escrow account for the purpose of completing a like-kind exchange transaction.

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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		4,078 [1]	(903) [2]	3,175
Net other comprehensive loss (income)	—	2,699	(903)	1,796
Balance, September 30, 2018	$ —	$ (4,725)	$ 14,232	$ 9,507

	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	(678)	29		(649)
Amounts reclassified from accumulated other comprehensive loss		(74) [1]	(1,111) [2]	(1,185)
Net other comprehensive income	(678)	(45)	(1,111)	(1,834)
Balance, September 30, 2017	$ (1,642)	$ (6,448)	$ 15,417	$ 7,327

(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 nine months ended September 30, 2017, resulted in a retrospective reclassification of $11.1 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 $20.2 million.

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.

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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 each by $.3 million. 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 and nine months ended September 30, 2017, net periodic benefit cost, excluding the service cost component, of $.1 million and $.3 million, respectively, 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.

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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." This ASU was further updated by ASU 2018-01, "Land Easement Practical Expedient for Transition for Topic 842", ASU 2018-10, "Codification Improvements to Topic 842" and ASU 2018-11, "Targeted Improvements for Topic 842." The ASUs set out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The ASUs require 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 these ASUs is similar to current guidance, but certain underlying principles in the lessor model have been aligned with the new revenue recognition standard. A practical expedient was added for lessors to elect by class of underlying assets, to account for lease and non-lease components as a single lease component if certain criteria are met. The provisions of these ASUs are effective for us as of January 1, 2019, are required to be applied on a modified retrospective approach or to recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Early adoption is permitted.

Upon adoption, we plan to apply the following practical expedients:

- The transition method in which the application date will be the beginning of the reporting period that we first apply the new guidance.
- The practical expedient package which allows an entity not to reassess (1) whether any expired or existing contracts are or contain leases; (2) the lease classification for expired or existing leases; and (3) initial direct costs for any existing leases.
- The practical expedient which allows an entity not to reassess whether any existing or expired land easements that were not previously accounted for as a lease or if the contract contains a lease.
- As an accounting policy election, a lessor may choose not to separate the nonlease components from the lease components and instead account for both types of components as a single component under certain conditions.

We are in the process of evaluating the impact to our 5,100 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"). These ASUs have defined CAM reimbursement revenue as a non-lease component, which may need to be accounted for in accordance with Topic 606 (ASU No. 2014-09 as discussed above) if certain criteria has not been met or if the non-lease component is predominate to the combined components within a contract.

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We have currently identified some areas we believe may be impacted by these ASUs.

- We have ground lease agreements in which we are the lessee for land underneath all or a portion of 12 centers and four administrative office leases that we account for as operating leases. Rental expense associated with these operating leases for the nine months ended September 30, 2018 and 2017 was $2.0 million and $2.2 million, respectively. We have one capital lease in which we are the lessee of two centers with a $21 million lease obligation. We have also identified several contracts related to office equipment and IT services which are being analyzed. We will record, if applicable, any rights and obligations under these leases as an asset and a liability in our consolidated balance sheets. Additionally, operating leases will be amortized to rent expense while any finance leases will charge a portion to both asset amortization and interest expense.
- 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 $7.0 million for the nine months ended September 30, 2018, and $9.5 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.

In June 2018, the FASB issued ASU No. 2018-07, "Improvements to Nonemployee Share-Based Payment Accounting." This ASU amends prior employee share-based payment guidance to include nonemployee share-based payment transactions for acquiring services or property. This ASU now aligns the determination of the measurement date, the accounting for performance conditions, and the accounting for share-based payments after vesting in addition to other items. The provisions of ASU No. 2018-07 are effective for us as of January 1, 2019 using a modified transition method upon adoption, and early adoption is permitted. Although we are still assessing the impact of this ASU's adoption, we do not believe this ASU will have a material impact to our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, "Changes to the Disclosure Requirements for Fair Value Measurement." This ASU amends and removes several disclosure requirements including the valuation processes for Level 3 fair value measurements. The ASU also modifies some disclosure requirements and requires additional disclosures for changes in unrealized gains and losses included in other comprehensive income for recurring Level 3 fair value measurements and requires the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The provisions of ASU No. 2018-13 are effective for us as of January 1, 2020 using a prospective transition method for amendments effecting changes in unrealized gains and losses, significant unobservable inputs used to develop Level 3 fair value measurements and narrative description on uncertainty of measurements. The remaining provisions of the ASU are to be applied retrospectively, and early adoption is permitted. Although we are still assessing the impact of this ASU's adoption, we do not believe this ASU will have a material impact to our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, "Changes to the Disclosure Requirements for Defined Benefit Plans." This ASU clarifies current disclosures and removes several disclosures requirements including accumulated other comprehensive income expected to be recognized over the next fiscal year and amount and timing of plan assets expected to be returned to the employer. The ASU also requires additional disclosures for the weighted-average interest crediting rates for cash balance plans and explanations for significant gains and losses related to changes in the benefit plan obligation. The provisions of ASU No. 2018-14 are effective for us as of December 31, 2020 using a retrospective basis for all periods presented, and early adoption is permitted. Although we are still assessing the impact of this ASU's adoption, we do not believe this ASU will have a material impact to our consolidated financial statements.

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Note 3. Property

Our property consists of the following (in thousands):

	September 30, 2018	December 31, 2017
Land	$ 957,362	$ 1,068,022
Land held for development	57,736	69,205
Land under development	53,570	48,985
Buildings and improvements	3,045,537	3,232,074
Construction in-progress	131,309	80,573
Total	$ 4,245,514	$ 4,498,859

During the nine months ended September 30, 2018, we sold 17 centers and other property. Aggregate gross sales proceeds from these transactions approximated $381.7 million and generated gains of approximately $173.1 million, including properties previously classified as held for sale. Also, during the nine months ended September 30, 2018, we invested $54.7 million in new development projects.

At September 30, 2018, two centers, totaling $111.3 million before accumulated depreciation, were 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.

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):

	September 30, 2018	December 31, 2017
Combined Condensed Balance Sheets		
ASSETS		
Property	$ 1,254,846	$ 1,241,004
Accumulated depreciation	(300,201)	(285,033)
Property, net	954,645	955,971
Other assets, net	123,247	115,743
Total Assets	$ 1,077,892	$ 1,071,714
LIABILITIES AND EQUITY		
Debt, net (primarily mortgages payable)	$ 270,443	$ 298,124
Amounts payable to Weingarten Realty Investors and Affiliates	11,740	12,017
Other liabilities, net	29,597	24,759
Total Liabilities	311,780	334,900
Equity	766,112	736,814
Total Liabilities and Equity	$ 1,077,892	$ 1,071,714

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Combined Condensed Statements of Operations				
Revenues, net	$33,626	$33,383	$100,322	$104,182
Expenses:				
Depreciation and amortization	7,925	8,595	24,164	26,399
Interest, net	2,974	2,851	9,478	8,928
Operating	6,001	5,727	18,074	17,655
Real estate taxes, net	4,728	4,775	14,861	14,494
General and administrative	253	(139)	573	523
Provision for income taxes	33	30	106	77
Total	21,914	21,839	67,256	68,076
Gain on dispositions	4,052	67	9,491	3,963
Net income	$15,764	$11,611	$42,557	$40,069

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 $4.4 million and $2.2 million at September 30, 2018 and December 31, 2017, respectively, are generally amortized over the useful lives of the related assets.

For the nine months ended September 30, 2018, a center was sold through a series of partial sales with gross sales proceeds of approximately $33.9 million, of which our share of the gain, included in equity earnings in real estate joint ventures and partnerships, totaled $6.3 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):

	September 30, 2018	December 31, 2017
Debt payable, net to 2038 [(1)]	$ 1,707,983	$ 1,996,007
Debt service guaranty liability	64,145	64,145
Obligations under capital leases	21,000	21,000
Total	$ 1,793,128	$ 2,081,152

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(1) At September 30, 2018, interest rates ranged from 3.3% 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%.

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

	September 30, 2018	December 31, 2017
As to interest rate (including the effects of interest rate contracts):		
Fixed-rate debt	$ 1,775,381	$ 2,063,263
Variable-rate debt	17,747	17,889
Total	$ 1,793,128	$ 2,081,152
As to collateralization:		
Unsecured debt	$ 1,455,225	$ 1,667,462
Secured debt	337,903	413,690
Total	$ 1,793,128	$ 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 September 30, 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 September 30, 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.

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

	September 30, 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	$ 26,500	$ 245,000
Weighted average balance	1,373	133,386
Year-to-date weighted average interest rate (excluding facility fee)	2.8 %	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 September 30, 2018 and December 31, 2017, we had $64.1 million outstanding for the debt service guaranty liability.

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During the nine months ended September 30, 2018, we prepaid, without penalty, 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 nine months ended September 30, 2018, we paid at par $51.0 million of outstanding debt. These transactions resulted in a net gain upon their extinguishment of $.4 million, excluding the effect of the swap termination (see Note 6 for additional information).

Various leases and properties, and current and future rentals from those leases and properties, collateralize certain debt. At September 30, 2018 and December 31, 2017, the carrying value of such assets aggregated $.6 billion and $.7 billion, respectively. Additionally at September 30, 2018, investments of $5.2 million are held as collateral for letters of credit totaling $5.0 million.

Scheduled principal payments on our debt (excluding $21.0 million of certain capital leases, $(4.8) million net premium/(discount) on debt, $(7.2) million of deferred debt costs, $1.9 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	$1,599
2019	72,962
2020	5,296
2021	18,434
2022	307,922
2023	347,815
2024	252,153
2025	293,807
2026	277,291
2027	38,288
Thereafter	102,594
Total	$1,718,161

Our various debt agreements contain restrictive covenants, including minimum interest and fixed charge coverage ratios, minimum unencumbered interest coverage ratios, minimum net worth requirements and maximum total debt levels. We are not aware of any non-compliance with our public debt and revolving credit facility covenants as of September 30, 2018.

Note 6. Derivatives and Hedging

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

	Assets		Liabilities	
	Balance Sheet Location	Amount	Balance Sheet Location	Amount
Designated Hedges:				
September 30, 2018	Other Assets, net	$ —	Other Liabilities, net	$ —
December 31, 2017	Other Assets, net	2,035	Other Liabilities, net	—

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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
September 30, 2018						
Assets	$ —	$ —	$ —	$ —	$ —	$ —
December 31, 2017						
Assets	2,035	—	2,035	—	—	2,035

Cash Flow Hedges

As of September 30, 2018, we had no active interest rate swap contracts. During the nine months ended September 30, 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.

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 September 30, 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 $4.7 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	Total Amount of Interest Expense, net Presented in the Condensed Consolidated Statement of Operations

					Occurring	
Three Months Ended September 30, 2018	$ —	Interest expense, net	$ 224	Interest expense, net	$ —	$ (15,996)
Nine Months Ended September 30, 2018	(1,379)	Interest expense, net	688	Interest expense, net	3,390	(47,685)
Three Months Ended September 30, 2017	(77)	Interest expense, net	90	Interest expense, net	—	(19,850)
Nine Months Ended September 30, 2017	29	Interest expense, net	(74)	Interest expense, net	—	(61,405)

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Note 7. Common Shares of Beneficial Interest

We have a $200 million share repurchase plan where 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 the nine months ended September 30, 2018, we repurchased .7 million common shares at an average price of $27.10 per share. At September 30, 2018 and as of the date of this filing, $181.5 million of common shares remained available to be repurchased under this plan.

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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Continuing operations:				
Properties held for sale, under contract for sale or sold [1]	$ 2,398	$ —	$ 2,398	$ 12,198
Land held for development and undeveloped land [1]	—	—	—	2,719
Other	—	—	—	95
Total impairment charges	2,398	—	2,398	15,012
Other financial statement captions impacted by impairment:				
Net income attributable to noncontrolling interests	—	—	—	24
Net impact of impairment charges	$ 2,398	$ —	$ 2,398	$ 15,036

(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):

	September 30, 2018	September 30, 2017
Cash and cash equivalents	$ 24,412	$ 39,246
Restricted deposits and mortgage escrows (see Note 1)	22,369	4,973
Total	$ 46,781	$ 44,219

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

	Nine Months Ended September 30,	
	2018	2017
Accrued property construction costs	$ 9,081	$ 5,367
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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Numerator:				
Income from continuing operations	$36,195	$35,894	$109,037	$93,496
Gain on sale of property	17,079	38,579	173,077	86,566
Net income attributable to noncontrolling interests	(10,293)	(1,844)	(14,020)	(12,755)
Net income attributable to common shareholders - basic	42,981	72,629	268,094	167,307
Income attributable to operating partnership units	—	515	1,584	1,567
Net income attributable to common shareholders - diluted	$42,981	$73,144	$269,678	$168,874
Denominator:				
Weighted average shares outstanding – basic	127,525	127,801	127,651	127,734
Effect of dilutive securities:				
Share options and awards	792	844	809	877
Operating partnership units	—	1,432	1,432	1,450
Weighted average shares outstanding – diluted	128,317	130,077	129,892	130,061

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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Share options [1]	—	207	—	—
Operating partnership units	1,432	—	—	—
Total anti-dilutive securities	1,432	207	—	—

(1) Exclusion results as exercise prices were greater than the average market price for each respective period.

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:

	Nine Months Ended September 30, 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 %

(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 nine months ended September 30, 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	133,125	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
Trust manager awards	34,328	27.95
Vested	(226,448)	33.63
Forfeited	(9,605)	32.40
Outstanding, September 30, 2018	672,823	$ 30.27

As of September 30, 2018 and December 31, 2017, there was approximately $2.3 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 1.7 years at both September 30, 2018 and December 31, 2017.

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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Service cost	$319	$278	$976	$926
Interest cost	666	482	1,505	1,527
Expected return on plan assets	(1,192)	(760)	(2,605)	(2,323)
Amortization of net loss	325	365	903	1,111
Total	$118	$365	$779	$1,241

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.

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For the nine months ended September 30, 2018 and 2017, we contributed $1.0 million and $2.5 million to the qualified retirement plan, respectively. Currently, we do not anticipate making any additional contributions to this plan during 2018.

Defined Contribution Plans

Compensation expense related to our defined contribution plans was $.9 million for both the three months ended September 30, 2018 and 2017, and $2.8 million and $3.0 million for the nine months ended September 30, 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 $.7 million and $2.0 million outstanding as of September 30, 2018 and December 31, 2017, respectively. We also had accounts payable and accrued expenses of $.3 million and $.4 million outstanding as of September 30, 2018 and December 31, 2017, respectively. We recorded joint venture fee income included in Other Revenue for the three months ended September 30, 2018 and 2017 of $1.3 million and $1.4 million, respectively, and $4.6 million and $4.4 million for the nine months ended September 30, 2018 and 2017, respectively.

Note 14. Commitments and Contingencies

Commitments and Contingencies

As of September 30, 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 $43 million and $47 million as of September 30, 2018 and December 31, 2017, respectively.

As of September 30, 2018, we have entered into commitments aggregating $211.0 million comprised principally of construction contracts which are generally due in 12 to 36 months.

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.

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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.

Note 15. Variable Interest Entities

Consolidated VIEs:

At both September 30, 2018 and December 31, 2017, nine of our real estate joint ventures, whose activities primarily consisted of owning and operating 21 and 22 neighborhood/community shopping centers, respectively, 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):

	September 30, 2018	December 31, 2017
Assets Held by VIEs	$ 227,164	$ 235,713
Assets Held as Collateral for Debt [1]	40,665	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 both the nine months ended September 30, 2018 and 2017, we made $.1 million in additional contributions 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 September 30, 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.

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

	September 30, 2018	December 31, 2017
Investment in Real Estate Joint Ventures and Partnerships, net [1]	$ 63,408	$ 36,784
Other Liabilities, net [2]	5,656	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. Additionally, our investment, including contributions and distributions, associated with a mixed-use project is disclosed in (1) above.

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 future funding of approximately $69 million through 2020.

Note 16. Fair Value Measurements

Recurring Fair Value Measurements:

Assets and liabilities measured at fair value on a recurring basis as of September 30, 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 September 30, 2018
Assets:				
Cash equivalents, primarily money market funds [1]	$ 16,842			$ 16,842
Restricted cash, primarily commercial paper and mutual funds [1]	6,939			6,939
Investments, mutual funds held in a grantor trust [1]	33,191			33,191
Investments, mutual funds [1]	7,783			7,783
Total	$ 64,755	$ —	$ —	$ 64,755
Liabilities:				
Deferred compensation plan obligations	$ 33,191			$ 33,191
Total	$ 33,191	$ —	$ —	$ 33,191

(1) For the three and nine months ended September 30, 2018, a gain of $1.2 million and $3.9 million, respectively, was included in Interest and Other Income/Expense, of which $.8 million and $.4 million represented an unrealized gain, respectively.

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	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.

Assets measured at fair value on a nonrecurring basis at September 30, 2018 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)
Property [1]		$ 9,292		$9,292	$ (1,950)
Property held for sale [2]		39,193		39,193	(448)
Total	$ —	$ 48,485	$ —	$48,485	$ (2,398)

(1) In accordance with our policy of evaluating and recording impairments on the disposal of long-lived assets, property with a carrying amount of $11.3 million was written down to a fair value of $9.3 million, resulting in a loss of $2.0 million, which was included in earnings for the period. Management's estimate of fair value of this property was determined using a bona fide purchase offer for the Level 2 inputs.

(2)

Property held for sale with a carrying amount of $39.6 million was written down to a fair value of $39.2 million, net of costs to sell, resulting in a loss of $.4 million, which was included in earnings for the period. Management's estimate of the fair value of this property was determined using a bona fide purchase offer for the Level 2 inputs.

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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):

	September 30, 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]	3,000	$ 2,984		4,489	$ 4,479	
Debt:						
Fixed-rate debt	1,775,381		1,760,863	2,063,263		2,109,658
Variable-rate debt	17,747		18,303	17,889		16,393

(1) At September 30, 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 September 30, 2018 and December 31, 2017, these investments had unrealized losses of $16 thousand and $10 thousand, 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	

(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.