WEINGARTEN REALTY INVESTORS /TX/
Form 10-Q
August 02, 2017
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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 June 30, 2017
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 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 July 28, 2017, there were 128,418,167 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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues:				
Rentals, net	$142,963	$132,814	$283,781	$261,323
Other	3,060	2,862	5,905	6,770
Total	146,023	135,676	289,686	268,093
Expenses:				
Depreciation and amortization	42,157	39,218	84,606	77,097
Operating	26,221	24,663	56,131	48,199
Real estate taxes, net	21,632	17,221	39,149	33,078
Impairment loss	26	—	15,012	43
General and administrative	6,514	6,388	14,030	12,886
Total	96,550	87,490	208,928	171,303
Operating Income	49,473	48,186	80,758	96,790
Interest Expense, net	(20,473)	(18,558)	(41,555)	(39,449)
Interest and Other Income	1,286	361	3,040	572
Gain on Sale and Acquisition of Real Estate Joint Venture and Partnership Interests	—	—	—	37,392
(Provision) Benefit for Income Taxes	(747)	(16)	2,612	(5,915)
Equity in Earnings of Real Estate Joint Ventures and Partnerships, net	7,430	6,645	12,747	10,738
Income from Continuing Operations	36,969	36,618	57,602	100,128
Gain on Sale of Property	32,224	1,033	47,987	46,190
Net Income	69,193	37,651	105,589	146,318
Less: Net Income Attributable to Noncontrolling Interests	(5,341)	(1,835)	(10,911)	(3,428)
Net Income Attributable to Common Shareholders	$63,852	$35,816	$94,678	$142,890
Earnings Per Common Share - Basic:				
Net income attributable to common shareholders	$.50	$.28	$.74	$1.15
Earnings Per Common Share - Diluted:				
Net income attributable to common shareholders	$.49	$.28	$.74	$1.13

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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net Income	$69,193	$37,651	$105,589	$146,318
Other Comprehensive Income (Loss):				
Net unrealized gain on investments, net of taxes	158	80	456	98
Net unrealized loss on derivatives	(495)	(4,140)	(106)	(8,571)
Reclassification adjustment of derivatives and designated hedges into net income	25	360	164	731
Retirement liability adjustment	369	376	746	753
Total	57	(3,324)	1,260	(6,989)
Comprehensive Income	69,250	34,327	106,849	139,329
Comprehensive Income Attributable to Noncontrolling Interests	(5,341)	(1,835)	(10,911)	(3,428)
Comprehensive Income Adjusted for Noncontrolling Interests	$63,909	$32,492	$95,938	$135,901

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)

	June 30, 2017	December 31, 2016
ASSETS		
Property	$4,723,900	$4,789,145
Accumulated Depreciation	(1,201,236)	(1,184,546)
Property Held for Sale, net	18,529	479
Property, net *	3,541,193	3,605,078
Investment in Real Estate Joint Ventures and Partnerships, net	313,674	289,192
Total	3,854,867	3,894,270
Unamortized Lease Costs, net	194,322	208,063
Accrued Rent and Accounts Receivable (net of allowance for doubtful accounts of $6,863 in 2017 and $6,700 in 2016) *	90,328	94,466
Cash and Cash Equivalents *	6,657	16,257
Restricted Deposits and Mortgage Escrows	5,965	25,022
Other, net	194,618	188,850
Total Assets	$4,346,757	$4,426,928
LIABILITIES AND EQUITY		
Debt, net *	$2,291,474	$2,356,528
Accounts Payable and Accrued Expenses	104,393	116,859
Other, net	190,785	191,887
Total Liabilities	2,586,652	2,665,274
Commitments and Contingencies	—	—
Deferred Compensation Share Awards	—	44,758
Equity:		
Shareholders’ Equity:		
Common Shares of Beneficial Interest - par value, $.03 per share; shares authorized: 275,000; shares issued and outstanding: 128,418 in 2017 and 128,072 in 2016	3,896	3,885
Additional Paid-In Capital	1,770,415	1,718,101
Net Income Less Than Accumulated Dividends	(182,432)	(177,647)
Accumulated Other Comprehensive Loss	(7,901)	(9,161)
Total Shareholders’ Equity	1,583,978	1,535,178
Noncontrolling Interests	176,127	181,718
Total Equity	1,760,105	1,716,896
Total Liabilities and Equity	$4,346,757	$4,426,928

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

Property, net	$212,692	$476,117
Accrued Rent and Accounts Receivable, net	10,022	11,066
Cash and Cash Equivalents	6,951	9,560
Debt, net	46,689	47,112

See Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30, 2017	2016
Cash Flows from Operating Activities:		
Net Income	$105,589	$146,318
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	84,606	77,097
Amortization of debt deferred costs and intangibles, net	1,421	1,305
Impairment loss	15,012	43
Equity in earnings of real estate joint ventures and partnerships, net	(12,747)	(10,738)
Gain on sale and acquisition of real estate joint venture and partnership interests	—	(37,392)
Gain on sale of property	(47,987)	(46,190)
Distributions of income from real estate joint ventures and partnerships	667	591
Changes in accrued rent and accounts receivable, net	2,838	2,555
Changes in unamortized lease costs and other assets, net	(12,241)	(10,159)
Changes in accounts payable, accrued expenses and other liabilities, net	(7,126)	863
Other, net	2,906	(567)
Net cash provided by operating activities	132,938	123,726
Cash Flows from Investing Activities:		
Acquisition of real estate and land	(570)	(92,071)
Development and capital improvements	(72,908)	(53,441)
Proceeds from sale of property and real estate equity investments	109,167	108,782
Change in restricted deposits and mortgage escrows	19,211	(5,348)
Real estate joint ventures and partnerships - Investments	(27,875)	(42,025)
Real estate joint ventures and partnerships - Distribution of capital	12,467	34,224
Purchase of investments	(3,491)	(3,247)
Proceeds from investments	4,000	750
Other, net	(791)	2,518
Net cash provided by (used in) investing activities	39,210	(49,858)
Cash Flows from Financing Activities:		
Proceeds from issuance of debt	—	2,111
Principal payments of debt	(21,308)	(58,275)
Changes in unsecured credit facilities	(44,440)	(51,500)
Proceeds from issuance of common shares of beneficial interest, net	985	127,965
Common share dividends paid	(98,844)	(91,675)
Debt issuance and extinguishment costs paid	(341)	(3,114)
Distributions to noncontrolling interests	(15,799)	(3,493)
Other, net	(2,001)	(3,526)
Net cash used in financing activities	(181,748)	(81,507)
Net decrease in cash and cash equivalents	(9,600)	(7,639)
Cash and cash equivalents at January 1	16,257	22,168
Cash and cash equivalents at June 30	$6,657	$14,529
Interest paid during the period (net of amount capitalized of $1,903 and $1,137, respectively)	$40,852	$40,413
Income taxes paid during the period	$1,009	$925

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, 2016	$ 3,744	$ 1,616,242	$ (222,880)	$ (7,644)	$ 155,548	$ 1,545,010
Net income			142,890		3,428	146,318
Issuance of common shares, net	99	123,690				123,789
Shares issued under benefit plans, net	35	4,851				4,886
Change in classification of deferred compensation plan (see Note 1)		(37,488)				(37,488)
Change in redemption value of deferred compensation plan			(14,471)			(14,471)
Diversification of share awards within deferred compensation plan		3,819				3,819
Dividends paid – common shares (1)			(91,675)			(91,675)
Distributions to noncontrolling interests					(3,493)	(3,493)
Other comprehensive loss				(6,989)		(6,989)
Balance, June 30, 2016	$ 3,878	$ 1,711,114	$ (186,136)	$ (14,633)	$ 155,483	$ 1,669,706
Balance, January 1, 2017	$ 3,885	$ 1,718,101	$ (177,647)	$ (9,161)	$ 181,718	$ 1,716,896
Net income			94,678		10,911	105,589
Shares issued under benefit plans, net	11	7,165				7,176
Change in classification of deferred compensation plan (see Note 1)		45,377				45,377
Change in redemption value of deferred compensation plan			(619)			(619)
Dividends paid – common shares (1)			(98,844)			(98,844)
Distributions to noncontrolling interests					(15,799)	(15,799)
Other comprehensive income				1,260		1,260
Other, net		(228)			(703)	(931)
Balance, June 30, 2017	$ 3,896	$ 1,770,415	$ (182,432)	$ (7,901)	$ 176,127	$ 1,760,105

(1) Common dividend per share was $.77 and $.73 for the six months ended June 30, 2017 and 2016, 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. 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 43.4 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 3.0% of base minimum rental revenues during the first six months of 2017. Total revenues generated by our centers located in Houston and its surrounding areas was 20.5% of total revenue for the six months ended June 30, 2017, and an additional 8.9% of total revenue was generated during this period from centers that are located in other parts of Texas.
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, 2016 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, 2016.
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.
Restricted Deposits and Mortgage Escrows
Restricted deposits and mortgage escrows consist of escrow deposits held by lenders primarily for property taxes, insurance and replacement reserves and restricted cash that is held for a specific use or in a qualified escrow account for the purposes of completing like-kind exchange transactions.
Our restricted deposits and mortgage escrows consist of the following (in thousands):

	June 30, 2017	December 31, 2016
Restricted cash [(1)]	$ 4,629	$ 23,489
Mortgage escrows	1,336	1,533
Total	$ 5,965	$ 25,022

(1) The decrease between the periods presented is primarily attributable to $21 million of funds being released from a qualified escrow account for the purpose of completing like-kind exchange transactions.

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Accumulated Other Comprehensive Loss

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

	Gain on Investments	Gain on Cash Flow Hedges	Defined Benefit Pension Plan	Total
Balance, December 31, 2016	$ (964)	$ (6,403)	$ 16,528	$ 9,161
Change excluding amounts reclassified from accumulated other comprehensive loss	(456)	106		(350)
Amounts reclassified from accumulated other comprehensive loss		(164) [(1)]	(746) [(2)]	(910)
Net other comprehensive income	(456)	(58)	(746)	(1,260)
Balance, June 30, 2017	$ (1,420)	$ (6,461)	$ 15,782	$ 7,901

	Gain on Investments	Gain on Cash Flow Hedges	Defined Benefit Pension Plan	Total
Balance, December 31, 2015	$ (557)	$ (8,160)	$ 16,361	$ 7,644
Change excluding amounts reclassified from accumulated other comprehensive loss	(98)	8,571		8,473
Amounts reclassified from accumulated other comprehensive loss		(731) [(1)]	(753) [(2)]	(1,484)
Net other comprehensive (income) loss	(98)	7,840	(753)	6,989
Balance, June 30, 2016	$ (655)	$ (320)	$ 15,608	$ 14,633

(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).

Deferred Compensation Plan

Our deferred compensation plan was amended, effective April 1, 2016, to permit participants in this plan to diversify their holdings of our common shares of beneficial interest ("common shares") six months after vesting. Thus, as of April 1, 2016, the fully vested share awards and the proportionate share of nonvested share awards eligible for diversification were reclassified from additional paid-in capital to temporary equity in our Condensed Consolidated Balance Sheet. In February 2017, our deferred compensation plan was amended to provide that participants in the plan would no longer have the right to diversify their common shares six months after vesting. Thus, the fully vested share awards and the proportionate share of nonvested share awards eligible for diversification at the amendment date were reclassified from temporary equity into additional paid-in capital in our Condensed Consolidated Balance Sheet.

The following table summarizes the eligible share award activity since inception through the February 2017 plan amendment date (in thousands):

	June 30, 2017	December 31, 2016
Balance at beginning of the period/inception	$ 44,758	$ 36,261
Change in redemption value	619	8,600
Change in classification	988	3,716
Diversification of share awards	—	(3,819)
Amendment reclassification	(46,365)	—
Balance at end of period	$ —	$ 44,758

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Retrospective Application of Accounting Standard Update

The retrospective application of adopting Accounting Standard Update No. 2016-09, "Improvements to Employee Share-Based Payment Accounting" on prior years' Condensed Consolidated Statement of Cash Flows was made to conform to the current year presentation (see Note 2 for additional information).

Note 2. Newly Issued Accounting Pronouncements

Adopted

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-09, "Improvements to Employee Share-Based Payment Accounting." This ASU was issued to simplify several aspects of share-based payment transactions, including: income tax consequences, classification of awards as equity or a liability, an option to recognize share compensation forfeitures as they occur and changes to classification within the statement of cash flows. The provisions of ASU No. 2016-09 were effective for us as of January 1, 2017. The adoption of this ASU resulted in a retrospective reclassification of $6.0 million in the condensed statement of cash flows for the six months ended June 30, 2016 from cash flows from operating activities in changes in accounts payable, accrued expenses and other liabilities, net to cash flows from financing activities in other, net for shares used to pay employees' tax withholdings.

In October 2016, the FASB issued ASU No. 2016-17, "Interests Held through Related Parties That Are Under Common Control." This ASU amends the consolidation guidance on how a reporting entity that is a single decision maker of a VIE should treat indirect interests in the entity held through related parties that are under common control when determining whether it is the primary beneficiary of that VIE. The provisions of ASU No. 2016-17 were effective for us as of January 1, 2017 on a retrospective basis. We have adopted this update, and the adoption did not have any impact to our condensed consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations." This ASU narrows the definition of a business and provides a framework for evaluating whether a transaction is an acquisition of a business or an asset. The amendment provides a screen to evaluate whether a transaction is a business and requires that when substantially all of the fair value of the acquired assets can be concentrated in a single asset or identifiable group of similar assets, then the assets acquired are not a business. If the screen is not met, then to be considered a business, the assets must have an input and a substantive process to create outputs. The provisions of ASU No. 2017-01 are effective for us as of January 1, 2018, and early adoption is permitted. We have adopted this ASU prospectively as of January 1, 2017. Under this guidance, we expect most acquisitions of property to be accounted for as an asset acquisition. Additionally, certain acquisition costs that were previously expensed may be capitalized. For the six months ended June 30, 2016 and for the year ended December 31, 2016, we incurred acquisition costs of $.2 million and $1.4 million, respectively.

Not Yet Adopted

In May 2014 , the 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, are effective for us on January 1, 2018, and are required to be applied either on a retrospective or a modified retrospective approach.

We are in the process of evaluating the impact that the adoption of ASU 2014-09 will have on our consolidated financial statements and related disclosures. In identifying all of our revenue streams, the majority of our revenues result from leasing transactions which are not within the scope of the new standard and will be governed by the recently issued leasing guidance (see ASU No. 2016-02 below). Excluding revenues related to leasing transactions, the adoption of this standard may impact our other sources of revenue, which include management, leasing and other fee revenues from our unconsolidated and managed entities, as well as property dispositions.

As of June 2017, we completed the evaluation of fee revenues from our unconsolidated and managed entities. Based on our evaluation, we will continue to recognize these fees as we currently do with the exception of the timing of recognition related to leasing and lease preparation related fees. This exception will not have a material impact to our consolidated financial statements. However, we are still evaluating the impact of this adoption on our other sources of revenue.

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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 are effective for us as of January 1, 2018. 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 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. The provisions of ASU No. 2016-02 are effective for us as of January 1, 2019, are required to be applied on a modified retrospective approach and early adoption is permitted.

We are in the process of evaluating the impact to our 5,700 lessor leases and other lessee leases, if any, that the adoption of this ASU will have on our consolidated financial statements. 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.
- We have ground lease agreements in which we are the lessee for land underneath all or a portion of 15 centers and three administrative office leases that we account for as operating leases. 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 $5.4 million and $5.1 million for the six months ended June 30, 2017 and 2016, respectively. For the year ended December 31, 2016, we capitalized internal costs of $10.3 million. 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 August 2016, the FASB issued ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments." This ASU amends guidance to either add or clarify the classification of certain cash receipts and payments in the statement of cash flows. Eight specific issues were identified for further clarification and include: debt prepayment or extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of company-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions and the classification of cash flows that have aspects of more than one class of cash flows. The provisions of ASU No. 2016-15 are effective for us as of January 1, 2018 on a retrospective basis, 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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In November 2016, the FASB issued ASU No. 2016-18, "Restricted Cash." This ASU amends prior guidance on restricted cash presentation and requires that restricted cash and restricted cash equivalents be included in the statement of cash flows. Changes in restricted cash and restricted cash equivalents that result from transfers between different cash categories should not be presented as cash flow activities in the statement of cash flows. The ASU also requires an entity to disclose information about the nature of restricted cash, as well as a reconciliation between the statement of financial position and the statement of cash flows when the statement of financial position has more than one line item for cash, cash equivalent, restricted cash and restricted cash equivalent. The provisions of ASU No. 2016-18 are effective for us as of January 1, 2018 on a retrospective basis, 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 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 are effective for us as of January 1, 2018, and early adoption is permitted; however, it must be adopted at the same time ASU No. 2014-09 is adopted. We are currently assessing the impact, if any, that the adoption of this ASU will have on our consolidated financial statements.

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 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 are effective for us as of January 1, 2018 on a retrospective basis, and early adoption is permitted. We are currently assessing the impact, if any, that the adoption of this ASU will have on our consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, "Compensation - Stock Compensation: Scope of Modification Accounting." This ASU provides guidance about the types of changes to the terms or conditions of a share-based payment award which would require an entity to apply modification accounting. This ASU requires an entity to account for the effects of a modification in the terms or conditions of a share-based payment award, unless three criteria are met relating to the fair value, vesting conditions and classification of the modified awards. The provisions of ASU No. 2017-09 are effective for us as of January 1, 2018 on a prospective basis, 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.

Note 3. Property

Our property consists of the following (in thousands):

	June 30, 2017	December 31, 2016
Land	$1,109,163	$ 1,107,072
Land held for development	72,009	82,953
Land under development	48,780	51,761
Buildings and improvements	3,411,373	3,489,685
Construction in-progress	82,575	57,674
Total	$4,723,900	$ 4,789,145

During the six months ended June 30, 2017, we sold six centers and other property. Aggregate gross sales proceeds from these transactions approximated $113.1 million and generated gains of approximately $48.0 million. Also, during the six months ended June 30, 2017, we invested $33.5 million in new development projects, which includes the purchase of the retail portion of a mixed-use project in Seattle, Washington that was subject to a contractual obligation at December 31, 2016.

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At June 30, 2017, two centers, totaling $27.1 million before accumulated depreciation, were classified as held for sale. At December 31, 2016, one center, totaling $1.6 million before accumulated depreciation, was classified as held for sale. None of these centers qualified to be reported in discontinued operations, and each has been sold subsequent to the end of the applicable reporting period.

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% during 2017 and from 20% to 75% during 2016. Combined condensed financial information of these ventures (at 100%) is summarized as follows (in thousands):

	June 30, 2017	December 31, 2016
Combined Condensed Balance Sheets		
ASSETS		
Property	$1,229,280	$1,196,770
Accumulated depreciation	(274,208)	(261,392)
Property, net	955,072	935,378
Other assets, net	113,716	114,554
Total Assets	$1,068,788	$1,049,932
LIABILITIES AND EQUITY		
Debt, net (primarily mortgages payable)	$300,759	$301,480
Amounts payable to Weingarten Realty Investors and Affiliates	11,432	12,585
Other liabilities, net	23,856	24,902
Total Liabilities	336,047	338,967
Equity	732,741	710,965
Total Liabilities and Equity	$1,068,788	$1,049,932

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Combined Condensed Statements of Operations				
Revenues, net	$36,061	$34,146	$70,799	$70,068
Expenses:				
Depreciation and amortization	8,791	10,605	17,804	19,986
Interest, net	3,110	5,622	6,077	9,630
Operating	5,810	6,358	11,928	13,961
Real estate taxes, net	5,451	4,494		