0000879101KIMCO REALTY CORPfalse--12-31Q32019Fair value measurement as of date of deconsolidation.The Company utilized an aggregate $31.0 million associated with Internal Revenue Code 1031 sales proceeds.The effect of the assumed conversion of certain convertible units had an anti-dilutive effect upon the calculation of Net income available to the Company's common shareholders per share. Accordingly, the impact of such conversions has not been included in the determination of diluted earnings per share calculations. Additionally, there were 0.5 million and 2.3 million stock options that were not dilutive as of September 30, 2019 and 2018, respectively.Representing 101 property interests and 21.6 million square feet of GLA, as of September 30, 2019, and 109 property interests and 23.2 million square feet of GLA, as of December 31, 2018.Includes extension optionsThe Company determined that the valuation of its Senior Unsecured Notes were classified within Level 2 of the fair value hierarchy and its unsecured revolving credit facility was classified within Level 3 of the fair value hierarchy. The estimated fair value amounts classified as Level 2, as of September 30, 2019 and December 31, 2018, were $4.8 billion and $4.0 billion, respectively. The estimated fair value amounts classified as Level 3, as of September 30, 2019 and December 31, 2018, were $199.8 million and $97.6 million, respectively.Gross leasable area ("GLA")The Company manages these joint venture investments and, where applicable, earns property management fees, construction management fees, property acquisition and disposition fees, leasing management fees and asset management fees.Redemption charges resulting from the difference between the redemption amount and the carrying amount of the respective preferred stock class on the Company's Condensed Consolidated Balance Sheets are accounted for in accordance with the FASB's guidance on Distinguishing Liabilities from Equity. These charges were subtracted from net income attributable to the Company to arrive at net income available to the Company's common shareholders and used in the calculation of earnings per share.During the nine months ended September 30, 2018, a joint venture investment distributed cash proceeds resulting from the refinancing of an existing loan of which the Company's share was $3.6 million. The distribution was in excess of the Company's carrying basis in this joint venture investment and as such was recognized as income.The Company determined that its valuation of its mortgages and construction loan were classified within Level 3 of the fair value hierarchy.Includes capitalized costs of interest, real estate taxes, insurance, legal costs and payroll of $27.4 million and $24.9 million, as of September 30, 2019 and December 31, 2018, respectively.During the nine months ended September 30, 2018, the Company recorded an adjustment of $3.9 million to the estimated redemption fair market value of a noncontrolling interest in accordance with the provisions of the respective joint venture agreement and ASC 480 - Accounting for Redeemable Equity Instruments.Includes non-recourse liabilities of consolidated VIEs at September 30, 2019 and December 31, 2018 of $145,075 and $143,186, respectively. See Footnote 11 of the Notes to Condensed Consolidated Financial Statements.During the nine months ended September 30, 2019, the Company reclassified this project to Real estate, net of accumulated depreciation and amortization on the Company's Condensed Consolidated Balance Sheets, as it is now the Company's intention to discontinue development of this project and to market it for sale as is. The as is value, estimated fair value, was below the carrying value and as such, the Company recorded an impairment charge of $11.5 million during the nine months ended September 30, 2019.Includes restricted assets of consolidated variable interest entities ("VIEs") at September 30, 2019 and December 31, 2018 of $229,716 and $239,012, respectively. See Footnote 11 of the Notes to Condensed Consolidated Financial Statements.2,474,2432,385,287229,716239,012149,529143,1861.001.007,054,0007,054,00028,58042,58028,58042,580714,5001,064,5006,010,2405996,2400.010.01750,000,000750,000,000422,230,015421,388,879422,230,015421,388,87910,87413,3191,53113,30800008791012019-01-012019-09-300000879101kim:CommonStock1Member2019-01-012019-09-300000879101kim:ClassJCumulativeRedeemablePreferredStockMember2019-01-012019-09-300000879101kim:ClassLCumulativeRedeemablePreferredStockMember2019-01-012019-09-300000879101kim:ClassMCumulativeRedeemablePreferredStockMember2019-01-012019-09-30xbrli:shares00008791012019-10-14thunderdome:itemiso4217:USD00008791012019-09-3000008791012018-12-310000879101kim:RealEstateUnderDevelopmentMember2019-09-300000879101kim:RealEstateUnderDevelopmentMember2018-12-310000879101kim:InvestmentsInAndAdvancesToRealEstateJointVenturesMember2019-09-300000879101kim:InvestmentsInAndAdvancesToRealEstateJointVenturesMember2018-12-310000879101kim:OtherRealEstateInvestmentsMember2019-09-300000879101kim:OtherRealEstateInvestmentsMember2018-12-3100008791012019-07-012019-09-3000008791012018-07-012018-09-3000008791012018-01-012018-09-300000879101kim:JointVenturesMember2019-07-012019-09-300000879101kim:JointVenturesMember2018-07-012018-09-300000879101kim:JointVenturesMember2019-01-012019-09-300000879101kim:JointVenturesMember2018-01-012018-09-300000879101kim:OtherRealEstateInvestmentsMember2019-07-012019-09-300000879101kim:OtherRealEstateInvestmentsMember2018-07-012018-09-300000879101kim:OtherRealEstateInvestmentsMember2019-01-012019-09-300000879101kim:OtherRealEstateInvestmentsMember2018-01-012018-09-30iso4217:USDxbrli:shares0000879101us-gaap:RetainedEarningsMember2018-06-300000879101us-gaap:AccumulatedOtherComprehensiveIncomeMember2018-06-300000879101us-gaap:PreferredStockMember2018-06-300000879101us-gaap:CommonStockMember2018-06-300000879101us-gaap:AdditionalPaidInCapitalMember2018-06-300000879101us-gaap:ParentMember2018-06-300000879101us-gaap:NoncontrollingInterestMember2018-06-3000008791012018-06-300000879101us-gaap:RetainedEarningsMember2018-07-012018-09-300000879101us-gaap:AccumulatedOtherComprehensiveIncomeMember2018-07-012018-09-300000879101us-gaap:PreferredStockMember2018-07-012018-09-300000879101us-gaap:CommonStockMember2018-07-012018-09-300000879101us-gaap:AdditionalPaidInCapitalMember2018-07-012018-09-300000879101us-gaap:ParentMember2018-07-012018-09-300000879101us-gaap:NoncontrollingInterestMember2018-07-012018-09-300000879101us-gaap:RetainedEarningsMember2018-09-300000879101us-gaap:AccumulatedOtherComprehensiveIncomeMember2018-09-300000879101us-gaap:PreferredStockMember2018-09-300000879101us-gaap:CommonStockMember2018-09-300000879101us-gaap:AdditionalPaidInCapitalMember2018-09-300000879101us-gaap:ParentMember2018-09-300000879101us-gaap:NoncontrollingInterestMember2018-09-3000008791012018-09-300000879101us-gaap:RetainedEarningsMember2019-06-300000879101us-gaap:AccumulatedOtherComprehensiveIncomeMember2019-06-300000879101us-gaap:PreferredStockMember2019-06-300000879101us-gaap:CommonStockMember2019-06-300000879101us-gaap:AdditionalPaidInCapitalMember2019-06-300000879101us-gaap:ParentMember2019-06-300000879101us-gaap:NoncontrollingInterestMember2019-06-3000008791012019-06-300000879101us-gaap:RetainedEarningsMember2019-07-012019-09-300000879101us-gaap:AccumulatedOtherComprehensiveIncomeMember2019-07-012019-09-300000879101us-gaap:PreferredStockMember2019-07-012019-09-300000879101us-gaap:CommonStockMember2019-07-012019-09-300000879101us-gaap:AdditionalPaidInCapitalMember2019-07-012019-09-300000879101us-gaap:ParentMember2019-07-012019-09-300000879101us-gaap:NoncontrollingInterestMember2019-07-012019-09-300000879101us-gaap:RetainedEarningsMember2019-09-300000879101us-gaap:AccumulatedOtherComprehensiveIncomeMember2019-09-300000879101us-gaap:PreferredStockMember2019-09-300000879101us-gaap:CommonStockMember2019-09-300000879101us-gaap:AdditionalPaidInCapitalMember2019-09-300000879101us-gaap:ParentMember2019-09-300000879101us-gaap:NoncontrollingInterestMember2019-09-300000879101us-gaap:RetainedEarningsMember2017-12-310000879101us-gaap:AccumulatedOtherComprehensiveIncomeMember2017-12-310000879101us-gaap:PreferredStockMember2017-12-310000879101us-gaap:CommonStockMember2017-12-310000879101us-gaap:AdditionalPaidInCapitalMember2017-12-310000879101us-gaap:ParentMember2017-12-310000879101us-gaap:NoncontrollingInterestMember2017-12-3100008791012017-12-310000879101us-gaap:RetainedEarningsMember2018-01-012018-09-300000879101us-gaap:AccumulatedOtherComprehensiveIncomeMember2018-01-012018-09-300000879101us-gaap:PreferredStockMember2018-01-012018-09-300000879101us-gaap:CommonStockMember2018-01-012018-09-300000879101us-gaap:AdditionalPaidInCapitalMember2018-01-012018-09-300000879101us-gaap:ParentMember2018-01-012018-09-300000879101us-gaap:NoncontrollingInterestMember2018-01-012018-09-300000879101us-gaap:RetainedEarningsMember2018-12-310000879101us-gaap:AccumulatedOtherComprehensiveIncomeMember2018-12-310000879101us-gaap:PreferredStockMember2018-12-310000879101us-gaap:CommonStockMember2018-12-310000879101us-gaap:AdditionalPaidInCapitalMember2018-12-310000879101us-gaap:ParentMember2018-12-310000879101us-gaap:NoncontrollingInterestMember2018-12-310000879101us-gaap:RetainedEarningsMember2019-01-012019-09-300000879101us-gaap:AccumulatedOtherComprehensiveIncomeMember2019-01-012019-09-300000879101us-gaap:PreferredStockMember2019-01-012019-09-300000879101us-gaap:CommonStockMember2019-01-012019-09-300000879101us-gaap:AdditionalPaidInCapitalMember2019-01-012019-09-300000879101us-gaap:ParentMember2019-01-012019-09-300000879101us-gaap:NoncontrollingInterestMember2019-01-012019-09-300000879101us-gaap:AccountingStandardsUpdate201602Member2019-09-300000879101kim:ReclassificationOfReimbursementIncomeFromRevenuesFromRentalPropertiesMember2018-07-012018-09-300000879101kim:ReclassificationOfReimbursementIncomeFromRevenuesFromRentalPropertiesMember2018-01-012018-09-300000879101kim:OtherRentalPropertyMember2018-07-012018-09-300000879101kim:OtherRentalPropertyMember2018-01-012018-09-300000879101kim:BellCaminoOutparcelMember2019-01-012019-09-30utr:sqft0000879101kim:BellCaminoOutparcelMember2019-09-300000879101kim:GatewayAtDonnerPassOutparcelMember2019-01-012019-09-300000879101kim:GatewayAtDonnerPassOutparcelMember2019-09-300000879101kim:RanchoPenasquitosOutparcelMember2019-01-012019-09-300000879101kim:RanchoPenasquitosOutparcelMember2019-09-300000879101us-gaap:LandMember2019-09-300000879101us-gaap:BuildingMember2019-09-30utr:Y0000879101us-gaap:BuildingMember2019-01-012019-09-300000879101us-gaap:BuildingImprovementsMember2019-09-300000879101us-gaap:BuildingImprovementsMember2019-01-012019-09-300000879101kim:TenantImprovementsMember2019-09-300000879101kim:TenantImprovementsMember2019-01-012019-09-300000879101us-gaap:LeasesAcquiredInPlaceMember2019-09-300000879101us-gaap:LeasesAcquiredInPlaceMember2019-01-012019-09-300000879101kim:DispositionActivityRelatingToConsolidatedOperatingPropertiesAndParcelsMember2019-09-300000879101kim:DispositionActivityRelatingToConsolidatedOperatingPropertiesAndParcelsMember2018-09-30xbrli:pure0000879101kim:DispositionActivityRelatingToConsolidatedOperatingPropertiesAndParcelsMember2019-01-012019-09-300000879101kim:DispositionActivityRelatingToConsolidatedOperatingPropertiesAndParcelsMember2018-01-012018-09-300000879101us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember2019-01-012019-09-300000879101kim:DisposalGroupExpectedToMarketForSaleNotDiscontinuedOperationsMember2019-01-012019-09-300000879101kim:DaniaPointePhaseIIIIIAndIVMember2019-09-300000879101kim:DaniaPointePhaseIIIIIAndIVMember2018-12-310000879101kim:MillStationMember2019-09-300000879101kim:MillStationMember2018-12-310000879101kim:PromenadeAtChristianaMember2019-09-300000879101kim:PromenadeAtChristianaMember2018-12-310000879101kim:PromenadeAtChristianaMember2019-01-012019-09-300000879101kim:KimPruandKimPruIIMember2019-09-300000879101kim:KimPruandKimPruIIMember2018-12-310000879101kim:KimcoIncomeFundMember2019-09-300000879101kim:KimcoIncomeFundMember2018-12-310000879101kim:CPPMember2019-09-300000879101kim:CPPMember2018-12-310000879101kim:OtherJointVentureProgramsMember2019-09-300000879101kim:OtherJointVentureProgramsMember2018-12-310000879101kim:AllEquityMethodInvestmentsMember2019-09-300000879101kim:AllEquityMethodInvestmentsMember2018-12-310000879101kim:OperatingPropertiesMemberkim:RealEstateJointVenturesMember2019-01-012019-09-300000879101kim:PrudentialInvestmentProgramMember2019-07-012019-09-300000879101kim:PrudentialInvestmentProgramMember2018-07-012018-09-300000879101kim:PrudentialInvestmentProgramMember2019-01-012019-09-300000879101kim:PrudentialInvestmentProgramMember2018-01-012018-09-300000879101kim:KIRMember2019-07-012019-09-300000879101kim:KIRMember2018-07-012018-09-300000879101kim:KIRMember2019-01-012019-09-300000879101kim:KIRMember2018-01-012018-09-300000879101kim:CPPMember2019-07-012019-09-300000879101kim:CPPMember2018-07-012018-09-300000879101kim:CPPMember2019-01-012019-09-300000879101kim:CPPMember2018-01-012018-09-300000879101kim:OtherJointVentureProgramsMember2019-07-012019-09-300000879101kim:OtherJointVentureProgramsMember2018-07-012018-09-300000879101kim:OtherJointVentureProgramsMember2019-01-012019-09-300000879101kim:OtherJointVentureProgramsMember2018-01-012018-09-300000879101kim:OperatingPropertiesMemberkim:RealEstateJointVenturesMember2018-01-012018-09-300000879101kim:OperatingPropertiesMemberkim:RealEstateJointVenturesMember2019-09-300000879101kim:OperatingPropertiesMemberkim:RealEstateJointVenturesMember2018-09-300000879101kim:PrudentialInvestmentProgramMember2019-09-30utr:M0000879101kim:PrudentialInvestmentProgramMember2018-12-310000879101kim:PrudentialInvestmentProgramMember2018-01-012018-12-310000879101kim:KIRMember2019-09-300000879101kim:KIRMember2018-12-310000879101kim:KIRMember2018-01-012018-12-310000879101kim:CPPMember2018-01-012018-12-310000879101kim:OtherJointVentureProgramsMember2018-01-012018-12-310000879101kim:PreferredEquityInvestmentsMemberkim:LeasedPropertiesMember2019-09-300000879101kim:PreferredEquityInvestmentsMember2019-09-300000879101kim:PreferredEquityInvestmentsMember2019-01-012019-09-300000879101kim:PreferredEquityInvestmentsMember2018-01-012018-09-300000879101us-gaap:AccountingStandardsUpdate201602Member2019-01-010000879101srt:MinimumMember2019-01-012019-09-300000879101srt:MaximumMember2019-01-012019-09-300000879101srt:MaximumMember2019-09-300000879101kim:MortgageReceivablePaidMay19Member2019-01-012019-09-300000879101kim:MortgageReceivablePaidJune19Member2019-01-012019-09-300000879101kim:SecondMortgageReceivablePaidJune19Member2019-01-012019-09-300000879101kim:OneConsolidatedPropertyClassifiedAsHeldForSaleMember2019-01-012019-09-300000879101kim:MortgageDebtEncumberedOperatingPropertyMember2019-01-012019-09-300000879101kim:SeniorUnsecuredNotes1Member2019-09-300000879101us-gaap:RevolvingCreditFacilityMember2019-09-300000879101us-gaap:LetterOfCreditMember2019-09-300000879101kim:MortgageDebtEncumberedOperatingPropertyMember2019-01-012019-09-300000879101kim:ConstructionLoanMember2019-09-300000879101kim:LandParcelAdjacentToShoppingCenterLocatedInArdmorePaMember2018-09-300000879101kim:NonrecouseMortgageDebtRelatedToPropertyDeconsolidatedMember2018-01-012018-09-300000879101kim:SoldPortionOfInvestmentInConsolidatedOperatingPropertyMember2018-01-012018-09-300000879101us-gaap:AccountingStandardsUpdate201705Memberkim:GainOnSaleOfOperatingPropertiesChangeInControlsOfInterestsMember2018-01-012018-09-300000879101kim:RealEstateUnderDevelopmentMember2019-09-300000879101kim:RealEstateUnderDevelopmentMember2018-12-310000879101kim:ConsolidatedOperatingPropertiesMember2019-09-300000879101kim:ConsolidatedOperatingPropertiesMember2018-12-310000879101kim:RealEstateUnderDevelopmentProject1Member2019-01-012019-09-300000879101kim:VariableInterestEntityUnencumberedMember2019-09-300000879101kim:VariableInterestEntityUnencumberedMember2018-12-310000879101kim:VariableInterestEntityEncumberedByThirdPartyNonResourceMortgageDebtMember2019-09-300000879101kim:VariableInterestEntityEncumberedByThirdPartyNonResourceMortgageDebtMember2018-12-310000879101us-gaap:CarryingReportedAmountFairValueDisclosureMember2019-09-300000879101us-gaap:EstimateOfFairValueFairValueDisclosureMember2019-09-300000879101us-gaap:CarryingReportedAmountFairValueDisclosureMember2018-12-310000879101us-gaap:EstimateOfFairValueFairValueDisclosureMember2018-12-310000879101us-gaap:CarryingReportedAmountFairValueDisclosureMemberus-gaap:MortgagesMember2019-09-300000879101us-gaap:EstimateOfFairValueFairValueDisclosureMemberus-gaap:MortgagesMember2019-09-300000879101us-gaap:CarryingReportedAmountFairValueDisclosureMemberus-gaap:MortgagesMember2018-12-310000879101us-gaap:EstimateOfFairValueFairValueDisclosureMemberus-gaap:MortgagesMember2018-12-310000879101us-gaap:FairValueInputsLevel2Memberus-gaap:EstimateOfFairValueFairValueDisclosureMember2019-09-300000879101us-gaap:FairValueInputsLevel2Memberus-gaap:EstimateOfFairValueFairValueDisclosureMember2018-12-310000879101us-gaap:FairValueInputsLevel3Memberus-gaap:EstimateOfFairValueFairValueDisclosureMember2019-09-300000879101us-gaap:FairValueInputsLevel3Memberus-gaap:EstimateOfFairValueFairValueDisclosureMember2018-12-310000879101us-gaap:FairValueMeasurementsRecurringMember2019-09-300000879101us-gaap:FairValueInputsLevel1Memberus-gaap:FairValueMeasurementsRecurringMember2019-09-300000879101us-gaap:FairValueInputsLevel3Memberus-gaap:FairValueMeasurementsRecurringMember2019-09-300000879101us-gaap:FairValueMeasurementsRecurringMember2018-12-310000879101us-gaap:FairValueInputsLevel1Memberus-gaap:FairValueMeasurementsRecurringMember2018-12-310000879101us-gaap:FairValueInputsLevel2Memberus-gaap:FairValueMeasurementsRecurringMember2018-12-310000879101us-gaap:FairValueInputsLevel3Memberus-gaap:FairValueMeasurementsRecurringMember2018-12-310000879101us-gaap:FairValueMeasurementsNonrecurringMember2019-09-300000879101us-gaap:FairValueInputsLevel1Memberus-gaap:FairValueMeasurementsNonrecurringMember2019-09-300000879101us-gaap:FairValueInputsLevel2Memberus-gaap:FairValueMeasurementsNonrecurringMember2019-09-300000879101us-gaap:FairValueInputsLevel3Memberus-gaap:FairValueMeasurementsNonrecurringMember2019-09-300000879101us-gaap:FairValueMeasurementsNonrecurringMember2018-12-310000879101us-gaap:FairValueInputsLevel1Memberus-gaap:FairValueMeasurementsNonrecurringMember2018-12-310000879101us-gaap:FairValueInputsLevel2Memberus-gaap:FairValueMeasurementsNonrecurringMember2018-12-310000879101us-gaap:FairValueInputsLevel3Memberus-gaap:FairValueMeasurementsNonrecurringMember2018-12-310000879101us-gaap:MeasurementInputCapRateMembersrt:MinimumMember2019-09-300000879101us-gaap:MeasurementInputCapRateMembersrt:MaximumMember2019-09-300000879101us-gaap:MeasurementInputDiscountRateMembersrt:MinimumMember2019-09-300000879101us-gaap:MeasurementInputDiscountRateMembersrt:MaximumMember2019-09-300000879101us-gaap:EmployeeStockOptionMember2019-01-012019-09-300000879101us-gaap:EmployeeStockOptionMember2018-01-012018-09-300000879101kim:SeriesJPreferredStockMember2019-09-300000879101kim:SeriesJPreferredStockMember2019-01-012019-09-300000879101kim:SeriesLPreferredStockMember2019-09-300000879101kim:SeriesLPreferredStockMember2019-01-012019-09-300000879101kim:SeriesMPreferredStockMember2019-09-300000879101kim:SeriesMPreferredStockMember2019-01-012019-09-300000879101kim:TotalMember2019-09-300000879101kim:SeriesIPreferredStockMember2018-12-310000879101kim:SeriesIPreferredStockMember2018-01-012018-12-310000879101kim:SeriesJPreferredStockMember2018-12-310000879101kim:SeriesJPreferredStockMember2018-01-012018-12-310000879101kim:SeriesKPreferredStockMember2018-12-310000879101kim:SeriesKPreferredStockMember2018-01-012018-12-310000879101kim:SeriesLPreferredStockMember2018-12-310000879101kim:SeriesLPreferredStockMember2018-01-012018-12-310000879101kim:SeriesMPreferredStockMember2018-12-310000879101kim:SeriesMPreferredStockMember2018-01-012018-12-310000879101kim:TotalMember2018-12-310000879101kim:SeriesIPreferredStockMember2019-01-012019-09-300000879101kim:SeriesIPreferredStockMember2019-09-300000879101kim:SeriesKPreferredStockMember2019-01-012019-09-300000879101kim:SeriesKPreferredStockMember2019-09-300000879101kim:ShareRepurchaseProgramMember2018-02-280000879101kim:ShareRepurchaseProgramMember2019-09-300000879101kim:ATMProgramMember2019-09-300000879101kim:SeriesIPreferredStockMember2019-07-012019-09-300000879101kim:SeriesIPreferredStockMember2018-07-012018-09-300000879101kim:SeriesIPreferredStockMember2018-01-012018-09-300000879101kim:SeriesJPreferredStockMember2019-07-012019-09-300000879101kim:SeriesJPreferredStockMember2018-07-012018-09-300000879101kim:SeriesJPreferredStockMember2018-01-012018-09-300000879101kim:SeriesKPreferredStockMember2019-07-012019-09-300000879101kim:SeriesKPreferredStockMember2018-07-012018-09-300000879101kim:SeriesKPreferredStockMember2018-01-012018-09-300000879101kim:SeriesLPreferredStockMember2019-07-012019-09-300000879101kim:SeriesLPreferredStockMember2018-07-012018-09-300000879101kim:SeriesLPreferredStockMember2018-01-012018-09-300000879101kim:SeriesMPreferredStockMember2019-07-012019-09-300000879101kim:SeriesMPreferredStockMember2018-07-012018-09-300000879101kim:SeriesMPreferredStockMember2018-01-012018-09-300000879101kim:IncomeMember2019-01-012019-09-300000879101kim:PreferredStockRedeemedMember2019-01-012019-09-30

[Table of Contents](#toc)

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C.  20549**

**FORM 10-Q**

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

**For the quarterly period ended September 30, 2019**

or

|  |  |
| --- | --- |
| **☐** | TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 |

For the transition period from                 to

Commission File Number:   1-10899

**Kimco Realty Corporation**

(Exact name of registrant as specified in its charter)

|  |  |  |
| --- | --- | --- |
| **Maryland** |  | **13-2744380** |
| (State or other jurisdiction of incorporation or organization) |  | (I.R.S. Employer Identification No.) |

**3333 New Hyde Park Road, New Hyde Park, NY 11042**

(Address of principal executive offices) (Zip Code)

**(516) 869-9000**

(Registrant’s telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Title of each class |  | Trading  Symbol(s) |  | Name of each exchange on  which registered |
| Common Stock, par value $.01 per share. |  | KIM |  | New York Stock Exchange |
| Depositary Shares, each representing one-thousandth of a share of 5.500% Class J Cumulative Redeemable, Preferred Stock, $1.00 par value per share. |  | KIMprJ |  | New York Stock Exchange |
| Depositary Shares, each representing one-thousandth of a share of 5.125% Class L Cumulative Redeemable, Preferred Stock, $1.00 par value per share. |  | KIMprL |  | New York Stock Exchange |
| Depositary Shares, each representing one-thousandth of a share of 5.250% Class M Cumulative Redeemable, Preferred Stock, $1.00 par value per share. |  | KIMprM |  | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.   Yes ☒   No ☐

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).    Yes ☒   No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12-b-2 of the Exchange Act.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Large accelerated filer | ☒ | Accelerated filer | ☐ | Non-accelerated filer | ☐ |
| Smaller reporting company | ☐ | Emerging growth company | ☐ |  |  |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of October 14, 2019, the registrant had 422,232,515 shares of common stock outstanding.

[Table of Contents](#toc)

[PART I - FINANCIAL INFORMATION](#item1balsheet)

|  |  |  |
| --- | --- | --- |
| Item 1. | [Financial Statements.](#item1balsheet) |  |
|  |  |  |
| Condensed Consolidated Financial Statements of Kimco Realty Corporation and Subsidiaries (Unaudited) - | |  |
|  |  |  |
|  | [Condensed Consolidated Balance Sheets as of September 30, 2019 and December 31, 2018](#item1balsheet) | 3 |
|  |  |  |
|  | [Condensed Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2019 and 2018](#stateofincome) | 4 |
|  |  |  |
|  | [Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2019 and 2018](#CompIncome) | 5 |
|  |  |  |
|  | [Condensed Consolidated Statements of Changes in Equity for the Three Months Ended September 30, 2019 and 2018](#equity3mos) | 6 |
|  |  |  |
|  | [Condensed Consolidated Statements of Changes in Equity for the Nine Months Ended September 30, 2019 and 2018](#equity9mos) | 7 |
|  |  |  |
|  | [Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2019 and 2018](#cashflow) | 8 |
|  |  |  |
| [Notes to Condensed Consolidated Financial Statements.](#notes) | | 9 |
|  |  |  |
| Item 2. | [Management's Discussion and Analysis of Financial Condition and Results of Operations.](#item2) | 24 |
|  |  |  |
| Item 3. | [Quantitative and Qualitative Disclosures About Market Risk.](#item3) | 36 |
|  |  |  |
| Item 4. | [Controls and Procedures.](#item4) | 36 |
|  |  |  |
| [PART II - OTHER INFORMATION](#part2) | | |
|  |  |  |
| Item 1. | [Legal Proceedings](#anchor-2item1) | 37 |
|  |  |  |
| Item 1A. | [Risk Factors.](#anchor-2item1a) | 37 |
|  |  |  |
| Item 2. | [Unregistered Sales of Equity Securities and Use of Proceeds.](#anchor-2item2) | 37 |
|  |  |  |
| Item 3. | [Defaults Upon Senior Securities.](#anchor-2item3) | 37 |
|  |  |  |
| Item 4. | [Mine Safety Disclosures.](#anchor-2item4) | 37 |
|  |  |  |
| Item 5. | [Other Information.](#anchor-2item5) | 38 |
|  |  |  |
| Item 6. | [Exhibits.](#anchor-2tiem6) | 38 |
|  |  |  |
| [Signatures](#sigs) | | 39 |

2

[Table of Contents](#toc)

KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except share information)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **September 30, 2019** | |  |  | **December 31, 2018** | |  |
| Assets: |  |  |  |  |  |  |  |  |
| Real estate, net of accumulated depreciation and amortization of $2,474,243 and $2,385,287, respectively |  | $ | 9,172,123 |  |  | $ | 9,250,519 |  |
| Real estate under development |  |  | 300,976 |  |  |  | 241,384 |  |
| Investments in and advances to real estate joint ventures |  |  | 585,467 |  |  |  | 570,922 |  |
| Other real estate investments |  |  | 194,675 |  |  |  | 192,123 |  |
| Cash and cash equivalents |  |  | 141,310 |  |  |  | 143,581 |  |
| Accounts and notes receivable, net |  |  | 191,436 |  |  |  | 184,528 |  |
| Operating lease right-of-use assets, net |  |  | 98,210 |  |  |  | - |  |
| Other assets |  |  | 400,934 |  |  |  | 416,043 |  |
| Total assets (1) |  | $ | 11,085,131 |  |  | $ | 10,999,100 |  |
|  |  |  |  |  |  |  |  |  |
| Liabilities: |  |  |  |  |  |  |  |  |
| Notes payable, net |  | $ | 4,829,996 |  |  | $ | 4,381,456 |  |
| Mortgages and construction loan payable, net |  |  | 482,632 |  |  |  | 492,416 |  |
| Dividends payable |  |  | 126,203 |  |  |  | 130,262 |  |
| Operating lease liabilities |  |  | 91,621 |  |  |  | - |  |
| Other liabilities |  |  | 556,515 |  |  |  | 560,231 |  |
| Total liabilities (2) |  |  | 6,086,967 |  |  |  | 5,564,365 |  |
| Redeemable noncontrolling interests |  |  | 23,695 |  |  |  | 23,682 |  |
|  |  |  |  |  |  |  |  |  |
| Commitments and Contingencies |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Stockholders' equity: |  |  |  |  |  |  |  |  |
| Preferred stock, $1.00 par value, authorized 7,054,000 shares; undesignated 6,010,240 and 5,996,240 shares, respectively; Issued and outstanding (in series) 28,580 and 42,580 shares, respectively; Aggregate liquidation preference $714,500 and $1,064,500, respectively |  |  | 29 |  |  |  | 43 |  |
| Common stock, $.01 par value, authorized 750,000,000 shares; issued and outstanding 422,230,015 and 421,388,879 shares, respectively |  |  | 4,222 |  |  |  | 4,214 |  |
| Paid-in capital |  |  | 5,781,371 |  |  |  | 6,117,254 |  |
| Cumulative distributions in excess of net income |  |  | (883,741 | ) |  |  | (787,707 | ) |
| Total stockholders' equity |  |  | 4,901,881 |  |  |  | 5,333,804 |  |
| Noncontrolling interests |  |  | 72,588 |  |  |  | 77,249 |  |
| Total equity |  |  | 4,974,469 |  |  |  | 5,411,053 |  |
| Total liabilities and equity |  | $ | 11,085,131 |  |  | $ | 10,999,100 |  |

|  |  |
| --- | --- |
| (1) | Includes restricted assets of consolidated variable interest entities (“VIEs”) at September 30, 2019 and December 31, 2018 of $229,716 and $239,012, respectively.  See Footnote 11 of the Notes to Condensed Consolidated Financial Statements. |
|  |  |
| (2) | Includes non-recourse liabilities of consolidated VIEs at September 30, 2019 and December 31, 2018 of $149,529 and $143,186, respectively.  See Footnote 11 of the Notes to Condensed Consolidated Financial Statements. |

The accompanying notes are an integral part of these condensed consolidated financial statements.

3

[Table of Contents](#toc)

KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(in thousands, except per share data)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |  | **2019** | |  |  | **2018** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Revenues |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Revenues from rental properties, net |  | $ | 279,181 |  |  | $ | 278,699 |  |  | $ | 850,525 |  |  | $ | 867,799 |  |
| Management and other fee income |  |  | 3,690 |  |  |  | 4,381 |  |  |  | 12,229 |  |  |  | 12,762 |  |
| Total revenues |  |  | 282,871 |  |  |  | 283,080 |  |  |  | 862,754 |  |  |  | 880,561 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating expenses |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Rent |  |  | (2,836 | ) |  |  | (2,702 | ) |  |  | (8,452 | ) |  |  | (8,262 | ) |
| Real estate taxes |  |  | (37,519 | ) |  |  | (37,862 | ) |  |  | (113,871 | ) |  |  | (115,570 | ) |
| Operating and maintenance |  |  | (39,758 | ) |  |  | (39,265 | ) |  |  | (123,871 | ) |  |  | (123,921 | ) |
| General and administrative |  |  | (23,832 | ) |  |  | (21,348 | ) |  |  | (72,296 | ) |  |  | (67,775 | ) |
| Provision for doubtful accounts |  |  | - |  |  |  | (1,389 | ) |  |  | - |  |  |  | (4,571 | ) |
| Impairment charges |  |  | (19,609 | ) |  |  | (3,336 | ) |  |  | (41,235 | ) |  |  | (33,855 | ) |
| Depreciation and amortization |  |  | (68,874 | ) |  |  | (74,972 | ) |  |  | (209,440 | ) |  |  | (236,114 | ) |
| Total operating expenses |  |  | (192,428 | ) |  |  | (180,874 | ) |  |  | (569,165 | ) |  |  | (590,068 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Gain on sale of properties/change in control of interests |  |  | 9,025 |  |  |  | 28,250 |  |  |  | 47,382 |  |  |  | 180,461 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating income |  |  | 99,468 |  |  |  | 130,456 |  |  |  | 340,971 |  |  |  | 470,954 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other income/(expense) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other income, net |  |  | 4,327 |  |  |  | 5,219 |  |  |  | 8,887 |  |  |  | 14,675 |  |
| Interest expense |  |  | (43,146 | ) |  |  | (44,081 | ) |  |  | (131,638 | ) |  |  | (140,458 | ) |
| Early extinguishment of debt charges |  |  | - |  |  |  | (12,762 | ) |  |  | - |  |  |  | (12,762 | ) |
| Income before income taxes, net, equity in income of joint ventures, net, and equity in income from other real estate investments, net |  |  | 60,649 |  |  |  | 78,832 |  |  |  | 218,220 |  |  |  | 332,409 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Benefit for income taxes, net |  |  | 3,866 |  |  |  | 315 |  |  |  | 3,580 |  |  |  | 983 |  |
| Equity in income of joint ventures, net |  |  | 17,673 |  |  |  | 16,533 |  |  |  | 58,960 |  |  |  | 52,486 |  |
| Equity in income of other real estate investments, net |  |  | 3,265 |  |  |  | 5,045 |  |  |  | 22,758 |  |  |  | 24,638 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income |  |  | 85,453 |  |  |  | 100,725 |  |  |  | 303,518 |  |  |  | 410,516 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income attributable to noncontrolling interests |  |  | (1,463 | ) |  |  | (567 | ) |  |  | (2,332 | ) |  |  | (882 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income attributable to the Company |  |  | 83,990 |  |  |  | 100,158 |  |  |  | 301,186 |  |  |  | 409,634 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Preferred stock redemption charges |  |  | (11,369 | ) |  |  | - |  |  |  | (11,369 | ) |  |  | - |  |
| Preferred dividends |  |  | (13,573 | ) |  |  | (14,534 | ) |  |  | (42,641 | ) |  |  | (43,657 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income available to the Company's common shareholders |  | $ | 59,048 |  |  | $ | 85,624 |  |  | $ | 247,176 |  |  | $ | 365,977 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Per common share: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income available to the Company: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| -Basic |  | $ | 0.14 |  |  | $ | 0.19 |  |  | $ | 0.58 |  |  | $ | 0.86 |  |
| -Diluted |  | $ | 0.14 |  |  | $ | 0.19 |  |  | $ | 0.58 |  |  | $ | 0.85 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Weighted average shares: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| -Basic |  |  | 419,823 |  |  |  | 419,230 |  |  |  | 419,663 |  |  |  | 421,106 |  |
| -Diluted |  |  | 421,002 |  |  |  | 419,764 |  |  |  | 420,986 |  |  |  | 422,443 |  |

The accompanying notes are an integral part of these condensed consolidated financial statements.

4

[Table of Contents](#toc)

KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(in thousands)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |  | **2019** | |  |  | **2018** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income |  | $ | 85,453 |  |  | $ | 100,725 |  |  | $ | 303,518 |  |  | $ | 410,516 |  |
| Other comprehensive income: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Change in unrealized value on interest rate swap |  |  | - |  |  |  | (72 | ) |  |  | - |  |  |  | 344 |  |
| Other comprehensive income |  |  | - |  |  |  | (72 | ) |  |  | - |  |  |  | 344 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Comprehensive income |  |  | 85,453 |  |  |  | 100,653 |  |  |  | 303,518 |  |  |  | 410,860 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Comprehensive income attributable to noncontrolling interests |  |  | (1,463 | ) |  |  | (567 | ) |  |  | (2,332 | ) |  |  | (882 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Comprehensive income attributable to the Company |  | $ | 83,990 |  |  | $ | 100,086 |  |  | $ | 301,186 |  |  | $ | 409,978 |  |

The accompanying notes are an integral part of these condensed consolidated financial statements.

5

[Table of Contents](#toc)

KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Three Months Ended September 30, 2019 and 2018

(Unaudited)

(in thousands)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Accumulated** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Cumulative** | |  |  | **Other** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **Total** | |  |  |  |  |  |  |  |  |  |
|  |  | **Distributions in** | |  |  | **Comprehensive** | |  |  | **Preferred Stock** | | | | | |  |  | **Common Stock** | | | | | |  |  | **Paid-in** | |  |  | **Stockholders'** | |  |  | **Noncontrolling** | |  |  | **Total** | |  |
|  |  | **Excess of Net Income** | |  |  | **Income/(Loss)** | |  |  | **Issued** | |  |  | **Amount** | |  |  | **Issued** | |  |  | **Amount** | |  |  | **Capital** | |  |  | **Equity** | |  |  | **Interests** | |  |  | **Equity** | |  |
| Balance at July 1, 2018 |  | $ | (710,981 | ) |  | $ | 72 |  |  |  | 43 |  |  | $ | 43 |  |  |  | 421,388 |  |  | $ | 4,214 |  |  | $ | 6,117,862 |  |  | $ | 5,411,210 |  |  | $ | 77,768 |  |  | $ | 5,488,978 |  |
| Contributions from noncontrolling interests |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 109 |  |  |  | 109 |  |
| Comprehensive income: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income |  |  | 100,158 |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 100,158 |  |  |  | 567 |  |  |  | 100,725 |  |
| Change in unrealized value on interest rate swap |  |  | - |  |  |  | (72 | ) |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (72 | ) |  |  | - |  |  |  | (72 | ) |
| Redeemable noncontrolling interests income |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (94 | ) |  |  | (94 | ) |
| Dividends declared to common and preferred shares |  |  | (132,523 | ) |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (132,523 | ) |  |  | - |  |  |  | (132,523 | ) |
| Distributions to noncontrolling interests |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (503 | ) |  |  | (503 | ) |
| Issuance of common stock |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 26 |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |
| Surrender of restricted common stock |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (55 | ) |  |  | - |  |  |  | (798 | ) |  |  | (798 | ) |  |  | - |  |  |  | (798 | ) |
| Exercise of common stock options |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 32 |  |  |  | - |  |  |  | 457 |  |  |  | 457 |  |  |  | - |  |  |  | 457 |  |
| Amortization of equity awards |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 3,736 |  |  |  | 3,736 |  |  |  | - |  |  |  | 3,736 |  |
| Adjustment of redeemable noncontrolling interests to estimated fair value |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (3,918 | ) |  |  | (3,918 | ) |  |  | - |  |  |  | (3,918 | ) |
| Balance at September 30, 2018 |  | $ | (743,346 | ) |  | $ | - |  |  |  | 43 |  |  | $ | 43 |  |  | $ | 421,391 |  |  | $ | 4,214 |  |  | $ | 6,117,339 |  |  | $ | 5,378,250 |  |  | $ | 77,847 |  |  | $ | 5,456,097 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Balance at July 1, 2019 |  | $ | (835,934 | ) |  | $ | - |  |  |  | 43 |  |  | $ | 43 |  |  |  | 422,094 |  |  | $ | 4,221 |  |  | $ | 6,125,572 |  |  | $ | 5,293,902 |  |  | $ | 73,559 |  |  | $ | 5,367,461 |  |
| Net income |  |  | 83,990 |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 83,990 |  |  |  | 1,463 |  |  |  | 85,453 |  |
| Redeemable noncontrolling interests income |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (94 | ) |  |  | (94 | ) |
| Dividends declared to common and preferred shares |  |  | (131,797 | ) |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (131,797 | ) |  |  | - |  |  |  | (131,797 | ) |
| Distributions to noncontrolling interests |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (2,340 | ) |  |  | (2,340 | ) |
| Issuance of common stock |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 52 |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |
| Surrender of restricted common stock |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (14 | ) |  |  | - |  |  |  | (259 | ) |  |  | (259 | ) |  |  | - |  |  |  | (259 | ) |
| Exercise of common stock options |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 98 |  |  |  | 1 |  |  |  | 1,539 |  |  |  | 1,540 |  |  |  | - |  |  |  | 1,540 |  |
| Amortization of equity awards |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 4,505 |  |  |  | 4,505 |  |  |  | - |  |  |  | 4,505 |  |
| Redemption of preferred stock |  |  | - |  |  |  | - |  |  |  | (14 | ) |  |  | (14 | ) |  |  | - |  |  |  | - |  |  |  | (349,986 | ) |  |  | (350,000 | ) |  |  | - |  |  |  | (350,000 | ) |
| Balance at September 30, 2019 |  | $ | (883,741 | ) |  | $ | - |  |  |  | 29 |  |  | $ | 29 |  |  |  | 422,230 |  |  | $ | 4,222 |  |  | $ | 5,781,371 |  |  | $ | 4,901,881 |  |  | $ | 72,588 |  |  | $ | 4,974,469 |  |

The accompanying notes are an integral part of these condensed consolidated financial statements.

6

[Table of Contents](#toc)

KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Nine Months Ended September 30, 2019 and 2018

(Unaudited)

(in thousands)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Accumulated** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Cumulative** | |  |  | **Other** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **Total** | |  |  |  |  |  |  |  |  |  |
|  |  | **Distributions in** | |  |  | **Comprehensive** | |  |  | **Preferred Stock** | | | | | |  |  | **Common Stock** | | | | | |  |  | **Paid-in** | |  |  | **Stockholders'** | |  |  | **Noncontrolling** | |  |  | **Total** | |  |
|  |  | **Excess of Net Income** | |  |  | **Income/(Loss)** | |  |  | **Issued** | |  |  | **Amount** | |  |  | **Issued** | |  |  | **Amount** | |  |  | **Capital** | |  |  | **Equity** | |  |  | **Interests** | |  |  | **Equity** | |  |
| Balance at January 1, 2018 |  | $ | (754,375 | ) |  | $ | (344 | ) |  |  | 41 |  |  | $ | 41 |  |  |  | 425,646.00 |  |  | $ | 4,256 |  |  | $ | 6,152,764 |  |  | $ | 5,402,342 |  |  | $ | 127,903 |  |  | $ | 5,530,245 |  |
| Contributions from noncontrolling interests |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 109 |  |  |  | 109 |  |
| Comprehensive income: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income |  |  | 409,634 |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 409,634 |  |  |  | 882 |  |  |  | 410,516 |  |
| Change in unrealized loss on interest rate swap |  |  | - |  |  |  | 344 |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 344 |  |  |  | - |  |  |  | 344 |  |
| Redeemable noncontrolling interests income |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (279 | ) |  |  | (279 | ) |
| Dividends declared to common and preferred shares |  |  | (398,605 | ) |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (398,605 | ) |  |  | - |  |  |  | (398,605 | ) |
| Distributions to noncontrolling interests |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (2,373 | ) |  |  | (2,373 | ) |
| Issuance of common stock |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 1,101 |  |  |  | 11 |  |  |  | (11 | ) |  |  | - |  |  |  | - |  |  |  | - |  |
| Repurchase of common stock |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (5,100 | ) |  |  | (51 | ) |  |  | (75,075 | ) |  |  | (75,126 | ) |  |  | - |  |  |  | (75,126 | ) |
| Surrender of restricted common stock |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (291 | ) |  |  | (2 | ) |  |  | (4,288 | ) |  |  | (4,290 | ) |  |  | - |  |  |  | (4,290 | ) |
| Exercise of common stock options |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 35 |  |  |  | - |  |  |  | 487 |  |  |  | 487 |  |  |  | - |  |  |  | 487 |  |
| Amortization of equity awards |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 13,065 |  |  |  | 13,065 |  |  |  | - |  |  |  | 13,065 |  |
| Issuance of preferred stock |  |  | - |  |  |  | - |  |  |  | 2 |  |  |  | 2 |  |  |  | - |  |  |  | - |  |  |  | 33,112 |  |  |  | 33,114 |  |  |  | - |  |  |  | 33,114 |  |
| Acquisition/deconsolidation of noncontrolling interests |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 1,203 |  |  |  | 1,203 |  |  |  | (48,395 | ) |  |  | (47,192 | ) |
| Adjustment of redeemable noncontrolling interests to  estimated fair value |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | (3,918 | ) |  |  | (3,918 | ) |  |  |  |  |  |  | (3,918 | ) |
| Balance at September 30, 2018 |  | $ | (743,346 | ) |  | $ | - |  |  |  | 43 |  |  | $ | 43 |  |  |  | 421,391 |  |  | $ | 4,214 |  |  | $ | 6,117,339 |  |  | $ | 5,378,250 |  |  | $ | 77,847 |  |  | $ | 5,456,097 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Balance at January 1, 2019 |  | $ | (787,707 | ) |  | $ | - |  |  |  | 43 |  |  | $ | 43 |  |  |  | 421,389 |  |  | $ | 4,214 |  |  | $ | 6,117,254 |  |  | $ | 5,333,804 |  |  | $ | 77,249 |  |  | $ | 5,411,053 |  |
| Net income |  |  | 301,186 |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 301,186 |  |  |  | 2,332 |  |  |  | 303,518 |  |
| Redeemable noncontrolling interests income |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (279 | ) |  |  | (279 | ) |
| Dividends declared to common and preferred shares |  |  | (397,220 | ) |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (397,220 | ) |  |  | - |  |  |  | (397,220 | ) |
| Distributions to noncontrolling interests |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (3,499 | ) |  |  | (3,499 | ) |
| Issuance of common stock |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 838 |  |  |  | 8 |  |  |  | (8 | ) |  |  | - |  |  |  | - |  |  |  | - |  |
| Surrender of restricted common stock |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (236 | ) |  |  | (2 | ) |  |  | (3,946 | ) |  |  | (3,948 | ) |  |  | - |  |  |  | (3,948 | ) |
| Exercise of common stock options |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 239 |  |  |  | 2 |  |  |  | 3,349 |  |  |  | 3,351 |  |  |  | - |  |  |  | 3,351 |  |
| Amortization of equity awards |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 14,219 |  |  |  | 14,219 |  |  |  | - |  |  |  | 14,219 |  |
| Acquisition of noncontrolling interests |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 489 |  |  |  | 489 |  |  |  | (3,215 | ) |  |  | (2,726 | ) |
| Redemption of preferred stock |  |  | - |  |  |  | - |  |  |  | (14 | ) |  |  | (14 | ) |  |  | - |  |  |  | - |  |  |  | (349,986 | ) |  |  | (350,000 | ) |  |  | - |  |  |  | (350,000 | ) |
| Balance at September 30, 2019 |  | $ | (883,741 | ) |  | $ | - |  |  |  | 29 |  |  | $ | 29 |  |  |  | 422,230 |  |  | $ | 4,222 |  |  | $ | 5,781,371 |  |  | $ | 4,901,881 |  |  | $ | 72,588 |  |  | $ | 4,974,469 |  |

The accompanying notes are an integral part of these condensed consolidated financial statements.

7

[Table of Contents](#toc)

KIMCO REALTY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |
|  |  |  |  |  |  |  |  |  |
| Cash flow from operating activities: |  |  |  |  |  |  |  |  |
| Net income |  | $ | 303,518 |  |  | $ | 410,516 |  |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |  |  |  |  |  |  |  |
| Depreciation and amortization |  |  | 209,440 |  |  |  | 236,114 |  |
| Impairment charges |  |  | 41,235 |  |  |  | 33,855 |  |
| Early extinguishment of debt charges |  |  | - |  |  |  | 12,762 |  |
| Equity award expense |  |  | 15,025 |  |  |  | 14,455 |  |
| Gain on sale of properties/change in control of interests |  |  | (47,382 | ) |  |  | (180,461 | ) |
| Equity in income of joint ventures, net |  |  | (58,960 | ) |  |  | (52,486 | ) |
| Equity in income of other real estate investments, net |  |  | (22,758 | ) |  |  | (24,638 | ) |
| Distributions from joint ventures and other real estate investments |  |  | 78,940 |  |  |  | 80,900 |  |
| Change in accounts and notes receivable |  |  | (6,908 | ) |  |  | 6,317 |  |
| Change in accounts payable and accrued expenses |  |  | 29,515 |  |  |  | 26,072 |  |
| Change in other operating assets and liabilities |  |  | (59,206 | ) |  |  | (47,075 | ) |
| Net cash flow provided by operating activities |  |  | 482,459 |  |  |  | 516,331 |  |
|  |  |  |  |  |  |  |  |  |
| Cash flow from investing activities: |  |  |  |  |  |  |  |  |
| Acquisition of operating real estate and other related net assets |  |  | - |  |  |  | (5,407 | ) |
| Improvements to operating real estate |  |  | (228,029 | ) |  |  | (193,445 | ) |
| Acquisition of real estate under development |  |  | - |  |  |  | (4,592 | ) |
| Improvements to real estate under development |  |  | (85,609 | ) |  |  | (175,129 | ) |
| Investments in marketable securities |  |  | (244 | ) |  |  | (63 | ) |
| Proceeds from sale/repayments of marketable securities |  |  | 1,920 |  |  |  | 677 |  |
| Investments in and advances to real estate joint ventures |  |  | (22,129 | ) |  |  | (25,781 | ) |
| Reimbursements of investments in and advances to real estate joint ventures |  |  | 10,274 |  |  |  | 7,358 |  |
| Investments in and advances to other real estate investments |  |  | (12,503 | ) |  |  | (353 | ) |
| Reimbursements of investments in and advances to other real estate investments |  |  | 5,960 |  |  |  | 10,464 |  |
| Investment in other financing receivable |  |  | (48 | ) |  |  | (65 | ) |
| Collection of mortgage loans receivable |  |  | 5,402 |  |  |  | 7,446 |  |
| Investment in other investments |  |  | (2,500 | ) |  |  | (357 | ) |
| Proceeds from sale of operating properties |  |  | 163,199 |  |  |  | 596,502 |  |
| Proceeds from insurance casualty claims |  |  | 3,000 |  |  |  | 13,500 |  |
| Net cash flow (used for)/provided by investing activities |  |  | (161,307 | ) |  |  | 230,755 |  |
|  |  |  |  |  |  |  |  |  |
| Cash flow from financing activities: |  |  |  |  |  |  |  |  |
| Principal payments on debt, excluding normal amortization of rental property debt |  |  | (6,198 | ) |  |  | (202,725 | ) |
| Principal payments on rental property debt |  |  | (9,265 | ) |  |  | (10,025 | ) |
| Proceeds from construction loan financing |  |  | 8,752 |  |  |  | 30,366 |  |
| Proceeds under the unsecured revolving credit facility, net |  |  | 100,000 |  |  |  | 122,254 |  |
| Proceeds from issuance of unsecured notes |  |  | 350,000 |  |  |  |  |  |
| Repayments under unsecured notes |  |  | - |  |  |  | (315,095 | ) |
| Financing origination costs |  |  | (7,448 | ) |  |  | (1,208 | ) |
| Payment of early extinguishment of debt charges |  |  | (1,531 | ) |  |  | (13,308 | ) |
| Contributions from noncontrolling interests |  |  | - |  |  |  | 109 |  |
| Redemption/distribution of noncontrolling interests |  |  | (6,489 | ) |  |  | (6,046 | ) |
| Dividends paid |  |  | (401,280 | ) |  |  | (397,232 | ) |
| Proceeds from issuance of stock, net |  |  | 3,351 |  |  |  | 33,601 |  |
| Redemption of preferred stock |  |  | (350,000 | ) |  |  | - |  |
| Repurchase of common stock |  |  | - |  |  |  | (75,126 | ) |
| Change in other financing liabilities |  |  | (3,315 | ) |  |  | (4,778 | ) |
| Net cash flow used for financing activities |  |  | (323,423 | ) |  |  | (839,213 | ) |
|  |  |  |  |  |  |  |  |  |
| Net change in cash and cash equivalents |  |  | (2,271 | ) |  |  | (92,127 | ) |
| Cash and cash equivalents, beginning of the period |  |  | 143,581 |  |  |  | 238,513 |  |
| Cash and cash equivalents, end of the period |  | $ | 141,310 |  |  | $ | 146,386 |  |
|  |  |  |  |  |  |  |  |  |
| Interest paid during the period including payment of early extinguishment of debt charges of $1,531 and $13,308, respectively (net of capitalized interest of $10,874 and $13,319 respectively) |  | $ | 111,224 |  |  | $ | 141,371 |  |

The accompanying notes are an integral part of these condensed consolidated financial statements.

8

[Table of Contents](#toc)

KIMCO REALTY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Organization

Kimco Realty Corporation and subsidiaries (the “Company”), affiliates and related real estate joint ventures are engaged principally in the ownership, management, development and operation of open-air shopping centers, which are anchored generally by grocery stores, off-price retailers, home improvement centers, discounters and/or service-oriented tenants. Additionally, the Company provides complementary services that capitalize on the Company’s established retail real estate expertise.

The Company elected status as a Real Estate Investment Trust (a “REIT”) for federal income tax purposes beginning in its taxable year ended December 31, 1991 and operates in a manner that enables the Company to maintain its status as a REIT.  As a REIT, with respect to each taxable year, the Company must distribute at least 90 percent of its taxable income (excluding capital gain) and does not pay federal income taxes on the amount distributed to its shareholders.  The Company is not generally subject to federal income taxes if it distributes 100 percent of its taxable income.  Most states, where the Company holds investments in real estate, conform to the federal rules recognizing REITs.  Certain subsidiaries have made a joint election with the Company to be treated as taxable REIT subsidiaries (“TRSs”), which permit the Company to engage in certain business activities which the REIT may not conduct directly.  A TRS is subject to federal and state income taxes on its income, and the Company includes, when applicable, a provision for taxes in its condensed consolidated financial statements.  The Company is subject to and also includes in its tax provision non-U.S. income taxes on certain investments located in jurisdictions outside the U.S. These investments are held by the Company at the REIT level and not in the Company’s taxable REIT subsidiaries. Accordingly, the Company does not expect a U.S. income tax impact associated with the repatriation of undistributed earnings from the Company’s foreign subsidiaries.

2. Summary of Significant Accounting Policies

*Principles of Consolidation -*

The accompanying Condensed Consolidated Financial Statements include the accounts of the Company. The Company’s subsidiaries include subsidiaries which are wholly-owned or which the Company has a controlling interest, including where the Company has been determined to be a primary beneficiary of a variable interest entity (“VIE”) in accordance with the Consolidation guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). All inter-company balances and transactions have been eliminated in consolidation. The information presented in the accompanying Condensed Consolidated Financial Statements is unaudited and reflects all adjustments which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods presented, and all such adjustments are of a normal recurring nature.  These Condensed Consolidated Financial Statements should be read in conjunction with the Company's audited Annual Report on Form 10-K for the year ended December 31, 2018 (the “10-K”), as certain disclosures in this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019, that would duplicate those included in the 10-K are not included in these Condensed Consolidated Financial Statements.

*Revenues and Trade Accounts Receivable -*

The Company’s primary source of revenues are derived from lease agreements which fall under the scope of ASU 2016-02, *Leases (Topic* 842*),* (“Topic 842”), which includes rental income and expense reimbursement income. The Company also has revenues which are accounted for under ASU 2014-09, *Revenue from Contracts with Customers (Topic* 606*)*, (“Topic 606”) which include fees for services performed at various unconsolidated joint ventures for which the Company is the manager. These fees primarily include property and asset management fees, leasing fees, development fees and property acquisition/disposition fees. Also affected by Topic 606 are gains on sales of properties and tax increment financing (“TIF”) contracts. The Company presents its revenue streams on the Company’s Condensed Consolidated Statements of Income as Revenues from rental properties, net and Management and other fee income.

Revenues from rental properties, net

Revenues from rental properties, net are comprised of minimum base rent, percentage rent, lease termination fee income, amortization of above-market and below-market rent adjustments and straight-line rent adjustments. Upon the adoption of Topic 842, the Company elected the lessor practical expedient to combine the lease and non-lease components, determined the lease component was the predominant component and as a result, accounted for the combined components under Topic 842. Non-lease components include reimbursements paid to the Company from tenants for common area maintenance costs, real estate taxes and other operating expenses. The combined components are included in Revenues from rental properties, net on the Company’s Condensed Consolidated Statements of Income.

9

[Table of Contents](#toc)

Base rental revenues from rental properties are recognized on a straight-line basis over the terms of the related leases. Certain of these leases also provide for percentage rents based upon the level of sales achieved by the lessee.  These percentage rents are recognized once the required sales level is achieved.  Rental income may also include payments received in connection with lease termination agreements.  Lease termination fee income is recognized when the lessee provides consideration in order to terminate an existing lease agreement and has vacated the leased space. If the lessee continues to occupy the leased space for a period of time after the lease termination is agreed upon, the termination fee is accounted for as a lease modification based on the modified lease term. Upon acquisition of real estate operating properties, the Company estimates the fair value of identified intangible assets and liabilities (including above-market and below-market leases, where applicable). The capitalized above-market or below-market intangible asset or liability is amortized to rental income over the estimated remaining term of the respective leases, which includes the expected renewal option period for below-market leases.

Also included in Revenues from rental properties, net are ancillary income and TIF income. Ancillary income is derived through various agreements relating to parking lots, clothing bins, temporary storage, vending machines, ATMs, trash bins and trash collections, seasonal leases, etc. The majority of the revenue derived from these sources are through lease agreements/arrangements and are recognized in accordance with the lease terms described in the lease. The Company has TIF agreements with certain municipalities and receives payments in accordance with the agreements. TIF reimbursement income is recognized on a cash-basis when received.

Trade Accounts Receivable

The Company reviews its trade accounts receivable, including its straight-line rent receivable, related to base rents, straight-line rent, expense reimbursements and other revenues for collectability. The Company analyzes its accounts receivable, customer credit worthiness and current economic trends when evaluating the adequacy of the collectability of the lessee’s total accounts receivable balance on a lease by lease basis. In addition, tenants in bankruptcy are analyzed and considerations are made in connection with the expected recovery of pre-petition and post-petition bankruptcy claims. Effective January 1, 2019, in accordance with the adoption of Topic 842 the Company includes provision for doubtful accounts in Revenues from rental properties, net. If a lessee’s accounts receivable balance is considered uncollectible, the Company will write-off the receivable balances associated with the lease and will only recognize lease income on a cash basis. If the Company subsequently determines that it is probable it will collect the remaining lessee’s lease payments under the lease term, the Company will then reinstate the straight-line balance and the lease income will then be limited to the lesser of (i) the straight-line rental income or (ii) the lease payments that have been collected from the lessee. The Company’s reported net earnings are directly affected by management’s estimate of the collectability of its trade accounts receivable. Trade accounts receivable, primarily derived from expense reimbursements that are being disputed by the lessee, will not be written-off as it is presumed the Company will collect these receivables upon resolution with the tenant.

*Leases -*

The FASB issued Topic 842, which amended the guidance in former ASC Topic 840, *Leases*. The new standard increases transparency and comparability by requiring the recognition by lessees of right-of-use (“ROU”) assets and lease liabilities on the balance sheet for those leases classified as operating leases.

The Company adopted this standard effective January 1, 2019 under the modified retrospective approach and elected the optional transition method to apply the provisions of Topic 842 as of the adoption date, rather than the earliest period presented. As such, the requirements of Topic 842 were not applied in the comparative periods presented in the Company’s Condensed Consolidated Financial Statements. The Company also elected the package of practical expedients, which permits the Company to not reassess (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases and (iii) any initial direct costs for any existing leases as of the effective date. The Company did not elect the hindsight practical expedient, which permits entities to use hindsight in determining the lease term and assessing impairment.

Lessor

In July 2018, the FASB issued guidance codified in ASU 2018-11, *Leases* - Targeted Improvements (“ASU 2018-11”). ASU 2018-11 provides a practical expedient, which allows lessors to combine non-lease components with the related lease components if (i) both the timing and pattern of transfer are the same for the non-lease component(s) and related lease component, and (ii) the lease component would be classified as an operating lease if accounted for separately. The single combined component is accounted for under Topic 842 if the lease component is the predominant component and is accounted for under Topic 606 if the non-lease components are the predominant components. Lessors are permitted to apply the practical expedient to all existing leases on a retrospective or prospective basis. The Company elected the practical expedient to combine its lease and non-lease components that meet the defined criteria and will account for the combined lease component under Topic 842 on a prospective basis.

As a lessor, the Company’s recognition of rental revenue remained mainly consistent with previous guidance, apart from the narrower definition of initial direct costs that can be capitalized. The new standard defines initial direct costs as only the incremental costs that would not have been incurred if the lease had not been obtained. Under Topic 842 initial direct costs include commissions paid to third parties, including brokers, leasing and referral agents and internal leasing commissions paid to employees for successful execution of lease agreements. These initial direct costs are capitalized and generally amortized over the term of the related leases using the straight-line method. Internal employee compensation, payroll-related benefits and certain external legal fees are considered indirect costs associated with the execution of lease agreements and will no longer be capitalized; these costs will be included in general and administrative expense. As a result of electing the package of practical expedients described above, existing leases and related initial direct costs have not been reassessed prior to the effective date, and therefore, adoption of the lease standard did not have an impact on the Company’s previously reported Condensed Consolidated Statements of Income for initial direct costs.

10

[Table of Contents](#toc)

Lessee

The Company’s leases where it is the lessee primarily consist of ground leases and administrative office leases. ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date of the lease and are based on the present value of lease payments over the lease term. The Company utilized an incremental borrowing rate based on the information available at adoption of Topic 842 in determining the present value of lease payments since these leases do not provide an implicit rate. Variable lease payments are excluded from the lease liabilities and corresponding ROU assets, as they are recognized in the period in which the obligation for those payments is incurred. Many of the Company’s lessee agreements include options to extend the lease, which it did not include in its minimum lease terms unless they are reasonably certain to be exercised. Rental expense for lease payments related to operating leases is recognized on a straight-line basis over the lease term. Upon the adoption of Topic 842, the Company recognized $106.0 million of ROU assets, including net intangible assets of $7.3 million, which were reclassified from Real estate, net to Operating lease right-of-use assets, net and $98.7 million of corresponding Operating lease liabilities for its operating leases on the Company’s Condensed Consolidated Balance Sheets. See Footnote 7 to the Notes to the Company’s Condensed Consolidated Financial Statements for further details.

*Reclassifications -*

      Certain amounts in the prior period have been reclassified in order to conform to the current period’s presentation. In conjunction with the adoption of Topic 842 discussed above, the Company reclassified during the three and nine months ended September 30, 2018: (i) $58.0 million and $182.9 million of Reimbursement income, respectively, and (ii) $5.6 million and $16.8 million of Other rental property income, respectively, to Revenues from rental properties, net on the Company’s Condensed Consolidated Statement of Income. The reclassification is solely for comparative purposes as the Company has not elected to adopt Topic 842 retrospectively.

*Subsequent Events -*

The Company has evaluated subsequent events and transactions for potential recognition or disclosure in its condensed consolidated financial statements.

*New Accounting Pronouncements -*

       The following table represents ASUs to the FASB’s ASC that, as of September 30, 2019, are not yet effective for the Company and for which the Company has not elected early adoption, where permitted:

|  |  |  |  |
| --- | --- | --- | --- |
| **ASU** | **Description** | **Effective**  **Date** | **Effect on the financial**  **statements or other significant**  **matters** |
| ASU 2018-17, Consolidation (Topic 810) – Targeted Improvements to Related Party Guidance for Variable Interest Entities | The amendment to Topic 810 clarifies the following areas:  (i)   Applying the variable interest entity (VIE) guidance to private companies under common control, and  (ii)  Considering indirect interests held through related parties under common control, and for determining whether fees paid to decision makers and service providers are variable interests.    This update improves the accounting for those areas, thereby improving general purpose financial reporting. Retrospective adoption is required. | January 1, 2020; Early adoption permitted | The adoption of this ASU is not expected to have a material impact on the Company’s financial position and/or results of operations. |
| ASU 2018-15, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract | The amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. | January 1, 2020; Early adoption permitted | The adoption of this ASU is not expected to have a material impact on the Company’s financial position and/or results of operations. |

11

[Table of Contents](#toc)

|  |  |  |  |
| --- | --- | --- | --- |
| ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement | The amendment modifies the disclosure requirements for fair value measurements in Topic 820, based on the concepts in the FASB Concepts Statement, *Conceptual Framework for Financial Reporting – Chapter* 8: *Notes to Financial Statements*, including the consideration of costs and benefits. | January 1, 2020; Early adoption permitted | The adoption of this ASU is not expected to have a material impact on the Company’s financial position and/or results of operations. |
| ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments    ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments – Credit Losses    ASU 2019-05, Financial Instruments – Credit Losses (Topic 326), Targeted Transition Relief | The new guidance introduces a new model for estimating credit losses for certain types of financial instruments, including loans receivable, held-to-maturity debt securities, and net investments in direct financing leases, amongst other financial instruments. ASU 2016-13 also modifies the impairment model for available-for-sale debt securities and expands the disclosure requirements regarding an entity’s assumptions, models, and methods for estimating the allowance for losses.    In November 2018, the FASB issued ASU 2018-19, which includes amendments to (i) clarify receivables arising from operating leases are within the scope of the new leasing standard (Topic 842) discussed below and (ii) align the implementation date for nonpublic entities’ annual financial statements with the implementation date for their interim financial statements. Early adoption is permitted as of the original effective date.    In  May 2019, the FASB issued ASU 2019-05 which amends ASU 2016-13 to allow companies to irrevocably elect, upon adoption of ASU 2016-13, the fair value option on financial instruments that (i) were previously recorded at amortized cost and (ii) are within the scope of ASC 326-203 if the instruments are eligible for the fair value option under ASC 825-10.4. The fair value option election does not apply to held-to-maturity debt securities. Entities are required to make this election on an instrument-by-instrument basis. These amendments should be applied on a modified-retrospective basis by means of a cumulative-effect adjustment to the opening balance of retained earnings balance in the statement of financial position as of the date that an entity adopted the amendments in ASU 2016-13. Certain disclosures are required. The effective date will be the same as the effective date in ASU 2016-13. | January 1, 2020; Early adoption permitted | The Company is still assessing the impact on its financial position and/or results of operations. |

The following ASUs to the FASB’s ASC have been adopted by the Company as of the date listed:

|  |  |  |  |
| --- | --- | --- | --- |
| **ASU** | **Description** | **Adoption Date** | **Effect on the financial statements or other significant matters** |
| ASU 2019-07, Codification Updates to SEC Sections – Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10532, Disclosure Update and Simplification, and Nos. 33-10231 and 33-10442, Investment Company Reporting Modernization, and Miscellaneous Updates | In July 2019, the FASB issued ASU 2019-07 which clarifies or improves the disclosure and presentation requirements of a variety of codification topics by aligning them with the SEC’s regulations, thereby eliminating redundancies and making the codification easier to apply. | Effective upon issuance ( July 2019) | The eliminated or amended disclosures did not have a material impact to the Company’s Condensed Consolidated Financial Statements. |

12

[Table of Contents](#toc)

|  |  |  |  |
| --- | --- | --- | --- |
| ASU 2016-02, Leases (Topic 842)    ASU 2018-01, Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842    ASU 2018-10, Codification Improvements to Topic 842, Leases    ASU 2018-11, Leases (Topic 842): Targeted Improvements    ASU 2018-20, Leases (Topic 842): Narrow-Scope Improvements for Lessors    ASU 2019-01, Leases (Topic 842): Codification Improvements | This ASU sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes the previous leases standard, Leases (Topic 840).    In January 2018, the FASB issued ASU 2018-01, which includes amendments to clarify that land easements are within the scope of the new leasing standard (Topic 842) and provide an optional transition practical expedient to not evaluate whether existing and expired land easements that were not previously accounted for as leases under current lease guidance in Topic 840 are to be accounted for or contain leases under Topic 842. Early adoption is permitted as of the original effective date.    In July 2018, the FASB issued ASU 2018-10, which includes amendments to clarify certain aspects of the new leasing standard. These amendments address the rate implicit in the lease, impairment of the net investment in the lease, lessee reassessment of lease classification, lessor reassessment of lease term and purchase options, variable payments that depend on an index or rate and certain transition adjustments.    Additionally, during July 2018, the FASB issued ASU 2018-11, which includes (i) an additional transition method to provide transition relief on comparative reporting at adoption and (ii) an amendment to provide lessors with a practical expedient to combine lease and non-lease components of a contract if certain criteria are met. Under the transition option, companies can opt to not apply the new guidance, including its disclosure requirements, in the comparative periods they present in their financial statements in the year of adoption. The practical expedient allows lessors to elect, by class of underlying asset, to combine non-lease and associated lease components when certain criteria are met and requires them to account for the combined component in accordance with new revenue standard (Topic 606) if the non-lease components are the predominant component; conversely, if a lessor determines that the lease components are the predominant component, it requires them to account for the combined component as an operating lease in accordance with the new leasing standard (Topic 842).    In December 2018, the FASB issued ASU 2018-20, which includes narrow-scope improvements for lessors. The FASB amended the new leasing standard to allow lessors to make an accounting policy election not to evaluate whether sales taxes and similar taxes imposed by a governmental authority on a specific lease revenue-producing transaction are the primary obligation of the lessor as owner of the underlying leased asset. The amendments also require a lessor to exclude lessor costs paid directly by a lessee to third parties on the lessor’s behalf from variable payments and include lessor costs that are paid by the lessor and reimbursed by the lessee in the measurement of variable lease revenue and the associated expense. In addition, the amendments clarify that when lessors allocate variable payments to lease and non-lease components they are required to follow the recognition guidance in the new leasing standard for the lease component and other applicable guidance, such as the new revenue standard, for the non-lease component.    In February 2019, the FASB issued ASU 2019-01, which includes amendments to address the following:  (i)Determining the fair value of the underlying asset by lessors that are not manufacturers or dealers;  (ii)Presentation on the statement of cash flows for sales-type and direct financing leases; and  (iii)Transition disclosures related to Topic 250, Accounting Changes and Error Corrections. | January 1, 2019 | The Company adopted this standard using the modified retrospective approach.    The Company has identified certain leases and accounting policies which the adoption impacted, including its ground leases, administrative office leases, initial leasing costs and non-lease components.    See above for further details. |

13

[Table of Contents](#toc)

3. Operating Property Activities

*Acquisitions of Operating Properties -*

During the nine months ended September 30, 2019, the Company acquired the following operating properties, in separate transactions, through direct asset purchases (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Purchase Price** | |  |  |  |  |  |
| **Property Name** | **Location** | **Month Acquired** |  | **Cash\*** | |  |  | **GLA\*\*** | |  |
| Bell Camino Out-parcel | Sun City, AZ | Jan-19 |  | $ | 5,678 |  |  |  | 45 |  |
| Gateway at Donner Pass Out-parcel | Truckee, CA | Jan-19 |  |  | 13,527 |  |  |  | 40 |  |
| Rancho Penasquitos Out-parcel | San Diego, CA | Jan-19 |  |  | 12,064 |  |  |  | 40 |  |
|  |  |  |  | **$** | **31,269** |  |  |  | **125** |  |

\* The Company utilized an aggregate $31.0 million associated with Internal Revenue Code 26 U.S.C. §1031 sales proceeds.

\*\* Gross leasable area ("GLA")

Included in Revenues from rental properties, net on the Company’s Condensed Consolidated Statements of Income for the nine months ended September 30, 2019 is $0.9 million in revenue resulting from these acquisitions.

*Purchase Price Allocations -*

The purchase price for these acquisitions is allocated to real estate and related intangible assets acquired and liabilities assumed, as applicable, in accordance with our accounting policies for asset acquisitions. The purchase price allocations for properties acquired during the nine months ended September 30, 2019, are as follows (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Allocation as of**  **September 30, 2019** | |  |  | **Weighted-Average Amortization Period (in Years)** | |  |
| Land |  | $ | 8,266 |  |  |  | n/a |  |
| Buildings |  |  | 15,935 |  |  |  | 50.0 |  |
| Building improvements |  |  | 1,313 |  |  |  | 45.0 |  |
| Tenant improvements |  |  | 1,637 |  |  |  | 20.0 |  |
| In-place leases |  |  | 4,118 |  |  |  | 20.0 |  |
| **Net assets acquired** |  | **$** | **31,269** |  |  |  |  |  |

*Dispositions -*

The table below summarizes the Company’s disposition activity relating to consolidated operating properties and parcels (dollars in millions):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| Aggregate sales price/gross fair value |  | $ | 163.8 |  |  | $ | 973.5 |  |
| Gain on sale of properties/change in control of interests |  | $ | 47.4 |  |  | $ | 180.5 |  |
| Number of operating properties sold/deconsolidated |  |  | 12 |  |  |  | 45 |  |
| Number of out-parcels sold |  |  | 7 |  |  |  | 4 |  |

*Impairments -*

During the nine months ended September 30, 2019, the Company recognized aggregate impairment charges of $41.2 million. These impairment charges consist of: (i) $29.7 million related to adjustments to property carrying values for properties which the Company has marketed for sale as part of its active capital recycling program and as such has adjusted the anticipated hold period for such properties and (ii) $11.5 million related to a development project which the Company no longer intends to develop, but now intends to market the property as is for sale. During the nine months ended September 30, 2018, the Company recognized aggregate impairment charges of $33.9 million related to adjustments to property carrying values for properties which the Company has marketed for sale as part of its active capital recycling program and as such has adjusted the anticipated hold period for such properties. The Company’s estimated fair values of these properties were primarily based upon estimated sales prices from (i) signed contracts or letters of intent from third party offers or (ii) discounted cash flow models. See Footnote 12 to the Notes to the Company’s Condensed Consolidated Financial Statements for fair value disclosure.

14

[Table of Contents](#toc)

4. Real Estate Under Development

The Company is engaged in various real estate development projects for long-term investment. The costs incurred to date for these real estate development projects are as follows (in thousands):

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Property Name** | **Location** |  | **September 30, 2019** | |  |  | **December 31, 2018** | |  |
| Dania Pointe – Phases II, III and IV | Dania Beach, FL |  | $ | 223,164 |  |  | $ | 152,111 |  |
| Mill Station | Owings Mills, MD |  |  | 77,812 |  |  |  | 55,771 |  |
| Promenade at Christiana (1) | New Castle, DE |  |  | - |  |  |  | 33,502 |  |
| **Total\*** | |  | **$** | **300,976** |  |  | **$** | **241,384** |  |

\* Includes capitalized costs of interest, real estate taxes, insurance, legal costs and payroll of $27.4 million and $24.9 million, as of September 30, 2019 and December 31, 2018, respectively.

|  |  |  |
| --- | --- | --- |
|  | (1) | During the nine months ended September 30, 2019, the Company reclassified this project to Real estate, net of accumulated depreciation and amortization on the Company’s Condensed Consolidated Balance Sheets, as it is now the Company’s intention to discontinue development of this project and to market it for sale as is. The as is value, estimated fair value, was below the carrying value and as such, the Company recorded an impairment charge of $11.5 million during the nine months ended September 30, 2019. |

During the nine months ended September 30, 2019, the Company capitalized (i) interest of $6.6 million, (ii) real estate taxes, insurance and legal costs of $1.1 million, and (iii) payroll of $1.1 million in connection with its real estate development projects.

5. Investments in and Advances to Real Estate Joint Ventures

The Company has investments in and advances to various real estate joint ventures. These joint ventures are engaged primarily in the operation of shopping centers which are either owned or held under long-term operating leases. The Company and the joint venture partners have joint approval rights for major decisions, including those regarding property operations. As such, the Company holds noncontrolling interests in these joint ventures and accounts for them under the equity method of accounting.

The table below presents joint venture investments for which the Company held an ownership interest at September 30, 2019 and December 31, 2018 (dollars in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Ownership** |  |  | **The Company's Investment** | | | | | |  |
| **Joint Venture** |  | **Interest** |  |  | **September 30, 2019** | |  |  | **December 31, 2018** | |  |
| Prudential Investment Program (1) |  | 15.0% |  |  | $ | 172.5 |  |  | $ | 175.2 |  |
| Kimco Income Opportunity Portfolio (“KIR”) (1) |  | 48.6% |  |  |  | 172.4 |  |  |  | 167.2 |  |
| Canada Pension Plan Investment Board (“CPP”) (1) |  | 55.0% |  |  |  | 151.3 |  |  |  | 135.0 |  |
| Other Joint Venture Programs |  | Various |  |  |  | 89.3 |  |  |  | 93.5 |  |
| **Total\*** |  |  |  |  | **$** | **585.5** |  |  | **$** | **570.9** |  |

\* Representing 101 property interests and 21.6 million square feet of GLA, as of September 30, 2019, and 109 property interests and 23.2 million square feet of GLA, as of December 31, 2018.

|  |  |
| --- | --- |
| (1) | The Company manages these joint venture investments and, where applicable, earns property management fees, construction management fees, property acquisition and disposition fees, leasing management fees and asset management fees. |

The table below presents the Company’s share of net income for the above investments which is included in Equity in income of joint ventures, net on the Company’s Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2019 and 2018 (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended**  **September 30,** | | | | | |  |  | **Nine Months Ended**  **September 30,** | | | | | |  |
| **Joint Venture** |  | **2019** | |  |  | **2018** | |  |  | **2019** | |  |  | **2018** | |  |
| Prudential Investment Program |  | $ | 5.6 |  |  | $ | 3.0 |  |  | $ | 11.3 |  |  | $ | 8.5 |  |
| KIR |  |  | 8.8 |  |  |  | 8.0 |  |  |  | 40.6 |  |  |  | 26.9 |  |
| CPP |  |  | 1.1 |  |  |  | 1.2 |  |  |  | 4.2 |  |  |  | 3.7 |  |
| Other Joint Venture Programs (1) |  |  | 2.2 |  |  |  | 4.3 |  |  |  | 2.9 |  |  |  | 13.4 |  |
| **Total** |  | **$** | **17.7** |  |  | **$** | **16.5** |  |  | **$** | **59.0** |  |  | **$** | **52.5** |  |

|  |  |  |
| --- | --- | --- |
|  | (1) | During the nine months ended September 30, 2018, a joint venture investment distributed cash proceeds resulting from the refinancing of an existing loan of which the Company’s share was $3.6 million. The distribution was in excess of the Company’s carrying basis in this joint venture investment and as such the excess was recognized as income. |

15

[Table of Contents](#toc)

During the nine months ended September 30, 2019, certain of the Company’s real estate joint ventures disposed of eight operating properties, in separate transactions, for an aggregate sales price of $240.9 million. These transactions resulted in an aggregate net gain to the Company of $13.7 million for the nine months ended September 30, 2019.

During the nine months ended September 30, 2018, certain of the Company’s real estate joint ventures disposed of five operating properties, in separate transactions, for an aggregate sales price of $48.4 million. These transactions resulted in an aggregate net gain to the Company of $6.1 million for the nine months ended September 30, 2018.

The table below presents debt balances within the Company’s unconsolidated joint venture investments for which the Company held noncontrolling ownership interests at September 30, 2019 and December 31, 2018 (dollars in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **As of September 30, 2019** | | | | | | | | | |  |  | **As of December 31, 2018** | | | | | | | | | |  |
| **Joint Venture** |  | **Mortgages and**  **Notes Payable, Net** | |  |  | **Weighted**  **Average**  **Interest Rate** | |  |  | **Weighted**  **Average**  **Remaining**  **Term (months)\*** | |  |  | **Mortgages and**  **Notes Payable, Net** | |  |  | **Weighted**  **Average**  **Interest Rate** | |  |  | **Weighted**  **Average**  **Remaining**  **Term (months)\*** | |  |
| Prudential Investment Program |  | $ | 539.3 |  |  |  | 3.64 | % |  |  | 49.8 |  |  | $ | 572.6 |  |  |  | 4.29 | % |  |  | 49.0 |  |
| KIR |  |  | 568.8 |  |  |  | 4.46 | % |  |  | 30.9 |  |  |  | 651.4 |  |  |  | 4.43 | % |  |  | 40.4 |  |
| CPP |  |  | 84.7 |  |  |  | 3.25 | % |  |  | 45.0 |  |  |  | 84.4 |  |  |  | 3.85 | % |  |  | 54.0 |  |
| Other Joint Venture Programs |  |  | 420.4 |  |  |  | 3.93 | % |  |  | 83.3 |  |  |  | 474.2 |  |  |  | 4.26 | % |  |  | 78.6 |  |
| **Total** |  | **$** | **1,613.2** |  |  |  |  |  |  |  |  |  |  | **$** | **1,782.6** |  |  |  |  |  |  |  |  |  |

\* Includes extension options

6. Other Real Estate Investments

The Company has provided capital to owners and developers of real estate properties through its Preferred Equity Program. The Company’s maximum exposure to losses associated with its preferred equity investments is primarily limited to its net investment. As of September 30, 2019, the Company’s net investment under the Preferred Equity Program was $176.0 million relating to 243 properties, including 232 net leased properties.  During the nine months ended September 30, 2019, the Company recognized income of $22.6 million from its preferred equity investments, including profit participation of $9.8 million. During the nine months ended September 30, 2018, the Company recognized income of $24.4 million from its preferred equity investments, including profit participation of $10.5 million. These amounts are included in Equity in income of other real estate investments, net on the Company’s Condensed Consolidated Statements of Income.

7. Leases

The Company adopted Topic 842, on January 1, 2019, and as a result, recorded a ROU asset of $106.0 million and a corresponding lease liability of $98.7 million (see Footnote 2 to the Notes to the Company’s Condensed Consolidated Financial Statements for further discussion on the adoption of Topic 842). As the lessee, the Company currently leases real estate space under noncancelable operating lease agreements for ground leases and administrative office leases. The Company’s leases have remaining lease terms ranging from less than one year to 52 years, some of which include options to extend the terms for up to an additional 75 years. The Company does not include any of its renewal options in its lease terms for calculating its lease liability as the renewal options allow the Company to maintain operational flexibility, and the Company is not reasonably certain it will exercise these renewal options at this time. The weighted-average remaining non-cancelable lease term for the Company’s operating leases was 21.5 years at September 30, 2019. The weighted-average discount rate was 6.63% at September 30, 2019. The Company’s operating lease liabilities are determined based on the estimated present value of the Company’s minimum lease payments under its lease agreements. The discount rate used to determine the lease liabilities is based on the estimated incremental borrowing rate on a lease by lease basis. When calculating the incremental borrowing rates, the Company utilized data from (i) its recent debt issuances, (ii) publicly available data for instruments with similar characteristics, (iii) observable mortgage rates and (iv) unlevered property yields and discount rates. The Company then applied adjustments to account for considerations related to term and security that may not be fully incorporated by the data sets.

The components of the Company’s lease expense, which are included in rent expense and general and administrative expense on the Company’s Condensed Consolidated Statements of Income, were as follows (in thousands):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Nine Months Ended**  **September 30, 2019** | |  |
| Lease cost: |  |  |  |  |
| Operating lease cost |  | $ | 9,592 |  |
| Variable lease cost |  |  | 1,408 |  |
| Total lease cost |  | $ | 11,000 |  |

16

[Table of Contents](#toc)

The future minimum lease payments to be paid under noncancelable operating leases in effect at September 30, 2019 and December 31, 2018, are as follows (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year Ending December 31,** |  | **As of September 30, 2019** | |  |  | **As of December 31, 2018** | |  |
| 2019 |  | $ | 3,091 |  |  | $ | 12,206 |  |
| 2020 |  |  | 10,375 |  |  |  | 9,901 |  |
| 2021 |  |  | 9,858 |  |  |  | 9,716 |  |
| 2022 |  |  | 9,237 |  |  |  | 9,236 |  |
| 2023 |  |  | 9,250 |  |  |  | 8,936 |  |
| Thereafter |  |  | 136,608 |  |  |  | 115,788 |  |
| Total minimum lease payments |  | $ | 178,419 |  |  | $ | 165,783 |  |
|  |  |  |  |  |  |  |  |  |
| Less imputed interest |  |  | (86,798 | ) |  |  |  |  |
| Total operating lease liabilities |  | $ | 91,621 |  |  |  |  |  |

The future minimum revenues from rental properties under the terms of all noncancelable tenant operating leases in effect, assuming no new or renegotiated leases are executed for such premises, at September 30, 2019 and December 31, 2018, are as follows (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year Ending December 31,** |  | **As of September 30, 2019** | |  |  | **As of December 31, 2018** | |  |
| 2019 |  | $ | 210,376 |  |  | $ | 816,409 |  |
| 2020 |  |  | 826,361 |  |  |  | 769,074 |  |
| 2021 |  |  | 762,245 |  |  |  | 690,678 |  |
| 2022 |  |  | 666,605 |  |  |  | 594,638 |  |
| 2023 |  |  | 566,171 |  |  |  | 492,631 |  |
| Thereafter |  |  | 2,927,901 |  |  |  | 2,540,231 |  |
| Total minimum revenues |  | $ | 5,959,659 |  |  | $ | 5,903,661 |  |

8. Other Assets

*Mortgages and Other Financing Receivables -*

During the nine months ended September 30, 2019, the Company received full payment relating to the following mortgages receivable (dollars in millions):

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Date Paid** |  | **Amount Received** | |  |  | **Interest Rate** | |  | **Maturity Date** |
| May-19 |  | $ | 2.0 |  |  |  | 6.00 | % | Dec-24 |
| Jun-19 |  | $ | 1.6 |  |  |  | 7.57 | % | Jun-19 |
| Jun-19 |  | $ | 1.6 |  |  |  | 7.57 | % | Jun-19 |

The Company has various mortgages and other financing receivables which consist of loans acquired and loans originated by the Company. The Company reviews payment status to identify performing versus non-performing loans. As of September 30, 2019, the Company had a total of seven loans aggregating $9.1 million, all of which were identified as performing loans.

*Assets Held-For-Sale -*

At September 30, 2019, the Company had three consolidated properties classified as held-for-sale at a net carrying amount of $36.9 million (including accumulated depreciation and amortization of $11.8 million). The Company’s determination of the fair value of the properties was based upon executed contracts of sale with third parties. The book value of one these properties exceeded its estimated fair value, less costs to sell, and as such an impairment charge of $0.5 million was recognized.

17

[Table of Contents](#toc)

9. Notes, Mortgages and Construction Loan Payable

*Notes Payable –*

During the nine months ended September 30, 2019, the Company issued the following senior unsecured notes (dollars in millions):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Date Issued** | **Maturity Date** |  | **Amount Issued** | |  |  | **Interest Rate** |  |
| Aug-19 | Oct-49 |  | $ | 350.0 |  |  | 3.70% |  |

As of September 30, 2019, the Company’s unsecured revolving credit facility of $2.25 billion had an outstanding balance of $200.0 million and $0.3 million appropriated for letters of credit.

*Mortgages and Construction Loan Payable -*

During the nine months ended September 30, 2019, the Company repaid $6.2 million of mortgage debt that encumbered two operating properties.

As of September 30, 2019, the Company’s construction loan commitment of $67.0 million relating to one of its development projects had an outstanding balance of $59.7 million.

10. Noncontrolling Interests

      Noncontrolling interests represent the portion of equity that the Company does not own in entities it consolidates as a result of having a controlling interest or determining that the Company was the primary beneficiary of a VIE in accordance with the provisions of the FASB’s Consolidation guidance.  The Company accounts and reports for noncontrolling interests in accordance with the Consolidation guidance and the Distinguishing Liabilities from Equity guidance issued by the FASB. The Company identifies its noncontrolling interests separately within the equity section on the Company’s Condensed Consolidated Balance Sheets. The amounts of consolidated net income attributable to the Company and to the noncontrolling interests are presented separately on the Company’s Condensed Consolidated Statements of Income.

During the nine months ended September 30, 2019, the Company acquired its partner’s interests in two consolidated entities for an aggregate purchase price of $2.7 million. This transaction resulted in a net decrease in Noncontrolling interests of $3.2 million and a corresponding net increase in Paid-in capital of $0.5 million on the Company’s Condensed Consolidated Balance Sheets. There are no remaining partners in one of these consolidated entities.

During the nine months ended September 30, 2018, the Company acquired its partners’ interests in three consolidated entities, in two separate transactions, for an aggregate purchase price of $3.4 million. These transactions resulted in a net decrease in Noncontrolling interests of $4.6 million and a corresponding net increase in Paid-in capital of $1.2 million on the Company’s Condensed Consolidated Balance Sheets. There are no remaining partners in two of these consolidated entities.

In addition, during the nine months ended September 30, 2018, the Company sold a portion of its investment in a consolidated operating property to its partner based on a gross fair value of $320.0 million, including $206.0 million of non-recourse mortgage debt, and amended the partnership agreement to provide for joint control of the entity. As a result of the amendment, the Company no longer consolidates the entity and as such, reduced noncontrolling interests by $43.8 million on the Company’s Condensed Consolidated Balance Sheets and recognized a gain on change in control of $6.8 million on the Company’s Condensed Consolidated Statements of Income.

Included within noncontrolling interests are units that were determined to be contingently redeemable that are classified as Redeemable noncontrolling interests and presented in the mezzanine section between Total liabilities and Stockholder’s equity on the Company’s Condensed Consolidated Balance Sheets.

The following table presents the change in the redemption value of the Redeemable noncontrolling interests for the nine months ended September 30, 2019 and 2018 (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **2019** | |  |  | **2018** | |  |
| Balance at January 1, |  | $ | 23,682 |  |  | $ | 16,143 |  |
| Income |  |  | 279 |  |  |  | 279 |  |
| Distributions |  |  | (266 | ) |  |  | (266 | ) |
| Adjustment to estimated redemption value (1) |  |  | - |  |  |  | 3,918 |  |
| Balance at September 30, |  | **$** | **23,695** |  |  | **$** | **20,074** |  |

|  |  |
| --- | --- |
| (1) | During the nine months ended September 30, 2018, the Company recorded an adjustment of $3.9 million to the estimated redemption fair market value of a noncontrolling interest in accordance with the provisions of the respective joint venture agreement and ASC 480 – Accounting for Redeemable Equity Instruments. |

18

[Table of Contents](#toc)

11. Variable Interest Entities (“VIE”)

Included within the Company’s consolidated operating properties at September 30, 2019 and December 31, 2018, are 22 and 23 consolidated entities that are VIEs, respectively, for which the Company is the primary beneficiary. These entities have been established to own and operate real estate property. The Company’s involvement with these entities is through its majority ownership and management of the properties. The entities were deemed VIEs primarily because the unrelated investors do not have substantive kick-out rights to remove the general or managing partner by a vote of a simple majority or less and they do not have substantive participating rights. The Company determined that it was the primary beneficiary of these VIEs as a result of its controlling financial interest. At September 30, 2019, total assets of these VIEs were $1.0 billion and total liabilities were $69.3 million. At December 31, 2018, total assets of these VIEs were $1.1 billion and total liabilities were $75.2 million.

The majority of the operations of these VIEs are funded with cash flows generated from the properties. The Company has not provided financial support to any of these VIEs that it was not previously contractually required to provide, which consists primarily of funding any capital expenditures, including tenant improvements, which are deemed necessary to continue to operate the entity and any operating cash shortfalls that the entity may experience.

Additionally, included within the Company’s real estate development projects at September 30, 2019 and December 31, 2018, is one consolidated entity that is a VIE, for which the Company is the primary beneficiary. This entity has been established to develop a real estate property to hold as a long-term investment. The Company’s involvement with this entity is through its majority ownership and management of this property. This entity was deemed a VIE primarily based on the fact that the equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support. The initial equity contributed to this entity was not sufficient to fully finance the real estate construction as development costs are funded by the partners throughout the construction period. The Company determined that it was the primary beneficiary of this VIE as a result of its controlling financial interest. At September 30, 2019, total assets of this real estate development VIE were $350.9 million and total liabilities were $80.2 million. At December 31, 2018, total assets of this real estate development VIE were $275.6 million and total liabilities were $68.0 million.

Substantially all the projected remaining development costs to be funded for this real estate development project, aggregating $59.1 million, will be funded with capital contributions from the Company, when contractually obligated, and/or construction loan financing. The Company has not provided financial support to this VIE that it was not previously contractually required to provide.

All liabilities of these consolidated VIEs are non-recourse to the Company (“VIE Liabilities”). The assets of the unencumbered VIEs are not restricted for use to settle only the obligations of these VIEs. The remaining VIE assets are encumbered by third party non-recourse mortgage debt and a construction loan. The assets associated with these encumbered VIEs (“Restricted Assets”) are collateral under the respective mortgages and a construction loan and are therefore restricted and can only be used to settle the corresponding liabilities of the VIE. The table below summarizes the consolidated VIEs and the classification of the Restricted Assets and VIE Liabilities on the Company’s Condensed Consolidated Balance Sheets as follows (dollars in millions):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **As of September 30, 2019** | |  |  | **As of December 31, 2018** | |  |
| Number of unencumbered VIEs |  |  | 20 |  |  |  | 20 |  |
| Number of encumbered VIEs |  |  | 3 |  |  |  | 4 |  |
| Total number of consolidated VIEs |  |  | 23 |  |  |  | 24 |  |
|  |  |  |  |  |  |  |  |  |
| Restricted Assets: |  |  |  |  |  |  |  |  |
| Real estate, net |  | $ | 219.5 |  |  | $ | 229.2 |  |
| Cash and cash equivalents |  |  | 4.4 |  |  |  | 4.4 |  |
| Accounts and notes receivable, net |  |  | 2.8 |  |  |  | 2.1 |  |
| Other assets |  |  | 3.0 |  |  |  | 3.3 |  |
| Total Restricted Assets |  | $ | 229.7 |  |  | $ | 239.0 |  |
|  |  |  |  |  |  |  |  |  |
| VIE Liabilities: |  |  |  |  |  |  |  |  |
| Mortgages and construction loan payable, net |  | $ | 91.9 |  |  | $ | 83.8 |  |
| Other liabilities |  |  | 57.6 |  |  |  | 59.4 |  |
| Total VIE Liabilities |  | $ | 149.5 |  |  | $ | 143.2 |  |

19

[Table of Contents](#toc)

12. Fair Value Measurements

All financial instruments of the Company are reflected in the accompanying Condensed Consolidated Balance Sheets at amounts which, in management’s estimation, based upon an interpretation of available market information and valuation methodologies, reasonably approximate their fair values except those listed below, for which fair values are disclosed. The valuation method used to estimate fair value for fixed-rate and variable-rate debt is based on discounted cash flow analyses, with assumptions that include credit spreads, market yield curves, trading activity, loan amounts and debt maturities. The fair values for marketable securities are based on published values, securities dealers’ estimated market values or comparable market sales. Such fair value estimates are not necessarily indicative of the amounts that would be realized upon disposition.

As a basis for considering market participant assumptions in fair value measurements, the FASB’s Fair Value Measurements and Disclosures guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity’s own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The following are financial instruments for which the Company’s estimated fair value differs from the carrying value (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **September 30, 2019** | | | | | |  |  | **December 31, 2018** | | | | | |  |
|  |  | **Carrying Value** | |  |  | **Fair Value** | |  |  | **Carrying Value** | |  |  | **Fair Value** | |  |
| Notes payable, net (1) |  | $ | 4,829,996 |  |  | $ | 5,000,047 |  |  | $ | 4,381,456 |  |  | $ | 4,126,450 |  |
| Mortgages and construction loan payable, net (2) |  | $ | 482,632 |  |  | $ | 486,076 |  |  | $ | 492,416 |  |  | $ | 486,341 |  |

|  |  |  |
| --- | --- | --- |
|  | (1) | The Company determined that the valuation of its Senior Unsecured Notes were classified within Level 2 of the fair value hierarchy and its unsecured revolving credit facility was classified within Level 3 of the fair value hierarchy. The estimated fair value amounts classified as Level 2, as of September 30, 2019 and December 31, 2018, were $4.8 billion and $4.0 billion, respectively. The estimated fair value amounts classified as Level 3, as of September 30, 2019 and December 31, 2018, were $199.8 million and $97.6 million, respectively. |

|  |  |  |
| --- | --- | --- |
|  | (2) | The Company determined that its valuation of its mortgages and construction loan were classified within Level 3 of the fair value hierarchy. |

The Company has certain financial instruments that must be measured under the FASB’s Fair Value Measurements and Disclosures guidance, including available for sale securities. The Company currently does not have non-financial assets and non-financial liabilities that are required to be measured at fair value on a recurring basis.

The tables below present the Company’s financial assets measured at fair value on a recurring basis at  September 30, 2019 and December 31, 2018, aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Balance at**  **September 30, 2019** | |  |  | **Level 1** | |  |  | **Level 2** | |  |  | **Level 3** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Marketable equity securities |  | $ | 10,001 |  |  | $ | 10,001 |  |  | $ |  |  |  | $ | - |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Balance at**  **December 31, 2018** | |  |  | **Level 1** | |  |  | **Level 2** | |  |  | **Level 3** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Marketable equity securities |  | $ | 9,045 |  |  | $ | 9,045 |  |  | $ | - |  |  | $ | - |  |

Assets measured at fair value on a non-recurring basis at September 30, 2019 and December 31, 2018, are as follows (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Balance at**  **September 30, 2019** | |  |  | **Level 1** | |  |  | **Level 2** | |  |  | **Level 3** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Real estate |  | $ | 138,489 |  |  | $ | - |  |  | $ | - |  |  | $ | 138,489 |  |
| Other real estate investments |  | $ | 22,202 |  |  | $ | - |  |  | $ | - |  |  | $ | 22,202 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Balance at**  **December 31, 2018** | |  |  | **Level 1** | |  |  | **Level 2** | |  |  | **Level 3** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Real estate |  | $ | 99,693 |  |  | $ | - |  |  | $ | - |  |  | $ | 99,693 |  |
| Investments in real estate joint ventures (1) |  | $ | 62,429 |  |  | $ | - |  |  | $ | - |  |  | $ | 62,429 |  |

|  |  |  |
| --- | --- | --- |
|  | (1) | Fair value measurement as of date of deconsolidation. |

During the nine months ended September 30, 2019 and 2018, the Company recognized impairment charges related to adjustments to property carrying values of $41.2 million and $33.9 million, respectively. The Company’s estimated fair values of these properties were primarily based upon estimated sales prices from (i) signed contracts or letters of intent from third party offers or (ii) discounted cash flow models. The Company does not have access to the unobservable inputs used to determine the estimated fair values of third party offers. For the discounted cash flow models, the capitalization rates primarily range from 8.00% to 11.00% and discount rates primarily range from 8.50% to 12.50% which were utilized in the models based upon unobservable rates that the Company believes to be within a reasonable range of current market rates for each respective investment. Based on these inputs, the Company determined that its valuation of these investments was classified within Level 3 of the fair value hierarchy. (See Footnote 3 to the Notes to the Company’s Condensed Consolidated Financial Statements for additional discussion regarding impairment charges).

20

[Table of Contents](#toc)

13. Incentive Plans

The Company accounts for equity awards in accordance with FASB’s Compensation – Stock Compensation guidance which requires that all share-based payments to employees, including grants of employee stock options, restricted stock and performance shares, be recognized in the Condensed Consolidated Statements of Income over the service period based on their fair values. Fair value is determined, depending on the type of award, using either the Black-Scholes option pricing formula or the Monte Carlo method for performance shares, both of which are intended to estimate the fair value of the awards at the grant date. Fair value of restricted shares is calculated based on the price on the date of grant.

The Company recognized expenses associated with its equity awards of $15.0 million and $14.5 million for the nine months ended September 30, 2019 and 2018, respectively.  As of September 30, 2019, the Company had $38.0 million of total unrecognized compensation cost related to unvested stock compensation granted under the Plans.  That cost is expected to be recognized over a weighted average period of approximately 3.0 years.

14. Earnings Per Share

The following table sets forth the reconciliation of earnings and the weighted average number of shares used in the calculation of basic and diluted earnings per share (amounts presented in thousands except per share data):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended**  **September 30,** | | | | | |  |  | **Nine months Ended**  **September 30,** | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |  | **2019** | |  |  | **2018** | |  |
| *Computation of Basic and Diluted Earnings Per Share:* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income available to the Company's common shareholders |  | $ | 59,048 |  |  | $ | 85,624 |  |  | $ | 247,176 |  |  | $ | 365,977 |  |
| Change in estimated redemption value of redeemable noncontrolling interests |  |  | - |  |  |  | (3,918 | ) |  |  | - |  |  |  | (3,918 | ) |
| Earnings attributable to participating securities |  |  | (654 | ) |  |  | (604 | ) |  |  | (1,939 | ) |  |  | (1,818 | ) |
| Net income available to the Company’s common shareholders for basic earnings per share |  |  | 58,394 |  |  |  | 81,102 |  |  |  | 245,237 |  |  |  | 360,241 |  |
| Distributions on convertible units |  |  | - |  |  |  | - |  |  |  | 20 |  |  |  | 683 |  |
| Net income available to the Company’s common shareholders for diluted earnings per share |  | $ | 58,394 |  |  | $ | 81,102 |  |  | $ | 245,257 |  |  | $ | 360,924 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Weighted average common shares outstanding – basic |  |  | 419,823 |  |  |  | 419,230 |  |  |  | 419,663 |  |  |  | 421,106 |  |
| Effect of dilutive securities (1): |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Equity awards |  |  | 1,120 |  |  |  | 534 |  |  |  | 1,273 |  |  |  | 515 |  |
| Assumed conversion of convertible units |  |  | 59 |  |  |  | - |  |  |  | 50 |  |  |  | 822 |  |
| Weighted average common shares outstanding – diluted |  |  | 421,002 |  |  |  | 419,764 |  |  |  | 420,986 |  |  |  | 422,443 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income available to the Company's common shareholders: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic earnings per share |  | $ | 0.14 |  |  | $ | 0.19 |  |  | $ | 0.58 |  |  | $ | 0.86 |  |
| Diluted earnings per share |  | $ | 0.14 |  |  | $ | 0.19 |  |  | $ | 0.58 |  |  | $ | 0.85 |  |

|  |  |
| --- | --- |
| (1) | The effect of the assumed conversion of certain convertible units had an anti-dilutive effect upon the calculation of Net income available to the Company’s common shareholders per share. Accordingly, the impact of such conversions has not been included in the determination of diluted earnings per share calculations. Additionally, there were 0.5 million and 1.3 million stock options that were not dilutive as of September 30, 2019 and 2018, respectively. |

The Company's unvested restricted share awards contain non-forfeitable rights to distributions or distribution equivalents. The impact of the unvested restricted share awards on earnings per share has been calculated using the two-class method whereby earnings are allocated to the unvested restricted share awards based on dividends declared and the unvested restricted shares' participation rights in undistributed earnings.

21

[Table of Contents](#toc)

15. Stockholders’ Equity

*Preferred Stock -*

The Company’s outstanding Preferred Stock is detailed below:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **As of September 30, 2019** | | | | | | | | | | | | | | | | | | | | | | | | |
| **Class of**  **Preferred**  **Stock** |  | **Shares**  **Authorized** | |  |  | **Shares**  **Issued and**  **Outstanding** | |  |  | **Liquidation**  **Preference**  **(in thousands)** | |  |  | **Dividend**  **Rate** |  |  | **Annual**  **Dividend per**  **Depositary**  **Share** | |  |  | **Par**  **Value** | |  | **Optional**  **Redemption**  **Date** |
| Class J |  |  | 9,000 |  |  |  | 9,000 |  |  | $ | 225,000 |  |  | 5.500% |  |  | $ | 1.37500 |  |  | $ | 1.00 |  | 7/25/2017 |
| Class L |  |  | 10,350 |  |  |  | 9,000 |  |  |  | 225,000 |  |  | 5.125% |  |  | $ | 1.28125 |  |  | $ | 1.00 |  | 8/16/2022 |
| Class M |  |  | 10,580 |  |  |  | 10,580 |  |  |  | 264,500 |  |  | 5.250% |  |  | $ | 1.31250 |  |  | $ | 1.00 |  | 12/20/2022 |
|  |  |  |  |  |  |  | 28,580 |  |  | $ | 714,500 |  |  |  |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **As of December 31, 2018** | | | | | | | | | | | | | | | | | | | | | | | | |
| **Class of**  **Preferred**  **Stock** |  | **Shares**  **Authorized** | |  |  | **Shares**  **Issued and**  **Outstanding** | |  |  | **Liquidation**  **Preference**  **(in thousands)** | |  |  | **Dividend**  **Rate** |  |  | **Annual**  **Dividend per**  **Depositary**  **Share** | |  |  | **Par**  **Value** | |  | **Optional**  **Redemption**  **Date** |
| Class I |  |  | 18,400 |  |  |  | 7,000 |  |  | $ | 175,000 |  |  | 6.000% |  |  | $ | 1.50000 |  |  | $ | 1.00 |  | 3/20/2017 |
| Class J |  |  | 9,000 |  |  |  | 9,000 |  |  |  | 225,000 |  |  | 5.500% |  |  | $ | 1.37500 |  |  | $ | 1.00 |  | 7/25/2017 |
| Class K |  |  | 8,050 |  |  |  | 7,000 |  |  |  | 175,000 |  |  | 5.625% |  |  | $ | 1.40625 |  |  | $ | 1.00 |  | 12/7/2017 |
| Class L |  |  | 10,350 |  |  |  | 9,000 |  |  |  | 225,000 |  |  | 5.125% |  |  | $ | 1.28125 |  |  | $ | 1.00 |  | 8/16/2022 |
| Class M |  |  | 10,580 |  |  |  | 10,580 |  |  |  | 264,500 |  |  | 5.250% |  |  | $ | 1.31250 |  |  | $ | 1.00 |  | 12/20/2022 |
|  |  |  |  |  |  |  | 42,580 |  |  | $ | 1,064,500 |  |  |  |  |  |  |  |  |  |  |  |  |  |

The following Preferred Stock classes were redeemed during the nine months ended September 30, 2019:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Class of**  **Preferred Stock** |  | **Redemption**  **Date** |  | **Depositary**  **Shares**  **Redeemed** |  |  | **Redemption**  **Price** | |  |  | **Redemption**  **Amount**  **(in millions)** | |  |  | **Redemption**  **Charges (1)**  **(in millions)** | |  |
| Class I |  | 9/14/2019 |  | 7,000,000 |  |  | $ | 25.00 |  |  | $ | 175.0 |  |  | $ | 5.5 |  |
| Class K |  | 9/14/2019 |  | 7,000,000 |  |  | $ | 25.00 |  |  | $ | 175.0 |  |  | $ | 5.9 |  |

|  |  |
| --- | --- |
| (1) | Redemption charges resulting from the difference between the redemption amount and the carrying amount of the respective preferred stock class on the Company’s Condensed Consolidated Balance Sheets are accounted for in accordance with the FASB’s guidance on Distinguishing Liabilities from Equity. These charges were subtracted from net income attributable to the Company to arrive at net income available to the Company’s common shareholders and used in the calculation of earnings per share. |

*Common Stock -*

During February 2018, the Company’s Board of Directors authorized a share repurchase program, which is effective for a term of two years, pursuant to which the Company may repurchase shares of its common stock, par value $0.01 per share, with an aggregate gross purchase price of up to $300.0 million. The Company did not repurchase any shares under the share repurchase program during the nine months ended September 30, 2019. As of September 30, 2019, the Company had $224.9 million available under this common share repurchase program.

During September 2019, the Company established an at the market continuous offering program (the “ATM program”), which will concurrently expire with the Company’s shelf registration statement in February 2021, pursuant to which the Company may offer and sell shares of its common stock, par value $0.01 per share, with an aggregate gross sales price of up to $500.0 million through a consortium of banks acting as sales agents. Sales of the shares of common stock may have be made, as needed, from time to time in “at the market” offerings as defined in Rule 415 of the Securities Act of 1933, including by means of ordinary brokers’ transactions on the New York Stock Exchange (the “NYSE”) or otherwise (i) at market prices prevailing at the time of sale, (ii) at prices related to prevailing market prices or (iii) as otherwise agreed to with the applicable sales agent. The Company did not offer for sale any shares of common stock under the ATM program during September 2019.

*Dividends Declared -*

The following table provides a summary of the dividends declared per share:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine months Ended September 30,** | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |  | **2019** | |  |  | **2018** | |  |
| Common Shares |  | $ | 0.28000 |  |  | $ | 0.28000 |  |  | $ | 0.84000 |  |  | $ | 0.84000 |  |
| Class I Depositary Shares |  | $ | 0.24583 |  |  | $ | 0.37500 |  |  | $ | 0.99583 |  |  | $ | 1.12500 |  |
| Class J Depositary Shares |  | $ | 0.34375 |  |  | $ | 0.34375 |  |  | $ | 1.03125 |  |  | $ | 1.03125 |  |
| Class K Depositary Shares |  | $ | 0.23047 |  |  | $ | 0.35156 |  |  | $ | 0.93359 |  |  | $ | 1.05468 |  |
| Class L Depositary Shares |  | $ | 0.32031 |  |  | $ | 0.32031 |  |  | $ | 0.96093 |  |  | $ | 0.96093 |  |
| Class M Depositary Shares |  | $ | 0.32813 |  |  | $ | 0.32813 |  |  | $ | 0.98439 |  |  | $ | 0.98439 |  |

22

[Table of Contents](#toc)

16. Supplemental Schedule of Non-Cash Investing / Financing Activities

The following schedule summarizes the non-cash investing and financing activities of the Company for the nine months ended September 30, 2019 and 2018 (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **2019** | |  |  | **2018** | |  |
| Acquisition of real estate interests through proceeds held in escrow |  | $ | 30,970 |  |  | $ | - |  |
| Proceeds deposited in escrow through sale of real estate interests |  | $ | - |  |  | $ | 16,842 |  |
| Disposition of real estate interests through the issuance of mortgage receivables |  | $ | - |  |  | $ | 14,700 |  |
| Disposition of real estate interests by foreclosure of debt |  | $ | - |  |  | $ | 7,444 |  |
| Forgiveness of debt due to foreclosure |  | $ | - |  |  | $ | 12,415 |  |
| Surrender of restricted common stock |  | $ | 3,948 |  |  | $ | 4,290 |  |
| Declaration of dividends paid in succeeding period |  | $ | 126,203 |  |  | $ | 130,263 |  |
| Capital expenditures accrual |  | $ | 73,958 |  |  | $ | 84,873 |  |
| Increase in redeemable noncontrolling interests’ carrying amount |  | $ | - |  |  | $ | 3,918 |  |
| Deconsolidation of Joint Ventures: |  |  |  |  |  |  |  |  |
| Decrease in real estate and other assets |  | $ | - |  |  | $ | 300,299 |  |
| Increase in investments in and advances to real estate joint ventures |  | $ | - |  |  | $ | 62,429 |  |
| Decrease in mortgages and construction loan payable, other liabilities and noncontrolling interests |  | $ | - |  |  | $ | 248,274 |  |

23

[Table of Contents](#toc)

**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 Kimco Realty Corporation (the “Company”) 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. The Company intends 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 includes this statement for purposes of complying with the safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe the Company’s future plans, strategies and expectations, are generally identifiable by use of the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “project,” “will,” “target,” “forecast” 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 the Company’s control and could materially affect actual results, performances or achievements. Factors which may cause actual results to differ materially from current expectations include, but are not limited to (i) general adverse economic and local real estate conditions, (ii) the inability of major tenants to continue paying their rent obligations due to bankruptcy, insolvency or a general downturn in their business, (iii) financing risks, such as the inability to obtain equity, debt or other sources of financing or refinancing on favorable terms to the Company, (iv) the Company’s ability to raise capital by selling its assets, (v) changes in governmental laws and regulations and management’s ability to estimate the impact of such changes, (vi) the level and volatility of interest rates and managements’ ability to estimate the impact thereof, (vii) risks related to the Company’s international operations, (viii) the availability of suitable acquisition, disposition, development and redevelopment opportunities, and risks related to acquisitions not performing in accordance with our expectations, (ix) valuation and risks related to the Company’s joint venture and preferred equity investments, (x) valuation of marketable securities and other investments, (xi) increases in operating costs, (xii) changes in the dividend policy for the Company’s common and preferred stock and the Company’s ability to pay dividends at current levels, (xiii) the reduction in the Company’s income in the event of multiple lease terminations by tenants or a failure by multiple tenants to occupy their premises in a shopping center, (xiv) impairment charges, (xv) unanticipated changes in the Company’s intention or ability to prepay certain debt prior to maturity and/or hold certain securities until maturity and (xvi) the risks and uncertainties identified under Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year-ended December 31, 2018. Accordingly, there is no assurance that the Company’s expectations will be realized. The Company disclaims any intention or obligation to update the forward-looking statements, whether as a result of new information, future events or otherwise. You are advised to refer to any further disclosures the Company makes or related subjects in the Company’s Current Reports on Form 8-K that the Company files with the Securities and Exchange Commission (“SEC”).

The following discussion should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes thereto.  These unaudited financial statements include all adjustments which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods presented, and all such adjustments are of a normal recurring nature.

Executive Overview

Kimco Realty Corporation, a Maryland corporation, is one of North America’s largest publicly traded owners and operators of open-air shopping centers.   The terms “Kimco,” the “Company,” “we,” “our” and “us” each refer to Kimco Realty Corporation and our subsidiaries, unless the context indicates otherwise.  The Company’s mission is to create destinations for everyday living that inspire a sense of community and deliver value to our many stakeholders.

The Company is a self-administered real estate investment trust (“REIT”) and has owned and operated open-air shopping centers for over 60 years.  The Company has not engaged, nor does it expect to retain, any REIT advisors in connection with the operation of its properties. As of September 30, 2019, the Company had interests in 420 shopping center properties, aggregating 73.6 million square feet of gross leasable area (“GLA”), located in 27 states and Puerto Rico. In addition, the Company had 247 other property interests, primarily through the Company’s preferred equity investments and other real estate investments, totaling 4.5 million square feet of GLA. The Company’s ownership interests in real estate consist of its consolidated portfolio and portfolios where the Company owns an economic interest, such as properties in the Company’s investment real estate management programs, where the Company partners with institutional investors and also retains management.

The Company’s operating strategies are to (i) own and operate its shopping center properties at their highest potential through maximizing and maintaining rental income and occupancy levels, (ii) attract local area customers to its shopping centers, which offer off-price merchandise and day-to-day necessities rather than high-priced luxury items, and (iii) maintain a strong balance sheet.

The Company’s investment strategy is to invest capital into high quality assets focusing on major metropolitan-area U.S. markets, predominantly on the East and West coasts and in the Sunbelt region, which are supported by strong demographics, significant projected population growth, and where the Company perceives significant barriers to entry while disposing of lesser quality assets in less desirable locations. Through this strategy, the Company has steadily progressed in its transformation of its portfolio and will continue these efforts as deemed necessary to maximize the quality and growth of its portfolio. The properties acquired are primarily located in major metropolitan areas allowing tenants to generate higher foot traffic resulting in higher sales volume. The Company believes that this will enable it to maintain higher occupancy levels, rental rates and rental growth. In addition, the Company, on a selective basis, has embarked on several ground-up development and re-development projects which include residential and mixed-use components.

24

[Table of Contents](#toc)

The Company’s investment strategy also includes the retail re-tenanting, renovation and expansion of its existing centers and acquired centers, while also pursuing redevelopment opportunities to increase overall value within its portfolio. The Company may selectively acquire established income-producing real estate properties and properties requiring significant re-tenanting and redevelopment, primarily in geographic regions in which the Company presently operates. Additionally, the Company may selectively acquire land parcels in its key markets for real estate development projects for long-term investment. The Company may consider investments in other real estate sectors and in geographic markets where it does not presently operate should suitable opportunities arise. The Company also continues to simplify its business by reducing the number of its joint venture investments.

As part of the Company’s investment strategy each property is evaluated for its highest and best use, which may include residential and mixed-use components. In addition, the Company may consider other opportunistic investments related to retailer controlled real estate such as, repositioning underperforming retail locations, retail real estate financing and bankruptcy transaction support. The Company has an active capital recycling program which provides for the disposition of certain properties. If the estimated fair value for any of these assets is less than their net carrying values, the Company would be required to take impairment charges and such amounts could be material.

Results of Operations

*Comparison of the three and nine months ended September 30, 2019 and 2018*

The following table presents the comparative results from the Company’s Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2019, as compared to the corresponding periods in 2018 (in thousands, except per share data):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended September 30,** | | | | | | | | | |  |  | **Nine Months Ended September 30,** | | | | | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |  | **Change** | |  |  | **2019** | |  |  | **2018** | |  |  | **Change** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Revenues |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Revenues from rental properties, net (1) |  | $ | 279,181 |  |  | $ | 278,699 |  |  | $ | 482 |  |  | $ | 850,525 |  |  | $ | 867,799 |  |  | $ | (17,274 | ) |
| Management and other fee income |  |  | 3,690 |  |  |  | 4,381 |  |  |  | (691 | ) |  |  | 12,229 |  |  |  | 12,762 |  |  |  | (533 | ) |
| Operating expenses |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Rent (2) |  |  | (2,836 | ) |  |  | (2,702 | ) |  |  | (134 | ) |  |  | (8,452 | ) |  |  | (8,262 | ) |  |  | (190 | ) |
| Real estate taxes |  |  | (37,519 | ) |  |  | (37,862 | ) |  |  | 343 |  |  |  | (113,871 | ) |  |  | (115,570 | ) |  |  | 1,699 |  |
| Operating and maintenance (3) |  |  | (39,758 | ) |  |  | (39,265 | ) |  |  | (493 | ) |  |  | (123,871 | ) |  |  | (123,921 | ) |  |  | 50 |  |
| General and administrative (4) |  |  | (23,832 | ) |  |  | (21,348 | ) |  |  | (2,484 | ) |  |  | (72,296 | ) |  |  | (67,775 | ) |  |  | (4,521 | ) |
| Provision for doubtful accounts (5) |  |  | - |  |  |  | (1,389 | ) |  |  | 1,389 |  |  |  | - |  |  |  | (4,571 | ) |  |  | 4,571 |  |
| Impairment charges |  |  | (19,609 | ) |  |  | (3,336 | ) |  |  | (16,273 | ) |  |  | (41,235 | ) |  |  | (33,855 | ) |  |  | (7,380 | ) |
| Depreciation and amortization |  |  | (68,874 | ) |  |  | (74,972 | ) |  |  | 6,098 |  |  |  | (209,440 | ) |  |  | (236,114 | ) |  |  | 26,674 |  |
| Gain on sale of properties/change in control of interests |  |  | 9,025 |  |  |  | 28,250 |  |  |  | (19,225 | ) |  |  | 47,382 |  |  |  | 180,461 |  |  |  | (133,079 | ) |
| Other income/(expense) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other income, net |  |  | 4,327 |  |  |  | 5,219 |  |  |  | (892 | ) |  |  | 8,887 |  |  |  | 14,675 |  |  |  | (5,788 | ) |
| Interest expense |  |  | (43,146 | ) |  |  | (44,081 | ) |  |  | 935 |  |  |  | (131,638 | ) |  |  | (140,458 | ) |  |  | 8,820 |  |
| Early extinguishment of debt charges |  |  | - |  |  |  | (12,762 | ) |  |  | 12,762 |  |  |  | - |  |  |  | (12,762 | ) |  |  | 12,762 |  |
| Benefit for income taxes, net |  |  | 3,866 |  |  |  | 315 |  |  |  | 3,551 |  |  |  | 3,580 |  |  |  | 983 |  |  |  | 2,597 |  |
| Equity in income of joint ventures, net |  |  | 17,673 |  |  |  | 16,533 |  |  |  | 1,140 |  |  |  | 58,960 |  |  |  | 52,486 |  |  |  | 6,474 |  |
| Equity in income of other real estate investments, net |  |  | 3,265 |  |  |  | 5,045 |  |  |  | (1,780 | ) |  |  | 22,758 |  |  |  | 24,638 |  |  |  | (1,880 | ) |
| Net income attributable to noncontrolling interests |  |  | (1,463 | ) |  |  | (567 | ) |  |  | (896 | ) |  |  | (2,332 | ) |  |  | (882 | ) |  |  | (1,450 | ) |
| Preferred stock redemption charges |  |  | (11,369 | ) |  |  | - |  |  |  | (11,369 | ) |  |  | (11,369 | ) |  |  | - |  |  |  | (11,369 | ) |
| Preferred dividends |  |  | (13,573 | ) |  |  | (14,534 | ) |  |  | 961 |  |  |  | (42,641 | ) |  |  | (43,657 | ) |  |  | 1,016 |  |
| Net income available to the Company's common shareholders |  | $ | 59,048 |  |  | $ | 85,624 |  |  | $ | (26,576 | ) |  | $ | 247,176 |  |  | $ | 365,977 |  |  | $ | (118,801 | ) |
| Net income available to the Company: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Diluted per common share |  | $ | 0.14 |  |  | $ | 0.19 |  |  | $ | (0.05 | ) |  | $ | 0.58 |  |  | $ | 0.85 |  |  | $ | (0.27 | ) |

|  |  |  |
| --- | --- | --- |
|  | (1) | Upon the adoption of Topic 842, the Company reclassified $58.0 million and $182.9 million of Reimbursement income, respectively, and $5.6 million and $16.8 million of Other rental property income, respectively, to Revenues from rental properties, net on the Company’s Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2018. See Footnote 2 to the Notes to the Company’s Condensed Consolidated Financial Statements for additional disclosure. |
|  | (2) | Rent expense relates to ground lease payments for which the Company is the lessee. |
|  | (3) | Operating and maintenance expense consists of property related costs including repairs and maintenance costs, roof repair, landscaping, parking lot repair, snow removal, utilities, property insurance costs, security and various other property related expenses. |
|  | (4) | General and administrative expense includes employee-related expenses (including salaries, bonuses, equity awards, benefits, severance costs and payroll taxes), professional fees, office rent, travel expense and other company-specific expenses. |
|  | (5) | In accordance with the adoption of Topic 842 the Company, as of January 1, 2019, includes Provision for doubtful accounts amounts in Revenues from rental properties, net. |

25

[Table of Contents](#toc)

Net income available to the Company’s common shareholders was $59.0 million for the three months ended September 30, 2019, as compared to $85.6 million for the comparable period in 2018. On a diluted per common share basis, net income available to the Company for the three months ended September 30, 2019, was $0.14 as compared to $0.19 for the comparable period in 2018.

Net income available to the Company’s common shareholders was $247.2 million for the nine months ended September 30, 2019, as compared to $366.0 million for the comparable period in 2018. On a diluted per common share basis, net income available to the Company for the nine months ended September 30, 2019, was $0.58 as compared to $0.85 for the comparable period in 2018.

The following describes the changes of certain line items included in Net income available to the Company’s common shareholders on the Company’s Condensed Consolidated Statements of Income, which it believes represent items that have significant changes during the three and nine months ended September 30, 2019, as compared to the corresponding periods in 2018:

*Revenue from rental properties, net –*

The decrease in Revenues from rental properties, net of $17.3 million for the nine months ended September 30, 2019, as compared to the corresponding period in 2018, is primarily from (i) a decrease in revenues of $51.4 million due to properties sold during 2019 and 2018, partially offset by (ii) the completion of certain redevelopment and development projects, acquisitions, tenant buyouts and net growth in the current portfolio, which provided incremental revenues for the nine months ended September 30, 2019 of $34.1 million, as compared to the corresponding period in 2018.

*General and administrative –*

The increase in General and administrative expense of $2.5 million and $4.5 million for the three and nine months ended September 30, 2019, respectively, as compared to the corresponding periods in 2018, is primarily due to (i) a decrease in capitalization of internal leasing commissions of $3.3 million and $8.3 million, respectively, in association with the adoption of Topic 842, which allows only the initial direct cost of a lease to be capitalized (see Footnote 2 of the Notes to the Condensed Consolidated Financial Statements), partially offset by (ii) a reduction in salary and severance expense for the three and nine months ended September 30, 2019 of $0.5 million and $3.8 million, respectively.

*Impairment charges –*

During the nine months ended September 30, 2019 and 2018, the Company recognized impairment charges related to adjustments to property carrying values of $41.2 million and $33.9 million, respectively, for which the Company’s estimated fair values were primarily based upon (i) signed contracts or letters of intent from third party offers or (ii) discounted cash flow models. These adjustments to property carrying values were recognized in connection with the Company’s efforts to market certain properties and management’s assessment as to the likelihood and timing of such potential transactions. Certain of the calculations to determine fair value utilized unobservable inputs and as such are classified as Level 3 of the fair value hierarchy.

*Depreciation and amortization –*

The decrease in Depreciation and amortization of $6.1 million for the three months ended September 30, 2019, as compared to the corresponding period in 2018, is primarily due to (i) a decrease of $3.4 million resulting from property dispositions in 2019 and 2018, (ii) a decrease of $2.1 million related to fewer tenant vacates and write-offs during the three months ended September 30, 2018, as compared to the corresponding period in 2019 and (iii) a decrease of $0.6 million related to the acceleration of depreciable lives of assets within the Company’s redevelopment projects during the three months ended September 30, 2018.

The decrease in Depreciation and amortization of $26.7 million for the nine months ended September 30, 2019, as compared to the corresponding period in 2018, is primarily due to (i) a decrease of $15.0 million resulting from property dispositions in 2019 and 2018, (ii) a decrease of $8.0 million related to the acceleration of depreciable lives of assets within the Company’s redevelopment projects during the nine months ended September 30, 2018 and (iii) a decrease of $3.7 million related to fewer tenant vacates and write-offs during the nine months ended September 30, 2018, as compared to the corresponding period in 2019.

*Gain on sale of properties/change in control of interests –*

During the nine months ended September 30, 2019, the Company disposed of 12 operating properties and seven out-parcels, in separate transactions, for an aggregate sales price of $163.8 million. These transactions resulted in aggregate gains of $47.4 million.

During the nine months ended September 30, 2018, the Company disposed of 45 operating properties (including the deconsolidation of one operating property) and four out-parcels, in separate transactions, for an aggregate sales price of $973.5 million. These transactions resulted in an aggregate gain of $180.5 million.

26

[Table of Contents](#toc)

*Other income, net –*

The decrease in Other income, net of $5.8 million for the nine months ended September 30, 2019, as compared to the corresponding period in 2018, is primarily due to (i) the recognition of gain on forgiveness of debt of $4.3 million and relief of accrued interest expense of $3.4 million resulting from the foreclosure of an encumbered property during the nine months ended September 30, 2018, and (ii) the recognition of a gain on land sales of $6.3 million during the nine months ended September 30, 2018, partially offset by (iii) an increase in net gains on changes in fair value of available-for-sale marketable securities of $3.4 million for the nine months ended September 30, 2019, as compared to the corresponding period in 2018, (iv) settlement proceeds of $3.3 million related to a property condemnation during the nine months ended September 30, 2019, and (v) an increase of $1.5 million related to the recognition of income from the Company’s Puerto Rico properties, resulting from the receipt of casualty insurance claims in excess of the value of the assets written-off during the nine months ended September 30, 2019, as compared to the corresponding period in 2018.

*Interest expense –*

The decrease in Interest expense of $8.8 million for the nine months ended September 30, 2019, as compared to the corresponding period in 2018, is primarily the result of the repayment of maturing debt during 2019 and 2018 and lower levels of borrowings during the nine months ended September 30, 2019, as compared to the corresponding period in 2018.

*Early extinguishment of debt charges –*

During the three and nine months ended September 30, 2018, the Company incurred early extinguishment of debt charges of $12.8 million in connection with the optional make-whole provisions of unsecured notes that were repaid prior to maturity.

*Benefit for income taxes, net –*

The increase in Benefit for income taxes, net of $3.6 million and $2.6 million for the three and nine months ended September 30, 2019, respectively, as compared to the corresponding periods in 2018, is primarily due to an increase in federal tax refunds.

*Equity in income of joint ventures, net –*

The increase in Equity in income of joint ventures, net of $6.5 million for the nine months ended September 30, 2019, as compared to the corresponding period in 2018, is primarily due to (i) an increase in net gains of $5.7 million resulting from the sale of properties within various joint venture investments during 2019, as compared to the corresponding period in 2018, and (ii) higher equity in income of $2.4 million within various joint venture investments during 2019, as compared to the corresponding period in 2018, partially offset by (iii) an increase in impairment charges of $1.6 million resulting from the sale of properties within various joint venture investments during 2019, as compared to the corresponding period in 2018.

*Preferred stock redemption charges –*

During September 2019, the Company redeemed all its outstanding Class I Preferred Stock and Class K Preferred Stock and as a result, the Company recorded a redemption charge of $11.4 million. This $11.4 million charge was subtracted from net income attributable to the Company to arrive at net income available to the Company’s common shareholders and used in the calculation of earnings per share for the three and nine months ended September 30, 2019.

Tenant Concentration

The Company seeks to reduce its operating and leasing risks through diversification achieved by the geographic distribution of its properties and a large tenant base. At September 30, 2019, the Company’s five largest tenants were TJX Companies, Home Depot, Ahold Delhaize USA, Albertsons and PetSmart, which represented 3.8%, 2.4%, 2.2%, 1.9% and 1.8%, respectively, of the Company’s annualized base rental revenues, including the proportionate share of base rental revenues from properties in which the Company has less than a 100% economic interest.

Liquidity and Capital Resources

The Company’s capital resources include accessing the public debt and equity capital markets, mortgages and construction loan financing, and immediate access to an unsecured revolving credit facility (the “Credit Facility”) with bank commitments of $2.25 billion which can be increased to $2.75 billion through an accordion feature.

The Company’s cash flow activities are summarized as follows (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Nine months Ended September 30,** | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| Cash and cash equivalents, beginning of the period |  | $ | 143,581 |  |  | $ | 238,513 |  |
| Net cash flow provided by operating activities |  |  | 482,459 |  |  |  | 516,331 |  |
| Net cash flow (used for)/provided by investing activities |  |  | (161,307 | ) |  |  | 230,755 |  |
| Net cash flow used for financing activities |  |  | (323,423 | ) |  |  | (839,213 | ) |
| Net change in cash and cash equivalents |  |  | (2,271 | ) |  |  | (92,127 | ) |
| Cash and cash equivalents, end of the period |  | $ | 141,310 |  |  | $ | 146,386 |  |

27

[Table of Contents](#toc)

Operating Activities

The Company anticipates that cash on hand, net cash flow provided by operating activities, borrowings under its Credit Facility, and the issuance of equity and public debt, as well as other debt and equity alternatives, will provide the necessary capital required by the Company.

Net cash flow provided by operating activities for the nine months ended September 30, 2019, was $482.5 million, as compared to $516.3 million for the comparable period in 2018. The decrease of $33.8 million is primarily attributable to:

|  |  |  |
| --- | --- | --- |
|  | ● | changes in operating assets and liabilities due to timing of receipts and payments; |

|  |  |  |
| --- | --- | --- |
|  | ● | the disposition of operating properties in 2019 and 2018; and |

|  |  |  |
| --- | --- | --- |
|  | ● | a decrease in distributions from the Company’s joint venture programs; partially offset by |

|  |  |  |
| --- | --- | --- |
|  | ● | new leasing, expansion and re-tenanting of core portfolio properties; and |

|  |  |  |
| --- | --- | --- |
|  | ● | the acquisition of operating properties during 2019. |

During the nine months ended September 30, 2019 and 2018, the Company capitalized personnel costs of $1.9 million and $10.2 million, respectively, relating to deferred leasing costs.

Investing Activities

Net cash flow used for investing activities was $161.3 million for the nine months ended September 30, 2019, as compared to net cash flow provided by investing activities of $230.8 million for the comparable period in 2018.

Investing activities during 2019 primarily consisted of:

Cash inflows:

|  |  |  |
| --- | --- | --- |
|  | ● | $163.2 million in proceeds from the sale of 12 consolidated operating properties and seven out-parcels; |

|  |  |  |
| --- | --- | --- |
|  | ● | $16.2 million in reimbursements of investments in and advances to real estate joint ventures and reimbursements of investments in and advances to other real estate investments, primarily related to the sale of properties within the Company’s joint venture portfolio and Preferred Equity Program; |

|  |  |  |
| --- | --- | --- |
|  | ● | $5.4 million in collection of mortgage loans receivable; |

|  |  |  |
| --- | --- | --- |
|  | ● | $3.0 million in proceeds from insurance casualty claims; and |

|  |  |  |
| --- | --- | --- |
|  | ● | $1.9 million in proceeds from sale/repayments of marketable securities. |

Cash outflows:

|  |  |  |
| --- | --- | --- |
|  | ● | $313.6 million for improvements to operating real estate primarily related to the Company’s active redevelopment pipeline and improvements to real estate under development; and |

|  |  |  |
| --- | --- | --- |
|  | ● | $34.6 million for investments in and advances to real estate joint ventures, primarily related to a redevelopment project within the Company’s joint venture portfolio, and investments in other real estate investments, primarily related to repayment of a mortgage within the Company’s Preferred Equity Program. |

Investing activities during 2018 primarily consisted of:

Cash inflows:

|  |  |  |
| --- | --- | --- |
|  | ● | $596.5 million in proceeds from the sale of 45 consolidated operating properties, four out-parcels and 10 land parcels; |

|  |  |  |
| --- | --- | --- |
|  | ● | $17.8 million in reimbursements of investments in and advances to real estate joint ventures and reimbursements of investments in and advances to other real estate investments, primarily related to disposition of properties and loan refinancing within the joint venture portfolio and the Company’s Preferred Equity Program; |

|  |  |  |
| --- | --- | --- |
|  | ● | $13.5 million in proceeds from insurance casualty claims in connection with Hurricane Maria; and |

|  |  |  |
| --- | --- | --- |
|  | ● | $7.4 million in collection of mortgage loans receivable. |

Cash outflows:

|  |  |  |
| --- | --- | --- |
|  | ● | $368.6 million for improvements to operating real estate primarily related to the Company’s active redevelopment pipeline and improvements to real estate under development; |

|  |  |  |
| --- | --- | --- |
|  | ● | $25.8 million for investments in and advances to real estate joint ventures, primarily related to a redevelopment project within the Company’s joint venture portfolio; and |

|  |  |  |
| --- | --- | --- |
|  | ● | $10.0 million for acquisition of operating real estate and other related net assets, including two land parcels, and the acquisition of a land parcel at one development project. |

28

[Table of Contents](#toc)

*Acquisitions of Operating Real Estate and Other Related Net Assets –*

       During the nine months ended September 30, 2019 and 2018, the Company expended $0 (after use of 26 U.S.C. §1031 proceeds of $31.0 million) and $5.4 million, respectively, towards the acquisition of operating real estate properties and parcels adjacent to operating real estate properties.

*Improvements to Operating Real Estate –*

During the nine months ended September 30, 2019 and 2018, the Company expended $228.0 million and $193.4 million, respectively, towards improvements to operating real estate. These amounts consist of the following (in thousands):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Nine months Ended September 30,** | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| Redevelopment and renovations |  | $ | 185,492 |  |  | $ | 140,265 |  |
| Tenant improvements and tenant allowances |  |  | 42,250 |  |  |  | 51,384 |  |
| Other |  |  | 287 |  |  |  | 1,796 |  |
| Total improvements (1) |  | $ | 228,029 |  |  | $ | 193,445 |  |

|  |  |  |
| --- | --- | --- |
|  | (1) | During the nine months ended September 30, 2019 and 2018, the Company capitalized payroll of $6.2 million and $4.8 million, respectively, and capitalized interest of $4.2 million and $2.6 million, respectively, in connection with the Company’s improvements to operating real estate. |

The Company has an ongoing program to redevelop and re-tenant its properties to maintain or enhance its competitive position in the marketplace. The Company is actively pursuing redevelopment opportunities within its operating portfolio which it believes will increase the overall value by bringing in new tenants and improving the assets’ value. The Company has identified three categories of redevelopment, (i) large scale redevelopment, which involves demolishing and building new square footage, (ii) value creation redevelopment, which includes the subdivision of large anchor spaces into multiple tenant layouts, and (iii) creation of out-parcels and pads located in the front of the shopping center properties. The Company anticipates its capital commitment toward these redevelopment projects and re-tenanting efforts for the remainder of 2019 will be approximately $75.0 million to $100.0 million. The funding of these capital requirements will be provided by proceeds from property dispositions, net cash flow provided by operating activities and availability under the Company’s Credit Facility.

*Real Estate Under Development –*

The Company is engaged in select real estate development projects, which are expected to be held as long-term investments. As of September 30, 2019, the Company had in progress a total of two active real estate development projects. During the nine months ended September 30, 2019 and 2018, the Company expended $85.6 million and $175.1 million, respectively, towards improvements to real estate under development. The Company capitalized (i) interest of $6.6 million and $10.7 million, (ii) real estate taxes, insurance and legal costs of $1.1 million and $2.5 million and (iii) payroll of $1.1 million and $1.2 million during the nine months ended September 30, 2019 and 2018, respectively, in connection with its real estate development projects. The Company anticipates the total remaining costs to complete these active projects to be approximately $50.0 million to $100.0 million. The Company anticipates its capital commitment toward these development projects for the remainder of 2019 will be approximately $20.0 million to $35.0 million. The funding of these capital requirements will be provided by proceeds from property dispositions, net cash flow provided by operating activities, construction financing, where applicable, and availability under the Company’s Credit Facility.

Financing Activities

Net cash flow used for financing activities was $323.4 million for the nine months ended September 30, 2019, as compared to $839.2 million for the comparable period in 2018.

Financing activities during 2019 primarily consisted of:

*Cash inflows:*

|  |  |  |
| --- | --- | --- |
|  | ● | $350.0 million in proceeds from issuance of unsecured notes, |

|  |  |  |
| --- | --- | --- |
|  | ● | $100.0 million in proceeds from borrowings under the Company’s unsecured revolving credit facility, net; and |

|  |  |  |
| --- | --- | --- |
|  | ● | $8.8 million in proceeds from construction loan financing for one development project. |

*Cash outflows:*

|  |  |  |
| --- | --- | --- |
|  | ● | $401.3 million of dividends paid; |

|  |  |  |
| --- | --- | --- |
|  | ● | $350.0 million for the redemption of the Company’s Class I and Class K Preferred Stock; |

|  |  |  |
| --- | --- | --- |
|  | ● | $15.5 million for principal payments on debt (related to the repayment of debt on two encumbered properties), including normal amortization on rental property debt; |

|  |  |  |
| --- | --- | --- |
|  | ● | $7.4 million for financing origination costs, primarily related to the issuance of unsecured notes; and |

|  |  |  |
| --- | --- | --- |
|  | ● | $6.5 million for the redemption/distribution of noncontrolling interests, primarily related to the redemption of certain partnership interests by consolidated subsidiaries. |

29

[Table of Contents](#toc)

Financing activities during 2018 primarily consisted of:

*Cash inflows:*

|  |  |  |
| --- | --- | --- |
|  | ● | $122.3 million in proceeds from the Company’s unsecured revolving credit facility, net: |

|  |  |  |
| --- | --- | --- |
|  | ● | $33.6 million in proceeds primarily from the exercise of the Class M Preferred Stock over-allotment option; and |

|  |  |  |
| --- | --- | --- |
|  | ● | $30.4 million in proceeds from construction loan financing at one development project. |

*Cash outflows:*

|  |  |  |
| --- | --- | --- |
|  | ● | $397.2 million of dividends paid; |

|  |  |  |
| --- | --- | --- |
|  | ● | $315.1 million for the repayment of unsecured notes; |

|  |  |  |
| --- | --- | --- |
|  | ● | $212.8 million for principal payments on debt (related to the repayment of debt on five encumbered properties), including normal amortization on rental property debt; |

|  |  |  |
| --- | --- | --- |
|  | ● | $75.1 million for the repurchase of common stock; |

|  |  |  |
| --- | --- | --- |
|  | ● | $13.3 million for the payment of early extinguishment of debt charges; and |

|  |  |  |
| --- | --- | --- |
|  | ● | $6.0 million for redemption/distribution of noncontrolling interests, primarily related to the redemption of certain partnership units by consolidated subsidiaries. |

The Company continually evaluates its debt maturities, and, based on management’s current assessment, believes it has viable financing and refinancing alternatives that will not materially adversely impact its expected financial results. The Company continues to pursue borrowing opportunities with large commercial U.S. and global banks, select life insurance companies and certain regional and local banks. The Company has noticed a continuing trend that, although pricing remains dependent on specific deal terms, generally spreads for non-recourse mortgage and construction loan financing have stabilized, and the unsecured debt markets are functioning well with credit spreads at manageable levels.

There are no debt maturities for the remainder of 2019. The Company intends to maintain strong debt service coverage and fixed charge coverage ratios as part of its commitment to maintain its investment-grade senior, unsecured debt ratings.  The Company may, from time-to-time, seek to obtain funds through additional common and preferred equity offerings, unsecured debt financings, mortgages and/or construction loan financing and other capital alternatives.

Since the completion of the Company’s IPO in 1991, the Company has utilized the public debt and equity markets as its principal source of capital for its expansion needs. Since the IPO, the Company has completed additional offerings of its public unsecured debt and equity, raising in the aggregate over $14.1 billion.  Proceeds from public capital market activities have been used for the purposes of, among other things, repaying indebtedness, acquiring interests in open-air shopping centers, funding real estate under development projects, expanding and improving properties in the portfolio and other investments.

During February 2018, the Company filed a shelf registration statement on Form S-3, which is effective for a term of three years, for the future unlimited offerings, from time-to-time, of debt securities, preferred stock, depositary shares, common stock and common stock warrants. The Company, pursuant to this shelf registration statement may, from time-to-time, offer for sale its senior unsecured debt for any general corporate purposes, including (i) funding specific liquidity requirements in its business, including property acquisitions, development and redevelopment costs and (ii) managing the Company’s debt maturities.

*Preferred Stock –*

The following Preferred Stock classes were redeemed during the nine months ended September 30, 2019:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Class of**  **Preferred**  **Stock** | **Redemption**  **Date** |  | **Dividend**  **Rate** |  |  | **Depositary**  **Shares**  **Redeemed** |  |  | **Redemption**  **Price** | |  |  | **Redemption**  **Amount**  **(in millions)** | |  |  | **Redemption**  **Charges (1)**  **(in millions)** | |  |
| Class I | 9/14/2019 |  | 6.00% |  |  | 7,000,000 |  |  | $ | 25 |  |  | $ | 175 |  |  | $ | 5.5 |  |
| Class K | 9/14/2019 |  | 5.13% |  |  | 7,000,000 |  |  | $ | 25 |  |  | $ | 175 |  |  | $ | 5.9 |  |

|  |  |
| --- | --- |
| (1) | Redemption charges resulting from the difference between the redemption amount and the carrying amount of the respective preferred stock class on the Company’s Condensed Consolidated Balance Sheets are accounted for in accordance with the FASB’s guidance on Distinguishing Liabilities from Equity. These charges were subtracted from net income attributable to the Company to arrive at net income available to the Company’s common shareholders and used in the calculation of earnings per share. |

30

[Table of Contents](#toc)

*Common Stock –*

During September 2019, the Company established an at the market continuous offering program (the “ATM program”), which will concurrently expire with the Company’s shelf registration statement in February 2021, pursuant to which the Company may offer and sell shares of its common stock, par value $0.01 per share, with an aggregate gross sales price of up to $500.0 million through a consortium of banks acting as sales agents. Sales of the shares of common stock may be made, as needed, from time to time in “at the market” offerings as defined in Rule 415 of the Securities Act of 1933, including by means of ordinary brokers’ transactions on the New York Stock Exchange or otherwise (i) at market prices prevailing at the time of sale, (ii) at prices related to prevailing market prices or (iii) as otherwise agreed to with the applicable sales agent. The Company did not offer for sale any shares of common stock under the ATM program during September 2019.

During February 2018, the Company’s Board of Directors authorized a share repurchase program, which is effective for a term of two years, pursuant to which the Company may repurchase shares of its common stock, par value $0.01 per share, with an aggregate gross purchase price of up to $300.0 million. The Company did not repurchase any shares under the share repurchase program during the nine months ended September 30, 2019. As of September 30, 2019, the Company had $224.9 million available under this common share repurchase program.

*Senior Notes –*

During the nine months ended September 30, 2019, the Company issued the following senior unsecured notes (dollars in millions):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date Issued** | **Maturity Date** |  | **Amount Issued** | **Interest Rate** |
| Aug-19 | Oct-49 | $ | 350.0 | 3.70% |

The Company’s supplemental indenture governing its senior notes contains the following covenants, all of which the Company is compliant with:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Covenant** |  | **Must Be** |  |  | **As of September 30, 2019** |  |
| Consolidated Indebtedness to Total Assets |  | <65% |  |  | 41% |  |
| Consolidated Secured Indebtedness to Total Assets |  | <40% |  |  | 4% |  |
| Consolidated Income Available for Debt Service to Maximum Annual Service Charge |  | >1.50x |  |  | 4.9x |  |
| Unencumbered Total Asset Value to Consolidated Unsecured Indebtedness |  | >1.50x |  |  | 2.4x |  |

For a full description of the various indenture covenants, refer to the Indenture dated September 1, 1993; the First Supplemental Indenture dated August 4, 1994; the Second Supplemental Indenture dated April 7, 1995; the Third Supplemental Indenture dated June 2, 2006; the Fourth Supplemental Indenture dated April 26, 2007; the Fifth Supplemental Indenture dated as of September 24, 2009; the Sixth Supplemental Indenture dated as of May 23, 2013; and the Seventh Supplemental Indenture dated as of April 24, 2014, each as filed with the SEC. See the Exhibits Index to our Annual Report on Form 10-K for the year ended December 31, 2018 for specific filing information.

*Credit Facility –*

The Company has a $2.25 billion unsecured revolving credit facility (the “Credit Facility”) with a group of banks, which is scheduled to expire in March 2021, with two additional six-month options to extend the maturity date, at the Company’s discretion, to March 2022. This Credit Facility, which accrues interest at a rate of LIBOR plus 87.5 basis points (3.28% as of September 30, 2019), can be increased to $2.75 billion through an accordion feature. In addition, the Credit Facility includes a $500.0 million sub-limit which provides the Company the opportunity to borrow in alternative currencies including Canadian Dollars, British Pounds Sterling, Japanese Yen or Euros. Pursuant to the terms of the Credit Facility, the Company, among other things, is subject to covenants requiring the maintenance of (i) maximum leverage ratios on both unsecured and secured debt and (ii) minimum interest and fixed coverage ratios. As of September 30, 2019, the Credit Facility had a balance of $200.0 million outstanding and $0.3 million appropriated for letters of credit.

Pursuant to the terms of the Credit Facility, the Company, among other things, is subject to maintenance of various covenants. The Company is currently in compliance with these covenants. The financial covenants for the Credit Facility are as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Covenant** |  | **Must Be** |  |  | **As of September 30, 2019** |  |
| Total Indebtedness to Gross Asset Value (“GAV”) |  | <60% |  |  | 38% |  |
| Total Priority Indebtedness to GAV |  | <35% |  |  | 3% |  |
| Unencumbered Asset Net Operating Income to Total Unsecured Interest Expense |  | >1.75x |  |  | 4.3x |  |
| Fixed Charge Total Adjusted EBITDA to Total Debt Service |  | >1.50x |  |  | 3.4x |  |

For a full description of the Credit Facility’s covenants, refer to the Amended and Restated Credit Agreement dated as of February 1, 2018, filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K dated January 30, 2018.

31

[Table of Contents](#toc)

*Mortgages and Construction Loan Payable –*

During the nine months ended September 30, 2019, the Company repaid $6.2 million of mortgage debt that encumbered two operating properties.

In August 2018, the Company closed on a construction loan commitment of $67.0 million relating to one of its development projects. This loan commitment is scheduled to mature in August 2020, with six additional six-month options to extend the maturity date to August 2023 and bears interest at a rate of LIBOR plus 180 basis points (4.20% as of September 30, 2019). As of September 30, 2019, the construction loan had a balance of $59.7 million outstanding.

In addition to the public equity and debt markets as capital sources, the Company may, from time-to-time, obtain mortgage financing on selected properties and construction loan financing to partially fund the capital needs of its real estate development projects. As of September 30, 2019, the Company had over 320 unencumbered property interests in its portfolio.

*Dividends –*

In connection with its intention to continue to qualify as a REIT for federal income tax purposes, the Company expects to continue paying regular dividends to its stockholders. These dividends will be paid from operating cash flows. The Company’s Board of Directors will continue to evaluate the Company’s dividend policy on a quarterly basis as the Board of Directors monitors sources of capital and evaluates the impact of the economy and capital markets availability on operating fundamentals.  Since cash used to pay dividends reduces amounts available for capital investment, the Company generally intends to maintain a conservative dividend payout ratio, reserving such amounts as it considers necessary for the expansion and renovation of shopping centers in its portfolio, debt reduction, the acquisition of interests in new properties and other investments as suitable opportunities arise and such other factors as the Board of Directors considers appropriate.  Cash dividends paid for common and preferred issuances of stock for the nine months ended September 30, 2019 and 2018 were $401.3 million and $397.2 million, respectively.

Although the Company receives substantially all of its rental payments on a monthly basis, it generally intends to continue paying dividends quarterly. Amounts accumulated in advance of each quarterly distribution will be invested by the Company in short-term money market or other suitable instruments. On July 23, 2019, the Company’s Board of Directors declared a quarterly cash dividend of $0.28 per common share payable to shareholders of record on October 2, 2019, which was paid on October 15, 2019. Additionally, on October 21, 2019, the Company’s Board of Directors declared a quarterly cash dividend of $0.28 per common share payable to shareholders of record on January 2, 2020, which is scheduled to be paid on January 15, 2020.

The Company’s Board of Directors also declared quarterly dividends with respect to the Company’s various classes of cumulative redeemable preferred shares (Classes I, J, K, L and M). All dividends on the redeemed preferred shares (Classes I and K) were paid on the redemption date, September 14, 2019. All dividends on the remaining preferred shares (Classes J, L and M) were paid on October 15, 2019, to shareholders of record on October 1, 2019. Additionally, the Company’s Board of Directors also declared quarterly dividends with respect to the Company’s various classes of cumulative redeemable preferred shares (Classes J, L and M). All dividends on the preferred shares are scheduled to be paid on January 15, 2019, to shareholders of record on January 2, 2020.

*Hurricane Impact –*

On September 20, 2017, Hurricane Maria struck Puerto Rico as a Category 4 hurricane which resulted in widespread damage, flooding, and power outages. The Company has interests in seven operating properties located throughout Puerto Rico, aggregating 2.2 million square feet of GLA, which were variously impacted by the hurricane. The Company maintains a comprehensive property insurance policy on these properties with total coverage of up to $62.0 million, as well as business interruption insurance with coverage up to $39.3 million in the aggregate, subject to a collective deductible of $1.2 million.

The Company expects to collect property insurance proceeds (net of deductible) equal to the replacement cost of its damaged property, currently estimated to be approximately $30.3 million. As of September 30, 2019, the Company has collected property insurance proceeds totaling $23.2 million, which exceeds the $16.0 million previously written-off due to property damage by $7.2 million. During the nine months ended September 30, 2019, the Company collected property insurance proceeds of $3.0 million and recognized this as income, which is included in Other income, net on the Company’s Condensed Consolidated Statements of Income.

The Company’s business interruption insurance covers lost revenues as a result of the hurricane for a period of up to one year. After the expiration of one year following the loss, the policy has 365 days of an extended period of indemnity which provides business interruption coverage in the event the properties have not fully recovered from the storm. Although the Company primarily recovered its business interruption insurance claims during 2018 and 2017, it will continue to assess and process any future business interruption claims for the extended period of indemnity and will submit insurance claims for its losses, if any, under its business interruption insurance policy.

32

[Table of Contents](#toc)

*Other –*

The Company is subject to taxes on its activities in Canada, Puerto Rico and Mexico.  In general, under local country law applicable to the structures the Company has in place and applicable treaties, the repatriation of cash to the Company from its subsidiaries and joint ventures in Canada, Puerto Rico and Mexico generally are not subject to withholding tax. The Company is subject to and also includes in its tax provision non-U.S. income taxes on certain investments located in jurisdictions outside the U.S. These investments are held by the Company at the REIT level and not in the Company’s taxable REIT subsidiary. Accordingly, the Company does not expect a U.S. income tax impact associated with the repatriation of undistributed earnings from the Company’s foreign subsidiaries.

Funds From Operations

Funds From Operations (“FFO”) is a supplemental non-GAAP financial measure utilized to evaluate the operating performance of real estate companies. In December 2018, the National Association of Real Estate Investment Trusts (“NAREIT”) issued “NAREIT Funds From Operations White Paper – 2018 Restatement” which clarifies, where necessary, existing guidance and consolidates alerts and policy bulletins into a single document for ease of use.  NAREIT defines FFO as net income/(loss) available to the Company’s common shareholders computed in accordance with generally accepted accounting principles in the United States (“GAAP”), excluding (i) depreciation and amortization related to real estate, (ii) gains or losses from sales of certain real estate assets, (iii) gains and losses from change in control, (iv) impairment write-downs of certain real estate assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity and (v) after adjustments for unconsolidated partnerships and joint ventures calculated to reflect FFO on the same basis. Included in the 2018 Restatement is an option for the Company to make an election to include or exclude gains and losses on the sale of assets and impairments of assets incidental to its main business in the calculation of FFO. The main business of a REIT is acquiring, owning, operating, developing and redeveloping real estate in conjunction with its rental of real estate.  Incidental assets may include, but are not limited to, land peripheral to operating properties, property developed for sale, and securities. The NAREIT FFO White Paper – 2018 Restatement (“FFO White Paper – 2018 Restatement”) is effective for annual periods beginning after December 31, 2018 and interim periods reported within those periods.

As a result of adopting the FFO White Paper – 2018 Restatement, the Company has elected to exclude gains and losses on the sale of assets and impairments of assets incidental to its main business and to exclude mark-to-market changes in value of its equity securities in calculating FFO. As such, the Company will no longer include gains/impairments on land parcels, gains/losses (realized or unrealized) from marketable securities or gains/impairments on preferred equity participations in NAREIT defined FFO.

The Company presents FFO available to the Company’s common shareholders as it considers it an important supplemental measure of our operating performance and believes it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO available to the Company’s common shareholders when reporting results. Comparison of our presentation of FFO available to the Company’s common shareholders to similarly titled measures for other REITs may not necessarily be meaningful due to possible differences in the application of the NAREIT definition used by such REITs.

The Company also presents FFO available to the Company’s common shareholders as adjusted as an additional supplemental measure as it believes it is more reflective of its core operating performance and provides investors and analysts an additional measure to compare the Company’s performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. FFO available to the Company’s common shareholders as adjusted is generally calculated by the Company as FFO available to the Company’s common shareholders excluding certain transactional income and expenses and non-operating impairments which management believes are not reflective of the results within the Company’s operating real estate portfolio.

FFO is a supplemental non-GAAP financial measure of real estate companies’ operating performances, which does not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered an alternative for net income or cash flows from operations as a measure of liquidity.  Our method of calculating FFO available to the Company’s common shareholders and FFO available to the Company’s common shareholders as adjusted may be different from methods used by other REITs and, accordingly, may not be comparable to such other REITs.

The Company’s reconciliation of net income available to the Company’s common shareholders to FFO available to the Company’s common shareholders and FFO available to the Company’s common shareholders as adjusted, is reflected in the table below (in thousands, except per share data). In conjunction with the adoption of NAREIT’s FFO White Paper – 2018 Restatement, the Company has reclassified $4.2 million and $14.4 million from transactional income into FFO available to the Company’s common shareholders for the three and nine months ended September 30, 2018, respectively, relating to incidental gains and losses on the sale of assets and mark-to-market changes in equity securities. This reclassification had no impact on FFO available to the Company’s common shareholders as adjusted for the three and nine months ended September 30, 2018.

33

[Table of Contents](#toc)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine months Ended September 30,** | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |  | **2019** | |  |  | **2018** | |  |
| **Net income available to the Company’s common shareholders** |  | **$** | **59,048** |  |  | **$** | **85,624** |  |  | **$** | **247,176** |  |  | **$** | **365,977** |  |
| Gain on sale of properties/change in control of interests |  |  | (9,025 | ) |  |  | (32,477 | ) |  |  | (47,382 | ) |  |  | (186,689 | ) |
| Gain on sale of joint venture properties |  |  | (1,988 | ) |  |  | (2,554 | ) |  |  | (15,174 | ) |  |  | (6,103 | ) |
| Depreciation and amortization – real estate related |  |  | 68,250 |  |  |  | 74,751 |  |  |  | 208,233 |  |  |  | 230,993 |  |
| Depreciation and amortization – real estate joint ventures |  |  | 9,768 |  |  |  | 11,871 |  |  |  | 30,044 |  |  |  | 32,766 |  |
| Impairment charges |  |  | 20,982 |  |  |  | 3,338 |  |  |  | 45,637 |  |  |  | 33,971 |  |
| Profit participation from other real estate investments, net |  |  | - |  |  |  | (485 | ) |  |  | (9,784 | ) |  |  | (10,466 | ) |
| (Gain)/loss on marketable securities |  |  | 199 |  |  |  | 557 |  |  |  | (1,375 | ) |  |  | 2,043 |  |
| Noncontrolling interests (1) |  |  | (309 | ) |  |  | (411 | ) |  |  | (890 | ) |  |  | (2,334 | ) |
| **FFO available to the Company’s common shareholders** |  |  | **146,925** |  |  |  | **140,214** |  |  |  | **456,485** |  |  |  | **460,158** |  |
| Transactional (income)/expense: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Distribution in excess of basis |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (3,550 | ) |
| Severance costs |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 1,185 |  |
| Gain on forgiveness of debt |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (4,274 | ) |
| Preferred stock redemption charges |  |  | 11,369 |  |  |  | - |  |  |  | 11,369 |  |  |  |  |  |
| Prepayment penalties |  |  | - |  |  |  | 12,762 |  |  |  | - |  |  |  | 12,762 |  |
| Insurance proceeds in excess of related loss |  |  | (1,000 | ) |  |  | (1,500 | ) |  |  | (3,000 | ) |  |  | (1,500 | ) |
| Other income, net |  |  | - |  |  |  | 611 |  |  |  | - |  |  |  | 847 |  |
| Total transactional income, net |  |  | 10,369 |  |  |  | 11,873 |  |  |  | 8,369 |  |  |  | 5,470 |  |
| **FFO available to the Company's common shareholders as adjusted** |  | **$** | **157,294** |  |  | **$** | **152,087** |  |  | **$** | **464,854** |  |  | **$** | **465,628** |  |
| Weighted average shares outstanding for FFO calculations: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic |  |  | 419,823 |  |  |  | 419,230 |  |  |  | 419,663 |  |  |  | 421,106 |  |
| Units |  |  | 833 |  |  |  | 823 |  |  |  | 839 |  |  |  | 926 |  |
| Dilutive effect of equity awards |  |  | 1,120 |  |  |  | 534 |  |  |  | 1,273 |  |  |  | 515 |  |
| Diluted (2) |  |  | 421,776 |  |  |  | 420,587 |  |  |  | 421,774 |  |  |  | 422,547 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **FFO per common share – basic** |  | $ | 0.35 |  |  | $ | 0.33 |  |  | $ | 1.09 |  |  | $ | 1.09 |  |
| **FFO per common share – diluted** (2) |  | $ | 0.35 |  |  | $ | 0.33 |  |  | $ | 1.08 |  |  | $ | 1.09 |  |
| **FFO as adjusted per common share – basic** |  | $ | 0.37 |  |  | $ | 0.36 |  |  | $ | 1.10 |  |  | $ | 1.11 |  |
| **FFO as adjusted per common share – diluted** (2) |  | $ | 0.37 |  |  | $ | 0.36 |  |  | $ | 1.10 |  |  | $ | 1.10 |  |

|  |  |  |
| --- | --- | --- |
|  | (1) | Related to gains, impairment and depreciation on properties, where applicable. |

|  |  |  |
| --- | --- | --- |
|  | (2) | Reflects the potential impact if certain units were converted to common stock at the beginning of the period, which would have a dilutive effect on FFO available to the Company’s common shareholders. FFO available to the Company’s common shareholders would be increased by $213 and $223 for the three months ended September 30, 2019 and 2018, respectively, and $670 and $787 for the nine months ended September 30, 2019 and 2018, respectively. The effect of other certain convertible units would have an anti-dilutive effect upon the calculation of Net income available to the Company’s common shareholders per share. Accordingly, the impact of such conversion has not been included in the determination of diluted earnings per share calculations. |

Same Property Net Operating Income(“Same property NOI”)

Same property NOI is a supplemental non-GAAP financial measure of real estate companies’ operating performance and should not be considered an alternative to net income in accordance with GAAP or cash flows from operations as a measure of liquidity. The Company considers Same property NOI as an important operating performance measure because it is frequently used by securities analysts and investors to measure only the net operating income of properties that have been owned by the Company for the entire current and prior year reporting periods. It excludes properties under redevelopment, development and pending stabilization; properties are deemed stabilized at the earlier of (i) reaching 90% leased or (ii) one year following a project’s inclusion in operating real estate. Same property NOI assists in eliminating disparities in net income due to the development, acquisition or disposition of properties during the particular period presented, and thus provides a more consistent performance measure for the comparison of the Company's properties.

Same property NOI is calculated using revenues from rental properties (excluding straight-line rent adjustments, lease termination fees, TIFs and amortization of above/below market rents) less charges for bad debt, operating and maintenance expense, real estate taxes and rent expense plus the Company’s proportionate share of Same property NOI from unconsolidated real estate joint ventures, calculated on the same basis. The Company’s method of calculating Same property NOI available to the Company’s common shareholders may differ from methods used by other REITs and, accordingly, may not be comparable to such other REITs.

34

[Table of Contents](#toc)

The following is a reconciliation of Net income available to the Company’s common shareholders to Same property NOI (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended September 30,** | | | | | |  |  | **Nine Months Ended September 30,** | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |  | **2019** | |  |  | **2018** | |  |
| **Net income available to the Company’s common shareholders** |  | **$** | **59,048** |  |  | **$** | **85,624** |  |  | **$** | **247,176** |  |  | **$** | **365,977** |  |
| Adjustments: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Management and other fee income |  |  | (3,690 | ) |  |  | (4,381 | ) |  |  | (12,229 | ) |  |  | (12,762 | ) |
| General and administrative |  |  | 23,832 |  |  |  | 21,348 |  |  |  | 72,296 |  |  |  | 67,775 |  |
| Impairment charges |  |  | 19,609 |  |  |  | 3,336 |  |  |  | 41,235 |  |  |  | 33,855 |  |
| Depreciation and amortization |  |  | 68,874 |  |  |  | 74,972 |  |  |  | 209,440 |  |  |  | 236,114 |  |
| Gain on sale of properties/change in control of interests |  |  | (9,025 | ) |  |  | (28,250 | ) |  |  | (47,382 | ) |  |  | (180,461 | ) |
| Interest and other expense, net |  |  | 38,819 |  |  |  | 51,624 |  |  |  | 122,751 |  |  |  | 138,545 |  |
| Benefit for income taxes, net |  |  | (3,866 | ) |  |  | (315 | ) |  |  | (3,580 | ) |  |  | (983 | ) |
| Equity in income of other real estate investments, net |  |  | (3,265 | ) |  |  | (5,045 | ) |  |  | (22,758 | ) |  |  | (24,638 | ) |
| Net income attributable to noncontrolling interests |  |  | 1,463 |  |  |  | 567 |  |  |  | 2,332 |  |  |  | 882 |  |
| Preferred stock redemption charges |  |  | 11,369 |  |  |  | - |  |  |  | 11,369 |  |  |  | - |  |
| Preferred dividends |  |  | 13,573 |  |  |  | 14,534 |  |  |  | 42,641 |  |  |  | 43,657 |  |
| Non same property net operating income |  |  | (18,047 | ) |  |  | (22,910 | ) |  |  | (69,422 | ) |  |  | (98,645 | ) |
| Non-operational expense from joint ventures, net |  |  | 14,611 |  |  |  | 17,690 |  |  |  | 39,529 |  |  |  | 47,198 |  |
| **Same property NOI** |  | **$** | **213,305** |  |  | **$** | **208,794** |  |  | **$** | **633,398** |  |  | **$** | **616,514** |  |

Same property NOI increased by $4.5 million or 2.2% for the three months ended September 30, 2019, as compared to the corresponding period in 2018. This increase is primarily the result of (i) an increase of $5.6 million related to lease-up and rent commencements in the portfolio, partially offset by (ii) a decrease in other property income of $1.1 million.

Same property NOI increased by $16.9 million or 2.7% for the nine months ended September 30, 2019, as compared to the corresponding period in 2018. This increase is primarily the result of (i) an increase of $18.0 million related to lease-up and rent commencements in the portfolio, partially offset by (ii) a decrease in other property income of $1.1 million.

Leasing Activity

During the nine months ended September 30, 2019, the Company executed 724 leases totaling over 5.4 million square feet in the Company’s consolidated operating portfolio comprised of 242 new leases and 482 renewals and options. The leasing costs associated with new leases are estimated to aggregate $66.0 million or $44.98 per square foot. These costs include $53.2 million of tenant improvements and $12.8 million of external leasing commissions. The average rent per square foot on new leases was $21.57 and on renewals and options was $16.02.

Tenant Lease Expirations

At September 30, 2019, the Company has a total of 5,527 leases in the U.S. consolidated operating portfolio. The following table sets forth the aggregate lease expirations for each of the next ten years, assuming no renewal options are exercised. For purposes of the table, the Total Annual Base Rent Expiring represents annualized rental revenue, excluding the impact of straight-line rent, for each lease that expires during the respective year. Amounts in thousands, except for number of lease data:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year Ending**  **December 31,** |  |  | **Number of Leases**  **Expiring** |  |  | **Square Feet**  **Expiring** |  |  | **Total Annual Base**  **Rent Expiring** | |  |  | **% of Gross**  **Annual Rent** | |  |
| (1) |  |  | 133 |  |  | 332 |  |  | $ | 8,533 |  |  |  | 1.0 | % |
| 2019 |  |  | 102 |  |  | 475 |  |  | $ | 8,579 |  |  |  | 1.0 | % |
| 2020 |  |  | 665 |  |  | 3,990 |  |  | $ | 69,606 |  |  |  | 8.4 | % |
| 2021 |  |  | 768 |  |  | 5,945 |  |  | $ | 91,956 |  |  |  | 11.1 | % |
| 2022 |  |  | 838 |  |  | 6,109 |  |  | $ | 104,412 |  |  |  | 12.6 | % |
| 2023 |  |  | 727 |  |  | 5,866 |  |  | $ | 99,903 |  |  |  | 12.1 | % |
| 2024 |  |  | 649 |  |  | 5,468 |  |  | $ | 94,177 |  |  |  | 11.4 | % |
| 2025 |  |  | 337 |  |  | 2,157 |  |  | $ | 53,370 |  |  |  | 6.5 | % |
| 2026 |  |  | 249 |  |  | 3,821 |  |  | $ | 54,789 |  |  |  | 6.6 | % |
| 2027 |  |  | 254 |  |  | 3,318 |  |  | $ | 50,927 |  |  |  | 6.2 | % |
| 2028 |  |  | 323 |  |  | 3,365 |  |  | $ | 62,411 |  |  |  | 7.6 | % |
| 2029 |  |  | 244 |  |  | 2,538 |  |  | $ | 43,507 |  |  |  | 5.3 | % |

|  |  |  |
| --- | --- | --- |
|  | (1) | Leases currently under month to month lease or in process of renewal. |

35

[Table of Contents](#toc)

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

The Company’s primary market risk exposure is interest rate risk. The Company periodically evaluates its exposure to short-term interest rates and will, from time-to-time, enter into interest rate protection agreements which mitigate, but do not eliminate, the effect of changes in interest rates on its floating-rate debt. The Company has not, and does not plan to, enter into any derivative financial instruments for trading or speculative purposes. The following table presents the Company’s aggregate fixed rate and variable rate debt obligations outstanding, including fair market value adjustments and unamortized deferred financing costs, as of September 30, 2019, with corresponding weighted average interest rates sorted by maturity date. The table does not include extension options where available (amounts in millions).

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **2019** | |  |  | **2020** | |  |  | **2021** | |  |  | **2022** | |  |  | **2023** | |  |  | **Thereafter** | |  |  | **Total** | |  |  | **Fair Value** | |  |
| **Secured Debt** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Fixed Rate |  | $ | - |  |  | $ | 101.1 |  |  | $ | 146.6 |  |  | $ | 147.8 |  |  | $ | 11.9 |  |  | $ | 16.0 |  |  | $ | 423.4 |  |  | $ | 426.0 |  |
| Average Interest Rate |  |  | - |  |  |  | 5.43 | % |  |  | 5.39 | % |  |  | 4.05 | % |  |  | 3.23 | % |  |  | 6.83 | % |  |  | 4.92 | % |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Floating Rate |  | $ | - |  |  | $ | 59.2 |  |  | $ | - |  |  | $ | - |  |  | $ | - |  |  | $ | - |  |  | $ | 59.2 |  |  | $ | 60.1 |  |
| Average Interest Rate |  |  | - |  |  |  | 4.20 | % |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 4.20 | % |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Unsecured Debt** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Fixed Rate |  | $ | - |  |  | $ | - |  |  | $ | 483.8 |  |  | $ | 496.7 |  |  | $ | 348.1 |  |  | $ | 3,304.2 |  |  | $ | 4,632.8 |  |  | $ | 4,800.2 |  |
| Average Interest Rate |  |  | - |  |  |  | - |  |  |  | 3.20 | % |  |  | 3.40 | % |  |  | 3.13 | % |  |  | 3.60 | % |  |  | 3.50 | % |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Floating Rate |  | $ | - |  |  | $ | - |  |  | $ | 197.2 |  |  | $ | - |  |  | $ | - |  |  | $ | - |  |  | $ | 197.2 |  |  | $ | 199.8 |  |
| Average Interest Rate |  |  | - |  |  |  | - |  |  |  | 3.28 | % |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 3.28 | % |  |  |  |  |

Based on the Company’s variable-rate debt balances, interest expense would have increased by $1.9 million for the nine months ended September 30, 2019 if short-term interest rates were 1.0% higher.

**Item 4.  Controls and Procedures.**

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on such evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company’s disclosure controls and procedures are effective.

In July 2019, the Company implemented a new operating and accounting software system and accordingly has updated its internal control over financial reporting, as necessary, to accommodate modifications to its business processes related to the implementation of the new system.

Other than as noted above, there have not been any changes in the Company’s internal control over financial reporting during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

36

[Table of Contents](#toc)

**PART II**

**OTHER INFORMATION**

**Item 1.  Legal Proceedings.**

The following information supplements and amends our discussion set forth under Part I, Item 3 "Legal Proceedings" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

The Company is not presently involved in any litigation nor, to its knowledge, is any litigation threatened against the Company or its subsidiaries that, in management's opinion, would result in any material adverse effect on the Company's ownership, management or operation of its properties taken as a whole, or which is not covered by the Company's liability insurance.

**Item 1A.  Risk Factors.**

There are no material changes from risk factors as previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

Issuer Purchases of Equity Securities

During the nine months ended September 30, 2019, the Company repurchased 220,130 shares for an aggregate purchase price of $3.9 million (weighted average price of $17.71 per share) in connection with common shares surrendered or deemed surrendered to the Company to satisfy statutory minimum tax withholding obligations in connection with the vesting of restricted stock awards under the Company’s equity-based compensation plans.

In addition, during February 2018, the Company’s Board of Directors authorized a share repurchase program, which is effective for a term of two years, pursuant to which the Company may repurchase shares of its common stock, par value $0.01 per share, with an aggregate gross purchase price of up to $300.0 million. The Company did not repurchase any shares under the share repurchase program during the nine months ended September 30, 2019. As of September 30, 2019, the Company had $224.9 million available under this common share repurchase program.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Period** |  | **Total Number**  **of Shares**  **Purchased** | |  |  | **Average**  **Price Paid**  **per Share** | |  |  | **Total Number of**  **Shares Purchased**  **as Part of Publicly**  **Announced Plans**  **or Programs** | |  |  | **Approximate Dollar**  **Value of Shares that May**  **Yet Be Purchased Under**  **the Plans or Programs**  **(in millions)** | |  |
| January 1, 2019 – January 31, 2019 |  |  | 9,931 |  |  | $ | 14.62 |  |  |  | - |  |  | $ | 224.9 |  |
| February 1, 2019 – February 28, 2019 |  |  | 171,591 |  |  |  | 17.73 |  |  |  | - |  |  |  | 224.9 |  |
| March 1, 2019 – March 31, 2019 |  |  | 2,939 |  |  |  | 17.61 |  |  |  | - |  |  |  | 224.9 |  |
| April 1, 2019 – April 30, 2019 |  |  | 2,238 |  |  |  | 18.08 |  |  |  | - |  |  |  | 224.9 |  |
| May 1, 2019 – May 31, 2019 |  |  | 17,334 |  |  |  | 18.09 |  |  |  | - |  |  |  | 224.9 |  |
| June 1, 2019 – June 30, 2019 |  |  | 2,402 |  |  |  | 18.73 |  |  |  | - |  |  |  | 224.9 |  |
| July 1, 2019 – July 31, 2019 |  |  | 3,222 |  |  |  | 18.44 |  |  |  | - |  |  |  | 224.9 |  |
| August 1, 2019 – August 31, 2019 |  |  | 10,473 |  |  |  | 19.03 |  |  |  | - |  |  |  | 224.9 |  |
| September 1, 2019 – September 30, 2019 |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 224.9 |  |
| **Total** |  |  | **220,130** |  |  | **$** | **17.71** |  |  |  | **-** |  |  |  |  |  |

**Item 3.  Defaults Upon Senior Securities.**

None.

**Item 4.  Mine Safety Disclosures.**

Not applicable.

37

[Table of Contents](#toc)

**Item 5.  Other Information.**

None.

**Item 6.  Exhibits.**

Exhibits –

4.1 Agreement to File Instruments

Kimco Realty Corporation (the “Registrant”) hereby agrees to file with the Securities and Exchange Commission, upon request of the Commission, all instruments defining the rights of holders of long-term debt of the Registrant and its consolidated subsidiaries, and for any of its unconsolidated subsidiaries for which financial statements are required to be filed, and for which the total amount of securities authorized thereunder does not exceed 10 percent of the total assets of the Registrant and its subsidiaries on a consolidated basis.

|  |  |  |
| --- | --- | --- |
| 31.1 |  | [Certification of the Company’s Chief Executive Officer, Conor C. Flynn, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](ex_160264.htm) |
| 31.2 |  | [Certification of the Company’s Chief Financial Officer, Glenn G. Cohen, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](ex_160265.htm) |
| 32.1 |  | [Certification of the Company’s Chief Executive Officer, Conor C. Flynn, and the Company’s Chief Financial Officer, Glenn G. Cohen, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](ex_160266.htm) |
| 101.INS |  | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH |  | XBRL Taxonomy Extension Schema |
| 101.CAL |  | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF |  | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB |  | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE |  | XBRL Taxonomy Extension Presentation Linkbase |
| 104 |  | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

38

[Table of Contents](#toc)

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  | KIMCO REALTY CORPORATION |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| October 25, 2019 |  |  | /s/ Conor C. Flynn |
| (Date) |  |  | Conor C. Flynn |
|  |  |  | Chief Executive Officer |
|  |  |  |  |
|  |  |  |  |
| October 25, 2019 |  |  | /s/ Glenn G. Cohen |
| (Date) |  |  | Glenn G. Cohen |
|  |  |  | Chief Financial Officer |

39